



COURSE MANUAL

Name of the Elective Course:

Advanced Investing: Compounding Wealth and Hedging Risk

Course Code: L-EA-0615

Name of the responsible Faculty Instructor:

Prof. Raghuvir Nath

**FALL 2025
(AY2025-26)**

This document is prepared by the course instructor and contains basic information relevant to the execution of the course. It is the official record for all intents and purposes as far the elective course, *Advanced Investing: Compounding Wealth and Hedging Risk*, is concerned.

This course manual can be used as a general guide to the subject. However, the instructor can modify, extend or supplement the course (without tampering its basic framework and objectives) for the effective and efficient delivery of the course. The instructor will provide students with reasons for such changes.

Part I

Course Title: Advanced Investing: Compounding Wealth and Hedging Risk

Course Code: L-EA-0615

Course Duration: One Semester (14 Weeks)

No. of Credit Units: 2 Credits (Two)

Level: UG & PG (Both)

Medium of Instruction: English

Pre-requisites (if applicable): None

Equivalent Courses: N/A

Part II

1. Acknowledgement of Course Ideators

The course has been designed by Prof. Raghuveer Nath (BA.LLB, JGLS | BCL, University of Oxford), the founder of SFI Wealth, and an adjunct faculty at Jindal Global University.

2. Course Description

The course is aimed at enabling students to learn advanced portfolio management strategies involving equities and derivatives that allow for effective compounding of wealth, while hedging risks. In particular, the central theme of the course revolves around establishing a critical framework that allows students to analyze stocks and businesses with a view to understand their long-term investing potential. Accordingly, the central aim of the course is to not only help students foster the paradigm necessary for long-term wealth creation, but also to equip them with the practical skills necessary to manage their personal portfolios in life.

The course is divided into three parts. In the first part, students learn the basics of identifying the fundamental characteristics of a “great” company that would enable long-term wealth compounding. This involves learning how to read and interpret the financial statements such as income statement, cash flow statement, credit rating report, and the balance sheet through the paradigm of an industry practitioner. In particular, emphasis is placed on learning how to uncover the true intentions of a company’s promoter group or management, and understanding whether they are in sync with the interests of minority shareholders. By the end of this part, the course aims to enable students to understand whether a company can help generate long-term wealth through its stock, in addition to understanding its financial performance.

The second part introduces students to some of the best wealth management strategies adopted by seasoned investors and industry practitioners, globally. Concepts of value investing, growth investing, and momentum investing are discussed, and their practical application is seen through case studies in the Indian context. While the first part is focused on helping students uncover individual investment opportunities, this part of the course aims to help students understand the risks and returns of their investments at a portfolio level.

The third part is intended to help students learn the different ways in which risk can be hedged at a portfolio level, practically. Students learn to view market volatility as an opportunity and create an “all-weather” portfolio that works well across different market conditions. Further, the different interrelationships between asset classes are practically demonstrated and participants learn how to capitalize on these relations.

Practical issues of portfolio diversification and risk management are discussed. This is done through understanding the basics of using derivatives in a portfolio. Students learn the basic greeks of derivatives – delta, gamma, vega, and theta – in a practical manner and understand how to use them practically to hedge their portfolios.

In conclusion, the course will be particularly useful for students who wish to seriously learn how to identify fundamentally strong stocks and compound wealth in the long-term, while managing risk effectively in their personal portfolios.

3. Course Aims

Please refer to the course description above as it outlines in detail the course aims.

4. Grading of Student Achievement

To pass this course, students shall obtain a minimum of 40% in the cumulative aspects of coursework, i.e., internal assessments (including moot court, mid-term exam, presentations, research paper) and the end term examination. Internal assessments shall carry a total of 70 marks. **End of semester exam shall carry 30 marks out of which students have to obtain a minimum of 30% marks to fulfil the requirement of passing the course.**

The details of the grades as well as the criteria for awarding such grades are provided below:

PERCENTAGE OF MARKS	GRADE	GRADE VALUE	GRADE DESCRIPTION
80 and above	O	8	Outstanding – Exceptional knowledge of the subject matter, thorough understanding of issues; ability to synthesize ideas, rules and principles and extraordinary critical and analytical ability
75 – 79	A+	7.5	Excellent - Sound knowledge of the subject matter, thorough understanding of issues; ability to synthesize ideas, rules and principles and critical and analytical ability
70 – 74	A	7	Very Good - Sound knowledge of the subject matter, excellent organizational capacity, ability to synthesize ideas, rules and principles, critically analyze existing materials and originality in thinking and presentation

