WISBEES

INVESTMENT JOURNAL

RIGHT TO FINANCIAL INFORMATION May 22- June 4,2023
Visit: www.wisbees.com

WisBees Investment Journal

Editorial Team

Gouri Sankar Dash (Editor)

Avinash Rout

Pratikhiya Das

Sritam Prusty

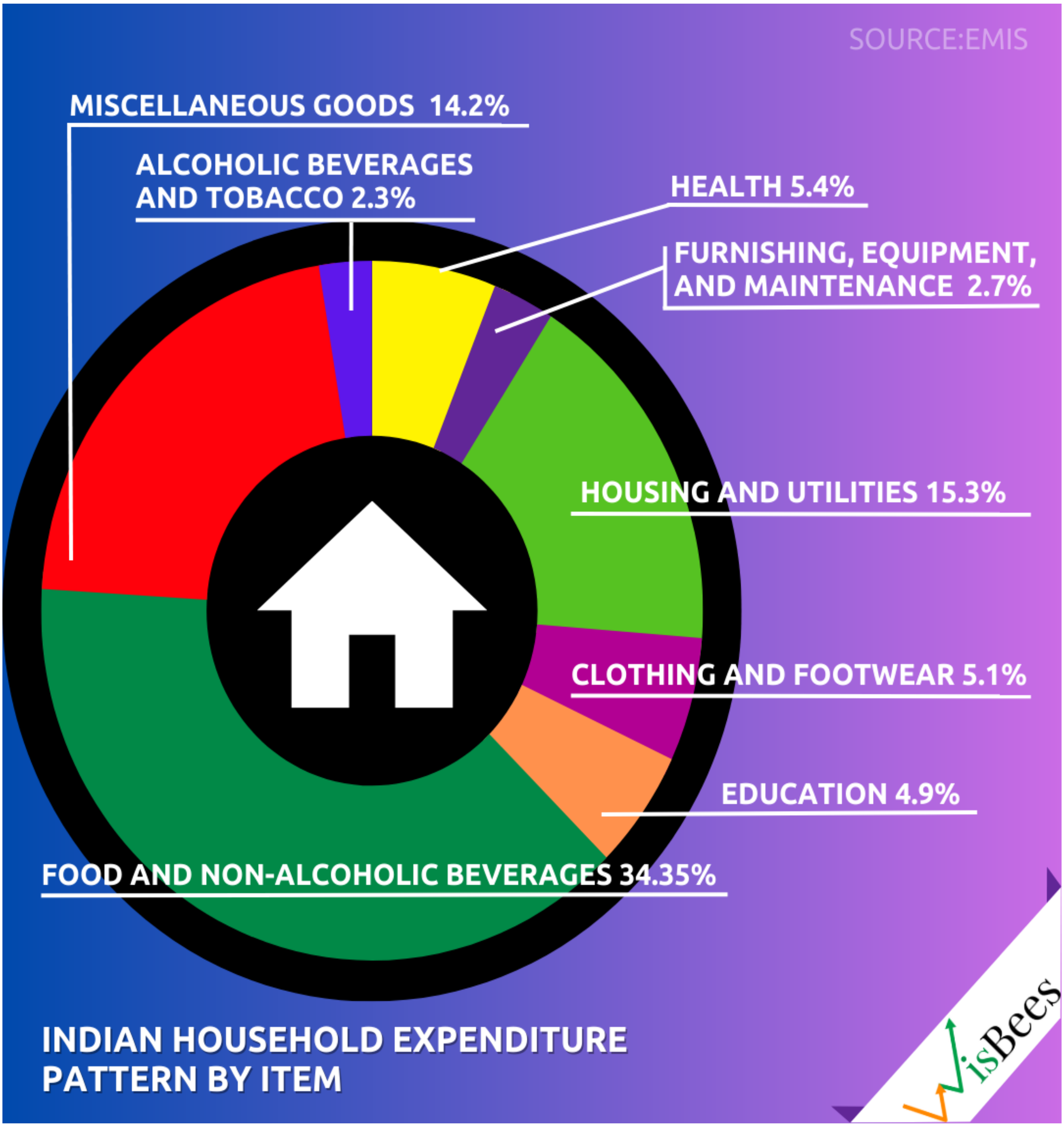
Editorial

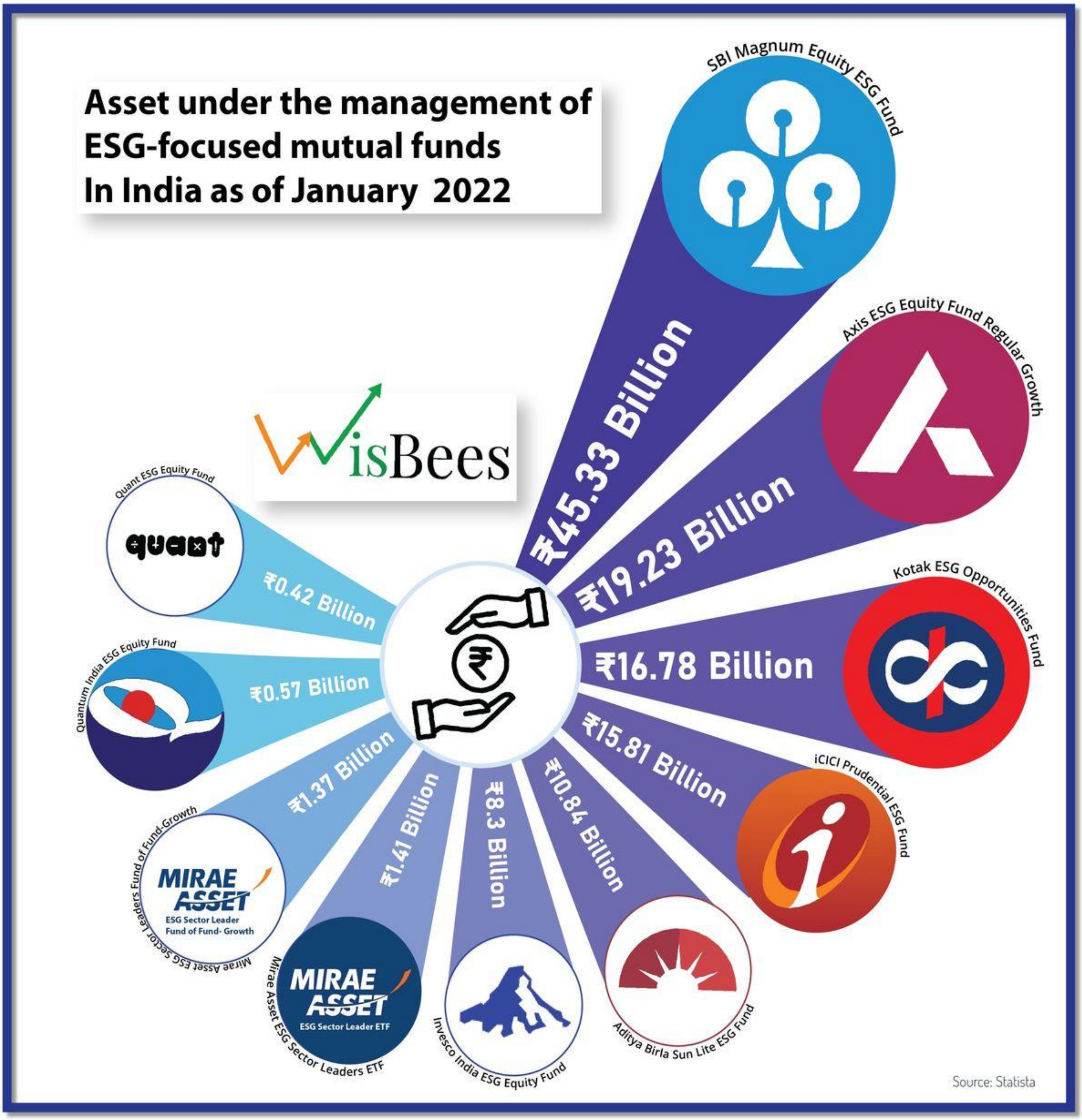
Welcome to the second edition of Wisbees e-Investment Journal, where we bring you the latest insights and analysis on a variety of investment opportunities and small saving schemes in India. In this issue, we delve into the world of tax-saving instruments, providing a comprehensive discussion to help you make informed decisions. Our featured article takes a closer look at the EIC analysis of Marico Limited, offering valuable insights into this prominent company. Additionally, we explore the remarkable surge in digital payments in India, focusing on the popularity of BHIM UPI and highlighting key leaders in the industry. To enhance your reading experience, we have adorned this magazine with visually stunning and informative infographics, providing a concise yet engaging overview of the featured topics. Thank you for joining us on this insightful journey, and we hope you find this edition of Wisbees e-Investment Journal both enjoyable and enlightening.

- Gouri Sankar Dash

Contents

Infographics




Asset under the management of
ESG-focused mutual funds
In India as of January 2022
WisBees
SBI Magnum Equity ESG Fund
₹45.33 Billion
Axis ESG Equity Fund Regular Growth
₹19.23 Billion
Kotak ESG Opportunities Fund
₹16.78 Billion
ICICI Prudential ESG Fund
₹15.81 Billion
Aditya Birla Sun Life ESG Fund
₹10.84 Billion
Invesco India ESG Equity Fund
₹8.3 Billion
Mirae Asset ESG Sector Leaders ETF
₹1.41 Billion
Mirae Asset ESG Sector Leaders Fund of Fund-Growth
₹1.37 Billion
Quantum India ESG Equity Fund
₹0.57 Billion
Quant ESG Equity Fund
₹0.42 Billion
Source: Statista

Stock Report of the Week

"While this article may be a bit lengthy, we've endeavoured to provide a neutral perspective on a stock and educate you on fundamental analysis. Stick with us for some valuable insights!"

Once upon a time, there was a man named Ramu who was interested in investing in the stock market. However, he noticed that many people tend to focus solely on the stock price rather than understanding the underlying business. He realized that understanding the business, which is known as fundamental analysis, was not just a game for finance professionals but something that anyone could learn.

Ramu was just an average person with a normal IQ, but he knew that he could understand the basics of a company's business and financials. He learned that this process of analyzing a company and making informed buy or sell decisions was commonly referred to as "Equity Research."

Ramu also discovered that investing for the long term was the best way to create wealth, rather than just trading. By analyzing good businesses, the probability of making money was high because market volatilities were averaged out over time.

So, Ramu decided to learn the technique of analyzing a business fundamentally, which included three steps known as the famous "EIC" approach. The "E" stood for Economic analysis, where he learned about macroeconomic indicators such as GDP growth, inflation, and interest rates. The "I" stood for Industry analysis, where he assessed market size, competition, growth potential, and regulatory environment. The "C" stood for Company analysis, where he looked at financial statements, management team, competitive positioning, and growth prospects.

