Magnification and Performance of Various Derivatives in India

Toopalli Sirisha
Assistant Professor
Department of Management Studies
Sri Venkateswara College of Engineering
Tirupati-517507

Dr. Nalla Bala Kalyan
Associate Professor
Department of Management Studies
Sri Venkateswara College of Engineering
Tirupati-517507

Abstract:
As the initial step towards introduction of derivatives trading in India, SEBI set up a 24 member committee under the chairmanship of Dr. L. C. Gupta on November 18, 1996 to develop appropriate regulatory framework for derivatives trading in India. The committee submitted its report on March 17, 1998 recommending that derivatives should be declared as securities so that regulatory framework applicable to trading of securities could also govern trading of derivatives. Subsequently SEBI set up a group in June 1998 under the chairmanship of Prof .J. R. Verma, to recommend submitted its report in October 1998. It worked out the operational details of margining system, methodology for charging initial margins, membership details and net-worth criterion, deposit requirements and real time monitoring of positions requirements. The article focusing to evaluate the nature and growth of the derivatives market in India. Derivatives market helps shift of speculative traders from unorganized market to organized market. Risk management mechanism and surveillance of activities of various participants in organized space provide stability to the financial system. The main aim of the article is to examine the impact of futures, options, and swaps in Market Volatility.

Keywords: Commodity, Derivatives, Equity, India, Options

1. Introduction:

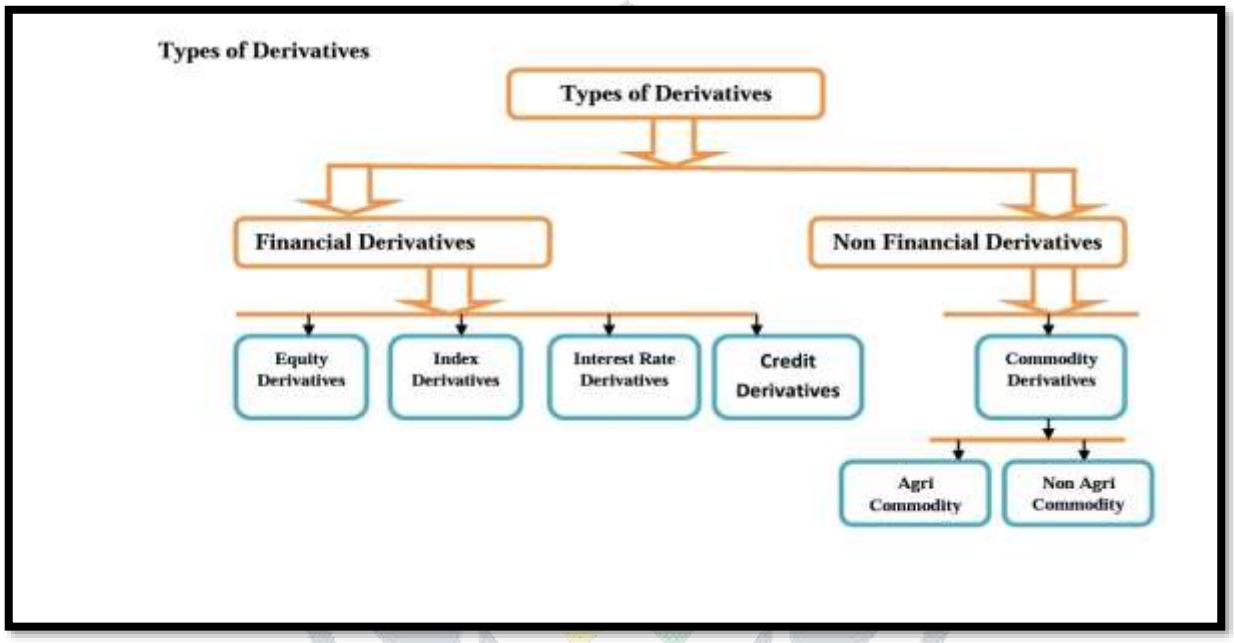
Derivatives are one of the most complex instruments. The word derivative comes from the word to derive. It indicates that it has no independent value. A derivative is a contract whose value is derived from the value of another asset, known as the underlying asset, which could be a share, a stock market index, an interest rate, a commodity, or a currency. The underlying is the identification tag for a derivative contract. When the price of the underlying changes the value of the derivative also changes. Without an underlying asset, derivatives do not have any meaning.

