

# INDIAN STOCK MARKET JOURNAL

EMPOWERING TRADERS AND INVESTORS

BEYOND QR CODES: HOW BIOMETRICS AND GENAI WILL SECURE YOUR PAYMENTS

BONDS: A TOP CHOICE FOR SAFETY-FIRST INVESTORS TODAY

UNLEASHING THE POWER OF GENERATIVE AI IN COMMERCIAL BANKING

UNDERSTANDING FPO AND HOW IT WORKS IN INDIAN STOCK MARKET

STOCK TO  
BET ON

STOCK MARKET  
OUTLOOK



**ROLE OF SAAS IN THE GROWTH  
OF THE FINTECH INDUSTRY IN INDIA**

# From The Founder's Desk

## INDIAN STOCK MARKET JOURNAL

Special Edition | October 2024

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### ISMJ, October Issue

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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 the rising tension between Israel and Iran and the growing tension in the broader Middle East region, particularly with the escalation of conflicts in Gaza and Lebanon, the geopolitical landscape is becoming increasingly volatile, impacting global diplomatic relations and economic stability. The ongoing war in the Middle East has also taken a toll on the Indian market, as market indices continue to be bearish, with investors becoming increasingly risk-averse due to uncertainties surrounding oil prices, trade disruptions, and inflationary pressures.

This edition of ISMJ has brought you a comprehensive guide to help you understand the role of Software as a Service (SaaS) in the growth of the Fintech industry in India and the different types of Fintech SaaS apps and solutions that are transforming banking, payments, lending, and wealth management.

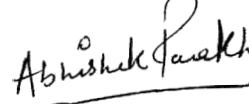
We will also help you understand the power of generative AI in the commercial banking sector and how it is revolutionizing processes by automating complex tasks and providing deeper insights through data analysis. This edition will also take you towards the future of digital payments and how Biometrics and GenAI Will Secure Your Payments and transactions.

In this edition, we will also provide an in-depth guide to bonds and how they have emerged as one of the safest options for investors in this ever-changing market. We'll explore the various types of bonds, their benefits, and how they can play a key role in diversifying your investment portfolio while ensuring steady income streams.

This edition of ISMJ also helps you understand what a Follow-On Public Offering (FPO) is and how it differs from an Initial Public Offering (IPO). We delve into why companies opt for FPOs to raise additional capital, the impact on existing shareholders, and how investors can evaluate FPO opportunities to make informed decisions.

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

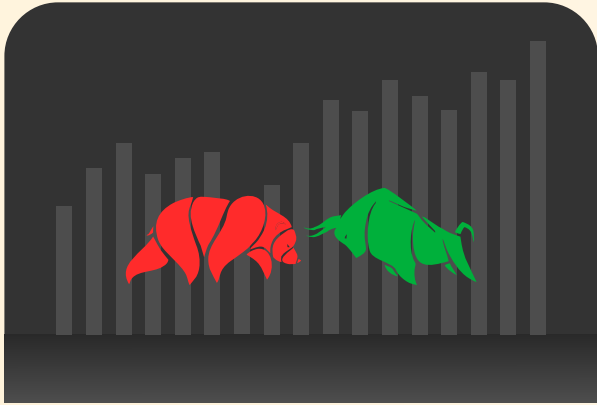
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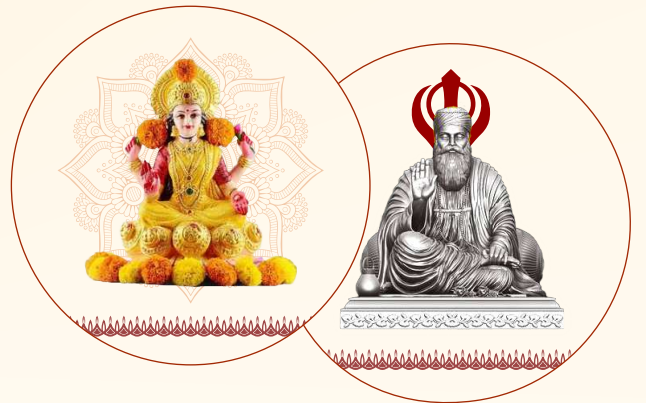


