

# AARTH NIVESH NEWSLETTER



Date: Nov 24, 2023 || Vol. 3 || Issue 23

## HOUSE RENT ALLOWANCE

- HRA is a component of salary paid by big employers towards rent payment by the employee. Deduction of HRA falls under section 10A of the Income tax Act.
- HRA can be at most claimed as according to the lowest of these three amounts:-
  - Actual house rent allowance received
  - 40% (in non-metro city) or 50% (in metro city) of the salary
  - Actual rent paid less than 10% of the salary.
- Individuals who are self-employed can also avail of deductions and tax exemptions towards House Rent Allowance (HRA). They can claim these benefits by utilizing Section 80 GG.

## SUPPLY CHAIN FINANCE

- Supply chain finance (SCF) often referred to as "supplier finance" or "reverse factoring" is a term describing a set of technology-based solutions that aim to lower financing costs and improve business efficiency for buyers and sellers linked in a sales transaction.
- Under this paradigm, buyers agree to approve their suppliers' invoices for financing by a bank or other outside financier--often referred to as "factors." And by providing short-term credit that optimizes working capital and provides liquidity to both parties
- Ex: Company ABC, purchases goods from Supplier XYZ. If Supplier XYZ is in dire need of cash, it may request immediate payment, at a discount, from Company ABC's affiliated financial institution. If this is granted, that financial institution issues payment to Supplier XYZ, and in turn, extends the payment period for Company ABC, for an additional further 30 days, for a total credit term of 60 days, rather than the 30 days mandated by Supplier XYZ.

## ASSET BASED LENDING

- Asset-based lending is the business of loaning money in an agreement that is secured by collateral. An asset-based loan or line of credit may be secured by inventory, accounts receivable, equipment, or other property owned by the borrower.
- For example, say a company seeks a \$200,000 loan to expand its operations. If the company pledges the highly liquid marketable securities on its balance sheet as collateral, the lender may grant a loan equaling 85% of the face value of the securities. If the firm's securities are valued at \$200,000, the lender will be willing to loan \$170,000. If the company chooses to pledge less liquid assets, such as real estate or equipment, it may only be offered 50% of its required financing, or \$100,000.

## INVESTMENT

### INVESTMENT IN BONDS

- Bonds are debt securities that are issued by corporations and governments to raise money. When you buy a bond, you are essentially lending money to the issuer. In return for your loan, the issuer promises to pay you back the principal amount of the bond plus interest over a period.
- There are a number of benefits to investing in bonds. Bonds can provide a steady stream of income, and they can help to diversify your investment portfolio. Bonds can also help to protect your portfolio from losses in the stock market



## Term of the week

### Adjusted Gross Income.

AGI is defined as gross income minus adjustments to income.

Gross income includes your wages, dividends, capital gains, business income as well as other income. Adjustment to income includes items such as student loan interest, contribution to your retirement account etc.

## FUND ANALYSIS – HDFC SMALL CAP FUND GROWTH

### HDFC SMALL CAP FUND GROWTH

**Classification:** - Small Cap

**Net Asset Value (NAV)** as on 20<sup>th</sup> Nov 2023: Rs.121.20

**Investment Objective:-** HDFC Small Cap Fund aims to generate long-term capital appreciation by investing primarily in small-cap companies with the potential for strong growth.

#### Scheme details

- Exit Load – 1% if redeemed within a year
- Expense ratio – 0.75 %
- No Lock in Period
- AUM (Rs) – 23183.6 crores as of 20<sup>th</sup> Nov, 2023.
- Minimum Investment SIP monthly – Rs. 100
- Benchmark – S&P BSE 250 Small Cap - TRI

#### TOP STOCK HOLDINGS

• TREPS	----	6.74%
• Sonata Software	----	4.73%
• Bank of Baroda	----	3.62%

#### ALLOCATION BY SECTOR

Industrials	---	21.10%
Consumer Discretionary	---	13.60%
Information Technology	---	11.85%
Financials	---	10.94%

#### Power of SIP

A SIP of Rs 5000 pm in this fund for 3 years:

Invested	---	Rs 1,80,000
Fund return	---	Rs 3,47,303 [39.62% p.a.]
FD	---	Rs 2,18,413 [6.5% p.a.]
RD	---	Rs 1,99,124 [6.5% p.a.]