1.1 History of Derivatives

History of derivatives may be mapped back to the several centuries. Some of the specific milestones in evolution of derivatives market worldwide are given below: 12th century- In European trade fairs, sellers signed contracts promising future delivery of the items they sold. 13th century-There are many examples of contracts entered into by English Cistercian Monasteries, who frequently sold their wool up to 20 years in advance, to foreign merchants. 1634-1637 – Tulip Mania in Holland: fortunes were lost in after a speculative boom in tulip future burst. Late 17th century- in japan at Dojima, near Osaka, a future market in rice was developed to protect rise producers from bad weather or warfare. The origin of derivatives can be traced back to the need of farmers to protect themselves against fluctuations in the price of their crop. From the time it was sown to the time it was ready for harvest, farmers would face price uncertainty. Through the use of simple derivative products, it was

possible for the farmer to partially or fully transfer price risks by locking-in asset prices. These were simple contracts developed to meet the needs of farmers and were basically a means of reducing risk. Derivative markets in India have been in existence in one form or the other for a long time. In the area of commodities, the Bombay Cotton Trade Association started future trading way back in 1875. This was the first organized futures market. Then Bombay Cotton Exchange Ltd. in 1893, Gujarat Vyapari Mandall in 1900, Calcutta Hesstan Exchange Ltd. in 1919 had started future market. After the country attained independence, derivative market came through a full circle from prohibition of all sorts of derivative trades to their recent reintroduction. In 1952, the government of India banned cash settlement and options trading, derivatives trading shifted to informal forwards markets. In recent years government policy has shifted in favour of an increased role at market based pricing and less suspicious derivatives trading. The first step towards introduction of financial derivatives trading in India was the promulgation at the securities laws (Amendment) ordinance 1995. It provided for withdrawal at prohibition on options in securities. The last decade, beginning the year 2000, saw lifting of ban of futures trading in many commodities. Around the same period, national electronic commodity exchanges were also set up.

1.2 Types of Derivatives



Financial Derivatives

1. **Equity Derivatives:** An equity derivative is a financial instrument whose value is based on equity movements of the underlying asset. This value may takes from stocks and stock indexes.
2. **Index Derivatives:** Index derivatives are generally futures contract that are based on a stock or financial index like Nifty or Sensex and so on. This index derivatives are used to the hedging process, and minimize the risk occurred in one stock price by another stock.
3. **Interest Rate Derivatives:** It is a derivative instrument in which the underlying asset has the right to pay or receive money at a given rate of interest. In simple words, it is a financial instrument based on an underlying, the value of which is impacted by any change in the interest rates.
4. **Credit Derivatives:** It is a type of derivative in which the risk that a loan will not be repaid is sold to a party other than the lender. "Credit derivatives act as insurance for a company that invest in a corporate bond or loan".

Non Financial Derivatives

1. **Commodity Derivatives:** A derivative is a financial product which is based on a derived asset called underlying asset. In the commodity market the most commonly traded derivatives must be the futures/forwards.

- **Agri Commodity Derivatives:** The commodities which are cropped from agriculture are called agri commodities.
- **Non Agri Commodity Derivatives:** The commodities which are not from agriculture is called non agri commodity.

2. Research Methodology

Awareness about the various uses of derivatives can help investors to reduce the risk and minimize the losses. This study is attempted to observe the online trading of derivatives at NSE/BSE.

2.1. Scope of the Study

In real-time derivative instruments as a uncertain investment option because of lack of the basic knowledge. A close assessment of the derivative market brings out that the retail investors are ready to invest in the derivatives with a support extended by a third-party. Even the most experienced investors in the market are facing difficulties due to lack of information at the right time. This study aims to study Indian derivative market limited too few products.

2.2 Objectives of the Study

- To evaluate the nature and growth of the derivatives market in India
- To evaluate the progress and working of the derivatives market in India
- To examine the impact of futures, options, and swaps in Market Volatility
- To investigate the growth and performance of various derivatives in India

2.3 Limitations of the Study

- The derivatives market in India is a very enormous area of study.
- The derivatives study also has been to a large extent limited to the data available for derivatives trading on NSE and BSE in the public domain.

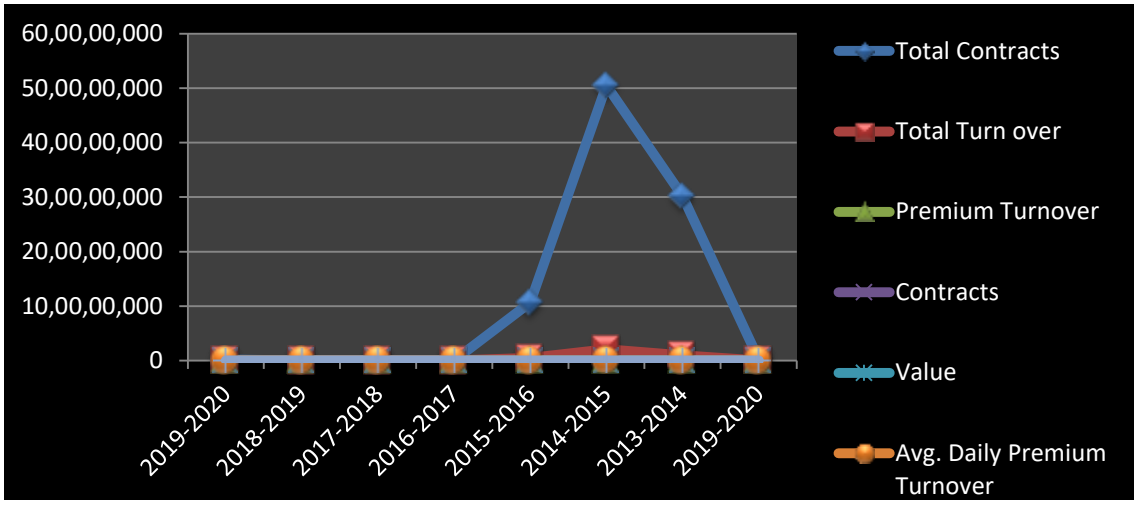
3. Data Analysis and Interpretation:

Trade details of derivatives at BSE

Table 1
Derivative Turn Over

Year	Total Contracts	Total Turn over	Premium Turnover	Contracts	Value	Avg. Daily Premium Turnover	No. of Trading Days
2019-2020	18,24,237	1,87,084.38	14,745.54	3,572	318.78	802.94	233
2018-2019	31,167	2,250.11	65.57	9	0.67	9.07	248
2017-2018	44,701	3,262.66	3,254.31	2	0.12	13.26	246
2016-2017	1,23,538	6,939.29	2,503.31	107	7.71	27.98	248
2015-2016	10,62,09,394	44,75,008.32	5,861.82	68	3.47	18,117.44	247
2014-2015	50,54,78,869	2,03,62,741.42	-	26,719	1,001.25	83,797.29	243
2013-2014	30,19,42,441	92,19,434.32	-	18,692	602.61	36,730.81	251
2019-2020	18,24,237	1,87,084.38	14,745.54	3,572	318.78	802.94	233

Graph 1
Derivative Turn Over

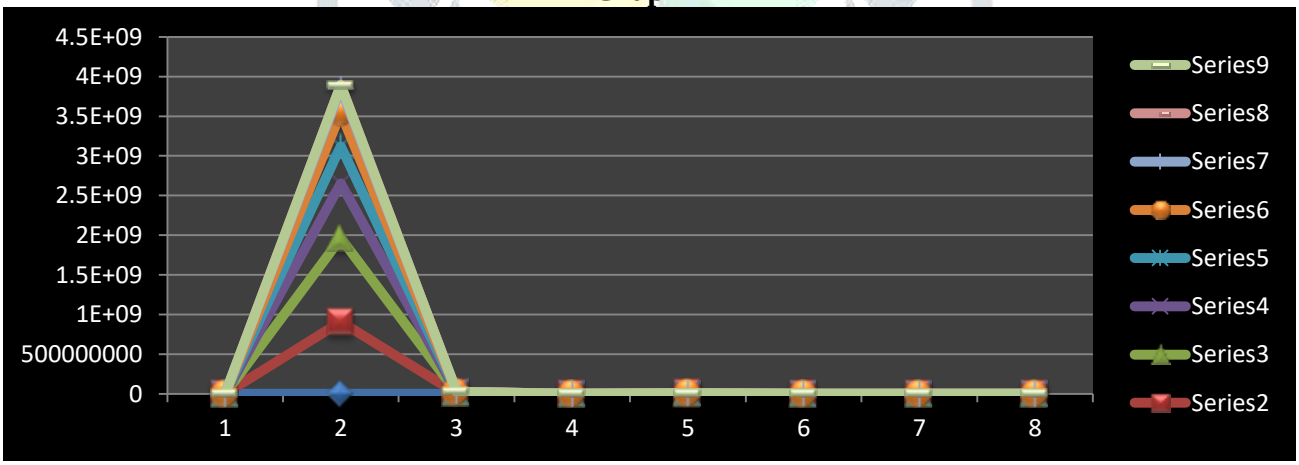


Currency Derivatives Turnover

Table 2
Currency Derivatives Turnover

Year	Total contracts	Total turn over	Premium turnover	Open Interest (No of contracts)	Avg. Daily Turnover	Avg. Daily Premium Turnover	No. of Trading Days
2019-2020	90,81,25,088	64,12,065.15	2,813.58	32,45,101	2,78,785.44	1,16,308.43	230
2018-2019	1,05,24,52,157	73,52,274.40	3,565.29	7,12,162	3,19,664.10	1,39,567.56	243
2017-2018	69,02,33,859	44,36,430.43	2,681.52	9,08,172	2,01,655.93	90,725.96	242
2016-2017	47,04,25,202	31,71,647.94	2,896.66	15,98,346	1,44,165.82	82,305.69	242
2015-2016	42,02,26,542	27,63,926.13	1,635.74	12,87,841	1,20,170.70	49,682.25	242
2014-2015	30,91,76,043	19,08,543.46	-	6,64,668	86,751.98	-	238
2013-2014	3,91,57,195	2,44,312.25	-	41,532	11,105.10	-	74

