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A Study on Profitable of Futures with the Reference to SBI Bank

Dr. Naveen Prasadula*

MSC (I.T), MBA, PHD.

Assistant Professor, Department of Business Management Osmania University Hyderabad

Abstract - New instruments and reengineering of the financial system were introduced in India in 1992 as a part of economic market reforms. One among them was that the growth and innovation were slow in familiarizing Securities. The formation and expansion of derivatives in Indian markets are moderately a latest spectacle. Subsequently its commencement in June 2000, the products need devises displayed epidemicaugmentation in magnitude and the number of bartered conventional agreements. Significant termend product guides an expansive class of financial tools that specifically possess options and futures. These mechanisms emanate their significance from the underlying asset's price and other related variables. They accomplish not having a value of their own and originate their importance from the prerogative they give to their proprietors to own some additional financial support or safety. The present study is deliberate in examining the financial results obeying SBI Bank Ltd.

Keywords - Derivatives, Futures, SBI Bank, Traded Contracts.

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INTRODUCTION

The emergence of derivatives markets, specifically forward, futures, besidesdecisions, perhapsdrawn back to risk-averse monetary negotiators' desire to protect their own from the uncertainty of price fluctuations in assets. Despite the high volatility of the financial markets, derivatives allow for partial or complete risk transfer by lock up-in ability prices of asstes. As risk managing appliances, these products are generally not inefficient. The lock-in effect of derivative products minimizes the risk of asset price fluctuations affecting productivity and money flow for risk-averse savers. Products are risk administrationtools whose value derives from an underlying asset a hedge against threats to gain access to cheaper money, and spinoffs are recycled by banks, securities organizations, firms, plu sstockholders to make cash. Derivatives will grow even quicker in the hereafter.

REQUIREMENT FOR THE STUDY

With the increasing use of derivatives (domestic as well as overseas) in the market, the Derivative markets have gained importance in the recent years. Using derivative products, it is possible to enhance the economic performance.

SCOPE OF STUDY

The learning focuses on "Derivatives" through special orientation to future contracts besides option opertunities in Indian framework and the Interconnected the Stock Exchange have demonstrated by used as a illustrative example. The learning cannot be termed as completely impeccable. Several changes will be welcomed. This study does not take into account the international perspective of derivatives markets, such as those found on NASDAQ, CBOT, etc.

OBJECTIVES OF THE STUDY

1. A review of the future contracts and option selection markets
2. Calculate the yield and harm of the futures buyer and seller, as well as the choiceauthor and selectionreceptacle
3. In the direction of learning about Risk and threat management using derivatives.
4. Explain the types and features of financial derivatives.
5. Identify the uses and functions of derivative securities.
6. Differentiate between forward contracts and futures contracts.

RESEARCH METHODOLOGY

Research and methodology is an organized methodology to resolve an investigation problem. In general, research refers to a quest for knowledge. Researchers usually follow distinct stages when studying research problems and the logic behind them to conduct research. Data is composed from both principal and subordinate bases in the study.Data collected from primary sources will be in the form of questionnaires.Secondary data is available in the form of books, internet catalogs, etc.

LITERATURE REVIEW

According to Dr.Naveen Prasadula (2021) the emergence and expansion of derivatives markets are relatively recent in India has exhibited exponential growth since its commencement in June 2000**.**The flea marketrevenue has grownupstarting Rs.12365 Cr. in 2000-2001 on the way to Rs. 126444804.86 Cr. in 2020-21. Within a smallperiod of Twenty years, derivatives exchange in India hasexceeded the cash component in terms of turnover and the number of traded warrants. The handed study confines its scope, chronology, conception, purpose, kinds, features, principles, market, tendency, blossoming, possibilities, besidesencounters of byproducts in India and eminence of Indian harvests market concerninginternationalend productmarketplace.

Dr. Madireddi SSV Srikumar (2019), in his paper, they have concluded that financial results are essential among all the financial mechanisms (consequences) due to the creation and revolutionizing of the landscape. Derivatives are an agency that enables the merchandiser to supervise risk and earns a yield. It helps to transmit threats from one to another. India is one of the concentrated prosperous expanding motherlands in terms of a tremble market for exchange-traded products. The introduction of equityand derivatives in Indian market has been favorably promising besidesprofitable. The blossoming of offshoots in contemporary years has overtaken every development of its replica globally. The equity derivatives market is playing a significant role in shaping price discovery. Unpredictability in commercial asset price, financial market integration, eruditejeopardy management tools, inventions in financial industrial and selections at risk administration approaches became motivating the development of financial byproduct derivatives in international and in India.

Naveen Prasadula Research Schloar **Jiwaji State University (2017)** studied on futures and precise that a futures agreement is a typeof derivative instrument, or monetary warranty, in which two partakers approve to transact a collection of economic tools or material commodities for prospective delivery data particular price. Locationsin futuresmarkets canbe occupied much more quickly and much more cheaply (in terms of transaction costs) than positions in the underlying advert markets. The futures contract on financial instruments came into existence in India With the overview of catalog futures and future s contract scheduled individual were launched in 2001. They emphasized in their paper the advantages of trading futures over other alternatives such as savings reserves, inventories, stocks, bonds, options, real estate, and collectibles are High influence, earnings in bear and bull markets, lower marketing costs, and high liquidity.

