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FINOMEDHA

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EDITORIAL

FinTech, as the name suggests, is the blend of two words" Finance" & "Technology". They are disrupting markets in their own style and have made the delivery of financial services easy and faster ensuring security and transparency.

Fintech is booming in India at a rapid pace spread across different categories like insurance, lending, investments, finance management, and payments being one of the biggest categories. India has witnessed massive growth in this sector and has overtaken China in terms of Fintech funding. Gone are the days when we used to visit banks to keep records of transactions, Fintech has overcome every barrier and is filling in as a "One-stop platform" for all the services to consumers, corporates, financial institutions, and many more. The Fintech Revolution is in full swing and the idea of GIFT City by PMO India, Narendra Modi is one of its kind development that will take this revolution to places. A lot of Fintech start-ups are doing exceptionally well and have shown steady growth during the pandemic. Mobile payments too have made history by leaving behind cash withdrawals from ATMs.

Fintech is reaching out to the masses, and customers are accepting it in a positive way. Embedding technology in the ecosystem is not always easy, fintech has many challenges. MSME is a new battleground for this industry. Millennials and Gen Z are considered to be the major target group for fintech as they are known as "Technology Adapters".

Fintech is continuously working behind drafting the best possible products for customers that provide them with rich and satisfactory experiences.

From leveraging technology to offer flawless digital exposures and maintaining transparency in the products, fintech has come a long way. They are here to stay and have the potential to take India way ahead in unlocking economic growth in the future.

\- ***Shimona Jaiswal***

SPOTLIGHT

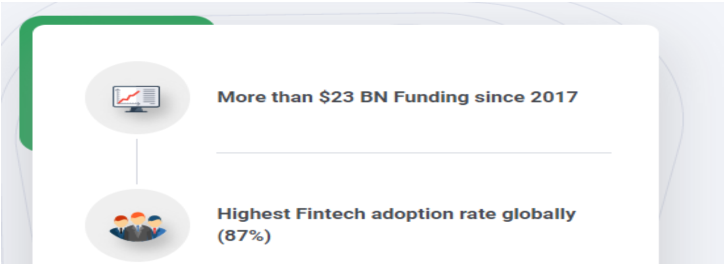
The growth drivers of Fintech such as Neobanking, lending platforms, Increase tech adoption and rise in digital payments in India has huge potential and it is growing at a rapid speed. India has emerged as one of the world's largest digital markets, with a Fintech adoption rate of 87%, compared to a global average of 64%. Over 67 % of India's 2,100+ Fintech companies were established in the last five years.

According to Mr. Amitabh Kant, In FY20, the Indian Fintech industry was valued at $ 50-60 billion, and by 2025, it is expected to be worth $150 billion dollars.

At a CAGR of 20%, the value of Fintech transaction data is projected to increase from US$ 66 billion in 2019 to US$ 138 billion in 2023.

There are 1,860 start-ups in the Fintech sector. India has over 17 Fintech companies that already have attained 'Unicorn Status' with a valuation of over $1 billion as of December 2021.

Future of Fintech in India



India, as one of the fastest developing countries in the Fintech sector, has a bright future ahead of it. We will witness development in the accessibility of existing technology as well as the emergence of new financial technologies. The government's efforts to improve the start-up ecosystem in the country is commendable.

Fintech has an advantage which enables them to access the unserved/under-served segments such as MSME and SME, which have the most difficulty obtaining credit, and this might be an area where Fintech companies have a lot of opportunity and exposure. Another area of opportunity is the use of Smart Contract that can solve some of the most pressing issues in India.

-Sai Thakre

TERMINOLOGIES

Smart Contract *- is a self-executing contracts with discreet terms of agreement between two parties and this agreement is directly written into lines of code and these contracts transactions are traceable, transparent and irreversible.*

For example*: Finland was struggling to deal with refugee settlement and the came up with wonderful idea of prepaid MasterCard and this card is linked to the unique digital identity stored on block chain. This enabled the asylum seekers to not just have identity but also to start contributing to the economy.*

GIFT *City stands for "Gujarat International Finance Tec-City". The thought behind setting up GIFT City is to bring international and domestic financial services in one place, making it a global financial hub. This city will be set up in Gandhinagar and will host as country's first International Financial Services Centre (IFSC)*

RECENT NEWS

UNI – Fintech Startup enters India's buy-now-pay-later space

Uni is a Credit and Payments led Fintech startup. The company was founded by former PayU CEO Mr. Nitin Gupta. Recently the company has raised $70 million in a series A round led by a capital firm General Catalyst. This deal is one of the largest deals in Series A round for an Indian Fintech company. After raising huge funds, the valuation of Uni jumped to $350 million from $40 million.

