

Cater Capital

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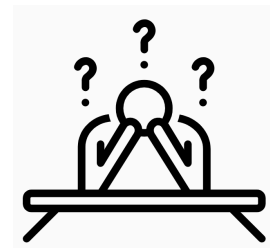
Prologue

The upper limit for being a GenZ is 26 years. At this age, most of us are figuring out what to do in terms of financial independence. One of the problems that GenZ faces to attain financial freedom is the “*Problem of Limited Capital*”. It is the lack of available capital to invest. The problem is exacerbated when specific financial instruments are prohibitively expensive.

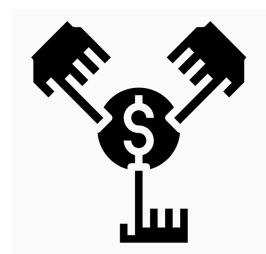
We will delve deeper into this problem. For that, I have divided this document into subsections: Problem, Target, Product solution, User Experience, Risks & Pitfalls, Success Metrics, and finally, Reference.

Problem

According to the average salary survey in India, people age 20–25 years have an average salary of 6.7 lakh Rupees (~2k respondents). With this salary, the monthly saving can be from 5 to 10 thousand Rupees.



Now looking at another dimension, there are 305 stocks currently trading above 1000 Rupees on NSE. With the highest being MRF Ltd. trading at 81,272.55 Rupees. Most of the good and stable stocks trade above this 1000 Rs price band.



For a guy with 5000 Rs. savings per month, buying such stocks for diversification purposes will be a nightmare.

It might seem that an upfront solution to this problem is investing in Mutual Funds.

You are absolutely right but think about a scenario when someone knew about a market inefficiency and wanted to cash in the maximum profit. My point is, the investors do not control mutual funds. We need something that is:

1. cheaper to buy, and
2. investors have complete control of whatever they buy.

Target

1. Providing a flexible system where GenZ investors can buy and sell stocks according to their preferences
2. Introduction of leverage trading for GenZ investors
3. Minimizing the risks incurred by the company while providing such a product

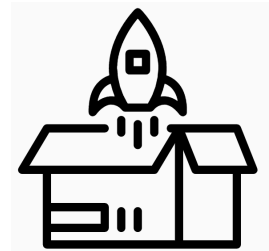


Product Solution

I introduce to you “*Cater Capital*”. This tool will allow GenZ users to have stocks at a leveraged price and enjoy profits of a regular price stock.

The product functioning is as follows:

1. GenZ users will create an account, which will be used as a “*margin account*”.
2. Users will then buy stocks with 10% to 50% of the original price of these stocks. The percentage of leverage can be decided by us, keeping in mind the risk profile of stocks.
3. The profits/losses are calculated and added/subtracted from the margin account at the end of each trading day.
4. A “*margin call*” will occur when the amount in this account drops a specific value. If the investor doesn’t add money and the amount drops to another point, “*broker stop-loss*”, Our broker will sell all the equity in that account.
5. Users can sell the stocks during a trading day and lock in all the profit/loss preferences.



User Experience



Let's understand this product with an example. Shyam is a GenZ, and he can save Rs. 5000 per month. He chooses not to invest in mutual funds since he believes in higher returns in his strategies.

He will create an account and put his Rs. 5000 in the account. He will then buy stocks according to his needs with the leveraged price provided by us.

