



# Investor World

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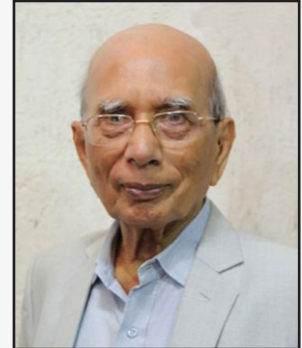
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## Editorial - June 2024

### IMPORTANCE OF SAVINGS

We Indians have traditionally been savers. Most of us avoid ostentatious spending. The saving culture help us to overcome the difficult times. World Bank has reported that Savings in India is 29.31% of its Gross Domestic Product. This is higher than the world average of 26%.

The significance of savings need not be stressed. The longevity of our lives has increased but the retirement age at 60 years remains virtually constant for most people. In such a scenario one has almost couple of decades to take care of one self after retirement. Savings become imperative to ensure a comfortable life post-retirement. Let us look at some of the important reasons to save.

1. To maintain comfortable life style post-retirement. One would not like to significantly curtail the habits formed during the earning period.
2. To take care of medical emergencies. Unfortunately, in our country the medical insurance is many times not sufficient to take care of the medical exigencies.
3. To beat inflation. Inflation is a constant in our country. Prices of most commodities keep on rising year on year.
4. To live life with self-respect. To be self sufficient and not to be dependent on any one is very important for one's self-respect.
5. To do philanthropy. At an elderly age there is always an urge to help others. If one has savings that exceeds the needs, helping some one more needy is the greatest source of joy.
6. To take care of hobbies like travel, exploring new avenues like music, art etc.

If one has followed certain basic principles during the earning life time , it is not difficult to save. Let us look at the basic rules/principles of savings.

1. Start the savings habit early in life. Start small but learn the habit of saving from as early as possible. The power of compounding will be more effective if one has started to save early in life.
  2. Save regularly. Some savers have developed the habit of setting aside a certain percentage of their earnings on the first day of each month to a separate bank account meant only to save.
  3. Limit the use of Credit Card. Do not look at credit card as means of spending but look at it as a means of convenience. Do not delay the payment of credit card dues. The interest charged on delay beyond the due date is phenomenal.
  4. Look for practical alternatives to reduce unnecessary spending. For example, Public Transport is a much cheaper & faster mode of travel in city like Mumbai at a very reasonable price as compared to a private vehicle /taxi. Similarly look out for alternatives to branded products. Avoid 5 star culture and try & settle for less expensive restaurants serving equally delicious food at a much reasonable rates.
  5. Reduce your desires & wants. As one grow in age, its time to find joy in simpler things like reading books & taking a walk in the Garden. It also improves the quality of life. Spend time with friends, grandchildren. They give immense joy & does not cost anything.
  6. Maintain good health with regular physical activities. Go for medical check ups at a regular interval. It will cost some money but will help you to identify something going majorly wrong in your health which could lead to huge expenses.
  7. Do not lend money unless you can afford not seeing it returned back to you. It is said that when you lend money you not only lose money but lose the friend as well to whom you have lent.
- You have worked hard & you deserve to lead a comfortable life. Follow the above principles and ensure a healthy, happy life.

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## INVESTOR PROTECTION THROUGH EDUCATION

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# UNDERSTANDING COMPOUND ANNUAL GROWTH RATE (CAGR)

Compound Annual Growth Rate (CAGR) is a crucial metric used to determine the average annual growth rate of an investment over a specified period of time. Whether you're analyzing financial investments, evaluating business performance, or assessing the growth of a project, CAGR provides a standardized measure that smooths out fluctuations to give a clear picture of growth rates.

What is CAGR?

CAGR measures the rate of return of an investment over a certain period of time, assuming that the investment has been compounding annually. It is particularly useful when investments or business metrics experience significant volatility year to year.

How to Calculate CAGR

To calculate CAGR, you need two pieces of information:

1. Beginning Value (BV): This is the initial value of the investment or metric at the start of the period.
2. Ending Value (EV): This is the value of the investment or metric at the end of the period.

The formula for CAGR is:

$$\text{CAGR} = (\text{EV}/\text{BV})^{1/n} - 1$$

Where:

- EV = Ending Value
- BV = Beginning Value
- n = Number of years

Let's break down the steps to calculate CAGR:

Step 1: Determine the Beginning and Ending Values

Identify the starting point (BV) and ending point (EV) of the investment or metric you're analyzing. These values should be in the same units (e.g., Rupees).

