**FINANCIAL PLANNING AND TAX SAVING ESTIMATES WITH MUTUAL FUNDS**

**In NETWORTH STOCK BROKING**

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**Abstract:**

Efficient fund management is an integral part of the overall corporate strategy to create share holders value. Fund management implies the efficient and effective acquisition and allocation and utilization of funds. The Efficiency with which funds are managed gleaned from turnover ratios. Turnover ratio measure how rapidly the assets are being turned over into sales. In other words they indicate how well the company managers it funds and indicates sales turnover for every rupee of fund the way in which funds are managed can have a significant impact on the profitability of the company. It is an empirical question whether a high value of turnover ratio as a positive influence on the companies earning capability. A company can have larger sales with a very liberal Credit policy which shrinks the Debtor’s turnover ratio. In this case, the lower Debtors turnover ratio may result in higher profitability. However as for the traditional view, a low value of turnover ratio hits company’s profitability

**Keywords:** Consumer Perception, Proposed Tools.

**INTRODUCTION:**

Financial planning is the process of assessing the current financial situation of a business to identify future financial goals and how to achieve them. The financial plan itself is a document that serves as a roadmap for a company's financial growth.

Financial plans include budgets, but the terms are not interchangeable. Budgets are just one piece of a financial business plan, which should also include other important information that contribute to a complete picture of a business’ financial health, such as detailed, itemized breakdowns of company assets; typical expenditures; and forecasts of income, cash flow, and revenue.

Typically, business financial plans also focus on specific growth goals and other long-term objectives, as well as potential obstacles to achieving those objectives. A detailed financial planning checklist can identify overlooked opportunities and highlight possible risks that will affect the growth plan.

The comprehensive financial planning process in business is designed to determine how to most effectively use the company’s financial resources to support the objectives of the organization, both short- and long-range, by accurately forecasting future financial results. Financial planning processes are both analytical and informative, balancing the use of data and metrics to predict the future as well as institutional knowledge in departments and teams.

Financial planning and analysis (FP&A) is a group within a company’s finance organization that supports the health of the organization by engaging in several types of activities: budgeting, integrated financial planning, modeling, and forecasting; decision support via reporting on management and performance; and various special projects. FP&A solutions link corporate strategy and execution, enhancing the ability of the finance department to manage performance.

FP&A professionals provide senior management with forecasts of the company’s operating performance and profit and loss for each upcoming quarter and year. These forecasts allow leadership to assess investments and strategic plans for effectiveness and progress. They also enable improved communication between external stakeholders and management.

To map out future goals and plans and evaluate the company’s progress toward achieving its goals, corporate FP&A professionals analyze the company’s operational aspects both quantitatively and qualitatively. FP&

**REVIEW OF LITERATURE:**

**ARTICLE: 1**

**Tile: Financial Planning**

**Author:** **Waddell D**

**Source:** **Mediterranean Journal of Social Sciences( ISSN 2039-2117)**

**Abstract**

Small businesses are vital for employment and job creation in South Africa. The implement cash management procedures to eliminate cash management difficulties.

Based on the authors' extensive teaching, research and business experiences, this book reviews, discusses and integrates both theoretical and practical aspects of financial planning and forecasting. The book is divided into six parts: Information and Methodology for Financial Analysis, Alternative Finance Theories and Their Application, Capital Budgeting and Leasing Decisions, Corporate Policies and Their Interrelationships, Short-term Financial Decisions, Financial Planning and Forecasting, and Overview. The theories used in this book are pre-Modigliani-Miller Theorem, Modigliani-Miller Theorem, Capital Asset Pricing Model and Arbitrage Pricing Theory, and Option Pricing Theory. The interrelationships among these theories are carefully analyzed. Meaningful real-world examples of using these theories are discussed step-by-step, with relevant data and methodology. Alternative planning and forecasting models are also used to show how the interdisciplinary approach is helpful in making meaningful financial management decisions.