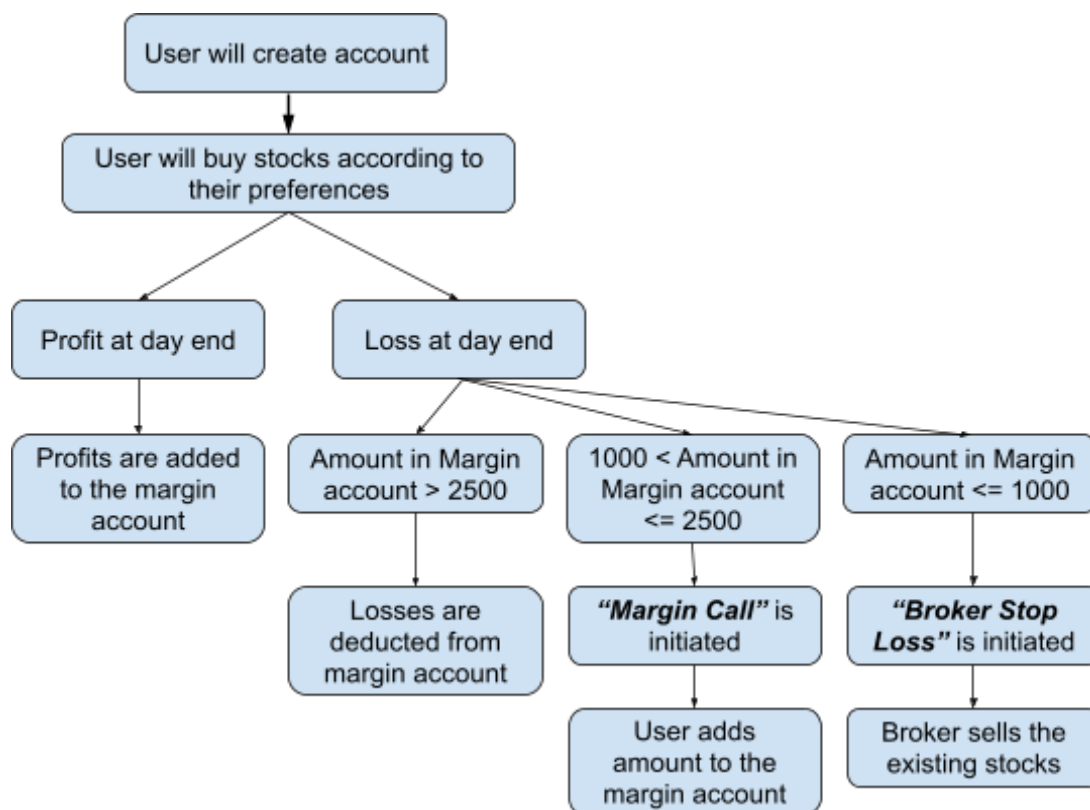
By the end of the trading day, let us suppose he earns a profit of Rs. 100. His profit will be added to his margin account.

Another possibility can be that he incurred a loss of Rs. 100. This loss will be deducted from the margin account by the day end.



Let us suppose the margin call is Rs. 2500 and broker stop loss is Rs. 1000. At any time, if the user loses a significant amount, his account is left with Rs. 2500, a margin call is initiated asking the user to replenish the deficit.

If the amount in the margin account decreases to Rs. 1000, a broker stop loss will be initiated, and the broker will sell the user's stocks.



Risks & Pitfalls



1. Leverages are risky affairs

Leverages multiply a project's potential returns. Simultaneously, it bears the potential downside risk if the investment does not pan out. The use of margin call and broker stop loss will reduce the damage if any such event occurs.

2. Deceptive investors

This product is only for GenZ. The product is highly lucrative to many imposters since we are providing direct leverage on stocks. A slight alteration to this product will make it fruitful for every investor in the market.

3. Might seem time-consuming

Many GenZ doesn't have much time to be updated with market prices throughout the day. For them, mutual funds will be a good alternative. But due to the COVID-19 pandemic, many jobs are converted to hybrid and work from home, where everyone can keep up with the markets.



4. Small target population

Only 9% of the population is between 20-25 years of age. Out of these, people who are interested in investing and have basic trading knowledge are scarce.

Success Metrics

1. Easy Initiation metrics

- % first-time users initiating & opting our product
- % users completing the registration
- % increase in # people buying and selling after joining



2. Daily Interaction

- % increase in user engagement in daily updates
- Avg. no. of times each user opens a portfolio
- Frequency of buying and selling stocks per user



3. Risk Metrics

- % users reaching the margin call
- % users reaching the broker stop loss



c. The actual cost of all the leveraged stocks provided

4. Company level metrics

- a. % increase in new users
- b. % users quitting after margin call
- c. % users quitting after the broker stop loss
- d. % increase in the total amount of stocks purchased
- e. % increase in revenue



Reference

- <https://www.averagesalarysurvey.com/india>
- <https://www.bestroboadvisors.org/new-investor-challenges/>
- <https://aliceblueonline.com/antiq/opportunity/most-expensive-shares-in-india>
- <https://www.investopedia.com/terms/l/leverage.asp>