ASCENT FLASH

Newsletter Edition: June '23

ASCENT
FINANCIAL SOLUTIONS PVT. LTD.
SEBI REGISTERED INVESTMENT ADVISER

A Dawn That Brings Financial Freedom And Peace Of Mind

This newsletter presents you with the latest insights and updates from the world of finance including latest news in the stock market, updates on regulatory changes and expert insights and analysis on emerging financial investment opportunities.

We help you gain control over your financial fitness, empowering you to make smarter financial decisions that will help achieve your short and long-term goals.

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From The Editorial Team

Dear Valued Patrons,

We are delighted to present to you the latest edition of our newsletter - Ascent Flash!

We are thrilled to have you as part of the Ascent family and excited to share the latest news, updates, and valuable insights from the world of finance.

Our team has worked hard to mine informative and engaging knowledge base, and we hope you find it well.

As always, we welcome your feedback and suggestions for future content. We aim to make this newsletter a valuable resource for you and are committed to provide you with the information that will help in making smarter financial decisions.

Thank you for being associated with Ascent Financial Solutions Pvt. Ltd. We hope you enjoy this edition of our newsletter.

Best regards,

Ascent Financial Solutions Pvt. Ltd.

From The Managing Director's Desk

Mr. Prakash Lohana

Managing Director
Ascent Financial Solutions Pvt. Ltd.

- Certified Financial Planner, (CFP) from Financial Planning Standard Boards of India

Dear Readers, it's my pleasure to welcome you to yet another edition of our monthly newsletter. In this edition, we are excited to share updates on different aspects of financial planning & wealth creation. Which we feel will add great value to your financial life.

In our April edition, I had discussed that markets have given negative returns for a period of 18 months and markets look attractive from valuations point of view and advised readers to increase allocation in equity and after two months - if we draw our attention, on 31st May all the main indices (as shown in below table) have given significant positive returns in the period of just two months.

Indices	Date	Indices Level	% Change
Sensex	31/03/2023	58991	6.16%
	31/05/2023	62622	
Nifty 50	31/03/2023	17360	6.76%
	31/05/2023	18534	
Nifty Small cap 100	31/03/2023	8995	13.02%
	31/05/2023	10166	
Nifty Midcap 100	31/03/2023	30035	12.41%
	31/05/2023	33761	

We continue to maintain a positive outlook over equity and also suggest to maintain desired equity allocation to investors but would suggest not to be overweight on equity or invest big chunks in one stroke now, rather would suggest to invest over next three to six months.

Withdrawal of 2000 currency notes by RBI:

As expected RBI has withdrawn 2000 currency notes from the economy. This time RBI has taken a soft approach to withdraw the 2000 currency notes by keeping it continued as legal tender until 30/09/2023 as compared to 2016 when RBI in single shot demonetised 500 & 1000 currency notes and stopped it as legal tender. This step is a clear indication of Central Government's intention to curb black money in the country.

Also, I believe that RBI will also withdraw 500 currency notes in next one or two years, so we should be prepared for the same. This withdrawal of 2000 currency will not have any negative impact on our economy rather I believe it will have some positive impact because it can improve liquidity in the economy which can trigger softening of interest rates by RBI.

Where are the earnings coming from?

Ms. Harini Dedhia,

CFA, Fund Manager
Tamohara Investment Managers Pvt. Ltd.

An American statistician and management strategist once said, “In God we trust, rest all must bring data”. Every once in a while when we analysts and fund managers are able to look at data objectively, we are able to parse out stories from reality and mere narratives from facts.

Given the recent conclusion of the FY23 earnings season, we thought it best to look at the earnings performance of Indian companies for the year gone by and present some of the conclusions we came across from the same.

Index	FY Performance	Sales Growth	EBITDA Growth	PAT Growth	ROE	D/E
BSE500	0.9%	7.3%	19.6%	10%	17.2%	0.3

Broader markets have been flat despite operating profits growing at almost 20% and profit after tax growing at 10%. Therefore in the past one year, we have been given a 10-20% discount on valuations (depending on what earnings metric we chose to value the company at).

