

**Master of Business Administration  
(2023-2025)**

**Summer Internship Program- 2024  
Bharti AXA Life Insurance Company**



**Project Title**

**“Financial planning of individual to optimize returns through diversification including analysis of Opportunity Fund”**

**Submitted by:**

Anu Motiani  
23MBA105  
MBA-FT

**Faculty Mentor:**

Prof Bhavesh Patel,  
Faculty Guide, IMNU

**Organization Guide:**

Mr. Sonu Singh  
Branch Manager

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# 1. Acknowledgement

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I also like to thank my colleagues, for their unwavering assistance and cooperation throughout the internship. Their help, knowledge-sharing, and teamwork have been really helpful in making a number of initiatives and tasks a success.

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## 2. Executive Summary

During my internship at Bharti AXA, I worked to simplify personal financial planning, with a focus on investments and taxes.

The project brought attention to how important financial planning is in the ever-changing financial world of today. A clear plan gives people the ability to overcome obstacles, efficiently manage their assets, and eventually succeed financially. We underlined that the cornerstone of any successful plan is the establishment of clear financial objectives. All financial decisions are guided and focused by these objectives.

We looked into a number of investment options, such as stocks, bonds, mutual funds, property, and commodities. The project covered the importance of asset allocation and risk tolerance in creating a diversified and well-balanced investment portfolio. Throughout the project, case studies, hypothetical scenarios, and real-world examples were used to further clarify these concepts and techniques.

The project recognized the intricacies involved in taxation and investigated different legal strategies to reduce tax obligations. This included talking about tax-efficient investment accounts, deductions, and retirement planning. It's crucial to keep in mind that even though this project offers insightful information, it cannot take the place of customized financial guidance from a qualified expert. Since every person's financial situation is different, it is essential to seek advice specific to your situation.

We replicated and examined the Bharti AXA Opportunity Fund as part of the project. This study shed light on the fund's investment philosophy, which places a high priority on capital growth through the thoughtful distribution of stocks, some of which may be high-growth mid-capitalization stocks.

The overall goal of this project was to equip people with the information and tools needed to make wise financial decisions. People can optimize tax strategies, maximize investment returns, and eventually reach their financial objectives by knowing financial planning principles, investment options, and tax considerations.

### 3. Details of the report

<b>Author of the Report</b>	Anu Motiani
<b>Company Name</b>	Bharti AXA Life Insurance Company
<b>Industry</b>	Insurance
<b>Office Address</b>	2nd Floor, Apeejay Express Tower, Plot No. 87, Sec-17, Nr. Thakkar Tower, Besides Maharashtra State Co-op Bank, Vashi, Navi Mumbai-400703
<b>Organization Guide</b>	Mr. Sonu Singh
<b>Faculty Mentor</b>	Prof. Bhavesh Patel
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<b>Mode of Internship</b>	Offline

## **4. Part A: Profile of the Organization**

### **4.1. Bharti Axa Life Insurance**

Bharti Axa Life Insurance is a joint venture between Bharti Enterprises and AXA in year 2006. It started as JV with 74% stake of Bharti group and 26% stake of Axa group.

Later, it demerged the general insurance ICICI Lombard General Insurance Company Limited in 2021.

Presently, Bharti Life Ventures Pvt Ltd (BLVPL) the holding company of Bharti AXA Life Insurance, holds a 100 percent stake in the company.

Mr. Parag Raja is the Managing Director and Chief Executive Officer of Bharti AXA Life Insurance.

Some key highlights of the company:

- Claims Paid Percentage- 99.10%
- PAN INDIA Presence- 200+ Offices
- Assets Under Management- INR 15,300 Cr+.
- Ratings- BWRAA+(Stable), CARE AA; Stable
- Its purpose is- In a complicated world, we make insurance SIMPLE.
- It values sys, CORE

**C- Customer First**

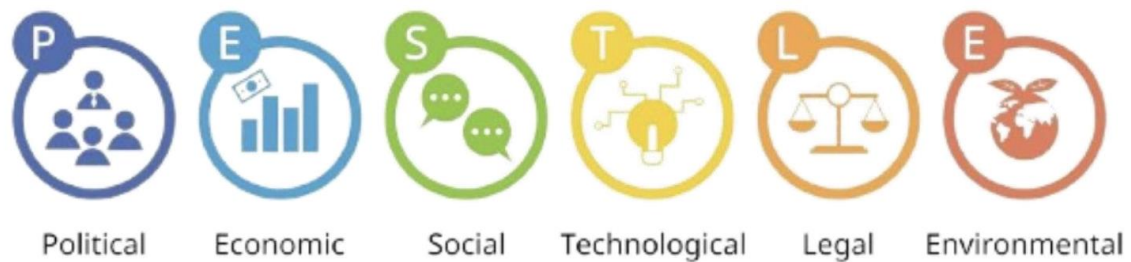
**O- Take Ownership**

**R- Do the Right thing**

**E- Excel everyday**

## 4.2. PESTEL Analysis

# PESTLE Analysis



PESTEL Analysis helps companies determine the macro-economic factors or external forces which are affecting the company operation or decision making.

### a. Political Factors:

Factors such, as government policies, rules, the environments stability and possible changes in leadership can have an effect on businesses. These factors can affect areas, like tax policies, trade statistics, government stability and the regulatory environment.

- The Indian government has been actively promoting insurance penetration through initiatives like financial inclusion and tax benefits.
- Government's Pradhan Mantri Jeevan Jyoti Yojana (PMJJBY) scheme offers affordable life insurance cover to a large section of the population. This increases insurance penetration, especially in rural areas

### b. Economic Factor:

These encompass the landscape encompassing factors such, as economic growth, inflation, exchange rates, job market conditions, disposable income levels and interest rates. These factors have an influence on consumer behaviours, investment decisions and the implementation of business strategies.

- As per the Insurance Regulatory and Development Authority of India (IRDAI), India will be the sixth-largest insurance market within a decade, leapfrogging Germany, Canada, Italy and South Korea, owing to robust demand.
- Increasing investments are an advantage to Indian insurance industry. As announced in November 2023, Zurich Insurance Group is set to acquire a majority stake in Kotak General Insurance, marking the first major foreign investment in India's insurance sector in eight years.

#### **c. Social Factor:**

Social aspects pertain to societal and cultural elements that impact businesses. This includes factors, like population growth, lifestyle patterns and values societal shifts, educational achievements and consumer habits. Recognizing trends enables companies to tailor their offerings, services and marketing approaches to meet the demands of their target audiences.

- India's young population is tech-savvy and ambitious. Gone are the days of solely traditional life insurance plans. Companies are now offering micro-insurance products that can be purchased easily through mobile apps, catering to the on-the-go, digitally connected youth.
- Bharti AXA Life Insurance mobile application that perfectly exemplifies how companies are catering to the young, tech-savvy population in India.

#### **d. Technological Factor:**

Technological factors encompass the advancements in technology that impact businesses. These encompass innovation, research and development (R&D) automation, digitalization, disruptive technologies, intellectual property rights and infrastructure. Embracing progress offers companies edges and avenues, for expansion.

- Emerging technologies like **InsurTech startups** are transforming the insurance landscape.
- Online-only insurance plans have attracted customers seeking a more convenient way. Robotic Process Automation (**RPA**) and **AI** will occupy center stage in insurance, driven by newer data channels, better data processing capabilities and advancements in AI algorithms.
- **Bots** have become mainstream in both the front and back-office to automate policy servicing and claims management for faster and more personalized customer service.



#### **e. Environmental factor:**

Environment pertains to factors linked to the surroundings that can influence businesses. This includes aspects such as climate change, environmental regulations, sustainability practices, carbon emissions footprint, energy usage, waste management. The trend is, towards companies adopting practices to minimize their footprint.

- Climate change events like floods and heatwaves can lead to increased mortality and morbidity rates. Life insurance companies are developing products with riders that provide additional coverage for such events, ensuring financial protection during these challenging times. **HDFC Life**, another leading life insurance provider in India, recognizes the growing threat of climate change. Their **Click2Protect+** life insurance plan offers a valuable **Natural Calamity Rider** to address this concern.
- There's a growing focus on Environmental, Social, and Governance (ESG) investing. Life insurance companies are increasingly offering products that align with sustainable practices. **SBI Life Insurance**, a major player in the Indian market, has embraced ESG investing with its **SBI Life Green Shielder** plan. This plan offers not only traditional life insurance coverage but also an investment option that

#### **f. Legal Factor:**

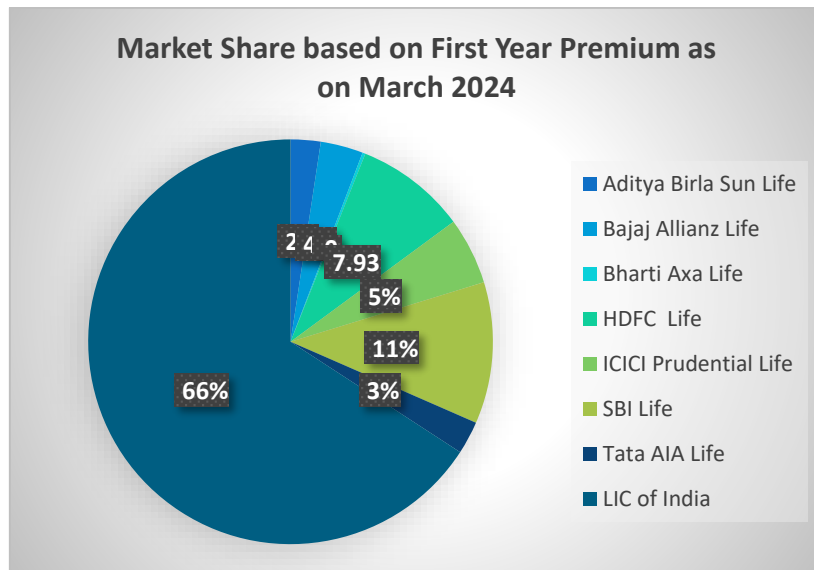
Legal elements consist of laws, regulations and legal frameworks that companies must adhere to. These incorporate labour laws, consumer protection laws, health and safety standards intellectual property rights competition laws product liability. Businesses need to conform with mandates to steer clear of issues penalties defamation concerns.

- FDI regulations in the life insurance sector currently allow for a maximum of **74% foreign ownership**. This balance aims to attract foreign capital and expertise while safeguarding the interests of domestic players.

### 4.3. Five Forces Framework Analysis

Analysing the factors impacting the life insurance business in India is necessary to understand its competitive environment. This is an analysis based on Porter's Five Forces Framework:

#### 1. Competitive Rivalry within the Industry (High)



Competitive contest refers to the intensity of competition among being players in the banking assiduity. Bharti AXA operates in a highly concentrated industry dominated by a few major players. LIC is the dominant player in the market, with a vast brand presence and extensive distribution network. Whereas HDFC Life, ICICI Prudential, SBI Life are the established private life insurance companies with strong brand recognition and diverse product offerings. This intense competition and domination by few companies can be seen by the market share based on first year premiums. Bharti Axa has on 0.21% market share, 66% is held by LIC and 11% by SBI Life highest among private companies.

#### 2. Threat of New Entrants (Moderate):

The Threat of new entrants refers to the liability of new challengers entering the banking assiduity. While regulations by IRDAI and established players create some barriers to entry in the Indian life insurance industry, Bharti AXA still faces threats from new entrants. Stringent regulations regarding capital adequacy, solvency margins, and agent licensing make it challenging for entirely new players to enter the market quickly. Established giants like LIC

and strong private companies hold a significant share of the market and brand recognition, making it difficult for newcomers to gain immediate traction. But government schemes promoting insurance penetration (e.g., Pradhan Mantri Jeevan Jyoti Bima Yojana - PMJJBY) create opportunities for new entrants with specialized, low-cost offerings. InsurTech startups leveraging technology to streamline processes, offer lower premiums, or create entirely new insurance models also disrupt the market and attract customers away from established players.

### **3. Bargaining Power of Buyers**

The Bargaining power of buyers refers to the capability of guests to impact prices, terms, and quality of products and services. Growing financial literacy, availability of choices and development of online aggregators are the main factors amplifying the bargaining power of buyer. Individuals actively research features, compare prices, and understand claim settlement processes. This empowers them to negotiate with company for better deals or walk away to competitors with more attractive offerings. In terms of availability, LIC is one dominant player but there are renowned private players too. This makes customer use the leverage to choose as per their fit. Online aggregators like Policybazaar gives customer an edge by giving them information and tools to compare the policies.