Graph 2



Commodity Derivatives Turn over: ALL (Agri, Energy, Precious Metal, Base Metal)

Table 3
Commodity Derivatives Turn over

Instrument	Date	Segment	Commodity	Traded Contract (Lots)	Total Value (Rs.Lacs)	Avg Daily Turnover (Lacs)
ALL	2020	ALL	ALL	140655	599010.17	11519.43
ALL	2019	ALL	ALL	871568	5388563.09	20967.17
ALL	2018	ALL	ALL	68348	1803235.52	28175.56

FII Equity Derivative Turnover

Graph 3

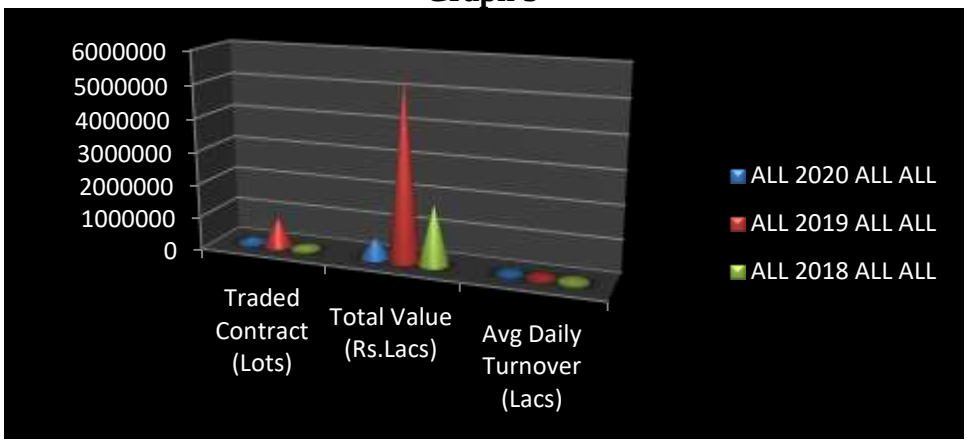


Table 4
FII Equity Derivative Turnover

	BSE EQUITY			ALL INDIA EQUITY		
Year	Buy	Sell	Net	Buy	SELL	NET
2019-2020	48,230.79	45,693.37	2,537.43	11,97,442.99	11,31,460.59	65,982.40
2018-2019	88,700.26	95,435.66	-6,735.39	12,43,228.11	12,47,121.61	-3,893.50
2017-2018	1,55,087.55	1,85,611.88	-30,524.33	13,56,517.51	13,29,476.37	27,041.14
2016-2017	1,29,944.90	1,26,776.43	3,168.45	12,23,457.58	11,54,771.96	68,685.62
2015-2016	1,26,452.06	1,30,711.42	-4,259.37	10,86,762.40	11,00,933.97	-14,171.57
2014-2015	1,74,979.29	1,69,162.61	5,816.68	11,46,192.94	10,34,847.16	1,11,345.78
2013-2014	76,580.25	68,931.33	7,648.92	7,69,597.90	6,94,263.40	75,334.40

Source: Compiled from NSE website

Graph 4
FII Equity Derivative Turnover

Derivatives Products Traded in Derivatives Segment of BSE: The Bombay Stock Exchange (BSE) created history on June 9, 2000 when it launched trading in Sensex based futures contract for the first time. It was then followed by trading in index options on June 1, 2001; in stock options and single stock futures (31 stocks) on July 9, 2001 and November 9, 2002, respectively. It permitted trading in the stocks of four leading companies namely; Satyam, State Bank of India, Reliance Industries and TISCO (renamed now Tata Steel). Chhota (mini) SENSEX7 was launched on January 1, 2008. With a small or 'mini' market lot of 5, it allows for comparatively lower capital outlay, lower trading costs, more precise hedging and flexible trading. Currency futures were introduced on October 1, 2008 to enable participants to hedge their currency risks through trading in the U.S. dollar- rupee future platforms. Table 4 summarily specifies the derivative products and their date of introduction on the BSE.