By following the EIC approach, Ramu was able to gain a comprehensive understanding of a company's potential for growth and profitability, as well as broader economic and industry trends that may impact its performance. With this knowledge, he made informed decisions about whether to invest in a particular stock, hold onto existing investments, or sell his positions.

In the end, Ramu learned that investing in the stock market was not as complicated as it seemed. By using fundamental analysis and the EIC approach, he was able to make informed investment decisions and create wealth for himself over the long term. The story is over. Let's now discover what Ramu has gleaned from his experiences.

Today, we will focus on Marico Ltd, a company in the FMCG sector, and perform an "EIC" analysis to determine whether the stock holds significant value.

Marico Ltd

The EIC approach, which involves Economic, Industry, and Company analysis, is often referred to as the Top-down approach. When preparing a report, I place equal emphasis on the Economy and Industry analysis, accounting for 50% of the report, and the Company analysis, which also accounts for 50%. By conducting an “EI” analysis, we can gain insights into the broader economic and industry trends that impact companies in the same direction.

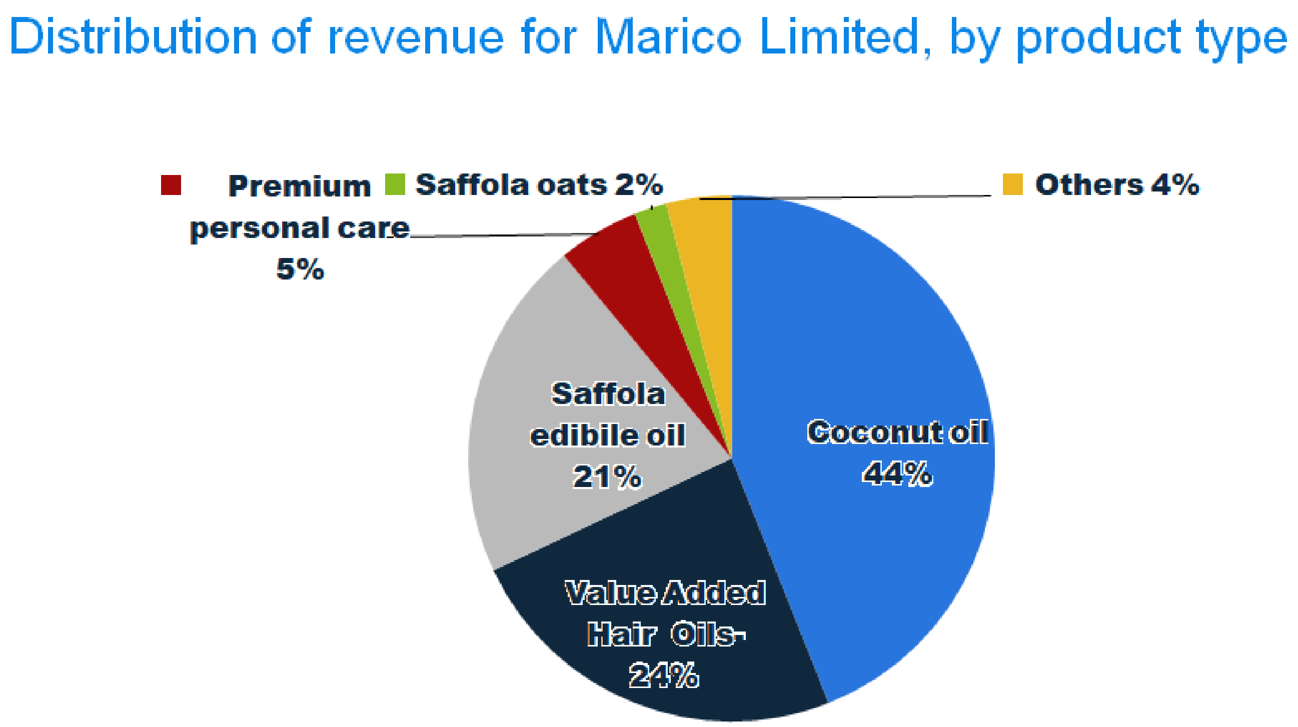
Remember:- While analysing any business, the first source of information should be its annual reports. If read properly can give you a lot of insight into the business.

Economic Analysis:-

For Marico Ltd, there can be various economic factors such as GDP growth, Inflation and Interests which affect the consumer spending pattern. However, we have to prioritize a few things that affect an FMCG company like Marico are:-

- Inflation in edible oil and crude-based raw materials
- Consumer Demand and Sentiment in Rural and urban markets

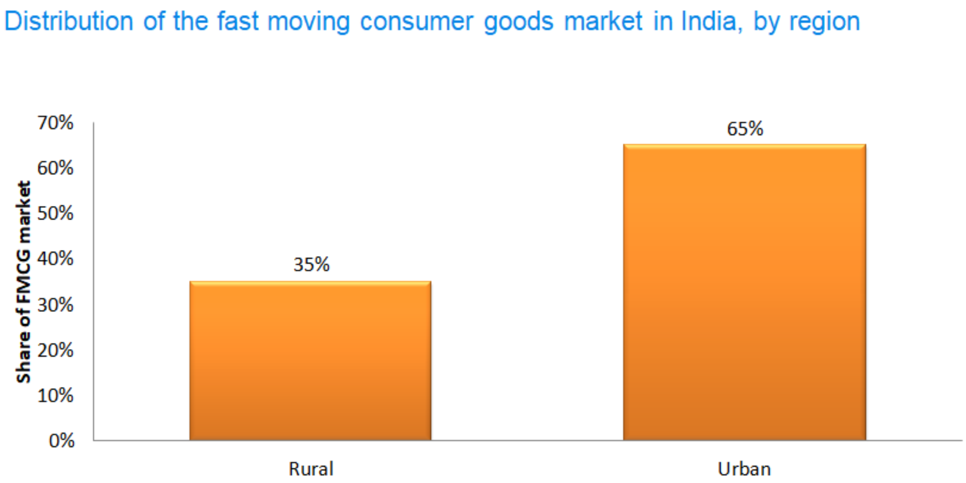
When the prices of the raw materials increase due to inflation, it can increase Marico's production costs, which can lower the company's profitability. Recently we published an article regarding the same how declining palm oil prices can improve margins(how much profit a company makes after deducting the costs). Here is [the link.]



Source: Statista , Modified by Wisbees

The image above clearly shows that the main products contributing to Marico's revenue are hair oils (primarily coconut oils) and edible oils. A company's stock price is likely to increase if it has a good profit margin and net profit growth. During this quarter, Marico's Parachute coconut oil segment showed good volume growth along with a healthy gross margin (a 2.94% increase YoY) due to the reduced price of copra, its main raw material. Copra is the dried kernel of the coconut and a crucial ingredient in Parachute Coconut Oil. Copra constitutes 40% of the total raw material of Marico. A healthy crop of copra can positively impact Marico's prices. Therefore, by monitoring copra prices, you can get an idea of Marico's financial performance.

Likewise, in the case of Edible Oil, although the prices of raw materials like Rice Bran and Soybean did not decline significantly, Marico Ltd made essential price adjustments, which helped to maintain their margin in this segment.



The second factor we discussed is the impact of rural and urban consumption on the FMCG sector. Rural consumption accounts for approximately 35%-40% of sales in India, making it a crucial contributor to FMCG company revenues. The recent decline in rural demand has posed challenges for the sector, necessitating a closer examination of the factors influencing rural consumption. However, it is anticipated that rural consumption will improve as elections approach in 2024. Historically, the government has implemented numerous initiatives for rural development prior to elections, which have a positive impact on rural consumption. Additionally, the monsoon season plays a significant role in enhancing rural consumption. But in overall picture the Rural consumption is increasing every year for India.

Industry Analysis:-

This is about the industry that the company belongs to and how it affects the company. You need to look at things like trends, opportunities, challenges, competition, etc.

Based on data from IBEF, the FMCG sector in India is projected to achieve a remarkable compound annual growth rate (CAGR) of 27.9%, surpassing the growth rates of most of the sectors. This growth can be attributed to the rising number of online users and the flourishing e-commerce industry, driven by the widespread availability of the internet and smartphones. When an industry experiences growth, companies within that sector tend to benefit as well. Marico, recognising this opportunity, has proactively expanded its presence in numerous rural villages by leveraging its extensive network of stockists.

In the past, the FMCG sector witnessed a decline in market share for various unorganised players. This shift can be attributed to the changing preferences of urban customers, who increasingly prefer the convenience of online supermarkets and grocery shopping. As a result, the traditional unorganised players in the FMCG sector have experienced a reduction in their market share and favoured Marico, like FMCG majors.

Apart from this, growing disposable income and urbanisation will positively impact the FMCG industry.

Company Analysis

This next step of fundamental analysis is perhaps the most crucial - we dive into the inner workings of the business and evaluate the strength of its financials. And speaking of businesses, you might have heard the buzz about Alia Bhatt becoming the brand ambassador for Nihar Shanti Amla. So, let's learn how to conduct a comprehensive company analysis. And the best place to start? The company's annual report, of course!

Let's delve into how Marico's business is performing.

To gain a deeper understanding, it is essential to ask yourself a series of targeted questions. These questions serve as a framework for analysis and provide valuable insights.

- What is the core business of the company?