### **4. Bargaining Power of Suppliers (low)**

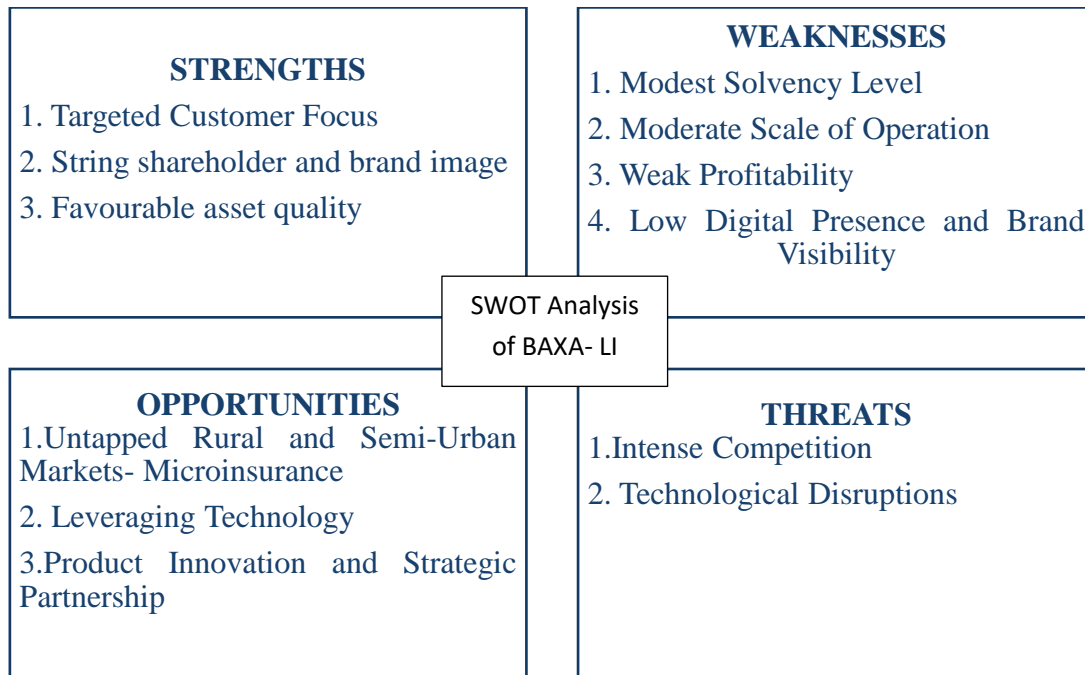
The logrolling power of suppliers refers to the influence of suppliers, similar as technology providers, on the banking assiduity. Suppliers with unique or critical products or services may have further influence in negotiating prices, terms, and conditions with banks. The presence of numerous reinsurers creates competition, giving Bharti AXA leverage in negotiating premiums and terms. Insurance Industry was largely dominated by offline channels like corporate agents, offline brokers or banks. Today, rapid digitization, product innovation and progressive regulation policies have made it possible for consumers to buy insurance improvements in operational efficiencies

### **5. Threat of Substitutes (Moderate):**

The trouble of backups refers to the vacuity of indispensable products or services that could fulfill the same requirements as those offered by Bharti Axa Life insurance Ltd. In the Indian life insurance market, Bharti AXA faces a moderate threat from substitutes when it comes to providing long-term financial protection and death benefits. Life insurance offers a combination of features like guaranteed payouts upon death, maturity benefits, tax benefits, and rider options. Fixed deposits (FDs) offer guaranteed returns but typically have lower interest rates compared to potential investment returns. They also lack the flexibility and risk protection benefits of life insurance. India's social security system has limited coverage, making life insurance even more crucial for retirement income planning and protection for dependents in case of death.

## 4.4. SWOT Analysis

It is also important to evaluate company's strategic position using a SWOT framework, identifying its Strengths, Weaknesses, Opportunities, and Threats (SWOT). Understanding these internal and external factors is crucial for Bharti AXA to develop effective strategies and achieve sustainable growth.



### a. Strengths

Bharti AXA leverages several key strengths to position itself competitively. Firstly, the company demonstrates a strong understanding of its customer base. By focusing on targeted customer segments, Bharti AXA tailors its product offerings to meet the specific needs and financial goals of these groups. There are products like: 1. Bharti Axa Life Shinning Stars for child's future planning 2. Bharti Axa Life Unnati pro future goals planning 3. Bharti Axa Life Ajeevan Sampatti+, Bharti Axa Saral Pension Plan for retirement planning 5. Bharti Axa Guaranteed Wealth Pro for savings along with life cover. This targeted approach allows them to develop products with features and benefits that resonate with their intended audience.

Secondly, Bharti AXA benefits significantly from its strong shareholder base. The partnership with Bharti Enterprises and AXA Group provides the company with several advantages. BAXA-LI is majority owned by Bharti Life Ventures Private Limited (BLVPL), holding 51% shareholding, and the remaining 49% being held by AXA India Holdings, Mauritius, as at the

end of June 2023. BLVPL is owned equally by Bharti Enterprises Holdings Private Limited (BEHPL) and Bharti Overseas Private Limited, which in turn are wholly owned by the Mittal family. Bharti Enterprises brings a deep understanding of the Indian market and a strong brand presence within the country. AXA Group, on the other hand, contributes its extensive global experience in the insurance industry, offering vital operational and strategic support. Additionally, both shareholders provide Bharti AXA with crucial financial flexibility..

Another strength lies in Bharti AXA's commitment to sound investment practices. The company maintains a favorable asset quality by adhering to strict investment guidelines set by regulatory authorities. Company has ₹15,300 Crore in assets under management. This prudent approach minimizes risk and ensures good liquidity, allowing Bharti AXA to meet its financial obligations to policyholders. Furthermore, the company boasts a high claim settlement ratio of 99.10%. This commitment to timely and efficient claim settlement fosters trust and confidence among customers, solidifying Bharti AXA's reputation in the market.

## **b. Weakness**

Four critical weaknesses are currently hindering Bharti AXA Life Insurance's (BAXA-LI) growth and competitive edge in the Indian life insurance market.

### **1. Modest Solvency Level**

While BAXA-LI maintains a solvency ratio exceeding the regulatory minimum, this level remains modest. The reported solvency of BAXA-LI was 1.70x as on June 30, 2023, above the mandated regulatory requirement of 1.5x. The solvency level increased from 1.63x as on March 31, 2023, owing to equity infusion of ₹135 crore in Q1FY24. A stronger solvency buffer would provide a crucial safety net against potential financial risks. The company's reliance on regular capital infusion from shareholders to maintain this level highlights this concern.

It's important to acknowledge BAXA-LI's efforts to mitigate risk through re-insurance. This approach helps manage high claims and conserve capital. Additionally, positive feedback from CARE Ratings regarding anticipated timely and adequate shareholder support provides some reassurance.

### **2. Moderate Scale of Operations**

Compared to established players, BAXA-LI operates at a moderate scale, reflected in their investment book size and market share. The consequences of this moderate scale are limited

reach and brand recognition, slower growth compared to peers, and difficulty competing for market share. The company started its operations in the year 2006 and has moderate scale of operations with an investment book of ₹12,927 crore at end-March 2023 compared with larger peers in the life insurance industry, albeit increased from ₹11,025 crore at end March 2022. It further grew to ₹13,445 crore at end-June 2023. Furthermore, the market standing of the company also remains moderate, with a market share of about 0.3% (based on first year premium) end-FY23.

### **3. Weak Profitability**

BAXA-LI continues to report net losses. Two primary factors contribute to this weak profitability:

i. High-Cost Agency-Based Distribution Model: BAXA-LI's reliance on a traditional agency-based distribution model incurs significantly higher expenses compared to alternative channels, eroding profitability.

ii. Lower Persistency Levels: Compared to industry peers, BAXA-LI experiences lower persistency levels, meaning a higher proportion of customers discontinue their policy payments after the initial year, resulting in lost revenue and further diminished profitability. However, the 13th month persistency has improved from 67.4% in FY22 to 69.4% in FY23.

### **4. Low Digital Presence and Brand Visibility:**

In today's digital world, a robust online strategy is crucial for insurance companies to reach a wider audience, particularly younger demographics comfortable with online transactions.

While Bharti AXA's 2021 campaign with Ankur Wariko suggests some past digital efforts, the lack of subsequent campaigns raises concerns. Company needs more of online and ad campaigns such as they had celebrity ad campaign with Vidya Balan in 2023.

### **c. Opportunities**

While facing competitive challenges, the company possesses exciting opportunities for growth.

**1. Untapped Rural and Semi-Urban Markets with Micro-Insurance:** A significant opportunity lies in the vast, untapped potential of rural and semi-urban markets. Only 24% of companies' business comes from the rural areas and company has 0 rural branches. These

regions have a large population with limited access to financial products and services like life insurance. By developing micro-insurance products like **LIC's Bhagya Lakshmi and SBI Life - Group Micro Shield**, Bharti AXA penetrate the rural region. This approach can contribute significantly to financial inclusion and drive growth for Bharti AXA.

## **2. Leveraging Technology for Enhanced Accessibility and Convenience**

Technology presents a powerful tool for Bharti AXA to improve accessibility and convenience for policyholders. Initiatives like Bharti AXA's "Project Serv-o-ttam" demonstrate a commitment to leveraging technology to enhance customer experience. **Bajaj Allianz Life's "Pocket Agent" app** exemplifies how technology can make life insurance products more accessible and user-friendly, particularly for customers in underserved markets.

## **3. Product Innovation and Strategic Partnerships**

Beyond micro-insurance, Bharti AXA can further capitalize on growth opportunities by **product Innovation. Innovative product like EtherLife** offers a new twist on life insurance - parametric life insurance on the blockchain. This can help company create edge in the highly competitive landscape of life insurance business.

### **d. Threats**

Bharti AXA Life Insurance faces significant challenges such as:

**1. Intense Competition:** As discussed above, company faces challenge in capturing market share due well established and well renowned public and private companies.

**2. Technological Disruption:** The emergence of InsurTech startups leveraging technology is transforming the insurance landscape. These startups like Policybazaar, Acko, etc offer online-only plans, AI-powered claims processing, and even blockchain technology, posing a threat to traditional insurance companies like Bharti AXA.

By acknowledging these challenges and proactively developing strategies to address them, Bharti AXA can position itself for sustainable growth in the Indian life insurance market



## 4.5. Key Trends in Indian Life Insurance Industry:

The Indian life insurance industry is undergoing a significant transformation, driven by several key trends:

1. **Development of New Distribution Channels:** Gone are the days of insurance being solely facilitated through traditional offline channels like agents and banks. The rise of InsurTech startups, coupled with supportive government initiatives and regulations, has led to a vibrant ecosystem of alternative distribution channels. While specialized firm applications like Canara HSBC Life Insurance's app provide easy policy administration and self-service features, online aggregators like PolicyBazaar make it simple to compare and buy insurance policies. Bancassurance is Collaborations between banks and insurance providers expand the availability and reach of insurance products via bank branches. Partnerships between Fintech platforms and insurance businesses take advantage of pre-existing user bases and facilitate the smooth integration of insurance products with other financial services.

2. **Adoption of Mobile Applications:**The industry's dedication to provide mobile-first experiences is demonstrated by the introduction of cutting-edge mobile apps like PolicyBazaar and HDFC ERGO General Insurance. These applications meet the demands of users by providing features such as: Chatbots and virtual assistants, Easy access to policy details, premium payments, and fund value tracking.

3. **Data-Driven Insights and Transparency:** Platforms like PolicyX.com's index provide transparency by tracking changes in premium prices, allowing consumers to make informed decisions. utilizing data from health apps, wearables, and predictive analytics streamlines the underwriting process for the tech-savvy younger generation. This allows for faster policy decisions and potentially more competitive premiums.

By embracing innovation, transparency, and a customer-centric approach, Indian life insurance companies is positioning themselves to thrive in a rapidly evolving market and meet the financial security needs of future generations.

## **5. Part b: Details about the Project**

**Project Title: Financial planning of individual to optimize returns through diversification including analysis of Opportunity Fund.**

**5.1. Objective of the Project:** The objective of the project is to design a personalized financial plan for optimal returns, tailored to individual's specific goals, risk tolerance, and finances. Diversification is key, hence thorough work will be done in understanding its role in financial planning. Along with this, the other important aim of this project is to analyze Opportunity Fund of company and create a fund based on the research that could help in understanding the existing fund better and also in finding the potential recommendations for the existing fund

### **5.2. Financial Planning**

Financial planning is an essential first step in helping individuals and organizations achieve their financial goals and ensure long-term financial stability. The importance of financial planning for this project resides in its capacity to give people a systematic way to manage their money, make wise investment choices from various financial asset classes, and optimise their tax results.

### **5.3. Importance of Financial Planning**

- **Goal Alignment:** Through the use of financial planning, people can align their tax and investment strategies with their own financial objectives, such as covering education costs, accumulating savings for retirement, or buying a home. It provides a way forward for accomplishing these goals successfully.
- **Risk Management:** A step in the financial planning process is risk assessment and management. By helping individuals evaluate their capacity and risk tolerance, it gives them the power to make wise financial decisions within their comfort zones. Effective risk management techniques can protect investments and reduce potential losses.
- **Maximizing Returns:** Here, by using an example of financial planning, investors can increase their returns. Using Risk Return Trade-off analysis and diversification and

looking at various classes of investment can help the investors minimise risks and maximise rewards.

- **Tax Efficiency:** When recommending investments, financial planners consider the tax consequences that come with them. By using tax-efficient strategies, people can save on taxes, receive the most earnings on after-tax basis, and use all the available tax benefits and incentives.
- **Long-term Financial Security:** During the road-map of financial planning, the people are in a position to develop suitable long-term financial objectives. Through the help of it, especially the cash flow statement the organizations or individuals can plan for their future taxes and investments so as to maintain their financial stability as long as is possible because the life and the financial health depends on factors like; market swings, inflation, and new changed fiscal goals and objectives.
- **Accountability and Monitoring:** By providing a sensible framework around which investment performance and taxation link can be assessed and regulated, financial planning is promoted. It assists them stay tactical so as to realize the intended objectives on the finances; perceiving some as barriers or as potentialities to adjust the tax and investment.
- **Financial Empowerment and Education:** Those who are in between the process of financial planning know aspects like investment, taxation among other effects of personal finance. With these details, the individuals can begin to take the controls of their lives, especially in the area of personal finance for better financial outcomes.