Step 2: Calculate the Total Return

Calculate the total return over the period using the formula:

$$\text{Total Return} = (\text{EV} - \text{BV})/\text{BV}$$

Step 3: Compute CAGR

Use the total return to compute CAGR over n years:

$$\text{CAGR} = (1 + \text{Total Return}/n)^n - 1$$

Alternatively, for simplicity when using a calculator or spreadsheet, you can use:

$$\text{CAGR} = (\text{EV}/\text{BV})^{1/n} - 1$$

### Example Calculation

Let's say you invested Rs. 10,000 in a share that grew to Rs. 15,000 over 5 years. To find the CAGR:

1. BV (Beginning Value) = Rs. 10,000

2. EV (Ending Value) = Rs. 15,000

3.  $n = 5$  years

$$= \text{CAGR} = (15000/10000)^{1/5} - 1$$

$$= \text{CAGR} = (1.5)^{1/5} - 1$$

$$= \text{CAGR} = 1.0844 - 1$$

$$= \text{CAGR} = \text{approx } 0.0844 \text{ or } 8.45\%$$

So, the CAGR of your investment over 5 years is approximately 8.45%.

CAGR is a powerful tool for comparing investments or evaluating business performance over different time frames. It provides a standardized growth rate that accounts for compounding effects, making it easier to assess and compare investments that may have varying annual returns.

When using CAGR, it's important to consider its limitations, such as assuming steady growth and not accounting for volatility within the period. However, for most long-term investment analyses, CAGR remains a widely accepted method for assessing growth rates.

In conclusion, understanding how to calculate CAGR empowers investors, analysts, and business leaders to make informed decisions based on consistent growth metrics. By following the steps outlined above, you can confidently calculate and interpret CAGR to evaluate the performance of investments or projects over any specified period of time.

## દિશાવિહીન શૉરબજારમાં એસઆઈપીનો માર્ગ ઉત્તમ

શૉરબજાર સેન્સિટિવ હોય છે, તેની સંવેદનશીલતાના જોખમને સમજો



જયેશ ચિતલિયા  
પત્રકાર

નાના રોકાણકારો અને નાની મૂડી સાથે સંપત્તિસર્જનનો સિસ્ટેમેટિક પ્લાન

શૉરબજારમાં ઓછા જોખમી અને સારા વળતરદાયી સાધન તરીકે એસઆઈપીની અગાઉ આપણે ચર્ચા કરી હતી અને આ માર્ગ રોકાણકારો માટે શા કારણે ઓછો જોખમી અને વધુ વળતરદાયી છે તેની સમજ પણ આપી હતી, કિંતુ આ વખતે તેને નવા સંદર્ભમાં જોઈએ.

જ્યારે પણ શૉરબજારમાં કંઈ ન સૂઝે ત્યારે તેમ જ રોકાણ માટે મોટી રકમ પણ હાથમાં ન રહેતી હોય એવા સામાન્ય વર્ગ માટે એસઆઈપીનો માર્ગ ઉત્તમ માર્ગ બની રહે છે. આમ તો આ માર્ગ દરેક સંજોગોમાં ઉત્તમ છે, પણ ખાસ કરીને બજારની દિશા ન પકડાતી હોય ત્યારે એસઆઈપી વધુ શ્રેષ્ઠ સાધન બની જાય છે.

ઘણી વાર તો રોકાણકારો મંદી આવે કે બજાર ઘટવા લાગે ત્યારે એસઆઈપી બંધ કરી નાખવાની ભૂલ કરતા હોય છે, જ્યારે કે હકીકતમાં આ જ તો ખરો સમય છે, જેમાં એસઆઈપીમાં તેમને વધુ લાભ થવાનો હોય છે. એસઆઈપીના કિસ્સામાં જોવા મળ્યું છે કે બજારના ખરાબ સમયમાં પણ તેને જાળવી રાખો તો ૧૫ વરસમાં જે વળતર તમને પીપીએફ (પબ્લિક પ્રોવિડન્ટ ફંડ) આપે છે તેના કરતાં એસઆઈપી વધુ વળતર આપે છે.

એસઆઈપીમાં ટાર્ગેટ સાથે રોકાણ કરો

એસઆઈપીને તમારાં લક્ષ્યો સાથે પ્લાન કરો, કેમ કે આમ કરવાથી તમને એ સ્પષ્ટતા રહેશે કે તમે કેટલા સમય માટે આ રોકાણ ધરાવી રાખવા માગો છો.