Table 5
Products Traded in Derivatives Segment of the BSE

S. No	Product	Traded with Underlying Asset	Introduction Date
1	Index Futures	Sensex	June 9,2000
2	Index Options	Sensex	June 1,2001
3	Individual Stock Option	Concerned Company Stock	July 9, 2001
4	Individual Stock futures	Concerned Company Stock	November 9,2002
5	Weekly Option	4 Stocks	September 13,2004
6	Chhota (mini)	SENSEX	January 1, 2008
7	**Currency Futures**	**US Dollar Rupee**	**October 1,2008**

Source: Compiled from BSE website

Derivatives Products Traded in Derivatives Segment of NSE

NSE started trading in index futures, based on popular S&P CNX Index, on June 12, 2000 as its first derivatives product. Trading in index options was introduced on June 4, 2001. On November 9, 2001, Futures on individual securities started. As stated by the Securities & Exchange Board of India (SEBI), futures contracts are available on 233 securities. Trading in options on individual securities commenced w.e.f. July 2, 2001. The options contracts, available on 233 securities, are of American style and cash settled. Trading in interest rate futures was started on 24 June 2003 but it was closed subsequently due to pricing problem. The NSE achieved another landmark in product introduction by launching Mini Index Futures & Options with a minimum contract size of Rs 1 lac. NSE created history by launching currency futures contract on US Dollar-Rupee on August 29, 2008 in Indian Derivatives market. Table 5 presents a description of the types of products traded at F& O segment of NSE.

Table 6

Products Traded in F&O Segment of NSE

S. No	Product	Traded with underlying asset	Introduction Date
1	Index Futures	S&P CNX Nifty	**June 12,2000**
2	Index Options	S&P CNX Nifty	**June 4,2001**
3	Individual Stock Option	Concerned Company Stock	**July 2, 2001**
4	Individual Stock futures	Concerned Company Stock	**November 9,2001**
5	Interest Rate Future	T – Bills and 10 Years Bond	**June 23,2003**
6	IT Futures & Options	CNX IT	**August 29,2003**
7	Nifty Futures & Options	Bank	**June 13,2005**
8	Nifty Junior Futures & Options	CNX	**June 1,2007**
9	Futures & Options	CNX100	**June 1,2007**
10	Midcap 50 Futures & Options	Nifty	**October 5,2007**
11	Mini index Futures & Options	S&P CNX Nifty index	**January 1, 2008**
12	long Term Option contracts	S&P CNX Nifty Index	**March 3,2008**
13	**Currency Future**	**US Dollar Rupee**	**August 29,2008**

Source: Compiled from NSE website

Future Market Analysis

Table 7
TCS Stock Futures

DATE	OPEN	HIGH	LOW	CLOSE	SETTLE PRICE	CONTRACTS	TURNOVER(IN LACS)	OI
29-Mar-2019	2025.95	2036.95	2001.05	2014.60	2014.60	11093	55944.77	13977000
28-Mar-2019	1990.85	2030.00	1987.15	2017.00	2017.00	26998	135356.58	14054250
27-Mar-2019	2005.00	2011.90	1979.05	1984.05	1984.05	15025	75019.01	10033250
26-Mar-2019	1995.00	2010.00	1970.00	1997.40	1997.40	17164	85071.66	7617500
25-Mar-2019	2016.00	2022.85	1991.65	1999.30	1999.30	14586	72968.48	4882000
22-Mar-2019	2014.50	2027.80	2001.00	2019.60	2019.60	6117	30823.74	2108750
20-Mar-2019	2051.50	2062.90	2016.00	2030.25	2030.25	20195	11220.25	939000
19-Mar-2019	2035.70	2051.30	2013.00	2044.60	2044.60	1204	6117.22	607000
18-Mar-2019	2076.00	2079.00	2030.05	2041.60	2041.60	682	3496.37	452500
15-Mar-2019	2016.65	2087.70	2016.65	2058.70	2058.70	1551	7998.66	396750
14-Mar-2019	2017.80	2020.00	1997.00	2007.40	2007.40	604	3027.43	209000
13-Mar-2019	2027.50	2034.95	1998.75	2014.60	2014.60	332	1675.01	100250
12-Mar-2019	2026.20	2039.40	2017.80	2029.55	2029.55	143	725.92	86250
11-Mar-2019	2037.65	2046.30	2020.75	2029.70	2029.70	159	806.92	82000
08-Mar-2019	2034.50	2048.70	2026.80	2041.70	2041.70	254	1293.71	80000
07-Mar-2019	2020.00	2041.05	2020.00	2032.85	2032.85	169	856.97	66250
06-Mar-2019	2003.75	2035.00	2001.70	2020.85	2020.85	136	687.56	57000
05-Mar-2019	2007.00	2008.15	1993.50	2002.55	2002.55	93	465.53	57750

15/03/2019(buying) 2058.70
29/03/2019(closing) 2014.602014.60
Loss = 44.10 Profit = 44.10
Loss = 44.10*250 = 11025 Profit = 44.10*250 = 11025

Interpretation: From the above table 7 it understood that FUTURE (BUY) has been increasing which in turn leads to increases the profit. FUTURE (SELL) increases which in turn lead to loss.