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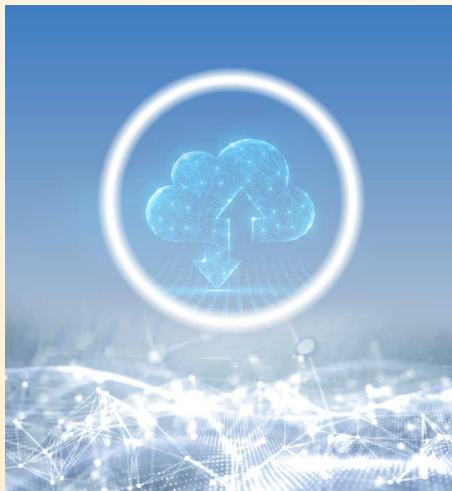
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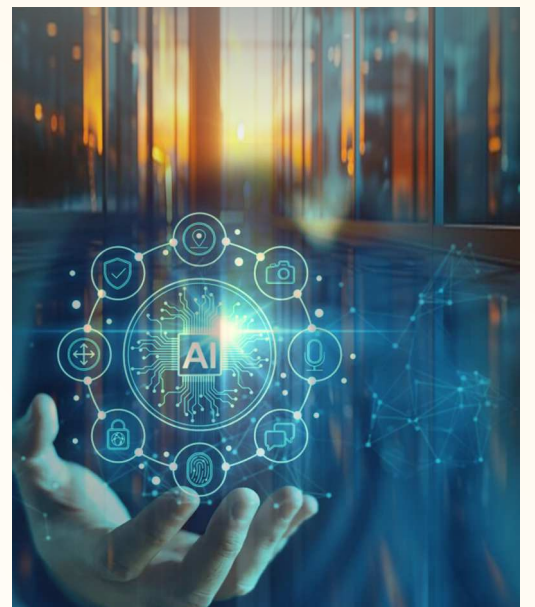
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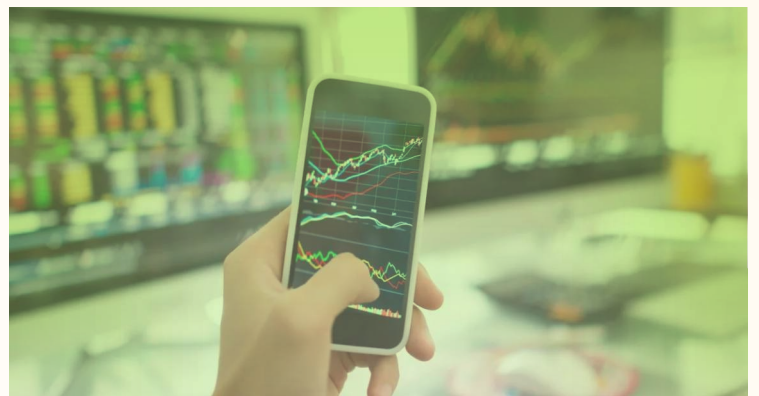
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# STOCK MARKET OUTLOOK

## NIFTY

Nifty continued its northward journey with strong momentum in September month and surpassed the important psychological mark of 26000 levels. Despite the early weakness, the index rallied throughout the month after the US FOMC cut interest rates by 50 basis points. Nifty managed to end at all-time highs.

Nifty has shown excellent strength on charts despite correction in the early part of the month. It has shown a sharp recovery and ended at an all-time high. The index was continuously trading at the upper Bollinger band, which shows inherent strength on the index. However, it also implies possible correction to the mean



reversion point. The momentum indicator RSI shows bearish divergence on the weekly chart, which further supports bears in the near term. Nifty has good support

around 24900 levels; if closed below this, the index could fall to 24100 levels. Important resistance in Nifty at 26000 and 26700 levels.

## BANK NIFTY



Bank Nifty showed a good comeback in September after languishing in the previous couple of months. Bullishness in Banknifty was mostly driven by the ease in the US Federal Reserve policy rate, which lifted the index to an all-time high. Index was rallied in anticipation of worldwide rate cycle is picked up and RBI also ease the rate to boost growth as inflation likely to be in comfort zone. Bank Nifty rallied from the mean reversion

zone to the upper Bollinger band zone. However, the index formed some top-out formation on the weekly chart. The index retreated after it formed a shooting star candle pattern on weekly charts. The RSI indicator shows a clear divergence in the weekly charts, which further supports the bears. Important resistance for Banknifty at 53500 and 54300 levels, respectively. Important support in Banknifty at 50300 and 49500 levels.



# Upcoming Trading Holidays



Diwali Laxmi Pujan

November 1,  
2024  
Friday



Gurunanak Jayanti

November 15,  
2024  
Friday

# Role Of SaaS In The Growth Of The Fintech Industry In India





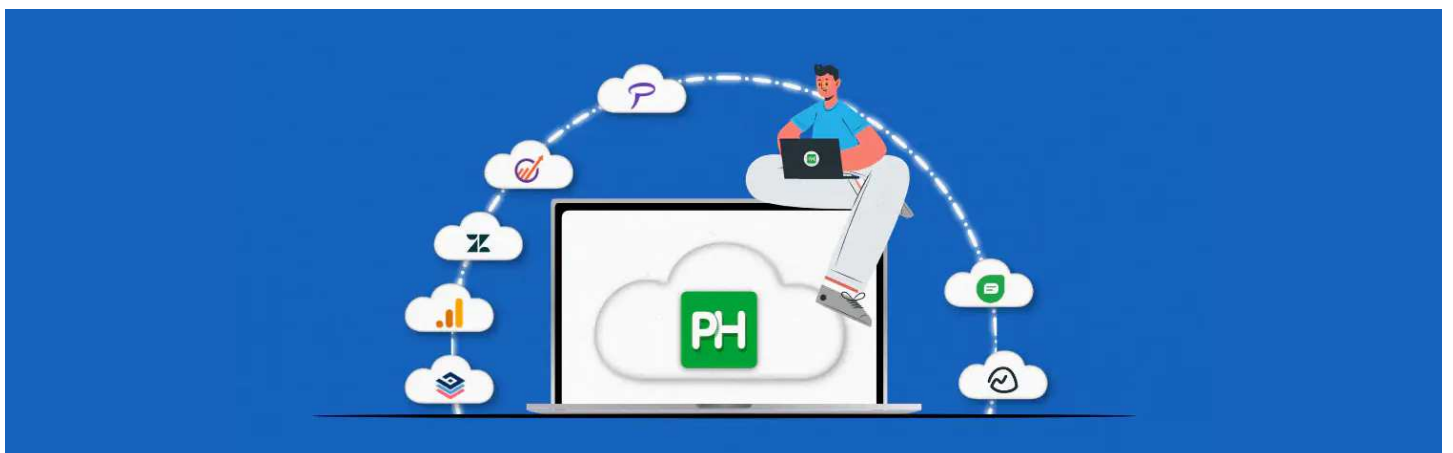


# What Is SaaS?

Software as a Service (SaaS) refers to a model of delivering software where users can access applications over the Internet without having to purchase them outright. It's similar to streaming services offering subscription-based access across devices. Instead of buying software users subscribe to use it. Email, calendar, and collaboration tools like Slack are common examples of SaaS products.

