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Modi Shows Early Signs of Walking The Talk

October was a month of high-octane action. The buzz about far-reaching reform measures from the new government has kept stock markets excited. The appointment of globally renowned liberal economist Arvind Subramanian has raised hopes that the government’s first full term Budget in February next year will be investment oriented. The biggest and the most tangible reform measure for many has been the deregulation of diesel prices.

This has been a political hot potato for a very long time. Deregulation is politically perceived as painful for the consumer. But when diesel prices were deregulated last month, it was accompanied by a reduction in prices by as much as Rs 3.37 a litre. The general argument against deregulation has always been that it will lead to a price hike. The price cut has falsified this criticism.

The Modi government has been immensely helped by global crude oil prices falling to $80/barrel levels from $140 not so long ago. Fortune certainly favours the brave.

This is perhaps the best time to press ahead with rationalising cooking gas and kerosene subsidies as well. According to October data, oil companies continue to lose Rs 31.22 a litre on subsidised kerosene and Rs 404.64 on each LPG bottle. This can even be accomplished gradually. A good start would be reinstating the nine-cylinder per family cap on subsidised cylinders. The ceiling can be progressively brought down to six. A Rs 5 or Rs 10 a month hike on LPG cylinders till oil companies wipe out their losses substantially might be a good idea.

There are various investment strategies in mutual funds that could maximize return on your investment, without having to time the market. The commonest and simplest strategy is investing a lump sum. But there are other tried and tested ways of investing that you can use to ride out market volatility and optimize the return. With the rebound in capital markets, there is renewed retail investor interest in mutual funds. Our cover story this month focuses on smart mutual fund investment strategies.

The PM recently announced his ambitious plans to attract global capital in the manufacturing sector through the ‘Make in India’ campaign. But unless India addresses its stifling labour laws, such campaigns will remain paper lions. India’s current labour laws — some 400 of them at the last count, including central and state laws — have been a bee in the bonnet of both Indian and overseas investors in the manufacturing sector. The travesty of labour laws of India is that they are too deep (too many laws) and too narrow (covering only a sliver of the working population) thereby ending up neither helping their intended beneficiaries nor making compliance for employers easy. In a special feature, we look at seven labour law reforms that are easily implementable.

Top tier Indian IT firms seem to have turned the corner and look rock solid investment bets. The quality of business for the Indian IT firms as also the return on equity for many of these firms is good; there is little to no debt; and cash flow steady. In our sectoral equity analysis we take a closer look at four blue-chip IT stocks and figure out if they should be part of your portfolio.
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Taking Stock

Thanks for reiterating that markets are going to remain bullish for the next three to five years. Sankaran Naren’s interview in your October issue was a reassurance for Equity investors like me. It’s known the nature of the market is volatile and hence one should not expect the returns that were made in the last one year and remove any such expectations from our minds; the term “Cautiously bullish” correctly defines the way forward.

- Rizwan Sheikh, Lucknow

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Loom Large

I am amazed to know that India has the highest loom capacity with 63% of the world’s market share! Major textile and apparel zones cover almost the whole of India for various products like woolens, cotton, jute, silk and hosiery. What’s surprising to see is the meager 3% handicrafts share in India’s textile exports. We take pride in showcasing the craftsmanship of our people but that doesn’t show in our exports of such handmade goods. The chartist was worth a glance for industry professionals like me.

- Harsh Lal, Surat

Return Matrix

The line “Chasing returns has never worked and will never work” is the best I picked up from your Expert Speak – What Should Investors Do Now? This article sums up all that markets entail for investors in the current scenario. Many investors did lose hope after the major crash of 2008 – 09. With the bulls almost transforming into Cheetah, there’s no reason why any investor should think before investing. It’s now or never! Stocks, mutual funds, whatever the instrument, just invest and most importantly, stay invested!

- Rahul Kapadia, Allahabad

How To Make It

Make in India is a great initiative by the Modi led government. If we succeed in carrying out the proposed reforms, we are sure in for a manufacturing miracle! Although a very ambitious vision, this seems like a great opportunity for the youth of the nation considering the 15 crore people who are expected to enter the workforce in the next 10 years. Focus on manufacturing sector will help create employment opportunities in addition to helping curb the current account deficit. Making this a reality would be a journey worth taking. All the best to all the stakeholders.

- Janardhan Rao, Vijayawada

Gaga Over Gold

Gold SIP seems like a lucrative option. My wife loves gold. We end up spending almost a few lakhs every year on buying ornaments. I am an aggressive investor in the equity markets and have not really explored Gold SIP yet. Shivram Yedhiti’s article makes complete sense. Now, with the price of this metal being low, would be the best time to invest more in gold. I would like to know more about gold as an investment option and also about gold ETFs that flooded the market this Diwali.

- Rajesh Nair, Kollam

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The country’s merchandise trade deficit widened to $14.2 billion in September from $10.8 billion in the previous month. The trade deficit for second quarter (July-September) stood at $37.3 billion compared to $29.3 billion a year ago and compared to $33.1 billion in the first quarter of this fiscal (April-June).

Accounting for the trade surplus in services ($17.8 billion in Q2) and assuming that remittances and investment incomes remain unchanged from last quarter, current account deficit (CAD) is set to widen to around $10 billion in Q2 from $7.8 billion in Q1. The widening is due to higher core (non-oil non-gold) imports, reflecting a gradual revival of domestic demand, says a report by Crisil.

At $10 billion, CAD will be almost twice the levels seen a year ago (July-September 2013). The pick-up in trade deficit is mostly due to higher non-oil imports compared last year. During July-September 2013, gold imports had fallen sharply in a knee-jerk response to import curbs, which included a hike in gold import duty to 10% and a mandatory requirement that 20% of all gold imports be kept aside for exports. Imports of capital and consumption goods (non-oil non-gold imports) too, have risen significantly (around 10% growth) compared to Q2 fiscal 2014, signaling a recovery in domestic demand from last year’s lows.

In September, export growth was weak at 2.7% y/y partly due to a high base. In contrast, imports grew at 26% y/y – their fastest pace in 2.5 years. Despite an over $10 per barrel decline in crude oil prices, oil imports rose by 9.7% due to higher import volumes. Non-oil imports also grew by staggering 36.2% y/y in September due to both higher gold and well as higher core (non-oil non-gold) imports.

Gold imports increased to $3.75 billion in September – the highest monthly imports since curbs were imposed last August. Higher demand spurred by the upcoming festive season and low prices is likely to have led to the rise in imports of the yellow metal.

Mirroring domestic economic recovery, core (non-oil non-gold) imports also trended upwards for the fifth consecutive month - and much more sharply this time – growing at 22.3% y/y in September, up from 8.2% y/y in August. With core imports expected to pick up with economic recovery, exports need to raise its growth momentum in coming months to keep merchandise trade deficit in check.

The slowdown in exports was driven by a sharp decline in exports of petroleum products (13.3% y/y, fall) and electronic goods (17.4% y/y fall). These two sectors together account around one-quarter of India’s merchandise exports. In contrast, exports of engineering goods and readymade garments continued to show robust growth at 20.2% and 15.9% respectively, in September.

Despite the expected widening in CAD in Q2, Crisil has revised down its forecast for India’s CAD to $32 billion (1.5% of GDP) for 2014-15 from our earlier forecast of $47 billion (2.2% of GDP). The downward revision is due to lower oil prices and continued restriction on gold imports.

Crisil Research now expects oil prices to average $100 per barrel in 2014-15 as compared to the earlier forecast of $105 per barrel. Oil imports constitute nearly one third of India’s total merchandise imports. Therefore, lower oil prices will significantly bring down total imports. With the Fed tapering nearing its end, any increase in interest rates in the US could trigger capital withdrawals from emerging economies including India. To reduce India’s vulnerability to any such external shocks it believes that the government is likely to continue with import curbs on gold restrictions, which creates downside to its earlier forecast of gold imports.
Number One

A good piece of news for mobile users. The Telecom Commission has ordered the implementation of nationwide number portability by March 31, according to reports by Press Trust of India (PTI). Mobile phone users will soon be able to change their telecom operators and retain their numbers even if they are shifting to areas outside the service providers’ operations.

At present, mobile subscribers have restricted facility of changing their telcos while retaining their number within same service area using mobile number portability (MNP). For example, a subscriber in Delhi NCR can switch operator within Delhi NCR only. The Department of Telecom has set a target date of March 31, 2015 to implement the full mobile number portability (MNP), an official source told PTI.

“The Telecom Commission has accepted TRAI’s recommendations on full MNP,” PTI quoted the source as saying. The panel decision will now be placed before Telecom Minister Ravi Shankar Prasad for the final approval. Under the full MNP, for instance, a subscriber in Delhi NCR will be able to switch to a telecom network in Tamil Nadu or in any of the state or place where he is relocating himself/herself while retaining the same number.
EMPLOYMENT

Off To Work

The Indian job market is touching new highs with the IT/Telecom industry writing its strongest growth story with a 20% increase in jobs in just one month, according to RecruiteX, the Jobs Index by TimesJobs.com. The index recorded a 14% increase in September 2014 over August 2014. From January 2014 to September 2014 period, there has been a 21% increase in demand for IT/Telecom professionals, shows The TimesJobs RecruiteX Index. This is also clearly an exciting time for IT professionals in India Inc.

The hiring pattern is strong across all levels in the IT/Telecom industry. The time is best for senior IT professionals to look for a job. Job opportunities have doubled for senior IT professionals with over 20 year’s experience, with a 67% increase from January 2014 to September 2014 period. IT professionals with 10-15 years experience reported a 20% increase during the same period.

As per TimesJobs.com data, software engineers, application programmers, database administrators (DBA), graphic designers/animators/web designers and project leaders/project managers are the hottest jobs in the IT industry, currently.

The good news is that the abundance in jobs is not limited to the IT/Telecom industry only. The ITeS/BPO industry has also reported an 18% increase in job postings in September 2014. Hiring in high-volume sectors such as BFSI, retail, healthcare/pharmaceutical/biotechnology is on a revival mode. Post the announcement of Prime Minister Modi’s ‘Make in India’ campaign, hiring has stabilised in manufacturing driven sectors such as manufacturing/engineering, automobiles/auto components, consumer durables/FMCG and projects/infrastructure in September 2014 over August 2014.

According to TimesJobs.com RecruiteX, employers are actively looking for Research and Development professionals as they witnessed a 27% growth in jobs in September 2014. A strong demand pattern is also observed for HR/Training and Administrative profiles. Customer-centric profiles such as customer/service and marketing & advertising are also in demand.

Among the top metros, Delhi-NCR is leading the recruitment charts with a 21% increase in job postings followed by Bangalore. In tier I locations, Hyderabad reported a double-digit growth in demand. Mid-level hiring, professionals with 5-10 years experience, was upbeat in September 2014. The demand for over 20 years experience and 2-5 years experience reported a 10 and 12% growth, respectively.

“Considering the current pattern, it seems the Indian job market will stabilise in the coming months as the major sectors are on a revival mode and hiring activity picks up across core and support functions.” says Vivek Madhukar, COO, TimesJobs.com.

Quote of the month

“In a low growth environment, our emphasis on market development and innovations have helped deliver another quarter of double digit growth and a healthy improvement in operating margins”

- Harish Manwani, Chairman, HUL, commenting on HUL’s robust growth
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Brownie Points

Corporate India’s credit quality is showing early signs of recovery. This is indicated by Crisil’s credit ratio (ratio of number of upgrades to number of downgrades) of 1.64 times for the first half (H1) of 2014-15 (refers to financial year, April 1 to March 31).

Upgrades exceeded downgrades in H1 2014-15, with 741 upgrades as compared to 451 downgrades. Firms with low debt exposure primarily witnessed positive trends in credit quality. Despite the credit ratio exceeding 1 time, the ratio of the quantum of debt of the firms upgraded, to that of those downgraded (excluding financial sector players) remained weak at 0.59 times during the same period, reflecting continued pressure on systemic credit quality.

According to Crisil’s study, the improvement in credit quality will be gradual and any significant recovery will be contingent to a sustainable increase in investment demand.

The improvement in business-related factors was the key driver for 60 per cent of the upgrades. This is visible for export-linked sectors and non-discretionary consumer segments such as traders, packaged foods, pharmaceuticals, textiles and agricultural products, which continue to have the highest upgrade rates.

Firms with better profitability (return on capital employed [RoCE] exceeding 15 per cent), witnessed three upgrades for every downgrade. Among firms with low leverage (debt-to-earnings before interest, tax, depreciation and amortisation [EBITDA] ratio below 2.5 times), more than three firms were upgraded for every downgrade in H1 2014-15.

In contrast, weak liquidity, and pressure on profitability were key drivers for downgrades. Firms with high leverage (debt-to-EBITDA above 4 times) were subject to significant credit quality pressures as evident from their credit ratio below one during first half of 2014-15. Players operating in the construction, engineering and capital goods, and automobile (auto) ancillary sectors had higher downgrade rates than their counterparts in other sectors.

Crisil expects a gradual improvement in the credit ratio over the medium term, as economic growth records mild recovery from the lows of the two years through March 31, 2014. The impact of the monsoons, progress by indebted corporates in reducing their external debt through asset sales or equity infusion, demand outlook in the economy, and the extent of policy reforms by the Government of India, will remain key monitorables.

One For Two

HP has announced to separate into two new publicly traded Fortune 50 companies: one comprising HP’s enterprise technology infrastructure, software and services businesses, which will do business as Hewlett-Packard Enterprise, and one that will comprise HP’s personal systems and printing businesses, which will do business as HP Inc. and retain the current logo.

The transaction is expected to be completed by the end of fiscal 2015. Hewlett-Packard Enterprise will have a unique portfolio and strong multi-year innovation roadmap across technology infrastructure, software and services to allow customers to take full advantage of the opportunities presented by cloud, big data, security and mobility in the New Style of IT. HP Inc. will be a proven leader in the personal systems and printing markets with new technologies on the horizon.

The new company’s profitability and free cash flow will enable investments in growth markets such as 3-D printing and new computing experiences, a company statement said. At the same time, HP Inc. will continue to execute against a well-defined and established strategic plan, ensuring continuity for customers and consistent value to shareholders.
BANKING

Breather For Banks

The Reserve Bank of India’s (RBI’s) recent revision of the Basel-III liquidity guidelines will help banks meet the liquidity coverage ratio (LCR) threshold of 60% by January 2015. Nevertheless, this change alone will not be enough to attain the long-term target of 100% LCR by January 2019.

According to a report by Crisil, among other things, diversification of India’s corporate bond market beyond the financial sector can play an important role towards this objective. The Basel-III guidelines on LCR are aimed at building banks’ resilience to disruptions in systemic liquidity. They require banks to hold sufficient high-quality liquid assets (HQLA) to cover potential cash outflows (net of inflows) in a stress scenario lasting 30 days.

HQLAs consist of government securities, highly rated corporate bonds, and commercial paper. The revision announced in the September monetary policy review, allows banks to include a higher share (7% of net demand and time liabilities, up from 2% earlier) of their government security holdings under statutory liquidity requirements (SLR) as part of HQLA. Detailed guidelines around operationalising the liquidity facility and clarity on aspects such as mark-to-market requirement and cost of facility are expected in November 2014.

As per the initial guidelines, an estimated Rs.6.6 trillion of government securities (including Rs 4.8 trillion of excess SLR) qualified as HQLA for the banking system. This was not sufficient for most banks to meet their LCR targets.

As for attaining 100% LCR by January 1, 2019, banks face three main challenges. First is that a majority of banks advances — such as cash-credit facilities, which account for 45% of total advances — do not qualify for inclusion as inflows in a stressed situation because their tenures are not fixed. Second, banks have substantial deposits from financial institutions and corporates (nearly 25% of total deposits). A large portion of these are considered outflows in a stressed situation. Third, bonds and commercial paper issued by financial sector entities, which form 70% of India’s annual capital market issuances, cannot be included in HQLA.

While a phased reduction in SLR from the current level of 22% would help partly offset these challenges, a deepening of India’s corporate bond market is also critical.

**HIGHLIGHTS**

- Asset allocation is key to successful investing. Most people wrongly focus more on timing, security selection, moving across funds.
  - Harsh Goenka @hvgoenka

- How abt an Ordinance to declare to RBI+Income Tax authorities of overseas accounts! Undeclared be National Assets! Onus on account holders..
  - Kiran Bedi @thekiranbedi

- Claims on Black money/foreign accts need be handled with care, discretion. Real surprise not so much names of holders, but amounts held there.
  - Shekhar Gupta @ShekharGupta

- When you take your own thoughts and emotions seriously, you disengage yourself from the rest of existence
  - Sadhguru @SadhguruJV

**RESERVE BANK OF INDIA**

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While a phased reduction in SLR from the current level of 22% would help partly offset these challenges, a deepening of India’s corporate bond market is also critical.
We take a look at some companies’ Q2 results and figure out what impact it will have on their share prices

**HCL Tech**

HCL Technologies’ (HCLT) 1QFY15 revenue stood at US$1,434 mn, up 1.9% Q/Q and 3.2% in constant currency (CC, analysts’ estimate US$1,454 mn). EBIT margin fell 29bps Q/Q, in-line with analysts’ estimate (55bps above Bloomberg consensus estimates). Net profit rose 2.1% Q/Q to Rs18.7, 6.9% above consensus estimates, aided by an aggressive depreciation policy.