- What is the product portfolio? -(To know their market presence)
- What is the composition of the company's revenue mix? Which product generates the highest sales volume?
- What type of raw materials are necessary for the company's operations?-(To know the dependency of the company)
- Which companies are the main competitors of the organization?-(To understand peer pressure on margins of the product)
- Who are the promoters, and how much stake they have? -(An increasing and stable promoter's stake indicates a growing business)

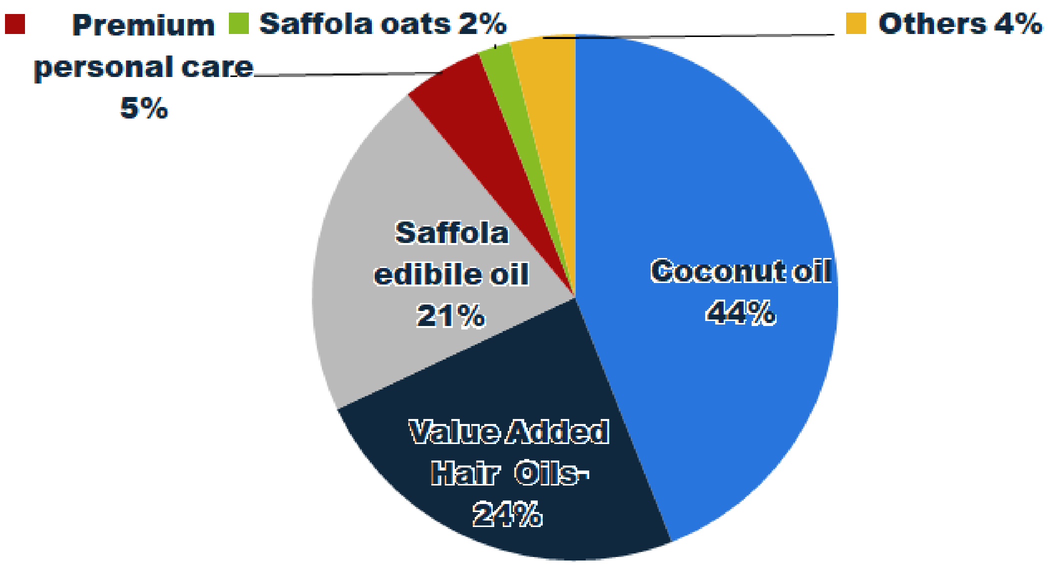
Applying them on Marico: -

- In the Economic analysis, we have seen that Marico is primarily engaged in the production and sale of hair care products, edible oils, and other consumer products in the FMCG industry.
- Some of the main products manufactured by Marico include:

Category	Products
Hair Care	Coconut Oil - Parachute, Nihar Naturals
	Value-added Hair Oils - Parachute Advansed, Nihar Naturals, Hair & Care
	Premium Hair Nourishment - Livon Serums, Hair & Care
Edible Oils	Super-premium Refined Edible Oils - Saffola
Healthy Foods	Saffola Oats
	Coco Soul Coconut Oil
	Saffola FITTIFY Gourmet Range
Male Grooming & Styling	Set Wet
	Beardo
	Parachute
Skin Care	Kaya Youth
	Parachute Advansed
Hygiene	Mediker
	Veggie Clean

- The categories of Coconut hair oil and Value-added hair oil collectively contribute approximately 68% of Marico's total revenue. These two categories hold significant importance in Marico's product portfolio and play a substantial role in driving the company's overall financial performance.

Distribution of revenue for Marico Limited, by product type



Source: Statista , Modified by Wisbees

Marico holds a dominant position in the hair oil category, capturing a significant market share of over 35% in the Indian hair oil market. This leadership position underscores Marico's strong presence and the trust placed in its hair oil brands by consumers across the country.

- The raw materials used are mostly Copra, Edible Oils and Crude Oil Derivatives(for personal care products). We have already discussed this.
- The promoters of Marico have consistently maintained a stake of 59% or above for a significant period, showcasing remarkable stability in their ownership. This consistent and substantial stake held by the promoters highlights their long-term commitment and confidence in the company's growth prospects.

In addition to the aforementioned factors, it is also essential to explore the "Management Discussion" section in the annual report. This section provides valuable insights into the management's strategic planning and outlook for the company.

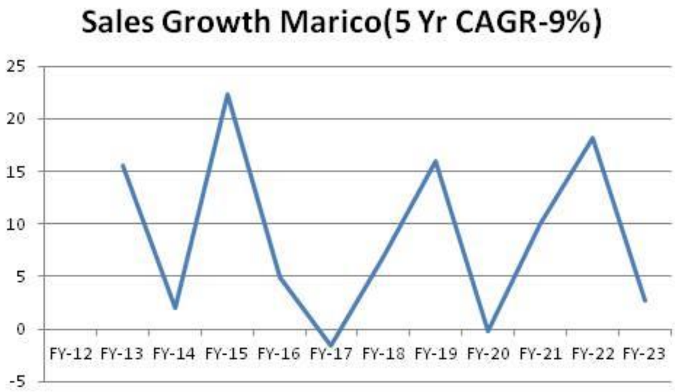
Analysing Financials

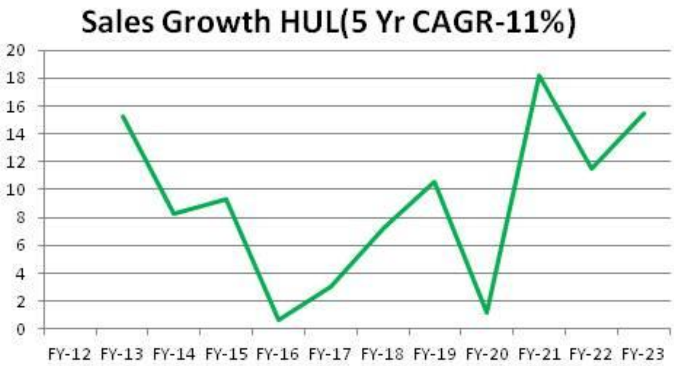
Below are a few things one have to look for while analyzing financials: -

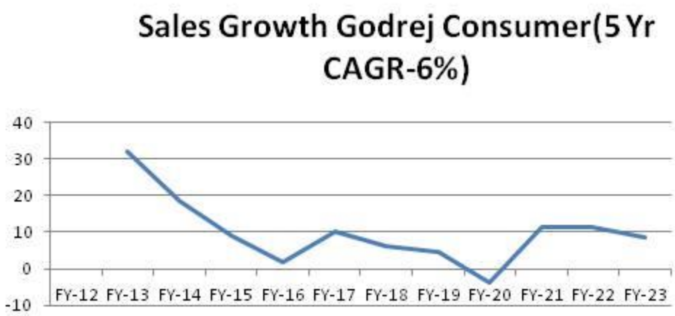
Revenue and Profit Growth: -

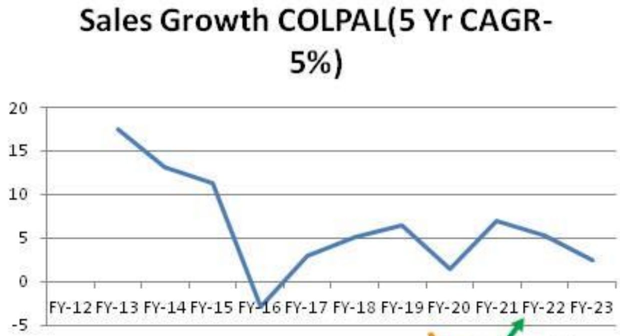
	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Sales	**4,686.5**	**5,733.0**	**6,017.3**	**5,917.8**	**6,322.0**	**7,334.0**	**7,315.0**	**8,048.0**	**9,512.0**	**9,764.0**
Sales Growth %		22.33	4.96	-1.65	6.83	16.01	-0.26	10.02	18.19	2.65
Net Profit	**504**	**585**	**723**	**811**	**827**	**1,131**	**1,043**	**1,199**	**1,255**	**1,322**
Profit Growth %		16.07	23.59	12.17	1.97	36.76	-7.78	14.96	4.67	5.34

When we analyze Marico's sales growth rate through a line chart, we observe a cyclic pattern in its revenue growth. While it is true that the FMCG sector is typically non-cyclical and experiences consistent demand, Marico's specific sales growth rates exhibit periodic fluctuations. This suggests that the company's growth rates go through cycles, with periods of slower growth followed by periods of accelerated growth. But a company analysis is not complete untill you compare them with peers.









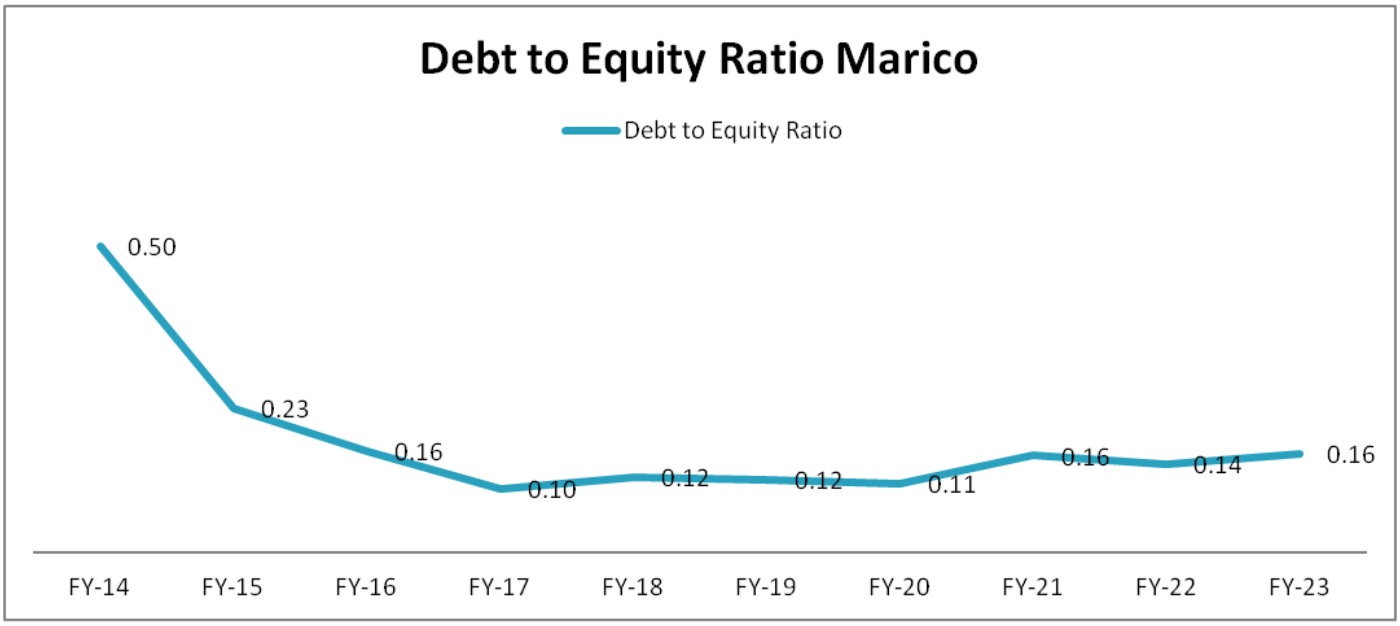
Hindustan Unilever(HUL) seems to be the fastest growing in sales followed by Marico. It is important to note that despite these cyclic patterns, Marico continues to experience overall growth due to the strong demand for its products. This observation provides a positive outlook as it suggests that the sales growth is currently at a bottom stage, implying that it may start picking up again in the future. But if we compare this growth Hindustan Unilever's growth it the sales growth in Hindustan Unilever is higher.

