

INDIAN

STOCK MARKET JOURNAL

EMPOWERING TRADERS AND INVESTORS

AI's Impact on Insights and Market Research

Stock Market Outlook

SEBI Introduces High-Risk Assets
Long-Short Equity Funds and Inverse ETFs

Stock To Bet On

A Comprehensive Guide to
Startup Funding Options in India in 2024

The Role of Bank Guarantees in Financing
Key Insights for Indian Businesses and Individuals

UNION BUDGET 2024-25

Unveiling the Key highlights



From The Founder's Desk



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Full efforts have been made to ensure the authenticity and accuracy of the contents of the Yearbook, but we do not accept any liability for the errors if committed and the subsequent loss arising from the same, but we will make sure that the errors if occurred are recited and minimized in future editions and also would welcome the reader's feedback.

We welcome your comments and suggestions for our future editions to make it more helpful month after month.

Dear Readers,

Among many things happening nationwide, including India's new Union Budget 2024 announced by Finance Minister Nirmala Sitharaman, on 23 July 2024 that focuses on supporting low-income individuals, women, youth, and farmers. The Union Budget 2024 introduced significant changes in taxation, amendments to personal income tax slabs, and many more.

This edition also includes a comprehensive guide understanding the role of bank guarantees in financing for corporates and the crucial role it plays in the world of business. This edition will also help you understand the impact of Artificial Intelligence on insights and market research.

In this edition, we also have a comprehensive guide for startup funding options in India in 2024, and the different ways in which a startup could get an investment at different stages. This edition of ISMJ will also help you understand the new asset class rolled out by SEBI that is designed to bridge the gap between mutual funds and portfolio management services, making it a ground-breaking investment opportunity.

We want to thank you for appreciating our previous editions with your kind words. We would love to have your continuous feedback to improve our work. Please feel free to write to us at support@equitypandit.com.

Happy Investing!

Abhishek Parakh

Founder

EquityPandit Financial Services (P) Limited

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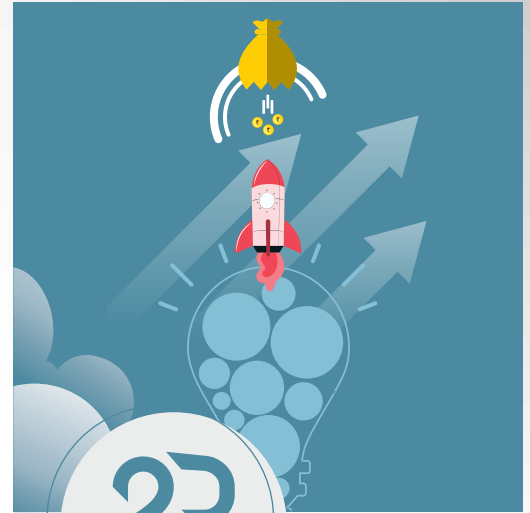
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Stock Market Outlook



NIFTY

Nifty had an impressive upward journey with strong momentum in July and kissed its much-awaited psychological levels of 25000 marks. However, Nifty started August on a bearish and gloomy note amid global turmoil.

Declining US job data in July and the sharp rise in the US unemployment rate to 4.3% added to concerns about the US economy slipping into recession. The Nasdaq and the S&P already have lost 3.2% in 2 trading days, despite the Federal Reserve's



decision to hold interest rates. Another important factor remained the Japanese market being hammered due to the unwinding of the Yen carry trade. Most of the Asian markets saw sharp corrections. The Escalating tension in the Middle East further paints a gloomy picture ahead.

Nifty has shown a reversal from the upper Bollinger band after a relentless rally. In

such a reversal, 20 sma acts as important support, which is at 23284 levels. Also, recent trend line support connecting the bottom of Oct 23 and May 24 is around 23000 levels, which acts as crucial support. Nifty has resistance at 24800 and 25200 levels. RSI clearly shows a bearish cross-over from the overbought zone, which suggests further corrective action to continue.

BANK NIFTY



Bank Nifty ended July with muted losses and underperformed broader indices. Despite strength in Nifty, Bank Nifty showed sideways bearish activity during July. August started with further pressure amid global rout.

Bank Nifty is trading at its important

support of 20 sma. Next important support for index at 49000 and 47700 levels respectively. RSI indicator showing bearish cross over with downward trend which suggest further down side in index. Important resistance in Banknifty at 51000 and 51800 levels.

Union Budget 2024-25

UNVEILING THE KEY HIGHLIGHTS





Union Budget 2024 Highlights: Finance Minister Nirmala Sitharaman has presented Union Budget 2024. It focuses on supporting low-income individuals, women, youth, and farmers. The budget entails increased expenditures and initiatives for job creation. There is also tax relief for the middle class. Furthermore, significant changes in taxation were revealed. An increase in Securities Transaction Tax (STT) and reduced taxes on short-and long-term capital gains were introduced. Amendments to personal income tax slabs in the New Tax Regime were also introduced.

The Key Highlights From Union Budget 2024-25 Are As Follows

- 1 The Income Tax Act 1961 will be comprehensively reviewed to help the middle class.
- 2 Standard Deduction for salaried employees has been raised to Rs 75,000. The deduction on family pensions increased to Rs 25000.
- 3 Capital gains taxation simplified. Short-term gains were reduced to 20% and LTCG was reduced to 12.5% for some assets.
- 4 Changes in STT rates and removal of indexation benefit on property sales.
- 5 Custom duty changes on various items such as gold, silver platinum, telecom equipment, and mobile phones.
- 6 NPS deduction for employers increased to 14% and the corporate tax rate was reduced for foreign companies.
- 7 Relaxation in provisions, for reopening and reassessment.
- 8 Fiscal deficit estimated at 4.9% of GDP for the current fiscal year.
- 9 Govt lowers planned gross market borrowing for FY 2025.
- 10 Various initiatives have been announced for tribal villages. Infrastructure housing, critical minerals rental housing schemes, and industrial parks.

11 Mudra loan eligibility limit increased to Rs 20 lakh and credit guarantee schemes for MSMEs were introduced.

12 SIDBI will open 24 new branches within 3 years to expand its reach.

13 Financial support will be provided. For setting up 50 multi-product food irradiation units and 100 quality and safety testing labs.