Notable SaaS platforms, used globally include Google Workspace, Salesforce, Trello, Zoom, DocuSign, Slack, Adobe Creative Cloud, Mailchimp, Netflix, and Spotify.

In India, a few emerging Fintech companies offering SaaS solutions are Bimaplan, CASHe, Cashfree payments, BankSathi, CredAble, InsuranceDekho and Lentra, .



# What Is A Fintech Company?

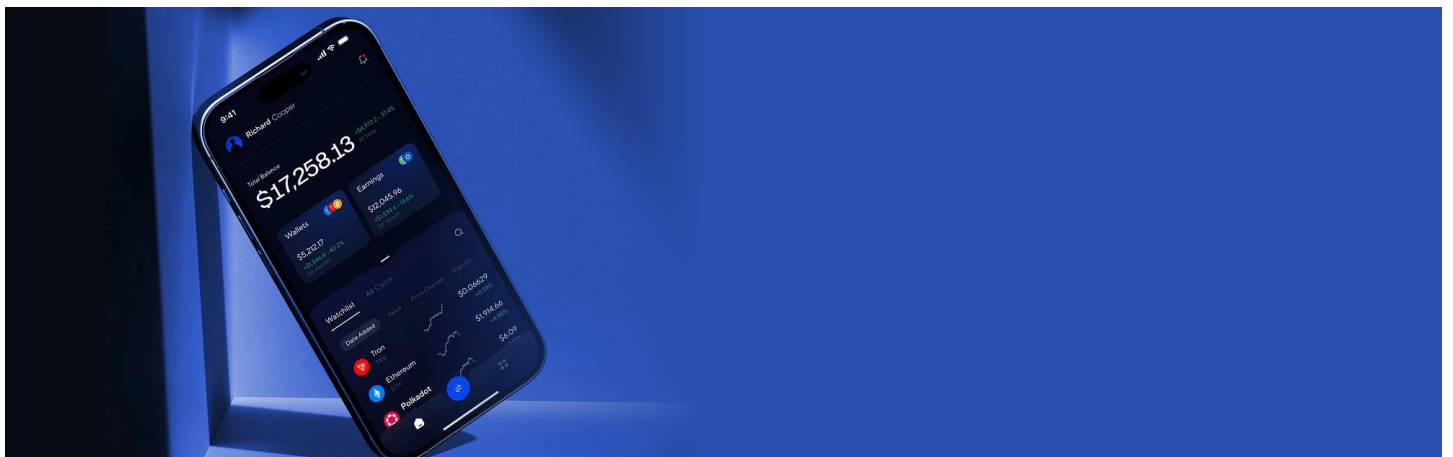
A fintech company is a type of business that leverages technology to transform, enhance, or streamline financial services for both consumers and businesses. The term fintech, which stands for technology encompasses a range of tools such as software, mobile applications, and innovative solutions aimed at improving and automating traditional financial processes. This can range from payment applications to complex blockchain systems designed for transactions.



## Types Of Fintech SaaS Applications Or Apps

There are various SaaS fintech platforms out there catering to transactions, used by various fintech companies. The finance sector presents a range of opportunities and business concepts. Numerous

entrepreneurs in the finance domain from India are putting their money into fintech ventures to see a significant return on their investment. Here are a few examples of SaaS fintech solutions.





## Internet Banking Apps

SaaS-based net banking platforms have streamlined operations, in the fintech sector. With the rise of apps, the hassle of going to banks and waiting in queues has become a thing of the past. These applications empower users to set up accounts, make transactions, and oversee their finances digitally. Indian banks have widely incorporated this technology and are experiencing success.



## Trading And Investment Platforms



These software solutions in the sector provide services related to stocks, foreign exchange and the financial market. They support users in developing, overseeing and exchanging investments. Through trading these applications enable users to generate profits.

## Consumer Finance Apps



Money management is made easier, through consumer finance apps allowing users to save and keep an eye on their spending.

## Insurance Applications

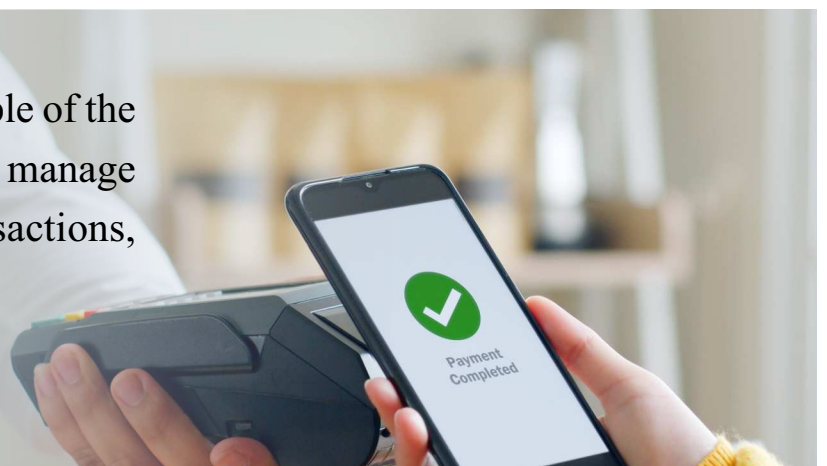


These applications are designed, for the sector serving both companies and clients. They can be found as a CRM system on an insurers website or as a mobile application. Customers can use these apps to access and oversee their insurance

policies and expand their coverage. They play a role in the evolving landscape of insurance simplifying the process for customers to handle their policies, submit claims and explore additional coverage options.