**ARTICLE: 2**

**Tile: financial forecasting, planning and analysis: recent developments**

**Source: Hamburg Business School, University of Hamburg**

**Author:** **Martin Spindler**

This article is an introduction to machine learning for financial forecasting, planning and analysis (FP&A). Machine learning appears well suited to support FP&A with the highly automated extraction of information from large amounts of data. However, because most traditional machine learning techniques focus on forecasting (prediction), we discuss the particular care that must be taken to avoid the pitfalls of using them for planning and resource allocation (causal inference). While the naive application of machine learning usually fails in this context, the recently developed double machine learning framework can address causal questions of interest. We review the current literature on machine learning in FP&A and illustrate in a simulation study how machine learning can be used for both forecasting and planning. We also investigate how forecasting and planning improve as the number of data points increases.

**ARTICLE: 3**

**Tile: The Importance of Financial Forecasting**

**Author: Rami Ali**

**Source: BRSS VOL 3 NO 4 ISSN: 2687- 2285**

**Abstract**

Business leaders who adopt and maintain financial forecasting best practices are better positioned to grow — and to weather unexpected setbacks. While it’s impossible to predict the future, as the COVID-19 pandemic of 2020 has demonstrated, hedging effectively against worst-case scenarios gives the business a fighting chance to adapt.

The fact is, companies don’t end up well-capitalized, with strong balance sheets and healthy cash flows by chance. Financial health is a function of rigorous data analysis, deep familiarity with the business and up-to-date customer and market insights. Finance teams that get forecasting right in good times share in the company’s success.

In bad times, they’re darn close to heroes.

Hyperbole? Nope. Data shows that business leaders recognize the role their finance teams’ careful planning played in weathering an incredibly challenging period. Brainyard’s Summer 2020 Finance Priorities Survey showed that the financial planning and analysis (FP&A) function was seen by fully 72% as increasing in importance, often significantly, followed closely by the related corporate strategy and development. In that same survey, finance executives were much more likely to say that adding products or services is a necessary reaction to COVID-19 versus nonfinance respondents.

**SEARCH GAP:**

# The review concludes that salaried employees want to know their tax obligations from the right standpoint and processes of financial planning available to them so that they can make the best use of their earnings by reducing the incidence of tax

# **OBJECTIVES:**

* To observe the tax financial savings scheme on mutual funds, its performance inside the market, and its exposure to stock.
* To observe the capacity of mutual finances with referance to Prudential lifestyles coverage co.Ltd.
* To analyse the performance of various mutual price range schemes and indicates the exceptional one.
* To understand which tax gain fund is acting nicely.
* To provide the information to the investor as a financial adviser.

**RESEARCH METHODOLOGY:**

**Need For The Study**

Financial Planning is an integral a part of any individual life, in particular in this modern global where cost of the whole lot is expressed in phrases of cash. The energetic running span of human existence is short compared to the life span. This method humans might be spending about the identical variety of years in after retirement what they have got spent in their energetic running life. Thus it becomes important to save and make investments whilst running so that man or woman will retain to earn a fulfilling profits and revel in a cozy life-style.

Financial Planning enables a person to pick out their desires, assess the modern function and takes essential steps to acquire the desires. It facilitates us to understand how economic decisions made impact our lifestyles. Financial Planning is not pretty much funding planning however it's miles approximately life time making plans. Thus via proper financial planning someone may have a smooth and secured financial life.

**Scope Of The Study:**

The scope of observe is getting familiar with diverse investment avenues to be had in market. To observe the existence stages of an character and to identify their hazard tolerance, income glide, life desires and cutting-edge funding. Study must cowl all regions of the individuals economic needs and should bring about the fulfillment of each of the people goals.

The scope of making plans will consist of the subsequent :

• Risk Management and Insurance Planning Investment Planning

• Retirement Planning

• Tax Planning

**Data Collection**

**Sources of Data**

**Primary data:**

This method includes the data collected from the personal discussions with the authorized clerks and members of the NTPC.

**Secondary Collection Method**:

The Secondary Collection Methods includes the lectures of the superintend of the Department of Market Operations, EDP etc, and also the data collected from the Annual financial reports of the company, Balance sheets, profit loss a/c’s etc..