Revenue performance unimpressive: HCLT posted a 1.9% Q/Q rise in USD revenue, at US$1,434 mn, below above analysts’ estimate, while CC revenue was up 3.2% Q/Q. Analysts would closely track IMS revenue growth over the next couple of quarters, given that it saw 5 successive quarters of slowest growth since 2QFY12.

Wage hike, lower utilisation impact margins, lower depreciation boosts net profit: HCLT reported a 12bps Q/Q fall in EBITDA margin at 25.1% owing to wage hike impact and lower utilisation. However, lower depreciation owing to an aggressive policy and higher other income boosted net profit, which rose 2.1% Q/Q at Rs18.7 bn, above estimates by 6.9%.

HCLT’s 1QFY15 performance is a dampener on a strong revenue growth trajectory. However, in the conference call, management was confident of maintaining the growth momentum, with US$45 bn worth of deal renewals to come up in CY15/FY16 and the IMS pipeline better this year compared with one year ago. Analysts would also watch for sustenance of improved revenue growth in the software services segment, which has already seen 5 successive quarters of improved Y/Y revenue growth. Traction in engineering services and product development is heartening. Analysts downgrade revenue estimates by 2%-4% and EPS estimates by 3%-5% post the poor 1QFY15 performance. Nonetheless, valuation at 12.9x FY16 EPS and 11.2x FY17E EPS is reasonable.

**Exide Industries**

Exide Industries (Exide) delivered disappointing performance in Q2FY15 with sharp margin erosion, despite healthy revenues, on account of higher other expenses. Its revenue/EBITDA/PAT grew 23.2%/3.9%/6.8% Y/Y, but declined 7.7%/28.2%/32% Q/Q to Rs 17.6bn/2.08bn/1.26bn respectively. Company’s EBITDA margins contracted by 220bps Y/Y and 337 bps Q/Q to 11.8%, as against est of 14.6%, primarily due to higher forwarding and diesel charges coupled with increase in raw material price. Moreover, adverse product mix with higher contribution from SF Sonic brand impacted margins. On the other hand, higher inverter sale (42% Y/Y growth) in industrial as well as automobile segment was the main driving factor for volumes and revenues. Lower tax rate on account of higher R&D spend and non operating income scaled up net profit to some extent.

Revival in Automotive Segment & Cost Cutting Efforts to Improve Margins: Exide’s Q2FY15 margins were largely impacted due to limitation on company’s ability to pass on cost escalation. Analysts expect strong revival in automobile sales Q4FY15 onwards with beginning of CV up-cycle. They believe that with improving sentiments and better OEM sales, Exide would regain pricing power across segments. Moreover, they expect improvement in replacement segment, due to stretched replacement cycle. Therefore, higher automotive volumes with better pricing and company’s cost cutting initiative would translate into EBITDA margin improvement of 130 bps over FY14-FY17E. They also expect margin improvement due to with higher utilization.

In view of better than expected volumes, analysts increase volume & revenue estimates by 4%/5%/5% for FY15E/FY16E/FY17E. While on lowering analysts’ margin estimates, they cut EPS estimate by 7%/2.5% for FY15E/FY16E, while maintaining FY17E EPS at Rs 11. They maintain target price of Rs 195 per share, valuing Exide’s core battery business at Rs 169 per share at 15.5x FY17E EPS and they value its insurance business at Rs 26 per share (1.5xP/B).
Axis Bank

Axis Bank Q2FY15 performance was broadly in line on operational and assets quality front. Improving margins (NIMs) along with higher other income aided the bank’s sturdy performance, which however was partially offset by increase in provision expenses. The bank’s gross slippages and fresh restructured loan was well within management guidance of Rs15bn/quarter.

Overall business growth improved as credit and deposits grew 5.1% Q/Q and 4.3% Y/Y respectively. Loan growth was led by the 8.4% Q/Q growth in corporate segment and 3.4% Q/Q growth in retail segment. Now domestic retail constitutes 38% of the loan book v/s 30% in Sep’13 and 36% in Mar’14. Further deposits growth was led by the strong surge in CASA and retail term deposits. As a result of improved ALM, NIMs for the quarter stood sequentially higher by 9bp to 3.97%.

Management Guidance:
Management indicated loan book growth to above industry growth as the bank would continue to focus on retail book followed by corporate and SME. Management continues to indicate fresh slippages for FY15 to remain at -Rs60bn, while credit cost to be -70-80bps. NIM’s are expected to moderate in the ensuing quarters to approx. 3.5% level due to reduction in base rate.

Over the last few years Axis Bank has proven its competitive advantages over other private banks through well managed low cost deposits franchise, better geographical diversification, and higher fee income generation capability along with well managed assets quality. These advantages have led to a re-rating in the stock which is expected to continue in coming periods.

HDFC Bank

HDFC Bank reported profits marginally lower to analysts’ estimates primarily on account of lower than expected core fee income. The bank reported PAT growth of 20.2%, driven by healthy credit growth of 21.8%, sequential NIMs expansion of 10bps to 4.5% and stable asset quality which to large extent offset lower growth of 11% in core fee income. Operating profits increased 19.9% Y/Y and 5.6% Q/Q, primarily driven by strong growth in net interest income (at Rs55.1bn, +23.1% y/y, +6.6% q/q).

Decent Business Growth: Deposits as well as advances have grown at a decent pace of 21.8% and 24.8%YoY respectively. Bulk of the growth came in from corporate segment which grew by 21.8%, whereas domestic retail segment has seen a relatively slower growth of 17.3%. Management expects loan book growth to outpace system growth by 3-4%.

Expansion in NIM’s: Improvement in NIM’s is a positive surprise on the back of decline in cost of fund along with sequential improvement in CASA deposits. Management guided for possible improvement in cost of deposit supported by strong growth in CASA franchise. However, NIM’s is expected to moderate from current level due to relatively higher growth in low yielding product portfolio. HDFC Bank is well placed to capitalise on the expected improvement in the economic cycle. Hence, to support its future growth plans the bank has received shareholders approval to raise additional Rs100bn in the coming quarters. Analysts expect that the bank will carve out credit growth of above 22-25% in FY14-16 with stable NIMs resulting into earnings growth of ~23% CAGR over FY14-16E.

UltraTech

UltraTech’s 2QFY15 standalone net Sales, EBITDA & PAT rose 20%, 29% and 55% Y/Y respectively to Rs 54.3 bn, Rs8.8 bn and Rs 4.1 bn respectively. Its 1HFY15 net Sales, EBITDA & PAT rose 17%, 10% and 11% respectively. EBITDA margin expanded 113bps Y/Y to 16.2% in 2QFY15 while it contracted 110bps to 17.3% Y/Y in 1HFY15. EBITDA per MT stood at Rs823 and Rs853 during the quarter and during 1HFY15.

Sales volume up 13% Y/Y: Total sales volume rose 13% Y/Y (vs analysts est of 17%) and dipped 11% Q/Q. Adjusted for white/putty sales, NRSt rose 5% Q/Q and 8% Y/Y. Subsequently, net sales came in 2% ahead of analysts estimates. Higher NSR moderates impact of Q/Q rise in operating costs: Operating costs per MT rose 10% Q/Q and 5% Y/Y. This was driven by (1) negative operating leverage as sales volume declined 11% Q/Q, (2) increase in volume share of high value white/putty sales and (3) increase in pet-coke prices and royalty on limestone. However, with strong 7% Q/Q NSR increase, EBITDA per MT dipped a modest Rs50 (up Rs105 Y/Y) to Rs823 per MT. Subsequently, EBITDA came in 2% ahead of analysts estimates. Analysts maintain their earnings estimates for UltraTech. With cement demand recovering from FY15E onwards, they expect UltraTech to deliver 29% EBITDA CAGR during FY14-17E. Sales volume CAGR of 12% and NSR CAGR of 6% should drive this strong operational performance.
New Therapy

India is among the top 12 biotech destinations in the world and ranks second in Asia, after China. The industry is poised for a significant growth.

**Biotechnology Industry in India**

India is the largest producer of recombinant Hepatitis B vaccine.

The sector is divided into five major segments - pharma, services, agri, industrial and informatics.

**Market size of Indian biotechnology sector (USD billion)**

The total industry size was $4.3 billion at the end of FY13. The Indian biotech industry holds about 2% share of the global biotech industry. The biotech industry is expected to grow to around $73.73 billion by the year 2020.

**Top biotech clusters in India**

- Mumbai: 26%
- Pune: 10%
- Hyderabad: 17%
- Bengaluru: 19%
- Ahmedabad: 13%
- NCR: 8%
- Others: 7%
- Others: 13%
The bio-pharmaceutical segment accounted for the largest share of the biotech industry, with 64 per cent of total revenues in FY13.

In the 12th Five-Year Plan, the government aims to spend $3.7 billion on biotechnology compared to $1.1 billion in the 11th Five-Year Plan.

60% of biotech companies in India have a base in Bengaluru, the Biotech Capital of India.

50% of total revenues in the national biotechnology sector comes from Bengaluru.

Funds allocated for biotechnology under 12th Five Year Plan

In the 12th Five-Year Plan, the government aims to spend $3.7 billion on biotechnology compared to $1.1 billion in the 11th Five-Year Plan.
There are various investment strategies in mutual funds that could maximize return on your investment, without having to time the market. Here’s the ways to invest your smart money.

By Sunil Kumar Singh
Most investors who try to time investment in stock markets often come a cropper. That does not mean the idea of timing is flawed. While trying to predict the best time to buy and sell stocks is a huge bummer for many, what if you could do away with the trouble of timing the market and reap good returns too?

Mutual funds not only offer a safer and indirect way to buy into stocks, they also offer a range of investment strategies to beat the market, if applied in a suitable way. The commonest and simplest strategy of investing in mutual funds is investing a lump sum. But there are other tried and tested ways of investing in mutual funds that you can use to ride out market volatility and optimize the return. Let’s have a look at these strategies. You can choose any strategy that matches your risk appetite and your financial goals.

**SIP Your Way**

After lump sum investment, SIP or systematic investment plan is another simple and a common investing strategy. One of the great advantages of SIP is that it not only helps disciplined investing, you can also cushion the pitfalls of stock market investment and still enjoy high returns on your investment. SIP is like climbing a high-rise building not in one go, but step by step. Under SIP, you can invest a fixed sum of money in a particular mutual fund scheme at regular intervals, generally monthly or quarterly.

Many fund houses allow SIP with as low amount as Rs 1000 a month. Apart from disciplined investing, another great advantage of SIP is that it averages out your cost of investment and hence reduces your risk. Let’s understand it with an SIP of six months. In the first month, if you invest Rs 1,000 in a fund NAV of Rs 20, it means you have bought 50 units of the fund. Again, in the second month you invest Rs 1,000 but the NAV of the fund dips to Rs 18. This means you buy 55.5 units of the fund in the second month. In the third month, again you invest Rs 1000 while the NAV climbs to Rs 19. This means you buy 52.6 units. In the fourth month, again the NAV goes down to 16 and you get the opportunity to buy 62.5 units, more than the previous month. In the fifth month, the NAV further goes down to 15, but you bag a higher number of units i.e. 66.6. In the sixth month, the NAV goes up to 19, which means you pocket 52.6 units again.

Thus, at the end of six months your total investment comes out to Rs 6,000 and you manage to accumulate 50 + 55.5 + 52.6 + 62.5 + 66.6 + 52.6 = 339.8 units. The total value of your investment after six months amounts to Rs 6456 (19*339.8). If you were to put in a lump sum of Rs 6,000 in the same fund, you would have owned only 315 units (6000/19) as against 339 units through SIP. This is the magic of rupee cost averaging that reduces risk and generates superior returns (See How Rupee Cost Averaging Works). SIP is a very good investment option for small investors who cannot contribute a large sum for their life goals.

And not to forget the power of compounding that comes along with regular fixed investment over a period of time. SIP gives you the edge of compounding by reinvesting the money you earn from your investments to earn even more. The earlier you start, the longer your investment gets time to compound and add to your corpus. Let’s take an example for a SIP of Rs 1,000 invested per month @8% expected return till the age of 60. (See The Power of Compounding).

“By this method [SIP], one neglects the..."
market noise with respect to market valuation and invests regularly at different market levels, both at low valuations and high valuations, thus averaging his/her buying cost. This way your long term annualized yield on your investments remains less prone to investment shocks i.e. when markets fall too much too quickly or when they rise too fast before you notice,” maintains Rakesh Goyal, Senior Vice President, Bonanza Portfolio.

However, the greatest disadvantage of SIP is that while it works very effectively in volatile stock markets it fails to generate returns in case markets are moving in one direction such as constant rising or falling, simply because the rupee-cost average doesn’t work in a unidirectional market.

**Systematic Transfer Plan (STP)**

Also called Systematic Switch Plan, this strategy is similar to SIP but with a small difference. While you invest a fixed amount regularly in SIP, under STP you give standing instruction to the mutual fund company to periodically transfer a fixed amount or switch (redeem) fixed units from one fund scheme and invest in another on a daily, weekly, monthly or quarterly basis. The fund will deduct the number of units equal to the amount you have specified from the scheme you intend to transfer money from. This transferred amount is used to buy the units of the fund you wish to transfer money into.

Fund houses give a choice between either switching a fixed sum or only the capital appreciation to be transferred at a pre-determined time. So don’t invest without checking the option.

This strategy is best suited for investors who don’t want to take on much risk of equity markets. So while remaining invested in an equity fund they can opt for periodic transfer of a fixed amount in liquid or debt funds, thus reducing the downside risk.

STP is basically for those investors who want to get the best of both worlds — capital appreciation by investing in equity funds while, at the same time, protect their investment by putting some money in a debt fund and earn a stable return.

As Goyal of Bonanza Portfolio says, “To get the best of this scheme, you should invest lump sum in liquid funds and transfer them regularly through STP into equity or other schemes. This is better than SIP as liquid funds would fetch you higher than your savings account which is used in SIPs.”

STP is a good way of gaining a gradual exposure into equities or of gradually reducing exposure over a period of time. Like SIP, STP too has benefits of rupee cost averaging and it averages out the cost by buying more fund units at a lower NAV and vice versa.

Another advantage is that if you’re not an aggressive investor, you can choose STP over SIP as it balances your portfolio by investing in both debt as well as equity.

Vivek Gupta, CMT, Director, CapitalVia Global Research says, “STP has advantages as it works both as an SIP as well as an SWP. One can invest in a debt fund and from there he/she can start an STP to an equity fund, so it works like an SIP. STP can also work like SWP, because with some funds one can do transfer from equity funds to debt funds, so when markets look risky to an individual, he/she can start an STP from equity to debt funds, which will act like SWP.”

STP from a debt fund into an equity fund works best when markets are volatile and are going down or have bottomed out. In this case, you can gain good returns from equity funds when markets start moving up. At the same time, you keep a part of your investment secure by investing in a debt fund. STP from a debt fund into an equity fund is not advisable when markets are moving up. However, you can go for STP from an equity fund to a debt fund when the markets have peaked, since you can not only redeem from equity fund but minimise risks by transferring equity capital appreciation into a debt fund.
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Systematic Withdrawal Plan (SWP)
Contrary to SIP, under SWP you withdraw a fixed amount or fixed units from a fund at pre-determined period. You can either reinvest the amount in any instrument or meet your expenses. SWP is suited for those who want to receive regular income at regular intervals. For instance, if you need a regular income through SWP you can withdraw either a fixed sum monthly, quarterly, half-yearly or annually, or the capital appreciation of your investment in the fund.

However, it’s better to read the rules and regulations of the fund house regarding SWP as many fund houses have stipulated a minimum account balance in order to start the SWP facility.

SWP strategy is particularly beneficial to retired people who need a regular source of income. SWP not only provides a regular income and liquidity, it protects you from market volatility too as regular withdrawal averages out return value. SWP is also a tax-efficient way of receiving regular income as it reduces tax obligation by staggering income across multiple phases instead of redeeming all the units at once.

However, this strategy can be a drawback if you choose to withdraw a fixed sum as the fund company will withdraw from your capital investment if there is less gains. Thus, relying on this option for your income needs can be painful as the regular withdrawal may vary as per the market performance.

“To get the best of this scheme, one needs to invest in fixed-income instruments which have stable returns such as liquid funds or ultra short term schemes. This is because if your investment earns lesser than your withdrawal, it would lead to capital erosion in longer term,” argues Goyal of Bonanza Portfolio.

Dividend Transfer Plan (DTP)
If you want to invest in equities and at the same time maintain a large part of your investments in fixed income schemes, then DTP is the strategy you can look up to. Simply speaking, under DTP you invest the dividends received from one eligible fund scheme (source scheme) into another eligible scheme (target scheme).