Ashutosh Vashishtha Satish Kumar (2014), in his study, he highlighted that Threat is a distinctive feature of most article of trade and cash-on-hand marketplaces. Deviations in the expenses of farming and un-farming merchandises are rendered, over time, by ultimatum-supply undercurrents. The most recent two decades have noticed a countless-fold enlargement cutting-edge global trade and trade volume due to globalization and liberalization vacuuming. The marketplacebusiness has increased from Rs.2365 crore in 2000-2001 to Rs.21010482.20 crores in 2018-2019. Within a short span of eighteen years, derivatives trading in India have exceeded the cash component in terms of turnover and the quantity of traded agreements. He terminated with an examination of the antiqueancestries of imitativetransaction, types of derivative products, regulation and policy developments, trends and growth, prospects, and challenges of the derivatives market in India.

K.Soniya (2013), in her article, emphasized the preface of the derivative market and specified that it started newly in India, and every investor does not know it, consequently SEBI consumes to yieldstepladders to producealertness among the depositors about the unoriginal element. In the money need market; the profit and loss of the investor relies on the market price of the fundamental asset. The investor may incur anextensive profit, or he may incur a massive loss. But in the derivatives segment, the investor enjoys huge profits with limited disadvantage. Derivatives are mainly used for hedging objectives. To improve the derivatives market in India, SEBI should modify some of its restrictions, like agreement size contribution of FII in the offshootsmarketplace. In a nutshell, the study throws light on the byproductsflea market.

DATA ANALYSIS AND INTERPRETATION

The unprejudiced of this examination is to appraise the profit and loss location of futures. This examination is grounded on sample data taken of SBI BANK scrip, HDFC Bank Scrip, and Axis Bank Scrip.The analysis considered the May 2020 contract of banks, and the proportion size was 3000. The time period in which this analysis is done is from 01-05-2020 to 25-05- 2020.

Table 1: Table screening the Market and Future prices of SBI BANK

Date	Market Price	Futures price	Open Interest	No. of contracts
2-May-20	221	241.55	83166000	11369
3-May-20	241.9	242.35	82923000	11869
4-May-20	241.95	242	81693000	10938
5-May-20	246.5	246.1	82428000	13021
8-May-20	250.05	250.45	83877000	24082
9-May-20	248	248.15	85563000	10929
10-May-20	247.95	247.2	83529000	12377
11-May-20	250.35	250.2	81180000	10753
12-May-20	253.6	252.2	77517000	13529
15-May-20	248	246.75	78375000	18732
16-May-20	243.1	242.05	77610000	19541
17-May-20	242.7	242	77748000	10492
18-May-20	238.85	238.4	75999000	12388
19-May-20	244.45	244.6	73032000	19429
22-May-20	253.9	254.7	77448000	78051
23-May-20	263.2	262.8	77796000	61836
24-May-20	268.5	267.95	78693000	26451
25-May-20	266.95	267.65	73104000	18106

Time Frame: Monthly   Download Data   23/02/2020 - 23/03/2021

Date	Price	Open	High	Low	Vol.	Change %
Mar 21	364.30	395.10	408.90	345.20	849.34M	-6.63%
Feb 21	390.15	285.10	427.70	282.75	1.53B	38.30%
Jan 21	282.10	274.90	310.90	269.50	777.95M	2.60%
Dec 20	274.95	245.00	279.90	244.10	985.08M	12.57%
Nov 20	244.25	192.20	253.00	190.05	1.54B	29.06%
Oct 20	189.25	187.00	207.30	185.90	926.49M	2.08%
Sep 20	185.40	213.10	219.00	175.50	1.10B	-12.55%
Aug 20	212.00	192.00	231.55	189.55	1.46B	10.73%
Jul 20	191.45	179.45	202.50	178.60	1.54B	7.28%
Jun 20	178.45	164.00	197.50	163.35	1.84B	10.63%
May 20	161.30	182.45	183.50	149.45	1.25B	-15.33%
Apr 20	190.50	194.00	198.00	175.00	1.13B	-3.23%
Mar 20	196.85	311.00	312.00	173.55	1.86B	-35.03%

Highest: 427.70   Lowest: 149.45   Difference: 278.25   Average: 235.46   Change %: 20.23

Graph 1: Displaying the price movements of SBI Bank Futures

Interpretation:

If one individual buys one lot, i.e., 1000 contract futures of SBI on 2nd May 2020 and vends on 25th May 2020, he will get a Profit of Rs 241 - Rs 266.95 = Rs 25.95 per share. So, he will get a Yield of Rs.1650, i.e., 0.55*1000. If he vends the SBI futures on 17th May for Rs 242.7, he would be getting more profits than what he got on expiry."The interchange week exposed high and low strike prices or training prices for the SBI futures. There always exists an impact of price tendencies on open interest and agreements traded. The futures market is also prejudiced by cash market, NIFTY index future, and news related to the underlying asset or sector (industry), FII'S involvement, national and international affairs, etc. The closing price of SBI at the end of the convention period is Rs 266.95and this is considered a settlement price"".