#### **5.4. Setting Financial Goals**

The first element that needs to be identified in establishing the business financial goals for this project is the specific goals that individuals have towards financial planning and investment. An effective set of financial objectives must also be SMART – Specific, Measurable, Achievable, Relevant, and Time-bound. A goal statement must therefore include what is to be done and by when, and how it is to be done. One of the aspects that should be addressed is the fact that goals must be frequent in changing as the conditions change or new goals are established. Here are some examples of financial goals that could be considered:

- Retirement planning: establishing a target to save enough money for a comfortable retirement while considering preferred lifestyle, retirement age, and anticipated expenses.
- Education Funding: Setting a goal to save for children's educational fees, such as those associated with professional or college courses, while taking time horizons and estimated costs into account.
- Emergency Fund: Establishing a goal to accumulate an emergency fund that provides financial security during unforeseen events and covers several months' worth of living expenses.
- Debt repayment: To lessen financial pressures and interest payments, set a goal to pay off high-interest debts, including credit card balances or loans, within a set timeframe.
- Homeownership: deciding to save money for a down payment on a house or to pay off an existing mortgage with the intention of becoming a homeowner and achieving long-term stability.
- Wealth Accumulation: Setting a long-term objective to increase personal wealth through wise investments and wealth-building techniques to achieve financial independence and wealth preservation.
- Tax Optimisation: Setting a goal to reduce tax obligations with tax-efficient investment strategies and the use of readily accessible tax deductions, credits, or incentives.

### 5.5. Risk Assessment and Risk Tolerance

Risk assessment is assessing the possible risks connected to various investment possibilities and comprehending the possibility and potential effects of those risks on a person's financial objectives. It entails evaluating variables like market turbulence, economic conditions, sector specific hazards, and personal investment characteristics. The project can examine several risk assessment-related topics, such as

- **Market Risk:** Analysing the general state of the market and any potential alterations that might have an impact on investment returns.
- **Sector/Industry Risk:** Analysing risks particular to sectors or industries that could affect the performance of investments.
- **Company-specific Risk:** Examining the risks unique to a particular company, such as its financial stability, the calibre of its management, or its competitive position.

- **Liquidity Risk:** Considering how easily investments can be bought or sold without having a substantial impact on their market value.
- **Regulatory and Legal Risk:** Determining potential risks associated with modifications to tax laws, regulations, or legal structures that may have an impact on investment strategies and tax implications.

Risk Tolerance: The capacity and readiness of a person to accept investing risks is referred to as risk tolerance. It is influenced by several variables, such as one's own financial status, investing objectives, time frame, and level of comfort with market volatility. The following areas of this project can be used to investigate risk tolerance.

. Determining a person's ability to handle future investment losses without jeopardising their overall financial security.

- **Risk Preference:** Determining a person's irrational attitudes and inclinations towards risk, such as whether they are a conservative, a moderate, or an aggressive investor.
- **Time Horizon:** Considering how long it will take someone to reach their financial objectives. People with longer time horizons may be more able to tolerate short-term market swings.
- **Investment Knowledge and Experience:** Considering a person's level of knowledge and expertise in financial and investment concerns, as this may affect their risk tolerance. It is essential to comprehend a person's risk assessment and risk tolerance to develop investment strategies and recommendations that are compatible with their level of comfort and financial objectives. It enables the creation of investment portfolios that consider tax ramifications and strike a suitable balance between risk and prospective profits.

## 5.6. Asset allocation

The initiative on financial analysis of individuals for investment and tax purposes includes diversification and asset allocation as major elements. They are essential in creating investment portfolios that control risk, maximise returns, and match investors' financial objectives. An outline of the project's asset allocation and diversification is provided below: Determining the best way to distribute investments among various

asset types, such as stocks, bonds, real estate, and cash equivalents, is known as asset allocation. The following issues of asset allocation could be investigated in the project.

- Understanding the trade-off between risk and possible rewards associated with various asset classes and their past performance.
- Asset Class Characteristics: Examining the features that contribute to the volatility, correlation, and inflation protection of different asset classes as well as their dynamics and behaviour.
- Strategic Allocation: Creating an asset allocation strategy for the long term based on a person's risk tolerance, financial objectives, and time horizon.
- Tactical Allocation: Considering quick changes to asset allocation in response to shifting market circumstances or investment opportunities.

## 5.7. Diversification

Spreading investments over a variety of assets within each asset class reduces risk and lessens the influence of the performance of any one investment. People can balance risk and return in their investing portfolios by comprehending and putting into practise smart asset allocation and diversification techniques. To maximise tax efficiency and reduce potential tax burdens connected with investment income and gains, it is also crucial to take tax consequences of asset allocation decisions into account. The project can explore the following aspects of diversification:

- **Portfolio diversification:** Creating investment portfolios with a variety of various asset classes, sectors, industries, and geographical areas.
- **Correlation Analysis:** Determining potential for diversification and risk reduction by examining the correlation between different asset classes and specific investments.
- **Risk management:** Analysing how diversity could help to reduce investment risks and portfolio volatility.
- **Rebalancing:** Regularly assessing and rebalancing the investment portfolio to preserve the intended percentages of asset allocation and risk profile.

### Strategies for Diversification

There are various strategies that the investors use in formulating their portfolio. These have to do with diversification of investment in as far as the instruments is concerned , the sectors and the regions in order to get better on the returns and worst on the risks.

#### 1. Asset Class Diversification

With this strategy employed, the different categories of the investment are made in real estates, equities and others. Therefore, it is crucial to state that quality of all the asset classes was determined as possessing distinct risk and return characteristics.

- **Stocks:** In particular, to invest in the companies, is one of the most efficient and simultaneously one of the most dangerous occupations.
- **Bonds:** Very safe forms of debt securities that entail minimal credit risk to the investor.
- **The real estates** on this context are either the fixed assets or the Real Estate Investment Trusts (REITs) with income and growth characteristics.

- Foodstuff realizations, oil, gold and others are hoods that have physical characteristics, thus may act as inflation hedges.
- Stocks: High-risk, high-reward investments that represent ownership in companies.
- Bonds: Lower-risk investments that provide fixed interest payments.
- Real Estate: Physical properties or Real Estate Investment Trusts (REITs) that offer income and potential appreciation.
- Commodities: Physical goods like gold, oil, and agricultural products that can act as hedges against inflation.

## **2. Industry/Sector Diversification**

Investing in a variety of industries or sectors also mitigate sector-specific risks. For example, an investor could spread their investments across technology, healthcare, finance, and consumer goods. If one sector underperforms due to economic or regulatory changes other sectors may compensate with better performance.

## **3. Geographic Diversification**

Investing in different geographical regions can protect against country-specific risks such as political instability, economic downturns or currency fluctuations. By including both domestic and international investments, an investor can take advantage of growth opportunities in various markets around the world.

## **4. Diversification by Investment Style**

This involves mixing different investment styles such as growth investing and value investing. Growth investors focus on companies expected to grow at an above-average rate while value investors look for undervalued stocks that are trading for less than their intrinsic value.

## **5. Time Diversification**

Also known as dollar-cost averaging, this strategy involves regularly investing a fixed amount of money into a particular investment or portfolio over time. This approach reduces the impact of market volatility by spreading out the purchase price over multiple periods.



## **6. Diversification by Market Capitalization**

Investing in companies of different sizes such as large-cap, mid-cap, and small-cap stocks, can balance stability and growth potential. Large-cap stocks are generally more stable but offer slower growth while small-cap stocks can provide higher growth but come with greater risk.

## **7. Diversification through Alternative Investments**

Including alternative investments such as hedge funds, private equity, or venture capital in a portfolio can further reduce risk and improve returns. These investments often have low correlation with traditional asset classes and can provide unique growth opportunities.

## 5.8. Investment Strategies

1. **Buy and Hold Strategy:** Thinking about a long-term investing strategy in which investments are held for a considerable amount of time, concentrating on fundamental analysis, and hoping to gain from compounding growth.
2. **Value Investing:** Investigating the tactic of spotting undervalued investments and profiting from market inefficiencies, considering elements including firm fundamentals, valuation measures, and prospective catalysts.
3. **Growth investing:** Examining investments that have a high potential for growth, usually in sectors or industries with promising futures, and considering variables like revenue growth, market share, and innovation.
4. **Income Investing:** Considering investments that produce consistent income, such as dividend-paying stocks, bonds, or real estate holdings, with a focus on steady cash flows and enticing yield.
5. **Tax-Efficient Investing:** Analysing investment techniques that attempt to reduce tax obligations, such as purchasing life insurance and general insurance to take advantage of section 80C, 80D, and other tax exemptions up to Rs. 1,50,000.

## 5.9. Financial Planning of Mr. Sahil and Ms. Anushka

<b>Personal Details</b>		
<i>Name</i>	<b>Sahil</b>	<b>Anushka</b>
<i>Age</i>	<b>34</b>	<b>34</b>
<i>Profession</i>	<b>CA</b>	<b>Sales Manager</b>
<i>City</i>	<b>Mumbai</b>	<b>Mumbai</b>
<i>Smoking habit</i>	<b>No</b>	<b>No</b>
<i>Drinking habit</i>	<b>No</b>	<b>No</b>
<i>Risk Capacity</i>	<b>Moderate</b>	<b>Moderate</b>
<i>Risk Tolerance</i>	<b>Moderate</b>	<b>Moderate</b>
<i>Retirement Age</i>	<b>60</b>	<b>60</b>
<i>Life Expectancy</i>	<b>85</b>	<b>85</b>
<i>Marital status</i>	<b>Married</b>	<b>Married</b>
<i>Residential status</i>	<b>Indian</b>	<b>Indian</b>
<i>Child</i>	<b>2</b>	<b>2</b>
<i>Spouse employment status</i>	<b>Yes</b>	<b>Yes</b>

As a part of this study and to understand the financial planning in detail, the financial planning of this couple will be undertaken and step by step each investment option after thorough study will be decided as per the goals. The above table gives the profile of the individuals. The following is the salary of both the individuals. The Complete detail of their benefits and deductions as a part of the salary are as follows:

Names	Mr. Sahil		Ms. Anushka	
	Amount/PM	Annual	Amount/PM	Annual
Basic Salary	₹ 75,000.00	₹ 9,00,000.00	₹ 50,000.00	₹ 6,00,000.00
House Rent Allowance	₹ 37,500.00	₹ 4,50,000.00	₹ 25,000.00	₹ 3,00,000.00
Conveyance allowance	₹ 1,600.00	₹ 19,200.00	₹ 1,600.00	₹ 19,200.00
Medical Allowance	₹ 1,250.00	₹ 15,000.00	₹ 1,250.00	₹ 15,000.00
CCA	₹ 7,500.00	₹ 90,000.00	₹ 4,500.00	₹ 54,000.00
Mobile and Internet	₹ 5,000.00	₹ 60,000.00	₹ 2,000.00	₹ 24,000.00
Other Allowance	₹ 3,287.50	₹ 39,450.00	₹ 3,075.00	₹ 36,900.00
Gross Salary	₹ 1,31,137.50	₹ 15,73,650.00	₹ 87,425.00	₹ 10,49,100.00
PF (Employee)	₹ 9,000.00	₹ 1,08,000.00	₹ 6,000.00	₹ 72,000.00
ProfessionalTax	₹ -	₹ -	₹ -	₹ -
Net Salary	₹ 1,40,137.50	₹ 16,81,650.00	₹ 93,425.00	₹ 11,21,100.00
PF (Employer)	₹ 9,862.50	₹ 1,18,350.00	₹ 6,575.00	₹ 78,900.00
ProfessionalTax	₹ -	₹ -	₹ -	₹ -
Monthly CTC	₹ 1,50,000.00	₹ 18,00,000.00	₹ 1,00,000.00	₹ 12,00,000.00

Name	CTC
Mr. Sahil	₹ 1,50,000.00
Ms. Anushka	₹ 1,00,000.00

Basic Salary	50%	of CTC	Fully Taxable
HRA	50%	of basic	Partially Taxable
CCA		Variable	Fully Taxable
Conveyance Allowance	upto	₹ 1,600.00	Tax exempted, over and above is taxable
Medical Allowance	upto	₹ 1,250.00	Tax exempted, over and above is taxable

PF		
Employee	12%	of Basic
Employer	13.15%	of Basic

### Assumptions

As A part of this exercise for the understanding financial planning, we will be following assumptions.