Option Market Analysis

Table 8

TCS STOCK March Equity

Symbol	Series	Date	Prev Close	Open Price	High Price	Low Price	Last Price	Close Price	VWAP	Total Traded Quantity	Turnover ₹
TCS	EQ	05-Mar-2019	1,995.40	2,005.00	2,007.00	1,976.60	1,985.05	1,988.10	1,987.11	24,49,622	4,86,76,70,461.50
TCS	EQ	06-Mar-2019	1,988.10	1,989.30	2,015.00	1,985.05	2,005.00	1,999.60	2,001.30	26,35,047	5,27,35,30,564.35
TCS	EQ	07-Mar-2019	1,999.60	2,005.00	2,024.05	2,000.20	2,015.00	2,013.30	2,014.40	25,39,884	5,11,63,30,320.40
TCS	EQ	08-Mar-2019	2,013.30	2,025.00	2,033.00	2,010.05	2,022.75	2,022.70	2,023.03	20,31,071	4,10,89,21,516.40
TCS	EQ	11-Mar-2019	2,022.70	2,028.90	2,033.00	2,003.65	2,016.15	2,014.80	2,017.10	31,11,689	6,27,65,93,842.10
TCS	EQ	12-Mar-2019	2,014.80	2,014.05	2,024.80	2,003.00	2,009.10	2,012.45	2,015.60	26,58,550	5,35,85,83,632.50
TCS	EQ	13-Mar-2019	2,012.45	2,013.00	2,015.90	1,978.60	1,995.00	2,000.50	2,001.12	18,33,163	3,66,83,74,639.65
TCS	EQ	14-Mar-2019	2,000.50	2,004.95	2,007.80	1,981.00	1,990.40	1,987.40	1,991.28	19,05,495	3,79,43,68,663.95
TCS	EQ	15-Mar-2019	1,987.40	1,998.90	2,068.95	1,991.00	2,036.00	2,039.95	2,040.01	51,84,318	10,57,60,85,296.25
TCS	EQ	18-Mar-2019	2,039.95	2,043.00	2,064.60	2,011.00	2,023.85	2,022.80	2,033.02	23,49,915	4,77,74,35,477.20
TCS	EQ	19-Mar-2019	2,022.80	2,030.00	2,030.00	1,995.10	2,028.50	2,022.80	2,010.71	23,73,993	4,77,34,16,985.45
TCS	EQ	20-Mar-2019	2,022.80	2,028.00	2,044.80	2,000.00	2,000.25	2,015.05	2,025.82	30,91,165	6,26,21,36,193.40
TCS	BL	22-Mar-2019	1,925.65	2,015.05	2,015.05	2,015.05	2,015.05	2,015.05	2,015.05	2,64,913	53,38,12,940.65
TCS	EQ	22-Mar-2019	2,015.05	2,015.00	2,016.00	1,983.30	2,010.00	2,005.65	1,998.96	31,48,149	6,29,30,31,836.95
TCS	EQ	25-Mar-2019	2,005.65	2,007.80	2,007.80	1,977.20	1,980.80	1,984.25	1,987.88	24,29,205	4,82,89,60,486.25
TCS	EQ	26-Mar-2019	1,984.25	1,984.00	1,994.95	1,958.05	1,977.40	1,982.65	1,971.46	23,16,539	4,56,69,62,637.55
TCS	EQ	27-Mar-2019	1,982.65	1,994.00	1,998.00	1,961.00	1,964.85	1,967.90	1,979.12	22,66,166	4,48,50,03,551.40
TCS	EQ	28-Mar-2019	1,967.90	1,980.00	2,014.60	1,972.80	2,004.45	2,000.30	1,993.96	40,54,489	8,08,45,06,923.20
TCS	EQ	29-Mar-2019	2,000.30	2,019.00	2,024.90	1,983.55	2,000.00	2,001.65	2,001.70	29,48,955	5,90,29,26,700.50

This analysis is useful to know where to buy and sell options as such as call and put.
Open price= 2005.00 on 05th mar 19
Low price= 1958.05 on 29th mar 19
High price= 2068.95 on 15th mar 19
Close price= 2001.65 on 29thmar 19
Break Even point (BEP) = (high price +low price)/2
= (2068.95+1958.05)/2
=2013.5

Margin of safety (MOS):

Margin of safety = opening share value-BEP
= 2005.00 – 2013.5
= -8.5

Here margin of safety is negative. So, investor gets more loss and shorts. Investors can buy a put option to get more profits. Investor suggested avoiding investing in call option.

Margin of safety= high price value-BEP
=2068.95 – 2013.5
= 55.45

Here margin of safety is negative. So, investor gets more profits and longs. Investors can buy a put option to get more profits. Investor suggested selling their in call options for more profits.

Margin of safety= low share value-BEP
=1958.05 – 2013.5
= - 55.45

Here margin of safety is negative. So, investor gets more loss and shorts. Investors can sell a put option to get more profits. Investor suggested avoiding investing in call option.