14 E-Commerce Export Hubs will be set up in public-private partnerships (PPP) mode

15 **Specifically for Andhra Pradesh:**

- Social and infrastructural funds including backward region grants for three districts, announced.
- A package was announced for the Vizag-Chennai Industrial corridor.
- Financial assistance of Rs 15,000 crore promised for the development of Amaravati.
- The Centre will finance and ensure the early completion of the Polavaram Irrigation project. It will provide funds for essential infrastructure and grants for backward regions as per the AP Reorganisation Act.

16 **The Union Budget 2024 introduced several initiatives for Bihar, with a focus on road and expressway development.**

- This includes the establishment of an industrial node at Gaya on the Amritsar-Kolkata Industrial Corridor and an allocation of Rs 26000 crore for road connectivity projects.
- The budget also addresses the development of temples in Bihar and Odisha. It includes the establishment of two 400 MW power projects at Pirpainti.
- Additionally, provisions have been made for constructing new airports. New medical colleges and sports infrastructure in Bihar.
- External assistance from multilateral development banks has been secured to support capital investments providing additional allocation for Bihar.

17

In the Budget 2024 announcement, several key points were made regarding employment and skilling initiatives.

- Launch three employment-linked schemes based on EPFO enrolment. With a proposed allocation of Rs 2 lakh crore for job creation over five years.
- A new employment skilling scheme will be introduced in five years. Aimed at providing skills to 20 lakh youth.
- Implement a scheme where new employees receive a one-month wage as a direct benefit transfer. With an eligibility salary limit of Rs 1 lakh per month. This benefits 2.1 lakh youth.
- Employers will be reimbursed up to Rs 3000 per month for 2 years towards their EPFO contribution for each additional employee. This is expected to incentivize 50 lakh additional employees.
- Establishment of working women's hostels and creches. To support women's increased participation in the workforce.

18

The 2024 budget includes plans to open working women's hostels and creches to help more women join the workforce. Additionally, the internship scheme will be launched for 1 crore young people. This will occur in 500 top companies. Participants will receive a monthly internship allowance of Rs 5,000. And one-time assistance of Rs 6000.

19

Budget 2024 announcement for Students. Financial support for higher education in domestic institutions will now be more accessible. Students can now receive loans up to Rs 10 lakh. Additionally, 1 lakh students yearly will receive e-vouchers for an annual interest subvention of 3% of the loan amount.

20

Budget 2024 announcements for Agriculture:

- Increase in funding for agriculture research. And development of climate-resilient varieties.
- Allocation of Rs 1.52 lakh crore for agriculture and allied sectors.
- Promotion of shrimp production.
- Release of new high-yielding and climate-resilient crop varieties for farmers

- Initiation of 1 crore farmers into natural farming over the next two years
- Mission to achieve self-sufficiency in pulses and oilseed production
- Development of large-scale vegetable production clusters near major consumption centers.
- Financial support for setting up Nucleus Breeding Centres for Shrimp Brood stocks. Promotion of shrimp farming processing and export.

21

The new tax regime has seen significant changes announced by the government.

Under the revised tax regime adjustments have been made to tax slabs. Income up to Rs 3 lakh will now be exempt from tax. Income between Rs 3 lakh and Rs 7 lakh will be taxed at 5%. Individuals earning between Rs 7 lakh and Rs 10 lakh will now face a 10% tax rate. Those with an income between Rs 10 lakh and Rs 12 lakh will be subject to a 15% tax. Any income exceeding Rs 15 lakh will face a 30% tax.

22

There's the abolition of the Angel Tax and Corporate taxes on foreign companies have decreased to 35%.

23

More savings in National Savings Schemes (NPS), as now deduction in NPS is increased to 14% of the basic pay.

24

Certain TDS Rates have also changed.

CONCLUSION

Notable points include an allocation of Rs 2 lakh crore for job creation. Rs 10 lakh crore for urban housing and Rs 1.52 lakh crore for agriculture. Major announcements encompass new schemes for agriculture. Employment-linked initiatives and infrastructure projects in Bihar and Andhra Pradesh.

The Role Of Bank Guarantees In Financing: Key Insights For Indian Businesses And Individuals





Introduction And Meaning

Bank guarantees are a mode of financing for corporates. A Bank Guarantee is a contractual agreement when a bank acts as a guarantor to an applicant for a third party. Bank Guarantees can be offered to individuals

and even to institutions or companies. Usually, in India, companies use bank guarantees to get funds. The person to whom the bank guarantee is given is called the 'principal debtor', and the other party is called the 'creditor'.

Types Of Bank Guarantee



A Financial Guarantee is generally issued in place of security deposits (of the Applicant for a bank guarantee). In those cases, instead of depositing the funds (by the Applicant of BG), the Applicant can provide the seller or creditor with a financial bank guarantee. In the event of loss or the Applicant cannot pay the amount, the proceeds can be utilised from the security deposits.

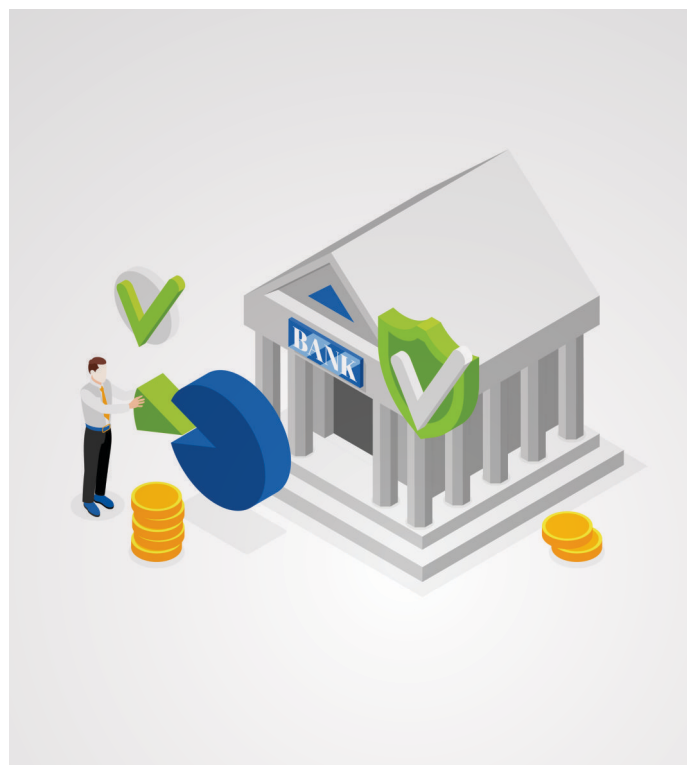


Performance Guarantee

A performance Guarantee is issued for the performance of a contract or obligation. In case there's a default in the performance of the contract, the Bank with whom a performance guarantee is agreed to make the beneficiary forgone payment.