DTP is suitable more to risk averse investors who want a stable income along with capital protection. You can either transfer dividends declared by an equity scheme to a debt fund or from a debt fund to an equity scheme, thus ensuring that your profits are protected. However, a limitation of DTP is that the frequency of dividend transfer is dependent on the dividends which is neither guaranteed nor is assured.

DTP facility is given only under the dividend plan/option of the source scheme(s). Further, many fund houses require you to submit request for enrolment for DTP at least 10 days prior to the record date for the dividend. If not, the enrolment would be considered valid from the immediately succeeding record date of the dividend.

Another fact you need to keep in mind is that the Dividend Distribution Tax (DDT) on debt funds is now 28.32% (effective October 1, 2014). So from tax point of view, DTP from debt to equity fund may not be a feasible strategy now. Since there is no DDT on equity schemes, DTP from equity to debt could be more tax-efficient.

“SWP and DTP from equity funds could be helpful to book profit on regular basis. SWP is also ideal for those looking for regular income flow from their investments. If markets are bearish, equity funds’ dividend can be transferred to liquid funds and can be reinvested at lower market levels,” argues Srikant Meenakshi, cofounder and COO, FundsIndia.com.

Value Averaging Investment Plan (VIP)
It’s much similar to SIP. The only difference is that while under SIP you invest a fixed amount of money, under VIP the amount is flexible. But how much is invested in a month depends on the performance of the fund in the previous month. The crucial components of VIP are maximum value, minimum value and an expected return on your investment. Let’s see how they work.

If the fund performs better than the expected return in the previous month, you would be investing a proportionally lower amount in the subsequent month. On the contrary, if the performance of the fund is worse than expected in the month gone, you will have to put in a proportionally higher amount in the subsequent month. In either case however, the invested amount cannot be lower than the minimum value or higher than the maximum value specified.

For instance, suppose you plan to invest in a fund with a target value of Rs 5,000 each month which means you plan to grow your monthly corpus by Rs 5,000. In the first month you invest Rs 5,000, but
next month you realize that your portfolio value has increased to Rs 5,200. In this case, you don’t invest Rs 5,000 again. Instead, what you have to invest is Rs 4,800 (Rs 10,000–5,200) to ensure your corpus value remains Rs 10,000.

Again, suppose in the subsequent month your corpus value dips to Rs 9,600. In that case what you need to invest is Rs 5,400 (Rs 15,000–9,600) to maintain the target amount of Rs 15,000.

The beauty of VIP lies in the concept that you invest more when the markets are low and invest less when the markets are high. So, instead of investing a fixed sum you invest as per market conditions and maximize gains through rupee cost averaging.

VIPs have the potential of generating a higher return than SIPs (See Comparison Between VIP & SIP). However, like SIP, if the markets are moving in one direction VIP can end up giving less return than SIPs.

**The beauty of VIP lies in the concept that you invest more when the markets are low and invest less when the markets are high. So, instead of investing a fixed sum you invest as per market conditions and maximize gains through rupee cost averaging. VIPs have the potential of generating a higher return than SIPs**

“Historical back testing analysis of VIP & SIP reveals that the return on the VIP is better than SIP investments. However, very few investors prefer it due to complexities like variable monthly investments and limited investment options,” maintains Meenakshi of FundsIndia.com.

As you can see VIP gives higher return than SIP, with a lower average cost per unit.

There’s another variant of VIP called Value-averaging transfer plan (VTP) combining both STP and VIP concepts. In VTP, the amount to be invested in a fund is not debited from your bank account. Rather, it is transferred from a liquid/debt fund to the equity fund or vice versa.

Before you lay your hands on any of these strategies, do not sign on the dotted lines before reading through the lengthy terms and conditions and the fine print of each investment strategy that the fund house gives you in writing.

Also, note that while SIP, STP, DTP and SWP strategies are offered by almost all fund houses, VIP is offered by a select few.

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**Comparison Between VIP & SIP**

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Easing Labour Pain

Seven labour law reforms to boost manufacturing

By N Muthuraman
There are clear indications that the Narendra Modi government is all set to begin work on labour reforms considered crucial for the ‘Make in India’ pitch. According to some reports, as a first step, the PM will kick start this process by announcing a dismantling of the ‘factory inspection raj’ today.

What other things could the government do on the labour law front to make India an attractive and competitive manufacturing destination?

India’s current labour laws—some 400 of them at the last count, including central and state laws—have been a bee in the bonnet of both Indian and overseas investors in the manufacturing sector. The travesty of labour laws of India is that they are too deep (too many laws) and too narrow (covering only a sliver of the working population) thereby ending up neither helping their intended beneficiaries nor making compliance for employers easy.

What are these reforms? What specific actions can Modi take which could help create a conducive atmosphere for his ‘Make in India’ mantra?

Here are seven specific suggestions.

1. Remove sector-specific labour laws

Less than 8% of India’s labour force is covered by any of the 400 labour laws currently in force. Some 26 crore people or roughly 58% of India labour force is employed in agriculture and another 10 crore or 21% in unorganized retailing and construction sectors. None of these sectors are meaningfully covered by labour laws. Even among the remaining 9 crore workers, only a third are in the organized sector—both public sector and private sector put together according to the Reserve Bank of India (RBI). That is 3 crore employees in a country of 120 crore citizens! Almost all our labour laws primarily protect the interests of these 3 crore organized employees.

To get an idea about the narrowness and sectoral obsession of our labour laws, sample these: “Working Journalists and other Newspaper Employees’ (Conditions of Service and Misc. Provisions) Act, 1955”; “Payment of Wages (Air Transport Services) Rules, 1968”; and “Sales Promotion Employees (Conditions Of Service) Act, 1976”. Should the government get into micro-managing such sector-specific issues? While the vested interests in individual sectors have helped perpetuate such laws, many of these laws have actually ended up pushing companies to circumvent these by opting for temporary staff, rather than helping the intended beneficiaries. Doing away with such sector-specific laws that affect a tiny section of the labour force could be among the lowest hanging fruits for the Modi government.

2. Rationalize existing laws intended to achieve common objective

Did you know that as per the Minimum Wages Act, a “Laundry and Washing Clothes (including woolen)” labourer in Tamil Nadu is entitled Rs 346.20 (no, we didn’t make up the 20 paise bit) per day, and “Fountain Pen and Ball Point Pen industry” labourer in West Bengal, Rs 245 a day?

How much more ridiculous, and micro-managerial can government get? There must be a battalion of government employees working on each sector, for every year, in every state! What a waste of precious tax resources! Rationalization of the laws that serve a common purpose (in this instance, fixing a minimum wage keeping in mind inflation and living standards) would spare significant time and resources for both government and the employers.
Likewise, the end objective of various Acts that cover Provident fund, Gratuity, Employee State Insurance (ESI) and Pension are the same—providing a social safety net. Can they not be combined into a single meaningful Act? Similarly, Acts covering child labour ban, bonded labour ban, equal remuneration, maternity benefits, etc. are meant to achieve a common objective—make the workplace a civilized one. Several such acts be combined and made more meaningful for the times we live in.

Too many laws end up inflating the cost of compliance for employers as well as provide rent seeking opportunities for labour inspectors. This also leads to miniaturization—keeping the number of employees below the threshold requirements of labour laws by floating multiple entities—which ends up depriving firms the economies of scale.

3. Liberalize retrenchment of labour
This is touted as the most contentious of labour reforms. The Left and allied vested interest groups use the bogey of widespread labour unrest if this is implemented in any form. But as I’ve pointed out, there are only 3 crore organized sector employees in a country of 1.2 billion. How long can we allow 3% of the population to hold the country’s development to ransom?

Liberalizing retrenchment of labour could be a single biggest reform that will boost the confidence of global manufacturers to set up shop in India. Even if implemented in phased manner—say upto 15% of labour strength that can be retrenched in any given year—without any prior government approvals, could go a very long way in attracting investments.

A much larger economy with a wider employment base provides alternate mechanisms to address the concerns of retrenched labour. There is also an acute shortage of skilled labour across sectors and geographies. These two factors can be combined to create an effective solution in the form of a Skill Development Plan.

4. The buck should stop with employees of the rolls
Successive governments in the past have passed on their inefficiency in monitoring compliance with labour laws on to the organized sector employers. So, as per the current laws, employers are responsible, not only for compliance of their own labour, but also for those working on contract with them.

The history behind this is interesting. This amendment was brought in when the government realized that many of the employers were circumventing the labyrinthine labour laws by employing less than the threshold number on their rolls and adding additional labour through contractors. The employers responded by employing such contract labour for shorter durations and continuously churning such contract labour. In this never ending cat-and-mouse game, the real casualty has been skill development of the casual labour due to the frequent churn.

The responsibility of compliance for contract labour is too onerous which no employer is ready to take, forcing the use of multiple small contractors leading to further miniaturization.

A simpler solution is fixing responsibility on employers for only those employees on the rolls, and simultaneously improving compliance standards through simplified labour laws.

5. Contribution towards training and redeployment
The larger purpose of the mother of all labour laws—Industrial Disputes (ID) Act 1947—is to prevent indiscriminate “hiring and firing” of labour, which could cause serious economic and social difficulties for blue-collar workers who may not have the necessary skills and expertise to find alternate employment.

This is a genuine concern, but the ID Act has miserably failed to address this effectively. More often than not, large scale industrial disputes have ended up in lock-outs and eventual bankruptcy of the companies, due to inordinate delay in...
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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
resolution of such disputes. This is a classic case where the cure is much worse than the disease itself.

A much larger economy with a wider employment base provides alternate mechanisms to address the concerns of retrenched labour. There is also an acute shortage of skilled labour across sectors and geographies. These two factors can be combined to create an effective solution in the form of a Skill Development Plan.

Employers can remit a certain contribution to a fund, to be administered independently, for training and redeployment of retrenched labour. The contribution can be linked to the number of retrenched labour, akin to an insurance policy contribution. Such contributions can be utilized towards imparting vocational and technical skills for retrenched labour, by co-opting private sector training and educational institutions.

The key to the success of such an initiative is the creation of a new independent body for implementation, with identified source of funding (such as NHAI, which is a runaway success compared to its predecessor, CPWD despite both being run by babus!). Existing archaic institutions such as National Productivity Council or employment exchanges have miserably failed in meeting such objectives.

6. Create a new, transparent and efficient dispute resolution mechanism

One of the vexatious issues for employers is the inordinately long legal process involved in dispute resolution. The Industrial Disputes Act and its accompanying machinery are too archaic and overloaded to handle the modern day disputes.

Large scale reform of the existing dispute resolution mechanism, with time bound disposal of disputes and provision for alternate resolution mechanisms (such as arbitration) are the need of the hour. Experience in other sectors proves that new independent institutions such as the Telecom Regulatory Authority of India (TRAI) and the Central Electricity Regulatory Commission (CERC) with necessary powers and staffed adequately can function better.

India has suffered for far too long under the labour laws devised during the socialist era. They have long outlived their purpose. The unintended side effect of these all-pervasive laws is that, many corporates are relocating their manufacturing setup in more investment-friendly countries despite India having world’s youngest and largest work force.

A track record of timely resolution of labour disputes has a host of tangible benefits including effective redeployment of labour within useful working life of the affected persons, absence of frivolous disputes, dismantling of the inspector raj and also minimal deterioration in value of assets to recover worker dues (in the event of bankruptcy or liquidation).

7. Compensation based exclusion

Most of the labour laws today make the distinction between industrial labour and others. It is the employers of the former who bear the brunt of these Acts. Thus, today, an industrial worker earning Rs 75,000 a month at Maruti Udyog enjoys a protective net that an IT employee with one-third his salary does not. So, it’s hardly surprising that India could make big strides in the IT (and other services) sector globally, but remains a minion in the area of manufacturing. This anomaly can be easily addressed by making the exclusions based on compensation, rather than based on the sector or industry.

Labour laws should be modified to exclude those who earn above a certain threshold compensation level (say Rs 25,000 per month), and at the same time include all those below the threshold, irrespective of the sector. Such targeted regulation will ensure that the Act is aimed at protecting only those who deserve such State protection and not misused by qualified technical labour.

India has suffered for far too long under the labour laws devised during the socialist era. They have long outlived their purpose. The unintended side effect of these all-pervasive laws is that, many corporates are relocating their manufacturing setup in more investment-friendly countries despite India having world’s youngest and largest work force. If some of these labour reform measures are implemented, ‘Make in India’ will not remain a pipe dream.
A
s most readers would be aware, the recent Budget 2014 has raised the limit on investments eligible for deduction under the umbrella of Sec. 80CCE covering Sec. 80C, 80CCC and 80CCD from Rs. 1 lakh to Rs. 1.50 lakh w.e.f. FY 14-15. Consequently, the ceiling on contribution to PPF during any FY has been correspondingly raised from Rs. 1,00,000 to Rs. 1,50,000.

This article deals with providing answers to queries related with this amendment that we routinely receive from readers by way of emails.

I belong to the lowest tax bracket of 10.3%. Is this amendment useful to me?

Against every Rs. 100 you contribute to the scheme you save tax of Rs. 10.30. In other words, your effective contribution is Rs. 89.70. Now, take the PPF tax-free interest of 8.7% as your benchmark. So basically, you are earning Rs. 8.70 on your investment of Rs. 89.70. The equivalent rate of interest works out at 9.7% tax-free (= (8.7 / 89.70) x 100).

There is an additional advantage. Your out-of-pocket investment is Rs. 89.70 but at the end of term of the scheme, you get back Rs. 100. If you take the 3-year lock-in period of Equity-linked Savings Scheme as your benchmark, the returns work out at 3.69% (= ((100 / 89.70)(1/3) - 1) x 100).

The total is 13.39% (= 9.7 + 3.69). Actually, the two streams are not additive. The approximate figure works out to around 13.18%. Of course, here you assume that the return from the ELSS fund would be 8.7% p.a. in actuality, it could be more or less. Corresponding rate of return in the case of 20.6% tax zone is 18.21% and for 30.9% zone it is 24.52%.

And most importantly, this is tax-free.

The extra contribution of Rs. 30,000 (making the total Rs. 1 lak)h gets me out of the tax net totally. Should I contribute more?

Yes. You will not get any deduction but certainly get as high as 9.81% tax-free re-
turns, from such a safe source. This, by itself, is quite attractive. Go ahead if you have enough liquidity.

You have mentioned PPF as well as ELSS. How about 5-year Bank FDs?
The advantage of the deduction reduces drastically as the term increases. We have seen that in the rate is 3.69% when the term is 3 years. For a term of 5 years, it descends down at 2.19% (= ((100 / 89.70)(1/5) - 1) x 100).

If you deposit some fixed amount, say Rs 1.5 lakh for the initial 6 years, you will be able to withdraw and redeposit Rs 1.5 lakh from 7th year onwards, every year in future.

Moreover, shorter term leaves more liquidity in your hands. Again, the interest on bank FDs is fully taxable.

Therefore, tax saving bank FDs as also National Savings Certificates – VIII, Post Office Time Deposits and Senior Citizens Savings Scheme, all of which have term of 5 years and the interest received or receivable is fully taxable aren’t so advantageous as ELSS or PPF.

Interest on the 5-yr NSC-VIII is eligible for the deduction u/s 80C. Does this make it superior to PPF?

The fact that the NSC interest occupies space of 80C deductions is not as much helpful as it is perceived to be. It is always better to get clean interest without any attached benefits. This gives the investor an opportunity to park it anywhere, including the very scheme which paid the interest. You should avoid schemes which preempt your action if a parallel scheme without any preemption is available.

How about Life Insurance?

Never buy life insurance just because it offers tax deduction. One should buy a life insurance policy only for the protection of one’s near and dear ones. Do not touch it if there is no one dependant upon you. And even if some one is dependent, but already well provided for, do not buy the policy. If you find that you do need a policy, buy term insurance to the extent you need the cover. Do not make the mistake of over insuring yourself.

What is the Term of PPF?

Though on paper its term is 16 years, in practice it is much less. The withdrawal facility of PPF begins from 7th year onwards. If you deposit some fixed amount, say Rs. 1,50,000 for the initial 6 years, you will be able to withdraw and redeposit Rs. 1,50,000 from 7th year onwards, every year in future. You will earn the benefit of the deduction without dipping your hand in your pocket.

That leaves us with only PPF and ELSS. Which one?

PPF is more popular than ELSS because its interest is assured at 8.7%. Yes, it changes from year to year but, unlike ELSS, it is not subject to any market volatility. Moreover, after a holding period of 6 years, the liquidity of PPF is unparalleled. During its term of 3 years, ELSS can neither be encashed nor a loan be taken against its security. However, the return on ELSS could be potentially much higher than PPF. For example, currently, the average 5-year annual return on ELSS funds is in the region of 14% p.a. whereas the average 3-year annual return is around 19% p.a.