This is at a time when India will have the largest positive attribution to global growth. And while our companies participate in this growth, they do it with one of lowest debt to equity levels we have enjoyed in the past two decades.

This makes a compelling case for this time correction in the markets to be invested into.

Index	FY Performance	Sales Growth	EBITDA Growth	PAT Growth	ROE	D/E
Nifty Auto	23.5%	26.7%	40.7%	126.3%	12.64%	0.24
Bank Nifty	16.4%	33%	25%	20%	14%	

Auto and Banking have been the two bright spots in stock price performance last FY in otherwise tepid markets. It is not surprising that this stock price performance is matched by an equal performance (or better in the case of Autos) in the earnings of these sectors. However both these sectors are cyclical and typically have a lower return on capital than some of the other segments like consumer, IT, etc. Therefore it won't warrant going overboard on these sectors vs. the underlying index for the time being.

Index	FY Performance	Sales Growth	EBITDA Growth	PAT Growth	ROE	D/E
BSE Capital Goods	32%	7.7%	8.3%	5.1%	18.9%	0.06

Capital Goods have seen a dream run for the last year. If your portfolio was completely in this segment, you would have been convinced that there is a bull run going on in the markets and that the economy is growing faster than ever before. Yet the reality of the earnings aggregates stands quite different. The 32% stock market performance is on the back of a slow 8.3% EBITDA growth and a 5.1% PAT growth. White individual companies would have done better, this sector wide rally seems uncalled for barring order book growth for these companies. The silver lining however is that at 19% RoE and 0.06 D/E, the industry has never had a healthier balance sheet to facilitate growth should it come along. Regardless, this segment evidently remains over heated and not backed by real earnings, contrary to what the narratives would have you believe.

Index	FY Performance	Sales Growth	EBITDA Growth	PAT Growth	ROE	D/E
Nifty Pharma	-7.1%	8.5%	24%	353%	15%	0.14
Nifty IT	-23.8%	16%	12%	7%	39%	0.01
Nifty Consumer	-11%	11.5%	16.6%	13.5%	24.5%	0.22

Pharma, IT and Consumer would be the three segments I would bet on should I wish to be a contra investor. In all three cases, the markets registered a negative performance while profits grew across the board.

Pharma in particular reported a stellar 24% growth in operating profits which was met with a -7% stock price performance despite valuations already trending below 5y averages for the sector. While IT and Consumer have posted negative performance despite earnings growth, their earnings growth came in lower than market aggregates and their negative performance came on the back of a very steep two year rise in the stock prices of these companies.

Given that we invest with a 3-5 year outlook, our portfolios won't be constructed exactly the same way as described by our earnings analysis above, should someone allocate fresh money into Indian equities today the above discussion points provide cues to where we would choose to deploy fresh money.

Angel Funds / Venture Capital Funds

Apoorva Vora
Co-Founder (Finvolve),
Founder and CEO (Finolutions LLP)