Uses Of A Bank Guarantee

Bank guarantees serve several important purposes in the business world. One common use is when large companies engage with small vendors. In such cases, large companies often require small vendors to furnish a bank guarantee certificate before entering into business agreements. These guarantees assure the purchasing party that they will receive the necessary goods or services, even if the vendor defaults.



Additionally, bank guarantees are frequently utilised in transactions involving the sale of goods on credit, where the seller seeks assurance of payment from the Bank in case of buyer default. This financial instrument helps mitigate the risk for the seller and instils confidence in the transaction.

Moreover, bank guarantee certificates play a significant role in establishing individuals' credibility. These certifications are essential for individuals seeking loans, as they demonstrate financial reliability and the ability to fulfil obligations. Furthermore, they empower individuals and businesses to participate in various commercial activities.



It's crucial to note that while a bank guarantee can be advantageous for the Applicant, the Bank must exercise due diligence in evaluating the applicant's or business's financial stability. Before

issuing a warranty, the Bank carefully assesses the Applicant's economic standing and analyses the associated risks to ensure responsible and prudent use of this financial instrument.



Eligibility To Get A Bank Guarantee

A strong financial track record is essential for applying for a bank guarantee (BG). This ensures that the Applicant meets the eligibility criteria the banking institution sets. Additionally, businesses seeking a BG can approach any bank that offers such services.

a crucial role in the Bank's decision-making process.

Furthermore, the Bank evaluates important details such as the duration of the BG, its value, beneficiary information, and the required currency. Depending on the circumstances, the Bank might demand



When considering an application for a BG, the Bank comprehensively analyses the Applicant's prior banking history, creditworthiness, liquidity, CRISIL rating, and CIBIL rating. These factors play

collateral as security to cover the value of the BG.

Once the above factors are satisfied, then only the Bank will provide Bank Guarantee to a Beneficiary.

How Do You Get A Bank Guarantee In India?

Individuals or businesses can approach banks that offer this service to obtain a bank guarantee in India. Banks typically issue guarantees in exchange for a fee, which may vary based on the specific terms and conditions. Before issuing a bank guarantee, the Bank will assess the



Applicant's creditworthiness and may require collateral as security.

Applicants for a bank guarantee should be prepared to provide certain documents as part of the application process. These may include a request letter and a Counter Indemnity cum Memorandum relating to charge over fixed deposit, which should be duly stamped according to the respective State Stamp Act.

Additionally, the bank guarantee text and a Board Resolution for a Private Limited Company or Limited Company might be required as part of the application process. It's essential to carefully review the specific requirements of the Bank where you plan to apply for the guarantee, as these may vary.

What Are The Bank Guarantee Charges?

Usually, the charges for BGs depend on the risk taken by the Bank for each transaction. For instance, a financial BG carries more risk than a performance BG, so the fee for a financial BG will be higher than that for a performance BG. Costs are typically levied every quarter based on the type of the BG, ranging from 0.75% to 0.50% of the BG value during its validity period.



Additionally, the Bank may impose fees for application processing, documentation, and handling. Occasionally, the Bank may demand security from the

Applicant, usually amounting to 100% of the BG value. Sometimes, the issuing Bank may also accept collateral security or a cash margin.

Difference Between Bank Guarantees And Letter Of Credit

In a bank guarantee, the buyer or Applicant is the main debtor. The bank guarantee only becomes active if the Applicant fails to meet its obligation. A delayed payment usually does not trigger a bank guarantee. On the other hand, in a financial tool known as a letter of credit, the seller first submits their claim to the Bank.

Therefore, a letter of credit provides more assurance of timely repayment as the Bank is involved in the entire transaction

process. In the case of a bank guarantee, the Applicant fails to fulfil the contract after the Bank gets engaged.