To Conclude

Depending upon your risk profile, you may opt for either PPF or ELSS or a combination of both. Basically, the article points out that – a. the extra Rs. 50,000 Sec. 80C limit is like a bonanza that investors should grab with both hands and b. in the plethora of instruments under Sec. 80C, PPF and ELSS are the best bets. Investing in these is like saving tax and getting paid for it. So do make hay while the sun shines!
Safety In Bullion

From time immemorial, bullion has been the primary investment avenue all over the world. Its appeal as a safe haven asset and a hedge against inflation are some of the properties that set it apart from other common metals. Gold’s 12 year rally has come to a halt at the beginning of 2013, correcting more than 30 percent so far. Worries over tapering of US Quantitative Easing program, reports of the slow pace of economic growth in the top consumer China and a shift in investor interest to other asset class like equities amid signs of an improving global economy are the various factors affecting bullion broadly. There has been a recent shift in portfolio with investors taking chances in equities as the US stock markets hit record highs. Gaining dollar and a weak Euro also reduced gold’s appeal recently.

Anyhow, there are still plenty of buyers around the world who are interested in gold. Reports say low borrowing costs and the support of financial markets was the major drive to invest in bullion. Not just its appeal as a hedge against inflation worries over currency devaluation also prompts investors to buy gold even when consumer prices remain steady. Low bond rates and uncertainties over equity markets have also spooked many investors to believe gold a true safe haven.

Appeal as a safe haven
Investors rush to bullion when any global emergency occurs. Historically, bullion is the only safe investment during geographical or political uncertainties. The abating concerns over the health of the US economy lifted the greenback and have lessened the sheen of gold. However, the ongoing tensions between Russia and the West over Ukraine and escalating tensions in the Middle East largely provided firm support for the commodity.

There’re plenty of buyers around the world who are interested in gold. Reports say low borrowing costs and the support of financial markets was the major drive to invest in bullion

Worries over any major economy will attract more buyers into bullion. Following the 2007 financial crisis, the US Federal Reserve has introduced many rounds of economic stimulus program, commonly known as Quantitative Easing to curb the financial crisis and bailout for its banks that prompted people largely to invest in gold. Several European countries were also moving through a tough path of economic uncertainties during that period and few of them introduced stimulus measures. That has resulted in a debt bubble and investors turned their attention to bullion. Even if it is a temporary situation, it is believed that gold is relatively better off than paper money or other paper assets.

Demand as a global reserve currency
Now gold is becoming the new global reserve currency. Constant and aggressive buying from various central banks from US and Europe are also driving the global demand of bullion. While some central banks print money in historic amounts, others are buying gold. The central banks of US, Germany, Italy, France and China are placed in the first 5 positions in terms of their gold holdings. Central bank buying of gold was earlier undertaken by Russia, Turkey and Ukraine signaling their trust in bullion. Anyhow, as per reports, gold forms less than 1% of the total wealth of the world today as against 5 percent in the 1970’s.

Supply side worries
Gold supply has not grown in proportion to money supply over the past two decades. As per a report, the world’s entire gold stock would fit comfortably within a baseball infield if all of it is melted together to form a cube. There are roughly around 171,000 tonnes of gold left on Earth. Due to the worries surrounding gold mines, many investors choose to invest in gold bullion and other related products. The average annual demand for gold is nearly 4400 tones and it is on an increasing trend in the past several years.

The Indian phenomenon
Domestic gold had a better sentiment recently amid largely technical buying and the expectations of easing of import restrictions in the country. Historically investing in physical gold is quite natural in India as gold is considered as the best investment option. Rural people in India are the top investors in gold. Since majority of the population comprises depend on the agriculture sector, a good output result in reserve funds and this money is routed to gold. Gold is normally an unavoidable part in most of the Indian marriages and is treated as a gift in various events and functions.

The acceptance and credibility of gold in the investment arena have been developed through many decades, so changing people’s perception about investment in bullion would be a Herculean task.

The author is Senior Analyst/Research Head, Geojit Comtrade Limited
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Invest today and plan for long-term wealth creation.

Kotak 50 is a diversified equity fund that invests in large-caps that have the potential to give growth to your investment portfolio. If you had invested in Kotak 50 since its inception (December 29, 1998), you would have been sitting on over 20 times your investment!

**PERFORMANCE OF KOTAK 50**

<table>
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<tr>
<th>Date</th>
<th>Scheme Returns (%)</th>
<th>CNX Nifty # (%)</th>
<th>S&amp;P BSE Sensex # (%)</th>
<th>Current Value of Standard Investment of Rs 10000 in the</th>
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<td>Kotak 50 Dividend</td>
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<td>Scheme (Rs)</td>
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<tr>
<td>Since inception till Sept 30, 2014</td>
<td>21.11</td>
<td>15.06</td>
<td>14.74</td>
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Source: ICRA MFI Explorer

**This product is suitable for investors who are seeking:**

- Long term capital growth
- Investment in portfolio of predominantly equity & equity related securities
- High risk (Brown)

* Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Note: Risk may be represented as: Investors understand that their principal will be at Low risk (Blue), Medium risk (Yellow), High risk (Brown).

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**KOTAK 50**

Fund Manager Mr. Harsh Krishnan (Managing Kotak 50 scheme since 15th Nov 2013. Mr. Harsh Krishnan does not manage any other scheme) Kotak 50 NAV (As on September 30, 2014): Rs. 151.462 (Growth Option), Rs. 153.038 (Direct Growth Option), Rs. 40.441 (Dividend Option), Rs. 40.921 (Direct Dividend Option), Scheme inception date – 29th December 1998. *Past performance may or may not be sustained in the future. # Scheme Benchmark. ## Additional Benchmark. Note: Point to Point (PTP) Returns in INR show the value of Rs. 10,000/- investment made at inception. All payouts during the period have been reinvested in the units of the scheme at the then prevailing NAV. Returns <= 1 year: Absolute; Returns > 1 year: CAGR (Compounded Annualised Growth Rate). Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
he ‘Make in India’ campaign is unique as it is not only ambitious but also pragmatic. It is linked to a number of other programmes like the nation-wide creation of industrial corridors, 100 smart cities, digital India and making SMEs globally competitive amongst many others. The manufacturing sector has multiple backward and forward linkages. The programme is backed by a strong political will and is getting a focused attention. All these considerations will lead to an automatic chain of sustainable economic development.

The government is pulling out all the stops for ensuring a smooth sailing for investors, by setting up a dedicated cell to answer queries of business entities within 72 hours. It will also closely monitor all regulatory processes to make them simple and reduce the burden of compliance. The end result is bound to be cost competitive growth with good governance. The RBI Governor Rajan has lauded the ‘Make in India’ campaign — “Now there is the political will for financial reforms which will propel India’s economic growth. It’s a good time to invest in India.”

The new Chief Economic Advisor Arvind Subramanian statement that “For any economy like India, the two big things are macro-economic stability and creating conditions for rapid investment and growth” signifies a positive note for the ‘Make in India’ initiative. What Arvind brings is not only a brilliant analytical mind but an ability to see and articulate the big reform picture.

**Thrust Areas**

The ‘Make in India’ programme includes making a skilled India, developing smart cities and engaging closely with all interested partners and investors in India and abroad. In short, the ‘Make in India’ will be re-making the Indian economy. Campaign includes plans to cut red tape, develop both hard as well as soft infrastructure and make it easier for companies to do business. A boost to manufacturing will hopefully create jobs, increase purchasing power and create a larger market for manufacturers. In the context of the “Make in India” campaign, the so-called “thrust...
areas” have been identified for 25 sectors, of which auto, food processing, defense, IT, textiles, pharma and electronics will be the key. These will be equipped with next generation infrastructure facilities to enable greater quality production. These measures have not been detailed yet and the blueprint is likely in some time.

Some measures on the above lines have been taken while on others the work is in progress. The Make in India concept is an evolving long-term policy. It is constantly getting fine-tuned and is inter-linked with many other government policies.

The ‘Make in India’ campaign is closely linked to the 100 Smart Cities that would be made attractive to foreign investors so that they develop interest in these smart cities and start investing and providing technological, management and marketing skills to the manufacturing and its linked sectors. When Modi visited Japan and the US, he got both these countries interested in development of smart cities in the country.

Labour Pain

Many changes in laws, some announced including the Apprentice Act, while others are currently being contemplated, require parliamentary approval. Hence, these laws will take time to come into effect. But certainly the current debate on initiation of various labour reforms will hopefully be able to bring about the change in the mindset, lead to reduced powers of the Inspector Raj and eventually the Inspector Raj will be abolished.

The Contract labour issue is indeed a larger complicated issue and will get resolved only over time. Quick fixes are not likely to happen in the short run. Besides, Labour Laws will have to cover the informal labour segment which is in majority to the extent of over 90% of the labour force.

The success of the ‘Make In India’ initiative rests with the implementation of the GST regime, which will lead to higher GDP growth to the extent of additional 1.5 to 2% of GDP. GST will also result in reduction in fiscal deficit through rationalization of taxation points and avoidance of any double counting. In this context, State policies play an important role by way of avoiding imposing additional local taxes and other regulatory restrictions. Government is setting up a constitutional body to dismantle the taxation barriers among states and create a Common National Market for the entire economy to ensure free market of goods across state borders.

Freeing Economy

It is commendable to note that the Government has taken a holistic approach to the country’s critical problems. This not only leads to effective results but also saves time and costs. It is also taking well studied and timely economic decisions one after another.

State Push

States have also started working on ‘Make in India’ initiative. ‘Make in Madhya Pradesh’ campaign is along the lines of the “Make in India” initiative. Foreign embassies are also providing push to the ‘Make in India’ programme. The programme has started giving results too as seen by the interest shown and decisions taken to invest and produce in India. Process of collective feedback and/or building consensus with stakeholders on key reforms has also begun.

By implementing programmes like the ‘Make in India’, the low key business confidence has started returning. This presents a great opportunity for the government to position India as a manufacturing powerhouse that will be able to match China’s dominance on the world stage. The chance to create employment for over 10 million people and encourage FDI will be the prime minister’s main concern.

However, India has always been a pivotal part of the world’s manufacturing community and the issues that plague its rise is that of hard economic reforms which remained largely unresolved but now will be taken up. Take for instance, the government’s urgent need to reform archaic laws to facilitate economic growth and infrastructure growth. The surge in economic growth in the mid-1990s was only achieved after a radical set of reforms were put in place.

The ‘Make in India’ programme has got off to a dream start. This policy, till now, has aroused massive interest both with foreign investors as well as with domestic investors.

The latest which will boost the ‘Make in India’ campaign is to free the economy from the clutches of fuel subsidy by deregulating diesel and formalising the market-based price formula for natural gas.

Henceforth, diesel prices are freed from state control and pegged to international rates. This signals government’s resolve to rein in subsidies and budget deficit, which will benefit the manufacturing sector. Such market based decisions insulate the government from politically-sensitive decisions in the future. In fact, during the last five months of Modi government, such measures like unveiling of key labour reforms to end Inspector Raj and exhorting leading countries like the USA, Japan and China to pro-actively participate in ‘Make in India’ campaign have been taken that would boost the manufacturing sector.

The ‘Make in India’ idea is fine and has got off to a dream start. This policy, till now, has aroused massive interest both with foreign investors as well as with domestic investors. But now, the Government needs to prioritise, and set the right goals.
We have heard it time and again. Buying insurance at an early age in life is the best thing to do. Ever wondered what is the main reason behind this? With a horde of advantages, getting an insurance cover-life or health at a younger age is a wise decision. Here is why.

The Myth and the Fact

“Why insurance now? I am young and hale and hearty. Insurance is only after I am forty.”

A very common thought process, many youngsters shield away from getting an insurance cover in the early years of life. The notion is that an uncertain event such as death or health issues may not occur early in life. The fact is however, life is filled with uncertainties and there isn’t any age limit here. Insurance is thus a necessity at all walks of life to cover uncertainties.

Reasons Why You Should Get it early

1. The cost: The prime and most important reason to get insurance early is the cost factor. Premiums are much lower when the insured is younger. Premiums in any insurance plan is based on age and cover amount. At an early age, on an average people are healthier and the insurance company perceive the risk to be low, thus keeping the premiums low.

2. Accumulate cash value: Applicable to endowment or retirement plans, where a savings element is incorporated, buying early helps to build substantial cash value on your policy. Maximising returns from investment is what almost all of us seek. And the way ahead to achieve this is to let your investment grow over a period of time. With the power of compounding your investment would yield more when it is for a longer tenure. The earlier you start the more time your money has, to plough back the interest, and more the years, for compounding to have an impact on your investment. By starting early, you invest lesser and have more time to save for financial goals such as retirement.

3. Benefits of cumulative bonus: Another advantage of buying it early is getting an opportunity to accumulate bonus. Insurance companies offer a cumulative bonus for every claim free year. This bonus could be used to reduce your premium in subsequent renewals. The more the claims free years, the more the accumulated bonus.

4. The clause of waiting period in health insurance: Health insurance policies prescribe a waiting or cooling period for pre-existing diseases. A pre-existing disease (or PED in short) is a medical condition or ailment that is present in the individual prior to buying the policy. The ailments may be genetic in nature or lifestyle related. These PEDs are generally covered only after completion of the waiting period of 2 to 4 years from the date of buying the policy. Keeping this in mind, it is always advisable to get a health cover early in life. The earlier the plan is purchased, the earlier the waiting period is completed. So, when a policy is renewed regularly for many years, an insured will be able to seek benefit, without having to worry about any waiting period.

5. More options and a comprehensive cover: The number of plans offered at a younger age is much more than what you may get at the age of 40. You thus get a chance to choose from a wider range of products and get a more comprehensive cover.

6. More Stringent Requirements at a later age: As one grows older, the norms and pre policy evaluation get more stringent. The qualifying requirement gets tougher as insurers look into detail policy holder’s health, family history of ailments etc... It could get harder to get an insurance policy after the age of 40.

Buying it early Gives Your Family the Protection They Need The Most

We live in a world of uncertainties. Mis-haps, natural disasters and illnesses may strike us without any warning. We may not be able to avoid or control their occurrence; however, we could prepare ourselves to handle the aftermath. Insurance policies work towards this objective by providing the much needed financial support to the insured’s family in the need of the hour. Today, insurance policies have evolved into a variety of forms. And opting for the right policy should be done early in life. It is an important step to ensure you and your family is financially protected and is prepared at all times to face an eventuality.
Bat for the future. Invest in growth today.

This product is suitable for investors who are seeking:

- Long Term Capital Appreciation.
- Investment predominantly in equity & equity related instruments of growth oriented mid cap companies.
- The scheme is classified as High Risk ■ (BROWN). Investors understand that their principal will be at high risk.

*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Note: Risk may be represented as:

(BROWN) investors understand that their principal will be at high risk.

(YELLOW) investors understand that their principal will be at medium risk.

(BLUE) investors understand that their principal will be at low risk.

Contact your Financial Advisor

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
‘Planning To Expand Beyond Borders’

GS Sundararajan, Group Director, Shriram Group, and Managing Director, Shriram City Union Finance, talks about the company’s expansion and acquisition strategies, steps to revive domestic growth and improve fiscal consolidation.
S Sundararajan joined Shriram Group as the Managing Director of Shriram Capital Ltd, the holding company of Shriram Group’s financial services and insurance businesses across India and overseas. Prior to this, he was the CEO and MD of Fullerton India Credit Company Ltd and was also nominated to the Boards of two financial services investments of Temasek in China. Sundararajan was an integral part of Temasek’s vision for India in the banking and financial services space.

Earlier, he was the MD and Head of Citibank’s SME and asset based finance business in India. He started his career in sales with Eicher Mitsubishi and went on to head the captive finance arm of this company in India. He is also the non-executive Chairman of the Board of Directors of Vistara Financial Services Ltd., a livelihood and small business finance company based in Bangalore. Sundararajan holds a Bachelor of Engineering degree from Coimbatore and a Post Graduate Diploma in Management from the Indian Institute of Management (IIM), Ahmedabad.

In an interview with Sunil Kumar Singh, he says, “Shriram Group is now looking at acquisitions and planning to expand beyond the country’s borders via the insurance business.”
Shriram Group couldn’t qualify in the last round of banking licensing by the Reserve Bank of India. Is getting into banking space still a part of your business strategy? If yes, are you interested for a small bank licence or wholesale consumer banking?

The Shriram Group always intends to have a banking licence to serve the unbanked sections of society which is still distanced from formal banking services. However, being one of the largest NBFCs with assets under management (AUM) of over Rs 60,000 crore, we are keen on a bank platform which not only suits our business model but also protects our existing customers as the new bank grows sufficiently to serve their credit needs; this is a major challenge for us and for the regulators who design the guidelines.

Could you give us some details on your expansion plans, especially Shriram Capital’s plan to expand its overseas business in non-life insurance segment?

Shriram Group is now looking at acquisitions and planning to expand beyond the country’s borders via the insurance business powered by our partnership with the Sanlam Group from South Africa. Our group may look at domestic acquisitions in the non-motor areas of general insurance business and in the housing finance business. We are predominantly present at the lower end of the pyramid in the businesses of transport, enterprise finance and insurance. We have opportunities to broad-base these customer segments and geographies across the country.

