RESEARCH™
& RANKING

THE BULLS ARE BACK!

Invest Today For A Comfortable Life

A Glance At The Future

Dr A. P. J. Abdul Kalam rightly said, “Unless India stands up to the world, no one will respect us. In this world, fear has no place. Only strength respects strength.” Since independence, India has been trying to emerge as a ‘superpower’ economy.

We have taken many remarkable steps towards the same. The road is long, but the good part is we are accomplishing small milestones that lead us towards this destination.

As we go gaga about becoming a $5 trillion economy, we should keep in mind that not all businesses would grow proportionately. As $5 trillion economy shall unbosom many wealth creators, there would be many businesses that would disappear in thin air. So this means, yesterday’s multibaggers may not be tomorrow’s leaders.

Technology is changing faster than ever, and that demands a shift in the way businesses operate. Smart companies are continuously scouting for new ways to improve their processes, products and technology. The swiftness in technological developments and business models also mean that investors need to change the way they shortlist businesses.

Indeed, the rules of investing are changing fast and rapid!

Fundamentals remain the king. However, in the changing world, we introduce you to the other two factors that will play an equal part, if not more in your wealth creation journey going ahead. They are portfolio allocation and the agility with which businesses adapt to the change around them.

So, in this dynamic landscape, what should you do as an investor? Fortunately, there’s a way where you can take a more in-depth peek at whether these businesses are agile by gauging them on three parameters:

- Whether the leadership team has the foresight to notice these changes ahead in time
- Whether these businesses have technological, talent and operational capabilities to adapt to the changes
- Whether there is a consistent cash flow to enable the change

Coming to the allocation, you have to dedicate optimal allocation to each investment opportunity as per your risk appetite and goals.

We, at Research & Ranking, handpick businesses that are not just robust in fundamentals, but also have the potential to grow with India’s growth story. Along with this, we also help you to design a portfolio that is tailor-made for your goals.

As already said before, there’s only one success mantra that remains unchanged, and that is QUALITY. The months ahead would belong to the bottom-up approach, where the fundamentals would be necessary, but the crown would go to businesses that are disrupting the sectors that are expected to grow with New India.

In this edition, we bring to you the essays of New India and the best investing practices, which has two parts to it: what would drive India’s bull saga in future and how can you capitalize on these opportunities.

As Dr A. P. J. Abdul Kalam noted: “All birds find shelter during rain. But eagle avoids rain by flying above clouds.” Similarly, all investors find shelter during a market correction. But value investors take them as opportunities to create wealth for tomorrow.

I hope you enjoy reading this edition that we’ve specially curated for you.

Manish Goel
Founder-Director
Research & Ranking

OUR MISSION

We aim to 'Educate and Empower'
the investors to make them the 'Billionaires' of tomorrow.
Our mission is simple: Deliver 'Quality', made possible by
'In-depth Research' and 'Technology', which is lacking big
time today, as millions of seasoned
investors and 450 million millennials are waiting for it.

Looking Beyond The Obvious

I firmly believe that if we have the vision to do it, we can achieve it. Over the past few years, the government has initiated bold and visionary steps. And, Budget 2020 reiterated the reforms that would ensure the stability and continuity of India's journey towards $5 trillion milestone by 2024-25.

India has every ingredient required to cook the perfect recipe for the prosperous economy – strong demographics, privatization, political stability, infrastructural growth, revolutionary reforms, population that has the propensity to spend, urbanization, financialization of savings and innovation. These incremental steps have set the much-needed stage for the growth of tomorrow.

However, on the surface, many investors tend to overlook this bigger picture as they get overwhelmed by the temporary narratives hitting the front pages of the many lauded publications. Take, for example, growth slowdown, increase in fiscal deficit and many more.

But as a value investor, what you should never forget is - news are temporary headlines, and hence, one should not react to every news. What remains permanent is - the fundamentals of the businesses you're holding and the health of the economy over a long run.

The flavour of tomorrow

Data is everywhere; what matters is the interpretation of this data. And that would help investors generate returns from their portfolio.

I recently came across a story that stated Nifty's composition changes by about 40% in one decade. This means almost 20 stocks are emitted from the index every 10 years. Now, this is data. If we can find the pattern of exits, entries and stays, we can increase the chances of generating higher returns.

However, many investors are glued more to the headlines rather than understanding their relevance. We tend to overestimate the effect of the news on our portfolio in the short run. This action, in turn, leads to under-estimating the impact of fundamentals on our portfolio in the long term.

Now, this is just one mistake that we commit in our wealth creation journey. In this edition, we have penned down a few other errors that lead to erroneous investment decisions.

In other stories, we help you discover the infinite possibilities of making more money out of your money, even if you're a working professional, businessman, homemaker or a student.

To conclude, in this edition, we're all set to witness the dramatic transformations of tomorrow – changing patterns, rapid disruptions and various opportunities. Get set for a memorable experience!

JK Shah

Jigna Shah
Editor
Research & Ranking

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I AM NOT A GAMBLER
I AM AN INVESTOR

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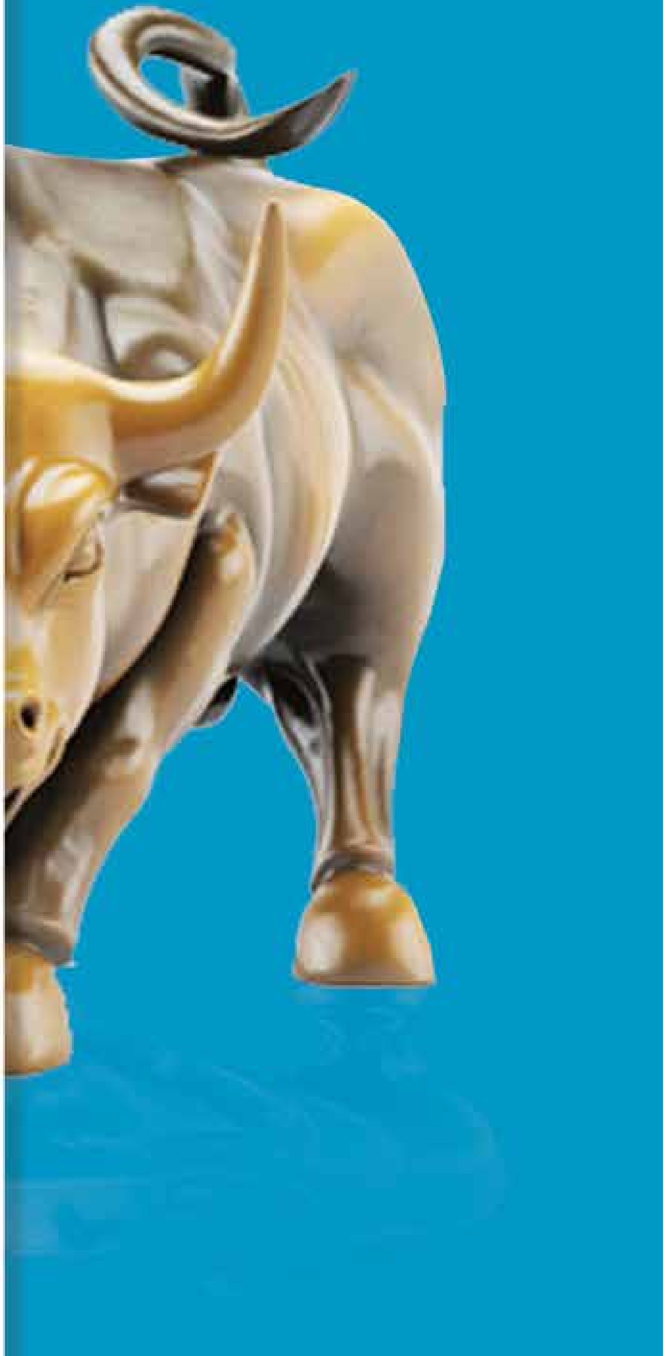
THE BULLS ARE BACK!



The Cover Page Story

The Bulls Are Back!

Yes...The Bulls Are Back!

Harsh Ashar
Associate Director - Marketing
Research & Ranking

How often have we seen significant downfalls in the stock markets? At least 6-7 times over the past two decades. But well, the markets have also gone up by around 13-14 times over the past 20 years. This means the markets have delivered a CAGR return of around 14%. Despite this, not a lot of investors end up making money. If I am allowed to simplify the above line, I will attribute only one single reason to it – incorrect information or guidance available to them.

As soon as there is some negative movement in the markets – there is a flood of information to suggest we are heading towards the doom. If this is not enough, the funny part of the story is, as soon as the markets start going up or hit new highs, there is again a flood of information suggesting the boom ahead.

This is when I always remember the line from Warren Buffet – "Be fearful when others are greedy. Be greedy when others are fearful." But are all market corrections an opportunity for investors to jump in? Surely no!

The big question is, why do I say it is the best time to invest?

Exploring Patterns In History

You don't have to dig a lot of data or become an economist to understand the economic health of the country. All one should do is flip through the pages of history to understand the trends. If you look carefully, what we are experiencing in the overall economy these days is something similar to what the economy experienced in 2001-2002.

What are those similarities?

1. Auto sales are down
2. Consumer sentiments are extremely weak
3. Subdued growth rate
4. Banks are facing the NPA roadblock

1. Earnings Growth

Take a look at the table below:

Year	Nifty EPS	Growth YOY	Year	Nifty EPS	Growth YOY
1999	61	-19%	2016	394	-5%
2000	66	7%	2017	417	6%
2001	69	5%	2018	440	6%
2002	74	7%	2019	481	9%
2003	91	23%	2020e	530-550	10-14%
2004	136	50%	2021e	650-690	22-30%
2005	165	22%			
2006	187	13%			
2007	273	46%			

How similar is it then to now? Extremely similar right?

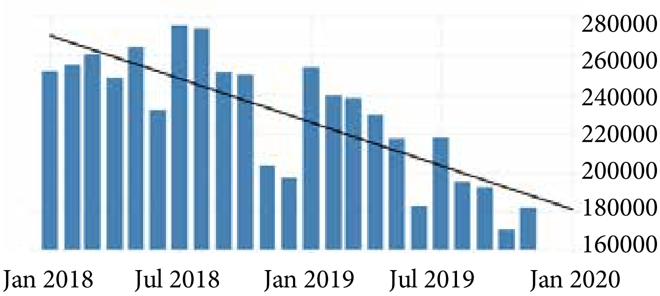
- 1999 was a year with a negative EPS growth - 2016 was a year with a negative EPS growth.
- 2000-2002 were slow years. Similar to the subdued growth we have seen from 2017-2019.

2. Automobile Sales

Along with this, I would want you to look at a couple of graphs – which will help me showcase on why I say we are often bombarded with incorrect information.

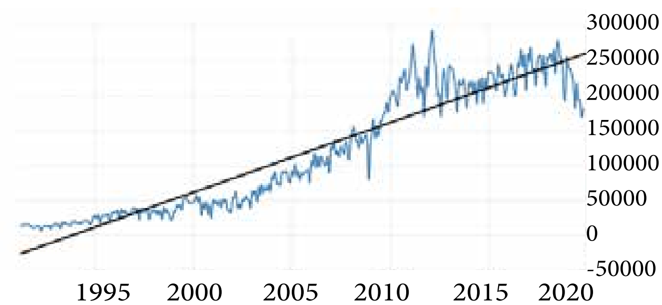
Look at the below two charts:

Chart 1



SOURCE: TRADINGECONOMICS.COM | CME = CENTRE FOR MONITORING INDIAN ECONOMY

Chart 2



SOURCE: TRADINGECONOMICS.COM | CME = CENTRE FOR MONITORING INDIAN ECONOMY

Chart 1 shouts out that India is going through an extremely rough phase, and if the chart is to be believed, doom is something we would see ahead.

