

## **RISK OF SECURITIES TRADING**

### **IBTS System Failure Risk:**

IBTS system failure may occur during the trading hours due to technical faults which may lead to losses to Account holders due to non-availability of the trading terminal for execution of orders timely or at desired price if limit orders are not placed in the IBTS. As well as, cancellation of orders during the system failure may also lead to losses in account holder's account.

### **Economy Risk:**

The business performance of any company depends on the growth of an economy. An economy, which continues to prosper, ensures that companies operating in it benefit from its growth. However, an equity shareholder also runs the risk of any downturn in the economy affecting the performance of his company. Economy related risks are usually reflected in the factors such as GDP growth, inflation, balance of payment positions, interest rates, credit growth etc.

### **Industry Risk:**

All industries undergo some kind of cyclical growth. Shareholders get rewarded most during the expansion stage. However, once the industry reaches a maturity stage, the rewards from investment are limited. Further, companies belonging to industries where growth has retarded incur losses or declining gains. Industry specific government regulations also impact returns from investments made therein.

### **Business Risk:**

Business risk is a function of the operating conditions faced by a company and the variability that these conditions inject into operating income and hence expected dividends.

### **Financial Risk:**

The possibility that shareholders will lose money when they invest in a company that has debt, if the company's cash flow proves inadequate to meet its financial obligations. When a company uses debt financing, its creditors will be repaid before its shareholders if the company becomes insolvent. Financial risk also refers to the possibility of a corporation or government defaulting on its bonds, which would cause those bond holders to lose money.

**Exchange Rate Risk:**

Any appreciation & depreciation in the currency, adversely affects earnings, which results in fluctuation in share price.

**Inflation Risk:**

Rising prices or inflation reduces purchasing power for the common man resulting in a slowdown in the demand in the economy. This has implications for all the sectors in the economy.

**Interest Rate Risk:**

Rising interest rate leads to disinvestment from the stock market to Govt. securities for the secured and better returns. This may lead to less trading volume in the market or less liquid market for the investment.