**HYPOTHESIS OF THE STUDY:**

A null hypothesis is a type of statistical hypothesis that proposes that no [statistical significance](https://www.investopedia.com/terms/s/statistical-significance.asp) exists in a set of given observations. [Hypothesis testing](https://www.investopedia.com/terms/h/hypothesistesting.asp) is used to assess the credibility of a hypothesis by using sample data. Sometimes referred to simply as the "null," it is represented as H0.

**DATA ANALYSIS & INTERPRETATION:**

**Portfolio:**-

|  |  |  |  |
| --- | --- | --- | --- |
| **Instrument** |  | **Industry** | **% of NAV** |
| BHEL |  | Industrial Capital Goods | 5.32 |
| Reliance Industries Ltd |  | Petroeum Products | 4.95 |
| Godrej Industries Ltd |  | Chemicals | 4.24 |
| Maharashtra Seamless Ltd |  | Ferrous Metals | 3.99 |
| ONGC Ltd |  | Oil | 3.36 |
| Godrej Consumer Products Ltd |  | Consumer Non Durables | 3.28 |
| United Breweries Holding Ltd |  | Finance | 3.26 |
| Crompton Greaves Ltd |  | Industrial Capital Goods | 3.16 |
| Automative Axles Ltd |  | Auto Ancillaries | 3.14 |
| SBI |  | Banks | 3.10 |
| Pantaloon Retail (I) Ltd |  | Retailing | 3.05 |
| Greaves Cotton Ltd |  | Industrial Products | 3.03 |
| Jaiprakash Associates Ltd |  | Construction | 3.01 |
| Goodlass Nerolac Paints Ltd |  | Consumer Non Durables | 2.90 |
| HDFC Bank Ltd |  | Banks | 2.83 |
| Mahindra and Mahindra Ltd |  | Auto | 2.81 |
| Omax Auto Ltd |  | Auto Ancillaries | 2.79 |
| Blue Star Ltd |  | Consume Durables | 2.63 |
| Jindal Steel & Power Ltd |  | Ferrous Metals | 2.58 |
| PVR Ltd |  | Media & Entertianment | 2.51 |
| Blue Dart Express Ltd |  | Courier | 2.29 |
| **Instrument** |  | **Industry** | **% of NAV** |
| Kirloskar Brothers Ltd |  | Industrial Products | 2.25 |
| Infosys Technologies |  | Software | 2.10 |
| Rajshree Sugars & Chemicals Ltd |  | Sugar | 2.09 |
| ABB Ltd |  | Industrial Capital Goods | 2.06 |
| CESC |  | Power | 1.98 |
| Hindustan Construction Company Ltd |  | Construction | 1.78 |
| Spice Jet Ltd |  | Transport | 1.70 |
| Mahavir Spinning Mills Ltd |  | Textiles - Cotton | 1.58 |
| The South Indian Bank Ltd |  | Banks | 1.55 |
| Graphite Ltd |  | Industrial Products | 1.51 |
| EID Parry Ltd |  | Consumer Non Durables | 1.27 |
| Mid-day Multimedia Ltd |  | Media & Entertianment | 1.26 |
| Reliance Natural Resources Ltd |  | Gas | 1.22 |
| Super Sales Ltd |  | Textiles - Cotton | 1.14 |
| Bannari Amman Sugar Ltd |  | Consumer Non Durables | 1.07 |
| Vardhaman Spinning & General Mills |  | Finance | 0.93 |
| **Cash, Call and Other Assets** |  |  | **6.28** |
| **Net Assets** |  |  | **100.00** |

**Franklin India Taxshield**

**Investment Style:**

The fund manager seeks steady growth by maintaining a diversified portfolio of equities across sectors and market cap ranges.

**Investment Objective:**

Aims to provide medium to long term growth of capital along with income

tax rebate.