Chart 2 shows a longer trend and shows an entirely different picture. The trend line shows what to expect in the future.

Let me highlight a couple of pointers to you on this:

1. To start, check the phase between 1997 & 1999, automobile production was flat and then had a fall. And after that, they mushroomed over the next few years. The same has got repeated each time the line dipped for a short period.

2. Every time there has been a dip, there is usually a big jump that follows.

The automobile production gave a CAGR of 10%+ if I look at the data over the past 19-20 years. It amuses me when all the noise out there is only about short term happenings and spelling doom for the future.

The good part of the story is every time this has happened - in 1999-2000 or 2008-2009 - if an investor ignored the noise, he would have been a participant in the big bull runs that followed later. But, if you are an investor who invests when everything looks green and rosy, not sure about the impact of this approach on your portfolio.

Given the phase that we are currently going through, data suggests that we will see a repeat of or rather see a bigger bull run in the coming few years.

But, are these extreme similarities to that phase the only parameter for my prediction? A no again! There is a lot more to this. Coming to now, the past 3-4 years have witnessed negative to slow growth in EPS because of the much-required cleaning process initiated by the government.

And this seems to be the time when the economy should be reaping the rewards, and these rewards look a lot more certain and sustainable going forward.

3. Young Indians

India is well-placed to become a $5 trillion economy by 2025. Perhaps, we all know this. But what if I tell you, that the young Indians would primarily drive this growth. Surprised?

What does this mean to the Indian economy?

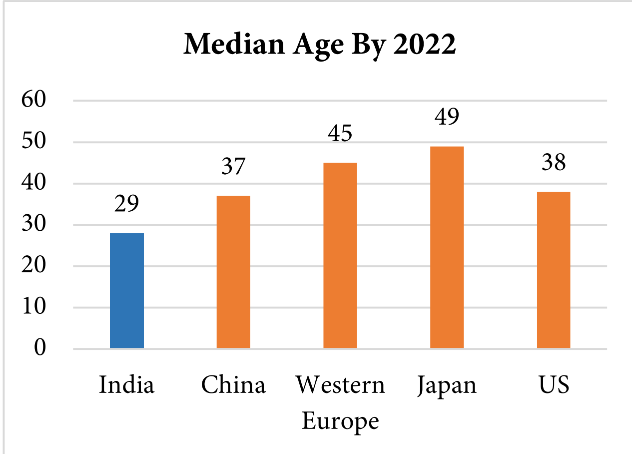
The key driver for any economy that fosters its growth, sustainability and competitiveness is demographic dividend. India is yet to unleash the miracle of this demographic advantage that it has over other economies. Today, there are more than 650 million mobile phone users in India, which makes it a bigger smartphone market when compared to the U.S. and second to China. The most significant assets for the country would be human capital and data, and India has both of them.

5 ways young Indian will drive India's growth in future:

1 More working population:

- India boasts of 450 million millennial and 470 million Gen Z kids. That's a huge number! This means 35% of the population are millennials. Now, a millennial is anyone who is born between 1981 and 1996.
- Out of 1.3 billion population, India's Labour Force Participation Rate stands at 51.8% as on Dec 2019.
- By 2027, it estimates that 116 million people would get added to the Indian workforce as compared to only 467 million people worldwide.
- As per the report by Niti Aayog, Strategy for New India @ 75 and McKinsey Global Institute, around 18% of the global population lives in India.
- India has the 2nd largest English speaking people in the world, which is just 10% of the total population as of now. It is expected to quadruple in the coming decade.
- The literacy rate in India has gone up to approximately 80% as compared to 65% in 2001.
- The unemployment rate was projected at around 3.5% in 2018 by the International Labour Organisation (ILO).

Coming to the most important, by 2022, the median age of India will be just 29 as compared with 37 in China, 38 in the U.S., 45 in Western Europe and 49 in Japan.



Along with an increase in working population plus favourable median age, India will be able to realize the true potential of the demographic dividend that it enjoys.

2 Education:

India produces the maximum number of Science, Technology, Engineering and Mathematics (STEM) graduates.

3 Sheer scale:

No matter how you dissect the market segment of India, you end with the size of another country. Today, there are approximately 300 million smartphone users in India, which is the population of the U.S. Maharashtra's population is 114 million, which is slightly less than Japan's population of 126 million. Any company that can tap the majority of any market segment will witness humongous growth in the future!

4 Increased digital connectivity:

India is a land of young population with increased access to internet connectivity.
Today, there is a humongous size of young, vibrant and diverse millennials with access to data, e-commerce and social networks. This unparalleled growth in internet connectivity and data has led the Indian economy towards becoming the second-largest digital consumer base in the world.

5 High aspirations:

- Today, young Indians have more income at their disposal.
- This will lead to high aspirations among the youth to increase their standard of living– Young Indians would want to travel more, eat better food, shop branded clothes, buy more luxury goods, etc. i.e. resulting to high discretionary spending.
- This increased discretionary spending will lead to higher consumption expenditure among Indian households, which will ultimately drive GDP growth.

Having said this, India also needs to understand that if it wants to leverage on this demographic opportunity, it will have to increase the efficiency of the economy, work towards the digital future as well as focus on improving the quality of education and healthcare facilities in India. Then only, we can genuinely unleash on this magic of human capital to reach the destination of $5 trillion economy.

The Golden Opportunity For You!

The new market times are here, which provides an investor with fresh opportunities and a unique chance to work on their dreams. But why we say - this is a golden time for investors like you! You already know that GDP is set to double by 2025. This means from $2.9 trillion now; it is just a matter of approx. 4-5 years that India will become a $5 trillion economy. Now, that's tremendous growth! However, many investors still have a question: Can India become a $5 trillion economy?

Why The Time For Growth Is Now?

Here's why we think $5 trillion is doable:

- Firstly, doubling our economy in the next five years means India has to grow at a real growth rate of 7-8% YoY, assuming 3-4% inflation YoY, i.e. 10.5-11.5% of nominal growth rate. The number may look challenging to a few, but let me tell you - We have been growing at this pace for the last 5 years. This means we have to continue the pace.
- Along with this, the rupee-dollar equation needs to stay stable at 71-72, which should not be a big challenge!
- Government's relentless initiatives in the right direction to drive financialization of savings, i.e. a shift from physical to financial assets will further help the economy.

Considering the appropriate policy response and revolutionary reforms, India is more resilient to external shocks today. But there's more to this! The biggest growth driver would be increased per capita income.

As per the projections, per capita income is expected to increase from $2,000 now to $3,500 by 2024. An increase of over 75% in per capita income! Crazy, isn't it? But how it will help India achieve its target?

If you look, out of $2,172, $1,500 is spent on basic consumption needs, which leaves only $500 for discretionary spending. As you can see in the table below, when India touches ~$3,500 by 2024, this $1,500 will increase only marginally, leaving Indians with more surplus of ~3-3.5x for discretionary spending.

	2019	2024	Increase in number of times
Basic consumption needs	$1,500	~$1,800	1.2x
Discretionary spending	$500-600	~1,700	2.8-3.4x
Per capita income	$2,172	$3,500	1.6x

What does this mean to you? Considering the favourable demographics with high aspirations plus the government's focus on urbanization and Digital India, India will – Buy, buy & buy! This will lead to an increase in the standard of living - People will buy more luxury goods, branded clothes and travel more. India's consumption has high contribution in GDP. Hence, the multiplier effect would be higher for India as compared to other emerging economies.

Now, The Real Question - What About The Stock Markets? Will They Also Benefit?

India doubled its GDP from $1.3 trillion in 2009 to $2.9 trillion in 2019 (not on a constant currency basis). But do you know that, while GDP doubled, Nifty grew by approx. 3.5 times during this period? If history can repeat, this means we will witness similar humongous growth in just 5 years as India doubles its GDP by 2025. The multiplier effect will be seen in the stock markets as well, as Indian indices will grow as GDP grows! But as Indian indices shall grow, not all stocks will rise. So what should you do? It's simple!

Identify & Invest In Fundamentally Sound Stocks That Will Help You To Experience True Financial Bliss!

Markets Ahead

Markets & Economy. What's Next?

Jaspreet Singh Arora
Chief Investment Officer
Research & Ranking

In this story, take a quick ride into the events that influenced the Indian stock markets over the past few months as well as the action points for a value investor to create sustainable wealth.

2019…what a roller-coaster ride for an Indian investor! The markets did not leave a chance to fret anxious investors. But at the same time, it bought sunshine for sagacious investors!

As we move into the second month of the New Year, let's take a minute and gloss over the financial market developments in the year gone by.

Trip Down Memory Lane

The Much-Hyped US-China Trade War

Global markets had a ball in 2019 with MSCI World Index rallying 28% after a 9% decline in 2018. Global equities suffered a scare in mid-2019 due to US-China trade tariff war. Crude oil rallied 23% due to sanctions against Iran and Venezuela and supply cut by OPEC while on the other hand, metals remained under pressure due to weak global economic conditions and US-China trade war. Gold rallied 18% as investors became risk-averse and preferred to stay put in the safe-haven yellow metal.

The Saga Of Rally In Large-Cap

Back home, the benchmark Nifty 50 and BSE Sensex gained 12% and 14% respectively in 2019, while mid-cap and small-cap indices lost 3% and 7% respectively. Even within the Nifty and Sensex, the performance was highly polarized towards a few stocks which led the entire rally. As a case in point, the gains in Nifty 50 were led by a few heavyweights such as Bharti Airtel, ICICI Bank, Reliance Industries, Kotak Bank, Titan, Bajaj Finserv, Bajaj Finance, etc. that gained between 30% and 60% in share value. On the other hand, the bottom five (Vedanta, GAIL, M&M, Zee and Yes Bank) lost between 25% and 75%.

Muted GDP Growth Rate

Macro-economic data was not all that rosy. GDP growth slipped four quarters in a row from 8% in Q1FY19 to 4.5% in Q2FY20 due to a lethal combination of slower investment (growth in Gross Fixed Capital Formation dropped to an abysmal 1% in Q2FY20 from 13% in Q1FY19), export contraction (down 0.4% in Q2FY20) and limping industrial growth (0.5% in Q2FY20). RBI tried its best to stir growth and provide enough liquidity at lower rates. The banking regulator cut interest rates 5 times in 2019, a total of 135 bps. The government too lent a helping hand to corporates by reducing the corporate tax rate from 35% earlier to 25%. Considering the relentless initiatives by the government and the green shoots in an economy, this looks like a transient hiccup.

Delayed Monsoons

Rural India suffered a scare in mid-2019 as monsoons were delayed by more than a month in most parts of India. However, the final count on monsoons was quite encouraging (despite instances of floods at many parts), and reservoir levels were at much higher levels compared to the last year. In January 2020, reservoir storage was 126.6 bn cubic meter, up 55% from last year and 44% higher than the 10-year average. Food inflation of 12.2% (December 2019) hurts consumers; however, it is music to ears of those who produce this food (read: farmers). The total area covered under rabi crops was up 9%.

Back To The Present

While it's been less than two months, we witnessed a host of events affecting both the domestic and global markets. Here are 4 key events that influenced the mood of stock markets:

1. February 2020 began with the United Kingdom (UK) finalizing its divorce with the European Union (EU), referred to as BREXIT.
2. The U.S. and China signed a "win-win deal" in January, 2020, whereby the latter has pledged to boost US imports by $200 bn above 2017 levels while the former has agreed to halve some of the new tariffs it has imposed on Chinese products.
3. By far, the biggest scare that the world has faced this year – economic, health and political, is that of the fast-spreading novel coronavirus (nCoV). Economic activity in China has almost come to a standstill owing to the epidemic. However, this is where the opportunity lies for some Indian companies. Given that China consumes 30-50% of global commodities, cool down in China will lead to commodity prices moving downwards, thereby benefitting Indian companies. This will also add impetus to global companies' efforts at widening their vendor base, boosting "Make in India".
4. The Union Budget 2020 offered some positives such as healthcare public-private partnerships, re-adjustment in personal income tax rates aimed at spurring spending, boost to financial sector, MSME/startups, continued spending on infrastructure and reiteration of partial/complete privatization- LIC, IDBI added to the earlier pool (BPCL, Concor, Air India). However, it leaves a lot to be desired for the real estate sector, which is a major employment generator. The Finance Minister chose to widen fiscal deficit targets for FY20 and FY21 to give a spending boost to the economy.