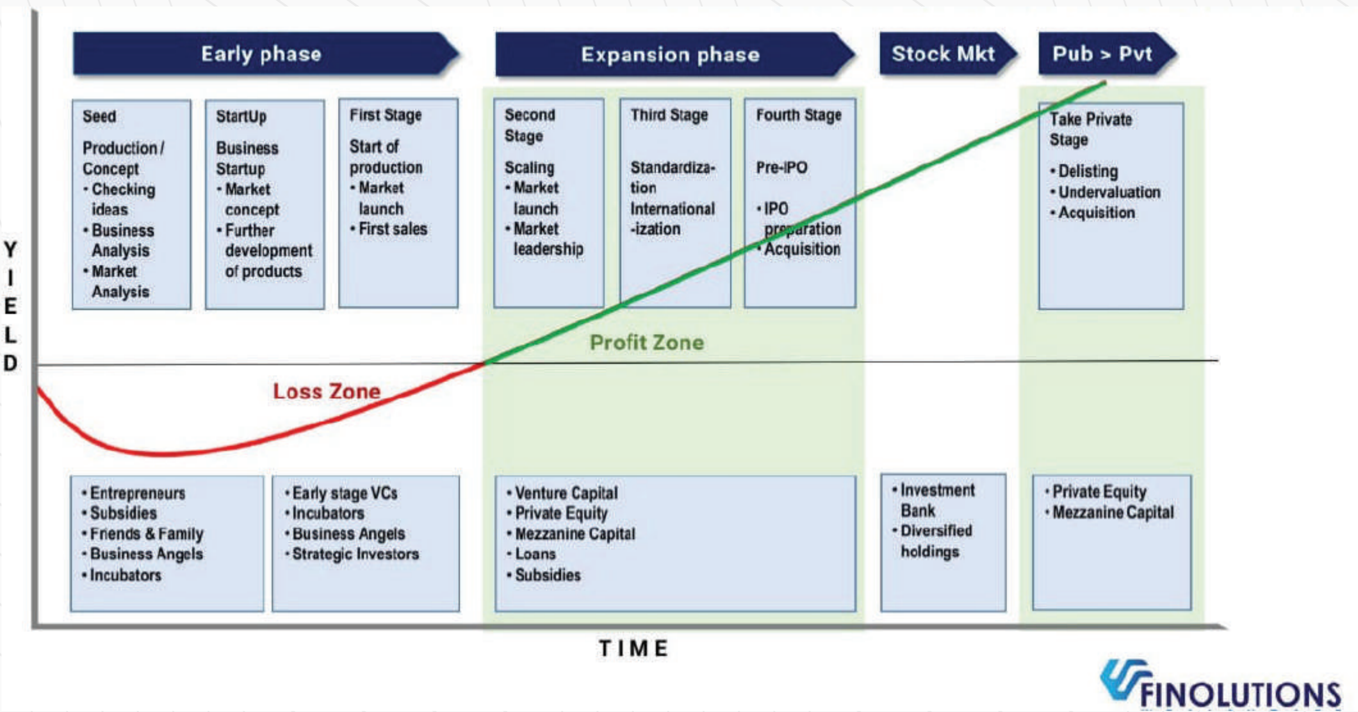
Basics

Angel funds and Venture Capital Funds invest in businesses at a very early stage when the majority of the world is not aware of them. These funds pool money from investors and invest in promising startups.

The startups they invest in are typically looking to innovate and bring out new solutions in the industry they are operating in. Compared to their listed counterparts, these businesses are more scalable and also more risker. Today, in India there are roughly 81K startups as per INC 42 report and Tracxn.

When these startups go through their unique journey of making losses in their early phase to making profits in their expansion phase, that is where the majority of the wealth gets created. E.g. InfoEdge (an early investor in Zomato) had already made more than 500x returns before Zomato got listed, and Nazara Technology had already provided 100x returns to its early-stage investor before going public.

Typical Unlisted Timeline



What is a Angel / Venture Capital Fund?

A angel/ venture capital fund is a type of an investment fund that invests in early stage start up companies that are poised to disrupt the sector they are operating in.