PERCENTAGE OF MARKS	GRADE	GRADE VALUE	GRADE DESCRIPTION
65 – 69	A-	6	Good - Good understanding of the subject matter, ability to identify issues and provide balanced solutions to problems and good critical and analytical skills
60 – 64	B+	5	Fair – Average understanding of the subject matter, limited ability to identify issues and provide solutions to problems and reasonable critical and analytical skills
55 – 59	B	4	Acceptable - Adequate knowledge of the subject matter to go to the next level of study and reasonable critical and analytical skills.
50 – 54	B-	3	Marginal - Limited knowledge of the subject matter and irrelevant use of materials and, poor critical and analytical skills
45 – 49	P1	2	Pass 1 – Pass with basic understanding of the subject matter
40 – 44	P2	1	Pass 2 – Pass with rudimentary understanding of the subject matter
Below 40	F	0	Fail - Poor comprehension of the subject matter; poor critical and analytical skills and marginal use of the relevant materials. Will require repeating the course
Incomplete	I	0	Incomplete - “Extenuating circumstances” preventing the student from taking the end-semester, or re-sit, examination as the case may be; the Vice Dean (Examinations) at their discretion assign the “I” grade. If an “I” grade is assigned, the student would appear for the end-semester, or re-sit examination, as the case may be, as and when the subsequent opportunity is provided by the University.

5. Criteria for Student Assessments

Assessment of the participants will be based on the following criteria.

Assessment	Weightage	Remarks
Class Participation	10 Marks	Based on the level of engagement in class.
Company Analysis Project	40 Marks	This is a group assignment where students will be required to analyze the company that is allocated to them. The report will be for 25 marks, whereas the presentation will be for 15 marks and will be individually marked.
Research Paper	20 Marks	A research question will be provided, and students will be required to submit within the time frame allocated.
End Semester Examination (Compulsory)	30 Marks	There will be a compulsory end-semester examination/component for all participants of the course who have successfully met the requisite attendance as per the governing JGU policies.

Part III

COURSE POLICIES:

Cell Phones, Laptops and Similar Gadgets

Use of mobile phones by students during the lectures will be at the instructor's discretion. Cell phones must be kept on silent or do-not-disturb mode to avoid disturbing the lecture. Use of laptops and similar gadgets may be allowed upon the instructor's discretion for learning purposes.

Academic Integrity and Plagiarism

Learning and knowledge production of any kind is a collaborative process. Collaboration demands an ethical responsibility to acknowledge who we have learnt from, what we have learned, and how reading and learning from others have helped us shape our own ideas. Even our own ideas demand an acknowledgement of the sources and processes through which those ideas have emerged. Thus, all ideas must be supported by citations. All ideas borrowed from articles, books, journals, magazines, case laws, statutes, photographs,

films, paintings, etc., in print or online, must be credited with the original source. If the source or inspiration of your idea is a friend, a casual chat, something that you overheard, or heard being discussed at a conference or in class, even they must be duly credited. If you paraphrase or directly quote from a web source in the examination, presentation or essays, the source must be acknowledged. The university has a framework to deal with cases of plagiarism. All form of plagiarism will be taken seriously by the University and prescribed sanctions will be imposed on those who commit plagiarism.

Disability Support and Accommodation Requirements

JGU endeavours to make all its courses inclusive and accessible to students with different abilities. In accordance with the Rights of Persons with Disabilities Act (2016), the JGU Disability Support Committee (DSC) has identified conditions that could hinder a student's overall well-being. These include physical and mobility related difficulties, visual and hearing impairment, mental health conditions and intellectual/learning difficulties e.g., dyslexia, dyscalculia. Students with any known disability needing academic and other support are required to register with the Disability Support Committee (DSC) by following the procedure specified at <https://jgu.edu.in/disability-support-committee/>

Students who need support may register before the deadline for registration ends, as communicated by the DSC via email each semester. Those students who wish to continue receiving support from the previous semester, must re-register every semester prior to the deadline for re-registration as communicated by the DSC via email. Last minute registrations and support are discouraged and might not be possible as sufficient time is required to make the arrangements for support.

The DSC maintains strict confidentiality about the identity of the student and the nature of their disability and the same is requested from faculty members and staff as well. The DSC takes a strong stance against in-class and out-of-class references made about a student's disability without their consent and disrespectful comments referring to a student's disability. With due respect for confidentiality, faculty and students are encouraged to have honest conversations about the needs of students with disabilities and to discuss how a course may be better tailored to cater to a student with disability.