Pause...Stop...Watch

Amongst the major events in balance part of 2020, which will provide swings to the markets are:

U.S. Presidential Election

If Mr. Trump gets a second term when he offers himself for re-election, it will be a stamp of approval on his protectionist policies, a not-so-good scenario for an increasingly open world.

Regional Comprehensive Economic Partnership (RCEP)

RCEP trade agreement is likely to be signed this year. It would be the largest trade agreement in history by considering nearly half the world's population and one-third of the world's GDP.

State Election In India

The ruling party at the Centre has seen considerable fluctuations in fortunes, winning with a larger-than-before mandate at the Centre in 2019 and losing several states since then- Madhya Pradesh, Rajasthan, Chattisgarh, Maharashtra and recently Delhi. Given that public outcry against slowing economic development is getting louder, the pressure on government to provide booster shot to the economy is increasing by the day. Bihar assembly will go for voting towards the end of 2020.

Market Outlook

Despite all plusses and minuses, investing, just like life, goes on. India's GDP growth has likely bottomed out at current levels, and there can be only one way from here – up! This could take one or two quarters, depending on government thrust and global factors. We need to pro-actively position ourselves for this recovery in order to make the most of it. The other tailwinds currently are softness in crude prices, good kharif and upcoming rabi harvest, forecast of another year of good monsoon, arrest of decline in demand in select sectors like auto, consumer, etc. On the other hand, the headwinds are continued impact or spread of coronavirus globally, business slowdown in MSME and constraints in availability of capital at reasonable rates.

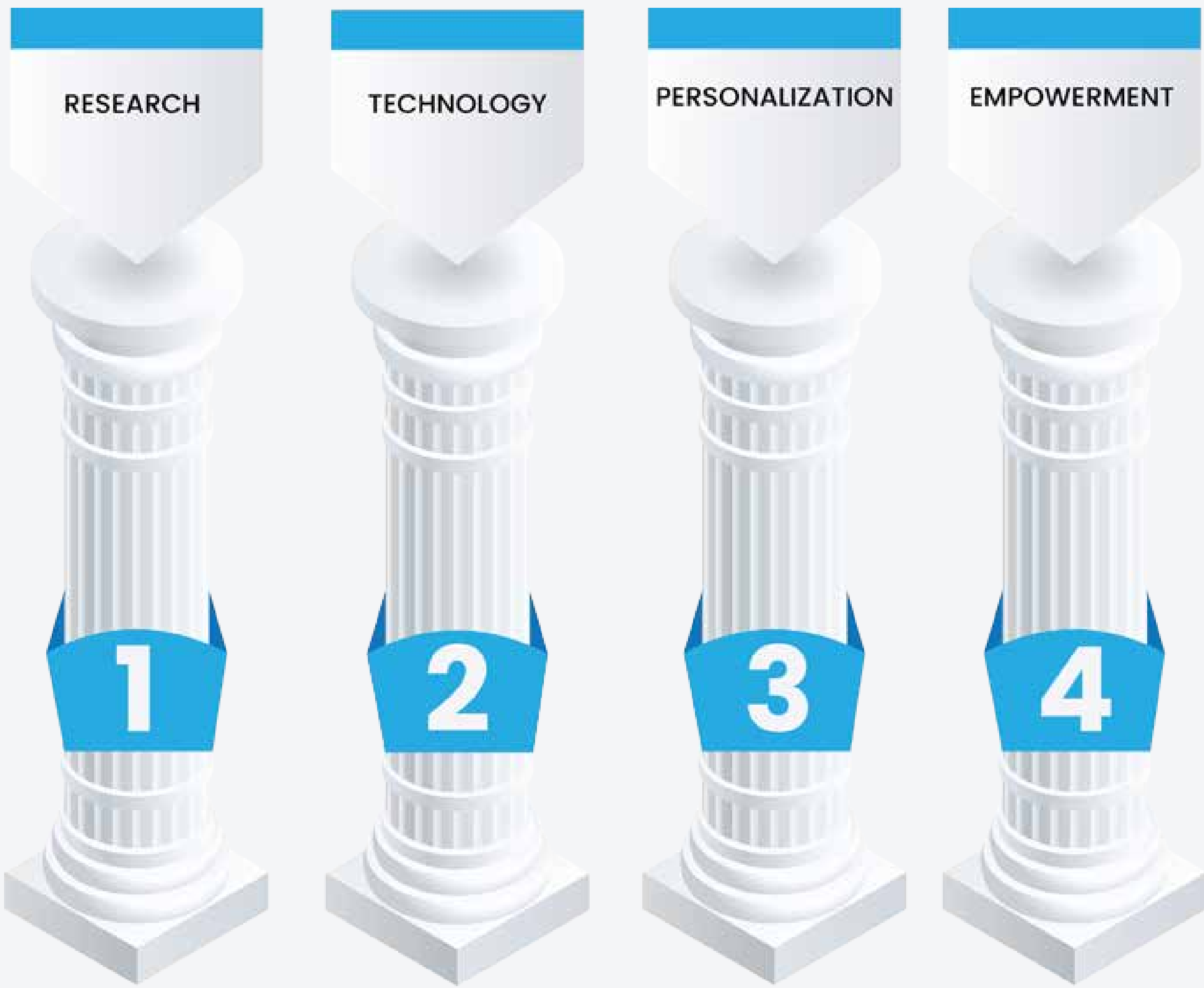
At Research & Ranking, our endeavor is to constantly monitor the listed space to find such opportunities for our clients to maximize their wealth over the longer term.

We believe 2020 will see the bounce back of quality mid/small cap stocks even as select large cap names continue to attract inflows, not necessarily the same ones as in 2019. Most importantly, stay calm and invested for the long term and don't try to time the market. While this may sound like a cliché, its importance can never be over-stated. Always remember, our country of 130 cr people is underpenetrated in many sectors vis-à-vis developed countries. This will create ample multi-year opportunities for growth and wealth creation, provided you put your money in the right hands.

HAPPY INVESTING!!!

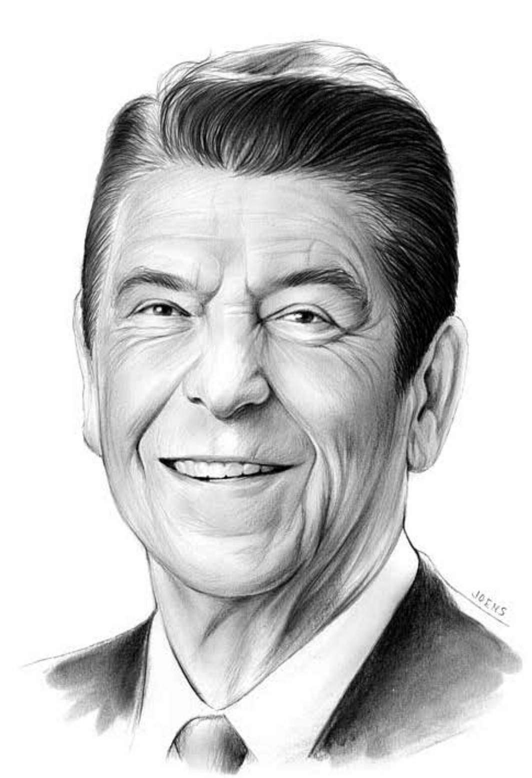
Four Pillars Of

RESEARCH & RANKING™



There are no great limits to growth because there are no limits of human intelligence, imagination, and wonder.

Ronald Reagan



The Investor's Diary

Editor's Pick

HABITS OF A SUCCESSFUL INVESTOR

Shocking, But True!
90% People
Lose Money In Stocks

There is an old but very famous joke about the stock market. If you have lost some money in the stock market and feel bad about it, don't worry. Ask somebody you know who made more losses in the stock market, and you will feel better that you lost less money. While this joke has been doing rounds for several decades now and is still quite relevant because there is absolutely no shortage of people who lose money in the stock market each day. According to the popular estimates, as much as 90% of investors fail to make money in the stock market, and this includes both new and seasoned investors.

There are countless reasons why investors lose money in the stock market.

Top 5 Habits Of Unsuccessful Investors:

#1 Investing based on rumours and stock tips

Many investors invest based on stock tips given by others. They fall for the trap without realizing the fact that the person offering the tips, themselves depend on others for it. And if stock tips from friends/relatives/colleagues were not enough, in today's digital world there is a constant bombardment of information which includes stock tips on social media, WhatsApp groups and business news channels.

The moment we switch on a business news channel, we can see many self-proclaimed experts or hosts urging us to buy or sell stocks in the next millisecond in the hope of making good money.

Constant news bombardment creates a dangerous trap for innocent investors, who often mistake this continuous flow of stock tips and rumours as genuine and invest based on it without understanding the reality.

To give an example, let's consider the stock of Graphite India, which allegedly was a hot pick on most business news channels and websites in September 2018. As per these channels, the stock had a potential upside of Rs. 400 from the then market price of Rs. 1,000. However, four months later the same business news channels and websites were giving a sell call for Graphite India, with a target of Rs. 530. Currently, the stock is trading between 280-300 levels.

It is critical to remember that not all information is relevant information. Hence, one should not react on every news flashing on television channels.

#2 Investing in penny stocks

Before we get into the details, let us understand what penny stocks are. Penny stocks have low market capitalization and limited information is available about them in the public domain. They seem extremely cheap when you consider the share prices which are in the range of Rs. 0.05 to Rs. 10 per share.

These low prices are a big attraction amongst investors as it allows them to buy shares of these companies in huge quantities. So, instead of buying 2 shares of Eicher Motors for about Rs. 38,000 (Considering Rs. 19,000 per share) or any other fundamentally sound company, investors think it's better to buy a truckload of 19,000 shares of some penny stock that trades at approx. Rs. 2.

The upside potential also seems unlimited for these stocks, as investors believe that even a small spike in the price can help them amass huge profits.

But the question remains: why penny stocks are considered perilous investments? Here are four reasons:

1. Penny stocks escape rigorous analysis and scrutiny of big companies and are susceptible to several non-disclosures, lack of compliance and transparent reporting systems that big companies cannot escape.
2. The publically available information about the business and management of these penny stocks is not enough. And very often, what is available is not reliable either. So it's difficult to see the full and correct picture in order to make a meaningful study of the stock.
3. The biggest problem is liquidity. These stocks don't have much liquidity. So even if you can buy large quantities and see share prices rise to acceptable levels, you might find it challenging to sell a stock.

4. Due to low prices, these stocks are vulnerable to being manipulated and can swing wildly. Historically, many penny stocks have been manipulated by stock operators for their own benefit.

Investing in penny stocks can in rare occasions be extremely profitable. However, in most occasions it is like dumping your money in the drain, especially if done without proper research. Some investors discover this the hard way. Prakash Steelage, Lanco Infratech, Gemini Communication and Birla Power Solutions are some prime examples of penny stocks that destroyed over 75-90% of investor's wealth.