GPM, OPM, NPM: -

These profitability ratios provide valuable insights into the company's financial performance, highlighting its operational efficiency and overall profitability. The company's Gross Profit Margin (GPM) stands impressively at 47.41%, indicating its ability to generate substantial profits after accounting for the cost of goods sold. The Operating Margin(OPM) is at 17.54%, and Net Profit Margin(NPM) is at 13.62%. However, we have to compare these numbers with other peer companies and we can see HUL, Godrej and Colpal are better at their operational efficiencies.

Debt: -

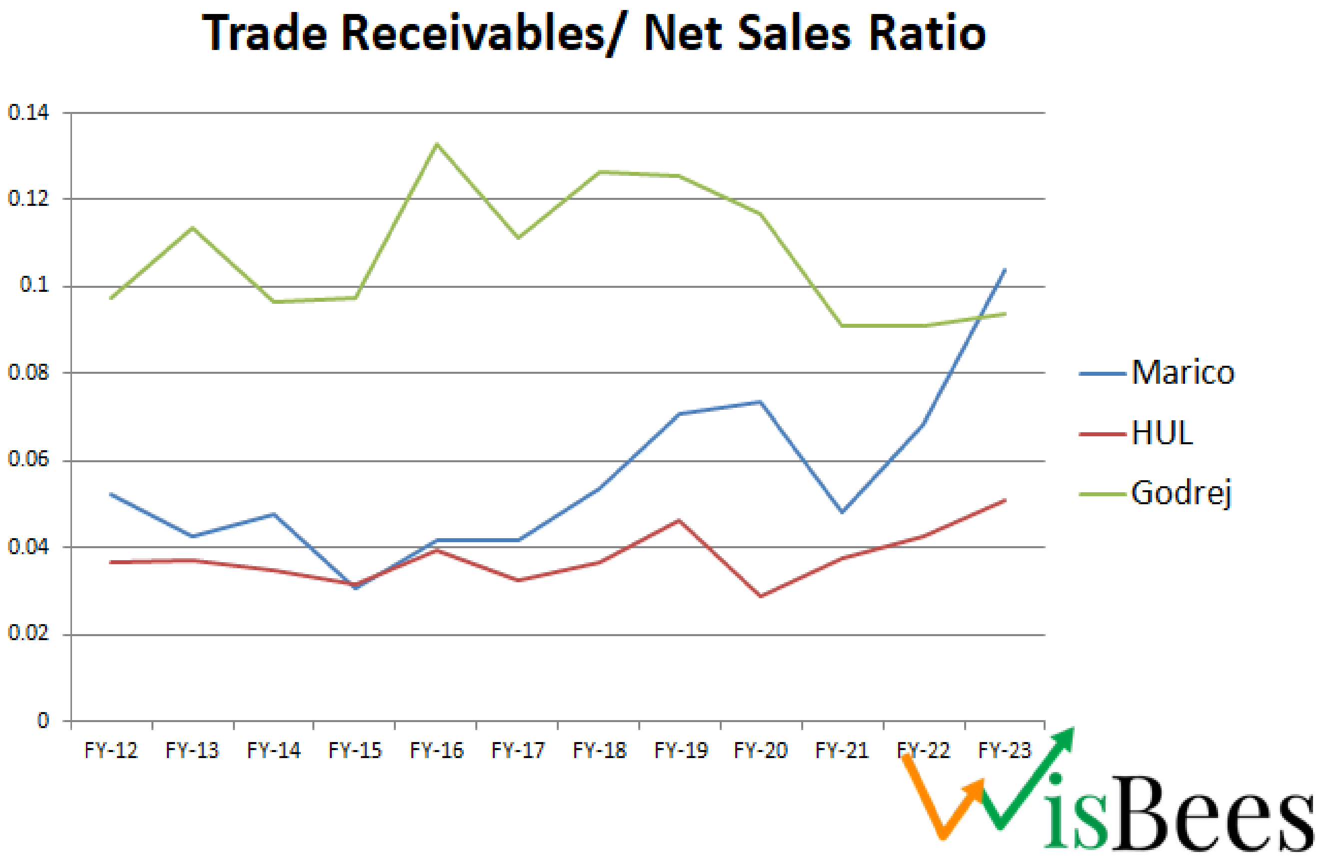
This can be checked from the balance sheet. But it is better to find the Debt to Equity ratio to find see the comparison.



You can see the company has negligible debt, and it’s been steady almost, which signifies the company is not in any financial distress. Although most of the leading FMCG companies do have a similar Debt to Equity curve having almost zero debt ex: HUL, ITC etc.

Receivables/Sales: -

Sometimes companies manipulate their sales by increasing Receivables data. So increasing receivables/sales data can be questionable.



The image above demonstrates the upward trend of Marico's Trade Receivables, indicating that the company is making more credit sales compared to Hindustan Unilever and Godrej

Consumer. Although the current data is not particularly encouraging, there's a silver lining for Marico. The recent capital expansion of 132 Crore has the potential to reduce the company's Debt-to-Equity (D/E) ratio by boosting sales. This strategic move aims to improve the company's financial position and could have a positive impact on its overall leverage.

Cash flow from Operations :-

The company has strong positive cash flow operations, which is the most important indicator for an investor to know whether the company is making profits out of its operations or from other activities.

	FY-15	FY-16	FY-17	FY-18	FY-19	FY-20	FY-21	FY-22	FY-23
Cash Flow from operations	891	1,085	1,215	1,160	1,361	1,475	1,617	1,709	1,847

ROE and ROCE: -

A good Return on Equity above 20% is generally preferred by Investors. A company with high ROE and low debt seems ideal for investment.

Stock Price CAGR	
10 Years:	17%
5 Years:	11%
3 Years:	19%
1 Year:	8%

Return on Equity	
10 Years:	36%
5 Years:	37%
3 Years:	37%
Last Year:	36%

This image is from Screener. in which you can see the company's 5-year ROE growth is 37%, whereas the company's stock price has only appreciated by 11%. The ROCE of the company stands at 43.7%, which is again higher than most of its peers.

Valuations: -

Marico's PE ratio stands at a relatively lower level compared to its peers, at 53.3. In contrast, HUL and Nestle are trading at significantly higher PE valuations. While the price-to-book value for Marico appears to be relatively high, with the stock trading at 18 times its book value, it is worth noting that this is not uncommon for FMCG companies.

Conclusion: -

Based on this equity research, the company is considered investible due to several factors. Firstly, it exhibits strong cash flows, indicating its ability to generate substantial operating cash from its business activities. Additionally, the company boasts impressive Return on Equity (ROE) figures, indicating efficient utilization of shareholder investments to generate profits. Furthermore, the company's leadership position in the hair oil industry, which contributes to 68% of its revenue, adds to its attractiveness as an investment opportunity.

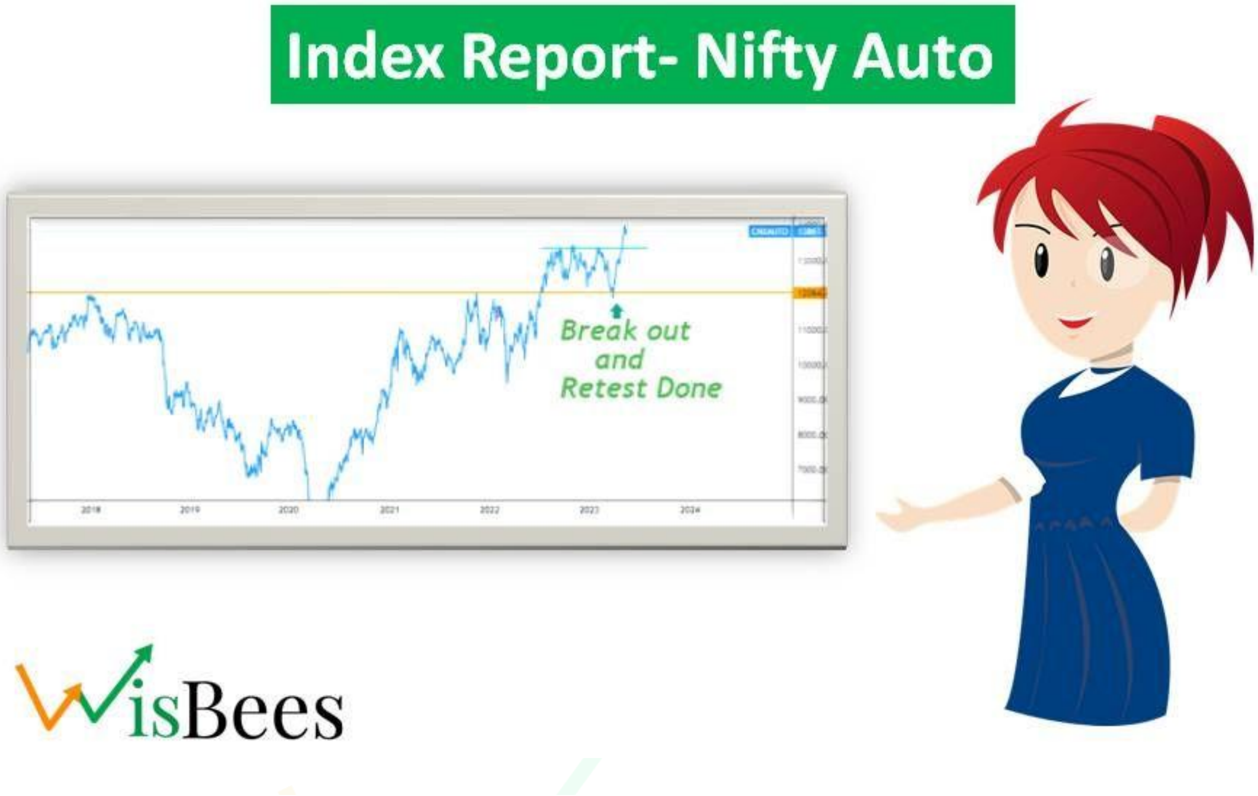
Technical Tadka: -

Please note that this additional analysis of price is not part of the Equity Research. Consider it as supplementary information that can complement your investment rationale. It provides further insights into the pricing dynamics that may be relevant for your investment decision-making process.

Take a look at this weekly chart of Marico, where we observe a consistent trend of the stock finding support at its 200-day Exponential Moving Average (EMA). Moreover, the stock has recently broken out of a consolidation wedge pattern, indicating the potential for a further rally. This technical analysis suggests a positive outlook for the stock's price movement in the near future.

~ * ~

Index Report



The Nifty Auto Index is specifically crafted to accurately mirror the dynamics and achievements of the automotive sector within the financial market. The Nifty Auto Index comprises 15 tradable, exchange-listed companies. The index represents auto-related sectors like automobiles (4-wheelers), automobiles (2 and 3-wheelers), auto accessories, and tyres. The Nifty Auto Index is computed using the free float market capitalization method, wherein the level of the index reflects the total free float market value of all the stocks in the index relative to a particular base market capitalization value. The Nifty Auto Index can be used for a variety of purposes, such as benchmarking fund portfolios and launching index funds, ETFs, and structured products.