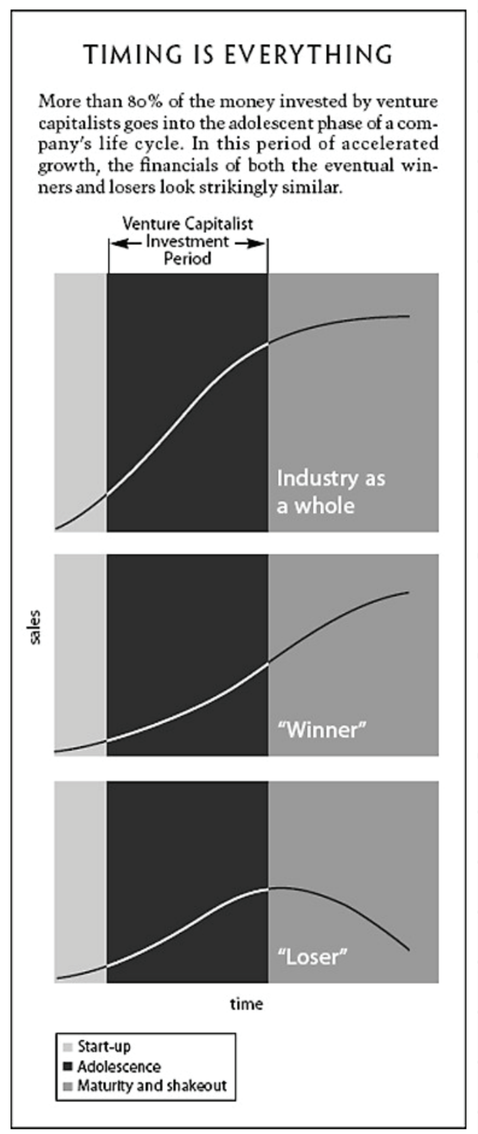
Regulations

In the usual scenario, Angel/ Venture Capital funds are part of Category 1 of the Alternate Investment Funds in India (AIF). These AIFs are SEBI regulated.

Minimum Ticket Size

The Minimum ticket size in AIFs is Rs 1 crore. However, for funds that invest in angel stage, the ticket size can be 25 lakhs. Also, while investing in such funds investors generally do not have to commit entire capital upfront. The capital is roughly to be paid in 2 to 4 years depending upon the investment period of the fund.

Growth of Angel / Venture Capital Funds and Start- Up Ecosystem



Overall, the strength of India's VC ecosystem has driven real economic value for the country—VC investments have played a pivotal role in bolstering the start-up ecosystem in India—only behind US and China globally—and have created more than 3 million jobs directly or indirectly over the past eight years.

Despite the news of economic slowdown and words like startup winter being mentioned often, the start-up ecosystem in India remains strong—among the top three now globally, with a total of more than 100 companies achieving 'unicorn' status. The country has already surpassed previous predictions of achieving 100 Unicorns by 2025. (Below is an image from Harvard Business Review)

Benefits

Uncorrelated Portfolio:

VC funds create a portfolio of start ups that function independently based on their performance and fundamentals. As the companies are unlisted, they are not correlated to the wider equity and debt market and are not volatile in nature.

Professional Management:

A Angel Fund Manager / VC fund manager has significant experience , great connects within the industry, better deal flow and ability to add great value to start up he is investing in. This makes the portfolio more resilient and poised for higher alpha

Risk and Reward:

A good fund will be able reduce the risk through appropriate measures such as mile based financing while still generate significant upside by letting the winners run for a long time horizon.

Capital to be paid in tranches:

While the minimum capital contribution is 25 lakhs / 1 crore. The capital is required to be paid in tranches. This allows investor the flexibility and time to manage his /her cash flows better.

Data Bytes

Indian Equity Market Summary

Index	1W	1M	3M	3M	1Y	3Y	5Y
Mid Cap 150	2.2%	4.9%	8.8%	2.6%	18.5%	34.4%	14.1%
Small Cap 250	1.9%	4.9%	9.1%	1.3%	13.5%	39.5%	10.4%
Auto	1.5%	6.9%	11.0%	9.2%	22.8%	30.3%	5.2%
Bank	1.0%	1.8%	7.0%	1.8%	23.9%	30.3%	10.9%
Energy	-0.9%	-0.7%	7.2%	-11.3%	-6.2%	21.4%	12.1%
FMCG	3.4%	6.9%	12.4%	13.0%	32.8%	20.0%	12.4%
Infra	1.5%	1.3%	6.4%	0.2%	12.5%	23.7%	10.9%
IT	1.5%	4.6%	-1.7%	-5.1%	0.2%	27.0%	16.6%
Metal	0.6%	0.1%	3.9%	-13.6%	10.4%	44.5%	10.5%

* Data as of May 31 2023
Source : https://ticker.finology.in/market

Domestic Equity Benchmark Indices (Returns %)

Index	1W	1M	3M	6M	1Y	3Y	5Y
Nifty 50	1.4%	2.1%	5.3%	-0.9%	12.2%	23.6%	11.8%
Sensex	1.4%	2.1%	4.7%	-0.3%	13.1%	23.4%	12.3%