All general queries are to be addressed to disabilitysupportcommittee@jgu.edu.in

Safe Space Pledge

This course may discuss a range of issues and events that might result in distress for some students. Discussions in the course might also provoke strong emotional responses. To make sure that all students collectively benefit from the course, and do not feel disturbed due to either the content of the course or the conduct of the discussions. Therefore, it is incumbent upon all within the classroom to pledge to maintain respect towards our peers. This does not mean that you need to feel restrained about what you feel and what you want to say. Conversely, this is about creating a safe space where everyone can speak and

learn without inhibitions and fear. This responsibility lies not only with students, but also with the instructor.

P.S. The course instructor, as part of introducing the course manual, will discuss the scope of the Safe Space Pledge with the class.

Part IV

Keywords Syllabus

Keywords will be shared in class.

Course Design and Overview (Weekly Plan)

Week(s)	Topics
1	Introduction to Investing – Cultivating the Necessary Paradigms for Active Investing
2	Styles of Investing & Analysis of Credit Rating Reports
3&4	Balance Sheet Analysis
5	Profit and Loss Statement Analysis
6&7	Analysis of Management
8	Valuation & Cash Flow Statement Analysis
9	Movie Screening and Discussion – “Margin Call” (2011)
10&11	Introduction to Derivatives as a Tool for Hedging
12&13	‘When, How, and What’ of Hedging – Practical use of Inter-Market Analysis
14	REVISION WEEK [NOTE: There shall be teaching classes scheduled during the fourteenth week subject to the JGU Academic Calendar circulated by the Office of the Registrar, JGU and any official declaration of non-working days by the JGU Registrar.]

Module Descriptions:

The topic-wise module descriptions are provided below, along with the weeks in which they are intended to be covered:

Week 1: Introduction to Investing – Cultivating the Necessary Paradigms for Active Investing

The first session introduces the fundamentals of financial independence, emphasizing long-term investing and wealth-building strategies. It explores how the power of compounding transforms small investments into significant wealth over time. Participants will learn about Sensex and Nifty50, understanding how stock market indices reflect economic growth. The course also examines India's economic trajectory and its potential to deliver high investment returns.

One of the key topics covered is investment behavior, highlighting why many people fail to accumulate wealth despite access to information. The seminar contrasts short-term trading vs. long-term investing, emphasizing why patience and consistency outperform speculation. Using historical case studies, it showcases why staying invested through market volatility is crucial. Additionally, the session addresses common investment mistakes, such as analysis paralysis, fear-driven selling, and over-reliance on market timing. Psychological barriers to wealth creation are discussed, helping participants develop a disciplined, objective approach to investing.

Week 2: Styles of Investing & Analysis of Credit Rating Reports

Various styles of investing approaches are explored including value investing, growth investing, technical analysis, arbitrage investing, momentum investing, and swing trading. Do all roads lead to Rome? Or are some approaches better than others? Participants will learn to appreciate the different pros and cons, along with the nuances involved in each style of investing. Nevertheless, they will appreciate what moves markets regardless of their approach, and will be introduced to the four pillars of successful investing. The course emphasizes long-term investing, explaining why patience and discipline are crucial for wealth creation. Using real-world examples, we highlight how market volatility can be an opportunity rather than a risk.

Participants are then introduced to credit rating reports – a tool often overlooked by retail investors. It explains how these agencies assess a company's debt repayment ability, classifying securities as investment-grade or speculative. Participants will learn to analyze credit rating trends instead of blindly relying on agency opinions, as companies often manipulate ratings to lower borrowing costs. They will appreciate the inherent conflict of interest given that these reports are sponsored by the companies being audited. Case studies, such as Vinati Organics, will demonstrate how hidden financial risks can be uncovered using credit reports.

Weeks 3&4: Balance Sheet Analysis

The balance sheet is a snapshot of the financial position of a company's assets and liabilities on a particular day. However, what often gets missed is the story behind how these numbers came to where they are. The central aim of this session is to uncover and analyze the story behind the numbers to ascertain where the business headed.

Participants learn how to conduct a fund flow analysis (fund inflow and outflow) by analyzing the balance sheet. This helps understand whether a company is genuinely growing or engaging in financial manipulation. In countries like India where most businesses are promoter controlled and driven; this becomes crucial as it helps us learn if the business is truly creating value for all shareholders or is being used as a vehicle for enriching the promoter. Case studies reveal how businesses can hide debt, inflate reserves, or misuse cash flows to mislead investors. For instance, excessive loans to promoter entities, unexplained jumps in reserves, or disproportionate investments in non-core assets are significant red flags.