Selection Criteria of Nifty Auto Index

i. The company should be part of the Nifty 500 index at the time of review. If there are fewer than ten eligible stocks from the automobile sector within the Nifty 500, additional stocks will be selected from the top 800 based on their trading frequency, daily turnover, and market capitalisation over the previous six months.

ii. The company should be part of the automobile sector.

iii. The company should have had a high level of trading activity over the last 6 months.

iv. The company should have been listed on the stock exchange for at least six months. If a company has recently had its initial public offering (IPO), it can still be included in the index if it meets the eligibility criteria for 3 months.

v. The final selection of 15 companies for the index will be based on their free-float market capitalization.

vi. The weightage of each stock in the index is determined based on its free-float market capitalization, ensuring that no single stock has a weightage of more than 33% and that the cumulative weightage of the top 3 stocks does not exceed 62% at the time of rebalancing.

Composition of the index

Company Name	*Industry*	*Symbol*	*ISIN Code*	*weights(%)*
Maruti Suzuki India Ltd.	Automobile and Auto Components	MARUTI	INE585B01010	18.66
Mahindra & Mahindra Ltd.	Automobile and Auto Components	M&M	INE101A01026	17.95
Tata Motors Ltd.	Automobile and Auto Components	TATAMOTORS	INE155A01022	13.95
Bajaj Auto Ltd.	Automobile and Auto Components	BAJAJ-AUTO	INE917I01010	8.2
Eicher Motors Ltd.	Automobile and Auto Components	EICHERMOT	INE066A01021	7.38
Hero MotoCorp Ltd.	Automobile and Auto Components	HEROMOTOCO	INE158A01026	5.43
Tube Investments of India Ltd.	Automobile and Auto Components	TIINDIA	INE974X01010	4.41
TVS Motor Company Ltd.	Automobile and Auto Components	TVSMOTOR	INE494B01023	4.33
Ashok Leyland Ltd.	Capital Goods	ASHOKLEY	INE208A01029	3.43
Bharat Forge Ltd.	Capital Goods	BHARATFORG	INE465A01025	3.35
MRF Ltd.	Automobile and Auto Components	MRF	INE883A01011	2.96
Bosch Ltd.	Automobile and Auto Components	BOSCHLTD	INE323A01026	2.71
Balkrishna Industries Ltd.	Automobile and Auto Components	BALKRISIND	INE787D01026	2.7
Samvardhana Motherson International Ltd.	Automobile and Auto Components	MOTHERSON	INE775A01035	2.44
Sona BLW Precision Forgings Ltd.	Automobile and Auto Components	SONACOMS	INE073K01018	2.11

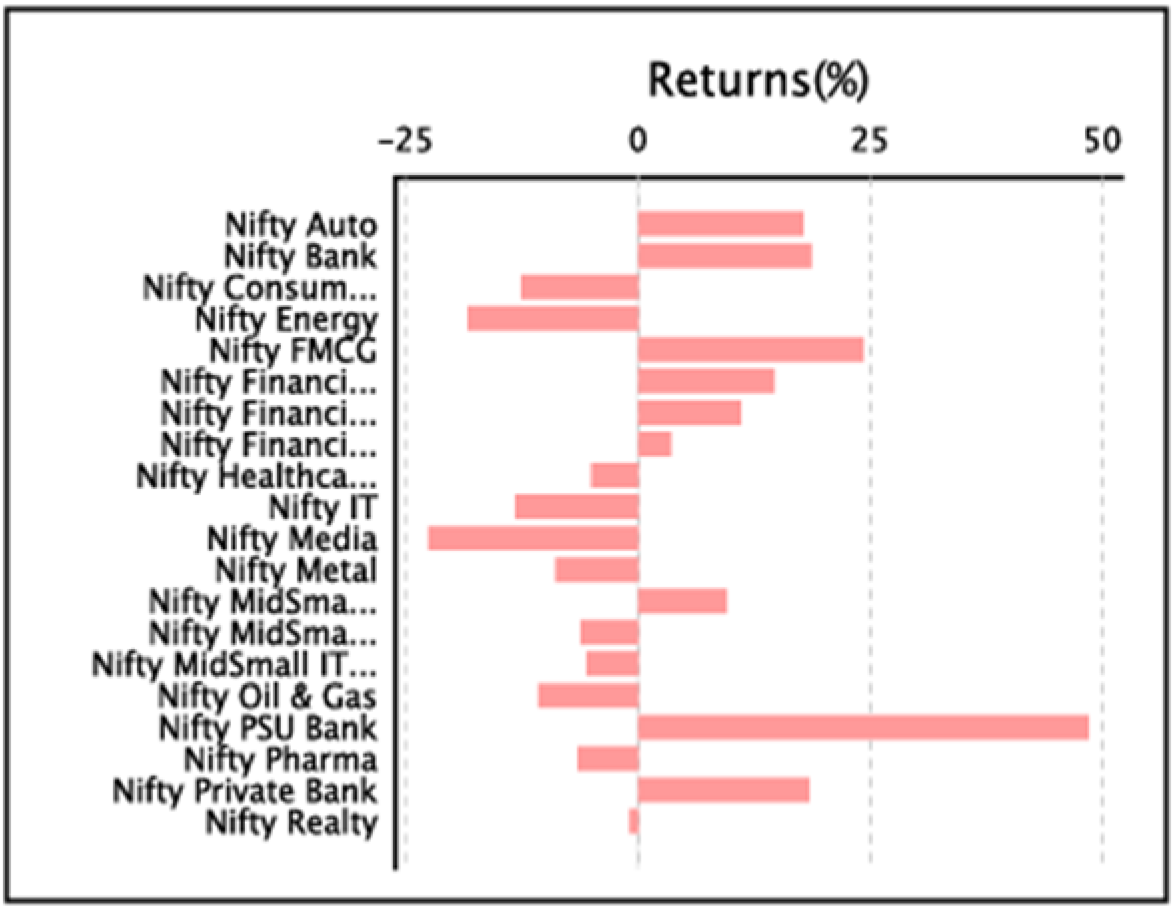
Factsheet: NSE

Industry at a Glance

The past few years have been a mixed bag for the automobile sector. The sector has faced several challenges, such as the COVID-19 pandemic, supply chain disruptions, semiconductor shortages, and rising input costs, which have impacted the production and sales of automobiles.

However, the sector has also witnessed some positive developments, such as a gradual recovery in demand, a shift towards electric vehicles, and the government's focus on promoting domestic manufacturing and reducing import dependency.

1 Year Performance Comparison of Sector Indices



Factsheet: NSE

When focusing on the return or the industry's performance, the industry has successfully delivered 20% to its investors, which is roughly 5.5% higher than the benchmark index.

Fundamentals

Price to earnings	Price to boook value	Dividend yield
33.25	5.1	1.01%

Sector fundamentals

- Price to earnings ratio (P/E ratio) for the sector stood at 33.25, which is moderately expensive.
- Price to book value is a comparison between a company's current market price and its book value. An industry P/B ratio of 5.1 means that the current market price per share of the industry is five times higher than its average book value per share. A high P/B ratio indicates that investors have high expectations for the company's future growth and profitability.
- Growth for the sector is 1% annually, which is a healthy one.

Technicals

Technically auto sector is trading at its ATH (all-time-high) i.e 13910.

The daily pivot level for the index is as follows.

Type	R1	R2	R3	PP	S1	S2	S3
Classic	13,944.20	14,024.85	14,173.15	13,795.90	13,715.25	13,566.95	13,486.30
Fibonacci	13,883.36	13,937.39	14,024.85	13,795.90	13,708.44	13,654.41	13,566.95
Camarilla	13,884.54	13,905.52	13,926.51	13,795.90	13,842.56	13,821.58	13,800.59

The aforementioned pivots are calculated on the closing value the last candle formed: source Mc.com: S stands for support and R sands for Resistance

Source: INVESTING.COM

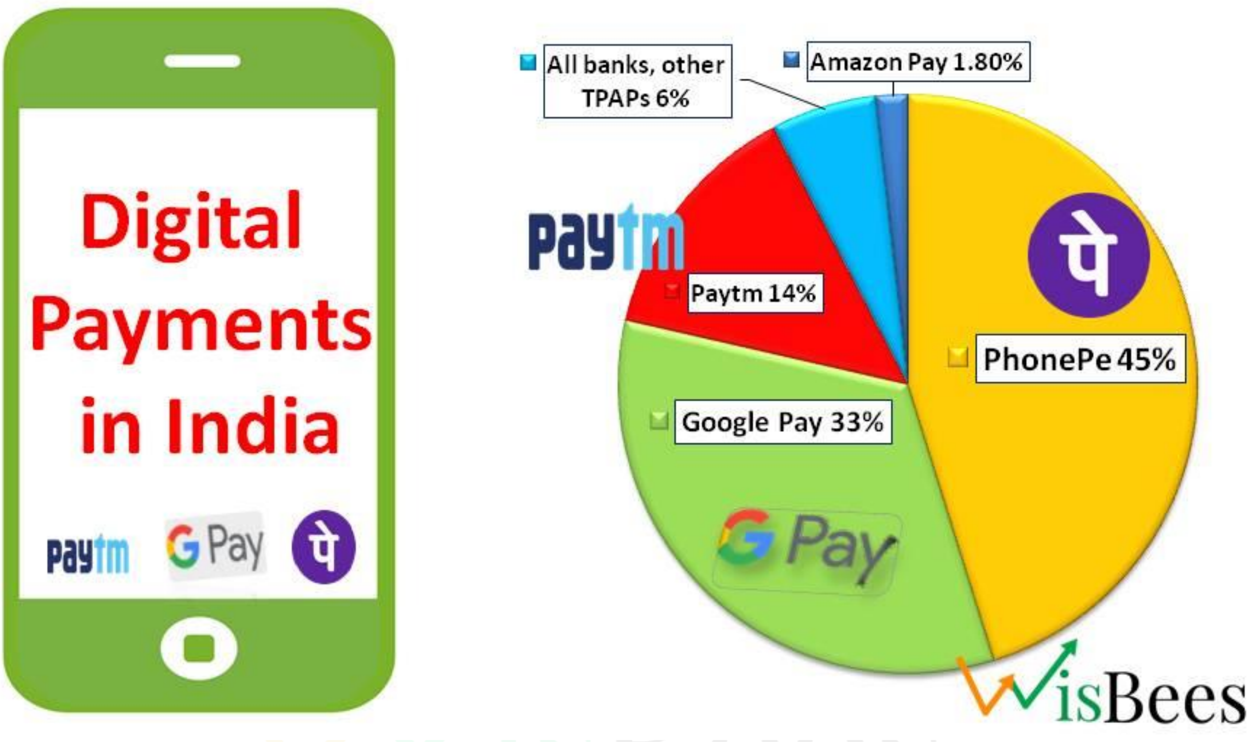
On the last trading day, which was Friday, May 19, 2023, the Nifty Auto initially experienced a downward movement. However, it later witnessed a significant recovery, resulting in the index closing at 13,863. Notably, there was a hammer formation at the bottom, which is considered a potential bullish signal. Additionally, the trading volume for the day surpassed the volume observed in the previous 20 days, indicating a positive indicator.