For the April-June quarter, the economy grew 3.7%, highest in the past two-and-a-half years. The country’s current account deficit (CAD) for Q1 ended June also dipped sharply to 1.7% of GDP from 4.8% of GDP in Q1 last year. How do you assess the overall mood of the economy? Do you believe we’re now in a better position than what we were 6 months back?

India’s economic growth is gaining momentum and may end up with a GDP growth rate of over 5.5 per cent. The new government, which took charge in May, has initiated various measures to attract more investments and remove bottlenecks in the infrastructure, among others; to boost growth. The country has the opportunity to achieve faster and more inclusive growth. India needs to improve fiscal consolidation by shifting from subsidies to investment in social and physical infrastructure, control inflation and improve financial stability. At the same time, the country should improve infrastructure, simplify labour laws and pursue tax reforms.

India needs to improve fiscal consolidation by shifting from subsidies to investment in social and physical infrastructure, control inflation and improve financial stability.

What particular strategies you suggest to revive domestic growth and spur investment?

The Union Budget has provided certain indications of maintaining a stable and predictable tax regime for investing public and develops business confidence among entrepreneurs. A key measure has been to reassure foreign investors that India remains an attractive destination. Expanding FDI in defence and insurance to 49% and allowing FDI in e-commerce as well as liberalisation of urban development would bring in vital funds to these sectors.

The government has taken definitive steps to revive capital markets and strengthen the financial sector which will help raise resources for investment. The banking sector will also be capitalised in accordance with Basel III norms by adding more public shareholdings.

More importantly from our perspective there is a concerted action that has been initiated to set up a separate architecture for small business finance; this according to us will be the single largest step towards a sustainable GDP growth strategy for the next decade.

We hope all these measures would take our economy to better days ahead.

The recent bond sale by Shriram Transport Finance in July got tremendous response, and analysts call it the highest first-day mobilisation among all private sector bond issuances. The non-convertible debentures raised more than treble the amount of the core issue size. Were you expecting this overwhelming response?

The overwhelming responses are basically owing to your business model for each vertical. Shriram Group’s businesses strive to serve the largest number of common people. Consider these: commercial vehicle financing; consumer & enterprise finance, retail stock broking, life insurance, chit funds and distribution of investment & insurance products. Our foray into non-life (general) insurance is again a strong expression of this commitment.

The Finapolis | NOVEMBER 2014

FACE TO FACE
Wealth creation is all about prudent Asset Allocation*

You can invest through
- Systematic Investment Plan (SIP)
- Systematic Transfer Plan (STP) • Lumpsum

*Pie chart is for illustrative purposes only and does not propose any investment allocation

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
Top tier Indian IT firms seem to have turned the corner and look rock solid investment bets. By Team Finapolis
Indian information technology (IT) firms are currently in an environment of healthy revenue growth. This is being fuelled by higher discretionary spending by companies in the US, and the increased profitability of European who are renewing their interest in investing in IT. The quality of business for the Indian IT firms also seems to be good. The return on equity (RoE) for many of these firms is good; there is little to no debt; and cash flow steady. A stable rupee is another positive.

Revenue Momentum Robust
According to the IT industry lobby group, NASSCOM, IT exports are expected to grow at 13%-15% Y/Y in dollar terms in FY15, with growth momentum led by clients in both US and European markets.

Indian IT firms have also steadily increased their revenues from ‘newer service lines’. Over the past few quarters, revenues of IT firms from Europe have grown more than the previous eight-quarter average. This growth has been led by the need for cost cutting by European corporations. Secular growth in Europe is a positive. Given that Europe contributes around 30% to revenue, this could be a key driver going forward. The two largest markets (US and Europe), which contribute 80%-85% to revenue are seeing strong growth, lending confidence to expectations of healthy revenue growth continuing through FY16-FY17.

The stable currency is a big positive for the sector. Over the past few years, the rupee has depreciated against the dollar, which has been the tailwind to fight margin headwinds. Even post the general election 2014 results in May 2014, the rupee has not appreciated and has traded in a range. This is a positive for Indian IT. Post the 2008-09 financial crisis, there has been a notable polarisation in revenue growth of Indian IT firms as clients became more demanding. TCS and HCL were able to adjust faster to the ‘new normal’ business environment. This polarisation could continue in FY15-FY16, even as the magnitude could get reduce by FY16, as Wipro and Infosys start to show improved growth. Analysts expect TCS to record a high 17% dollar revenue CAGR over FY14-FY16, despite its considerably larger revenue base compared with peers. HCL (15.8%), Infosys (10.%) and Wipro (11%) form the chasing pack.

All four frontline IT stocks seem attractive in different ways. HCL’s revenue and profit growth is consistent, and valuations reasonable. Wipro’s profile is fast improving with several big-ticket contract wins. The appointment of a first ever non-promoter CEO has raised expectations from Infosys, while TCS has been by far the best performer in terms of revenue growth over the past several quarters. We take a closer look at each of these four blue-chip IT stocks.

**TCS** is India’s largest software services company, with $13.4 billion in revenues in FY14. The company is an end-to-end IT and BPO company, offering services such as software development, maintenance, consulting, testing, IT infrastructure management, systems integration and BPO. TCS offers these services to industry verticals like financial services, manufacturing, retail, telecommunications, life sciences and energy and utilities. TCS derives a majority of its revenues from the North American market. The company has grown its consolidated revenues, EBIT-DA and net profits at CAGRs of 24.1%, 28.5% and 29.9%, respectively over the period FY09-FY14 and had a total of over 305,000 employees on its rolls at the end of June 30, 2014.

TCS has grown its dollar revenue at a 3.9% CQGR over the past eight quarters, ahead of peers, reflecting admirable consistency. A key aspect is the broadbased nature of growth. TCS has driven a good balance between focus on bread-and-butter businesses and investing in newer growth avenues. TCS could maintain its growth model for 16% dollar revenue CAGR over FY14-FY17. The sharp polarisation in top tier IT firms’ performances could continue over FY15-FY16 and TCS’ stock could continue to command premium valuations.

However, due to its already steep valuation, the upside for investors who wish to get in now could be limited compared to their IT stocks.
Infosys has always received disproportionately large media coverage due to a variety of reasons. In the recent years, the coverage has been less than flattering for a company that was used to a fawning press. There are high hopes that Vishal Sikka, the newly appointed and first non-promoter CEO of Infosys will put the zing back in the company. It is hoped that he would drive higher revenue growth through improved client mining, better access to Fortune 500/Global 1000 accounts and use the company’s cash reserves more proactively.

Sikka operating from the US is a positive factor, given that he is based geographically close to its client offices. Infosys could also become more proactive in its cash usage. The IT major has hitherto been very conservative on this front and has rarely made any major acquisitions with the nearly $5bn cash pile on its balance sheet. Infosys could start to become more active on the acquisition front, adding key capabilities and also improving RoE.

The stock trades at a significant 29% discount to TCS. This discount could narrow, led by improved revenue growth. Apart from this, it is important to reduce the high attrition rates, an issue that Sikka has started to address by awarding 5,000 promotions in August 2014. Improved revenue growth and lower attrition could be key triggers for a stock re-rating.

**CMP:** Rs 3,847  
**Target Price:** Rs 4,460  
**16%**

Wipro’s Y/Y dollar revenue growth trajectory has been improving for the past five successive quarters now. The IT major’s deal wins with marquee names like Philip Morris, Saudi Electricity and ATCO inspire confidence as far as revenue uptick is concerned. A major highlight for Wipro was its $1.1bn ATCO deal win in July 2014, implying annual revenue of $112mn over the next 10 years. This, along with improving growth in the key global infrastructure services business (highest Y/Y growth in 1QFY15 in 11 quarters) strengthens optimism of the continued revenue growth turnaround. Wipro’s stock currently trades at a steep 32% discount to top tier IT peer TCS. With robust revenue growth this gap will significantly narrow.

Wipro has also shown impressive margin management, aided by utilisation increase and cost efficiencies. On client metrics also, Wipro has done a good job in terms of client mining, with its annualised revenue per client having risen on a Y/Y basis for the past 23 successive quarters. Improving growth and attractive valuation suggest there could be a 17% or thereabouts upside to the stock in the next one year or so.

**Improving Growth At Reasonable Valuations**

**CMP:** Rs 616  
**Target Price:** Rs 717  
**16%**

HCL Technologies (HCL) is India’s fifth-largest IT services company, with revenues of US$5.4bn in FY14 (June-ending fiscal year). The company is an end-to-end IT and BPO company, offering services such as software development, maintenance, enterprise application services, infrastructure management services and BPO. HCL offers these services to industry verticals like financial services, manufacturing, retail, hi-tech, life sciences and energy and utilities. HCL, like its peers derives a majority of its revenues from the North American market.

The company has grown its consolidated revenues, EBITDA and net profits at CAGRs of 25.5%, 30.3% and 37.9%, respectively over the period FY09-FY14 and had a total of 91,691 employees on its rolls at the end of June 30, 2014. HCL’s consistent dollar revenue revenue growth (3.4% CQGR over 4QFY12-4QFY14) and strong deal wins ($5bn over the past year, 93% of FY14 revenue) drive confidence in the IT major’s ability to sustain revenue growth in FY15/FY16. The infrastructure management services (IMS) business has led growth, with the segment clocking 7.7% CQGR over the period, and accounting for 66% of incremental revenue. Steady improvement in software service revenue growth is also a positive. HCL’s focus on productivity, operational efficiency and utilisation drove EBITDA margin to all-time highs in FY14, with revenue and profit per employee also at all-time high levels. HCL’s industry high revenue productivity is a key lever for sustenance of margins. With greater scale and industry-high revenue productivity, HCL is well place to maintain margins in the 26%-27% range in FY15/FY16.

**Revenue Consistency Heartening**

**CMP:** Rs 1,740  
**Target Price:** Rs 2,042  
**17%**
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Two To Tango

If you’re wary of investing in stocks directly, Monthly Income Plans (MIPs) of mutual funds could be a safer entry point to get the best of both equity and debt. By Shivram Yedithi

The scale and speed of the equity market rally in recent months has caught the fancy of many investors, aggressive and conservative alike. There are many who believe markets have run-up too high too fast and entering the markets at this point is fraught with risk.

One of the investment options for such investors is MIP (Monthly Income Plan) or Balanced Funds which have a mix of equity and debt. But are they really effective? Or is building your asset allocation mix as a part of financial planning practice a better option?

Here we will be discussing about the effectiveness of MIP schemes as against self-managed asset mix portfolio.

Best of Both Worlds

A conservative or a moderate investor might be averse to the idea of investing in equities or even an equity mutual fund at this point of time. For such risk-averse investors, there is a hybrid product such as MIP which has some portion of equity while major chunk is in debt. The question is what the difference is? Instead of investing 20% or 10% of the investment into equity; the investor invests 100% in MIP which then segregates it into debt and equity portion. Is the risk taken by an investor through MIP is lower than the equity (even if the equity investment is only 10% or 20% of the portfolio)?

The current market conditions and the way it is being projected for future course both for equity (with the backing of positive investor sentiments and improving economic factors) and debt (anticipation of rate cuts at the monetary policy going forward) could lead to confusion among investors what is the best asset mix which can or should be created to get maximum benefit from both. MIPs offer good and stable returns across a period and more so when equity or debt is doing good, while the current situation suggest both may do well going forward and this gives even the conservative investor to sit up and notice them.

Let’s see the performance of MIP (Average of MIP schemes) in comparison to Nifty and Composite Bond index yearly performance for the last ten years (See Stable Path).
This chart suggests that the MIP returns are closely related to the debt returns, in fact are better mostly when the equities are rising and slightly lower when the equities are down.

**Tailor Made Solution**

If you look at the portfolio mix of a typical MIP it is generally around 70-80% debt and remaining 20-30% in equity. If this matches one’s allocation idea, they might find it readily available investment option. These funds are hybrid breed of mutual funds for a not-so-aggressive and not-so-conservative investor and present an asset allocation which is like a tailor made solution.

If as an investor you decide on the allocation, greed for higher returns should not lead to complete overhauling of the portfolio. However, if as a moderate or conservative investor, you plan to take benefit from the equity returns, they can be added or increased as an interim allocation for a specific period or based on the targets in terms of returns.

However, ensure that the overall portfolio has not lost on the initially well thought and well planned allocation strategy. Now, the bigger question is whether should you continue to pick the best equity and debt funds yourselves which meets your criteria or invest in an MIP fund which offers an asset allocation solution in the form of a hybrid fund. Let us look at the performance of MIP vs Mix of Equity and Debt in similar proportions.

We’ll take the average returns of all the MIP schemes in one year and compare it with average returns of multi-cap equity funds and debt funds (short term and income). For comparison we will also look at the average asset mix of all MIP schemes and same will be applied to the equity and debt portions.

If we look at the average of the portfolio composition of MIP schemes 20% is into equity, 70% into debt and almost 10% as cash (probably waiting for opportunities in both equity and debt), for calculation we will take cash as also a part of debt, however this might result in difference in returns (See Mapping Difference).

Here as per the calculation, allocation of 20% to dedicated equity funds and 80% to dedicated debt fund has delivered better returns than the hybrid fund which has both equity and debt, even though the hybrid funds also have specific fund managers for managing debt and equity portions.

If we bring in the taxation part the gap in the portfolio return and MIP return might increase further as MIP has debt taxation as the portion of equity is less than 65% which is the norm for qualifying as an equity fund.

So under the new guidelines, capital gains from debt funds are treated as short term up till 3 years, so if in this case the fund was redeemed the next day after completing one year, the post tax returns would be much lower than that of the portfolio (See Less Tax Efficient).

Gains from the equity funds under long term capital gains is not taxable, so in the portfolio only the gains from the debt portion will come under the short term capital gains as per the tax slab of the investor.

So if we look at the tax implication on the MIP schemes it looks less attractive when compared to the equity and debt portfolio managed separately.

However, MIP schemes has its own advantages as it is an actively managed scheme where debt and equity portion is dynamic in nature although it sticks to the range provided in the offer document, but still the fund managers have the liberty to increase the equity or debt portion based on the changing scenario which might be difficult in case of managing on own.
For a middle class person, buying own home is probably the biggest investment one makes throughout his lifetime. Its usually bought with a lot of enthusiasm, after a long wait and with hopes of everlasting memories. But this big investment comes with equally big risk if necessary precautions aren’t taken to keep those risks at bay. Hereby we list some very common real estate traps you should know before taking on any real estate deal:

1. Area that you are buying

Today, most builders sell flats on the basis of super-built up area. Spaces, such as balconies, terraces, voids and open parking lots, are not included in the FSI calculation because these cannot be monetized by law. However, in many cases, once the layout has been approved, developers convert these into habitable spaces and then charge buyers based on the total area of the apartment plus its share of common spaces which is called Super-built up. The biggest concern here for a first-time buyer is calculating the super-built up area and his share of common spaces. This is difficult and usually practically impossible for a buyer without professional help and he has to approve what the builder is claiming his flat’s super built up area to be.

2. Clearance certificates

Before declaring the project to be ready for occupation / possession, builders are supposed to clearance certificates from local authorities for power, water, and sewage connections. For this the builder needs to pay “External Development Charges (EDC)”. These charges are clearly mentioned in the agreement and are distributed among buyers in proportionate area of their flat. Builders get this collected from flat buyers but at times fail to pay it to local authorities. In such cases, EDC penalty is levied which is again passed on to the buyers, which you should be aware of. But buyers rarely read the fine print, and are ignorant of these facts. After paying the EDC, the local authorities check the project if its completed as per approved plan and issue a certificate to that effect. But the process doesn’t end there. The builder needs to make sure that adequate fire safety equipments, fire exits, safe electrical wiring etc. is done to make the project hazard-free. After this the authorities issue the occupancy certificate only after which builders can offer flats for possession. But this certificate is at times neglected by builders and they open the project for possession without it. Buyers do not notice this in the haste of possession of the new flat. Projects not having occupancy certificates usually face great difficulty in obtaining home loans and during re-sale of the flat in the future.

3. Paying for parking space separately

Parking space within a building, as per SC verdict, cannot be sold separately. These common spaces, which have to be handed over to the society for management. However, many builders now include the cost of parking space in the quoted price and mention it in the sale deed. But in most cases, home buyers have to pay extra for parking, that too in cash and without proper documentation. If parking space has not been included in the sale deed, be rest assured, its illegal for a builder to demand charges for parking space from you.

4. Pre-EMI sharing schemes

Most home buyers usually get home loans approved and disbursed according to the stage of development of the project. The loan gets disbursed but the buyer need not pay any EMI till the project is completed. He only needs to pay the interest on the amount disbursed. Most times builder’s share this interest portion upto certain period like 12 months, 24 months. Bargain with the builder to pay the full interest until the project is completed. This will not only relieve you from paying undue interest but would also pressurize the builder to complete the project on time or at the earliest.

5. Illuminating Modern-flats

Parking space within a building, as per SC verdict, cannot be sold separately. These common spaces, which have to be handed over to the society for management. However, many builders now include the cost of parking space in the quoted price and mention it in the sale deed. But in most cases, home buyers have to pay extra for parking, that too in cash and without proper documentation. If parking space has not been included in the sale deed, be rest assured, its illegal for a builder to demand charges for parking space from you.