#3 Indulging in intraday and short term trading

Many people indulge in short term trading because it gives them a thrill, a sense of adventure and a feeling that one can become rich quickly. In reality, wealth creation is a tedious and lengthy process. There are three reasons why intraday trading is injurious for your portfolio:

1. When investors get it right in initial one or two trades, they start thinking that they know it all. With this misconception, they go for more trades with higher margins. In this process, what they fail to realize is that losses on one failed trade could potentially wipe out all their previous gains.
2. People who lose money in intraday trading often resort to revenge trading to recover their losses by looking at the market as an enemy which imposes unjustified losses. In this process, their emotions take over rational thought process, which results in additional losses. Revenge trading is one of the underlying reasons why many traders lose their entire capital.
3. When you do intraday trading, you focus on 15-20% gains. However, you miss out on a bigger picture, i.e. allowing the power of compounding to create sustainable wealth for you with time.

One should adopt a systematic method of investing, by investing a fixed amount periodically and leveraging on the rupee-cost averaging method to grow your wealth in a disciplinary manner.

#4 Lack of patience in investing

Patience is one of the greatest virtues required for long term investing. Investors who understand the value of patience, gain from it while those who don't, pay a heavy price for it. In the short term, markets and stock prices are affected by news and emotions. Any changes in economic, global or political factors can impact the stock market over a short term. However, in the long run, stock prices are governed by the fundamentals of the business and its earnings.

Many investors invest in good stocks, but panic and sell them at the first sign of correction resulting in a 'Buy high and sell low' situation. Precisely the opposite of what they should do, i.e. 'Buy low and sell high.' Before hitting the red or green button, it is pivotal to understand the rationale behind the decision.

It is recommended to ask yourself: 'Is my buy and sell decision-based on empirical evidence or emotions?' before you make any investment decision.

#5 Not investing in fundamentally sound business

Fundamentally sound stocks have a transparent and robust business model and are professionally well-managed. Such companies can survive any economic downturns and are usually the first to recover and outperform when the economy reinvigorates. The year 2008 witnessed one of the worst corrections in the history of stock markets. Many investors panicked and sold their investments for heavy losses as if there was no tomorrow. However, when the markets recovered in less than 24 months, it rewarded those investors who remained patiently invested.

Here are a few examples of the same for your reference:

	Investment value in 2008	Investment value in 2019
Eicher Motors	Rs. 1 lac	Rs. 89 lacs
Bajaj Finance	Rs. 1 lac	Rs. 55 lacs
Maruti Suzuki	Rs. 1 lac	Rs. 12 lacs
TCS	Rs. 1 lac	Rs. 11 lacs
MRF	Rs. 1 lac	Rs. 16 lacs
HDFC Bank	Rs. 1 lac	Rs. 12 lacs
HUL	Rs. 1 lac	Rs. 10 lacs
Wipro	Rs. 1 lac	Rs. 05 lacs

Why Only 10% Of Investors Create Wealth By Investing In The Stock Market?

This 10% of investors do the exact opposite of what 90% of investors do such as:

- They don't invest based on rumours or tips
- They don't invest in penny stocks
- They don't indulge in short-term or intraday trading
- They invest with a lot of patience
- They invest in fundamentally sound companies

This 10% of investors do everything right to create wealth from equities. However, even 10% of investors make some mistakes, as a result of which they are unable to build fortunes.

Let's take a detailed look at the same. These investors invest in good businesses, but sometimes even good companies can have challenges.

Easy access to credit can encourage greed and tendency to over diversify

This 10% of investors are the ones who have created wealth from the stock markets. This means they are wealthy and also have easy access to credit. However, this can be a big drawback because when we have more money to invest, we tend to invest haphazardly in any opportunity that comes our way. On the contrary, when we have less wealth, we invest with a lot of caution.

Not keeping EGO out of investment decisions

Once they get into the elite club of successful investors, some investors base their investment decisions on ego. The tendency of "I cannot be wrong with my investment choices or how can I be wrong with my investment decisions" may creep in. This prevents such investors from making rational decisions.

Example 1: Let's consider the case of Satyam Computers, which was once one of the fastest-growing IT companies in India. Everything looked promising for the company and its chairman B Ramalingam Raju, the then poster boy of India's IT revolution who was rubbing shoulders with top CEOs of the world. From an investment perspective, the company seemed to be a perfect investment opportunity, another Infosys in the making. So if everything seemed perfect, why did the investors lose money in Satyam Computers? Well, here's the answer. In 2009, B Ramalingam Raju in a letter to Satyam's shareholders admitted that he had deliberately manipulated the company's earnings and almost $1 billion cash reserves were fictitious. As a result, Satyam's shares plunged severely, wiping out investors wealth of nearly Rs. 14,000 crores. Now, you must be wondering that if everything was going fine for Satyam, what was the need for this financial misappropriation in the company's account books in the first place? The answer to this question is GREED.

Maytas (Satyam spelt backwards) Infra, another group company of B Ramalingam Raju, had purchased large tracts of land especially in those areas where the proposed Hyderabad Metro project was supposed to come up. However, contrary to Raju's expectations of prices spiking up, the property prices crashed by over 50% due to the global recession of 2008. The founders of Satyam Computers tried unsuccessfully to buyout Maytas Infra owned by themselves for $1.6 billion. Investors rejected the deal. This left B Ramalingam Raju with no option but come out with the truth of alleged financial forgery committed by him. Rest as you know, is history. Police arrested Raju and his younger brother, and the company got merged with Tech Mahindra. Satyam had the potential to become a world-class IT company, but the damage caused by the greed of the management ruined it all.

Example 2: Now, let's take a look at another example, the case of the Singh brothers, former owners of Ranbaxy Pharmaceuticals. This is a classic example of how poor corporate governance can ruin an established business house. Ranbaxy Pharmaceuticals was a world-class pharma company with a considerable demand for its products and a strong R&D team. The company was doing very well, but despite that, the promoters Malvinder Singh and Shivinder Singh decided to venture into financial services (Religare) and health care (Fortis Healthcare). In 2008, they sold their stake in Ranbaxy to Japan's Daiichi Sankyo and invested the money for the expansion of Fortis Healthcare and Religare. Within a few years, they turned Fortis Healthcare into the country's largest hospital chain and Religare Enterprises into one of the largest NBFCs. While on one side, the Singh brothers transferred around Rs. 2700 crore rupees to their spiritual guru for unknown reasons, on the other hand, they took enormous loans for expansion of Fortis Healthcare and Religare. Financial mismanagement, coupled with aggressive expansion drive destroyed the wealth of Singh brothers as well as investors who had invested in their group companies. As of now, the Singh brothers have been slapped with multiple cases of money laundering, siphoning off investors wealth for other purposes and host of additional charges.

Now coming to the last question, how can you create sustainable wealth?

The Art Of Creating Sustainable Wealth

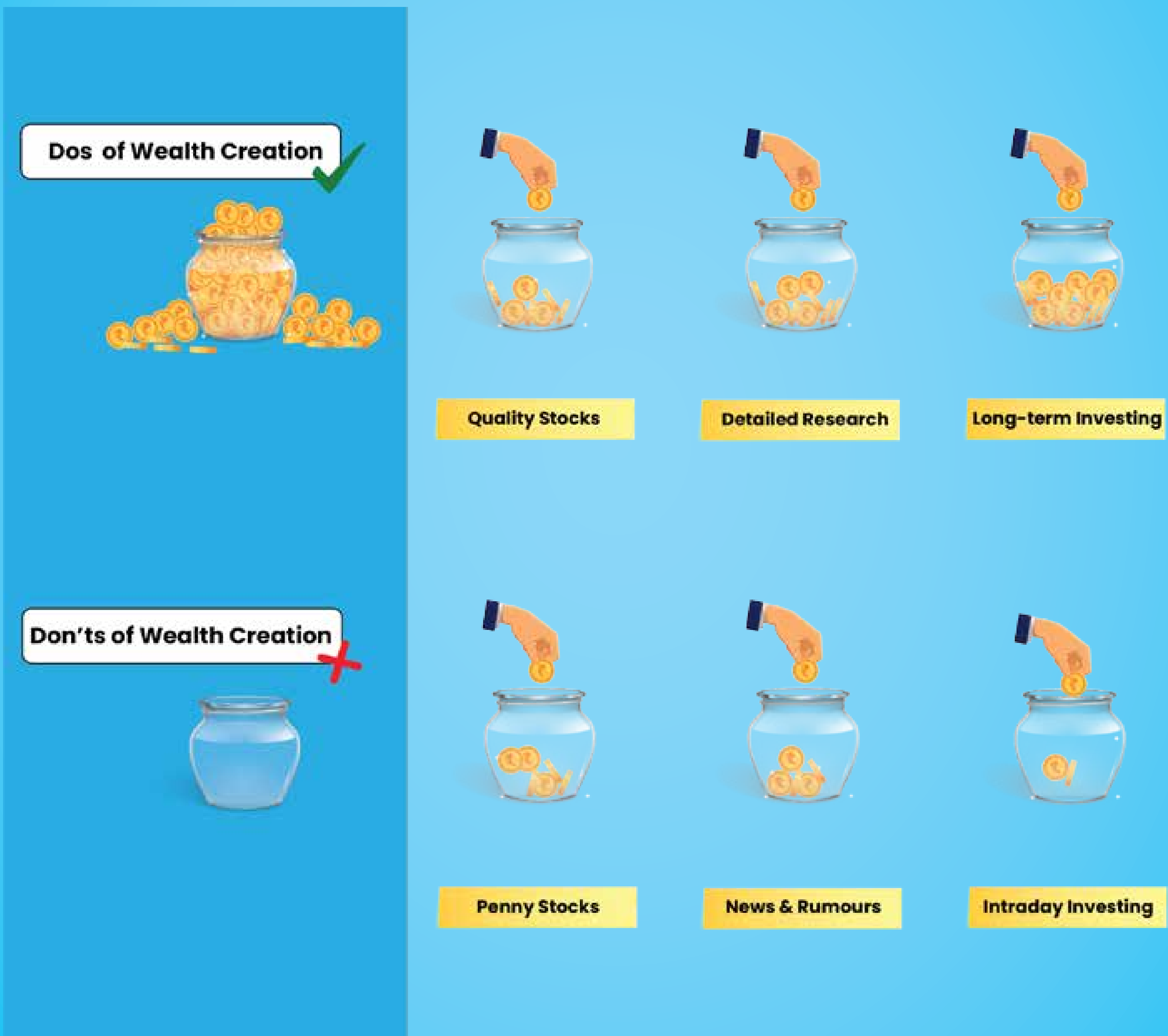
Out of 10% of investors who make money in the stock market, only 2% of investors can build sustainable wealth from equity investments. The reason is this 2% of investors don't make those mistakes which 98% of investors make. We all agree that Warren Buffett is considered one of the greatest investors of all time. But did you know, he has also admitted making mistakes of identifying wrong investments such as multinational energy conglomerate ConocoPhillips, aviation company US Airways and shoe manufacturer Dexter Shoe Co., all of which he had to exit in losses.

However, the reason behind why this 2% of investors are able to build empires can be attributed to the degree of success in investing. Again, a high degree of success means most of their investments outperform, which is only possible when they invest in companies with a strong economic moat. And to identify such companies, one needs to conduct detailed research.

This 2% of investors go out of the way to evaluate the company's management pedigree, competitive advantage as well as stakeholder relationship management.

As an investor, it is high time to self-introspect which category of investors you belong to from the 90-10-2%. If you belong to either the 90% or 10% category and wish to move up to the 2% category, only professional research can help you do so.

Wealth Creation Dos and Don'ts



Edition Special

6 Deadly Investment Blunders

6 Financial Bloopers You Shouldn't Commit!

Take this case; Apple Inc is one of the greatest companies in the world. We all know about its founders Steve Jobs and Steve Wozniak. But when Apple was incorporated, it had three founders. The forgotten founder, Ronald Wayne, left Apple just a few days after the company took birth. He sold his stake for only $800 in 1976. Imagine what if he would've not? Today, it would be worth more than $35 billion.

Now, here is the other case, Tong Wenhong, the receptionist at Alibaba was allocated 0.2% shares by Jack Ma saying that it will worth $100 billion when Alibaba goes public. All she had to do is - never quit the company.