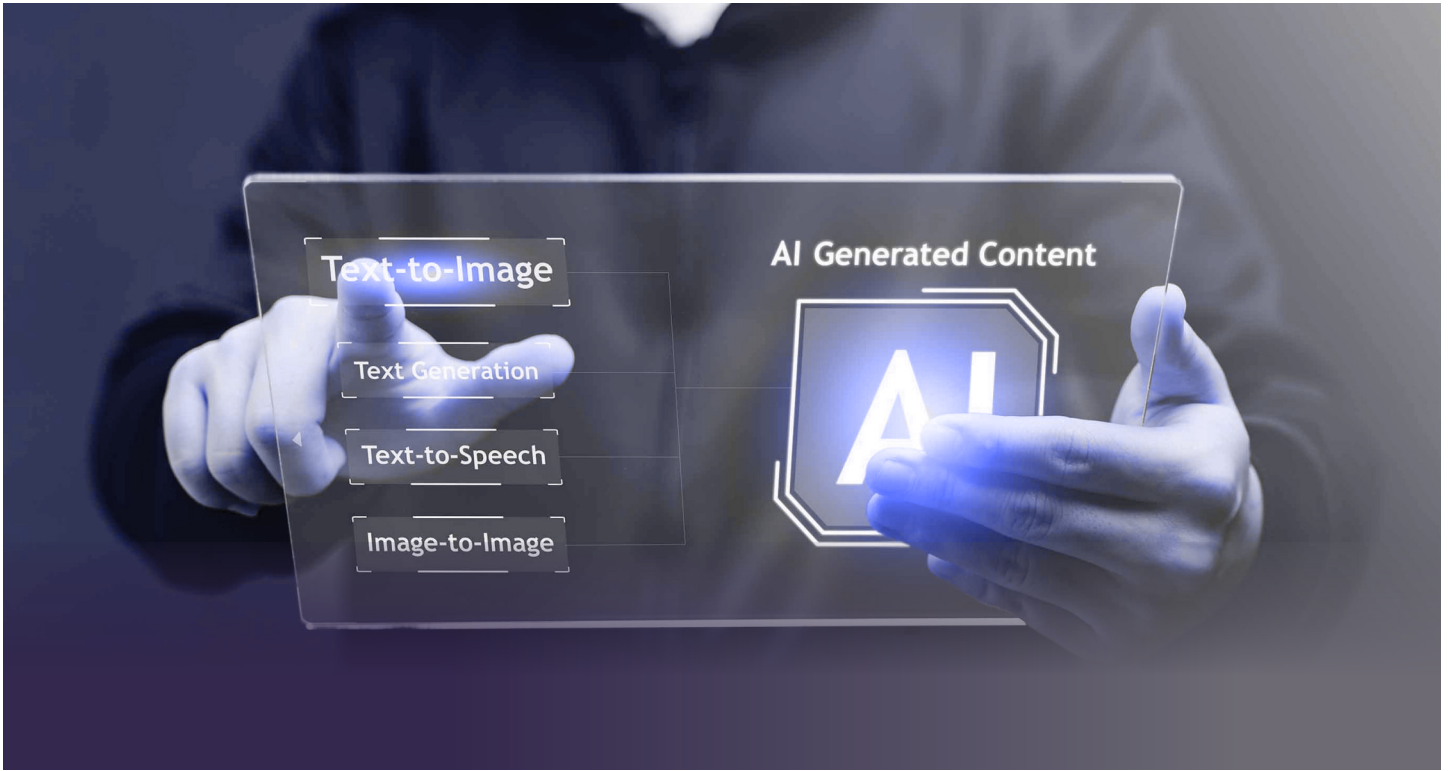
CONCLUSION



Bank Guarantees can be made available to individuals and corporates in India. Based on their eligibility which includes sound financial background, strong CIBIL Score, strong financial records, etc, an individual and/or Indian company can receive a Bank Guarantee. This is subject to the approval of the Bank with whom a Bank Guarantee is applied. After approval by the Bank, proper documentation is provided with respect of Bank Guarantee.

AI's Impact On Insights And Market Research

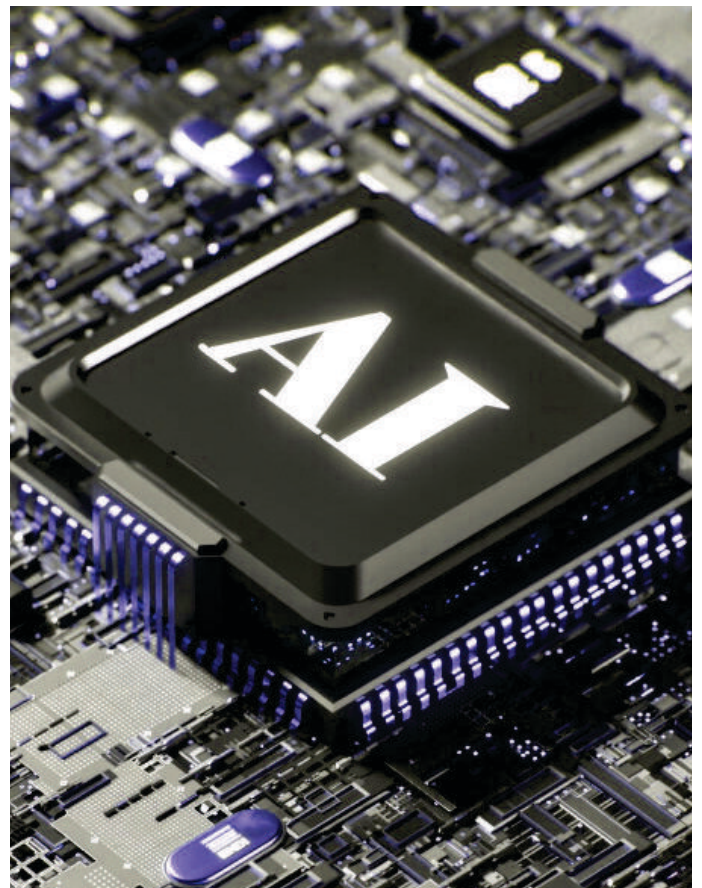




Market research has undergone a dramatic transformation with the arrival of the internet. This digital revolution has shifted surveys online, bringing unmatched speed, reach, and cost efficiency. Yet, despite these advancements, the fundamental methods of gathering insights remain unchanged from over three decades ago. We still rely on surveys, interviews, and focus groups to understand people's past behaviors and needs, even as we utilise new technologies like mobile devices and virtual platforms.

The methodologies of market research are now being reshaped with the introduction of generative AI (GenAI). With advanced models such as ChatGPT 4.0 and other tools, we can now generate humanised

output in the form of text, images, videos, and audio forms, transforming the way we gather and interpret data.



How Can The Community Start Utilising GenAI For Insight Generation?

Using stock market analysis as a context, let's see how we can perform research and utilise GenAI for enhanced market insights.

Exploring AI Tools For Stock Market Analysis

Today's AI tools and methodologies make it easier to understand and navigate the stock market. Some of them are summarised as follows:

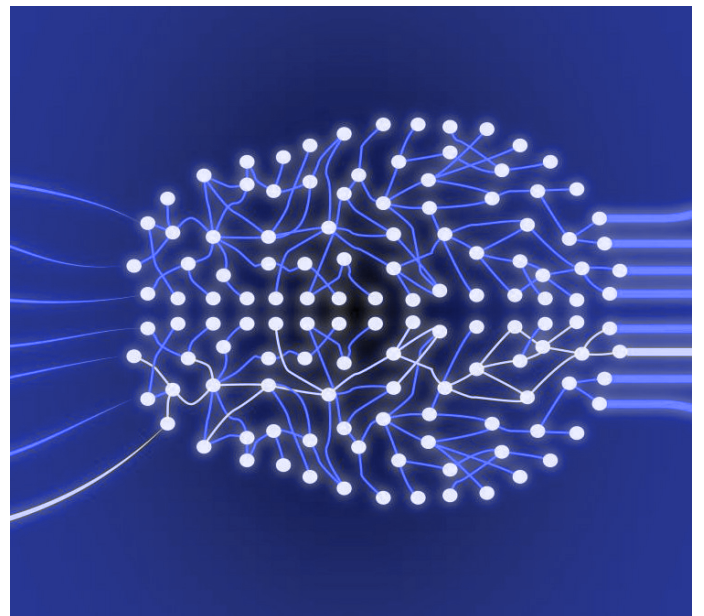
Machine Learning

These are powerful tools that analyse large amounts of data quickly to find patterns and trends. They help investors spot useful details in financial data, making it easier to make smart investment choices.