ASSUMPTIONS		
<i>Location</i>	<b>Mumbai</b>	
<i>Inflation</i>	<b>6.00%</b>	Conservative from predicted 4.5%
<i>Automobile price increase</i>	<b>7.00%</b>	
<i>Mediclaime Premium Increase</i>	<b>8.00%</b>	
<i>Child's Education price increase</i>	<b>6.00%</b>	
<i>SBI a/c interest rate</i>	<b>3.50%</b>	

<i>Multi Cap Fund</i>	<b>13.00%</b>	Conservative from selections
<i>Large Cap Fund</i>	<b>12.00%</b>	
<i>Large &amp; Mid Cap Fund</i>	<b>14.00%</b>	
<i>Mid Cap Fund</i>	<b>16.00%</b>	
<i>Small Cap Fund</i>	<b>18.00%</b>	
<i>Aggressive Hybrid Fund</i>	<b>11.50%</b>	
<i>Arbitrage Fund</i>	<b>10.00%</b>	
<i>Conservative Hybrid Fund</i>	<b>9.50%</b>	
<i>Fixed Maturity Plans - Debt</i>	<b>6.00%</b>	
<i>Gilt Fund</i>	<b>5.50%</b>	
<i>ELSS</i>	<b>10.00%</b>	
<i>EPF</i>	<b>8.50%</b>	Real present rates
<i>NPS</i>	<b>9.00%</b>	
<i>PPF</i>	<b>7.10%</b>	
<i>NSC</i>	<b>6.80%</b>	

## 5.10. Investment Options

- **Equity:** Examining equity investments in publicly listed businesses, which includes comprehending elements like stock selection, fundamental research, and corporate performance.
- **Bonds:** Investigating fixed-income investments including corporate, municipal, and government bonds while considering variables like credit quality, interest rate risk, and income creation.
- **Mutual Fund and Exchange-Traded Fund (ETFs):** Examining factors like fee ratios, investment goals, and prior performance while researching investment vehicles that combine money from many participants to invest in a wide portfolio of stocks, bonds, or other assets.
- **Real Estate Investment:** investing in residential or commercial real estate, including rental properties, REITs, and real estate crowdfunding.
- **Alternative Investments:** Investigating non-traditional investment possibilities while considering associated risks and potential rewards, such as commodities, precious metals, hedge funds, private equity, venture capital, or cryptocurrencies.

## 5.10.1 Equity

The allocation of funds across different sectors is necessary for diversification. A well-diversified portfolio not only in various business but in variety of sectors ensure stability and growth potential.

To make informed decisions about sector allocation, a sectoral decision matrix is used. It evaluates various sectors based on multiple financial metrics. The sectors are selected based on the top sectors in Indian Stock Market. (Sector Scan, 2024) gives the real time data on the well performing sectors. Further, the sectors are evaluated on the various parameters to decide the sectors in which the individual must invest in.

### Parameters for Evaluation and Analysis of Sectors

SECTOR ALLOCATION																		
Name of the Sector	Qtr Change %	Rank	PE Ratio	Rank2	PE to Growth	Rank3	Price to Book	Rank4	Return on Equity	Rank5	Return on Capital Employed	Rank6	Dividend Yield 1 year %	Rank7	Total	Ranking	% Allocation	
Aerospace & Defence	19.55%	3	47.6	11	28.9	17	11.2	10	21.4	7	20.4	8	0.75%	9	65	8	5.26%	
Automobiles	13.97%	6	33.4	7	1.4	3	7.4	4	14.6	16	16.7	11	0.82%	8	55	12	7.89%	
Banks	9.27%	8	22.1	1	1.4	3	5.2	1	19.2	10	11	16	0.94%	7	46	16	10.53%	
Beverages	-1.20%	14	30	4	5.2	12	10.7	9	22.7	6	26.7	5	1.95%	2	52	14	9.21%	
Construction	10.40%	7	39.79	8	5.16	11	8.66	7	12.46	17	13.88	14	0.65%	12	76	3	1.97%	
Diversified FMCG	-6.22%	16	58.5	13	11.3	13	25.8	15	37.9	3	35.6	3	1.31%	4	67	6	3.95%	
Finance	7.69%	10	26.82	3	1.3	1	7.11	2	16.02	12	14.95	12	0.56%	13	53	13	8.55%	
Food Products	-3.04%	15	69.91	14	19.39	15	53.04	17	72.4	2	52.6	1	1.09%	6	70	5	3.29%	
IT - Software	-0.14%	13	31.79	5	4.41	9	11.56	11	33.64	4	41.19	2	1.88%	3	47	15	9.87%	
Hotels Restaurants & Tourism	21.35%	1	82.7	16	1.3	1	12.4	12	15.2	14	14.7	13	0.16%	16	73	4	2.83%	
Chemicals & Petrochemicals	3.28%	12	51.6	12	3.2	6	8.7	8	19.6	9	21.7	7	0.66%	11	65	8	5.26%	
Pharmaceuticals & Biotechnology	7.97%	9	41.7	9	3.8	7	7.4	4	15.3	13	18.8	9	0.70%	10	61	11	7.24%	
Power	19.75%	2	32.06	6	14.38	14	16.13	14	20.51	8	10.82	17	1.26%	5	66	7	4.81%	
Retailing	15.68%	4	126.3	17	20.7	16	25.9	16	17.3	11	17.3	10	0.11%	17	91	1	0.86%	
Telecom - Services	14.62%	5	74.8	15	4.8	10	7.3	3	14.8	15	12.1	15	0.30%	15	78	2	1.32%	
Entertainment	5.80%	11	47.15	10	4.01	8	13.54	13	111.01	1	26.52	6	0.44%	14	63	10	6.58%	
Cigarettes & Tobacco Products	-6.42%	17	25.92	2	2.03	5	7.6	6	27.51	5	35.38	4	3.60%	1	40	17	11.88%	
<b>Total</b>															<b>152</b>		<b>300%</b>	

#### 1. Quarterly Change % (Qtr Change %):

- This metric indicates the percentage change in sector performance over the last quarter. A positive change suggests growth and momentum, while a negative change may signal declining performance. For example, the Hotels, Restaurants & Tourism sector shows a significant increase of 21.35%, indicating strong recent performance.

#### 2. PE Ratio (Price-to-Earnings Ratio):

- The PE ratio helps assess whether a sector is overvalued or undervalued compared to its earnings. A lower PE ratio typically suggests that the sector is undervalued, making it potentially attractive for investment. For instance, the Banks sector has a relatively low PE ratio of 22.1, making it appealing compared to other sectors like Aerospace & Defence with a PE ratio of 47.6.

#### 3. PE to Growth:



- This ratio combines the PE ratio with growth rates, offering a more comprehensive view of valuation relative to growth potential. A lower PE to Growth ratio is favorable. The Banks sector, with a PE to Growth ratio of 1.4, appears attractive compared to sectors like Construction with a ratio of 5.16.

**4. Price to Book:**

- The Price-to-Book ratio compares a sector's market value to its book value, helping to identify undervalued sectors. Sectors like Banks and IT - Software, with lower Price to Book ratios of 5.2 and 11.56 respectively, may be considered more attractive investments.

**5. Return on Equity (RoE):**

- RoE measures the profitability of a sector relative to shareholders' equity. Higher RoE values indicate more efficient use of equity to generate profits. For example, the IT - Software sector boasts a high RoE of 33.64%, suggesting strong profitability.

**6. Return on Capital Employed (RoCE):**

- RoCE assesses a sector's profitability relative to the total capital employed. A higher RoCE indicates better efficiency in generating returns from capital. The IT - Software sector also excels here with a RoCE of 41.19%.

**7. Dividend Yield:**

- This metric shows the annual dividend income relative to the sector's share price. Higher dividend yields provide steady income streams for investors. For example, the Beverages sector offers a high dividend yield of 1.95%.

**Stock Evaluation and analysis:**

Furthermore, the top performing sectors across the parameters are selected and the top performing equities in the particular sector are evaluated.

Industry	Stocks	Market Cap	Rank	P/E Ratio	Rank	EPS	Rank	ROE %	Rank	ROCE %	Rank	EV/EBITDA	Rank	Total
Aerospace & Defence	Bharat Electronics Ltd.	1,70,683.34	1	47.39	1	4.93	1	23.52	1	31.32	2	31.58	1	7
	Hindustan Aeronautics Ltd	2,43,307.03	2	39.6	2	91.87	2	27.17	2	30.59	1	24.26	2	11
Automobiles	Ashok Leyland Ltd.	52,369.40	1	21.21	6	8.41	1	17.6	4	21.38	4	12.13	6	22
	Tata Motors Ltd.	3,38,522.82	5	39.96	1	25.49	2	12.9	1	7.81	1	41.73	1	11
	Maruti Suzuki India Ltd.	3,85,663.49	6	32.26	4	380.25	6	14.06	2	17.83	2	20.8	4	24
	Mahindra & Mahindra Ltd	2,57,528.60	4	25.18	5	82.25	3	16.16	3	18.53	3	15.38	5	23
	Eicher Motors Ltd.	1,17,798.03	2	33.53	3	128.3	4	22.24	6	29.61	6	22.34	3	24
	Bajaj Auto Ltd	2,53,072.26	3	36.28	2	249.86	5	21.64	5	28.46	5	26.45	2	22
Banks	HDFC Bank Ltd.	11,53,932.75	5	20.48	3	74.17	5	17	3	1.95	3	19.26	2	21
	ICICI Bank Ltd.	7,75,624.75	4	19.73	4	55.96	2	17.53	4	2.13	4	18.34	3	21
	Axis Bank Ltd.	3,31,336.03	1	27.6	1	38.89	1	7.98	1	0.77	1	17.64	4	9
	State Bank of India	6,83,893.01	3	11.98	5	63.95	3	18.05	5	0.96	2	14.68	5	23
	Kotak Mahindra Bank Ltd.	3,60,420.00	2	27.42	2	66.12	4	14.12	2	2.38	5	20.78	1	16
Beverages	Varun Beverages Limited	1,80,077.86	1	101.44	1	13.66	1	28.22	1	25.09	1	59.04	1	6
Construction	Larsen & Toubro Ltd.	5,05,774.95	1	52.46	1	70.13	1	11.34	1	13.93	1	34.88	1	6
Diversified FMCG	ITC Ltd.	5,36,967.87	2	26.21	2	16.41	1	29.55	2	38.49	2	19.03	2	11
	Hindustan Unilever Ltd.	5,24,499.26	1	51.12	1	43.67	2	20.13	1	26.63	1	34.18	1	7
Finance	Bajaj Finance Ltd.	4,48,210.10	2	37.1	1	194.84	2	22.23	2	12.32	2	16.84	1	10
	Muthoot Finance Ltd.	66,937.71	1	17.18	2	97.05	1	17.63	1	12.06	1	10.34	2	8
Food Products	Britannia Industries Ltd.	1,14,454.59	1	54.24	2	87.6	2	76.63	1	57.47	1	35.36	2	9
	Nestle India Ltd.	2,44,529.54	2	81.55	1	31.1	1	108.52	2	152.61	2	53.06	1	9
IT - Software	Infosys Ltd.	6,16,300.05	3	24.99	4	59.4	2	34.33	3	46.41	3	16.53	4	19
	Tata Consultancy Services Ltd.	14,47,741.54	4	33.24	2	120.39	3	59.6	4	79.73	4	22.83	2	19
	LTIMindtree Ltd.	1,44,791.31	2	32.29	3	151.38	4	29.15	2	38.37	2	21.13	3	16
	Tech Mahindra Ltd.	1,21,323.18	1	53.26	1	23.32	1	14.92	1	18.88	1	31.78	1	6
Leisure Services	Indian Railway Catering &Tou. Corp. Ltd.	84,612.00	2	76.52	2	13.82	2	46.26	2	63.01	2	51.64	1	11
	Jubilant Foodworks Ltd.	30,441.96	1	119	1	3.88	1	17.03	1	32.66	1	26.83	2	7
Petroleum Products	Reliance Industries Ltd.	19,85,379.37	1	44.44	1	66.03	1	9.05	1	9.81	1	25.65	1	6
Pharmaceuticals & Biotechnology	Zyqus Lifesciences Ltd.	96,814.80	1	38.31	1	25.11	1	11.38	1	13.45	1	23.88	1	6

We have used a range of financial metrics including Market Cap, P/E Ratio, EPS, ROE, ROCE, and EV/EBITDA to evaluate each equity. This detailed analysis have assisted in making informed decisions about which equities to include in a diversified investment portfolio.

### **5.10.2. Mutual Funds:**

Mutual funds are investment instruments that pool money from multiple investors and invest in a diversified portfolio of securities such as stocks, bonds, or a combination of both. They are managed by professional investment managers who make investment decisions on behalf of the fund's shareholders. For evaluating mutual funds, various parameters have to be considered. Lets understand the various types of the funds and then the evaluation parameters.

#### **Types of Mutual Funds based on Asset Class:**

1. Equity Funds: These funds invest primarily in stocks and aim to provide capital appreciation. They offer the potential for high returns but also carry higher risk due to stock market fluctuations.

2. Debt Funds: These funds invest primarily in fixed-income securities, such as bonds, and aim to provide regular income. They offer lower risk and returns compared to equity funds.

3. Hybrid Funds: These funds invest in a combination of equity and debt securities and aim to provide a balance of capital appreciation and regular income. The asset allocation between equity and debt can vary depending on the specific fund's objective.

#### **Points to be considered while investing in mutual funds**

- Diversification: Mutual funds offer instant diversification by investing in a range of securities. By spreading out investment risk, diversification reduces exposure to particular stocks or sectors of the economy.