Mr. Gupta has emphasized that these funds would be utilized for launching their new credit related products. The first product which was launched by Uni in June was buy-now-pay-later. This product helped the customers to purchase products and pay later in three equal instalments without incurring any extra charges. And if a customer wishes to pay in more than three instalments, they can opt for EMIs or late fees. It also mentioned that if customers are willing to pay earlier than stipulated time they would be rewarded with cashback.

Next in line Uni has planned to launch four products in the next four months thus exploring the booming buy-now-pay-later zone. Currently the buy-now-pay-later market is led by Bajaj Finance with 54% of market share. The idea behind entering this market was India is a huge country with untapped markets with a lot of scope for Credit expansion.

- Ketana Dhuri

India 1st shared banking for couples.

The banking solution that allows its users, specifically, couples to manage their money as a team. The Bangalore based Neobanks- named Fibbl has recently billed itself for this exclusive financial service.

The banking solution allows users to open an account instantly and even link their multiple bank accounts to the same app.

Fibbl

Key features of Fibbl Account-

- Each half of the couple gets their own physical card as well as virtual cards on their mobile phone.
- Shared budgeting and pooling money.
- Couples can create their milestones and targets.
- Track together all your spending categories and get insights on how can you save more.
- Boasts green credentials- As per the Fibbl, your every card transaction contributes to the planting of a tree.

Minimum balance required to maintain an account- Rs. 0. Thus, Fibbl is one of the kind banking solution which lets you manage Finances Jointly.

- Disha Tanwani

RECENT NEWS

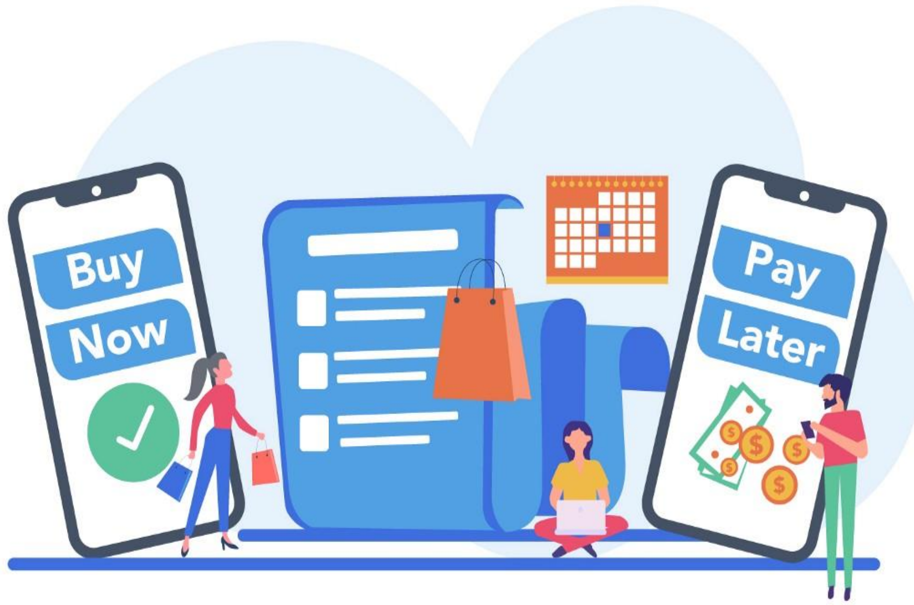
IN THE ECONOMY

The government of India does not want to prohibit cryptocurrencies, but rather to handle them as “Assets”. For the monitoring of these “Assets”, SEBI as the market regulator will be regulating these ‘assets’ too. This backs up what Indian Finance Minister Nirmala Sitharaman said earlier in the first week of December regarding Bitcoin. Although Bitcoin is not considered a payment method, India is developing its own Central Bank Digital Currency (CBDC), which will be regulated by the Reserve Bank of India (RBI).

According to the government note, citizens would be required to register their crypto assets and retain them on Indian exchanges. Thereafter citizens would not be in a position to retain cryptocurrency on international exchanges or in private wallets any longer. When the bill is signed into law, users will have a certain amount of time to transfer their possessions to fulfill these criteria. Failure to do so might result in fines ranging from ₹5 Cr to ₹20 Cr.