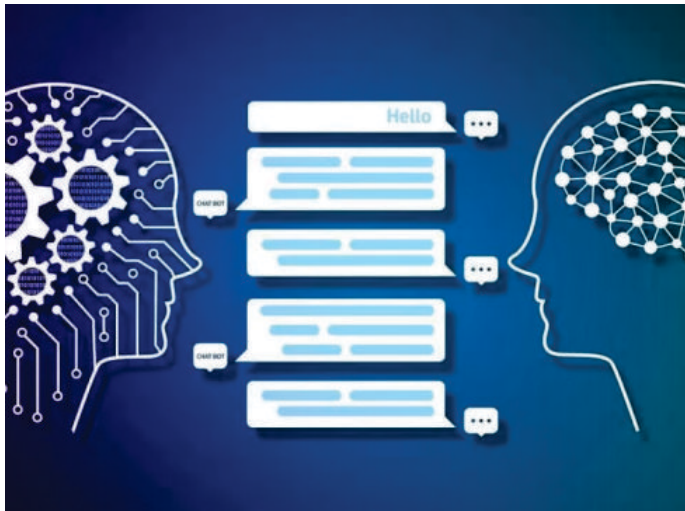
Deep Learning

This technology mimics the way our brains work to understand complex information. It helps AI make sense of confusing data, like news stories or social media posts, to track market trends and investor feelings.



Natural Language Processing

This lets computers read and understand human language. It analyses text from news articles, online forums, and social media to find insights about market direction and public sentiment.



Risk Management Integration



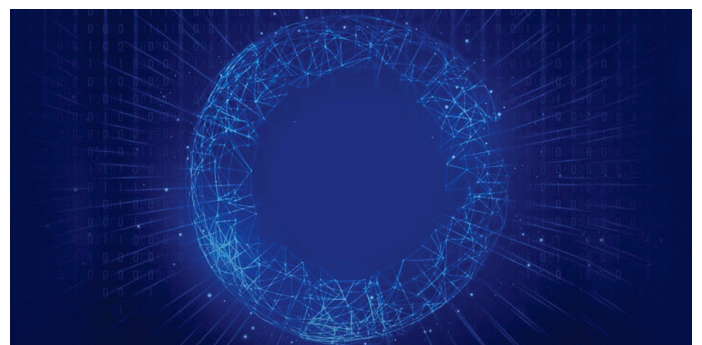
AI helps monitor trading activities and assess risks. This means investors can avoid mistakes caused by bias or emotions and make more informed investment decisions.

Predictive Analytics

This uses a mix of ML, DL, and data analysis to predict future stock prices or market changes. By looking at past data and trends, it helps forecast what might happen next, giving investors' useful information for their decisions.



Visualisation Tools



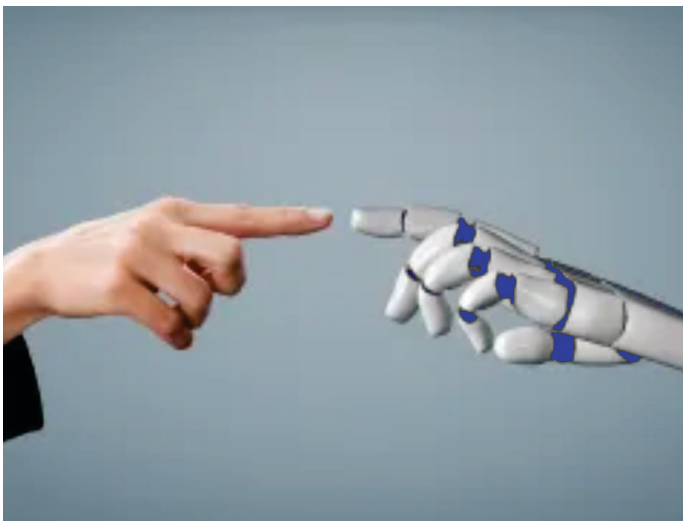
These tools turn complex data into simple, easy-to-understand graphs, which makes it easier for investors to understand the patterns and make decisions based on AI's predictions.

Pros Of AI In Stock Market Analysis



Improved Efficiency

AI automates many trading tasks, saving time and resources. It handles repetitive jobs like data analysis and order execution, letting investors focus on strategic decisions.



Emotionless Investing

Unlike humans, AI doesn't let emotions like fear or greed influence decisions. It makes choices based on data, helping to avoid impulsive actions.

Risk Management

AI helps in managing investment risks by reducing losses from emotional decisions or human errors. It ensures a more calculated and informed approach to investing.



Global Market Opportunities

AI operates 24/7, allowing investors to seize opportunities across different time zones and global markets, potentially increasing returns.