- Expert Management: Mutual funds are supervised by experienced fund managers who have a background in security analysis and selection. The fund manager is in charge of making investment decisions based on the stated investment objective and strategy of the fund.

- Variety of Investment Options: To accommodate the goals and interests of different investors, mutual funds offer a range of investment options. They can be categorized using asset classes (equity funds, bond funds, money market funds), investing philosophies (growth funds, value funds), or sector-specific funds (technology funds, healthcare funds).

Mutual funds are affordable and accessible to both individual and institutional investors. They frequently only need a small down payment, enabling investors to get started with a little

amount of money. For this reason, mutual funds are an accessible investment option available to a wide range of investors.

- Liquidity: Mutual fund investments are generally regarded as liquid. Investors may buy or sell fund shares at the net asset value (NAV) of the fund on any business day. As a result, investors are free to make and take out investments.

- Transparency: Mutual funds are required to disclose information about their holdings, performance, expenses, and investment strategies. This transparency enables investors to manage their money wisely and effectively.

- Dividends and Capital Gains: While capital gains may be realized through the sale of securities held in the fund's portfolio, income-focused funds normally pay out dividends.

Investors have the option to reinvest these payments or accept them in cash.

- Costs and Fees: These can vary depending on the mutual fund's asset class, structure, and management style. Typical fees include management fees, operational expenses, and sales loads (either front- or back-end). It's important to carefully read the fund's prospectus and understand any associated fees.

- Risk and Performance: Mutual funds are subject to investment risks, such as the possibility of principal loss. The performance of a mutual fund is determined by the underlying securities and the portfolio management abilities of the fund manager. Because past performance does not guarantee future outcomes, it is important to take into account a fund's performance over multiple market cycles.

- Research and Due Diligence: Before making an investment in mutual funds, you should conduct a thorough investigation and exercise due diligence. Take into account factors such as the investment objective, historical performance, risk profile, expense ratio, fund manager track record, and reputation of the fund company.

#### **Evaluation Parameters Used:**

- **Crisil Rank/Rank 1Y**: A ranking assigned by the credit rating agency Crisil, possibly based on the scheme's performance over the past year.
- **AUM (Cr)**: The scheme's total Asset Under Management in Crore rupees.

- **CYTD YTD TY:** These represent the scheme's year-to-date, one-year, and three-year returns, respectively.
- **Beta:** A measure of the volatility of the scheme compared to a benchmark index.
- **Sharpe Ratio:** A measure of risk-adjusted return.
- **Jenson's Alpha:** A measure of the alpha or excess return of the scheme compared to the expected return based on its beta.
- **Treynor's Ratio:** A measure of the risk-adjusted return relative to the volatility of the underlying assets.

## Evaluation of the Funds:

Equity Fund	Equity Fund														
	Scheme Name	Category Name	Crisil Rank	AUM [Cr] YTD	1Y	2Y	3Y	5Y	10Y	Standard Deviation	Beta	Sharpe Ratio	Jenson's Alpha	Treynor's Ratio	
Multi Cap Fund	Canara Robeco Equity Diversified - Regular Plan - GrowthMulti Cap Fund	Multi Cap Fund	4	120.32	8%	-18%	-2%	3%	5%	8%	17.23	0.88	-0.05	4.66	-0.01
	Edelweiss Multi-Cap Fund - Regular Plan - GrowthMulti Cap Fund	Multi Cap Fund	4	426.04	6%	-18%	-10%	-1%	4%	1%	18.94	0.86	-0.22	1.86	-0.04
	ICI Prudential FMP - GrowthMulti Cap Fund	Multi Cap Fund	5	107.25	4%	-14%	-8%	-1%	5%	6%	18.91	0.91	-0.22	2.20	-0.05
	Kotak Standard Multicap Fund - GrowthMulti Cap Fund	Multi Cap Fund	4	22,070.61	6%	-18%	-7%	-1%	5%	10%	19.11	0.89	-0.26	0.10	-0.05
	L&T FMP Multicap Fund - GrowthMulti Cap Fund	Multi Cap Fund	5	239.92	4%	-12%	-8%	-1%	6%	9%	18.99	0.86	-0.01	-2.89	-0.06
Union Multi Cap Fund - GrowthMulti Cap Fund	Multi Cap Fund	4	252.86	8%	-15%	-8%	0%	1%	1%	17.53	0.82	-0.34	-0.47	-0.06	
Large Cap Fund	Axis Bluechip Fund - GrowthLarge Cap Fund	Large Cap Fund	5	10,979.63	3%	-8%	2%	8%	7%	10%	16.78	0.78	0.24	7.74	0.05
	BNP Paribas Large Cap Fund - GrowthLarge Cap Fund	Large Cap Fund	5	650.70	5%	-10%	-3%	1%	4%	10%	16.21	0.82	-0.17	1.60	-0.02
	Canara Robeco Bluechip Equity Fund - Regular Plan - GrowthLarge Cap Fund	Large Cap Fund	5	328.33	7%	-7%	0%	4%	8%	4%	16.41	0.86	-0.04	4.42	-0.01
	Edelweiss Large Cap Fund - GrowthLarge Cap Fund	Large Cap Fund	4	14.62	6%	-17%	-7%	1%	2%	8%	18.57	0.87	-0.18	1.32	-0.04
	Indiabulls Bluechip Fund - Emerging Plan - GrowthLarge Cap Fund	Large Cap Fund	4	11.04	5%	-20%	-8%	-2%	4%	1%	16.59	0.86	-0.28	-0.21	-0.05
L&T FMP Large Cap Fund - GrowthLarge Cap Fund	Large Cap Fund	4	27,187	3%	-12%	-4%	1%	2%	7%	17.57	0.89	-0.15	0.15	-0.02	
Mirae Asset Large Cap Fund - Regular - GrowthLarge Cap Fund	Large Cap Fund	4	15,268.88	7%	-15%	-8%	1%	8%	1%	16.94	0.87	-0.21	2.19	-0.04	
Large & Mid Cap	Edelweiss Large and Mid Cap Fund - Regular Plan - GrowthLarge & Mid Cap Fund	Large & Mid Cap Fund	4	32.95	8%	-15%	-8%	1%	4%	8%	18.63	0.86	-0.18	2.49	-0.04
	Invesco India Growth Opportunities Fund - GrowthLarge & Mid Cap Fund	Large & Mid Cap Fund	4	1,988.14	6%	-18%	-8%	2%	5%	9%	19.27	0.78	-0.12	-	-0.02
	L&T FMP Large & Mid Cap Fund - GrowthLarge & Mid Cap Fund	Large & Mid Cap Fund	5	527.14	4%	-15%	-10%	-1%	1%	-	20.25	0.78	-0.21	6.75	-0.05
	Mirae Asset Emerging Bluechip Fund - GrowthLarge & Mid Cap Fund	Large & Mid Cap Fund	5	7,412.32	5%	-14%	-4%	1%	10%	-	19.63	0.76	-0.15	7.74	-0.04
	Sundaram Large & Mid Cap Fund - GrowthLarge & Mid Cap Fund	Large & Mid Cap Fund	4	188.71	7%	-20%	-10%	-2%	7%	7%	21.70	0.88	-0.23	2.76	-0.05
Tata Large & Mid Cap Fund - Regular Plan - GrowthLarge & Mid Cap Fund	Large & Mid Cap Fund	4	1,225.32	10%	-12%	-8%	0%	3%	8%	19.36	0.87	-0.28	0.68	-0.06	
Mid Cap Fund	Axis Midcap Fund - GrowthMid Cap Fund	Mid Cap Fund	5	4,433.04	5%	-8%	1%	7%	7%	-	17.62	0.67	0.12	11.61	0.03
	ICSI Midcap Fund - Regular Plan - GrowthMid Cap Fund	Mid Cap Fund	4	5,588.61	6%	-12%	-8%	-2%	8%	12%	20.41	0.78	-0.29	5.04	-0.06
	Invesco India Mid Cap Fund - GrowthMid Cap Fund	Mid Cap Fund	5	848.43	5%	-14%	-8%	-1%	4%	12%	21.05	0.82	-0.20	7.43	-0.05
	Kotak Emerging Equity - GrowthMid Cap Fund	Mid Cap Fund	4	6,107.05	7%	-18%	-12%	-4%	5%	10%	22.12	0.86	-0.36	4.21	-0.08
	Nippon India Growth Fund - GrowthMid Cap Fund	Mid Cap Fund	4	5,058.68	7%	-20%	-10%	-2%	7%	7%	22.95	1.01	-0.31	-0.27	-0.06
Tata Mid Cap Growth Fund - Regular Plan - GrowthMid Cap Fund	Mid Cap Fund	4	626.63	9%	-15%	-8%	-2%	3%	11%	22.88	0.88	-0.25	6.70	-0.07	
Small Cap Fund	Axis Small Cap Fund - GrowthSmall Cap Fund	Small Cap Fund	5	1,079.89	7%	-7%	-4%	1%	8%	-	22.20	0.67	-0.08	12.54	-0.02
	SBI Small Cap Fund - GrowthSmall Cap Fund	Small Cap Fund	4	2,703.89	8%	-14%	-14%	1%	8%	1%	24.22	0.75	-0.45	5.25	-0.14
	Kotak Small Cap Fund - GrowthSmall Cap Fund	Small Cap Fund	4	1,168.09	7%	-21%	-17%	-8%	2%	8%	24.17	0.89	-0.07	11.22	-0.02

## Selected Funds:

Based on the decision matrix created for all the types of funds based on asset class, considering the performance in all the parameters, following are the selected funds which will be used to invest as per the goals.

Selected Funds			
Name	Category	Average Return(%)	Risk Scale
Canara Robeco Equity Diversified - Regular Plan - GrowthMulti Cap Fund	Multi Cap Fund	13%	6
Axis Bluechip Fund - GrowthLarge Cap Fund	Large Cap Fund	12%	5
Mirae Asset Emerging Bluechip Fund - GrowthLarge & Mid Cap Fund	Large & Mid Cap Fund	14%	7
Axis Midcap Fund - GrowthMid Cap Fund	Mid Cap Fund	16%	8
Axis Small Cap Fund - GrowthSmall Cap Fund	Small Cap Fund	18%	9
Canara Robeco Equity Hybrid Fund - Regular Plan - GrowthAggressive Hybrid Fund	Aggressive Hybrid Fund	11.50%	4
L&T Arbitrage Opportunities Fund - GrowthArbitrage Fund	Arbitrage Fund	10%	3
BNP Paribas Conservative Hybrid Fund - GrowthConservative Hybrid Fund	Conservative Hybrid Fund	9.50%	2
ICICI Prudential FMP - Series 85 - 10 Years Plan I - GrowthFixed Maturity Plans - Debt	Fixed Maturity Plans - Debt	6.00%	1
Edelweiss Government Securities Fund - Regular Plan - GrowthGilt Fund	Gilt Fund	5.50%	1

It is evident that plans having lower risk have lower returns and thus the investment options have to be selected considering the risk appetite of the individual.

Axis Small Cap Fund has given the average return of 18% but it ranks highest in terms of risk scale. Whereas the Edelweiss Government Securities Fund- Regular plan is at lowest risk ranking but provides the least return 5.5% which hardly beats the inflation even. Talking about the hybrid funds, they stand at the average rank in terms of return and also provide reasonable returns as they have a balance of both the debt and equity or we can say risk and return.

### 5.10.3. Insurance

The purpose of insurance is not the investment but is to offer financial protection against certain risks and unforeseen events. There are some insurance policy types that provide certain features related to investing. The following are important things to think about when looking into insurance as a potential investment:

- **Life Insurance with Cash Value Component:** Whole life insurance policies have a cash value component. A portion of the premiums paid eventually accrue financial value. Policyholders may access this cash value through loans from their policies or withdrawals. It is important to remember that using the cash value could result in penalties or interest charges in addition to lowering the death benefit.
- **Annuities:** Annuities are insurance products that can provide a source of income in retirement. They make it possible for customers to pay an insurance company in full or in instalments. The insurance company provides the annuitant with recurrent income in return, either for a predetermined period of time or the remainder of their lives. Annuities offer a guaranteed income stream, but there might be costs associated with it, such as surrender charges.
- **Tax Benefits:** There are tax benefits associated with specific insurance policy types. Sections 10D and 80C of the Income Tax Act, 1961 allow policyholders to deduct up to Rs. 1,50,000 from their policy premiums paid towards ULIP plans, for instance.
- **Risk protection:** The primary objectives of insurance are to provide financial stability in the event of unforeseen events and to protect against risks. Policies such as life, health, disability, and property insurance shield people and their assets from potential financial losses. Although these policies may not provide immediate investment returns, they do provide peace of mind and financial security.
- **Costs and Fees:** Insurance policies, particularly those with investment features, often come with associated costs and fees. It's imperative to understand every expense associated with the policy, including premiums, administrative fees, mortality charges, and investment management fees. These costs should be considered when evaluating the investment portion of insurance since they might impact the overall returns.
- **Considerations for Investment Goals:** It's critical to evaluate whether insurance policies with investment features match your time horizon, risk tolerance, and overall investment objectives. It is crucial to assess the policy's costs, liquidity, and prospective

returns. Comparing the expenses and investment returns of insurance-based products to those of other readily available investment options on the market may also prove advantageous.