Source:investing.com

Based on the current scenario, it appears that the index is in a consolidation phase. As a result, the levels of 14,085-14,100 and 13,657-13,550 are likely to become crucial levels for the index.

~ * ~

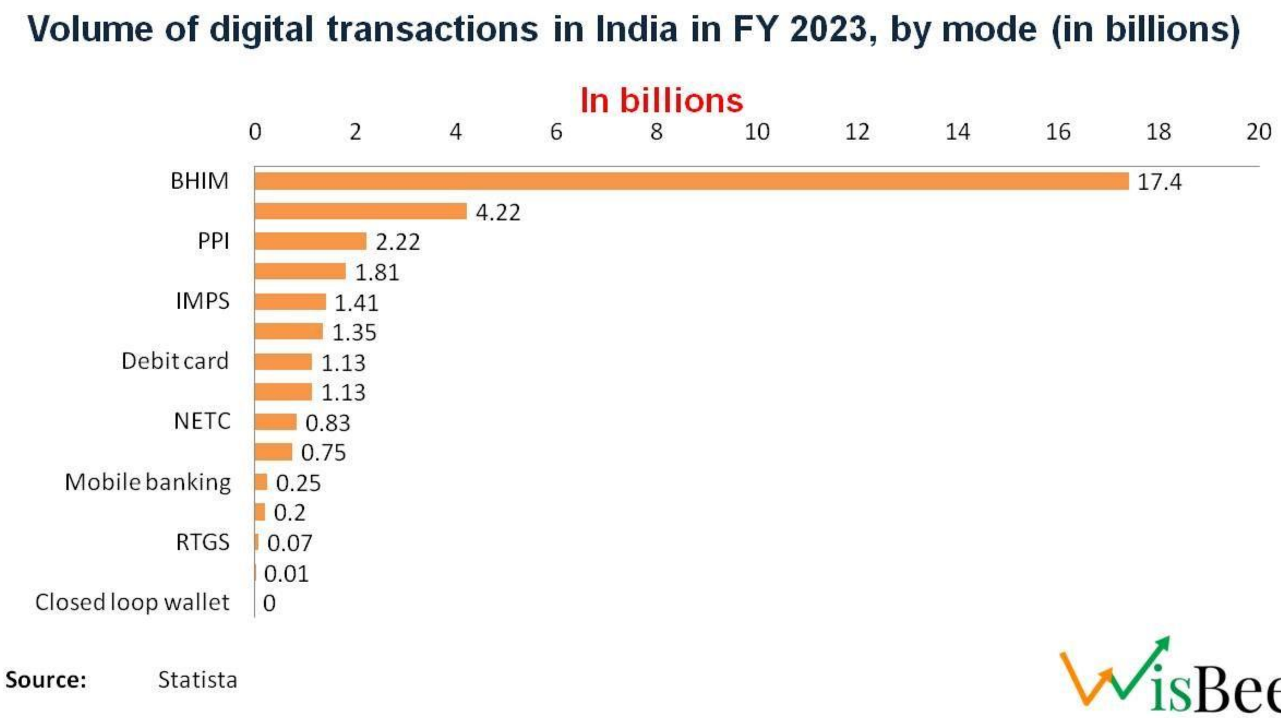
Newsletter



Introduction

Imagine going to a Kirana shop in the 2010s with a 500 rupee note or taking a journey from point A to point B in an auto-rickshaw, where the fare happens to be an odd amount like 95 rupees. Perhaps you forgot to check your wallet before leaving the house or experienced the inconvenience of carrying bulky pockets jingling with coins, which often resulted in accidental overpayments or similar issues. However, digital payments have revolutionized the conventional 'change' money system, eliminating the need for cumbersome wallets filled with cash and coins.

All the aforementioned scenarios point towards one system known as the "Unified Payments Interface" or "UPI." However, prior to UPI, there were other significant components in the digital payments landscape such as mobile wallets, National Electronic Funds Transfer(NEFT), and the Immediate Payment Service (IMPS). These entities played a crucial role in facilitating the growth of the digital payments system. As of FY2022, an impressive count of approximately 72 billion transactions have been conducted.



So what lead to the rise of this new industry?

There are numerous factors and corresponding benefits when it comes to digital payments. One of the primary advantages is the enhanced sense of security and safety, which alleviates concerns related to loss, misplacement, or theft of physical cash. With digital transactions, individuals can enjoy a secure mode of financial exchanges. In fact, a significant 46% of consumers are willing to pay a service charge for the added convenience and security that digital payments offer.

This level of trust and reliability in digital payments was made possible with the introduction of UPI by NPCI in 2016. It marked a revolutionary milestone for the digital payment industry in India, bringing forth a new era of convenience and confidence in financial transactions.

Digital payments have thrived primarily due to the widespread adoption of smartphones and the growing number of smartphone users. In India, the penetration of smartphones is projected to increase from 65.8% in FY18 to an estimated 79.4% in FY23, and further to 86.7% by FY26. However, smartphones alone wouldn't be as effective without internet connectivity. In FY12, India had a mere 193.41 million internet users. Yet, with the advent of 4G and 5G networks, it is anticipated that the number of internet users will surpass 1 billion by the end of 2023. While these statistics are indicative, one can observe the prevalence of internet usage and smartphone ownership by simply assessing the number of individuals in their immediate surroundings who do not have access to the internet or possess a smartphone.

Also, due to the COVID-19 pandemic, there was a sudden surge in the industry as everybody preferred contactless payments.

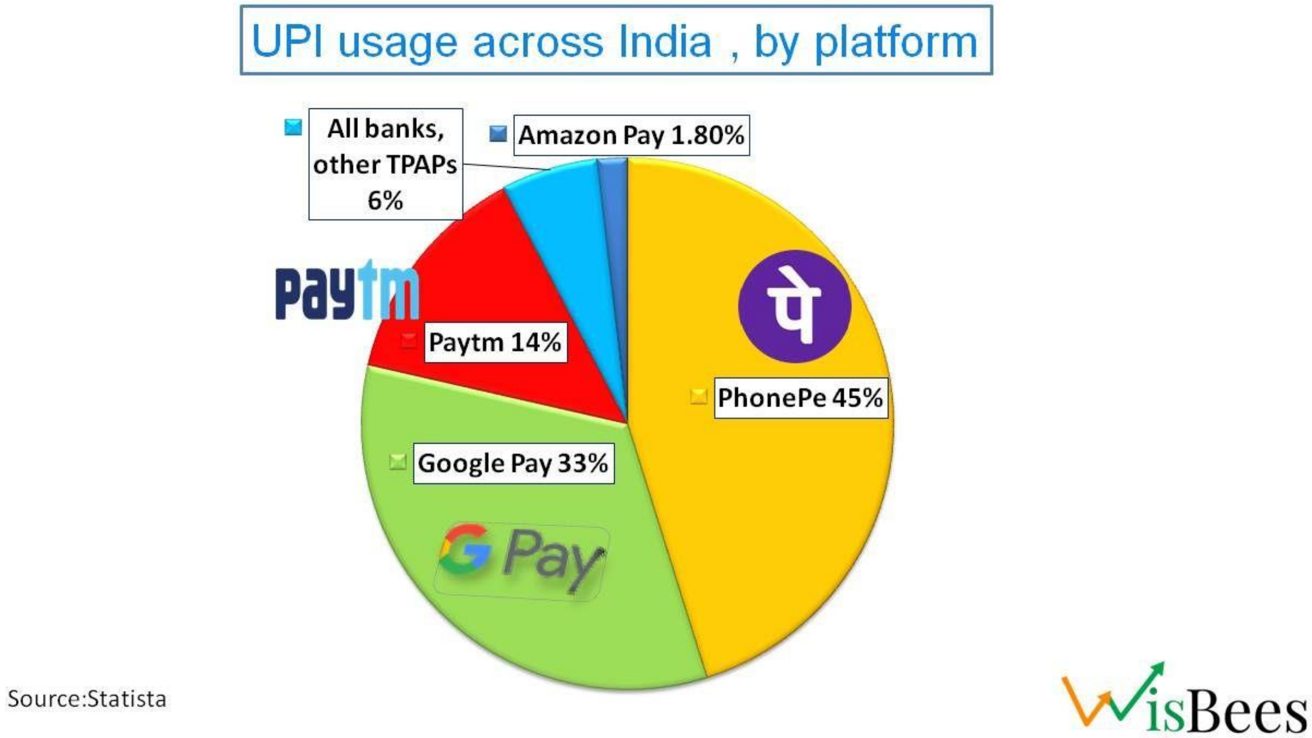
Now let’s see **how big this industry is and who are the key players in this industry!**

As of April 2022, the UPI-based monthly transaction volume has witnessed remarkable growth, reaching 5,583.05 million transactions, with a total transaction value of Rs. 84,160 billion. This substantial increase is evident when compared to the figures of August 2018, which stood at 312.02 million transactions and Rs. 69.5 billion in value.

UPI has emerged as a favored payment option among people in India, with approximately 56% of individuals preferring its usage for transactions ranging from Rs. 1 to Rs. 1,00,000. This payment system offers convenience, security, and swiftness, enabling users to make instant payments directly from their bank accounts without the need for physical payment instruments.

As of April 2022, the UPI system witnessed a monthly turnover of 5.58 billion, equivalent to an average of 186 million transactions per day. The UPI industry in India is expected to continue its growth trajectory, with estimates suggesting a potential total transaction value of Rs. 41,100 billion by 2025.

The growth of UPI in India can be attributed to various factors, including the increasing penetration of smartphones, government initiatives aimed at promoting digital payments and financial inclusion, as well as the convenience and speed offered by the payment system. UPI has empowered millions of people in India to access digital payment services, contributing to the reduction of reliance on cash transactions in the country.