Enhanced Decision-Making

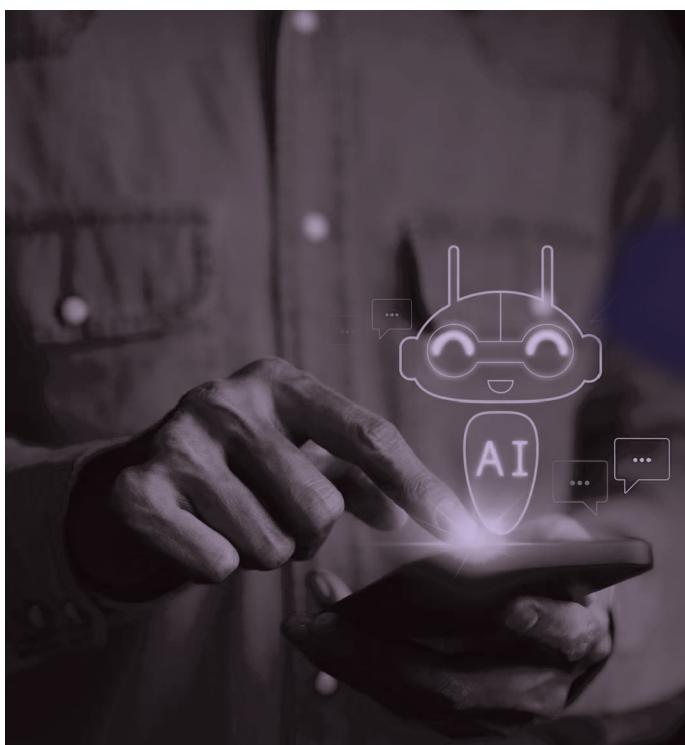
AI excels at analysing vast amounts of data and spotting patterns that might be missed manually. With ML, DL, and NLP, AI provides valuable insights that can greatly improve investment decisions.



Limits Of AI In Stock Market Analysis

Missing The Human Touch

While AI processes data quickly, it doesn't understand human feelings or big global events that could impact the market. It's good at crunching numbers but lacks a deeper understanding of complex situations.



Everyone Using AI

If everyone uses AI in the same way, it's like everyone wearing the same outfit to a party. This can lead to similar decisions being made at the same time, which might cause market instability.



Not Perfect At Predicting

AI relies on past data to make predictions, so it struggles with sudden, unexpected events. This means its forecasts might not always be accurate.

Balancing AI With Human Intuition

Even though AI has many benefits, the stock market will likely not rely on algorithms alone. The key question is whether AI can match human intuition and creativity.

Investment decisions often involve more than just data. Factors like economic changes, geopolitical events, and unexpected situations need to be considered. Human judgment and flexibility are crucial in managing these dynamic market conditions.

Investors will likely use AI for its data analysis but will still rely on their own judgment and intuition for final decisions.

AI can offer useful insights and suggestions, but humans will make the ultimate choices.

AI can make advanced investment tools available to more people. With AI-powered platforms, even those without finance expertise can get personalised advice and automatic portfolio management.

As AI handles more routine tasks, financial professionals may shift to more strategic and advisory roles. They will focus on giving personalised advice, helping clients understand AI data, and navigating complex market situations.

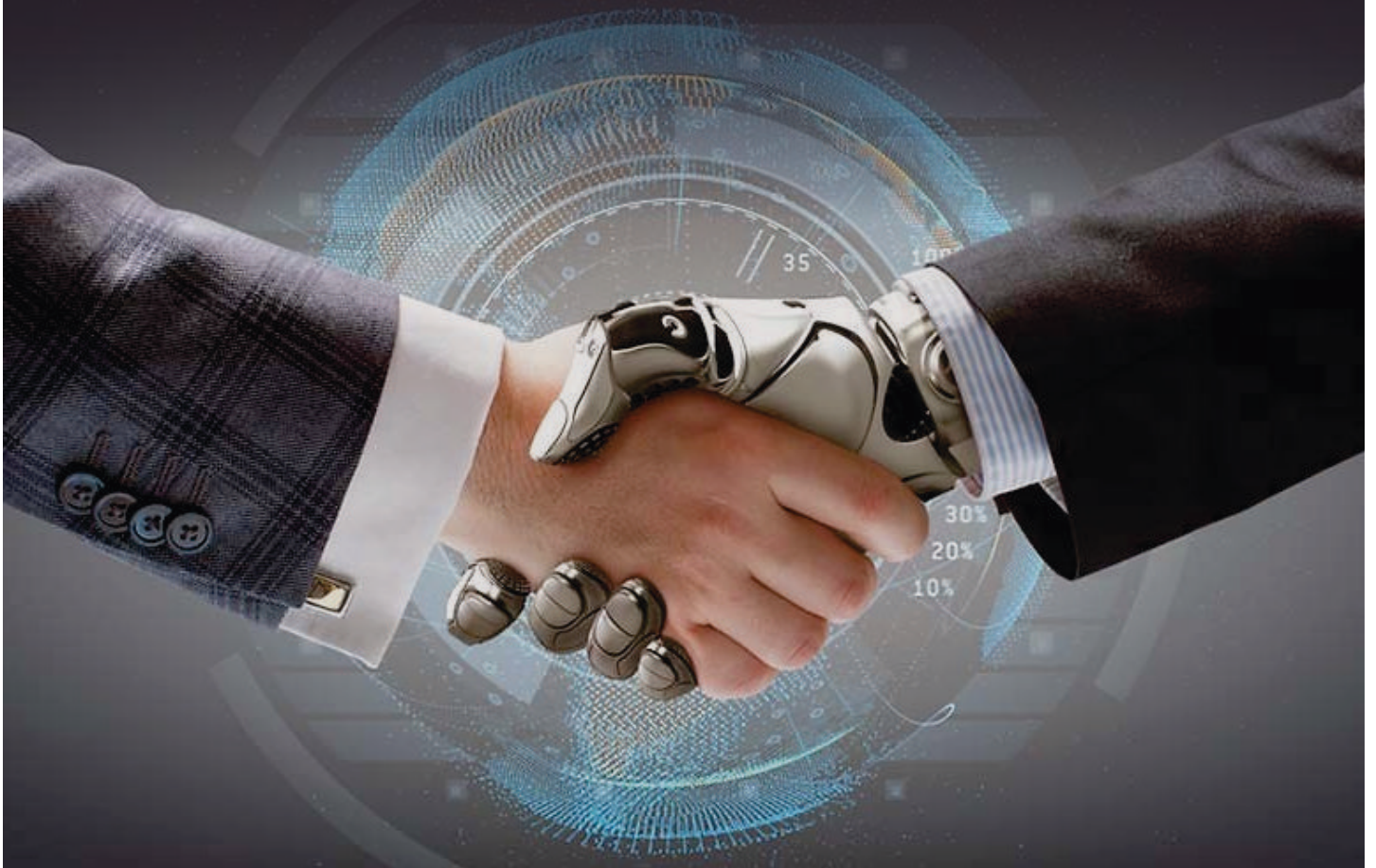


Conclusion

AI tools might be powerful reinforcement, but without proper human input and intuition, they won't be used to their full extent.