### Parameters to Evaluate Life Insurance Plans:

- **Death Benefit:** The sum of money left to your beneficiaries in the event of your passing. The amount you pay each month or year toward your policy's premiums.
- **Financial Stability of the Insurance Company:** To make sure the insurance company can fulfill its commitments, pick a highly rated financial institution.
- **Policy riders** are optional extras that offer further benefits like premium waivers or disability income. The percentage of claims paid out by the company relative to the total number of claims received is known as the claim settlement ratio.
- **Reputation for Customer Service:** Take into account the business's track record of promptness and effective claim resolution.

Based on the above study, we decided on the following parameters for the shortlisting of the insurance plans for both the individuals:

1. Having Claim settlement rate (% of policies) more than 97%
2. Having Claim settlement (% of Benefit amount) more than 92%
3. Difference In settlement by Number and settlement by amount less than 5%
4. Term Insurance with 2 Riders ( a. Accident coverage, b. Critical Illness Coverage)

As per above conditions, our research is as follows:

Latest IRDA Claim Settlement Ratio 2022-23							Number and settlement by amount	Selected or Not	
Sl.No	Life Insurance Company Name	Total Claim Received		Claims Paid					
		No of Policies	Benefit Amount (₹Cr)	No of Policies	Claims Settlement (% of policies)	Benefit Amount (₹Cr)	Settlement (% of Benefit amount)		
1	TATA AIA life	2700	150.72	2675	99.07%	145.00	96.20%	2.87%	Selected
2	HDFC life	12946	527.72	12822	99.04%	577	91.92%	7.12%	
3	Max life	15087	479.46	14897	98.74%	452.00	94.27%	4.47%	Selected
4	ICICI Prudential life	10826	893.93	10672	98.58%	827.00	92.51%	6.07%	
5	Life Insurance Coorporation of India (LIC)	750950	13503.20	734328	97.79%	12871.92	95.32%	2.47%	Selected
6	Reliance life	8371	164.97	8179	97.71%	154.00	93.35%	4.36%	Selected
7	Kotak life	3038	148.42	2959	99.09%	137.00	92.31%	6.78%	
8	Bharati Axa life	1065	49.16	1036	97.21%	47.00	95.61%	1.60%	Selected
9	Aditya Birla Sunlife	5260	306.90	5110	97.15%	276.00	89.93%	7.22%	
10	Exide life (Previously ING Vvsva life)	3335	85.01	3236	97.03%	76.00	89.40%	7.63%	
11	DHFL Pramerica	656	29.73	635	96.80%	26.00	87.45%	9.35%	
12	Star Union	1258	51.33	1217	96.74%	47.00	91.56%	5.18%	
13	Aeoon	507	79.18	489	96.45%	76.00	95.98%	0.47%	
14	PNB Met life	4170	227.56	4012	96.21%	204.00	89.65%	6.56%	
15	Aviva	938	93.29	901	96.06%	89.00	95.40%	0.66%	
16	Edelweiss Tokio	239	14.21	229	95.82%	13.00	91.48%	4.34%	
17	IDBI Federal	1306	57.15	1251	95.73%	53.00	92.74%	3.05%	
18	Future Generali	1157	40.31	1101	95.16%	35.00	86.83%	8.33%	
19	SBI life	19902	763.73	18913	95.03%	689.00	90.22%	4.81%	
20	Bajaj Allianz life	12767	390.49	12130	95.01%	349.00	89.37%	5.64%	
21	Canara HSBC OBC life Insurance	1006	83.42	946	94.04%	74.00	88.71%	5.33%	
22	India First	2242	89.84	2081	92.82%	75.00	83.48%	9.34%	
23	Sahara life	681	5.88	614	90.16%	5.00	85.03%	5.13%	
24	Shriram life	2830	187.92	2414	85.30%	66.00	75.07%	10.23%	



### 5.10.4. Mediclaim

Mediclaim policies or health insurance are essential for offering financial stability against medical costs resulting from illnesses or accidents. They guarantee that families and individuals can obtain high-quality healthcare without having to bear the burden of prohibitive expenses.

Mediclaim Policy of 1cr (2A+2C)									
Considering Policies having network of atleast 4000 Hospitals									
Policy Name	ICR	Sum Insured	Waiting Period	Post Hospitalization Ex	Pre Hospitalization Ex	Copayment (age >65)	Restoration Benefit	No Claim Bonus	Ambulance Charges per Hospitalization
Star Comprehensive (Star Health)	63%	1 cr	3 Years	90 Days	60 Days	10%	Yes	50%-100%	₹ 2,000.00
Health Companion (Max Bupa)	54%	1 cr	3 Years	60 Days	30 Days	20%	Yes	20%-100%	₹ 3,000.00
Pro Health Plus (Manipal Cigna)	62%	1 cr	3 Years	180 Days	60 Days	20%	Yes	10%-200%	₹ 3,000.00
Considering all these parameter We are Selecting <b>Star Comprehensive Plan</b>									
Premium Amount with Tax: ₹ 47,717.00      Source: <a href="http://www.starhealth.in/comprehensive-health-insurance-plan">http://www.starhealth.in/comprehensive-health-insurance-plan</a>									

The comparison of three medical insurance policies highlighting Star Comprehensive (Star Health), Health Companion (Max Bupa and Pro Health Plus (Manipal Cigna). All three policies offer a 1 crore sum insured and a network of at least 4000 hospitals. Considering all parameters, the Star Comprehensive Plan is recommended for selection due to its balanced coverage features and relatively high ICR. The premium amount including tax for this plan is Rs. 47,717.

### 5.10.5. ELSS

ELSS is particular kind of mutual fund that offers investors the chance to invest in equity stocks and potentially save money on taxes.

**Savings on taxes:** Under Section 80C of the Income Tax Act 1961, investments made through an ELSS are eligible for a tax deduction. This can reduce taxable income by up to ₹1.5 lakh annually, which can help to pay less in taxes.

**Equity Investment:** The majority of the investments made by ELSS funds are in stocks of companies that are listed on Indian stock exchanges. This result in higher returns than traditional fixed-income tax-saving options like Public Provident Funds (PPF) or fixed-income savings accounts.

#### **Parameters for the evaluation ELSS Funds:**

**1. Assets Under Management (AUM):** It represents the total market value of the assets managed by the fund. A higher AUM indicates greater investor confidence and better resources for fund management. However, excessively large AUM might limit the fund's flexibility in making investment decisions.

**2. Standard Deviation (Std Dev):** Std Dev. measures the volatility or risk associated with the fund's returns. A higher standard deviation indicates greater variability in returns, suggesting higher risk. Investors seeking stable returns might prefer funds with a lower standard deviation.

**3. Beta:** Beta is the measure of the fund's sensitivity to market movements. A beta of 1 means the fund moves with the market, less than 1 means it's less volatile than the market, and more than 1 means it's more volatile. Beta < 1 indicates lower volatility than the market, suitable for conservative investors. Whereas Beta > 1 indicates higher volatility than the market, suitable for aggressive investors seeking higher returns.

**4. Sharpe Ratio:** It is the measure of the risk-adjusted return of the fund. It is calculated by dividing the fund's excess return over the risk-free rate by its standard deviation A positive Sharpe Ratio indicates that the fund's returns are higher than the risk-free rate after accounting for volatility.

**5. Jensen's Alpha:** It is measure of the fund's excess return relative to the expected return predicted by the Capital Asset Pricing Model (CAPM). Positive Alpha indicates the fund has outperformed the market expectations based on its beta, reflecting good fund management.

6. Treynor's Ratio: Measures the return of the fund adjusted for systematic risk (beta). It is calculated by dividing the fund's excess return over the risk-free rate by its beta.

Based on these parameters the funds data is as follows:

	Scheme Name	Plan	Category	Crisil Ran	AuM (Cr)	Standard	Beta	Sharpe Ra	Jenson's	Treynor's
<b>ELSS</b>	Axis Long Term Equity Fund - Gr	Regular	ELSS	5	17,495.33	18.14	0.90	0.03	6.24	0.01
	BNP Paribas Long Term Equity F	Regular	ELSS	4	368.56	17.22	0.86	-0.20	2.27	-0.04
	DSP Tax Saver Fund - Regular Pl	Regular	ELSS	4	4,666.85	20.07	1.01	-0.31	1.14	-0.06
	JM Tax Gain Fund - Growth	Regular	ELSS	4	28.73	20.69	1.02	-0.20	3.11	-0.04
	Kotak Tax Saver Scheme - Growt	Regular	ELSS	4	908.66	19.21	0.97	-0.29	1.37	-0.06
	LIC MF Tax Plan 1997 - GrowthE	Regular	ELSS	5	209.14	20.14	0.98	-0.17	-0.30	-0.03
	Mirae Asset Tax Saver Fund - Re	Regular	ELSS	5	2,670.52	19.14	0.99	-0.12	2.96	-0.02

## 5.11. Tax Planning:

Understanding tax implications is a crucial aspect of the project on financial analysis of individuals for investment and tax. It involves assessing how different investment decisions and strategies can impact an individual's tax obligations and overall financial situation. Here's an overview of understanding tax implications within this project.

- **Taxable Income:** The contribution of investment income, such as dividends, interest, and capital gains, to a person's taxable income. It entails comparing the tax rates that apply to various forms of investment income.
- **Tax Deductions and Credits:** locating potential credits and deductions that may be used to offset tax obligations or lower taxable income. This includes credits for investments, such as those in renewable energy, as well as deductions for certain investments, such as advising fees.
- **Tax-Efficient investment strategies:** Exploring investment strategies that aim to minimize the impact of taxes on investment returns.
- **Estate and Gift Taxes:** Considering how investment and wealth transfer plans may affect estate and gift taxes. This includes being aware of the exemptions, tax brackets, and methods for reducing estate taxes, like gifting and creating trusts.
- **Tax Planning Strategies:** investigating tax-planning techniques that maximise tax efficiency and reduce tax obligations. This includes managing capital gains and losses, timing investment decisions to maximise tax advantages, and using tax-advantaged accounts.
- **Regulatory Changes:** Staying informed about changes in tax laws, regulations, and tax policy that may impact investment decisions and tax implications. It involves monitoring updates related to income tax and capital gains tax rates, deductions, and credits.
- **Professional Tax Advice:** Seeking guidance from tax professionals or advisors can help individuals navigate complex tax regulations and optimize tax outcomes based on their specific financial situations.

## Section 80C

Individuals can lower their taxable income by claiming tax deductions under Section 80C of the Indian ITC for specific investments and costs. This section encourages people to save money and invest it in a variety of permissible financial products while reaping tax advantages. The following are essential details about Section 80C.

**Eligible Investments:** Section 80C covers a wide range of investments and expenses that qualify for tax deductions. Some common eligible investments include:

- **Employee Provident Fund (EPF):** Contributions that are made to the EPF by salaried employees are eligible for tax deductions.
- **Public Provident Fund (PPF):** Contributions that are made are eligible for tax deductions. The PPF is long-term savings scheme and interest rate is fixed with lock-in period of 15 years.
- **National Savings Certificates (NSC):** Investments in NSC qualifies for deductions under Section 80C. NSCs are fixed-income instruments issued by the Indian government.
- **Equity-Linked Saving Schemes (ELSS):** ELSS is said to be a type of mutual fund that invests primarily in equities. Investments in ELSS are eligible for deductions, subject to a maximum limit.
- **Life Insurance Premiums:** Premiums are paid, and they are eligible for getting tax deduction.
- **Tuition Fees:** Payments made towards tuition fees for the education of up to two children are eligible for tax deductions under Section 80C.