Tong waited year after year, and when Alibaba finally got listed on the New York Stock Exchange in 2014, it was worth a whopping $245.7 billion. With this, Tong became a millionaire with her shares worth $320 million.

Today, Tong is not just rich, but is also one of the top executives at Alibaba, credit to her foresightedness, patience and determination.

Chris Grabenstein, a famous American author, once quoted - 'We all make mistakes. That's why my pencil has an eraser.'

That's true. We learn from our mistakes, become smarter, and that's how we grow! But as we can see in the above two cases, few decisions can make or break your growth. In hindsight, it is easy to point out the mistakes and lost opportunities, but in reality, it is challenging.

Hence, in this story, we're listing down 6 destructive mistakes that investors make while investing in the stock market, their impact on the returns and how investors can avoid these dangerous blunders.

Mistake 1
Borrowing to invest

There is one joke which we would like to stress on - "If you want someone to remember you, just borrow some money from him."

Jokes apart, borrowing has become easy now. We regularly receive SMS messages promising instant loans against credit cards from financial companies. And, we get similar offers from brokers as well. Quite often, many investors borrow money to invest in the stock market.

In investing terms, 'leveraging' is the use of borrowed capital for investment.

Now, leveraging is supposed to be a potent tool to make quick money. However, it can destroy your wealth as well.

Here is an example: Say you've borrowed Rs. 1,50,000 on your capital of Rs. 50,000 on 1st Jan 2020. The interest rate is 10% p.a. On 10th Jan, assume that the stock goes up by 25%. Your net profit is Rs. 49,589. But if the stock price goes down by 25%, you'll lose your entire capital as well as the interest amount.

> While leveraging helps you make quick money, it can also lead to humongous losses.

Here is a quick snapshot of the calculations of the profits and losses:

	Own capital	Borrowed capital	Total Capital	Interest rate at 10% p.a. for 10 days	Gross profit/loss	Net profit/loss
25% upside	Rs. 50,000	Rs. 1,50,000	Rs. 2,00,000	Rs. 411	Profit of Rs. 50,000	Rs. 49,589 (Gross profit minus interest amount)
25% downside	Rs. 50,000	Rs. 1,50,000	Rs. 2,00,000	Rs. 411	Loss of Rs. 50,000	Rs. 50,411 (Gross loss plus interest amount)

So even though you can make more by borrowing money, the risks are also too high!

What should you do:

As you can see above, even though you can make more by borrowing money, the risks are also too high! Instead of leveraging, we recommend you to start with a small amount that you can invest for the long term.

Mistake 2

Owing too many or too less

Over-diversification is holding too many stocks in a portfolio. Imagine you own 50 stocks with equal weights in your portfolio. Then even a 50% jump in one stock will have a minimal impact on the overall portfolio performance. Even multibagger stocks will be unable to push up the portfolio performance significantly.

Coming to under-diversification, say you have invested only in XYZ sector or in just 2-4 stocks, and the sector recently witnessed a few regulatory changes that led to the fall in the prices of all the companies in that sector. Even your stock saw a 40% fall. Isn't that a huge risk? Or if one of the 2-4 stocks experiences some turbulence, it is only for you to guess the impact it would have on your overall savings, investment & your future plans.

So, how many ideal stocks you should have in your portfolio?

The adequate level of diversification is debatable. For the most part, the answer depends on the type of investor you are, which again depends on:

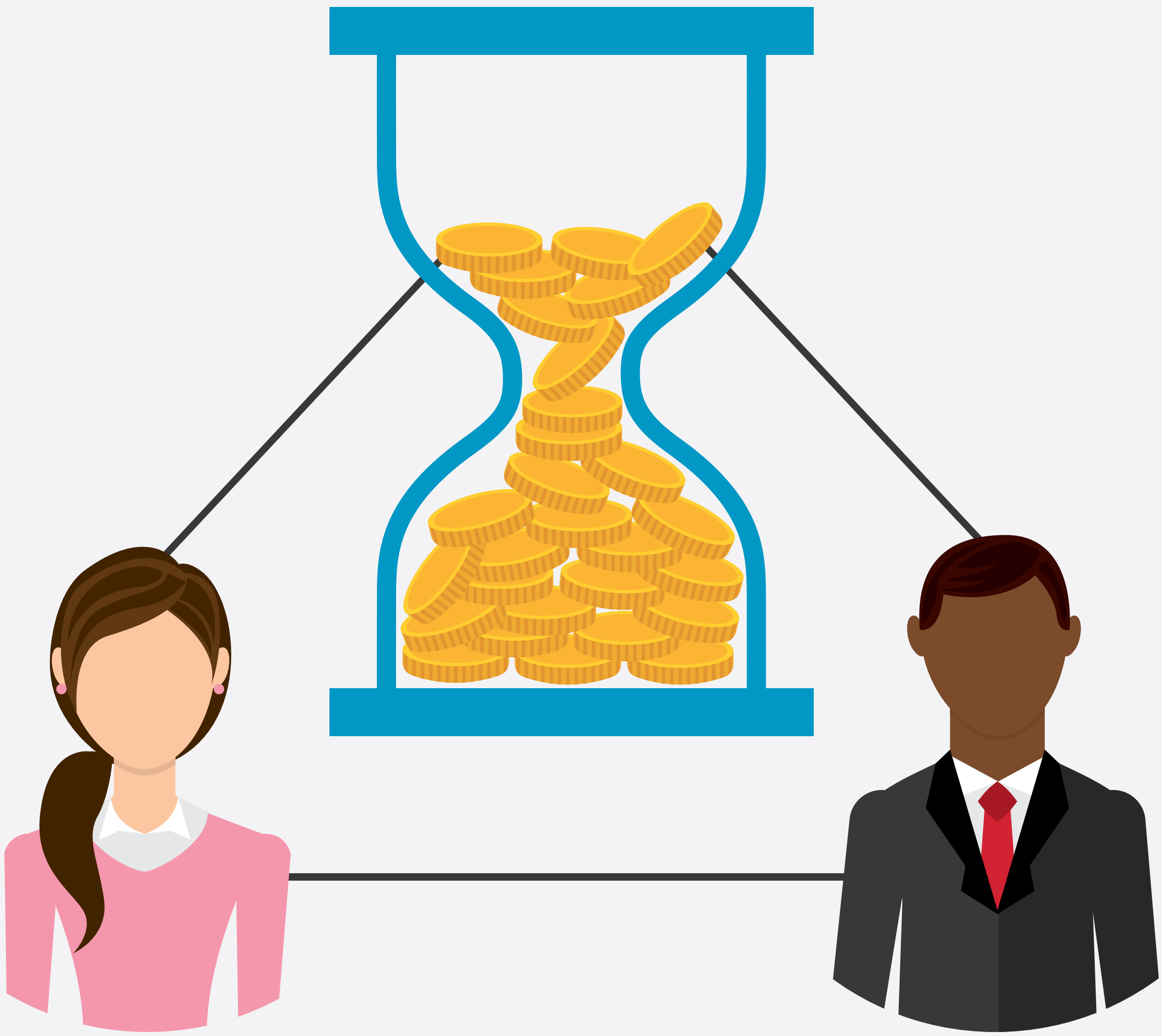
- Investors' investing knowledge
- Ability to take risks

What should you do:

Empirically, it has been found that a portfolio of about 15-20 stocks offers optimum diversification. This is for investors who have a basic understanding and are willing to spend some time in research. Beyond this, it tends to become over-diversified.

But a caveat here: This is just again a thumb rule, and your advisor can guide you best on how many stocks you should own based on your goals and risk appetite.

Don't Confuse Price With Value



Mistake 3

Caught up with 'Breaking News'

We have over 400 news channels, one lakh publications, mobile news apps, stock ticker apps, and a lot more providing us with non-stop information on everything starting from the global economy to the live prices of the stocks we own.

This information overload often leads to 'over-analysis' leading to confusion and chaos in the minds of an investor.

Remember the law of diminishing returns? The same applies here. Too much information at some point begins to have the opposite effect. On top of information overload, investors are also subjected to a lot of biased or prejudiced information. Again, there are rumors which often cause investors to either invest or panic and sell-off their investments.

Here are a few examples of the same:

1 Example

The best example of this is the stock of Jet Airways which has surged significantly from a low of Rs. 15.45 on Oct 2019 to Rs. 27.55 on 14th Feb 2020, despite the fact that the airline has been in trouble for several months now. There have been unconfirmed reports in the media that the London-based Hinduja Group, South America's Synergy Group and a Dubai-based fund are the three potential bidders for Jet Airways. This has fuelled speculation among investors who want to make quick money before the news based rally fizzles out.

2 Example

Another prime example is of Yes Bank, which has seen a continous decline in share price from Rs. 393.20 in Aug 2018 to Rs. 39.55 on 14th Jan 2020, due to erosion of the fundamentals. However, in the last 6 months, whenever there is a news of fundraising by the bank, the stock price sees a jump, attracting investors who are trapped when the news turns out to be unconfirmed.

While on one side, we have investors who indulge in over-analysis, many investors under-analyze their investments. These investors look at only two things: brand name and how it has performed in the past. They hardly bother about the debt levels of the company or the quality of the management. Reliance Power, Unitech, Suzlon Energy, Aban Offshore and Jaiprakash Associates are some of the classic examples of the much-hyped stocks that destroyed over 90% of investors' wealth. At one point of time, these stocks were everywhere, regularly featuring in top gainers and volume toppers, which attracted investors to them.

Thus under-analysis often leads to wrong investment decision, which eventually results in huge losses.

What should you do:

While investors who over-analyze their investments end up missing out on investment opportunities, investors who under-analyze end up with the wrong investments.

In today's world, where we are constantly bombarded with information, it is for us to decide when to say "Enough!"

Deciding where to stop can be an arduous task. However, here are a few ways to take the right investment decision:

- Focus on the facts
- Exercise restrain & inculcate patience
- Get expert advice
- Focus on what really matters
- Develop critical thinking skills

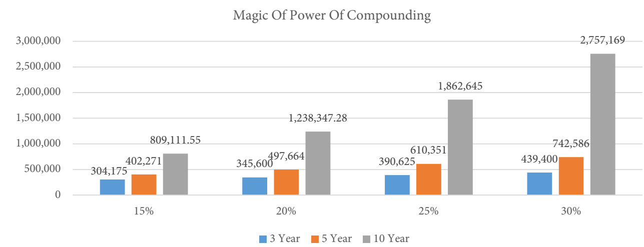
Frequent buy and sell

Buy and hold sound businesses for the long term is a classic and proven strategy for wealth creation from equity markets. Yet, many investors buy and sell stocks frequently. And, in this process, these investors often forget two critical things.

1 The magic of the power of compounding

Compounding is one of the best ways to multiply wealth. When we invest for the long term in good quality stocks, the power of compounding works in our favour, whereas frequent buying and selling mean losing out on the same. According to Albert Einstein, considered as one the world's greatest genius "Compound interest is the eighth wonder of the world. He who understands it, earns it - he who doesn't - pays it."

Here is what Rs. 2,00,000 would grow into if invested for 3 years, 5 years & 10 years at various rates.



*The calculations in the above table are just for illustration purposes only and not to be taken otherwise.

The above table clearly showcases the magic of power compounding on your wealth. When you hold businesses for the long term, your wealth multiplies with time as the power of compounding kicks in.

2 Buying and selling frequently means higher brokerage charges and taxes

Most investors who buy and sell frequently look only at the profits or losses they make on their transactions. Surprisingly, brokerage and other charges such as stamp duty charges, SEBI turnover tax, GST and STT are ignored while calculating profits.

Frequent churning dampens portfolio returns after considering the short-term capital gains tax, transaction charges, brokerage, etc. Not that one should buy and forget, the winning ingredient lies in rebalancing portfolio, only if required.