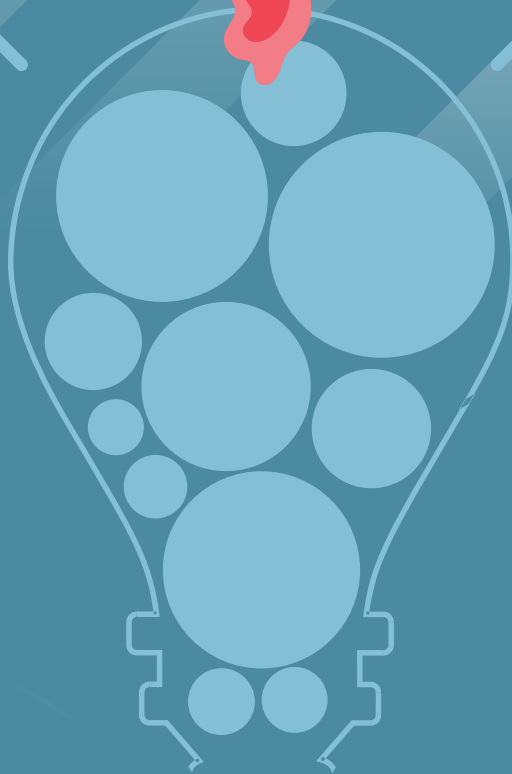
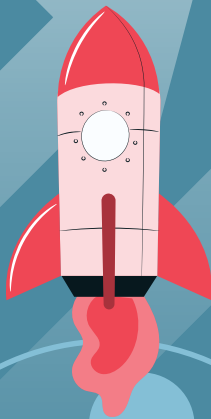
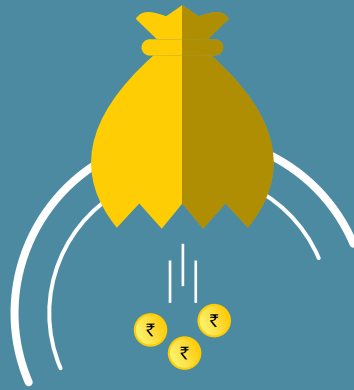
Artificial intelligence will keep improving data analysis and risk management tools. However, human judgment will always be essential. Simply putting human intelligence and artificial intelligence together

can help us understand the market better and make better decisions, with which we can better navigate the market and make successful decisions. As companies continue to use AI, the goal will be to create a system where both humans and AI work together to find new opportunities and achieve the most optimistic results.



— A Comprehensive Guide To —

Startup Funding Options In India In 2024



The startups in India may need funding at every stage of their business. Funding ranges from self-financing to taking investments from Angel investors. Startups, be in their early stage of development or in the stage of growth or a large startup trying to convert into a public limited company and get listed on the Indian stock exchanges need funds related to its set-up and regular business activities. In this blog, we have discussed different ways in which a startup could get an investment at different stages.



The Various Modes By Which A Startup Can Get Funding In India Are Described Below



1

Investments Through Close Network

When you are considering getting investments for your startup, then borrowing money from the near and dear people around you could be one of the best options. These individuals may be more likely to invest in your startup based on trust and personal connection. Personal connections involve relatives and friends. The investments from personal connections can be received in the form of a gift or the form of a loan. One benefit of borrowing from personal connections is the flexibility of the repayment tenure, it can be paid based on the agreement made with them.

Therefore, repaying the loan on time helps to maintain the agreement made between the borrower and the lender.



2

Taking Loans From Banks

In India Banks play an important role in securing loans. A borrower can take a personal or business loan from the bank. These loans are extended to startups based on the viability of the business plan and their creditworthiness.



It enables entrepreneurs to retain full ownership of their venture. However, if the startups lack a sound financial history,

then in such cases, the startup should take proactive steps to improve financial soundness.

3 Crowd Funding

Crowdfunding is when a startup or a business raises funds from a large pool of people. Often it uses social media and crowdfunding platforms. The amount of money that gets invested can vary widely. Entrepreneurs can raise money for different purposes. They might start a new business. They might support social causes, or help needy individuals.

The four different types of crowdfunding include – Reward-based crowdfunding, equity-based crowdfunding, debt-based crowdfunding, and donation-based crowdfunding. Reward-based crowdfunding involves backers contributing funds in return for a product or service as a future reward.



Different crowdfunding platforms in India for startups include Ketto. Indiegogo. Kickstarter. GoFundMe. Fueladream. Wishberry, Impact Guru. Crowdera. Donatekart. Milaap, Fundable LLC. Catapoolt, etc.

4 Angel Investment

Angel investment is a promising option for startup founders who envision their business's vast potential. Angel investors also known as high-net-worth individuals, offer substantial financial support to startups. In exchange for their investment, they receive ownership equity or convertible debt in the business. These



individuals can make a one-time investment and also provide financial support to help the startup operate.

In India, angel funds are regulated by SEBI (Alternative Investment Funds) Regulations 2012. There are specific

restrictions for angel funds in India This includes a limit of 200 funds in one scheme, a requirement that the company in which the investment is made be no more than five years old, and a one-year lock-in period.

5 Venture Capitalist



Venture capitalists are investors who provide funding to companies with high growth potential. They manage funds professionally. They invest in businesses in exchange for equity. The venture capitalists exit the investment when the company goes public or gets acquired. More than just financial backers venture

capitalists are partners. They also help evaluate businesses in terms of sustainability and scalability This role they play can make business owners feel secure and reassured. Typically, venture capital is most suitable for businesses that have moved beyond the startup phase and are generating revenues.

6 Venture Debt Funds

Venture debt is a type of financing designed for early-stage high-growth startups that have already raised venture capital. Unlike traditional bank loans,

venture debt is provided by specialised lenders who understand the unique risks and opportunities associated with startup financing. This gives startups extra capital

for growth without further diluting the ownership of founders and existing investors.

Venture debt is often structured as a term loan with repayment over 2-5 years. It may include warrants. Venture debt is commonly used to extend the time between equity rounds. Moreover, it provides working capital for growth initiatives and can refinance existing debt.