## Digital Wallet

Digital wallets are a prime example of the trend. They allow individuals to manage their money and conduct transactions, online.





## Features Of A Fintech Software As A Service (SaaS) Product Include.

1

User-friendly design for seamless browsing.

2

Robust security measures to safeguard information.

3

Payment processing systems for safe transactions.

4

Flexible user management options.

5

Tailored user experience through options.

6

Intelligent chatbots (with Artificial intelligence) enhancing user interaction and automating customer assistance.



## Key Challenges Where SaaS Products Have Provided Solutions In The Indian Fintech Industry

These are the seven key areas where software as a service solution in India's fintech sector, have contributed to their growth and transformation.

### Savings And Reducing Costs

SaaS platforms help companies save money on infrastructure expenses by eliminating the need for software and hardware. They also allow fintech startups to get started without a large upfront investment and the hassle of traditional licensing.



### Accelerating Time To Market

The speed at which a product reaches the market is important for all businesses, especially for fintech startups. In the world of technology, there is fierce competition and these startups need to adapt quickly to changing market dynamics. Software as a Service (SaaS) platforms play a significant role in helping fintech startups speed up their market entry. They can kickstart their operations without the hassle of software procurement, installation, and ongoing maintenance.



## Access To Value-added Services Made Easy

SaaS platforms offer a range of services, like integration for issuing and acquiring, customer management solutions, fraud prevention tools, and analytics features. These services can help fintech startups improve their operations and stay ahead of their competition.

In the financial services sector business cycles can be unpredictable, with factors such as economic downturns and fluctuations in interest rates. SaaS platforms give fintech startups the

flexibility to quickly adjust to changing market conditions. The scalability of SaaS allows these startups to grow their customer base, in an efficient manner.



## Robust And Automated Security Measures

Service providers of SaaS platforms invest heavily in ensuring the security of their systems. They employ a group of specialists who constantly keep an eye on the platform for any weaknesses. Additionally, these providers utilize measures to quickly detect and resolve security problems.



## No Need For An Internal Team To Manage

SaaS platforms are managed by providers who take care of software updates, security fixes and other technical details. This enables fintech startups to focus on

their business operations while the SaaS provider ensures the platform's functionality. Financial companies can also reach out to the providers' support team for help, with issues.



## Simplifying Regulatory Compliance

The industry is tightly controlled and fintech newcomers have to follow rules. Software as a Service (SaaS) platforms help these startups meet regulations by taking care of compliance tasks. This involves safeguarding customer data and keeping them informed about updates in the regulatory environment.



## Conclusion

The rise of Software as a Service (SaaS) has played a role in the expansion of fintech firms and the financial sector by offering cloud-based technology. This growth was sped up during the pandemic when the need for distancing boosted the admiration of services. Fintech companies in India that swiftly adjusted their operations and leveraged SaaS platforms saw a significant increase in the demand for their offerings.



# Unleashing The Power Of Generative AI In Commercial Banking





The financial industry is on the brink of a revolutionary change due to the introduction of generative Artificial Intelligence, which has the potential to completely redefine commercial banking operations. As leaders in commerce wrestle with the ramifications of this force that disrupts, one pivotal question stands out: Where will generative AI have its greatest impact?

This article examines different aspects of this question by looking at how some pioneers are already using generative AI as an agent of transformation. It provides a guide for commercial banks in areas such as enabling relationship managers, streamlining underwriting processes, improving the risk management, and increasing the rate of change so that they can cope with the challenges posed by this march into the unknown brought about by new technologies.



## Empowering Relationship Managers Unlocking Efficiency And Personalization

At the essence of every successful commercial bank lies a team of dedicated relationship managers (RMs) tasked with cultivating enduring client relationships and driving business growth. However, these professionals often find themselves busy in a swamp of administrative tasks, from identifying prospective clients to







collating disparate data sources, leaving precious little time for meaningful client interactions.

Enter generative AI, a potent ally in streamlining all these processes. By integrating this technology into Customer

Relationship Management (CRM) platforms, RMs can access prioritized lead lists tailored to each client's unique needs and preferred engagement methods. Generative AI can craft personalized outreach materials, from emails to conversation scripts and formal proposals, ensuring a seamless and contextually relevant client experience.

Moreover, interactive real-time dashboards powered by generative AI can monitor the effectiveness of each campaign, enabling continuous improvement and data-driven decision-making. Knowledge management and performance coaching tools augmented by this technology can accelerate the professional development of RMs, fostering consistent, high-quality client services across the organization, regardless of individual experience levels.

## **Streamlining Commercial Underwriting Accelerating Time-to-Decision**

In the fast-paced world of commercial banking, time is of the essence. Those institutions capable of expediting the disbursement of funds to clients without compromising risk management stand to gain a competitive edge, capturing market share, bolstering revenue streams, and cultivating client satisfaction.





However, the real scenario for many commercial banks is a labyrinth of manual processes, plagued by endless variations in products, segments, regions, and policies, prolonging the time-to-decision and driving up operational costs. Recognizing this challenge, industry

leaders are turning to generative AI as a catalyst for modernization.

By integrating the generative AI into origination platforms, commercial banks can automate content production tasks, such as spreading financial statements, creating credit memos, and other document creation processes. This technology can also facilitate four-eye checks across the application lifecycle, ensuring the capture of accurate and relevant information.

While the implementation of generative AI in underwriting processes involves varying degrees of functional complexity, integration, and risk assessment, early adopters have already demonstrated the transformative potential of this technology in accelerating time-to-decision, reducing costs, and enhancing client experiences.