PhonePe, a prominent player in India's digital payments industry, holds the highest UPI usage share of 45% and boasts a user share of 62%. Its success can be attributed to its user-friendly interface, as well as its impressive valuation of $5.5 billion in FY22. In the September quarter of FY22 alone, PhonePe facilitated a staggering 10 billion transactions, with its annualised total payments volume surpassing $920 billion.

As of October 2022, PhonePe has become the preferred e-payment service for 60% of Indians. According to regulatory filings, PhonePe generated revenue of Rs. 1,913 crore during the first nine months of 2022.

Google Pay, despite being an international brand, holds a significant market share of 43% in the Indian digital payments industry, equal to that of PhonePe. It stands as the second-highest transaction-based company, processing 46.71% or 351.9 Cr UPI transactions in February 2023, amounting to INR 6.2 Lakh Cr. This accounted for 50.18% of the total value of UPI transactions during that period. In February alone, Google Pay processed 263.9 Cr transactions worth INR 4.24 Lakh Cr. With a preference from 68% of people in India, Google Pay's popularity and ease of use are evident.

Paytm, a leading fintech startup in India, holds an 8% market share in the digital payments industry and boasts a valuation of $16 billion USD. It stands out as one of the most preferred e-payment services, with 85% of users opting for Paytm.

Paytm holds a significant share of 14% in terms of UPI usage, showcasing its prominence in the digital payments arena. The company's robust performance is further exemplified by its revenue of 26.67 billion rupees generated from digital payments.

The advent of digital payments has revolutionized India's financial landscape, promoting financial inclusion and granting millions of people access to modern payment services. The introduction of UPI by NPCI in 2016 proved to be a game-changer for the industry, providing India with a competitive edge compared to other countries.

Leading players in the industry, including PhonePe, Google Pay, and Paytm, have emerged as strong contenders. These platforms offer user-friendly interfaces and innovative solutions tailored to meet the diverse needs of customers. Their presence has significantly contributed to the growth and evolution of the digital payments’ ecosystem in India.

~ * ~

Investor Awareness

Story

One day, my friend Sritam while walking home from work, noticed a small shop with a sign that read "Investment Opportunities Available." He had heard about dabba trading before and was curious about it. He entered the shop and was greeted by a friendly man who introduced himself as Swadin, a trader.

Swadin explained to my friend that dabba trading was a way to invest in the stock market outside the **formal framework** of the stock exchange. Sritam was hesitant at first, but Swadin assured him that dabba trading was safe and profitable.

Swadin then further showed Sritam a ledger of trades conducted by the dabba traders and offered to help him invest in the market. Sritam was impressed by the **high returns** promised by Swadin and decided to invest his savings in dabba trading.

Over the next few months, Sritam invested more and more in dabba trading. Swadin would call him regularly to update him on the performance of his investments, and my friend Sritam was pleased to see his money grow.

One day, Sritam received a call from Swadin informing him that the *market had crashed*, and he had lost all his investments. My friend Sritam was devastated. He had trusted Mr. Swadin and had invested all his savings in dabba trading, hoping for a better future for his family.

Sritam soon realized he was not the only one who had lost money in dabba trading. Many people in his community had also invested in dabba trading and had suffered losses.

Sritam decided to take action. He formed a group of investors who had lost money in dabba trading and approached the authorities for help. The authorities soon discovered that Swadin and his network of dabba traders were operating illegally and arrested them.

Explanation

Dabba trading is a term commonly used in India to describe an illegal method of trading securities conducted outside the formal framework of the stock market. In dabba trading, trades are conducted through a network of agents operating from unregulated and unlicensed offices across the country. The term 'dabba' refers to a box used to transport goods, and in the context of dabba trading, it refers to a box that contains a ledger of trades conducted by the agent.

In this article, we will explore the phenomenon of dabba trading in detail. We will look at its history, its impact on the Indian stock market, and the measures taken to combat it. We will also examine the challenges that lie ahead in the fight against dabba trading.

History of Dabba Trading in India

The roots of dabba trading can be traced back to the early 1900s when the Bombay Stock Exchange (BSE) was established. In those days, the BSE was a small exchange that operated from a single room, and most of the trading was conducted through a network of brokers who had their offices in the vicinity of the exchange.

As the Indian economy grew, the stock market expanded, and the number of brokers increased. However, not all brokers were registered with the stock exchange, and some of them began to operate outside the formal framework of the exchange. These brokers set up their own offices and began to conduct trades on their own, without the oversight of the stock exchange.

Over time, this informal system of trading grew in size and scope, and it became known as dabba trading. In the early days, dabba trading was primarily confined to small towns and cities where there was limited access to the formal stock market. **However, as technology improved, dabba trading spread to larger cities and even to foreign countries.**

Impact of Dabba Trading on the Indian Stock Market

Dabba trading has a significant impact on the Indian stock market. Firstly, it undermines the integrity of the formal stock market by providing a parallel market for securities trading. Dabba traders often offer higher leverage and lower margin requirements than the traditional market, making it attractive to investors looking for quick profits.

This can lead to volatility in the market as investors move their funds in and out of the formal market depending on the opportunities available in the dabba market. Moreover, dabba trading is often used to manipulate the price of securities, distorting the market and leading to losses for investors.

Secondly, dabba trading has an adverse impact on tax revenues. Since dabba trading is conducted outside the formal framework of the stock market, the transactions are not subject to taxes and other regulatory fees levied on formal market transactions. This results in significant revenue losses for the government and undermines the government's ability to fund social welfare programs.

Thirdly, dabba trading poses a risk to the stability of the financial system. Since dabba traders operate outside the formal framework of the stock market, they are not subject to the same regulations and oversight as formal market participants. This can lead to systemic risks, as dabba traders take on more leverage and engage in riskier trades.

Measures Taken to Combat Dabba Trading

Box trading is an illegal act U/s 23(1) of the Securities Regulation (Contract) Act,1956. On getting caught a fine of up to 25 crores is imposed or imprisonment of 10 years.

~ * ~

Personal Finance

In ancient times, our country was called the Golden Sparrow; *Sone ki Chidiya,* because we were wealthy, prosperous & had established great socio-economic systems. Blame the many historical invasions, much of the wealth was looted, and our socioeconomic system was reduced to dust. Once the nation of great knowledge in every field of science, economics, astronomy & medicine, the literacy rate was just 12% when we got independence.

Just after independence, it was a back-breaking deal for our leaders to build the nation to such a degree that one day we would get back our lost status of Golden Sparrow. The key factor in the framework of nation-building was Equality in every domain, irrespective of caste, creed, or gender.

Since then, the Govt of India & several national agencies have been putting their best effort in achieving the growth model of India. However, Financial equality has remained a tough one to beat. According to a recent Oxfam report, 10% of Indians own more than 80% of concentrated wealth & further, only 1% (the ultra-rich) own 40.6% of total wealth in India. These numbers are very disappointing with respect to India being the 5th largest economy in the world.

To address this challenge & beat financial inequality, the Government of India & RBI has been promoting financial inclusion. Now let's understand what exactly financial inclusion means.

Financial Inclusion

In simple terms Financial Inclusion means providing basic financial facilities to the low-income group of people in order to uplift their personal finance, in due course achieving the greater goal of financial equality.

RBI *kehta hai*, financial inclusion will be attained when every household can have access to the following 3 financial services.

1. Contingency Plan

This is basically a plan designed to take account of a future event or circumstance that may or may not happen. The main objective of this plan is to ensure that everyone puts their money into the 3 financial aspects stated below.

1. Retirement Plan
2. Emergency Fund
3. Insurance

There are several schemes offered by the government to have a minimum contingency plan for every household, such as National Pension Scheme (NPS), Atal Pension Yojana (APY), Pradhan Mantri Vaya Vandana Yojana (PMVVY), Pradhan Mantri Suraksha Bima Yojana(PMSBY) etc.

2. Credit

Every Individual who is dreaming of expanding their sources of income by opting Agriculture, Fishery, or owning a shop/ industry should be able to avail easy loans. In this category Farmers Credit Card, the famous Mudra Yojana schemes are some crucial projects undertaken by the GOI.

3. Wealth Creation

The grand finale to the journey of financial inclusion is the cure of the lean purse. In the following section of this article, the numerous schemes offered by GOI have been explained explicitly.

1. Savings
2. Investment

PS: Have you marked something interesting? Insurance & retirement plans do not come under-saving instruments. These are mere contingency plans.

Wealth Creation by Saving & Investment

The iron age stereotype predominant thought says wealth is a term for the people who are born with a silver spoon in their mouth. But this is so untrue, as with the habit of disciplined financial management, one can generate a decent amount of wealth.

Furthermore, one must be aware of the wrong notion of saving, that is, to sacrifice basic needs & wants, live a very minimalistic miserable life & save every penny possible. This is because everything in this world comes with an expiration date, even your dreams. To put it in simple terms, you can't enjoy your dream car if you save every penny & buy the car at the age of 60.

Hence follow the simple rule of saving 10% of earnings & invest in mutual funds, FD, RD & many more schemes available according to your risk appetite. Plus, have a definite short-term & long-term goal for which you save & invest.

Now let's come back to the theme of this article, which is Government-backed saving schemes, particularly small saving schemes.

Small Saving Schemes

Small Savings Schemes are investment options launched & backed by the government & public sector financial institutions to cultivate healthy saving and investing habits in India. These schemes also result in an increased inflow of money into the economy. Using these schemes, one can grow their saved wealth by a decent interest rate and also enjoy benefits such as tax exemption & loans.

These schemes work best for different financial goals such as Child Education, Girl Child marriage plus empowers women, farmers & senior citizen basically every Indian resident to have financial independence.

These are ideal & safe for wealth creation (for people with low-risk appetite) as they come with a certain lock-in period (Maturity period), good interest & are not subject to market volatility.

Mentioned below are some of the salient features of a few small savings schemes available in the Post office. Further, ***the interest rate, maturity period, and deposit amount*** for all the schemes are updated in a table afterwards.

Mahila Sanman Savings Certificate

- To commemorate Azadi ka Amrit Mahotsav, the finance ministry has launched this scheme to bolster the finances of women.
- A Woman herself or a guardian of a Girl child can open an account in the post office under this scheme.
- One can open more than one account with a time gap of 3 months maintained between subsequent accounts.

Sukanya Samridhhi Yojana

- This scheme was created for the benefit of a girl child under the initiative called "Beti Bachao – Beti Padhao"

- The guardian of a Girl child (10 years old or younger) can open an account (only one per child, maximum 2 accounts in family) under this scheme.
- There is a tax exemption under section 80C for the deposited amount up to 1.5 lakhs in this scheme. Further, the interest gained is completely tax-free.