### Total Tax Saving Investment

ITEM	Amount	Section Under Income Tax
ELSS	₹ 2,37,637.00	80C
Term Plan	₹ 62,363.00	80C
Mediclaime	₹ 47,717.00	80D

## Post tax Income Calculation:

Mr. Sahil

Income Analysis	Monthly	Yearly
<b>Gross Salary (annual)</b>		₹ 15,73,650
<i>apx. Gross Salary (monthly)</i>		₹ 1,31,138
<b>Annual Deductions</b>		
HRA Exemption		₹ -
Standard deduction		
Sec 80C		₹ -1,50,000
Sec 80CC		
Sec 80D Medical claim		₹ -47,717
Sec 80E Education loan (interest)		₹ -
Sec 80G Donation (50%)		₹ -
<b>Taxable Income</b>	₹ 1,14,661	₹ 13,75,933

Income range per annum	New Slabs		Old Slabs	
	Tax Rate	Tax Amount	Tax Rate	Tax Amount
Up to Rs. 2.5 lakhs	No Tax	₹ -	No tax	
Above Rs. 2.5 lakhs to Rs. 5 lakhs	5%	₹ 12,500.00	5%	₹ 12,500.00
Above Rs. 5 lakhs to Rs. 7.5 lakhs	10%	₹ 25,000.00	20%	₹ 50,000.00
Above Rs. 7.5 lakhs to Rs. 10 lakhs	15%	₹ 37,500.00	20%	₹ 50,000.00
Above Rs. 10 lakhs to Rs. 12.5 lakhs	20%	₹ 50,000.00	30%	₹ 75,000.00
Above Rs. 12.5 lakhs to Rs. 15 lakhs	25%	₹ 31,483.25	30%	₹ 37,780
Above Rs. 15 lakhs	30%	₹ -	30%	0
<b>Monthly payment of tax</b>	₹ 13,040	₹ 1,56,483	₹ 18,773	₹ 2,25,280

**Income After Tax** ₹ 12,19,450

MS. Anushka

Income Analysis	Monthly	Yearly
<b>Gross Salary (annual)</b>		₹ 10,49,100
<i>apx. Gross Salary (monthly)</i>		₹ 87,425
<b>Annual Deductions</b>		
HRA Exemption		₹ -
Standard deduction		
Sec 80C		₹ -1,50,000
Sec 80CC		
Sec 80D Medical claim		₹ -
Sec 80E Education loan (interest)		₹ -
Sec 80G Donation (50%)		₹ -
<b>Taxable Income</b>	₹ 74,925	₹ 8,99,100

Income range per annum	New Slabs		Old Slabs	
	Tax Rate	Tax Amount	Tax Rate	Tax Amount
Up to Rs. 2.5 lakhs	No Tax	₹ -	No tax	
Above Rs. 2.5 lakhs to Rs. 5 lakhs	5%	₹ 12,500.00	5%	₹ 12,500.00
Above Rs. 5 lakhs to Rs. 7.5 lakhs	10%	₹ 25,000.00	20%	₹ 50,000.00
Above Rs. 7.5 lakhs to Rs. 10 lakhs	15%	₹ 22,365.00	20%	₹ 29,820.00
Above Rs. 10 lakhs to Rs. 12.5 lakhs	20%	₹ -	30%	₹ -
Above Rs. 12.5 lakhs to Rs. 15 lakhs	25%	₹ -	30%	₹ -
Above Rs. 15 lakhs	30%	₹ -	30%	0
<b>Monthly payment of tax</b>	₹ 4,989	₹ 59,865	₹ 7,693	₹ 92,320

**Income After Tax** ₹ 8,39,235

Hence, after all the calculation, the aggregate income after tax, elss and premiums of both the individuals is Rs. 20,58,685.

## 5.12. Financial Goals Planning:

Step 1
List down all your Major Life Goals.

Life Goals
1. Emergency Contingency Fund
2. Retirement Planning
3. Insurance Planning
4. Child's Education
5. Child's Marriage
6. Buy a car

Step 2
Rationalize the list of your life goals.

Financial Goals	Rationalize
1. Emergency Contingency Fund	
2. Retirement Planning	Huge corpus needed
3. Insurance Planning	
4. Child's Education	Huge corpus needed
5. Child's Marriage	Huge corpus needed
6. Buy a car	

Step 3
Tag goals as 'Need' or 'Desire'

Financial Goals	Tag as Need / Desire
1. Emergency Contingency Fund	Need
2. Retirement Planning	Need
3. Insurance Planning	Need
4. Child's Education	Need
5. Child's Marriage	Need
6. Buy a car	Desire

Step 4
Categorize goals as Immediate, Short-term, Mid-term and Long Term goals

Categorize Financial Goals	Need / Desire
<b>Short Term (1-5 years)</b>	
1. Emergency Contingency Fund	Need
3. Insurance Planning	Need
6. Buy a car	Desire
<b>Long Term (Above 10 years)</b>	
2. Retirement Planning	Need
4. Child's Education	Need
5. Child's Marriage	Need

Step 5
Give priority to each of the goals

Financial Goals	Need / Desire	Priority
<b>Short Term (1-5 years)</b>		
1. Emergency Contingency Fund	Need	1
3. Insurance Planning	Need	2
6. Buy a car	Desire	3
<b>Long Term (Above 10 years)</b>		
2. Retirement Planning	Need	6
4. Child's Education	Need	4
5. Child's Marriage	Need	5

Step 6

Find cost of each goal Today & how much you need to save and invest, where to invest to achieve your inflation adjusted goal costs in future

Financial Goals	Need / Desire	Priority	Cost Today	Inflation adujsted Cost in Future	No. of years to goal	Asset	Annualized Returns	Annually/Monthly Required Investment	FV of Investments	Balance achieved ?
<b>Short Term (1-5 years)</b>										
1. Emergency Contingency Fund	Need	1		₹ 7,50,000	1	BNP Paribas Conservative Hybrid Fund - GrowthConservative Hybrid Fund	9.50%	₹ 6,85,000	₹ 7,50,075	YES
3. Insurance Planning	Need	2	<b>Health Insurance( Star Comprehensive Plan)+Term Insurance(Bharti Axa Life )</b>							
6. Buy a car	Desire	3	₹ 15,00,000	₹ 20,07,338	5	Axis Midcap Fund - GrowthMid Cap Fund	12.00%	₹ 3,20,000	₹ 20,32,911	YES
<b>Long Term (Above 10 years)</b>										
4. Child's Education	Need	4	₹ 1,00,00,000	₹ 2,69,27,728	17	L&T Arbitrage Opportunities Fund - GrowthArbitrage Fund	10.00%	₹ 6,65,000	₹ 2,69,62,227	YES
2. Retirement Planning	Need	6		₹ 5,00,00,000	23	ICICI Prudential FMP - Series 85 - 10 Years Plan I - GrowthFixed Maturity Plans - Debt	6.00%	₹ -	₹ -	NO
5. Child's Marriage	Need	5	₹ 1,00,00,000	₹ 1,00,00,000	23	Canara Robeco Equity Hybrid Fund - Regular Plan - GrowthAggressive Hybrid Fund	11.50%	₹ 1,05,000	₹ 1,02,50,792	YES



### 5.13. Retirement Planning:

The most important step in getting ready financially for life after work is retirement planning. It entails determining your required retirement income, setting goals for your ideal retirement lifestyle, and taking action to build up enough savings to cover those needs.

For the retirement planning, it is important to have diversified investments which ensures the returns while balancing the risk. As per our previous research of mutual funds and Elss, our investment for the retirement planning of Mr. Sahil and Ms. Anushka is as follows:

Retirement Planning	
<b>Axis Long Term Equity Fund - GrowthELSS</b>	
SIP on investment of new ELSS	
Years to goal	26
Amount to be invested each year	₹ 2,37,637
Net rate of return (annual)	10.00%
Corpus you will accumulate	₹ 2,59,45,627.18
<b>1. Emergency Contingency Fund</b>	
ICICI Prudential FMP - Series 85 - 10 Years Plan I - GrowthFixed Maturity	
Years to goal	26
Amount to be invested in year 1	₹ 7,50,075
Net rate of return (annual)	5.50%
Corpus you will accumulate	₹ 30,17,648.43
<b>EPF</b>	
Years to goal	26
Amount to be invested each year	₹ 3,77,250
Net rate of return (annual)	8.50%
Corpus you will accumulate	₹ 3,25,77,255.79
<b>TOTAL AMOUNT</b>	₹ 6,15,40,531.40

By this combination, the try is to balance

- 1. Security:** The FMP and EPF contributions provide stability through low-risk investments.
- 2. Growth:** The ELSS offers the potential for higher returns to grow your retirement corpus over the long term.

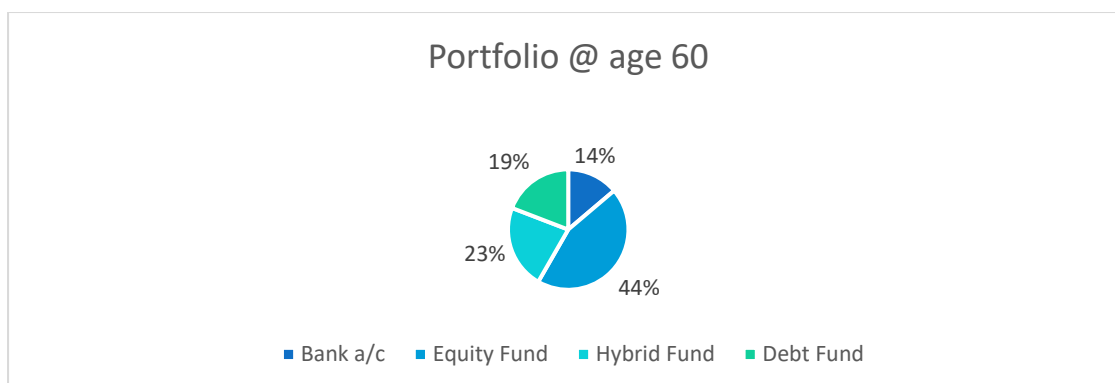
## 5.14. Cash Flow and Investment Surplus:

Mr Sahil and Ms. Anushka will have the cash flow till the age of 60, i.e. retirement and thus the cash flow will be calculated for the 27 years from 34-60 age. The cash flow analysis of both is in the below under the head cash flow analysis and investing the surplus:

### Cash Flow Analysis

Thus, the investment of surplus in the various investment options which will give the following portfolio and the amount after the time of retirement is as follows:

	Cumulative amount after Retirement
Bank a/c	₹ 1,00,74,661.74
Equity Fund	₹ 3,24,74,483.06
Hybrid Fund	₹ 1,64,43,899.74
Debt Fund	₹ 1,39,84,249.83
TOTAL	₹ 7,29,77,294.37



## **5.15. Analyses of the Opportunity Fund:**

To analyse the Bharti AXA Opportunity Fund the way adopted was the methodical process of portfolio construction. The creation of the fund was done in three-step process intended to find and invest in promising businesses with significant growth potential.

### Step1: Sector Selection

The very first step is a comprehensive analysis of various industries. A decision matrix, a tool for balancing different factor is employed to impartially assess every sector in compliance with predefined criteria. These criteria include market trends, growth prospects, profitability, the competitive landscape within each sector, and the regulatory environment and various ratios. With this detailed research, sectors have the best chance of yielding substantial returns were shortlisted.

### Step2: Company Selection:

Once the most desirable sectors have been determined, specific stocks are evaluated within each selected sector. At this point, the company's future outlook, management strength, financial performance, and valuation metrics like the P/E ratio are examined. The fund's portfolio is comprised exclusively of the strongest companies in each promising sector.

### Step 3: Allocation of Fund and its performance analysis

Based on the performance rank, various equities are proportionally allocated the fund. Finally, analyzing the outcomes of the first two stages is the last step. It is imperative to examine the composition of the entire portfolio, evaluating the risk profile and making sure that there is a fair amount of diversification across industries and company sizes. The cagr, Nav and perodical returns are calculated and compared.

# Step 1

## SECTOR ALLOCATION

Name of the Sector	Qtr Change %	Rank	PE Ratio	Rank2	PE to Growth	Rank3	Price to Book	Rank4	Return on Equity	Rank5	Return on Capital Employed	Rank6	Dividend Yield 1 year %	Rank7	Total	Ranking	% Allocation
Aerospace & Defence	19.55%	3	47.6	11	28.9	17	11.2	10	21.4	7	20.4	8	0.75%	9	65	8	5.26%
Automobiles	13.97%	6	33.4	7	1.4	3	7.4	4	14.6	16	16.7	11	0.82%	8	55	12	7.89%
Banks	9.27%	8	22.1	1	1.4	3	5.2	1	19.2	10	11	16	0.94%	7	46	16	10.53%
Beverages	-1.20%	14	30	4	5.2	12	10.7	9	22.7	6	26.7	5	1.95%	2	52	14	9.21%
Construction	10.40%	7	39.79	8	5.16	11	8.66	7	12.46	17	13.88	14	0.65%	12	76	3	1.97%
Diversified FMCG	-6.22%	16	58.5	13	11.3	13	25.8	15	37.9	3	35.6	3	1.31%	4	67	6	3.95%
Finance	7.69%	10	26.82	3	1.3	1	7.11	2	16.02	12	14.95	12	0.56%	13	53	13	8.55%
Food Products	-3.04%	15	69.91	14	19.39	15	53.04	17	72.4	2	52.6	1	1.09%	6	70	5	3.29%
IT - Software	-0.14%	13	31.79	5	4.41	9	11.56	11	33.64	4	41.19	2	1.88%	3	47	15	9.87%
Hotels Restaurants & Tourism	21.35%	1	82.7	16	1.3	1	12.4	12	15.2	14	14.7	13	0.16%	16	73	4	2.63%
Chemicals & Petrochemicals	3.28%	12	51.6	12	3.2	6	8.7	8	19.6	9	21.7	7	0.66%	11	65	8	5.26%
Pharmaceuticals & Biotechnology	7.97%	9	41.7	9	3.8	7	7.4	4	15.3	13	18.8	9	0.70%	10	61	11	7.24%
Power	19.75%	2	32.06	6	14.38	14	16.13	14	20.51	8	10.82	17	1.26%	5	66	7	4.61%
Retailing	15.68%	4	126.3	17	20.7	16	25.9	16	17.3	11	17.3	10	0.11%	17	91	1	0.66%
Telecom - Services	14.62%	5	74.8	15	4.8	10	7.3	3	14.8	15	12.1	15	0.30%	15	78	2	1.32%
Entertainment	5.80%	11	47.15	10	4.01	8	13.54	13	111.01	1	26.52	6	0.44%	14	63	10	6.58%
Cigarettes & Tobacco Products	-6.42%	17	25.92	2	2.03	5	7.6	6	27.51	5	35.38	4	3.60%	1	40	17	11.18%
<b>Total</b>															152		100%