Table 2: Showing Mark to Market Profit & loss of SBI futures:

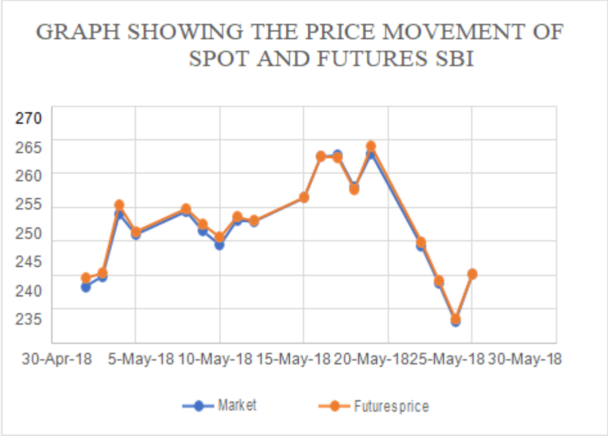
Date	Mark to market

2-May-20	0
3-May-20	900
4-May-20	50
5-May-20	4550
8-May-20	3550
9-May-20	-2050
10-May-20	-50
11-May-20	2400
12-May-20	3250
15-May-20	-5600
16-May-20	-4900
17-May-20	-400
18-May-20	-3850
19-May-20	5600
22-May-20	9450
23-May-20	9300
24-May-20	5300
25-May-20	-1550

Graph 2: Showing Mark to Mark Profit & Loss of SBI Bank Futures

The subsequent table elucidates the market price and payments of calls.

The leading column clarifies trading date,Subsequent column explains the SPOT market price in cash section on that date.The third column enlightens call premiums amounting at these strike prices 260, 280,300 and 320. The Mark to Market Can be Calculated as,



Graph 3: presenting the price movements of SBI Bank Spot & Futures

(Current day Market Price – Previous day Market Price) * Lot size.

Interpretation:

The forthcomingvalue of SBI is heartrendinglengthwise with the market value."If the acquisition price of the future is less than the payment price, than the buyer of a future getsprofit.If the selling price of the future is less than the settlement price, than the seller incurslosses".

Findings:

Based on findings, and following conclusions are drawn.

1. Researchers found that risk reduction via hedging strategies was effective.. Risk is not something that can avoid altogether.

2. As a result of the study, it established that a hedge provides a safe position on an underlying security. The loss gets shifted to the counterparty. Thus, the hedging covers the loss and trouble. Occasionally, the market portrays against the anticipation. This will trigger losses. So, the hedger should be a strategic and optimistic philosopher.

3. A hedger's ability to anticipate the price movement of the underlying security is critical to the outcome of the strategy applied

4. It encloses that all the approaches involved on historical data of the duration of the study were able to diminish the loss that grew from price risk substantially.

5. If the vendor is unsure about the direction of the profits of the current position, he can make a counterpart in the future warranty and decrease the level of risks.

6. The trader can virtually use the method for rescue enhancement to deliver the correct market anticipation.

7. In unrestricted, the uncertainty of the strategies purely for return enhancement is a risky matter because, if the anticipation around the performance of the demand and the underlying goes inaccurate, the job taker will end up in higher losses.

Suggestions:

1. Suppose an investor wants to hedge with portfolios. In that case, it must consist of scripts from different industries since they are convenient and represent the true nature of the securities market.

2. In hedge funds, the tool reduces the possibility of losses arising from market risks. Its primary objective is loss minimization, not profit maximization. The losses from lots or claims will offset aThe profit from futures or shares. as a result, a

3. Hedgers earn a lower rate of return compared to non-hedgers. But the non-hedger faces a high risk than a hedger.

4. The hedger will have to be a strategic thinker and one who thinks positively. This individual must be able to comprehend market conditions and fluctuations.

5. It is imperative to become aware of the stock market and investment patterns, both in the spot and futures markets. The work of the BSE Training Institute and NSE Institutes is apprehensible.

CONCLUSION

Derivative trading provides a lot of opportunities in the market, but the investor should have a deep insight into derivatives and the use of different product combinations. An investor should book profit than anticipate additionalearnings because, dissimilar equity markets, small price association in equity may show some adverse influence on the premium amount underneath Futures and options. Short positions should be handled carefully because of unlimited loss liability with limited profits. An investor should try to hedge his/her positions to minimize losses rather anticipating huge profits. Avoid taking positions in contact where liquidity is low.

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Corresponding Author

Dr. Naveen Prasadula*

Assistant Professor, Department of Business Management Osmania University Hyderabad