## Enhancing Risk Management And Compliance Navigating Regulatory Complexities

In today's commercial banking, risk management and compliance have become more complex and requires more resources. In order to conform to regulations and improve efficiency in its operations, banks can use generative AI as a way of automating these processes. In this regard, one of the significant areas



where generative AI will make an impact is client onboarding, including Know Your Customer (KYC), Anti-money laundering (AML), etc., through automating tasks and supporting staffs. This technology makes use of natural language processing (NLP) capabilities to extract necessary KYC information from various types of documents like text, graphs or images.

Moreover, the generative AI can automatically update client details while recording changes and their sources thoroughly to maintain auditor track record and comply with the regulations.

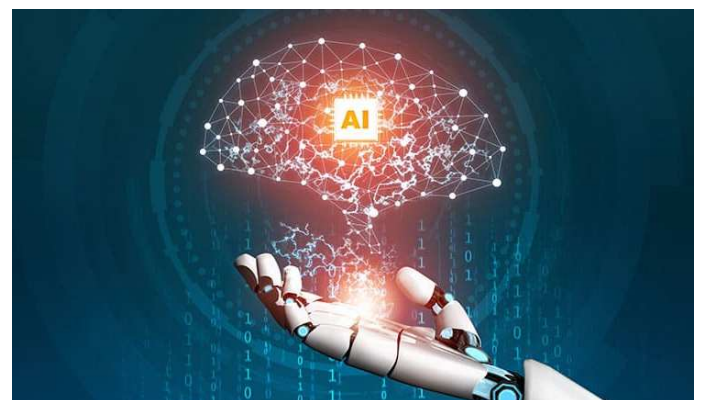
Even though generative AI has the ability to handle several regulatory reporting and monitoring functions through automation, it is expected that the early forms of application will augment human analysts whose input is essential for achieving precision and minimizing errors.



## Increasing Change Velocity Accelerating Transformation Lifecycles

In the ever-evolving commercial banking landscape, the ability to adapt and implement change swiftly is paramount. Program directors are tasked with delivering more with fewer resources, necessitating the adoption of innovative technologies, which can accelerate transformation lifecycles.

Generative AI emerges as a potent ally in this endeavour, offering a multitude of applications across the transformation lifecycle. By augmenting team members, this technology can also facilitate the development of epic and user story



documentation, streamlining the project initiation phase.

During the development stage, generative AI can automate repetitive tasks and code generation processes, enabling developers to concentrate on more



complex challenges. Furthermore, this technology can analyze vast datasets to identify and rectify code faults, enhancing the accuracy of project specifications and requirements.

In the testing phase, generative AI can streamline processes by rapidly pinpointing anomalies or threats and generating automated test cases and

scripts. This ensures more thorough testing coverage, efficient defect identification, and the delivery of higher-quality software products within shorter timeframes.

By harnessing the power of generative AI, commercial banks can accelerate their transformation initiatives, fostering agility and responsiveness in an ever-changing market landscape.

# Conclusion

## Embracing the Future of Commercial Banking

With the unprecedented speed of change in commercial banking, generative AI has come out as a disruptive force, altering the face of the sector. This technology has potential to create new heights of effectiveness, customizability and competitive edge from helping relationship managers to facilitating underwriting procedures, improving risk management and compliance as well as hastening the pace of transformation.

There are early adopters who have already gained from this technological revolution recording impressive performance improvements, streamlined operations and better client experiences.

Nonetheless, the journey towards fully realizing the capacity of the generative orator in commercial banking is still in its infancy.

As industry leaders navigate through these uncharted waters; they must remain alert and keep on modifying their strategies while also encouraging innovation and teamwork. By embracing this transformational force in generative AI, commercial banks can take a step ahead of everybody else in this technological upheaval thereby offering extra value to their customers and cementing leadership position within an ever-changing financial services realm.

# BEYOND QR CODES

**HOW BIOMETRICS AND GENAI WILL SECURE YOUR PAYMENTS**

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In just a few years, QR codes have become the standard for UPI payments, replacing plastic cards. But what's next? The future of secure transactions could go beyond scanning codes, with biometrics like fingerprints and facial recognition taking the lead. Paired with GenAI, this could revolutionise how we protect UPI payments, offering even greater speed and security.

The idea of using biometrics for UPI payments is becoming a reality, as the

NPCI is reportedly in talks with start-ups to implement this technology. Though it's in the early stages, biometric authentication through facial identity and fingerprints is already available, signalling a shift towards even more secure payment methods in the near future.

At present, these transactions require the PIN or password for verification. Though effective, these are not really impenetrable. The issues of cybercrime and digital fraud have heightened to the



point that there is an urgent need for more aggressive security measures. This is precisely where biometric authentication may be useful: it might make the security of payment more robust while drastically reducing the possibility of fraud occurrences.

These methods are already used to unlock smartphones and for the authorisation of

actions such as payment, or to view our current account balances.

Integrating biometrics into the UPI transactions could greatly reduce any unauthorised access, as biometric data is much harder to replicate than a PIN or password. This is what the future of UPI payments with biometric authentication might look like.



## HOW IS IT GOING TO WORK?

A customer will first need to link their Aadhaar number with their bank account to initiate biometric-based UPI payments. With this type of payment, users won't need to remember a PIN, but must ensure that their biometric data, such as fingerprints or facial recognition, is correctly registered and updated in the system. Customers can also link their biometrics with their UPI IDs.

After registration and linking, customers' biometrics are encrypted and securely stored in a centralised database. During payments, their biometrics are scanned by the PoS machine and matched with the stored data to verify their identity.