# Step 2

\*FUND Amount 1,00,00,00,000.0

## STOCK ALLOCATION

Industry	Stocks	Market Cap	Rank	P/E Ratio	Rank	EPS	Rank	ROE %	Rank	ROCE %	Rank	EV/EBITDA	Rank	Total	% Allocation	Sector Allocated	Stock Allocation	Amt Allocated
Aerospace & Defence	Bharat Electronics Ltd.	1,70,683.34	1	47.39	1	4.93	1	23.52	1	31.32	2	31.58	1	7	38.89%	5.26%	2.05%	2,04,67,836
	Hindustan Aeronautics Ltd	2,43,307.03	2	39.6	2	91.87	2	27.17	2	30.59	1	24.26	2	11	61.11%	3.22%	3,21,63,443	
Automobiles	Ashok Leyland Ltd.	52,369.40	1	21.21	6	8.41	1	17.6	4	21.38	4	12.13	6	22	17.46%	1.38%	1,37,84,461	
	Tata Motors Ltd.	3,38,522.82	5	39.96	1	25.49	2	12.9	1	7.81	1	41.73	1	11	8.73%	0.69%	68,92,311	
	Maruti Suzuki India Ltd.	3,85,663.49	6	32.26	4	380.25	6	14.06	2	17.83	2	20.8	4	24	19.05%	1.50%	1,50,37,994	
	Mahindra & Mahindra Ltd	2,57,528.60	4	25.18	5	82.25	3	16.16	3	18.53	3	15.38	5	23	18.25%	1.44%	1,44,11,428	
	Eicher Motors Ltd.	1,17,798.03	2	33.53	3	128.3	4	22.24	6	29.61	6	22.34	3	24	19.05%	1.50%	1,50,37,994	
Banks	Bajaj Auto Ltd	2,53,072.26	3	36.38	2	249.86	5	21.64	5	28.46	5	26.45	2	22	17.46%	1.38%	1,37,84,461	
	HDFC Bank Ltd.	11,53,932.75	5	20.48	3	74.17	5	17	3	1.95	3	19.26	2	21	23.33%	2.46%	2,45,61,4	
	ICICI Bank Ltd.	7,75,624.75	4	19.73	4	55.96	2	17.53	4	2.13	4	18.34	3	21	23.33%	2.46%	2,45,61,404	
Beverages	Axis Bank Ltd.	3,31,336.03	1	27.6	1	38.89	1	7.98	1	0.77	1	17.64	4	9	10.00%	10.53%	1,05,36,316	
	State Bank of India	6,83,893.01	3	11.98	5	63.95	3	18.05	5	0.96	2	14.68	5	23	25.56%	2.69%	2,69,00,885	
	Kotak Mahindra Bank Ltd.	3,60,420.00	2	27.42	2	66.12	4	14.12	2	2.38	5	20.78	1	16	17.78%	1.87%	1,87,13,50	
Construction	Varun Beverages Limited	1,80,077.86	1	101.44	1	13.66	1	28.22	1	25.09	1	59.04	1	6	100.00%	9.21%	9,21,05,263	
	Larsen & Toubro Ltd.	5,05,774.95	1	52.46	1	70.13	1	11.34	1	13.93	1	34.88	1	6	100.00%	1.97%	1,97,36,442	
Diversified FMCG	ITC Ltd.	5,36,967.87	2	26.21	2	16.41	1	29.55	2	38.49	2	19.03	2	11	61.11%	2.41%	2,41,22,407	
	Hindustan Unilever Ltd.	5,24,499.26	1	51.12	1	43.67	2	20.13	1	26.63	1	34.18	1	7	38.89%	3.95%	1,54,50,777	
Finance	Bajaj Finance Ltd.	4,48,210.10	2	37.1	1	194.84	2	22.23	2	12.32	2	16.84	1	10	55.56%	4.75%	4,75,14,420	
	Muthoot Finance Ltd.	66,937.71	1	17.18	2	97.05	1	17.63	1	12.06	1	10.34	2	8	34.44%	3.80%	3,80,11,496	
Food Products	Britannia Industries Ltd.	1,14,454.59	1	54.24	2	87.6	2	76.63	1	97.47	1	35.36	2	9	50.00%	1.64%	1,64,47,168	
	Nestle India Ltd.	2,44,529.54	2	81.55	1	31.1	1	108.52	2	152.61	2	53.06	1	9	50.00%	3.29%	1,64,47,168	
IT - Software	Infosys Ltd.	6,16,300.05	3	24.99	4	59.4	2	34.33	3	46.41	3	16.53	4	19	31.67%	3.13%	3,12,50,000	
	Tata Consultancy Services Ltd.	14,47,741.54	4	33.24	2	120.39	3	59.6	4	79.73	4	21.83	2	19	31.67%	3.13%	3,12,50,000	
	LTIMindtree Ltd.	1,44,791.31	2	32.29	3	151.38	4	29.15	2	38.37	2	21.13	3	16	26.67%	2.63%	2,63,15,889	
	Tech Mahindra Ltd.	1,21,323.18	1	53.26	1	23.32	1	14.92	1	18.88	1	31.78	1	6	10.00%	0.99%	98,68,421	
Leisure Services	Indian Railway Catering & Tou. Corp. Ltd.	84,612.00	2	76.52	2	13.82	2	46.26	2	63.01	2	51.64	1	11	61.11%	1.61%	1,60,81,471	
	Jubilant Foodworks Ltd.	30,441.96	1	119	1	3.88	1	17.03	1	32.66	1	26.83	2	7	38.89%	1.02%	1,02,33,118	
Petroleum Products	Reliance Industries Ltd.	19,85,379.37	1	44.44	1	66.03	1	9.05	1	9.81	1	25.65	1	6	100.00%	5.26%	5,26,31,979	
Pharmaceuticals & Biotechnology	Zyventus Lifesciences Ltd.	96,814.80	1	38.31	1	25.11	1	11.38	1	13.45	1	23.88	1	6	100.00%	7.24%	7,23,68,421	
Power	NTPC Ltd.	3,50,776.90	3	20.97	2	17.25	3	12.85	1	10.44	1	11.19	2	12	33.33%	1.54%	1,53,50,777	
	Power Grid Corporation of India Ltd.	2,55,999.12	2	16.06	3	17.13	2	19.29	2	12.95	2	9.09	3	14	38.89%	4.61%	1,79,99,157	
	Tata Power Company Ltd.	1,29,620.26	1	91.52	1	4.77	1	26.59	3	17.81	3	29.99	1	10	27.78%	1.28%	1,27,92,388	
Retailing	Zomato Ltd.	1,69,428.05	1	146.47	1	1.31	1	0.67	1	0.71	1	134.98	1	6	33.33%	0.22%	21,92,82	
	Avenue Supermarts Ltd.	3,10,077.56	2	119.45	2	38.89	2	16.85	2	21.55	2	75.16	2	12	66.67%	0.44%	43,85,655	
Telecom - Services	Bharti Airtel Ltd.	7,42,822.99	1	164.4	1	7.45	1	-0.12	1	7.86	1	17.43	1	6	100.00%	1.32%	1,31,57,895	
Entertainment	PVR Inox Ltd.	13,875.72	1	0	1	-24.19	1	-7.65	1	6.01	1	7.86	1	6	100.00%	6.58%	6,57,89,474	
Cigarettes & Tobacco Products	Godfrey Phillips India Ltd.	15,848.01	1	19.39	1	157.24	1	20.58	1	27.39	1	13.41	1	6	100.00%	11.18%	11,18,42,105	
<b>TOTAL</b>															100.00%	100.00%	1,00,00,00,000.00	

### Step 3

Opportunity Fund			
<b>Fund Manager Details</b>		<b>Objective</b>	
<b>Fund Manager</b>	No. Of Funds Managed		
	Equity	Debt	Hybrid
Anu Motiani	100	-	-
The Opportunity Fund aims to deliver optimal growth by investing entirely in equities across large-cap and mid-cap stocks. Managed by Anu Motiani, the fund strategically allocates 39% to large-cap and 61% to mid-cap companies, providing a well-balanced portfolio targeting competitive returns			
<b>ASSET ALLOCATION</b>			
	Equity	Debt	
	100%	0%	
<b>AUM as on</b>			
	AUM	100	
		Crores	
<b>Large Cap</b>		<b>Mid Cap</b>	<b>Small Cap</b>
39%		61%	0%
<b>OVERALL RETURNS</b>		<b>CAGR %</b>	
17.40%		70.69	
<b>SECURITIES</b>		<b>HOLDINGS</b>	
Tata Consumer Products Ltd			6.36%
State Bank of India			6.10%
Maruti Suzuki India Ltd			5.59%
JSW Steel Ltd			5.51%
HCL Technologies Ltd			5.51%
Siemens Ltd			4.24%
Varun Beverages Ltd			4.24%
JSW Infrastructure Ltd			3.81%
Tata Steel Ltd			3.67%
Tata Consultancy Services Ltd			3.67%
Reliance Industries Ltd			3.39%
Adani Green Energy Ltd			2.97%
Bharat Electronics Ltd			2.82%
InterGlobe Aviation Ltd			2.54%
Cipla Ltd			2.54%
Indian Oil Corporation Ltd			2.26%
ITC Ltd			2.12%
HDFC Bank Ltd			2.03%
ICICI Bank Ltd			2.03%
NTPC Ltd			1.98%
Tata Motors Ltd			1.86%
Mahindra & Mahindra Ltd			1.86%
Coal India Ltd			1.84%
Infosys Ltd			1.84%
Divi's Laboratories Ltd			1.69%
Larsen & Toubro Ltd			1.69%
Hindustan Aeronautics Ltd			1.41%
Havells India Ltd			1.36%

Bharti AXA Opportunity Fund reveals a growth-oriented strategy focused on capital appreciation. The fund prioritizes equities, with a strategic allocation of 61% towards potentially high-growth but higher-risk, mid-cap stocks, aiming for significant returns. The remaining 39% targets large-cap companies for stability. Top holdings include established names like Tata Consumer Products and State Bank of India.

**Outperforming Benchmarks:** this replica suggests the fund is performing better than existing Bharti Axa offerings. This could be attributed to the timing of the fund. This outperformance adds another layer to understanding the Opportunity Fund's potential. By strategically selecting high-growth mid-cap stocks alongside large-cap stability, superior returns were achieved.

## **6. Part C: Leanings and Outcomes:**

Throughout the Summer Internship Program, the learning journey encompassed a multifaceted exploration of various facets within the realm of financial analysis. One particularly area of study was Factsheet Analysis and its replication. This involved analysis which is examination of the distribution of a company's shares that are available for trading on the open market, excluding those held by insiders or otherwise restricted from trading. By delving into the nuances of free float analysis, we gained valuable insights into the dynamics of share ownership, discerning how they may impact market volatility and investor sentiment. Understanding these intricacies proved pivotal in making well-informed investment decisions and devising strategies to effectively manage associated risks. Also, Replicated the fact sheet of Bharti Axa with our own factsheet gave us a basic understanding of what all goes through behind the scenes of making a diversified fund fact sheet and roles and responsibilities of a FUND MANAGER.

Client Fund Portfolio Management emerged as another cornerstone of the internship experience. We were provided with a client and its family's details and were asked to make portfolio with the current earning and assets and planning the client's investment portfolio in order for them to attain their financial goals. Therefore, we created investment strategies aligned with the client's unique objectives and risk tolerance. Excel formulas and harnessing data from Bloomberg facilitated a deeper understanding of portfolio management complexities, empowering interns with the analytical tools needed to navigate the dynamic landscape of asset management effectively.

By meticulously analysing key attributes such as date, Asset Under Management (AUM), Return %, and Inflows, I was able to discern patterns and trends within fund performance metrics.. The Summer Internship Program served as a crucible for refining analytical skills and honing research methodologies, fostering a deeper understanding of fund analysis and risk management practices.

To summarize the areas that got sharpened is the understanding of financial markets through practical exposure to several key areas. In Equity Market Analysis, I gained insights into market trends and evaluated stocks

**Equity Market Analysis:** Learned to evaluate market trends and identify investment

opportunities using fundamental and technical analysis.

**Live Trading:** Developed real-time trading skills, effectively executing trades using market knowledge and analytical insights.

**Taxation Planning:** Learned to minimize tax liability while maximizing returns within India's tax system.

**Financial Planning & Portfolio Management:** Created plans aligning investment strategies with clients' goals and risk profiles.

Moreover, assuming the role of a trainer for incoming interns presented a unique learning opportunity. Engaging with interns from diverse backgrounds facilitated knowledge exchange and broadened perspectives, enriching understanding across various industries, including taxation.. This exposure not only nurtured leadership and communication skills but also provided a deeper appreciation of the interconnectedness of different sectors within the financial services industry, thus contributing significantly to professional growth and development.

In essence, the internship experience provided a comprehensive learning journey, encompassing diverse aspects of investment analysis, risk management, and client relationship management within the dynamic landscape of financial services. Through hands-on exploration and collaborative engagement, interns emerged equipped with the skills and insights needed to navigate the complexities of the financial markets with confidence and competence.

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**Financial Planning Sheet: [23mba105 Financial Planning](#)**

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## 8. Approval:

23MBA105\_Part\_b\_and\_C.pdf

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