* Data as of May 31 2023
Source : https://ticker.finology.in/market

FII / Mutual Fund Data

(Rs Cr)	30 May	MTD	YTD
FIIs	2441.34	37369.27	32818.28
Mutual Funds	NA	2333.12*	53231.30*

*Data as of May 29

Nifty P/E

Latest P/E*	FY23E	FY24E
21.59X	20.90X	18.05X

* Data as of 31 May '23

Commodities

Year Ago	31-05-2023	Week Ago	Month Ago	Year Ago
London Brent Crude Oil ($/bbl)	72.60	78.36	79.54	115.6
Gold (Rs/10 gms)	60390	60680	60168	51125

Indian Debt Market Summary

	31 May	Week Ago	Month Ago	Year Ago
Call Rate	5.85%	6.35%	6.70%	3.30%
Repo	6.50%	6.50%	6.50%	4.40%
10 Yr Gilt^	6.99%	6.99%	7.15%	7.42%
91-D T Bill^	6.77%	6.74%	6.81%	4.88%
182-D T Bill^	6.87%	6.88%	6.96%	5.43%
364-D T Bill^	6.89%	6.88%	6.98%	5.94%
1-mth CP rate	6.95%	6.95%	7.25%	4.99%
3-mth CP rate	7.16%	7.09%	7.26%	5.37%
6-mth CP rate	7.59%	7.52%	7.55%	6.10%
1 yr CP rate	7.68%	7.65%	7.78%	6.52%
1-mth CD rate	6.66%	6.70%	7.05%	4.67%
3-mth CD rate	6.95%	6.90%	7.10%	5.05%
6-mth CD rate	7.20%	7.19%	7.25%	5.72%
1 yr CD rate	7.37%	7.30%	7.45%	6.25%

^Weighted Average Yield

Yields (%)	Gsec*	AAA	AA+	AA	AA-	A+
6 month	6.87	7.32	8.07	9.02	9.93	10.81
1 Year	6.81	7.41	8.16	9.11	10.02	10.90
3 Year	6.88	7.41	8.16	9.11	10.02	10.90
5 Year	6.95	7.41	8.85	9.80	10.71	11.59
10 Year	6.99	7.58	9.02	9.97	10.88	11.76

G-sec and corporate bonds data as of May 31 * Weighted average yields for G-sec data 6 month G-sec: 182 day T-Bill rate; 1 year G-Sec: 6.69% GS 2024; 3 year G-Sec: 5.63% GS 2026; 5 year G-Sec: 07.17 GS 2028; 10 year G-Sec: 07.26 GS 2033

Economic Indicators

YoY (%)	Current	Quarter Ago	Year Ago
Monthly Inflation (CPI)	4.70% (Apr-23)	6.52% (Jan-23)	7.79% (Apr-22)
IIP	1.10% (Mar-23)	5.78% (Feb-23)	2.20% (Mar-22)
GDP	"4.4% (Oct-Dec FY23)"	"6.3% (Jul-Sep FY23)"	"5.2% (Oct-Dec FY22)"
Monthly Inflation (WPI)	-0.92% (Apr-23)	4.80% (Jan-23)	15.4% (Apr-22)

Currencies Vs INR

	31 May	30 May	Change
USD	82.73	82.71	-0.02
GBP	102.27	102.07	-0.20
Euro	88.29	88.66	0.37
100 Yen	59.25	58.97	-0.28

International News

US House of Representatives passed a bill to suspend the $31.4 trillion debt ceiling with majority support from both Democrats and Republicans.

• US Chicago PMI, fell to 40.4 points in May 2023, down from an eight-month high of 48.6 in April.

