Abstract
The National Stock Exchange of India Limited (NSE) commenced trading in derivatives with the launch of index futures on June 12, 2000. The futures contracts are based on the popular benchmark Nifty 50 Index. The Exchange introduced trading in Index Options (also based on Nifty 50) on June 4, 2001. NSE also became the first exchange to launch trading in options on individual securities from July 2, 2001. Futures on individual securities were introduced on November 9, 2001. Futures and Options on individual securities are available on 173 securities stipulated by SEBI. The Exchange has also introduced trading in Futures and Options contracts based on Nifty IT, Nifty Bank, and Nifty Midcap 50, Nifty Infrastructure, Nifty PSE indices. This work provides you with an insight into the derivatives segment of NSE. Real-time quotes and information regarding derivative products, trading systems & processes, clearing and settlement, risk management, statistics etc. are available.

I. INTRODUCTION
Since the launch of the Index Derivatives on the popular benchmark Nifty 50 Index in 2000, the National Stock Exchange of India Limited (NSE) today have moved ahead with a varied product offering in equity derivatives. The Exchange currently provides trading in Futures and Options contracts on 9 major indices and more than 100 securities.

1.1 Derivatives on the following Products
- Nifty 50 Index
- Nifty IT Index
- Nifty Bank Index
- Nifty Midcap 50 Index
- Nifty Infrastructure Index
Nifty PSE Index
Individual Securities

1.2. Different Types of Derivative Contracts
There are four types of derivative contracts — forwards, futures, options and swaps. However, for the time being, let us concentrate on the first three. Swaps are complex instruments that are not available for trade in the stock markets.

- **Futures and forwards**: Futures are contracts that represent an agreement to buy or sell a set of assets at a specified time in the future for a specified amount. Forwards are futures, which are not standardized. They are not traded on a stock exchange. For example, in the derivatives market, you cannot buy a contract for a single share. It is always for a lot of specified shares and expiry date. This does not hold true for forward contracts. They can be tailored to suit your needs.

- **Options**: These contracts are quite similar to futures and forwards. However, there is one key difference. Once you buy an options contract, you are not obligated to hold the terms of the agreement. This means, even if you hold a contract to buy 100 shares by the expiry date, you are not required to. Options contracts are traded on the stock exchange.

II. OBJECTIVE OF STUDY
1. To provide an insight into the derivatives segment of NSE.
2. To understand Real-time quotes and information regarding derivative products, trading systems & processes, clearing and settlement, risk management & statistics

III. DERIVATIVE CONTRACTS AND STOCK PRICES
Suppose you buy a Futures contract of Infosys shares at Rs 3,000 – the stock price of the IT company currently in the spot market. A month later, the contract is slated to expire. At this time, the stock is trading at Rs 3,500. This means, you make a profit of Rs. 500 per share, as you are getting the stocks at a cheaper rate. Had the price remained unchanged, you would have received nothing. Similarly, if the stock price fell by Rs. 800, you would have lost Rs. 800. As we can see, the above contract depends upon the price of the underlying asset – Infosys shares. Similarly, derivatives trading can be conducted on the indices also. Nifty Futures is a very commonly traded derivatives contract in the stock markets. The underlying security in the case of a Nifty Futures contract would be the 50-share Nifty index.

- **Trade In Derivatives Market**
Trading in the derivatives market is a lot similar to that in the cash segment of the stock market.

- First do your research. This is more important for the derivatives market. However, remember that the strategies need to differ from that of the stock market. For example, you may wish you buy stocks that are likely to rise in the future. In this case, you conduct a buy transaction. In the derivatives market, this would need you to enter into a sell transaction. So the strategy would differ.
• Arrange for the requisite margin amount. Stock market rules require you to constantly maintain your margin amount. This means, you cannot withdraw this amount from your trading account at any point in time until the trade is settled. Also remember that the margin amount changes as the price of the underlying stock rises or falls. So, always keep extra money in your account.

• Conduct the transaction through your trading account. You will have to first make sure that your account allows you to trade in derivatives. If not, consult your brokerage or stock broker and get the required services activated. Once you do this, you can place an order online or on phone with your broker.

• Select your stocks and their contracts on the basis of the amount you have in hand, the margin requirements, the price of the underlying shares, as well as the price of the contracts. Yes, you do have to pay a small amount to buy the contract. Ensure all this fits your budget.

• You can wait until the contract is scheduled to expiry to settle the trade. In such a case, you can pay the whole amount outstanding, or you can enter into an opposing trade. For example, you placed a ‘buy trade’ for Infosys futures at Rs 3,000 a week before expiry. To exit the trade before, you can place a ‘sell trade’ future contract. If this amount is higher than Rs 3,000, you book profits. If not, you will make losses.

Thus, buying stock futures and options contracts is similar to buying shares of the same underlying stock, but without taking delivery of the same. In the case of index futures, the change in the number of index points affects your contract, thus replicating the movement of a stock price. So, you can actually trade in index and stock contracts in just the same way as you would trade in shares.

IV. STATISTICAL ANALYSIS AND RESULTS

![](chart1.png)

Chart 1: Export of India
4.1 INTERNATIONAL TRADE POLICIES OF INDIA

The foreign or international trade policy of India relies solely on the Export Import simply known as the EXIM Policy of Govt. of India. This is being regulated and governed by the Act of Foreign Trade Development and Regulation Act, 1992. The key governing body which is directly associated with the EXIM Policy is the DGFT (Directorate General of Foreign Trade). The contemporary or recent act of Foreign Trade is under implementation after replacement of the earlier law which was Import and Exports (Control) Act, 1947.

After independence, there were no specific or strict rules regarding the EXIM protocols. In the new Foreign Trade Policy which is known as FTP 2015 - 2020, it is broadcasted that...
there will be the special incentives and promotions for the exporters in different streams. Govt. of Indian is promoting and attracting the domestic experts to work on 'Make in India' so that the Indian products can be sold in International Market and overall economy can be strengthened. Govt. of India is predicting the exports of 900 billion dollars by year 2020 after implementation of the new foreign trade policy.

![Chart 4 – Trade Balance of India (Billion Dollars) from 2004-2014](source)

V. CONCLUSION
National Stock Exchange of India is one of the leading exchanges in the world on several key parameters. Number of contracts traded relate directly to the technology and liquidity of the exchange. NSE ranks in top 3 globally for Stock Futures and Index Futures and Options. Technology at the exchange remains backstage to fulfill the demand for capacity, reliability and performance ensuring the competitive edge of NSE as India’s number one exchange platform.

VI. REFERENCES
Anshu Jain: Effective And Pragmatic Analysis On Derivative Segment In National Stock Exchange


TO CITE THIS ARTICLE