7 Indian Government Schemes For Startups

The Indian government has implemented various initiatives to offer comprehensive support to startups aiming to flourish in the country's dynamic entrepreneurial landscape. These include financial aid and also include credit guarantees and an innovative platform. This platform facilitates connections between startups and potential investors.



A

Startup India Seed Fund Scheme



The Startup India Seed Fund Scheme (SISFS) has been designed to provide crucial financial assistance to startups at different stages of their growth journey. Incubators can extend financial support up to Rs 20 lakhs for the initial three stages. Interested startups can apply for this scheme through the Startup India portal.

B

Credit Guarantee Scheme For Startups



To lighten startups' financial burden, the Indian government offers a Credit Guarantee Scheme tailor-made specifically for startups. This scheme provides credit guarantees of up to INR 10 Crores for loans extended by member institutions to eligible startups.

C

Startup India Investor Connect



The Startup India Investor Connect is an innovative AI-based platform that fosters meaningful connections between startups and potential investors.

Apart from these key initiatives, the government has further streamlined its support for startups by simplifying the clearance, approval, and registration processes.

CONCLUSION

To summarise the blog has covered most of the sources that can be made available to Indian startups. These sources can provide funds or investments. Further, the blog has provided valuable insights regarding different modes of funding for startups in India. Investments through close network Loans from Banks, crowdfunding Angel investment, Venture capitalists Government startup funding schemes, etc. are the best options or modes of financing available in India for startups.

SEBI Introduces High-Risk Assets

Long-Short Equity Funds And Inverse ETFs





SEBI has rolled out a new asset class designed to bridge the gap between mutual funds (MFs) and portfolio management services (PMS), making it a groundbreaking investment opportunity.

This new move by the market regulator will provide the option of a regulated, high-risk investment as well as help deal with unauthorised schemes in the financial markets, as said in its consultation paper.

Permitted investment strategies include the following:

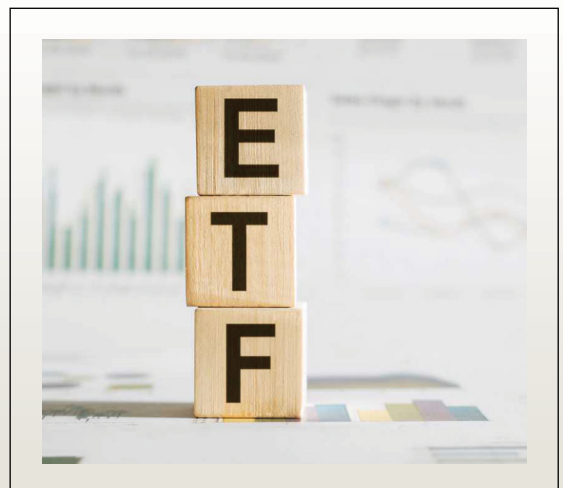


Long-Short Equity Fund

This fund invests in both long and short positions in equity and equity-related instruments. For example, this fund might be bullish on the railway sector while being bearish on the IT sector, and it may invest in these sectors by going long on the railway stocks and short on the IT stocks.

Inverse ETF/Fund

This fund aims to generate returns that move in the opposite direction of the underlying index.



What Is SEBI's New Asset Class, And How Does It Impact Investments?

These new products introduced under the mutual fund structure at least require a minimum investment of Rs 10 lakh. This asset class will have a risk-return profile between mutual funds (MFs) and portfolio management services (PMS). It targets investors with higher risk tolerance and larger investments than MFs but lower than PMS.

The new asset class aims to bridge this gap by providing a regulated product with more flexibility and higher risk. It targets emerging investors with larger investments and higher risk tolerance.



What Are The Investment Amounts For MFs And PMS?

The minimum investment for individuals with large assets in the Portfolio Management Systems is 50 lakh Rs. At the centre of this, there is a portfolio manager who invests in equity, debt, and gold, among many other things.

100 Rupees is the minimum investment limit for mutual funds. Making one large pool of cash investments managed by professional fund managers is the characteristic of the MFs.



Objectives Of The Proposed Investment Product

SEBI highlighted that, due to the gap between investment opportunities in mutual funds and portfolio management services, some investors are being drawn to unauthorised or illegal investment avenues. This new asset class is designed to help curb the spread of unregistered investment products.

The current range of investment products, which offer varying risk-reward profiles, is designed to address the diverse investment needs of retail, high-net-worth, and institutional investors, SEBI proclaimed in the consultation paper.



The products include mutual fund schemes for retail investors, portfolio management services, and alternative investment funds. AIFs are privately pooled vehicles for sophisticated investors, both Indian and foreign, with a minimum investment of Rs 1 crore. These funds are used to invest according to a defined policy for the benefit of investors.

SEBI noted that the lack of such a product has led some investors towards unregistered and unauthorised schemes that promise unrealistic returns, exploiting their desire for higher yields and increasing financial risks.



How Will Investments In The New Asset Class Function?

The new asset class is proposed to be introduced under the mutual fund structure, with relaxed regulatory norms to make the product category effective. The increased risks from these relaxations may be relieved by setting a higher minimum investment size.

The minimum investment amount for the new asset class is proposed to be Rs 10 lakh per investor within the asset management company or mutual fund. An AMC manages and oversees the operations of mutual funds.

This means an investor needs to invest at

least Rs 10 lakh, across one or more strategies, in the new asset class offered by an AMC or MF. This minimum amount is intended to discourage retail investors while attracting those with Rs 10 lakh to Rs 50 lakh, who might otherwise turn to unauthorised portfolio management services, according to the market regulator.

This new asset class would have all the options that MF schemes have, such as Systematic Investment Plan (SIP), Systematic Withdrawal Plan (SWP), and Systematic Transfer Plan (STP).

Who Will Gain From The New Asset Class And How?

In the new product category, an AMC can offer investment strategies similar to mutual fund schemes. Redemption frequencies can be customised (daily, weekly, monthly, etc.) based on investment needs, helping manage liquidity while providing flexibility for investors.

The new asset class can use derivatives for more than just hedging and rebalancing,

allowing greater flexibility and risk-taking, which could lead to higher returns, SEBI said.



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