6. Buy-back schemes

In times of doom, Builders offer buyers the scheme of buy-back of flat at certain price in the future. This is to ensure the buyers that the price of the flat would only rise in the future. The future buy-back price is mentioned in the agreement and is a certain percentage higher than the buying price. This is a good option, but you should not trust every builder that offers these schemes. Builders may not keep their promise and leave the buyer in a helpless condition unless everything they promised is documented. This situation is all the more fruitless if the market rate for the property goes down and that’s when you are willing to sell or when the lock-in has ended.
One typically invests in properties that are under-construction in order to get maximum value. Why should it be any different when investing in our country’s infrastructure?
As India races ahead to build its foundation, align your portfolio to a fund that invests in infrastructure companies.

SMS TRUST to 56767

The above is an open ended equity scheme.
This product is suitable for investors who are seeking:
• long term capital growth
• long term capital appreciation by investing in equity and equity related instruments of companies contributing to infrastructure and economic development of India
• high risk (BROWN)
# Investors should consult their financial advisors if in doubt about whether the product is suitable for them

Note: Risk may be represented as:

[BLUE] Investors understand that their principal will be at low risk
[YELLOW] Investors understand that their principal will be at medium risk
[BROWN] Investors understand that their principal will be at high risk

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
Price is a very sensitive topic in microeconomics. There has been a lot of work done in this domain. Unfortunately most of it is completely misguided by attempts to theorize about price from a normative thinking process of “what should be the price?” or “how should a rational individual think about price?”

While going through a lecture on Coursera on Neuroeconomics I revisited this question again in my head. Partly it was prompted by the idea in the lecture itself – that the ‘value’ something has for an individual has been generally expressed in terms of price or utility in economic theorizing and that the neuroeconomic approach to it is to start with neuronal firing rate in response to a good/activity and its like reward or punishment value. Interesting and promising approach indeed.

What I was tangentially thinking about was something related but different. I was wondering if the entire framework of answering the question ‘what is something worth to an individual?’ is mistaken. Here’s why.

The conventional attempts at finding out worth of something to someone is generally focused on the utility of the good/service to the person and some estimate of the value of the same. There is an implicit assumption that this is constant across space and time and individuals. All three are faulty assumptions – there are not even good first level approximations. That is the reason behind my question above.

Part of the reason is the dependence of value on location, time and individual. Part is also the very approach of trying to model it like this. When one implicitly assumes that something has an objective value and that just needs to be determined.
through some observation, one is already committing the folly of creating an imaginary quantity (objective value). One is then likely to fall into the trap of calling something over-valued, under-valued, over-priced and so on.

My view on value and price is as follows: Value of something is inherently and fundamentally subjective as well as a function of time and place. It is also reflexively dependent on perception, network effects and inference about who else is a consumer.

1. **First of this is simple to demonstrate.**

   1. **Dependence on person:** I like QWERTY keyboard phones while someone else values bigger screen. Even at an aggregate product level, someone may like orange juice as a refresher while her friend might prefer a quick call with her fiancé. Given a specific good, different people will value it very differently – I love tea, my wife does not have tea at all and I know of a lot of people who have intermediate levels of liking for it.

   2. **Dependence on time:** Food is valuable when hunger strikes, music adds value to a pub night, cab service is more valuable in monsoon and wee hours etc etc.

   3. **Dependence on place:** Mineral water at the top of a mountain is more valuable than in the middle of the city. Binoculars are of value in a desert but not as much in a jungle and so on.

   Note that if we start without the baggage of goods having a similar price across people, time and place, the above divergence would point us in the direction of a non-unique value and price automatically. Only if we start with the state of the world as it is today that we would attempt to figure out explanations and workarounds to this obvious state of affairs.

2. **Second set of divergences is more subtle.** It is also more applicable to modern branded goods than to commodities.

   1. **Dependence on network effects:** An app that my friends use is more valuable than one that nobody uses.

   2. **Dependence on perception:** If Hyundai cars are not perceived to be premium, I would flinch in buying a feature-rich Hyundai car for a high price point.

   3. **Dependence on inference about who else is a consumer:** If everyone is using Ray-Ban shades, I would also join in. Sometimes this also has adverse effect – if everyone (“the masses”) is using Gucci, I better stop using it (it has become “pedestrian”).

   The value derived from a good/service is hence a complex function of all of the above factors. Just to be clear, these are not factors that are small deviations around a secular level. This is precisely the mistaken stance conventional micro-economics takes. Most economists would acknowledge the presence of these deviations. However, in the name of tractability and approximations, they would make an undefendable leap of faith that a large proportion of value is independent of this and thus can be thought of as objective.

   The other angle often ignored in classical economic theory with regard to price is how the producers determine it. Most often, the over-generalized response of economists is that perfect competition persists in most cases and the producers charge a price that is equal to marginal cost of production. This is again normative. It is demonstrated in real life only in a small minority of cases where a highly uniform commodity is traded in a highly transparent manner (crude oil, steel etc).

   For most real life cases, price is nearly arbitrarily determined – producers do take into account the cost plus logic but more often than not, the linkage is reflexive. If something fetches good price, its input goods start to reflect that as well through higher pull. It is not only that input good become costlier and thus output good catch up in terms of price.

   Just like we don’t know how each specific biological species began its journey on earth, the pricing history of each specific good and service is hard to trace back.

   Just like we don’t know how each specific biological species began its journey on earth, the pricing history of each specific good and service is hard to trace back. Since everything has something or other as input (including labor) which has its own price, it is hard to study the absolute level of price of anything in isolation. However, that should not make us complacent about the origin of price-levels.

   A feedback loop exists between consumers and producers as well and it is not simply a matter of a producer looking to offer at a price above a certain minimum and a consumer making sure of a bidding war each time she is looking to buy something. Real life transactions have a lot of influence of behavioural factors as well as institutional factors. Some prices are simply a matter of habit, others of arbitrary anchors and so on. On this base case the consumer producer feedback takes place.

   In summary, value is not identifiable in an objective sense. Hence a uniform price for a good/service is an arbitrary imposition of simplicity. I think it is not hard to think about constantly varying prices of goods and services across people, place and time. The efficient market enthusiasts will jump at this suggestion and cry ‘arbitrage’. However, insofar as consumer goods are concerned, it is hard to imagine majority of people engaging in an arbitrage about making someone else buy something or hoarding some stuff because it is cheap at that time.

   In some major this already happens – but it is limited to dependence on place. Convenience stores sell things at a major premium to supermarkets. However, time dependence, situational factors and person dependence is almost never factored in. Even more so, the perception effects, network effects and so on are rarely if ever incorporated into pricing. Even the limited space dependence of the type of convenience stores vs supermarkets is a matter of practice – not entirely explained in economic theory.
Golden Choice

One of the best things about gold loan is that it carries zero risk of default and the loan could be disbursed to you in as little time as a couple of hours. By Team Finapolis
With gold prices having seen a sharp rise in recent months, borrowing against gold jewellery could be an option if you’re in need of money to fulfil your financial needs. Loan against gold jewellery/ornaments is one of few loan products available that you could get with ease and has almost zero rate of default. This is the biggest factor that makes gold loan different from other loans such as personal loan. Further, unlike other loans, gold loan doesn’t require a guarantor or introducer and there is no need for a bank account.

People prefer gold loans mostly to meet their immediate financial needs such as for medical expenses or weddings. You can borrow money ranging from Rs 25,000 to Rs 20 lakh, although the minimum and the maximum amount varies from bank to bank. For NBFCs the limit is wider i.e. they could sanction loan from as little as Rs 1000 to Rs 1 crore. The amount of loan to be disbursed is dependent on the borrower’s profile such as his requirement, valuation of gold and the borrower’s repayment capacity. Once you fulfil all the necessary documentation and furnish details, the loan can be disbursed to you within hours.

Eligibility
The documentation is also simple. Generally, banks/NBFCs ask for documents such as the borrower’s identity proof (it could be passport copy/voters ID card/PAN card or Form 60/Aadhaar card), address proof (passport/electricity bill/telephone bill/Aadhaar card) and signature proof (passport/PAN card/banker’s verification/cheque), and passport sized photographs.

Gold loan is given agricultural/business/personal purposes and the loan amount cannot be used for purchase of gold jewellery/coins, land etc. The loan processing charges varies from 0% to 0.5% depending on whether there are foreclosure charges or not. Banks/NBFCs giving gold loans also charge valuation fee that could be either fixed such as Rs 250 for loan upto Rs 1.5 lakh and Rs 500 for loan above Rs 1.5 lakh, or it could be pro rate depending on the loan amount, such as 0.25%.

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LTV & Valuation
The LTV (loan to value) ratio for loans against gold jewellery is, as per the latest RBI guidelines this year, 75%. This means loans sanctioned by banks should not exceed 75% of the value of gold ornaments and jewellery. Prior to this, the limit was 60%.

In September last year, in a guideline the RBI laid down standardization rules for valuing gold in arriving at LTV ratio. The central bank in its notification said that there is no standard method for arriving at the value of gold accepted as collateral and valuation is arbitrary and opaque.

“In order to standardize the valuation and make it more transparent to the borrower, it has been decided that gold jewellery accepted as collateral will have to be valued at the average of the closing price of 22 carat gold for the preceding 30 days as quoted by The Bombay Bullion Association Ltd. (BBA)” the RBI said.

Further, as per the guideline, while accepting the gold as collateral, the NBFC should give in writing to the borrower, on their letter head giving the purity (in terms of carats) and weight of the gold. If the gold is of purity less than 22 carats, the NBFC should translate the collateral into 22 carat and state the exact grams of the collateral. In other words, jewellery of lower purity of gold shall be valued proportionately.

Although the interest rate on gold loan varies according to the customer’s profile, it ranges from 12% to 20%. The tenure of the loan varies from 6 months to two years. Another point to note is that many banks provide loan only against gold jewellery/ornaments and not against gold coins. Some banks though give loan against 24-carat gold coins issued by banks only. In this case, the weight of the gold coin should not be more than 50 grams.

Bank Or NBFCs
Now when you have decided to go for gold loan, you must know the pros and cons of borrowing from a bank or an NBFC. The interest rates charged by NBFCs on gold loan are higher than that imposed by banks. Generally, the difference is of 200-300 bps. You should also compare other charges such as processing charges, pre-payment charges, late payment penalty and disbursal time.
Pay Off Your Home Loan Faster

Introduction
Although it’s a great feeling to be a homeowner, paying a fat portion of your salary towards the EMI payment of your home loan is not the happiest feeling. And to think that you will need to keep paying this sum of money for a prolonged period of 10-15 years (the tenure of your home loan) may feel exasperating, as the best part of your youth is over by then! Besides, the interest rate you pay the lender may actually end up making the repayment amount bigger than the principal amount you have borrowed. What then is the solution? The solution is prepayment of your mortgage in easy and simple steps to lighten your debt burden and save money in the long run.

Story
Till about a couple of years back, one had reason to be worried about the prepayment of one’s home loan because of the costs involved. But that does not hold true any longer with the RBI having directed banks and financial institutions to do any with any penalties on floating rate home loans. This directive from the apex bank came in the monetary policy announcement in June 2012. But if you still think that prepayment of your mortgage is an impossible feat given the fact that you are barely managing your other fixed expenses, read on to find out how it may not be such a far fetched possibility after all.

Take a look at your financial plan
Before you jump the gun and panic thinking that you must pay off your home loan as soon as you can, or at least think about a refinance option for your home loan, take a closer look at your financial plan. See the number of investments you have and the returns they are yielding. Once you are assured that your investments are taking care of your short, medium and long term financial goals, you can direct the surplus you have towards the prepayment of your home loan. The thing to remember here is that, you should not dip into your emergency fund or compromise with your financial goals to make this prepayment.

Tweak your EMI structure
The thought of part payment of EMI may seem intimidating to you, because it is not possible for you to make a full payment of an EMI altogether, but have you considered the possibility of making a slightly higher EMI payment? Even a small amount of Rs 1,000 to 2,000 will go towards the repayment of the principal amount of your loan. As your principal comes down, so does your interest amount and you end up reducing your tenure by at least 1-2 years.

Make partial payments whenever possible
Most large banks allow their home loan customers to make n-number of partial payments in a year (However some banks may have a limit of the number of partial payments one can make in a year, so make sure you check with your lender about this provision upfront). So whenever you have a festival related bonus or a performance bonus coming in, use it for the part payment of your home loan.

Whenever you have a festival related bonus or a performance bonus coming in, use it for the part payment of your home loan

Cut your costs and live below your means for the first few years
Having a home loan to pay off is a great financial burden, but there is nothing that matches up to the satisfaction of having a roof over your head that you can call your own! Let this be your motivation to cut corners wherever you can and direct the money saved towards the prepayment of your home loan. You may have to let go off the annual vacation in a foreign location for the first few years of your mortgage tenure, but having the peace of mind will be a much bigger incentive.

Get the family involved
You may be the main breadwinner of the family and the onus may be on you to manage the finances, but when it comes to the mortgage, make your family as responsible as you are. Instead of having to battle their disappointments about not getting the things that you had earlier planned (the foreign vacation for instance) make them as involved in the prepayment process as you are. They may not be able to pitch in with the extra money, but they can sure think up some interesting means of spending quality time together. A vacation in a place that is closer to home or doing up the kid’s room with their favourite furnishings could save money and give them as much joy! By using these simple yet effective strategies you can actually end up saving a lot of money and having the full ownership of your home much before your tenure ends. Take our word for it! There is no better feeling in the world than trimming your debt pile, especially if you are on a mortgage.

The author is Director & Co-Founder, www.creditvidya.com
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<th>Cover Price</th>
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### Indian Indices: Performance

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<th>Return (%)</th>
<th>Return 6 M (%)</th>
<th>Return 12 M (%)</th>
<th>PE Ratio</th>
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### Global Indices: Performance

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<th>Return (%)</th>
<th>Return 6 M (%)</th>
<th>Return 12 M (%)</th>
<th>PE Ratio</th>
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<td>Hang Seng</td>
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<td>S&amp;P 500</td>
<td>1941.28</td>
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<td>Brazil Bovespa</td>
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<td>FTSE-100</td>
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## October International Commodity Futures Price Trends

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<tr>
<th>Commodity</th>
<th>October 21, 2014</th>
<th>September 30, 2014</th>
<th>Change</th>
<th>52 Week High</th>
<th>% Change from 52 Week High</th>
<th>52 Week Low</th>
<th>% Change from 52 Week Low</th>
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<tbody>
<tr>
<td>Nymex Natural Gas ($/mmbtu)</td>
<td>3.71</td>
<td>4.12</td>
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<td>6.49</td>
<td>-42.85%</td>
<td>3.38</td>
<td>9.83%</td>
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<td>Nymex Crude Oil ($/bbl)</td>
<td>82.81</td>
<td>91.16</td>
<td>-9.16%</td>
<td>107.73</td>
<td>-23.13%</td>
<td>79.78</td>
<td>3.80%</td>
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<tr>
<td>LME Nickel 3 Month ($/t)</td>
<td>15300.00</td>
<td>16310.00</td>
<td>-6.19%</td>
<td>21625.00</td>
<td>-29.25%</td>
<td>13274.00</td>
<td>15.26%</td>
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<tr>
<td>LME Zinc 3 Month ($/t)</td>
<td>2210.00</td>
<td>2288.00</td>
<td>-3.41%</td>
<td>2416.00</td>
<td>-8.53%</td>
<td>1863.00</td>
<td>16.83%</td>
</tr>
<tr>
<td>LME Lead 3 Month ($/t)</td>
<td>2029.00</td>
<td>2100.00</td>
<td>-3.38%</td>
<td>2307.00</td>
<td>-12.05%</td>
<td>1961.50</td>
<td>3.44%</td>
</tr>
<tr>
<td>CBOT Soy Oil (cents/lb)</td>
<td>31.76</td>
<td>32.27</td>
<td>-1.58%</td>
<td>44.70</td>
<td>-28.95%</td>
<td>31.34</td>
<td>1.34%</td>
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<tr>
<td>Liffe Sugar (S/t)</td>
<td>422.10</td>
<td>422.30</td>
<td>-0.05%</td>
<td>515.30</td>
<td>-18.09%</td>
<td>384.90</td>
<td>9.66%</td>
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<td>LME Copper 3 Month ($/t)</td>
<td>6669.00</td>
<td>6667.00</td>
<td>0.03%</td>
<td>7460.00</td>
<td>-10.60%</td>
<td>6321.00</td>
<td>5.51%</td>
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<tr>
<td>ICE Cotton (cents/lb)</td>
<td>62.79</td>
<td>61.96</td>
<td>1.34%</td>
<td>97.35</td>
<td>-35.50%</td>
<td>60.58</td>
<td>3.65%</td>
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<tr>
<td>LME Aluminium 3 Month ($/t)</td>
<td>1991.00</td>
<td>1960.00</td>
<td>1.58%</td>
<td>2191.50</td>
<td>-6.06%</td>
<td>1671.25</td>
<td>19.13%</td>
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<td>Comex Silver (S/oz)</td>
<td>17.55</td>
<td>17.06</td>
<td>2.88%</td>
<td>23.10</td>
<td>-24.01%</td>
<td>16.64</td>
<td>5.46%</td>
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<tr>
<td>ICE Coffee (cents/lb)</td>
<td>199.60</td>
<td>193.35</td>
<td>3.23%</td>
<td>225.50</td>
<td>-11.49%</td>
<td>100.95</td>
<td>97.72%</td>
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<tr>
<td>Comex Gold (S/oz)</td>
<td>1251.00</td>
<td>1210.50</td>
<td>3.35%</td>
<td>1392.60</td>
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<td>1181.40</td>
<td>5.89%</td>
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<tr>
<td>CBOT Soybean (cents/bushel)</td>
<td>964.25</td>
<td>913.25</td>
<td>5.58%</td>
<td>1536.75</td>
<td>-37.25%</td>
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<td>ICE Sugar (cents/lb)</td>
<td>16.44</td>
<td>15.48</td>
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<td>19.49</td>
<td>-15.65%</td>
<td>13.32</td>
<td>23.42%</td>
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<td>CBOT Wheat (cents/bushel)</td>
<td>519.25</td>
<td>477.75</td>
<td>8.69%</td>
<td>735.00</td>
<td>-29.35%</td>
<td>466.25</td>
<td>11.37%</td>
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<tr>
<td>CBOT Corn (cents/bushel)</td>
<td>356.00</td>
<td>320.75</td>
<td>10.99%</td>
<td>519.50</td>
<td>-31.47%</td>
<td>318.25</td>
<td>11.86%</td>
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<tr>
<td>CBOT Soy Meal ($/t)</td>
<td>342.90</td>
<td>304.60</td>
<td>12.57%</td>
<td>510.00</td>
<td>-32.76%</td>
<td>302.00</td>
<td>13.54%</td>
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</table>