## OTHER ALTERNATIVE PAYMENT SOLUTIONS TO ENHANCE SECURITY

### NEAR FIELD COMMUNICATION (NFC)

It allows devices to communicate when close together, often used for contactless payments. Transactions are encrypted and may require extra authentication, like a PIN or biometric verification. Google Pay and Apple Pay use NFC for secure payments.



## TOKENIZATION

It replaces sensitive payment info with unique, unusable tokens for each transaction. Tokens are worthless if intercepted, reducing data breach risks. Visa and MasterCard use tokenization for online transactions.



## DYNAMIC CARD VERIFICATION VALUE (CVV)

This CVV changes with each transaction, unlike static CVV codes. This limits the validity period, reducing card-not-present fraud. Some banks and credit card companies issue cards with dynamic CVV technology.



## ARTIFICIAL INTELLIGENCE & MACHINE LEARNING

AI & ML algorithms analyse transaction patterns to detect and prevent fraud in real time. Fintech companies like Stripe and PayPal use these systems for advanced fraud detection and prevention.

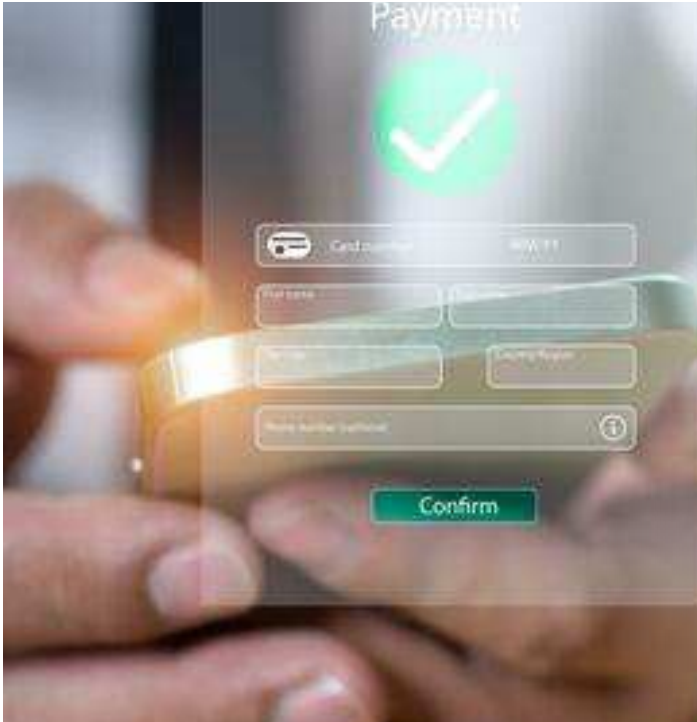


## INVISIBLE PAYMENTS AND VOICE RECOGNITION

Transactions can be completed through voice commands or automatic detection, minimising physical card skimming risks. Amazon Go stores use invisible payments, and Google Assistant and Amazon Alexa utilise voice recognition for transactions.



# GENERATIVE AI IN FINTECH PAYMENTS



Using generative AI visual inputs instead of QR codes for secure payments could transform transactions with AI and smartphones. Here's how it works:

## USE VISUAL RECOGNITION AND CONTEXTUAL UNDERSTANDING

Generative AI can analyse visual content such as advertisements and product packaging. When a user points their smartphone camera at an ad, the AI can recognize the brand, extract key details, and offer interactive options such as nearby locations or current promotions. For instance, if the AI identifies a fast-food ad, it might show nearby outlets or allow direct ordering. Google Lens already provides similar features by helping users identify objects, translate text, and find product information, enhancing user experience and reducing risks from malicious QR codes.





## ENHANCE WITH AUGMENTED REALITY (AR) OVERLAYS



AI-powered augmented reality can enhance user experiences by overlaying digital information on real-world

locations. In retail, AI can display product details, reviews, and alternative options when a consumer views items through their smartphone camera, reducing the need for physical interaction.

For instance, IKEA's AR app allows users to see how furniture would look in their homes, improving the buying experience. This approach not only enhances convenience but also boosts security by minimising physical contact.

## SECURITY AND FRAUD PROTECTION



AI adds extra protection by checking the validity of visual content to ensure the information is accurate and safe.

AI algorithms can compare visual inputs with known databases to prevent phishing and fraud, making them a more secure option than easily tampered QR codes.

## CONCLUSION

QR codes have revolutionised fintech transactions, but their security limitations demand better alternatives. Biometric authentication enhances security by using unique biological traits, making unauthorised access harder. On the other hand, Generative AI visual inputs offer a promising solution by improving both security and user experience. As technology progresses, these innovations will likely lead to more secure and efficient payment solutions.

# BONDS: A TOP CHOICE FOR SAFETY-FIRST INVESTORS TODAY



Today, bonds have emerged as one of the safest options for safety-first investors in this fast-changing market. As interest rates are increasing and they look even more attractive, they serve a great source to seek secure income, protect capital, and enhance portfolio diversification. Whether you want to protect your investments or balance them for growth, bonds are a savvy path to taking your portfolio to fruition.



## THE BASICS OF BONDS

Bonds are loans you give to governments, companies, or other organisations to help them raise money. When you buy a bond, you're lending them money. In exchange, they promise to pay you regular interest (called coupon payments) and give back the original amount you invested when the bond matures.







## KEY ASPECTS OF BONDS

### Issuer

The entity that issues the bond, which can be a government, a multinational corporation, or a local authority.

### Maturity Date

The entity that issues the bond, which can be a government, a multinational corporation, or a local authority.

### Coupon Rate

This is the interest rate paid on your bond, typically at regular intervals, such as annually or semi-annually.

## Face Value

The amount of money you get back when the bond matures, usually \$1,000 or Rs 83,900 per bond.