Senior Citizen Saving Scheme

- To provide the senior citizen (aged above 60 years), a stress-free post-retirement life, this scheme was introduced in the year 2004.
- The interest rate declared during the time of investment remains fixed throughout the maturity tenure.
- The interest amount is disbursed quarterly to the a/c holder. But it won't generate interest if it remains unclaimed.
- The principal amount deposited is exempted from tax deductions under Section 80C (up to 1.5 Lakh).
- The interest received (more than 50,000) is subjected to TDS (tax deducted at source).

National Saving Certificate

- With a guaranteed interest and protection of capital, this is a great investment scheme for every resident of India.
- The total amount deposited is exempted from tax deductions under Section 80C (up to 1.5 Lakh). However, the interest received in the last year of investment is taxable.

National Saving Monthly Income Account

- For ease of understanding, if you have a lump sum amount with you and don't want to invest in real estate or gold yet want to generate a monthly income, this scheme is the best option for you.
- Under this scheme, your capital enjoys a sovereign guarantee (means backed by the government) & the interest generated is monthly disbursed to your post office a/c.
- However, the interest is taxable in the hand of the depositor.

Public Provident Fund

- A long-term investment option for every resident of India, with a good interest rate, tax exemption benefit under 80C up to 1.5L per year, completely tax-free interest & risk-free as it is backed by the government.
- Further, you can get a loan of up to 25% of the fund after 1 year of subscription with an interest rate of 1% if repaid in 3 years or 6% if repaid after 3 years of the disbursement date.

Kisan Vikas Patra Scheme

- This scheme was launched in 1988 to bring a healthy discipline of savings to the farmer community. However, this scheme is now open to every Indian resident.

- After maturity, the amount withdrawn is completely tax-free. However, it does not come under the sphere of tax benefit under section 80C of income tax.

Small Saving Schemes at Post Office

Scheme	Deposit (INR)		Maturity Period	Current Interest rate
	Min	Max		
Mahila Sanman Savings Certificate	1,000	2 Lakh	2 Years	7.5% per year compounded quarterly
Sukanya Samridhhi Yojana	250	1.5 Lakh Yearly	21 Years / Girl become18 yrs	8.0% per year Compounded yearly
Senior Citizen Saving Scheme	1,000	30 Lakh	5 Years	SI 8.2% per year Payable quarterly
National Saving Certificate VIII issue	1,000	No limit	5 Years	7.7% compounded yearly Payable at maturity.
National Saving Certificate Recurring Deposit (RD)	100/ month	No limit	5 Years	6.2% per year compounded quarterly
National Saving Certificate Time Deposit (TD)	1,000	No Limit	1 Year	6.8%
			2 Years	6.9%
			3 Years	7.0%
			5 Years	7.5%
			Interest payable annually but compounded quarterly.	
National Saving Certificate Monthly Income Scheme (MIS)	1,000	Single a/c- 9 L Joint a/c- 15 L	5 Years	SI 7.4 % per year Payable monthly.
Public Provident Fund	500	1.5 Lakh Yearly	15 Years	7.1% per year Compounded annually
Kisan Vikas Patra Scheme	1,000	No Limit	115 months Changes periodically	7.5% per year Compounded annually

The mentioned interest rates are applicable from 01/04/2023. These rates change from time to time. For more details & changes in interest rates, follow the official website of the Post Office of India.

Diversification in investment is always advisable to have optimal growth in wealth generation.

In the end, please note; *"Fortune sides with him who dares."* –Virgil

Here dare means to save & invest with calculated risks in your quest to achieve enduring financial goals in life. Everyone is equally fortunate in wealth making as long as they are willing to adapt to the simple money management procedure.

So, Stop making silly excuses,

- *"I have too many expenses, can't save money right now".* Seriously!! Saving 500/month is not a mammoth task.
- *"Mutual funds are subjected to market risk, its gambling"*. Oh!! There are several other schemes if mutual funds are not your thing.
- *"I will start from next year"*. Believe me, Procrastination is the devil in every business.

~ * ~

Financial Jargons

Cash Flow Statement

The Cash Flow Statement summarizes a company's cash inflows and outflows. The statement breaks down the cash flows into operating, investing, and financing activities. From a Cash Flow Statement, you would be able to know how able the company is to pay its Bills and the ability to generate Cash. It is also known as the “Statement of Cash Flows”.

Here is an example of a Cash Flow Statement from the Annual Report Of Reliance Industries

Statement of Cash Flow

For the year ended 31st March, 2022

(₹ in crore)

		2021-22	2020-21
A.	Cash Flow from Operating Activities		
	Net Profit Before Tax as per Statement of Profit and Loss (After Exceptional item and Tax thereon)	46,786	27,212
	Adjusted for:		
	Premium on buy back of debentures	380	194
	Provision for impairment in value of investment (Net)	-	(16)
	(Profit) / Loss on Sale / Discard of Property, Plant and Equipment (Net)	80	-
	Depreciation / Amortisation and Depletion Expense	10,276	9,199
	Effect of Exchange Rate Change	1,920	(1,238)
	Net Gain on Financial Assets *	(765)	(2,866)
	Exceptional Item (Net of taxes)	-	(4,304)
	Dividend Income	(276)	(141)
	Interest Income *	(12,390)	(11,065)
	Finance costs	9,123	16,211
	Operating Profit before Working Capital Changes	55,134	33,186
	Adjusted for:		
	Trade and Other Receivables	(12,639)	2,781
	Inventories	(9,337)	1,365
	Trade and Other Payables	35,796	(36,154)
	Cash Generated from Operations	68,954	1,178
	Taxes Paid (Net)	(1,463)	(1,690)
	Net Cash Flow from / (Used in) Operating Activities *	67,491	(512)
B.	Cash Flow from Investing Activities		
	Expenditure on Property, Plant and Equipment and Intangible Assets	(18,149)	(21,755)
	Repayment of Capex Liabilities transferred from RJIL	(5)	(27,743)
	Proceeds from disposal of Property, Plant and Equipment and Intangible Assets	30	1,147
	Investments in Subsidiaries	(37,574)	(16,147)
	Disposal of Investments in Subsidiaries	956	1,33,647
	Purchase of Other Investments	(5,21,980)	(4,32,492)
	Proceeds from Sale of Financial Assets	5,02,224	4,34,074
	Loans (given) / repaid (net) – Subsidiaries, Associates, Joint Ventures and Others	22,952	(7,321)
	Interest Income	5,955	10,706
	Dividend Income from Subsidiaries / Associates	275	141
	Dividend Income from Others	1	-
	Net Cash Flow (Used in) / from Investing Activities	(45,315)	74,257
C.	Cash Flow from Financing Activities		
	Proceeds from Issue of Equity Share Capital	5	5
	Net Proceeds from Rights Issue	39,762	13,210
	Payment of Lease Liabilities	(109)	(53)
	Proceeds from Borrowings - Non-Current (including current maturities)	29,916	32,765
	Repayment of Borrowings - Non-Current (including current maturities)	(38,539)	(86,291)
	Borrowings - Current (Net)	(23,754)	(18,078)
	Dividends Paid	(4,297)	(3,921)
	Interest Paid	(11,019)	(14,294)
Net Cash Flow (Used in) Financing Activities		(8,035)	(76,657)
Net Increase/(Decrease) in Cash and Cash Equivalents		16,141	(2,912)
Opening Balance of Cash and Cash Equivalents		5,573	8,485
Closing Balance of Cash and Cash Equivalents (Refer Note No. 5)		21,714	5,573

* Other than Financial Services Segment

In the above Cash Flow Statement, you can see the Business activities are divided into three activities; let's discuss them one by one.

Cash Flow from Operating Activity

A company with positive cash flow from operating activity signifies the financial strength of the company. These activities are mostly related to the company's business operations like production, sales, advertising, services, income tax payments, Finance costs or interest payments etc.

If you see the above image of RIL, you will see that most things are self-explanatory. The Bracket figures show the balance deduction from the above figure.

Cash Flow from Investing Activity

Investing activities are done from Company's cash to get benefits later. The investing activity includes the purchase or sale of Assets, which can be both tangible and intangible, investment into subsidiaries (if any), and investment into financial Assets like equities, Loans given/Repaid etc.

A company's healthy investments signify the company's will for business expansion. A company having expansions generally results in the growth of Revenues.

Cash Flow from Financing Activity

This includes the financial transactions between the company and sources of funds from investors and banks, and the cash paid to Shareholders.

Examples: - Net Borrowings, Proceeds and Repayment of borrowings, Dividends paid, and raising Debts.

Net Cash flows or the Net increase or decrease in cash and cash equivalents can be defined as follows.

Net increase or decrease in cash and cash equivalents= Cash Flow from Operating Activity + Cash Flow from Investing Activity + Cash Flow from Financing Activity

This figure is added to the Opening balance of Cash and Cash Equivalents (carried from the previous year) to get the Closing balance of Cash and Cash Equivalents. The closing balance of Cash and Cash equivalents is the balance that is transferred to the next year, which means how much cash the company has in its Bank accounts.

A positive cash flow is a good sign but a negative cash flow cannot be considered as bad always because it may be a case where the business is expanding a lot.

~ * ~

Relative Strength Index (RSI)

What is RSI?

The Relative Strength Index (RSI) is one of the most commonly used momentum oscillators for analyzing a stock chart. It is called a momentum oscillator because it oscillates between 0 and 100. It measures the speed and magnitude by which the price of stock changes and indicates whether a stock is in its overbought or oversold situation. It is most useful when the price is non-trading or sideways. In simple words, when the price moves very fast in one direction, the RSI also tends to move very fast in the same direction, and when the price move in a sideways direction the RSI also starts to move in a sideways direction, indicating a sideways market.

The formula to calculate RSI is:

How does it work?

It compares a stock's strength to the number of days it went up and the number of days it went down. For example, if you have set the RSI of a stock chart to 10, then it will be calculated as the market closed higher for 5 days (Average gain) and the market closed lower for 5 days (Average loss) in percentage.

Traders use this oscillator to take buy & sell positions in stock:

- when a stock is in an overbought or oversold situation
- when a stock indicates trend reversal or swing reversal

Since we have discussed the overbought and oversold situation too much, here is a glimpse of 'How that situation looks like?'. Above we have shown you the chart of Adani Enterprise. In our example, when the RSI moves to the 70-100 zone, it is known as an overbought situation as the buyers have brought the price to this level. There is a good chance that the swing or the trend may change or give a sign of reversal. Similarly, when the RSI moves to the 30-0 zone, it is known as an oversold situation as the sellers have brought the price to this point, and there is a good chance that the trend may change, and the bulls can again take the price up.

~ * ~