## Commodities: October Gainers and Losers (%)

**MCX**
- Cardamom 3.8%
- Mentha Oil 1.7%
- Silver 0.7%
- Nickel -8.2%
- Natural Gas -12.5%
- Lead -3.2%
- Copper -1.2%
- Zinc -3.9%

**NCDEX**
- Jeera 1.9%
- Wheat 1.7%
- Turmeric 0.8%
- RM Seed 0.2%
- Barley -0.2%
- Soybean -2.0%
- Soy Oil -6.1%

All figures as on October 21, 2014.
All figures as on October 21, 2014

### NIFTY TOP

<table>
<thead>
<tr>
<th>Company</th>
<th>October 21, 2014</th>
<th>September 30, 2014</th>
<th>(%) Change</th>
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<tr>
<td>Bharat Heavy Electricals</td>
<td>238.45</td>
<td>200.45</td>
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<tr>
<td>Steel Authority of India</td>
<td>82.40</td>
<td>69.60</td>
<td>18.39</td>
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<tr>
<td>Jaiprakash Associates</td>
<td>30.10</td>
<td>26.45</td>
<td>13.80</td>
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<td>Axis Bank</td>
<td>423.05</td>
<td>377.70</td>
<td>12.01</td>
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<td>ICICI Bank</td>
<td>1582.10</td>
<td>1433.55</td>
<td>10.36</td>
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### NIFTY BOTTOM

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<th>(%) Change</th>
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<td>DLF</td>
<td>121.40</td>
<td>150.85</td>
<td>-19.52</td>
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<td>Jindal Steel &amp; Power</td>
<td>145.45</td>
<td>172.80</td>
<td>-15.83</td>
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<tr>
<td>Suzlon Energy</td>
<td>11.10</td>
<td>12.90</td>
<td>-13.95</td>
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<td>HCL Technologies</td>
<td>1505.10</td>
<td>1707.87</td>
<td>-11.87</td>
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<td>Tata Consultancy Services</td>
<td>2433.40</td>
<td>2736.60</td>
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### NIFTY MOVEMENT

#### BSE BANKEX

#### BSE CAPITAL GOODS

#### BSE BANKEX

#### DOW JONES

#### HANG SENG

Loss in NYMEX natural gas prices. Higher supplies and lower demand due to warmer temperatures in most parts of US battered the counter.
Loss in NYMEX crude prices.
Weaker consumption and supply ease around the world pushed the commodity into a technical bear market.

Loss in LME nickel prices.
Weakening economic cues from China and policy related issues in the Phillippines lowered the demand which impacted the counter.
### Performance of Mutual Funds

#### Equity Diversified

<table>
<thead>
<tr>
<th>Mutual Fund Scheme</th>
<th>NAV</th>
<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
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<tr>
<td>Franklin (I) Smaller Cos (G)</td>
<td>32.25</td>
<td>87.6</td>
<td>42.7</td>
<td>36.1</td>
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<tr>
<td>Reliance Small Cap Fund (G)</td>
<td>21.95</td>
<td>120.9</td>
<td>41.8</td>
<td>35.0</td>
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<td>ICICI Pru Exp&amp;Other Services-RP (G)</td>
<td>37.91</td>
<td>52.6</td>
<td>45.4</td>
<td>34.5</td>
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<td>Mirae Emerging Bluechip Fund (G)</td>
<td>24.66</td>
<td>83.8</td>
<td>37.6</td>
<td>32.3</td>
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<td>Can Robeco Emerg-Equities (G)</td>
<td>48.45</td>
<td>97.2</td>
<td>37.5</td>
<td>31.9</td>
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<tr>
<td>ICICI Pru Value Discovery Fund (G)</td>
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#### ELSS

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#### Equity (Banking)

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*Source:* moneycontrol.com; *Note:* All returns are annualized and expressed in percentage; all NAVs as on October 21, 2014
### Performance of Mutual Funds

#### Equity (FMCG)

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<th>Mutual Fund Scheme</th>
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#### Miscellaneous

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#### Equity (Tech)

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#### Equity (Pharma)

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#### Balanced

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#### MIP

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Source: moneycontrol.com; Note: All returns are annualized and expressed in percentage; all NAVs as on October 21, 2014
**Fund Objective/Mission**
Aims to provide long term capital appreciation as primary objective and income as secondary objective. The fund aims to achieve a high degree of capital appreciation through investments in smaller and faster growing companies.

**Fund House Details**
AMC Name: Franklin Templeton Asset Management  
Website: www.franklintempletonindia.com

**Financial Details**
AUM As On (September 30, 2014) 2399.71  
NAV As On (October 21, 2014) 548.84  
Min Investment (in Rs.)  
Lumpsum 5000  
SIP 500  
NAV (52WeekHigh)(September 12, 2014) 563.33  
NAV (52WeekLow)(October 28, 2013) 318.74

**Top 10 Companies**

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<td>Mindtree</td>
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<td>Pidilite Industries</td>
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<td>2.5</td>
</tr>
<tr>
<td>FAG Bearings India</td>
<td>2.4</td>
</tr>
<tr>
<td>IndusInd Bank</td>
<td>2.4</td>
</tr>
</tbody>
</table>

**Scheme Performance as on Oct 21, 2014**

<table>
<thead>
<tr>
<th>Period</th>
<th>Returns</th>
<th>B’mark</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Months</td>
<td>8.97</td>
<td>3.03</td>
<td>42/(215)</td>
</tr>
<tr>
<td>6 Months</td>
<td>35.45</td>
<td>27.08</td>
<td>44/(202)</td>
</tr>
<tr>
<td>1 Year</td>
<td>70.90</td>
<td>52.56</td>
<td>32/(182)</td>
</tr>
<tr>
<td>3 Years</td>
<td>29.64</td>
<td>17.31</td>
<td>16/(165)</td>
</tr>
<tr>
<td>5 Years</td>
<td>19.09</td>
<td>9.97</td>
<td>19/(146)</td>
</tr>
<tr>
<td>Since Inception</td>
<td>21.12</td>
<td>18.02</td>
<td>NA</td>
</tr>
</tbody>
</table>

**Top 10 Sector Wise Holding**

<table>
<thead>
<tr>
<th>Industry Name</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank - Private</td>
<td>13.9</td>
</tr>
<tr>
<td>Other</td>
<td>8.9</td>
</tr>
<tr>
<td>IT - Software</td>
<td>5.8</td>
</tr>
<tr>
<td>Auto Ancillary</td>
<td>5.3</td>
</tr>
<tr>
<td>Pharmaceuticals &amp; Drugs</td>
<td>5.0</td>
</tr>
<tr>
<td>Bearings</td>
<td>3.9</td>
</tr>
<tr>
<td>Cement &amp; Construction Materials</td>
<td>3.8</td>
</tr>
<tr>
<td>Cable</td>
<td>3.6</td>
</tr>
<tr>
<td>Ratings</td>
<td>2.7</td>
</tr>
<tr>
<td>Tyres &amp; Allied</td>
<td>2.7</td>
</tr>
</tbody>
</table>

**SIP Details: Invested Rs 5000 Every Month**

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Invest (₹)</th>
<th>Scheme (₹)</th>
<th>Bench mark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>60,000</td>
<td>83,502</td>
<td>78,652</td>
</tr>
<tr>
<td>3 Years</td>
<td>1,80,000</td>
<td>3,23,359</td>
<td>2,70,001</td>
</tr>
<tr>
<td>5 Years</td>
<td>3,00,000</td>
<td>5,80,491</td>
<td>4,47,734</td>
</tr>
<tr>
<td>10 Years</td>
<td>6,00,000</td>
<td>16,38,074</td>
<td>12,65,246</td>
</tr>
</tbody>
</table>

**Fund Structure**

<table>
<thead>
<tr>
<th>Total Stocks</th>
<th>Total Sectors</th>
<th>P/E Ratio</th>
<th>P/B Ratio</th>
<th>Avg. Market Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>61</td>
<td>42</td>
<td>25.83</td>
<td>4.52</td>
<td>17161.97</td>
</tr>
</tbody>
</table>

**Volatility Measures**

| Fama          | 0.16 |
| Beta          | 0.73 |
| Std Dev       | 0.82 |
| Sharpe        | 0.25 |

**Investment Information**

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Open ended scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launch Date</td>
<td>December 01, 1993</td>
</tr>
<tr>
<td>Fund Manager</td>
<td>R. Janakiraman</td>
</tr>
<tr>
<td>Bench Mark</td>
<td>CNX Midcap</td>
</tr>
<tr>
<td>Max.Entry Load%</td>
<td></td>
</tr>
<tr>
<td>Max.Exit Load%</td>
<td></td>
</tr>
</tbody>
</table>

**5 Years History**

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>2013-14</th>
<th>2012-13</th>
<th>2011-12</th>
<th>2010-11</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAV in ₹ (as on 31st March)</td>
<td>393.17</td>
<td>305.23</td>
<td>269.69</td>
<td>267.55</td>
<td>256.45</td>
</tr>
<tr>
<td>Net Assets (₹ Crores.) (as on 31st March)</td>
<td>1128</td>
<td>747</td>
<td>758</td>
<td>829</td>
<td>949</td>
</tr>
<tr>
<td>Returns(%)</td>
<td>27.46</td>
<td>12.58</td>
<td>0.21</td>
<td>3.32</td>
<td>129.07</td>
</tr>
<tr>
<td>CNX NIFTY Returns(%)</td>
<td>17.53</td>
<td>6.86</td>
<td>-9.11</td>
<td>10.27</td>
<td>71.52</td>
</tr>
<tr>
<td>Category Rank</td>
<td>29/(217)</td>
<td>14/(204)</td>
<td>32/(207)</td>
<td>149/(208)</td>
<td>15/(199)</td>
</tr>
</tbody>
</table>

Latest As on 31 March, 14  
Source: ACEMF
DSPBR Tax Saver Fund-Reg (G)

**Fund Objective/Mission**
To generate medium to long-term capital appreciation from a diversified portfolio that is substantially constituted of equity and equity related securities of corporates, and to enable investors avail of a deduction from total income, as permitted under the Income Tax Act, 1961 from time to time.

**Fund House Details**
AMC Name: DSP BlackRock Investment Managers
Website: www.dspblackrock.com

**Financial Details**
- AUM As On (September 30, 2014): 973.94
- NAV As On (October 21, 2014): 28.39
- Min Investment (in Rs.):
  - Lumpsum: 500
  - SIP: 1000
- NAV (52WeekHigh) (September 12, 2014): 29.44
- NAV (52WeekLow) (November 13, 2013): 18.84

**Scheme Performance as on Oct 21, 2014**
- 3 Months: 5.44 (%), Return: 2.87, B’mark Rank: 24/(50)
- 6 Months: 29.46 (%), Return: 19.28, B’mark Rank: 12/(50)
- 1 Year: 47.93 (%), Return: 34.82, B’mark Rank: 18/(49)
- 3 Years: 23.88 (%), Return: 16.57, B’mark Rank: 7/(46)
- 5 Years: 14.47 (%), Return: 8.95, B’mark Rank: 12/(45)
- Since Inception: 14.39 (%), Return: 8.38, NA

**Top 10 Companies**
- ICICI Bank: 5.1
- HDFC Bank: 4.1
- Infosys: 3.9
- Tata Consultancy Services: 3.8
- Larsen & Toubro: 3.2
- State Bank Of India: 3.2
- Lupin: 2.9
- Maruti Suzuki India: 2.8
- Oil & Natural Gas Corporation: 2.5
- Reliance Industries: 2.5

**5 Years History**

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>2013-14</th>
<th>2012-13</th>
<th>2011-12</th>
<th>2010-11</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAV in ₹ (as on 31st March)</td>
<td>21.43</td>
<td>17.47</td>
<td>15.81</td>
<td>16.93</td>
<td>15.65</td>
</tr>
<tr>
<td>Net Assets (₹ Crores.) (as on 31st March)</td>
<td>758</td>
<td>707</td>
<td>742</td>
<td>876</td>
<td>814</td>
</tr>
<tr>
<td>Returns(%)</td>
<td>21.69</td>
<td>9.98</td>
<td>-6.93</td>
<td>6.91</td>
<td>98.03</td>
</tr>
<tr>
<td>CNX NIFTY Returns(%)</td>
<td>17.53</td>
<td>6.86</td>
<td>-9.11</td>
<td>10.27</td>
<td>71.52</td>
</tr>
<tr>
<td>Category Rank</td>
<td>25/(51)</td>
<td>7/(49)</td>
<td>33/(49)</td>
<td>27/(46)</td>
<td>9/(47)</td>
</tr>
</tbody>
</table>

**SIP Details: Invested Rs 5000 Every Month**
- 1 Year: Total Invest: 60,000
- 3 Years: Total Invest: 1,80,000
- 5 Years: Total Invest: 3,00,000
- 10 Years: NA

**Top 10 Sector Wise Holding**
- Industry Name: Bank - Private: 14.7
- IT - Software: 12.7
- Pharmaceuticals & Drugs: 7.5
- Refineries: 5.0
- Bank - Public: 4.9
- Automobiles-Trucks/Lcv: 4.1
- Oil Exploration: 3.5
- Engineering - Construction: 3.2
- Automobiles - Passenger Cars: 2.8
- Cement & Construction Materials: 2.5

**Volatility Measures**
- Fama: 0.10
- Beta: 0.93
- Std Dev: 0.87
- Sharpe: 0.16

Latest As on 31 March, 14

Source: ACEMF
A monthly series in The Finapolis where we talk to a diverse set of families to understand their attitude towards financial planning. Our in-house financial advisor offers his suggestions for a more robust portfolio. If you’d like to talk to us and be featured, write in to: feedback@thefinapolis.com

**INVESTMENTS**

Jagtap's family comprises his wife and two children. His daughter has been married for years and so is his son. His son, daughter-in-law and two grandchildren (a grandson and a granddaughter) live in the same house. Jagtap’s wife and daughter-in-law are both home-makers and it is his own and his son’s incomes that help run the family. His son works as an Assistant Manager with Volkswagen and earns Rs 62,000; added to Jagtap’s pension this totals up to Rs 86,000 pm. His monthly family expenditure is as less as Rs 7500; all the groceries come from his farms. The family spends only on their kids’ education and other essentials like toiletries.

Jagtap is an ideal investor as he started investing right from the time he received his first paycheck of Rs 500. He has been religiously saving up 10% of his salary every month for 38 years now that has matured and given him a retirement kitty worth over Rs 80 Lakhs. Jagtap has investments like this: Bank FDs worth Rs 53.76 lakh; mutual funds worth Rs 23.59 lakh; Stocks worth Rs 2.83 lakh (he had stocks worth Rs 42 Lakhs which were sold at the time he made his house); non-convertible bonds worth Rs 2.51 lakh; savings in bank A/C worth Rs 2.31 lakh for liquidity; Total investments worth Rs 85.30 lakh.