## Yield

The overall return you earn from the bond, which includes interest payments and any difference between the purchase price and the amount you get at maturity.

# WHY ARE BONDS A WISE INVESTMENT TODAY?

## Safety And Stability

Bonds tend to be less dangerous than shares and are thus more stable especially in uncertain times. The most stable bond types include government and high-quality corporate bonds. They are ideal for individuals looking to safeguard their funds since returns of the principal amount are guaranteed unless there is an act of default by the issuer.



## Appealing Yields

As central banks increase interest rates to fight inflation, new bonds may offer higher yields. This makes bonds more

appealing than keeping cash or using low-interest savings accounts, as they provide better returns and more income.

## Generating Income With Bonds

Bonds tend to be less dangerous than shares and are thus more stable especially in uncertain times. The most stable bond types include government and high-quality corporate bonds. They are ideal for individuals looking to safeguard their funds since returns of the principal amount are guaranteed unless there is an act of default by the issuer.



## Diversification

Incorporating bonds into your investment portfolio can achieve diversification and overall risk reduction effectiveness. As bonds typically have different price action relative to stocks, they will provide some stabilisation to your portfolio during drops in the stock market, offering a sense of safety during turbulent times.



## Variety And Flexibility

The bond market has wide options available, such as government, corporate, municipal, and international bonds that carry different risks, durations, and returns. This diversity enables you to shape your bond investment towards fulfilling your financial goals-be it saving for an immediate need or generating steady income in the short term.





## Keeping Up With Inflation

Some bonds such as Treasury Inflation-Protected Securities (TIPS) are designed to protect from inflation. They change their value as per the changes in Consumer Price Index or CPI, hence ensuring that value of your investment is maintained. Additionally, high-yield bonds may also give an inflation beating returns, thereby ensuring a positive return on investment.



## Tax Advantages

Municipally issued bonds by state and local governments are usually free from federal income taxes and sometimes from state and local taxes as well; hence, they are favourites of high-income investors.

Others also permit you to delay or postpone the payment of taxes upon interest earned until they mature, hence affording more leeway in your tax planning.



# CHOOSING THE RIGHT BONDS FOR YOUR NEEDS



## High-Yielding Bonds

These bonds offer higher returns but come up with a higher risk margin. Some of the examples include corporate bonds from companies with lower credit ratings.

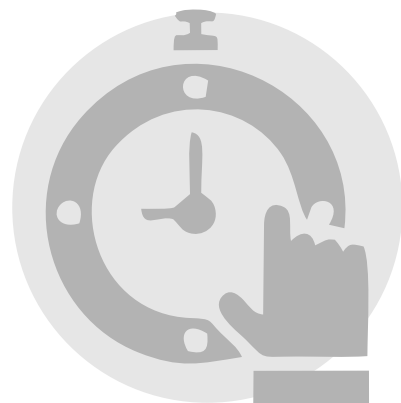


## Monthly Income Bonds

These are bonds that provide a steady monthly income which is best suited for an audience such as the retirees. Examples of which include bonds from government entities, and corporations that tend to pay their interests on a monthly basis.

## Short-Term Bonds

These bonds are less affected by interest rate changes and are mostly suitable for conservative investors. For instance, some of them are Treasury bills, short-term corporate bonds, and certificates of deposit (CDs).



## PSU Bonds



They are issued by government-owned companies or subsidiaries and offer a moderate risk but reasonable returns. For example, bonds from NTPC or ONGC.

## Bank Bonds

They are issued by banks with varying risk levels. Some of the examples include bonds from large banks like SBI, ICICI Bank, or HDFC Bank.



# CONCLUSION

The bond scene feels stressed with rates going up, prices rising, and fears worldwide. Bonds matter more now. As banks push up rates, new bonds pay better, which draws more buyers even though old ones may drop in worth. The worries surrounding inflation are boosting the demand for inflation-protected bonds, and amid fears of an economic slowdown, many investors are turning to safer government bonds as a preferred choice.

Despite these challenges, short-term bonds and diverse portfolios present good opportunities. Bonds remain essential for generating income, ensuring safety, and diversifying portfolios in uncertain times.





# Understanding FPO And How It Works In Indian Stock Market



## ... Introduction ...

Businesses often need capital to grow and sustain themselves. Whether expanding operations, paying off debts, or funding new projects, having access to capital is essential. Many business owners initially use personal savings, but the need for additional capital increases as the company grows. This is where the exciting world of public offerings comes into play.

You've probably heard about an Initial Public Offering (IPO) which is the first time a company issues its shares. However, what happens when a company still needs more money? There are many different forms of funding, and a follow-on public offering (FPO) is one of them.



It's a way in which a publicly traded company can issue more shares and raise further capital from investors.

FPOs offer stable capital which enables companies to sustain their present businesses and leverage on new, exciting opportunities.

## ... What Is An FPO? ...

A Follow-On Public Offering (FPO) is when a company that is already listed on the stock exchange issues new shares to the general public. Through an FPO, a company can issue shares to its existing shareholders and new investors.

FPOs seem to be the ideal alternative for firms having a good history and, above all, strong shareholders. However, the investors should realize how this FPO would affect the ownership and earnings per share of existing shareholders.



Companies issue FPOs generally with the aim of generating additional funds with which to improve their businesses, repay the loan, or finance acquisitions. The FPO process is almost like an IPO, as the company will draft an offering document and then issue shares to the investors before listing it on the stock exchanges.



## ... Why Do Companies Go For An FPO? ...

Companies issue FPO in order to raise more capital from the general public or investors.