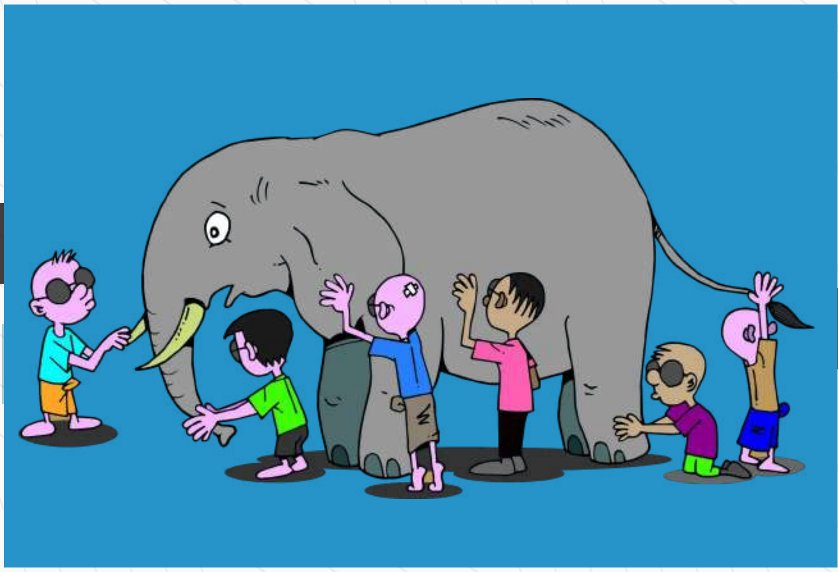
• China Caixin China General Manufacturing PMI unexpectedly rose to 50.9 in May 2023 from 49.5 in the prior month.

	31 May	1 Day	1 Month	1 Year
DJIA	32908	-0.41	-3.49	-0.25
Nasdaq	12935	-0.63	5.80	7.07
FTSE	7446	-1.01	-5.39	-2.12
Nikkei	30888	-1.41	7.04	13.23
Hang Seng	18234	-1.94	-8.35	-14.85
Strait Times	3159	-0.90	-3.42	-2.28

Source: Domestic Indices - NSE, BSE, FII / MF (Equity) – SEBI, Domestic Derivative Statistics – NSE, Currency Movement - RBI, Reuters, Domestic Economic Indicators - CRISIL Center for Economic Research, Domestic Fixed Income Numbers - CRISIL Fixed Income Database, RBI Commodity Prices - Reuters, IBJA, International Indices – Respective websites, Market summaries, global bond yields, domestic and international news - CRISIL Research, Financial websites
Abbreviations: FII (Foreign Institution Investors), CPI (Consumer Price Index), WPI (Wholesale Price Index), P/E (Price/Earnings ratio), CP (Commercial Papers), CD (Certificate Of Deposits), G-sec (Government Securities), MTD – Month to Date, YTD – Year to Date

Source : ICICI Prudential MF Head start

The Perils of DIY Financial Planning: Lessons from The Six Blind Men and The Elephant"



The story of Six Blind Men and The Elephant which we used to hear in our childhood is a classic example of how DIY investors make mistakes due to their limited understanding and perception of financial planning. Let us first see the story of Six Blind men and then understanding how it is connected with DIY financial planning.

Once, there were 6 blind men, they were taken to the elephant and made them touch him and further asked them to describe an elephant. The first one touches the side and describes the elephant like a wall. The second one touches the tusk and calls it a spear. The third one touches the trunk and describes it as a snake. The fourth one touches the knee and calls it a tree. The fifth one touches the ear and says it's a fan. Finally, the last one touches the tail and describes the Elephant as a Rope.

None of them called an Elephant an Elephant. Do you know why? Because their perceptions lead to the misinterpretation. They all describe the elephant differently, just on the basis of the part of the elephant they touched.

The story of the blind men and the elephant can be connected to DIY investors in financial planning in the following way:

This story is also applicable in the world of personal finance, like for some investor financial planning means investing for tax saving, for other set of investors financial planning means getting higher returns in their investment and with this limited understanding investors believe that their understanding of financial planning is complete whereas they miss to integrate all different aspects of financial planning like goal setting, tax saving, succession planning, will writing and liability management and looking at all the aspects in a holistic way.

All these aspects are interconnected but when an individual who is managing his own money is taking his own financial decisions who behaves like above story of blind men where they believed their understanding of elephant was correct but could not understand the whole picture of elephant and based on their limited understanding, they took decisions which were not appropriate. This can be very dangerous.

