

Case study: trading silk yarn and sub- brokership

Business



Kirkwood was engaged in the family business of trading in natural silk yarn in a large town of Eastern Uttar Pradesh. The town had lot of potential for silk yarn demand as there were plenty of weavers engaged in weaving shares popularly known as “ Bananas Shares”. At the initial stage, the trading business of Carotid's father was not flourishing. However, after the death of his father, when S. L. Kirkwood assumed the full-fledged responsibility of the business, he expanded it manifold with untiring efforts.

With the result, he became number one trader of the city and earned a lot of money. He constructed his own five-storey house in prime business area of the city with a view that ground and first floors would be used for business purpose and the remaining floors would be used for residential purpose.

Trading of silk yarn involves procuring of silk yarn from silk producing centers mostly at Bangle and adjoining areas and some part of Jam ; Kashmir. Besides silk yarn is imported mostly from China.

Silk yarn is distributed directly to weavers who are mostly illiterate manual workers or to semi-wholesalers.

The yarn is supplied on credit basis ranging from one week to two weeks with a provision that interest at the rate of 2 percent per month will be charged if the payment is delayed beyond the stipulated time. When Kirkwood made huge profit in his trading business, he started investing a part of the profit in buying shares of different companies both from the primary market and the secondary market.

Gradually, he along with his family members became shareholders of about 250 companies. Koala has three sons and when they were quite grown up he

<https://assignbuster.com/case-study-trading-silk-yarn-and-sub-brokership/>

decided to step down from the trading business and entered the field of share-broking . In late 2004, he approached a share broker of National Stock Exchange(ONES) for the purpose with his friend and was successful in getting sub- barbershop from the main broker located at lambi.

He formed a firm known as S. K. Financial Services.

Since this was the only firm of this type in the city , it attracted lot f business at the initial stage. Over the period of time, the firm was converted Into a limited company under the name of Kirkwood Capital Services Limited with share holders drawn mostly from his family and friends.

ONES offered computerized trading system from the very beginning. In this system, a share broker or sub-broker has to initial VAST (Very Small Aperture Terminal), a special purpose dish antenna, and computers and accessories besides office furniture, etc.

The process of operating a sub-broker's office is as follows: 1. Orders for buying/selling shares and obtained from the customers either through personal contacts or telephones. A customer may give order either at the market rate, that is, at the prevailing rate on which he can buy-sell immediately, or prescribed rate and transaction will be affected when this rate comes.

In both these cases, the transaction has to be confirmed by the sub- broker.
2. After the end of the settlement period, the sub-broker prepares a list of transactions which have been executed.

He collects money for the purchases from his customer immediately but gives shares after about three weeks because he has to appose ten money in advance to Nils Drover who sends ten share later rather ten settlement of share takes place at ONES. Similarly, the sub-broker receives shares from his customers and sends these to his broker from where money comes after an interval, of about three weeks. 3.

The sub-broker has to maintain records relating to various transactions, customers accounts, main broker's accounts and other relevant records.