Most often, investors tend to exit from temporarily underperforming stocks and invest in stocks that have performed well in the recent past. This results in buying high and selling low, the complete opposite of buy low and sell high strategy to generate long-term results.

Biases such as recency bias, loss aversion bias, anchoring bias, bandwagon bias, and confirmation bias are hard-wired in human's response. To stay away from these biases, you have to continuously fight with the mind that is trained to respond on the basis of these biases.

Here are three things you can do to avoid frequent churning:

Be aware of your own behaviour

For e.g., if you see a car going in a north direction, you'll continue to assume that it will continue to go in the north. However, if the car goes in the south direction, subconsciously you'll believe that the car will continue the route towards the south. Such beliefs lead toward wrong investment decisions.

Don't predict, rather prepare

Predicting the future triggers greed or fear, which again leads to anxiety and impulsive decisions. Stop predicting the future, stay in the present, and concentrate on what is happening. Now this philosophy works everywhere - living life happily or building wealth holistically.

Don't compare yourself with others

You may hear stories of quick returns from your friends, neighbours or even colleagues, but hold on before you compare your gains with others! Each investor has a unique goal, risk appetite, investing style, investment horizon. Hence, it's obvious the journey would also be different.

Patience is a big virtue, not just in the stock market, but everywhere. Be it companies or investors, focusing on short-term gains may deter your long-term results, thus minimizing the returns and maximizing risks on your portfolio.

Think price is everything

We have seen this quite often: both two-wheeler, four-wheeler manufacturers and even high-end brands offering huge discounts to their customers during the festive times.

Does this discount mean that there has been a shift in the value of the brand or the quality of the product?

The answer is a big NO!

Many investors think that stock price is equal to the value of the stock. But there's a real demarcation between the both. The stock price only tells about the company's current value and demand and supply of the stock. If more investors are buying the stock, the stock price shall rise and vice-a-versa. On the other hand, intrinsic value is a metric used by value investors to analyze a business. While investing, many investors believe, higher the price, higher the value and lower the price, lower the value.

Shares cannot be tagged as cheap or expensive based on their price.

As quoted by legendary investor Peter Lynch "Behind every stock is a company. Find out what it's doing". What this means is that the real reason to invest in a business should be its fundamentals because only if the company does well, the stock price will also do well.

These shares have actual businesses behind them and they should be valued based on their fundamentals such as:

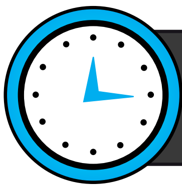
- Market share
- Competitive advantage
- Earnings (past, present, and, future projections)
- Sales growth over time
- Metrics such as P/E ratio, P/BV ratio, P/Sales ratio and so on
- Leadership team

Rather than judging a share by its price, it is imperative to evaluate a stock by the quality of the company's fundamentals. There are a host of economic and global factors making the headlines every day, which also influences the stock price.

With this, there is a release of the company's performance reports on a quarterly, half-yearly or annual basis. In the interim period, share prices can be very volatile, and companies may become under-valued or over-valued.

The guru of value investing, Benjamin Graham, simplified this concept by saying that in the short term, the market is like a voting machine - tallying up which firms are popular and unpopular. But in the long term, the market is like a weighing machine - assessing the substance of a company.

While investing, you become a part-owner of the business. Hence, the fluctuations in the stock price in the short term should not bother you.



What should you do:

We agree it can be difficult at times to digest a sharp correction in share prices in the short term. But in the long run, quality stocks with strong fundamentals will triumph over the negatives and emerge victoriously.

It is crucial to ignore red and green on stock market tickers to succeed in the stock market. Yes, the colours red and green are essential, but only at traffic signals when driving. Definitely, not on stock tickers, where the quality of the fundamentals is the king.

Mistake 6

Not reading about the businesses

> “Reading is essential for those who seek to rise above the ordinary.”
>
> - Jim Rohn

Many investors think equities are risky, but the real risk comes from not knowing what to buy and why to buy. Nifty has delivered approx. 13-14% CAGR over the last 10 years, irrespective of the temporary hiccups in the stock market. With this, many businesses have grown 10-20-30 and even 50 times during this phase. But could everyone capitalize on these wealth creation opportunities?

An investor who invested based on empirical evidence, logic and fundamentals of the stock, made humongous wealth. And to identify such high-quality businesses, one must read a lot to understand the business model and growth potential.

What should you do:

Here, are simple steps to cultivate the habit of reading:

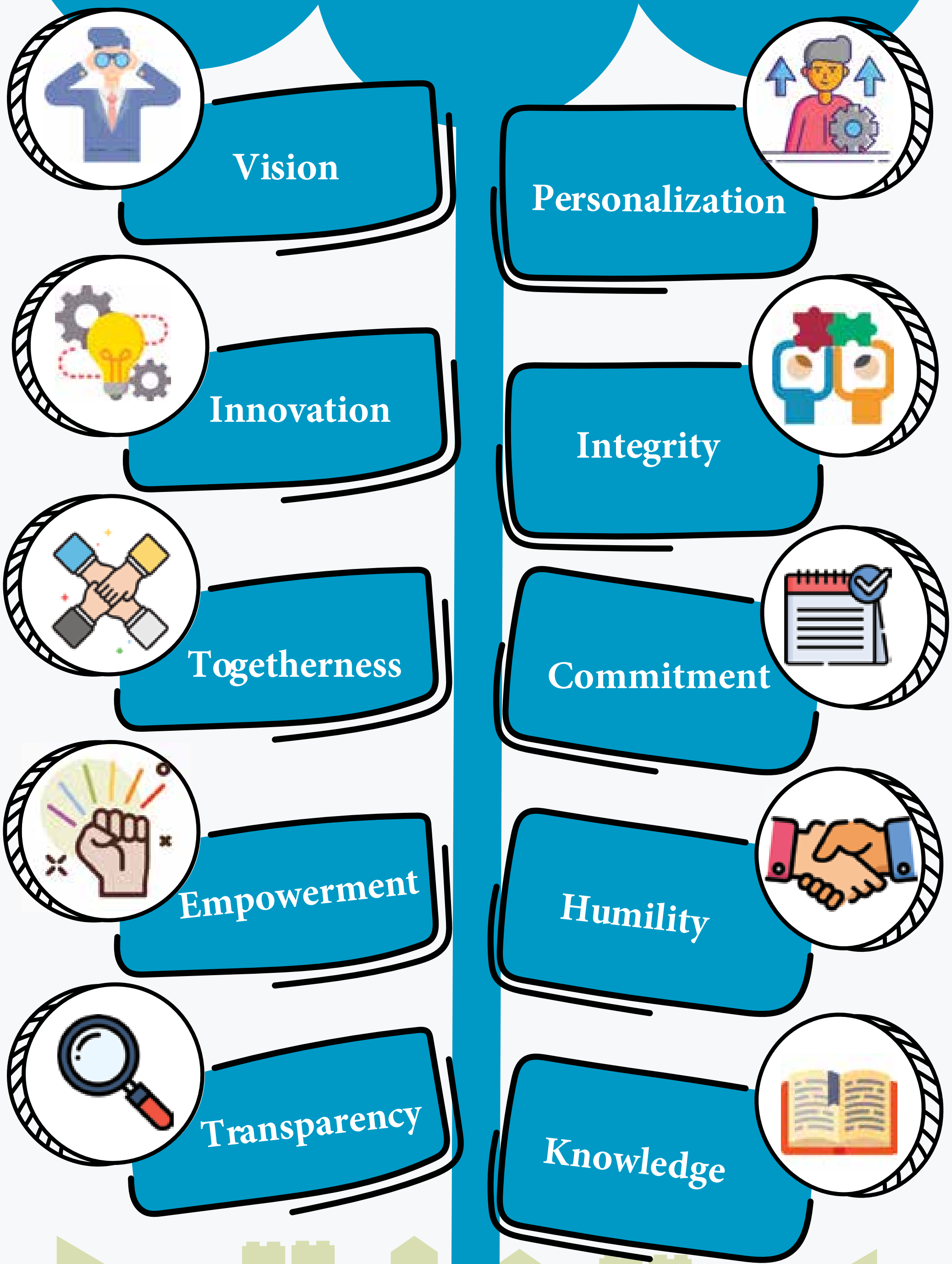
1. Firstly, only invest in companies from sectors that you understand. So, if you don’t find it easy to understand the companies in the cement industry, ignore them.
2. Once you shortlist businesses within sectors that you understand, spend some time understanding their qualitative and quantitative strengths. If you’ve hired an advisor, invest some time to read the research reports.
3. Read about the companies in your portfolio once a month. This is an essential habit to stay updated on the fundamentals of the businesses you own in your portfolio.

A small activity:

Having talked about the 6 mistakes that you should avoid while investing, take a moment to reflect on some of the mistakes you’ve made in your life. What if some magical voice or wise man stopped you in time from committing them? In case you have any interesting story on how you overcame the mistakes committed or how you prevented yourself from falling into the trap, do share with us and win a chance to get your story featured in our next newsletter!

Email id: createwealth@researchandranking.com

When it comes to money, you cant compromise on:



Investor.

The New Profession?

Investor Is The New Profession

Why Being An Investor Is An Ideal Profession?

Pradeep Unni

If one would ask children about what they wished to do after growing in life, the most common answers would probably be either doctor, scientist, chartered accountant, engineer or pilot. In the past, these stereotype answers could be completely justified, as right from childhood most children are conditioned to believe that life is all about studying well, getting a professional qualification, finding a well-paid job and settling down.

Choosing the right career path after finishing education is one of the most significant decisions that most people make in life. One of the biggest obstacles in choosing the right career is the lack of awareness or proper guidance.

Most people think of investing as a secondary activity which can be done along with their primary profession. While they are partly right, becoming an investor can be one's primary profession too.

Here's why becoming an investor can be an ideal career path.

There Are No Barriers To Start

Unlike other professions, investing do not require any minimum professional education, age or significant investment. All you need is a passion for stock picking, discipline to stick to your plan and patience to remain invested even when the markets turn moody.

Take charge of your life

Admit it or not, given a choice, most people would like to work for themselves. This is mainly due to two reasons:

1. The first reason is not being paid according to one's worth. And, there is no job security in this highly competitive world. By choosing investor as a career path, one can be his own boss and need not worry about deadlines, targets or lay-offs.
2. The other biggest benefit is - while you can live stress-free, you're also growing your money by investing in high-quality businesses.

Freedom to work from anywhere

A laptop or a smartphone with internet are the only tools an investor needs. One has the liberty to work from their house, a cafe or anywhere in the world. This is not possible when one works for someone else. Choosing investor as a profession gives you the freedom of not being tied to any one place. Decades back, the majority of investors in the stock market were middle-aged or those in their 50s and 60s. Today a lot of youngsters are investing, and many have been successful too. Investing is a profession where every experience counts. With enough experience, one can learn a lot to use it for planning future investment strategies.

Allowing professionals to work for you

If one wants to become a successful entrepreneur, one needs to put tremendous efforts to establish a successful business.

When you invest in stocks, you become a part-owner of the business. So, by investing in a quality business, you are allowing the best minds to work for you rather than you putting in all the hard work. This means you can capitalize on the expertise and grit of these professionals to grow your invested money over the long term.

As in all professions, there will be some challenges too when one chooses investor as a profession. However, it is not necessary that one has to be a great investor to be a successful investor. As stated by Peter Lynch, "If seven out of ten of my stocks perform as expected, then I'm delighted. If six out of ten of my stocks perform as expected, then I'm thankful. Six out of ten is all it takes to produce an enviable record of Wall Street."