**Date of Allotment:** April 10, 2016

**Fund Manager:** Satish Ramanathan

**Latest NAV:**

**(As on 31 –** January – 20):

Growth Plan Rs. 110.51

Dividend Plan Rs. 34.85

**NAV (As on 05 –** April – 20):

* + **Growth option:** Rs.118.47

**Fund Size:** Rs. 236.51 crores

**Turnover:** Portfolio Turnover 71.48%

**Standard Deviation**: 6.35

**R-squared:** 0.92

**Beta:** 0.83

**Sharpe Ratio\*:** 0.60

\* Risk-free rate assumed to be 5.03% (based on JP Morgan 3 month T-Bill Index)

**Expense Ratio:** 2.43%

**Minimum Investment/ Multiples for New Investors:** Rs.500/500

**Additional Investment/ Multiples for Existing Investors:** Rs.500/500

**Tax Benefits:**

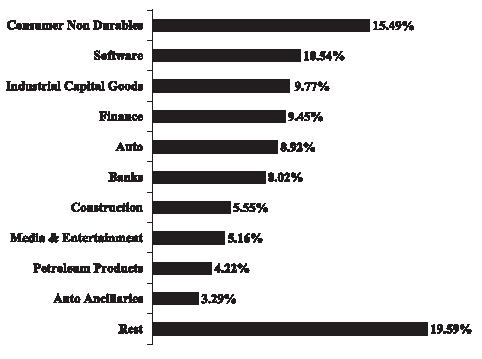
Investments will qualify for tax benefit under the new Section 80C as amended by the Finance Act 2005

**Fund Manager’s Commentary:**

The equity exposure of the fund has increased to 94.53% from 88.71% during the month, as we deployed the cash position. The main addition to the portfolio was Reliance Capital. Exposure to FMCG and finance sectors has gone up, while that to software and media has come down.

**Rs.10,000 invested at inception in FIT & S&P CNX 500:**

**Sector Strategy:**



**Reliance Tax Saver (ELSS) Fund**

**FUND DATA**

**Structure:** Open-ended Equity Linked Savings Scheme

**Inception Date:** September 22, 2015

**Corpus:** Rs 1,196.31 crore (March 31, 2016)

**Minimum Investment:** Rs 500 & in multiples of Rs 500

**Fund Manager:** Ashwani Kumar

**Entry Load:** <2cr - 2.25%; =2cr <5cr - 1.25%; =5cr - Nil

**Exit Load:** Nil

**NAV (As on 31 –** January – 20):

* + **Growth option:** Rs.13.51

**NAV (As on 05 –** April – 20):

* + **Growth option:** Rs.13.10

**INVESTMENT OBJECTIVE*:***

The primary objective of the scheme is to generate long-term capital appreciation from a portfolio that is invested predominantly in equity and equity-related instruments.

**Sector Allocation:**

|  |  |
| --- | --- |
| **Industry** | **% Allocation** |
| Auto | 12.96 |
| Industrial Capital Goods | 12.39 |
| Software | 9.36 |
| Banks | 8.7 |
| Auto Ancillaries | 6.16 |
| Cement | 5.28 |
| Consumer Non Durables | 4.52 |
| Industrial Products | 4.36 |
| Pharmaceuticals | 4.22 |
| Ferrous Metals | 3.9 |
| Textiles | 3.73 |
| Petroleum Products | 3.31 |
| Chemicals | 2.4 |
| Fertilisers | 2.22 |
| Textile Products | 1.99 |
| Power | 1.74 |
| Steel | 1.39 |
| Telecom Services | 1.29 |
| Media & Entertainment | 1.1 |
| **Industry** | **% Allocation** |
| Dredging | 0.89 |
| Construction | 0.72 |
| Industrial Machinery | 0.44 |
| Retail | 0.11 |
| Engineering | 0.08 |
| Oil | 0.06 |
| **Total** | **93.32** |

**Pru Tax Plan:**

* **Fund Size:** Rs. 242.97 crores
* **NAV (As on 31-January-20):**
  + **Growth option:** Rs. 76.27
* **NAV (As on 05-April-20):**
  + **Growth option:** Rs. 81.88
* As we know that at the inception the fund value will be Rs.10 but at this stage the value of the fund is Rs.76.27.
* The return of the fund is 36.97% where as the bench mark of the S&P Nifty was 13.23%. According to this the fund has done better then the assumption of the market.
* NAV has been increased from rs 76.27 to Rs 81.88.