Companies of the Indian financial scenario undertakes a Follow-on Public Offer for multiple strategic purposes, such as raised capital to expand the business, or research and development, or launching new lines of products.

FPO could also be resorted to reduce the debts, for regulatory compliance, to dilute the ownership, finance mergers and

acquisitions, and enhance the market visibility, to make strategic partnerships easier.



### Raising Additional Capital For Business

For several reasons, the company might need additional funding, including expanding operations or conducting research and development (R&D) for its products or services. Aggregate could also need funds, capital for the component of new product development, operational liquidity, paying down debt, etc.





**b**

## Dilution Of Ownership

The issue of ownership dilution arises when the organization would rather avoid too much control being in the hands of existing shareholders. When more investment happens, or we attract new shareholder/s, we dilute the ownership from existing ones, and gain added opportunities for diversification.



**C**

## Mergers And Acquisitions

Companies intending to acquire other businesses or assets may utilize an FPO to raise the necessary capital for such transactions swiftly.



**d**

## Enhanced Market Visibility

An FPO can also function as a promotional tool, garnering attention towards the company's potential for growth and potentially bolstering its stock price in the near term.



**e**

## Strategic Partnerships

At times, an FPO is issued to facilitate a new strategic partner's acquisition of a stake in the company, thereby contributing value through technology transfer, market access, or other synergies.





## Following Regulatory Compliance

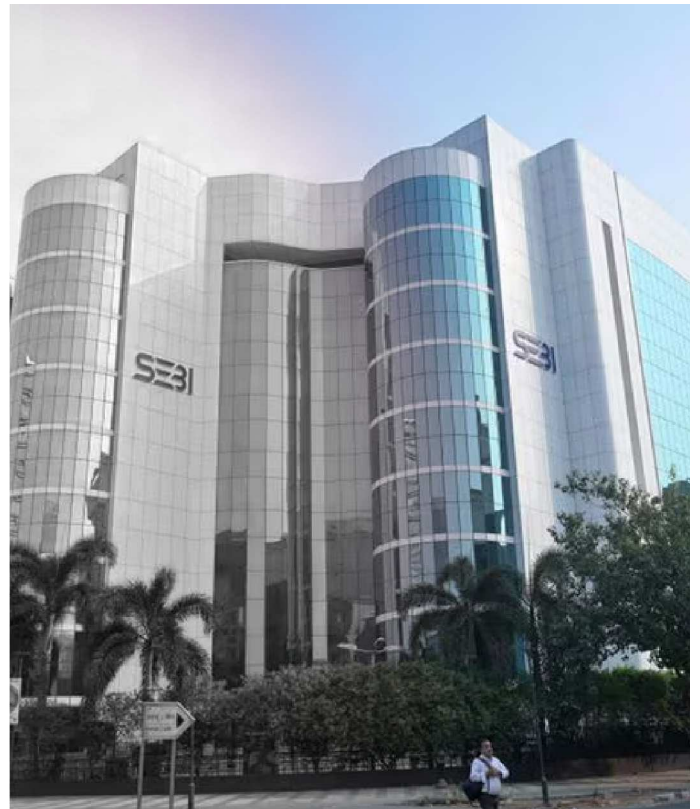
In India, publicly traded companies are obligated to maintain a minimum level of public shareholding as is specified by the market regulators. Companies that do not have sufficient public shareholding may carry-out a Follow-on Public Offering (FPO) to satisfy the regulatory requirement.



### ... Working And Regulations ... For An FPO In India

Issuing an FPO in India, as per this, the companies would adhere to the policies provided by the Securities and Exchange Board of India (SEBI). Moreover, guidelines of the Indian Companies Act, 2013 shall be followed by those companies who have planned going for an FPO in India.

According to Regulation 155 of SEBI (ICDR) Regulations, 2018, if a company satisfies the conditions set out as below, it shall not be required to file a draft offer document with SEBI for its observations relating to an FPO.



- The issuer's or the company's shares are listed on any stock exchange for the preceding 3 years.
- The entire promoter group is holding in Demat form.
- The average market capitalisation of the issuer's public shareholding is at least Rs. 1000 crore.
- The issuer should have an annualised trading turnover of at least 2% of the



weighted average number of equity shares listed during the preceding six months of the reference date.

- Annualised delivery-based trading turnover of the equity shares of at least 10% of the annualised trading turnover.
- Compliance with the SEBI (LODR) Regulations, 2015, for 3 years.
- Redressal of 95% of investor complaints, if any, till the end of the quarter preceding the reference date.
- SEBI has not issued show cause notices against the issuer, its promoters, or whole-time directors, or made any settlement order compliance.
- The issuer's equity shares were not suspended from trading in the preceding 3 years.
- The lead manager(s) and the issuer or its group companies have no conflict of interest.
- In case financial statements disclosed in offer documents contain any audit qualification, re-stated financial statements.



Shareholders who already own shares or existing company shareholders can participate in the FPO by buying more shares or selling some of their current ones. Consider investing in FPOs for a potentially profitable investment opportunity. Companies with a good track record of performance typically offer FPOs. FPOs can diversify your portfolio and yield higher returns.



# Conclusion

FPOs allow businesses to tap into the capital markets and raise additional funds without debt financing. Moreover, an investment in an FPO is less risky than investing in an IPO, because you have already built familiarity with the company. The fact that the company has previously gone public with an IPO means that you can verify its general financial report to get clarity on its current financial standing. You can dive deeper into the company to maximise the benefits of your FPO investment with less risk.



# Stock To Bet On



Manyavar



Chambal Fertilisers and Chemicals Ltd



Tata Chemicals Ltd



Chaman Lal Setia Exports Ltd

Exclusive Recommendation By:

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