Project report on

"USE OF STRADDLE STRATEGY IN OPTIONS TRADING – AN ANALYTICAL STUDY EXPLORING THE PROFITABILITY OF STOCK OPTIONS: A STUDY CONDUCTED AT PATERSON CONSULTING GROUP PRIVATE LIMITED, CHENNAI"

BY

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Submitted to

VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELGAUM

In partial fulfillment of the requirements for the award of the Degree of

MASTER OF BUSINESS ADMINISTRATION

Under the guidance of

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CERTIFICATE

This is to certify that **Ms. Rinu Thomas (Reg. No. 4LV16MBA43)**, student at Alva's Institute Of Engineering And Technology, Moodabidri, Karnataka has done a project work on **" Use of Straddle strategy in Options Trading- An Analytical Study Exploring the Profitability Using Stock Options"** at Paterson Consulting Group Pvt. Ltd., Chennai from 15/01/2018 to 24/03/2018.

During this period her conduct and performance were good.

For Paterson Consulting Group Pvt. Ltd.,

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It is hereby certified that **Ms. RINU THOMAS** bearing **USN 4LV16MBA43** is a bonafide student of the Master of Business Administration course of the Institute (2016-18), affiliated to Visvesvaraya Technological University, Belgaum.

The project report on **"USE OF STRADDLE STRATEGY IN OPTIONS TRADING- AN ANALYTICAL STUDY EXPLORING THE PROFITABILITY OF STOCK OPTIONS"** is prepared by her under the guidance of **Prof. Yogesh Dixit**, Assistant Professor, Department of MBA, in partial fulfillment of the requirements for the award of the degree of Master of Business Administration of Visvesvaraya Technological University, Belgaum, Karnataka.

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DECLARATION

I, **RINU THOMAS**, hereby declare that the Project report entitled "Use of straddle strategy in options trading – An analytical study exploring the profitability of stock options" with reference to "Paterson Consulting Group Private Limited, Chennai" prepared by me under the guidance of Prof. Yogesh Dixit, Assistant Professor M.B.A Department, Alva's Institute Of Engineering and Technology, Mijar, Moodbidri and external assistance by **Mr. Senthil, Manager, Paterson Consulting Group Private Limited, Chennai**. I also declare that this Project work is towards the partial fulfillment of the university Regulations for the award of degree of Master of Business Administration by Visvesvaraya Technological University, Belgaum. I have undergone a summer project for a period of Twelve weeks. I further declare that this Project is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University / Institution.

Date:

Place: Mijar Signature

ACKNOWLEDGEMENT

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RINU THOMAS

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EXCECUTIVE SUMMARY

The present study " Use of straddle strategy in options trading – An analytical study exploring profitability of stock options" with respect to ten companies namely ONGC, Reliance, State Bank of India, TCS, Tata Motors, Tata Power, Tata Steel, Vedanta, Yes Bank and WIPRO for a period of 5 years gave an opportunity to understand the uses of straddle strategy in options trading and also helped to analyse how and why investors opt for straddle strategy in options trading to reap more profits.

In this study an attempt is made to understand the profitability of using straddle strategy in options trading. Profit or loss that an investor gets every month on adopting straddle strategy in options trading with respect to 10 stocks is calculated for 5 years of period beginning from 2013 to 2017. As the significance of options trading is considerably increasing in the stock market today, the study has helped in analysing the chances of earning more profit by use of straddle options trading strategy.

The study has been conducted at Paterson Consulting Group Private Limited, Chennai. In this particular study out of fifty companies that are being traded on National Stock Exchange, 10 companies belonging to different sectors are being selected and the data has been collected and analysed.

I have collected the monthly data for past 5 years relating to the premium of call options, put options, strike prices, underlying value etc from the official website of National Stock Exchange for calculating the profit or loss. And a t-test has been applied.

From the results I have found that the for the period of study done from 2013-2017, the use of straddle strategy proves to be profitable in trading the call and put options. The straddle strategy gives more average returns to the investors than the average NIFTY returns for the same period and thus options trading proves to be more profitable than the purchase of stocks.