Furthermore, India is planning to revise its Prevention of Money Laundering Act which includes measures of cryptocurrency activities. According to the Finance Minister, the government is actively monitoring the concerns posed by cryptocurrencies.

- ***Heena Kalani***



BNPL is changing short term financing scenario in India.

BNPL abbreviated for Buy Now, Pay Later is a type of short-term financing that allows consumers to make purchases and make payment in future, often interest-free. The simplicity and cost friendliness has led to its soaring popularity during the pandemic. It is obvious that most of the consumers would be Millennials and GenZ who are more likely to spend online shopping and face short term liquidity crunch. A research done by Redseer Research estimate that India’s BNPL market will grow at CAGR of 28.9% and reach \$45-50 billion by 2026, from the existing \$3-3.5 billion. This will impact the credit card business of the banks. At present there is no threat to bank and card companies but long term cash flows will adversely affect if they fail to adopt and compete effectively. This could be next disruptive thing after UPI and traditional banks failed miserably because they were unable to keep up with technology and give better user experience. As there is saying one man's loss is another man's gain, the e-commerce platform tends to be major beneficiary of this service. Currently Fintech players such as Simpl, ZestMoney, Uni, Ecommerce players Flipkart and Amazon and HDFC’s Flexmoney, ICICI pay later are major BNPL players.

BNPL sounds like great concept but what about when things go wrong? When companies lent to consumers with poor credit score? What will happen if consumers start spending indiscreetly? What are the likely hidden charges levied by these companies?

To avoid all these default risk and to protect consumer interest regulations must be in place.

- Uddhav Farakte

Central Bank of India and U GRO Capital sign co-lending agreement

Co-lending as a concept is accelerating and will change the lending situation of MSME lending in India.

A co lending agreement was signed by U GRO capital (a MSME lending FinTech platform) with the Central Bank of India. This is expected to financially empower MSME borrowers. Under this agreement, in the next 12 months, the aim is to provide up to Rs 1000 crore of affordable formal loans to various MSME segments of UGRO Capital. It also contributes to Atmanirbhar Bharat's mission by offering MSME loans at an affordable price.

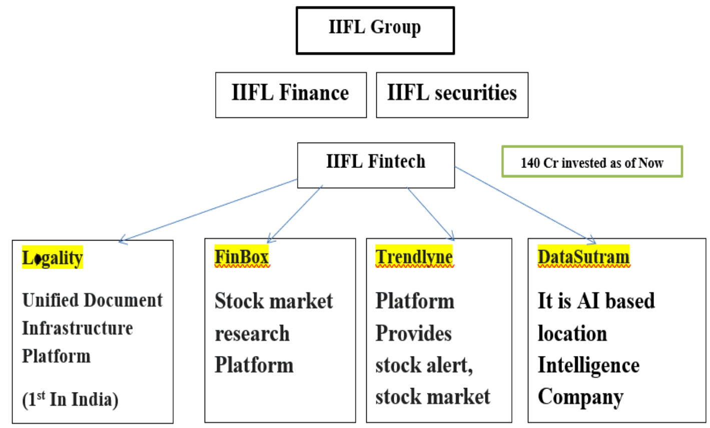
In addition, with this partnership, U GRO is now able to serve the full range of MSME borrowers across different interest rate classes. Such cooperation further facilitates India's financial inclusion efforts towards MSME. This partnership will benefit not only U GRO, but ultimately all other FinTech and NBFCs that are integrated into the GRO-Xstream platform

-Muskan Jain

IIFL Fintech Fund would invest Rs 300 crore in early-stage fintech businesses

• In the next two years, the IIFL Fintech Fund plans to invest Rs 300 crore in early-stage Indian fintech businesses to help create economical products and technology that boost financial inclusion.

• In the first three months of its existence, the IIFL Fintech Fund invested in four fintech startups and by the end of 2021-22, they are planning to invest in ten more startups.



Reason to Invest

The fintech market valued over INR 2.30 trillion is expected to grow at CAGR of 24.56% over the next 5 to 6 years, hoping to reach a whopping INR 8.35 Trillion by the year 2026.The primary reason for the growing importance of fintech are:

- Contributes to the acceleration of financial inclusion processes.
- People having access to mobile phones have now access to finance
- Smartphones have replaced physical wallets thereby reducing the need for currency.
- Cost of financial services has reduced considerably.
- The customer experience in financial services has improved tremendously.
- New Technologies such as block chain will only help in reducing the costs further.
- There is an increased awareness about financial products and services.