**Anant Vasant Rao**

Jagtap, 60, retired man. He served as a Universal Teller in Bank of Baroda and currently draws a pension of Rs 24,000 pm.
Jagtap's asset allocation strategy has been that of investing regularly. He invested 25% in government securities, 25% in FD, 25% in shares and 25% in savings bank account. He always ensured that he saved at least 10% of his salary right from the time he got his first salary in 1978.

Jagtap and his family have 25 insurance policies with a cumulative sum assured of Rs 42.78 lakh. Annual premium payment is Rs 2.55 Lakhs for himself, his wife, son and daughter-in-law. He has 17 LIC policies, 1 each in Birla Sun Life, HDFC and Kotak Life insurances. He has 3 policies in Max Life, 1 in India First and 1 in Tata AIG.

Health insurance was earlier provided by Bank of Baroda and currently his son has a family cover from Volkswagen worth Rs 12 Lakhs and premium paid is Rs 27850 pa. Jagtap believes he was a risk-taking investor at one point till he had shares and huge MF investments, but currently he believes himself to be a safe investor. While working, Jagtap used to invest Rs 20,000 in PPF and with so many insurance policies, there was hardly any need for investments in other tax saving instruments. Both his wife and daughter-in-law save almost Rs 80,000 a year with the help of various household initiatives for helping other women.

Jagtap’s retirement plan is to get back to his family profession; agriculture. His parents and siblings continue to live on the money that comes in from selling sugarcane, turmeric and other vegetables that comes from their farms. Rs 2.8 lakh of the net family income which is Rs 8 lakh pa, comprises Jagtap’s share. His message to other retired pensioners is, “be cautious with your retirement kitty. Don’t blow it up in frivolous luxuries”.

Jagtap never had a financial advisor. His knowledge and exposure to investments was pretty much from his job as a Banker. Starting July 2014, Jagtap has started saving Rs 72,000pm in an RD from his Rs 85,000 monthly family income.

Jagtap in his own words is an ideal investor, investing right from drawing the first paycheck apart from saving 10% of the salary, which is commendable for the dedication and determination. His advantage lies in the fact that the monthly expenses are less than 10% of the family earnings which might not be the case for most investors. Though the investment pattern looks good there still seems to be considerable void in terms of the coverage under life insurance which at this age might be difficult to fill. They have many policies but the overall sum assured of around Rs 43 Lakhs does not look sufficient, even when the monthly expenses are very low.

If we look at current investment portfolio: out of the total investments, almost 65% is in fixed deposits, which might be of various tenures followed by mutual funds. The break up within the mutual fund is not available; however, if Mr. Jagtap as a cautious investor has missed out on the liquid investment, it might be a good option to explore. As they do not require any immediate cash flows, they might just put the money in a liquid fund which offers the liquidity as and when required as a part of contingency/emergency fund.

The reason why we feel it is an ideal option is because Mr. Jagtap has only Rs 2.31 lakh in savings account for liquidity and considering the phase they have just entered (post retirement), keeping higher liquidity is advisable and since liquid funds can offer higher interest than the savings account it might be a better option.

Although equity is not advised at this age because of the risk involved, he might look at some SIPs in equity mutual fund that should be added to the portfolio, if not other risky investments like direct equity.
The Finapolis traces the key events that shaped the 20th Century and the profound impact they had on our present day lives. This is the third in the series of articles that captures the fascinating events of the last century and the lessons we could perhaps derive from them.

While the world limped back from the disaster of the last world war the 50’s was a decade of widespread uncertainty with the looming threat of the new atomic weapons. Peace still eluded the world. There was war in Korea and the French war in Vietnam. The independence movement in the lesser developed world witnesses the waning of imperial powers of Britain and France across most of the African continent.

Civil war attained maturity in America and demands for racial integration grew louder.
in the Southern States under the charismatic leadership of Martin Luther King.

It was also an exciting time for the scientific world. The structure of DNA was unveiled, new horizons in medical advancements and complex surgeries were performed for the first time, and the first computer was introduced.

**Winds of Change**

The 60’s saw a pace of change quicken in International, social and cultural affairs and advances in technology that would have seemed unimaginable at that time, especially in the exploration of space. Unfortunately this also brought the thawing of relations between the two super powers then, the Soviet Union and the USA that marked the beginning of the Cold War. This also led to the space race where the world watched in astonishment as the American and Soviets vied to undo each other in the race to the moon. While the Soviet Union was the first to put a man in space, America created a sensation by the moon landing at the end of 60’s.
A revolution in fashion, music, literature and arts took place by immortal names such as the Beatles, the Rolling Stones, Doors in music, Andy Warhol in art. Fashions considered outlandish at the time became popular; the miniskirts, caftans and later the bell bottomed trousers. A sea change in the moral fabric such as sexual permissiveness, use of contraceptive pill and the smoking of marijuana joints completed the age of dissent like never before.

During the 70’s the dream run of the 60’s came to a gradual end with the American war in Vietnam that was widely criticized even in America and the Watergate scandal that brought about the impeachment of Richard
Nixon. There was widespread demand for a peaceful world symbolized by the hippie movement and the flower power.

This period also marked the beginning of international terrorism when terrorists attacked and held Israeli athletes hostages.

India too, witnessed sweeping political and far-reaching socio-economic changes such as the devaluation of the Rupee and the nationalisation of the banks, abolition of Privy Purse and urban land ceiling.
Every month our resident expert on all things personal finance will answer all your queries related to the world of investments, taxation and financial management. The Personal Finance Advisor will be able to diagnose the health of your portfolio and offer better advice if your questions are precise, and the description of the ailments detailed.
Write in to feedback@thefinapolis.com

Sir,
I work in multinational company. I am married and have a two-month old baby. I want to buy a life insurance plan, preferably a ULIP. Of late, as my friends say, ULIPs have started catching investors’ fancy again. Is it true? Should I go for ULIP as my goal is insurance as well as investment? Please guide me with all benefits and losses of ULIPs.

- Raja Raman, Mumbai

Dear Raja Raman,
Please do not confuse investment and insurance. Lot of money has been lost in combining these two. Insurance is safety against the odds of life while investment is done to create wealth over time. ULIP is a good product in a rising market because the returns are linked directly to the market. It can also cut the other way and destroy the investment in a dwindling market. Moreover, if you want to take insurance, take any good term plan. The premium is low and the insurance amount is high. However, this is pure insurance and you do not get any money if you are safe. For investment, please go for SIP (Systematic investment plan) in a good equity or balanced mutual fund. HDFC, Birla Sunlife, Reliance etc. offer good mutual funds for investment.

Dear Personal Finance Advisor,
I want to invest in a couple of NFOs that are being launched by mutual fund houses in recent times. However, my friends are telling me that many of these NFOs do not provide anything new. On the contrary, it’s a case of old wine in a new bottle. Many fund houses are offering funds that are similar in objectives and asset allocation with a minor difference. Please tell me whether my concerns are genuine or not? Should I invest in NFOs?

- Methil Avanikkad, Kozhikode

Dear Methil,
Mutual funds are essentially funds that invest a pool of money collected by investors like you in a selected set of companies. Hence NFOs may be like existing funds if they invest in the same set of companies. In that case, there is no difference.

If the NFOs invest in new companies or a new sector, then they could be different. However, most of the possible mutual funds are already in the market so NFOs, most likely are just like existing fund. As far as investing is concerned, what is more important is the companies where the fund invests and also the track record which is not available for NFOs.

To find a good mutual fund, look at their returns in the past. Look at the returns not
only for the past year but over 5 – 10 years horizon. This will give a better idea.

Dear sir,
I want to invest in a debt mutual fund, but I am confused by the types and sub-types of debt funds available in the market. I’m not able to decide which debt fund should I choose as there are several types of debt funds ranging from gilt funds, income funds, monthly income plans (MIP), short term plans, liquid funds, etc. Please advise me which is the good pick.

- Salil Mishra, Bhopal

Dear Salil,
There are varieties of debt funds in the market and the sheer choice can be confusing for investors. Debt funds are funds that invest a set of fixed income securities (means the investment gives you certain fixed returns every quarter, 6 months, or a year).

Coming to where you should invest in, first look at your objective. If you do not have a regular job and need a regular income source, go for monthly income plan, income funds etc. These funds pay your interest every period as promised. If you have a regular job and do not need another source, go for long term, gilt funds or corporate bonds which accumulate the returns reflected in the increases in the NAV (Net Asset Value, a fancy term which means the price of bond).

Think of investing a part in equity mutual fund (or balanced fund) through SIP (Systematic Investment Plan) where you invest a fixed sum every month or quarter. If you have investment horizon for 5-10 years, equity funds can give much better returns

Dear Finapolis,
Please clear my doubt. I have two endowment policies —one from LIC and second from HDFC Life with a combined sum assured of Rs 20 lakh. Besides, I have one money-back policy of LIC with a sum assured of Rs 4 lakh. However, of my friends has told me that I must buy a term plan as it is more economical and effective. Please advise whether I should surrender existing policies and buy a fresh term plan of Rs 50 lakh.

- Rajbir, Muzaffarnagar

Dear Rajbir,
Term plan is pure insurance. The premium is low and the insurance amount is high. However, this is pure insurance and you do not get any money if you are safe which is what we all want.

For example, you are 35 years old and want a term insurance worth 50 lakhs, your premium will be about 25,000 per annum. This may vary from companies to companies. However, as explained, this is NOT sum assured if nothing happens to you. The money s paid only to the survivors if the insured faces some eventuality.

Take the term plan and close others. If you are looking for investment then go for mutual funds than going for endowment plan which provide you with low returns. Mutual funds are better for investment.

Sir,
I am a businessman in Bhatinda. However, I regularly trade in stock market too. Sir, please clear my doubt regarding tax on share sell. If I buy 100 shares on BSE or NSE today and sell them tomorrow, would the income be calculated as income from my business or capital gains?

- Ravinder Singh, Bhatinda

Dear Ravinder,
If you buy 100 shares on BSE or NSE today and sell them tomorrow, the income would be calculated as income from trading and hence capital gains. You will be required to pay taxes on the capital gains i.e. sale price minus the purchase price.
Options

Just like futures, Options is a contract between a seller and a buyer. Here however, buyer of the Option does not have to compulsorily exercise the contract (hence Option). That is, buyer of the option has the right to buy or sell the underlying security under the contract at a particular price at a future date but is not obligated to do so.

As is clear from above there are two parties involved in an option contract — buyer of the option (buys the right to buy or sell the underlying security (Index or a stock) by paying the option premium) and seller of the Option (sells the option to the buyer the right to buy or sell the underlying security and accepts Option Premium).

Types of Options
There are two types of options one can buy based on the Underlying Instrument: Stock Options and Index Options where as the name suggests the underlying security in the first is a specific stock while in the latter it is the Index. Within the options based on the Right to Buy or Right to sell the options are referred to as the Call Option and Put Option respectively.

Simple definition of both from the point of view of Buyer of Option and Seller of option are:
✔ A call gives the buyer the right, but not the obligation, to buy the underlying security.
✔ A put gives the buyer the right, but not the obligation, to sell the underlying security.
✔ Selling a call means that one has sold the right, but not the obligation, for someone to buy something from you.
✔ Selling a put means that one has sold the right, but not the obligation, for someone to sell something to you.

Option Premium
Option Premium is the price which has to be paid to buy the option. This is the price which has to be paid in order to purchase either a call option or put option. Price of the option is decided on various factors and is for one individual security. The options are purchased for the minimum lot and its multiples thus the option price is generally the option price for one security multiplied with the lot size. The permitted lot size for futures contracts & options contracts is the same for a given underlying security or such lot size as may be stipulated by the Exchange from time to time.

Strike Price
The Strike price is the price at which the underlying security can be bought or sold as decided in the contract. Each option quote carries code for the Underlying security, Strike Price and Option Expiry. It is the strike price which tells about whether the option is in-the-money, at-the-money, or out-of-the-money when compared to the price of the underlying security.

In the money
For Call option - underlying security price is more than the strike price.
For Put option - underlying security price is less than the strike price.

Out of the money
For Call option - underlying security price is less than the strike price.
For Put option - underlying security price is more than the strike price.

At the money
The underlying price is equivalent to the strike price.

Option Expiration Date
The Expiration Date is the day on which the option expires or the date after which the option is not valid. The options like futures expire on the last Thursday of every month. So, each month the options will expire on such day and new contract is issued on the next day in order to ensure there are similar numbers of options available every month.
Fulfill those little desires with the money you save on tax

I saved money on tax...

...I got a new bicycle

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• Money is invested in Equities which are likely to give you better returns over a long period of time.

• One of the lowest lock-in periods amongst other tax saving instruments.

*Assuming the investor falls in highest tax bracket. Based on AY 2015-16 for Indian residents below the age of 60.

This product is suitable for investors who are seeking*

• Capital appreciation & generating income over long term • Investment in a diversified portfolio predominantly consisting of equity and equity related instruments • High risk (BROWN)

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Note: Risk is represented as:

(BLUE) investors understand that their principal will be at low risk. (YELLOW) investors understand that their principal will be at medium-risk. (BROWN) investors understand that their principal will be at high-risk.

The goals shown in image is for representation only and there is no assurance that the specified goals shall be met.

Statutory Details: Axis Mutual Fund has been established as a Trust under the Indian Trusts Act, 1882, sponsored by Axis Bank Ltd. (liability restricted to ₹ 1 Taka). Trustee: Axis Mutual Fund Trustee Ltd, Investment Manager: Axis Asset Management Co. Ltd. (the AMC). Risk Factors: The sponsor is not liable or responsible for any loss or shortfall resulting from the operation of the scheme. Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
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This product is suitable for investors who are seeking*: long term capital growth ● investment in diversified stocks that are generally termed as small and mid-caps ● High Risk (BROWN)

Investors should consult their financial advisors if in doubt about whether the product is suitable for them. Small and Mid-cap stock prices are subject to more volatility compared to large caps.

Note: Risk may be represented as:
(Blue) investors understand that their principal will be at low risk
(Yellow) investors understand that their principal will be at medium risk
(Brown) investors understand that their principal will be at high risk

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
Accomplish your goals with consistency.

Invest in India’s Largest* Equity Mutual Fund today.

* ₹ 10,000 Invested on Jan 1, 1995 have grown to ₹ 4,43,050 on September 30, 2014. Over 6.3 lakh folios
#Source: Based on data available at AMFI’s website - AUM ₹15,637 crores (July to Sept 2014) *Past performance may or may not be sustained in the future.

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<table>
<thead>
<tr>
<th>Scheme</th>
<th>Discrete Returns in %</th>
<th>Since Inception CAGR (in %)</th>
<th>Value of investment of Rs. 10,000 Since Inception (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDFC Equity Fund-Growth</td>
<td>73.17 -7.45 12.70 21.15</td>
<td>4,43,050</td>
<td></td>
</tr>
<tr>
<td>Benchmark CNX 500 Index</td>
<td>46.08 2.54 13.22 10.01</td>
<td>65,876</td>
<td></td>
</tr>
<tr>
<td>Additional Benchmark CNX Nifty Index</td>
<td>38.87 -0.35 15.38 N.A.</td>
<td>N.A.</td>
<td></td>
</tr>
</tbody>
</table>

Past performance may or may not be sustained in the future. Returns greater than 1 year are compounded annualized (CAGR). Inception Date: 1/1/1995. Allotment price: Rs. 10. NAV as on Sept. 30, 2014: Rs. 443.050.

HDFC Equity Fund is suitable for investors who are seeking*
- capital appreciation over long term
- investment predominantly in equity and equity related instruments of medium to large sized companies
- high risk (BROWN)

Note: Risk is represented as:
BLUE low risk
YELLOW medium risk
BROWN high risk
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Performance of other schemes (Growth Option) managed by Prashant Jain, Fund Manager of HDFC Equity Fund:


HDFC Infrastructure Fund: Period 30.09.13 to 30.09.14: Scheme (S): 99.04%, B: 46.08%, AB: 38.87%. Period 28.09.12 to 30.09.13: S: -29.04%, B: 2.54%, AB: -0.55%, Period 30.09.11 to 28.09.12: S: -6.05%, B: -3.22%, AB: 15.38%. Since Inception (19/03/2008): S: 6.27%, B: 7.70%, AB: 8.02%. Current value of Rs. 10,000 invested in the scheme since inception is Rs. 14,000 (B: 16,334 and AB: Rs. 16,592). Benchmark (B): CNX 500 Index, Additional Benchmark (AB): CNX Nifty Index.


Past performance may or may not be sustained in the future. Returns greater than 1 year are compounded annualized (CAGR). SAR dividends declared prior to the splitting of the Scheme into Dividend & Growth Options are assumed to be reinvested in the units of the Scheme at the then prevailing NAV (ex-dividend NAV).

#The Scheme is co-managed by Prashant Jain (Equities) and Shobhit Mehta (Debt). #Scheme performance may not strictly be comparable with that of its Additional Benchmark in view of balanced nature of the scheme where a portion of scheme’s investments are made in debt instruments. #Scheme performance may not strictly be comparable with that of its Additional Benchmark in view of hybrid nature of the scheme where a portion of scheme’s investments are made in equity instruments.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.
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