Interpretation: From the above calculation, it is observed TCS stock is at BEP 2013.5 at the high price of TCS stock the margin of safety is as 55.45 and the low price of TCS stock the margin of safety is -55.45. And the open price of TCS stock the margin of safety is -8.5.

TCS STOCK CALL OPTION TABLE MARCH (STRIKE PRICE= 1700)

Table 9

Buyers Pay Off:

DATE	OPEN	HIGH	LOW	CLOSE	SETTLE PRICE	CONTRACTS	TURNOVER(IN LACS)	OI
29-Mar-2019	312.40	313.00	312.40	313.00	313.00	3	15.09	2000
28-Mar-2019	306.00	306.00	306.00	306.00	306.00	1	5.02	1250
27-Mar-2019	0.00	0.00	0.00	301.00	278.30	0	0.00	1000
26-Mar-2019	0.00	0.00	0.00	301.00	293.35	0	0.00	1000
25-Mar-2019	304.00	304.00	301.00	301.00	301.00	4	20.03	1000
22-Mar-2019	0.00	0.00	0.00	350.15	318.25	0	0.00	0
20-Mar-2019	0.00	0.00	0.00	350.15	328.50	0	0.00	0
19-Mar-2019	0.00	0.00	0.00	350.15	336.75	0	0.00	0
18-Mar-2019	0.00	0.00	0.00	350.15	337.45	0	0.00	0
15-Mar-2019	0.00	0.00	0.00	350.15	355.85	0	0.00	0
14-Mar-2019	0.00	0.00	0.00	350.15	304.35	0	0.00	0
13-Mar-2019	0.00	0.00	0.00	350.15	317.90	0	0.00	0
12-Mar-2019	0.00	0.00	0.00	350.15	330.30	0	0.00	0
11-Mar-2019	0.00	0.00	0.00	350.15	333.55	0	0.00	0
08-Mar-2019	0.00	0.00	0.00	350.15	343.15	0	0.00	0
07-Mar-2019	0.00	0.00	0.00	350.15	335.30	0	0.00	0
06-Mar-2019	0.00	0.00	0.00	350.15	323.60	0	0.00	0
05-Mar-2019	0.00	0.00	0.00	350.15	314.40	0	0.00	0

Spot price on 5th November
Spot price 1988
Strike price 1700
Amount 288
Premium paid (-) 314.40
Net loss26.4*250
Buyer loss =6600

Interpretation: From the above calculation it is inferred that even though spot price amount is positive, the premium paid is negative. Hence buyer gets loss.

Sellers Pay Off:

Strike price 1700
Spot price 1988
Amount -288
Premium received 314.40
profit26.4*250
Seller profit =6600

Interpretation: From the above calculation it is inferred that even though spot price amount is negative, the premium paid is positive. Hence seller gets profit.

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Table 10
TCS STOCK PUT OPTION TABLE MARCH (STRIKE PRICE= 1700)

DATE	OPEN	HIGH	LOW	CLOSE	SETTLE PRICE	CONTRACTS	TURNOVER (IN LACS)	OI
29-Mar-2019	4.60	4.60	3.60	3.70	3.70	7	29.82	1250
28-Mar-2019	3.60	4.40	3.60	4.40	4.40	2	8.52	2250
27-Mar-2019	0.00	0.00	0.00	6.50	0.60	0	0.00	2250
26-Mar-2019	0.00	0.00	0.00	6.50	0.55	0	0.00	2250
25-Mar-2019	0.00	0.00	0.00	6.50	0.75	0	0.00	2250
22-Mar-2019	6.00	6.50	5.90	6.50	6.50	3	12.80	2250
20-Mar-2019	4.60	4.60	4.60	4.60	4.60	1	4.26	1500
19-Mar-2019	5.50	6.00	5.50	5.50	5.50	3	12.79	1750
18-Mar-2019	4.60	4.60	4.60	4.60	4.60	1	4.26	1250
15-Mar-2019	0.00	0.00	0.00	6.70	1.60	0	0.00	1000
14-Mar-2019	6.70	6.70	6.70	6.70	6.70	2	8.53	1000
13-Mar-2019	0.00	0.00	0.00	6.00	2.35	0	0.00	500
12-Mar-2019	0.00	0.00	0.00	6.00	2.50	0	0.00	500
11-Mar-2019	0.00	0.00	0.00	6.00	3.00	0	0.00	500
08-Mar-2019	5.00	6.00	5.00	6.00	6.00	2	8.53	500
07-Mar-2019	0.00	0.00	0.00	6.60	4.95	0	0.00	0
06-Mar-2019	0.00	0.00	0.00	6.60	6.65	0	0.00	0
05-Mar-2019	0.00	0.00	0.00	6.60	8.55	0	0.00	0

Buyers Pay Off:
Strike price 1700
Spot price 1988
Amount 288
Premium paid (-) 8.55
Buyer loss = 296.55*250
Net loss = 74137.5
Interpretation: It is an out of the money and the buyer will get loss. If spot decreases the buyer's loss will decrease.
Sellers Pay Off:
Spot price 1988
Strike price 1700
Amount 288
Premium received 8.55
Sellers profit = 296.55*250
Net profit = 74137.5
Interpretation: It is an Out of the money and the seller will get profit. If spot price increases the seller profit will increases.