\- ***Tejal Gadilohar***

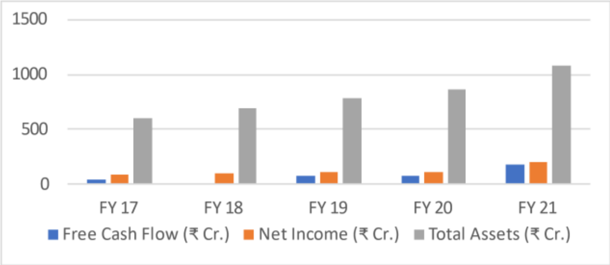
STOCK WATCH

CDSL

Who is "Holding"

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
FII	1.8%	1.5%	2.9%	6.1%	8.0%	8.3%	8.6%
DII	41.9%	42.6%	39.0%	36.6%	33.9%	33.0%	29.5%
Promoter	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Public	36.3%	35.9%	38.1%	37.3%	38.0%	38.6%	41.9%

How is the "Income" flowing?



About the company ….

Central Depository Services Limited established in 1999, operates as a securities depository in India. The Company offers service for a range of clients, such as depositary participants and other capital market intermediaries, corporates, capital market intermediaries, insurance companies, etc. CDSL is gaining Market share (from 5.55% to 18.08%) because of only listed Depository. The number of investor accounts with the CDSL stood at 2.01 crore last year, has doubled over to 3.96 crore accounts as of June 2021. It's Market linked revenues include transaction charges, IPO / corporate action charges, online data charges, etc., while non-market linked revenues include annual issuer charges, E-CAS, E-voting, etc Also, Other Revenue comes through its 100% subsidiary CDSL Ventures Ltd are e-KYC services, Consolidated account statement services, **Insurance repository services.** It has a strong competitive advantage due to its cost leadership, strong technology infrastructure, large distribution network, and Vast experience in the business. The growth prospect in the stock market looks very promising where India's still in the nascent stage and has huge potential to grow in the next 10 to 20 years.

- Shubhang Bhangale & Yash Pundkar

All you should know

Market Cap	₹ 15294 Cr
Current Price	₹ 1,466
52 weeks High/Low	1734/476
Stock PE	76.34
Industry PE	26.16
Debt	₹ 163.96 Cr
ROE	25%
EPS	₹ 24.4
Dividend Yield	0.62%
Book Value	₹ 89.1
Graham Number	₹ 221
Intrinsic Value	₹ 439
ROCE	32.4%
CROIC	13.40%

Our Word

If we look at the debt to equity structure, CDSL is a completely debt-free company. Profits increased from Rs.44 crores on March 15 to Rs.200 crores on March 21, with a CAGR of 28.7%. This sharp rise in profit is due to a sharp increase in the total number of Demat account and increase in trading volume. Revenues is consistently grown from Rs. 105 crores on March 15 crores by March 21 at CAGR of 21.9%. Return on Capital employed is at Higher side, 25% over the period of 5 years. CDSL's valuations are on the high side due to its strong growth potential, but it appears to be a decent stock to buy for long-term.

Please consult your Financial Advisor before investing or trade at your own risk.

Ways in which frauds take place in Fintech

As we all know that fintech is gaining phenomenal growth in recent years. This sector has gained attention of investors as well as that of fraudster who are finding new ways to fraud customers through the use of this fintech operations. So here are few ways which are being used by defrauders to fraud people through fintech which we need to be aware of.

1. **Phishing/Spoofing** – This is the most common way used by defrauders in which an individual is contacted through email, telephone or text message asking for a person's sensitive data and this sensitive data are used by them to know persons bank details or a person's financial information and this leads to a person's financial loss. Thus, we should be aware of while sharing any information which may directly give any person access to any of your bank or other transaction related process. The other way of phishing is now a days people make a fake fintech popular app and ask people to download it. Once the fake app is downloaded fraudster can easily access a person's account sensitive information.

2. **Synthetic identity fraud** – In this method fraudster imitates personal details and due to high use of social media by most of the people defrauders get most of the information through this social media sites (info like phone number, addresses, photographs). Many a times we tend to share our emails or phone numbers as well on social media (for example mainly on Linkedin). This information is enough to make a dummy identity of any person. The drawback is fintech industry functions in a fast-paced environment, which gives lender limited time to assess their client application.