Before we end, we have seen many investors extrapolating few successes into a plan to become a full-time investor. Despite many perquisites you may enjoy by being an investor, you can consider taking a plunge only if:

You are ready to accept and manage risks	You have the ability to make decisions based on data and facts	You are willing to stay disciplined and patient, even when the markets do not reward you

Real wealth isn't about working hard for money. It is about making money work in return

Women & Investing

Why Investing Is Not Just A Man's Game...

Soniya Goel
Brand Head
Research & Ranking

Women live longer, tend to take long-career break and are typically paid less, yet we don't think of avenues to multiply our existing wealth. Surprising, isn't it?

Here's one interesting data: Men overshadow Wall Street and India's own Dalal Street. However, as per the report released by Fidelity Investments based on an analysis of 8 million client accounts, women performed better in generating returns.

Despite the glorious results, less than 10% of us believed they would outperform men when it comes to money management. So here's to all the women, if you think you can't invest, then it's just a MYTH!

A closer look at the topic, as per another data, men's savings rate stands at 8.6% while women save 0.4% more than men. The improved savings rate enables us to earn more annually on our investments by 0.4%. Yes, that's true! And, if this is the case, why do we lose out on the investing game?

So here is the truth!

According to Ellevest, a U.S based investment platform that helps women invest better - "71% of women are sitting on cash." In India as well, the situation is not better, as most of the women are still holding their wealth in the form of cash or savings account. If demonetization impacted anyone the most, it would be us!

Decoding the problem areas

Challenge #1

Money subject is still considered a taboo!

First and foremost, we are reluctant to talk about the Vitamin-M i.e. Money. Due to this, we are unsure about various investment avenues that can help us achieve our goals faster.

Challenge #2

The myth that you need to know everything!

When I observe my friends, they think they don't know enough about money and investing. In today's digital era, there are many resources and tools available to demystify investing. Yet, we believe that we need to have the technical know-how of investing before getting started.

Challenge #3

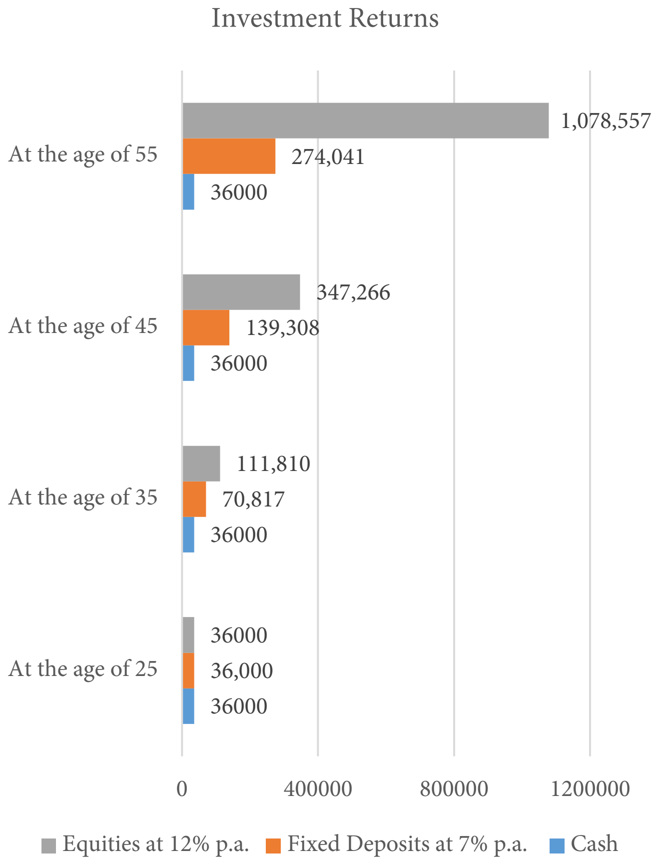
Under-confidence while handling money

Due to various factors such as inadequate educational facilities, early marriages, unsupportive family, etc., we get nervous or less confident when it comes to investing. According to the survey conducted by BritainThinks, only 38% of women as against 53% of men revealed that they feel confident while taking investment decisions.

Why You Need To Invest Now?

We save more. And, if this is the case, we also need to be wealthier by the time we retire. However, that does not happen. We typically end with lesser money. Why? Lack of a proper financial plan. Now, many of us have this misbelief that we need to have humongous wealth to invest. But, here's the gospel truth: You can start even with a small amount.

Here's a small example of how your savings of Rs. 36,000 would grow over the course of 10, 20 and 30 years.



A small note: While holding your savings in cash, we have not shown in the above chart, but the value of your savings is actually decreasing year on year due to the inflation of 4-5%. So wake up, as you're actually losing out your money!

Here is a quick snapshot of the returns (CAGR) generated by various asset classes:

Asset Class	5 Year (April 2014 – March 2019)	10 Year (April 2009 – March 2019)
Nifty	11.57%	14.27%
Gold	2.36%	7.67%
Bank FDs	~8.75%	~8.50%
Real Estate	4.60%	5.80%

How To Invest Like A Woman?

1. The first step is to change your mindset and think beyond savings account and FDs.
2. Then basis your financial goals, timeline, risk appetite and income, decide a tailor-made strategy that you think works out best for you.
3. There are many asset classes. Again the choice and proportion of each asset class in your portfolio depend on your goals, timelines and risk appetite.
4. Understand the risks involved in each asset class and also the taxation element.
5. Lastly, don't compromise on your goals. Instead, take charge of your financial life to achieve your goals.

P.S: It actually doesn't matter if you are a man or a woman; the key to successful investing remains the same:

Invest as per your profile and goals with a long-term perspective and yes until that time, keep your emotions at bay.

The best time to invest?

Yesterday.

How To Start Investing in 20's?

Millennials & Money
Roadmap To Financial Freedom

Jigna Shah

A few years ago, I never took the idea of financial freedom seriously. But then something changed when my father one fine day told me to jot down my life goals. I did my exercise, and then came the question which I was not ready to encounter.

"What are you doing to achieve them?"

"Papa, I am earning and saving 30% of my salary. Isn't it amazing?'

My father added, 'Yes, by the way, salary in your savings account are losing their value due to inflation. So if you need Rs. 80 lacs for buying your house after 10 years, the actual cost of your goal at that time would be Rs. 143 lacs, considering the inflation rate of 6%. So my child, you have to think smarter, and not work harder to achieve your goals.'

And those words struck me. And it's just not me when I looked around, many millennials (born during 1981-2000) look unprepared for their goals.

> Currently, at 450 million, the millennials form 35% of India's population and around 46% of the workforce today. With rising income levels, high aspirations, they would be spending more on luxuries and branded goods. But to achieve all this, millennials need to take care they don't go overboard with their finances as this can prove dangerous in the future.

As per the survey conducted by livemint.com, while 54.28% of Gen X, (born during 1965-80) invested in equity and 64% in life insurance, the number for older millennials (born during 1981-1989) stands at 47% and 55% respectively. This is even worse for younger millennials (born during 1990-1996), where the number starkly reduces to 40% and 38% for equity and insurance.

So here, I've listed down step-by-step guide to help millennials design a financial plan that can help you achieve financial freedom.

Goals – Think, Identify, Prepare

The first step is actually to take a step back to understand our goals. We all have different goals and risk appetite. Hence, our plan has to be different! For example: If your life goal is buying house after 20 years, understand how much corpus you have now, how much you would need after 20 years, the inflation rate, expenses that can occur, etc. Break down these 20 years into smaller goals. Say for example, at the end of three years, I should have an XYZ amount. This will help you to stay on track and take corrective actions whenever you go haywire.

Incorporate Equities In Your Portfolio

As per the study conducted by Statista.com in 2018, around 81% of millennials earning in the range of Rs. 5 lacs to Rs. 12 lacs are majorly invested in fixed deposit, recurring deposit and public provident fund, which delivers the returns between 7-9%.

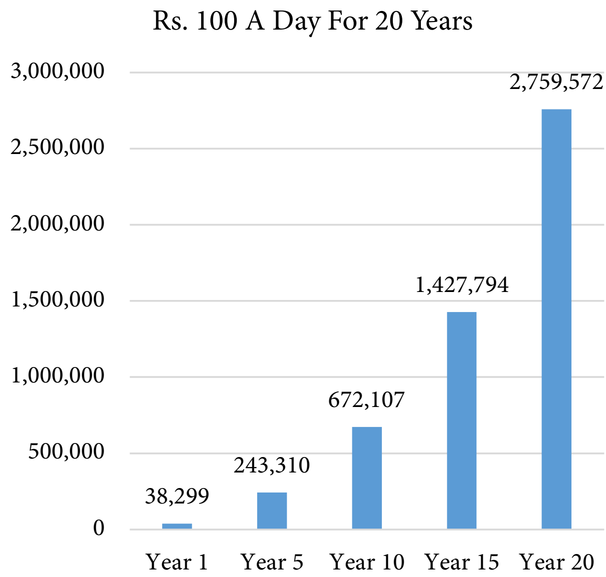
Many millennials shun equities, thinking they are risky. Especially with limited resources and high aspirations, one cannot ignore equities. The question should not be – 'should I invest in equities or not'. The only question is – 'how much should I allocate in equities?'

Considering the above example, you wish to purchase a house after 10 years. The current cost is Rs. 80 lacs. However, if you assume inflation of 6%, you would need Rs. 143 lacs. So, if you're not investing in an asset class that helps you beat inflation, you're actually losing out on your money.

Current cost of goal	**Rs. 80 lacs**
Cost of goal after 10 years at 6% inflation	Rs. 143 lacs
Invested at 12%	Rs. 248 lacs
Long term capital gain tax @ 10% (considering taxes only above profit of Rs. 1 lac)	Rs. 16.7 lacs
Net amount you have even after fulfilling the cost of your goals after 10 years	Rs. 88.2 lacs

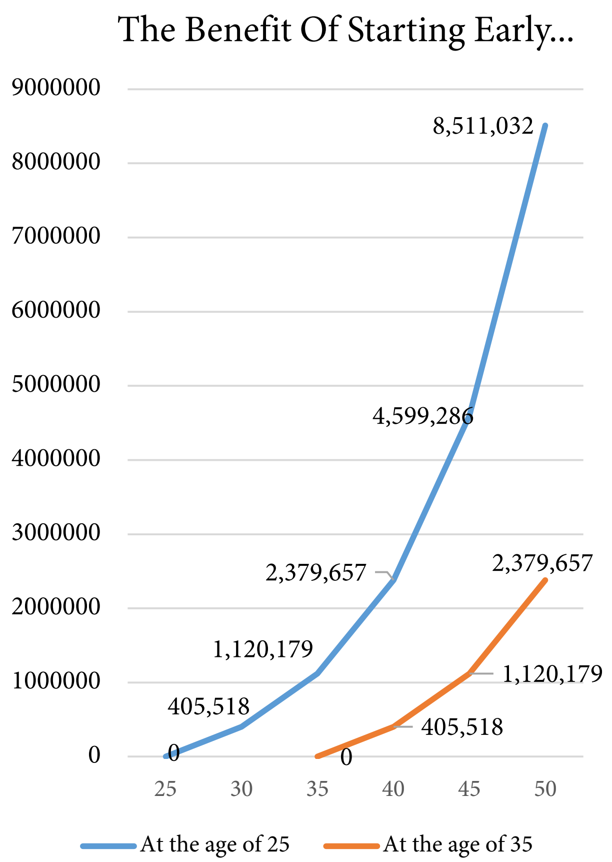
Each Drop Of Water Makes An Ocean

The power of compounding works wonders. And you don't have to do much. Say for example, you save Rs. 100, just by carrying lunch from home, rather than ordering out. Now, if you save Rs. 100 each day and invest, you would accumulate Rs. 27.59 lacs at the end of 20 years, considering an interest rate of 12%. Amazing, isn't it? This is just one out of many small yet effective ways of managing and growing money that millennials miss out on.