4. Findings

- From the study it is found that derivatives will minimize the risk occurred in the stock market.
- In futures investor cover the loss occurred in near month contract by using mid-month contract.
- In options investor get profits by using a call or put option as required.
- It is found that options are giving more growth to the investors over the future.
- Investor can use margin of safety and know where to buy and sell the stocks.
- Options give more returns compared to futures, while swaps will help to reduce risk in the case of currency flows.

5. Suggestions

- The market is based on Economic issues, Global news and company's related news. So while investing investors have to know about all these issues.
- The risk-taking investors get more returns.
- Margin of safety helps the investor to determine when they can buy and sell the stocks safely.
- Investors should possess basic knowledge about derivatives prior to investment
- Options are giving more returns with less risk than the futures.
- Swaps is suitable to the financial institutions and banks who deals with loans and their interest rates and currency exchanges.
- Appropriate and helpful grievance cells, Helplines and Offices either offline or online should be open for derivative market segment all over the country so that each individual may possibly get information free of cost and file / register their complaints.
- Trading in Derivatives should be promoted among the investors by providing them tax rebates and concessions.
- Periodical review should be done for investment and risk analysis of the investors at regular intervals appropriately.

6. Conclusion: From this study it is concluded that the Options give more returns compared to futures. The stock market will give high returns to the investors who can bear high risk. Where derivatives are an instrument used to minimize the risk and covered the loss occurred in the stock market. The options will give more returns and less risk when compared to futures. The investors like to invest in those financial instruments which yield high returns with minimum risk. The derivative instruments are a perfect blend of both risk and returns. Derivatives are like double edged sword. Hence the investor should take utmost care while investing in derivatives.

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Author Profile

Mrs. Toopalli Sirisha Working as an Assistant Professor in the Department of Management Studies at Sri Venkateswara College of Engineering, Tirupati. She has published articles on writing by Women Entrepreneurship, Micro Finance, Work Life Balance, GST, Ergonomics etc. she has lived in Chennai since 2010. She worked in various esteemed institutions like Veltech, Galaxy Institute of Management at Chennai. She did her Masters from Sri Venkateswara University, Tirupati. She has a rich experience of 12 years in research and teaching. She guided 100 PG (Management) Projects. She authored more than 30 research papers, published in various national & international journals with high Impact Factor and citations. She has attended more than 10 National and International conferences/seminars/Workshops and presented papers which appeared in the proceedings published with ISBN. She is a professional life time member of IARA, IAASSE, and IFERP. She has Received "Young Researcher Award 2019" from 4th International Convention on Interdisciplinary Research for Sustainable Development (IRSD 2020) Initiative by Green ThinkerZ, India in association with Centre for Modern Construction, Western Sydney University, Australia , IIT Bombay Spoken Tutorial , FOSS Community , I2OR , Asiafrica Foundation held at CII Chandigarh on 10th January 2020.

Dr. Nalla Bala Kalyan working as Associate Professor in the Department of Management Studies, Sri Venkateswara College of Engineering, Karakambadi Road, Tirupati, Andhra Pradesh, India He has done his Doctorate from Sri Venkateswara University, Tirupati, in the area of "Growth and Performance of Micro, Small and Medium Enterprises in Chittoor District of Andhra Pradesh, India in the year 2014". He has 10 years of experience in research and teaching. He guided 55 PG (Management) Projects. He is the author of more than 40 research papers published in various national & international journals with high Impact Factor and citations. He has attended more than 25 National and International conferences/seminars/Workshops and presented papers which appeared in the proceedings published with ISBN and he has published three books Titled (i) Growth and Performance of MSME in India, (ii) Performance Management (iii) Entrepreneurship in India. He is Editorial Board member of IJLTEMAS, IJEMR, IJSRP, GE-IJMR & JETIR. He has organized many programs for imparting entrepreneurship skills among students and faculty. He has organized "Three Day Entrepreneurship Awareness Camps" Funded by EDI/DST-NIMAT Project 2016&17, 2018&19. He has Received "Best Faculty Award-2018" from Indian Academic Researchers Association, Tamilnadu, India. "Young Achiever Award-2018" from (InSc) Institute of Scholars, Karnataka, India, and "Bright Researcher Award 2018 from (I2OR) International Institute of Organized research, Chandigarh (UT), India, Young Researcher Award 2019 from Aruni International Research Foundation , Chennai, India.