In such cases investors who are trying to do their own money management end up making severe mistakes and **even they don't know what they don't know.** Here, the role of a professional financial advisor comes who has academically studied the subjects and is practicing it since long. He can take much better decisions which are unbiased.

Whereas an individual investor may have his personal biases also based on limited information and varying perspectives. Just like the blind men in the story, who could only perceive a part of the elephant based on their individual experiences, each individual often has limited knowledge and different viewpoints when it comes to managing their own finances.

To make informed financial decisions, it is essential to consider multiple perspectives and seek advice from professionals who are qualified experts in their field and practicing it as well. Engaging with financial advisors can help individuals gain a more comprehensive understanding of their financial situation and make better-informed decisions.

In conclusion, the story of the blind men and the elephant highlights the importance of professional guidance in every field. By seeking advice from a professional financial advisor, individuals can develop a more comprehensive understanding of their financial situation and make well-informed decisions that align with their long-term goals.

Major Events

June 2023

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1 Manufacturing PMI	2	3 Service PMI
4	5	6	7	8	9	10
11	12 IIP/ CPI	13	14 WPI	15 Advance Tax Filing	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

PMI - Purchasing Managers' Index
IIP - Industrial Production Data
CPI - Consumer Pice Index
WPI - Wholesale Price Index

Our Client's Feedback

Mr. Satish Patil
President – Atul Limited

Professional, reliable, trustworthy, competent consultant with polite mannerism. Have experienced good wealth creation experienced in my last 4 years of association with them.

Financial Planning Essentials: The Significance of Savings Ratio for Building Wealth

The percentage of income that a person saves is referred to as their savings ratio. A person who saves much of their income is said to have a high savings ratio, while one who spends most of it is said to have a low saving ratio.

Saving Ratio = Savings/income*100

Example:

- Net income after tax = 100000
- All Expenses = 60000
- Saving Ratio = 100000-60000
- Savings = 40000
- Hence = 40000/100000
- Saving Ratio = 40%

Achieving financial objectives or planning for retirement are just two examples of the many benefits of increasing the saving ratio.

Following are some suggestions to improve the saving ratio:

Make a budget: Keeping track of your spending will enable you to find areas where you can save more. It helps you keep eye on your financial activities.

Debt reduction: Pay off high-interest debt first, like credit card balances to avoid paying unnecessary interest fees and free up funds for savings.

Life Style Adjustments: Consider making lifestyle adjustments to improve saving ratio, such as reducing your expenses on eating out, cutting back on entertainment costs etc.

What is the Ideal Savings Ratio?

The ideal saving ratio can vary depending on a person's financial goals, income, and expenses, so there is no standard answer to this question but still for reference we should target savings ratio from 20% to 40% to achieve our goals smoothly. It is important to note that the ideal saving ratio may also change depending on your stage of life.

Additionally, I would like to add not only saving is important but investing your savings after consulting a qualified & SEBI Registered Investment Adviser is also equally important.

Vote Of Thanks

Dear Reader,

We really appreciate everyone who took the time to read and interact with our material as we approach to the close of another edition of our newsletter. We anticipate your ongoing encouragement and support.

We would like to express our sincere gratitude to Mr. Apoorva Vora and Ms. Harini Dedhia for their invaluable contribution in this newsletter. Their insightful and thought-provoking contribution have truly enhanced the quality of this newsletter.

We also want to express our gratitude to the members of the editorial staff, authors, designers, and everyone else who helped with the production and dissemination of this newsletter.

We make an effort to deliver pertinent, educational, and interesting information that represents our beliefs and interests. As we work to enhance and expand as a newspaper, we are always open to your comments and recommendations.

Thank you for joining our community. We look forward to bringing you even more exciting content in the future.

Best Regards,
Ascent Financial Solutions Pvt Ltd.

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“Investment in securities market are subject to market risks. Read all the related documents carefully before investing.”

“Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.”

Partners In Transforming Your Financial Lives

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