Each Day Counts

As per the research, millennials tend to start their retirement planning after the age of 40. However, a delay of one day also means you're losing out your money. Surprised? Take this case, consider you start investing Rs. 5,000 per month at the age of 25. Considering the interest rate of 12%, you can accumulate Rs. 85.11 lacs when you reach the age of 50. Now say, you start investing at the age of 35, you would gather only Rs. 23.79 lacs by investing for 15 years. The difference is too vast to ignore!



The benefits of investing early are humongous, but unfortunately, many millennials are sitting on the sidelines. If you don't invest, it would be nearly impossible to save enough money to maintain your lifestyle in the future as well as fulfill your aspirations. To invest successfully, one needs to remember the following things:

- All investments come with an element of risk. However, allowing your money to sit idle in cash or just deposited in the bank, means you're inviting the risk of reducing your purchasing power due to inflation.
- By starting early, you have time on your side. The longer you stay invested in quality businesses, the more likely you will generate impressive returns as the power of compounding kicks in.
- It is not essential to start with a significant amount. One can get started by investing small amount each month in the stock market. Rather than the amount you can invest, what matters in the game of investing is patience, perseverance and discipline.
- Millennials lifestyle is starkly different than their parents or ancestors. With millennials being more inclined towards latest gizmos, travel, and other entertainment avenues, the traditional asset classes may not help you live the life of your dreams. If you wish to fulfil all your aspirations, then you need to start investing at the earliest (maybe, right away).
- Equities are risky over a short term, as they are influenced by investor sentiments which are difficult to predict. However, in the long run, the stock prices are driven by the fundamentals of the company. Hence, the risk reduces if you invest for a longer term.

Having listed five factors to take care of while investing, there's one more thing I would like to add: Do not hesitate to ask for help if you're stuck in this journey. It's always good to have a financial mentor guiding you on how to build a well-diversified portfolio to help you reach your destination.

A Walk In To The New-Age Technology

Gaurav Goel
Co-Founder & CTO
Research & Ranking

Things change with time. This is especially relevant to technology, which is changing fast and rapid. As I write to you, many technologies are becoming a fad, while many are in the making. These technological transformations are reimagining the way we travel, work, entertain ourselves, shop and work. Not just that, technology is also changing the way we invest, transact and borrow! Yes, that's true that technology is radically transforming our relationship with money.

How Is Technology Changing The Face Of Investing?

We've reached a stage, where there is a fantastic convergence of technologies that have the power to reduce the pain points and friction while investing. With the aid of emerging technologies such as Artificial Intelligence, Machine Learning and Voice User Interface, it is now extremely for people to get answers to their complex investing questions. This technological disruption can be attributed to young Indians with a scarcity of time and access to smartphones and internet connectivity.

Process like buying and selling of stocks that used to take days due to cumbersome paperwork and human intervention are now seamlessly automated on digital interfaces. Now, with the help of technology, one can buy and sell with a single click. Google Pay, Intuit Mint, PhonePe are amazing innovations that have a profound impact on a person's time and ability while dealing with money.

The technological transformation has its share of side effects, especially when it comes to investing. For example, information overload leading to continuous monitoring of the stock prices as well as the threat of exposure of personal information. However, investors are willing to bear added risks if the experience saves their time and solves their puzzle.

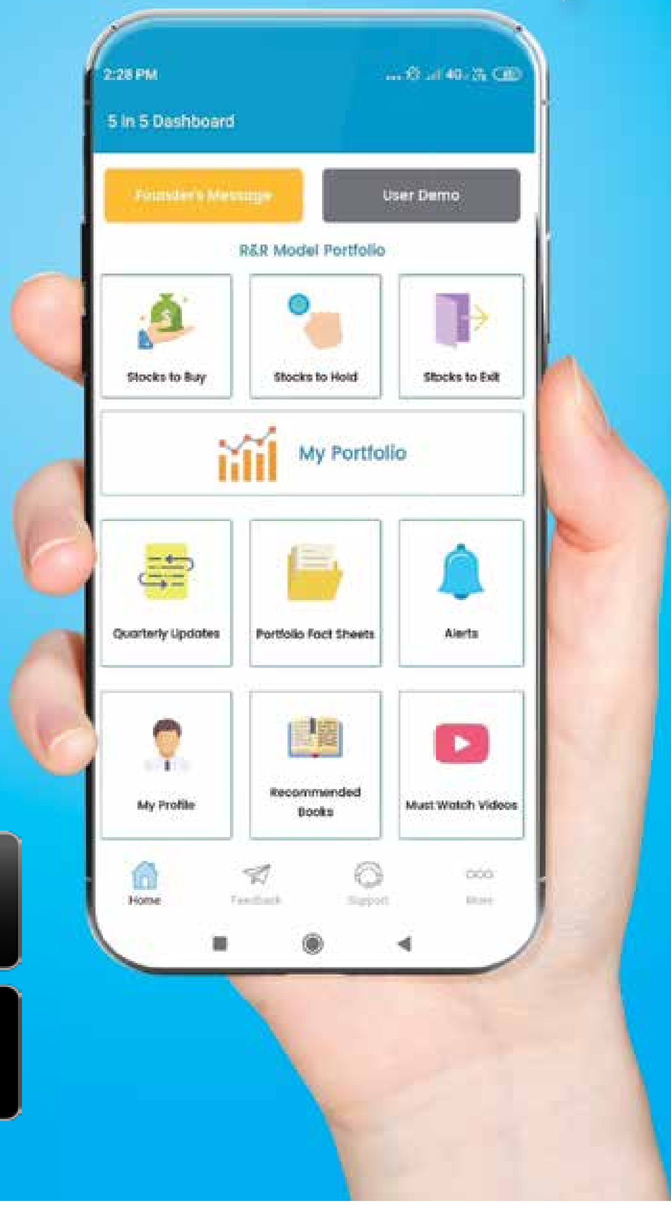
The Future: Where Technology Meets Empathy

We're in a Digital 2.0 era, where people expect immediate information, control, automation and reliability. There is no one-size-fits-all approach. Hence, investors appreciate solutions that cater to their needs, help them stay informed and get access to support anytime and anywhere.

The future belongs to integrated technologies that will ease the life of an investor, reduce multiple touchpoints and offer tailor-made solutions keeping in mind the life cycle stage of an investor and his financial goals.

At Research & Ranking, we aim to adopt new technologies that will simplify and demystify investing by guiding investors through each phase of their life. By embracing modern-age technologies, our mission is to offer a solution that is a perfect mix of artificial intelligence and human expertise. When it comes to money, we are committed to designing and enhancing our solutions that display both empathy and innovation. The time has come that demands a change. We are ready to embrace it.

EXPERIENCE THE NEW-AGE TECHNOLOGY



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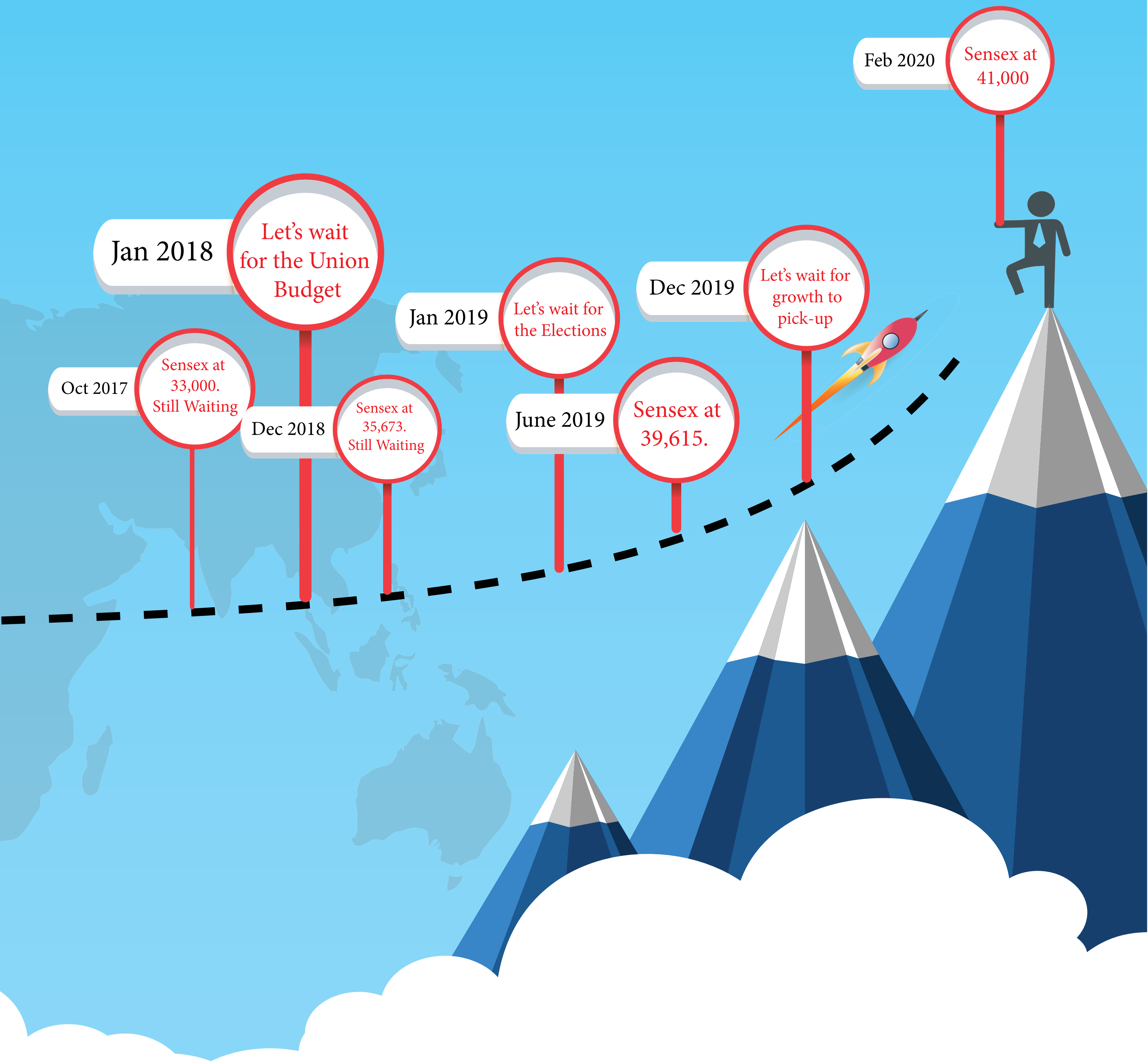

Still trying to time the markets?

Achieve Your Goals With Our End-To-End Wealth Creation Solutions

Our solutions are not designed for wealth management. Instead, the focus is on 'wealth creation' by looking at the bigger picture, which not many can see.

5 in 5 Wealth Creation Strategy

Get access to a personalized portfolio of 15-18 fundamentally strong businesses to multiply your wealth to the extent of 4-5 times in 5-6 years. Since this growth would not be linear, our product is apt for investors who're willing to remain patient and disciplined by investing in superior businesses and allowing time to let it grow.

Mispriced Opportunities

Under this strategy, multiply wealth by investing in 10-12 mispriced opportunities that have the potential to deliver 25-50% returns over the next 6-18 months. This solution is ideal for investors who are willing to invest a fixed amount every month.

Dhanwaan

A personalized equity portfolio for an investor with an investible surplus of more than Rs. 25 lacs. With this wealth creation solution, unlock a well-diversified and balanced portfolio of 15-18 robust businesses capable of delivering 4-5 times in 5-6 years. This solution is ideal for investors with a minimum investment horizon of 3-5 years.

EWA Exclusive

A portfolio management service designed for HNI and Ultra-HNI investors, this solution aims to grow your wealth by 10 times over the next 8-10 years. Money will be returned once the portfolio achieves the target of 10 times.

SEBI Registered Investment Advisor - SEBI registration No: INA000003874

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