Weeks 5: Profit and Loss Statement Analysis

Successful investing is about understanding business with what Warren Buffett calls an “economic moat”. A deep analysis of the Profit & Loss (P&L) statement, equips us with tools to evaluate a company's financial performance beyond its reported profits and identify an economic moat. Participants understand and analyze EBITDA, operating profit margin (OPM), and net profit margin (NPM) and other key indicators of a business's efficiency and profitability.

The session covers how revenue and expense trends impact long-term sustainability, distinguishing between stable businesses and cyclical industries. Through several case studies participants will learn how to differentiate real business growth from short-term financial engineering, understanding when profit spikes are due to fundamental strength versus one-time adjustments. By the end, Students will be able to identify profitable investment opportunities while avoiding misleading financial narratives, ultimately making more informed and strategic investment decisions.

Weeks 6&7: Analysis of Management

The most important thing in evaluating any investment is not the numbers—it is the management. Great management can rescue a struggling business, but poor management can ruin a thriving one. The session explores how to evaluate a company's management, a key factor in determining its long-term success.

We start by analyzing related party transactions (RPTs), often where company leaders misuse funds for personal benefit. Using case studies like Gujarat Automotive Gears Ltd., we examine how profits are taken through hidden loans and mergers. Next, we discuss

warrants, a tool promoters use to gain ownership without risk. Case studies like Indo Count Industries and Rexnord Electronics show how promoters acquire shares at very low prices, reducing the value for other shareholders. We then look at how some management teams focus too much on stock prices. For example, at DCB Bank, executives changed their strategy just to keep short-term stock prices stable, creating conflicts of interest due to their ESOPs (Employee Stock Ownership Plans). Another important aspect is promoter salaries, where company leaders take high pay even when the business is struggling. Case studies like Ess Dee Aluminium Ltd. Demonstrate increasing management salaries despite poor financial performance.

Weeks 8: Valuation & Cash Flow Statement Analysis

Understanding business valuation is critical for participants because it forms the foundation of intelligent investing—helping distinguish between a good company and a good investment. Participants are introduced to the valuation methods used by the legendary Peter Lynch – his ‘Earnings Line’ approach. This method visually compares a company’s stock price with its earnings per share (EPS) over time by plotting a line where the price equals its historical earnings—a price-to-earnings (P/E) ratio, which Lynch considered a reasonable average for a fairly valued company. When the actual stock price is consistently above this line, it may signal overvaluation; when it’s below, the stock might be undervalued relative to its earnings. This simple yet powerful tool helps investors quickly assess whether a stock’s price aligns with its underlying profitability, reinforcing the principle that good businesses are not always good investments if bought at the wrong price.

The session then transitions into understanding cash flow statements. A detailed study of the cash flow statement shows us how cash from operating, investing, and financing activities reveals the true financial strength of a business—beyond what income statements or balance sheets may suggest. The session then transitions into business valuation, where participants learn to

Weeks 9: Movie Screening and Discussion – “Margin Call” (2011)

At this juncture, the course starts its shift towards hedging and the importance of containing portfolio risk. Accordingly, participants will watch the critically acclaimed financial thriller Margin Call, which provides a compelling dramatization of events during the initial stages of the 2008 financial crisis. Through this screening, students will gain insights into the practical implications of complex financial instruments such as derivatives and understand how excessive leverage can amplify both gains and risks. The film serves as a case study in real-world risk management failures, allowing participants to critically evaluate decision-making under pressure, the ethical dimensions of financial markets, and the systemic risks associated with unchecked financial engineering. A guided discussion following the screening will underpin the need for hedging risks.

Weeks 10&11: Introduction to Derivatives as a Tool for Hedging

This session introduces participants to the foundational concepts of financial derivatives through a historical case study on the 17th-century Dutch Tulip Mania, one of the earliest and most dramatic examples of speculative trading through forward contracts. Students will explore how rare tulip bulbs became the subject of intense financial speculation, with forward prices soaring to levels equivalent to luxurious homes. This event illustrates how market psychology, scarcity, and herd behavior can create dangerous price bubbles, highlighting the importance of risk awareness and disciplined hedging strategies.

Participants then understand instruments such as futures and options, their definitions, purposes, and payoff structures. Students will gain a practical understanding of how options are used for hedging, along with foundational concepts such as moneyness (ITM, OTM, ATM) and the option greeks —delta, gamma, theta, and vega—which help in assessing the sensitivity of option prices to market factors such as underlying price movements, time decay, and volatility.