જો તમે સંતાનના ઉચ્ચ શિક્ષણ માટે એસઆઈપીમાં રોકાણ કરવાનું શરૂ કર્યું હોય તો એ કમ સે કમ ૧૦થી ૧૫ વરસનું હોવું જોઈએ. તમે પાંચ વરસ બાદ વિદેશ ટૂર પ્લાન કરી રહ્યા હો તો એ મુજબ ઈન્વેસ્ટમેન્ટનું આયોજન કરો. તમારા સંતાનના લગ્ન પ્રસંગ માટે આયોજન કરતા હો તો એ મુજબ લાંબા ગાળાનું પ્લાનિંગ કરી.

અહીં એક વાત એ પણ નોંધી રાખો કે આવાં તમામ પ્લાનિંગ તમારે વહેલાસર કરી રાખવાં જોઈશે. આમ પણ આ બધા પ્રસંગો માટે તમારે નાની રકમથી કામ નહીં ચાલે, પણ મોટી રકમ એકસાથે જોઈશે. જોકે એસઆઈપી તમે નાની રકમ સાથે પણ વહેલાસર શરૂ કરી દીધી હશે તો એ રકમ સમય જતાં મોટી થઈને તમને મળશે. વાસ્તે, એ ખાસ યાદ રાખો કે એસઆઈપી નાની ઉંમરથી જ શરૂ થઈ જાય. એસઆઈપીની ખાસિયત એ છે કે તે આપણને શૉરબજારના વળતરનો લાભ આપે છે, પરંતુ શૉરબજારના જોખમથી મહ દૂર રાખે છે. વધુમાં એ પણ સમજો કે, એસઆઈપી માત્ર ઈક્વિટી શૉરોમાં જ થાય એવું જરૂરી નથી, કિંતુ ડેટ સાધનોમાં પણ એસઆઈપી થઈ શકે છે, જે સિનિયર સિટિઝન્સ માટે વધુ અનુકુળ રહે છે, કારણ તેનું જોખમ વધુ સીમિત બની જાય છે. એસઆઈપી મારફત આપણે આપણાં રોકાણમાં એવરેજ પણ કરી શકીએ છીએ, જે ઘણી વાર વ્યક્તિગત શૉરોમાં મોંઘું પડી જતું હોય છે. પુનરાવર્તન ભલે થાય, પણ દોસ્તો, એસઆઈપીની અનોખી વિશિષ્ટતા જાણી લો કે આ એક એવું સાધન કે યોજના છે જેમાં રોકાણકારો શૉરબજારની તેજી કે મંદી બંને સ્થિતિમાં વિન-વિન સિચ્યુએશનમાં રહે છે. અર્થાત્ શૉરબજારમાં મંદી હોય તો તમારી એસઆઈપીમાં યુનિટ્સની સંખ્યા વધે અને તેજી હોય ત્યારે તમારા યુનિટની નાવ (નેટ એસેટ વેલ્યુ) વધે છે. આમ રોકાણકારના બંને હાથમાં લાડવા રહી શકે છે.



# **RIGHTS AND OBLIGATIONS OF INVESTORS**

**(Annexure-2 by SEBI)**

(Courtesy- Security and Exchange Board of India)

## **Rights of Investors**

- Get Unique Client Code (UCC) allotted from broker.
- Get a copy of KYC and other documents executed from intermediary.
- Get trades executed in only your UCC.
- Place order on meeting the norms agreed to with the Member.
- Get best price.
- Get the contract note for trades executed.
- Ask the details of charges levied.
- Receive funds and securities on time.
- Receive statement of accounts from trading member.
- Ask for settlement of accounts.
- Get statements as per agreed schedule.

## **Obligations of Investors**

- Execute Know Your Client (KYC) documents and provide supporting documents.
- Understand the voluntary conditions being agreed with the trading member.
- Understand the rights given to the Trading Members.
- Read Risk Disclosure Document.
- Understand the product and operational framework and deadlines. Pay margins in time.
- Pay funds and securities for settlement in time.
- Verify details of trades, Verify bank account and DP account for funds and securities movement.
- Review contract notes and statement of account.

Disclaimer : - The illustration are merely indicative in nature which should not be construed as investment advice and neither ensure you profits nor protect you from making a loss in declining market.

## **INVESTOR PROTECTION THROUGH EDUCATION**

On behalf of Investor Education & Welfare Association.