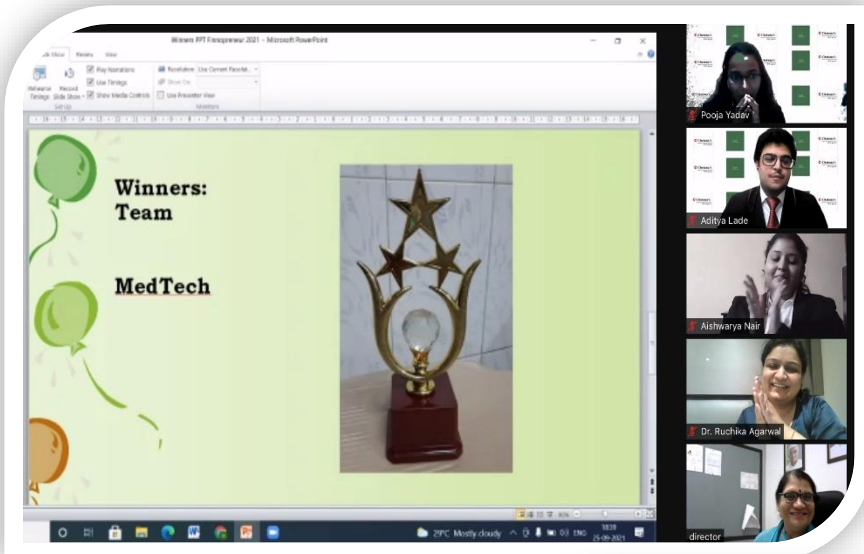
3. **Account Frauds** – When fraudster gains unauthorized access to a person's bank account and then once access is gained with a second the person losses all his savings in the bank. Unauthorized access can be gained through hacking of anyone's bank account.

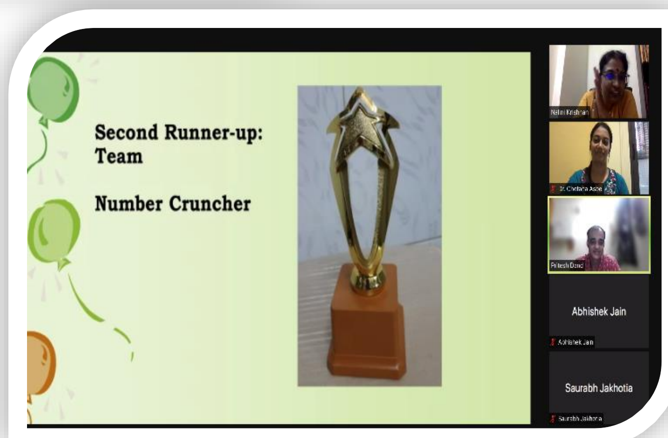
4. **Transaction Frauds** – When fraudster uses stolen credit cards to make a large purchase this is called transaction frauds. The time for such transactions a very little time of authentication leading to transaction fraud increase in fintech industry.

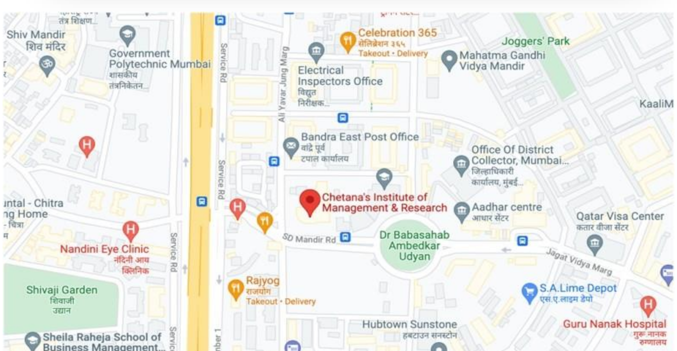
- Aboli Damle

FINNOPRENEUR 2021

This newsletter is one initiative that consists of articles on recent events of importance in the domain of finance and economics. The institute also organized an event "Finnopreneur 2021". Finnopreneur was an internal competition designed by CIMR's Finance department for Finance specialization students which tested their creativity, analytical skills and the ability to make data-driven decisions. We would like to congratulate the winning team "Team Medtech" and the runner ups "Team Blackhawk" and "Team Number-crunchers". We wish all the participants the very best for their future endeavors.







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