Weeks 12&13: ‘When, How, and What’ of Hedging – Practical use of Inter-Market Analysis

This session critically examines the widely held belief that “markets eventually have to go up, so there is no point in hedging,” by exploring the real-world implications and strategic importance of portfolio protection. Students will learn about the cost-benefit analysis of hedging listed equity in India, including whether the premium paid is justified by the protection received. The session covers various hedging instruments such as index options, futures, gold, and dynamically correlated assets, with a focus on how to choose the most effective tool based on market conditions.

Participants will learn how to practically select the most appropriate hedging instrument, and will also learn how to calculate the cost of hedging. The discussion will also delve into concepts like in-the-money vs. out-of-the-money options, Relative Rotation Graphs (RRG) for asset rotation analysis, and the inverse correlation between equity and gold. Through practical scenarios, students will understand when to hedge, how to hedge, and whether a portfolio should be fully or selectively hedged, ultimately weighing the stability of a hedged portfolio against the risk exposure of an unhedged one.

Weeks 14: Revision

We will revise all the major topics learnt in the course and understand some important points about attempting the end-term examination properly.

Part V Relevant Readings / Essential Readings

Week 1: Introduction to Investing – Cultivating the Necessary Paradigms for Active Investing

1. Benjamin Graham, (2006). *The Intelligent Investor* (Rev. ed.,), Chapter 1, “Investment versus Speculation”, Harper Business. (Original work published 1949)
2. Peter Lynch (1989), *One Up on Wall Street*, Chapter 1, “Advantages of Dumb Money”, New York: Simon & Schuster.
3. Peter Lynch (1989), *One Up on Wall Street*, Chapter 3, “Is this Gambling, or What?”, New York: Simon & Schuster.

Week 2: Styles of Investing & Analysis of Credit Rating Reports

1. Anand Damdiyal, Investing Strategies: How to Choose the Right Stocks for Your Portfolio, Federal Research Center (2023)- [Read Full Article](#)
2. Patrick Bolton, Xavier Freixas, Joel Shapiro, *The Credit Ratings Game*, International Journal of Finance & Economics, Wiley (2012). [Read Full Article](#)
3. **John C. Coffee Jr**, Commissioner, U.S. SEC, *Ratings Reform: The Good, the Bad, and the Ugly*, Harvard Business Law Review (2011). [Read Full Article](#)

Weeks 3&4: Balance Sheet Analysis

1. Understanding Balance Sheet Statement (Part 1 and 2), Module 3, Varsity, Zerodha (online). Part 1- [Read Full Article](#) Part 2- [Read Full Article](#)
2. Stobierski, T. (2020, April 2). *How to Read & Understand a Balance Sheet*. Harvard Business School Online. [Read Full Article](#)

Week 5: Profit and Loss Statement Analysis

1. Understanding the P&L Statement (Part 1 and 2), Module 3, Varsity, Zerodha (online). – Part 1 - [Read Full Article](#) Part 2 - [Read Full Article](#)

2. Stobierski, T. (2020, May 7). *How to read and understand an income statement*, Harvard Business School Online. [Read Full Article](#)

Weeks 6&7: Analysis of Management

1. Narendra Nath Kushwaha, Abhinav Anand, M. Jayadev, and K. Raghunandan, *Related Party Transactions and Audit Fees: Indian Evidence*, IIMB-WP No. 667/2024, Indian Institute of Management Bangalore (IIMB, 2024). [Read Full Article](#)
2. InCorp Global, *The Investor's Guide to Share Warrants: SEBI Rules & Market Dynamics* (online, April 2025). [Read Full Article](#)

Week 8: Valuation & Cash Flow Statement Analysis

1. Peter Lynch (1989), *One Up on Wall Street*, Chapter 3, “A Is This a Good Market? It’s Up to You.”, New York: Simon & Schuster.
2. Fajasy, *How to Value a Stock Like Peter Lynch*, StableBread (online, 2025). [Read Full Article](#)

Weeks 10&11: Introduction to Derivatives as a Tool for Hedging

1. Options Theory for Professional Trading, Module 5, Varsity, Zerodha (online). [Read Full Article](#)
1. Adam Hayes, *Tulipmania: About the Dutch Tulip Bulb Market Bubble*, Investopedia (online, 2024). [Read Full Article](#)

Week 12&13: ‘When, How, and What’ of Hedging – Practical use of Inter-Market Analysis

2. YouTube Video: *IFTA London - John J Murphy - Trading with Intermarket Analysis*, [Read Full Article](#)
3. Hemant Manuj (2020). *Is Gold a Hedge against Stock Price Risk in U.S. or Indian Markets?* Risks, 9(10), 174. [Read Full Article](#)