**Kotak ELSS:**

**Fund Size:** Rs.106.73 crores

**NAV (As on 31 –** January – 20):

* + **Growth option:** Rs.11.586

**NAV (As on 05 –** April – 20):

* + **Growth option:** Rs.13.72
* As we know that at the inception the fund value will be Rs.10 but at this stage the value of the fund is Rs.11.586.
* The return of the fund is 17.90% where as the bench mark of the S&P Nifty 500 was 15.60%. According to this the fund has done better then the assumption of the market.
* NAV has been increase from Rs.11.586 to Rs.13.72

**Principal Tax Saving Fund:**

**Fund Size:** Rs.135.15 crores

**NAV (As on 31 –** January – 20):

* + **Growth option:** Rs.24.46

**NAV (As on 15 –** April – 20):

* + **Growth option:** Rs.72
* As we know that at the inception the fund value will be Rs.10 but at this stage the value of the fund is Rs.24.46.
* The return of the fund is 25.02% where as the bench mark of the S&P Nifty was 13.18%. According to this the fund has done better then the assumption of the market.
* NAV has been increased from Rs.24.46 to Rs.72

**Templeton India Taxsheild:**

**Fund Size:** Rs.236.58 crores

**NAV (As on 31 –** January – 20):

* + **Growth option:** Rs.110.51

**NAV (As on 15 –** April – 20):

* + **Growth option:** Rs.118.47
* As we know that at the inception the fund value will be Rs.10 but at this stage the value of the fund is Rs.110.51.
* The return of the fund is 71.48% where as the bench mark of the S&P Nifty 500 was 50.27%. According to this the fund has done better then the assumption of the market.
* NAV has been increased from Rs.110.51 to Rs Rs.118.47

**Reliance Tax Saver (ELSS) Fund:**

**Fund Size:** Rs.1196.31 crores

**NAV (As on 31 –** January – 20):

* + **Growth option:** Rs.13.51

**NAV (As on 05 –** April – 20):

* + **Growth option:** Rs.13.10
* As we know that at the inception the fund value will be Rs.10 but at this stage the value of the fund is Rs.13.51.
* The return of the fund is 30.51% where as the bench mark of the S&P Nifty 500 was 21.07%. According to this the fund has done better then the assumption of the market.
* NAV has been decreased from Rs.13.51 to Rs.13.10

**INTERPRETATION:**

• Mutual funds outnumber traded securities.

• Mutual funds have a number of objective functions which lead to observably

different trading styles.

**These styles include:**

* A wide variety of firms that trade on news regarding the endowment shocks of individuals. In the real world this might correspond to fundamental research about how various parts of the economy are doing.
* A price fund that trades only on the equilibrium price – essentially a technical trading fund.
* A fund that simply trades a fixed amount of stock – basically an index fund.
* Adding mutual funds to the economy increases stock price volatility. This result contrasts sharply with models where funds act like people with utility functions. In those papers additional funds reduce volatility.
* Since many funds have demands which are completely price inelastic, the introduction of an
* additional such fund does not directly affect the risk discount in the prices of risky securities. There may be such an effect, but it operates through a change in investors’ implied risk aversions.
* Generally, new funds should be endowed with trading strategies which are maximally different from those of existing funds.

**CONCLUSION**

* 1. The conclusion of this study is that the lower risk with the higher returns is the important aspet of the mutual funds. As we are studing on the tax saving funds in this the two type of benefits will be enjoyed by the investor i.e., first he will be saving the tax and the money what he is investing in that he should not pay any type of tax.
  2. In the above funds we can see that Pru tax plan fund had given 36.97% of return form the inception time, Kotak ELSS fund has given the return of 17.9% in one year, the Principal Tax Saving Fud has given 25.02% of returns form the inception period, Templeton India Tax sheild fund had given the returns of 71.48% from the inception period and the Reliance Tax saver (ELSS) fund had given 30.51% of return from the inception.

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