Seeking Supernormal Returns
Rule 6: Balance and re-balance your investments as you age.

You must maintain a proper balance in investments among different asset classes. As you grow old, you also need to re-balance your portfolio. Ideally, your exposure towards equity (in percentage) should be 100 minus your age. You may have higher allocation towards risky equity asset class in the early stage of your life as there is limited financial liability at that time. But with growing age, a substantial portion of wealth should be transferred to fixed income instruments, which will provide stability to the portfolio.

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The Thin Line Between Aspiration and Avarice

At long last, the mutual fund industry is witnessing *achhe din* of sorts. Enthused by better equity-based MF returns over the last six months or so, investors seem to be reconsidering funds as part of their portfolio. Despite the volatility in equity market remains volatile, retail investors have flocked (in a manner of speaking) to equity MFs. The numbers are encouraging for the industry. According to Sebi data, in February, 3.82 lakh new folios were added in equity linked schemes. Between April 2014 and February 2015, some 16 lakh folios were added in equity schemes. The surge in investor interest has made asset management companies introduce a raft of new fund offers (NFO). In the first three months of 2015, AMC applied to launch more than 50 NFOs. While it’s a piffling figure compared to the heady days before 2008, it is certainly an improvement over the last couple of years.

Theoretically, MFs considered the best option for first time investors to begin dipping their toes in equity markets. However, in India, investor behaviour research suggests that people enter MFs after direct exposure to secondary markets, often as a means of hedging their risky bets with the institutional safety net that fund houses are perceived to offer. Also, for new entrants, the thrill DIY success in stock markets seems pretty attractive. The idea of a SIP to spread purchases over a period of time ensure you not catching a market on a high may seem too snail-paced for those in hurry.

But the quest for supernormal returns too quick can have disastrous consequences. In this issue of *Finapolis* we focus on reiterating the virtues of prudent investing and not getting blinded by short-termism.

The cover story by Vishesh Sharma deals with how wealth cannot be created by stock market recklessness. Alpha is oftentimes misused to indicate short bursts of outperformance of an investment. These bursts are never sustainable or replicable. Alpha he argues is achieving above average returns sustainably over long periods of time. Investors need to have a clear understanding of their goals and give their investments sufficient time to fructify.

While Indian IT firms witness good global demand for services, currency fluctuations look set to spoil their party in the short term. Currency volatility could result in a double-whammy for Indian IT companies. On the one hand, reported dollar revenue will take a hit, given that 25%-30% of their billings are in euro, pound sterling and Australian dollar. On the other, there will not be a proportionate benefit in rupee terms given the much lower depreciation of the local currency compared with the USD. We take a look at what impact this would have on some of the key IT stocks.
Hard to believe
Dad was once a
little kid!

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Where’s the money?

Your Chartist section is the most exciting part of the magazine! I am a shopaholic and particularly liked the March issue infographic. Every second person I meet talks about being over worked and under paid and several of them complain of bad financial habits. Thanks to online shopping. Probably this is where all their money is going. It is clear that technology driven, modern age retail industry is here to stay and woo more buyers in the near future.

- Aparna Singh, Delhi

Budget for Aam Aadmi

I agree with your cover article about the Budget being a disappointing one. An event that was hyped for an anticipated big bang reform didn’t live up to the expectations of the Aam Aadmi. Modi’s boldness just didn’t figure anywhere in all that’s planned for the fiscal. While corporate India have been pretty positive about the Budget and consider it to help the country’s GDP growth, the one question that a regular, salaried Indian citizen like me would like to ask is that “will you be able to help me”?

Creating jobs for the youth and providing for their skills development is a great initiative. People, particularly the youth are the biggest strength of our nation. If we can empower them with newer avenues of employment and financial growth, the nation will see progress. But is this any different from what political leaders across the globe seek? Time will show. Let’s wait and hope for the best.

- Giridhar Gopal, Chennai

Real or Reel?

Is NITI Ayog the solution? Cooperative federalism is a great idea. Involving state level stakeholders in decision making sounds like a great thing. But is this really happening in the real sense? Not a single Chief Minister was consulted before setting up the new panel. There could certainly be ideological differences between BJP at the centre and the ruling parties in various States, probably the reason why certain things were kept off people without any major involvement. Whatever the argument, I believe this is just another gimmick by the centre to further centralize all powers rather than cooperative federalism in the true sense.

- Satyug Gupta, Delhi

Yummy Treat

I love chocolates and Ferrero Rocher is one of my favourite. I always wondered why I never find them in great numbers at all grocery stores. It’s only now I got to know that Kirana stores are not allowed to stock more than 4-5 boxes of Ferrero Rocher given lack of refrigeration. No wonder they taste so good. Premium quality chocolates are rare in our country. While some homemade chocolates taste good, most branded indigenous chocolates aren’t what they claim to be. Dark chocolates are closer to milk chocolates to suit the Indian palette, even the ones that read premium chocolates on their wrappers don’t taste like their counterparts from makers abroad.

- Brahamdutt, Surat

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ECONOMY

Spectrum Bonanza

The recently concluded telecom spectrum auctions have yielded for the government a massive Rs 1.1 lakh crore. While there was predictable gloating from the NDA ministers about having ‘earned’ the nation a windfall through a transparent bidding process, credit rating agency Moody’s says that this revenue will help government meet its fiscal deficit targets. In a year when tax receipts for the government have been less than comfortable, this Rs 1.1 lakh bonanza is timely.

The spectrum was sold at about 68 per cent premium, at Rs 1,09,874.91 crore. At the base price fixed by the government, its value was Rs 65,463.40 crore.

About 11 per cent remained unsold which also included 800 Mhz, 1800 Mhz and 2100 Mhz (3G) band.

According to industry lobby Assocham, payment for spectrum won by companies in the auction is expected to push up the debt on telecom operators to about Rs 3.5 lakh crore from current levels of Rs 2.5 lakh crore.

INFRASTRUCTURE

Paving A New Highway

The National Highways Authority of India (NHAI) will adopt new funding model to build highways in India, according to Pon Radhakrishnan, the junior minister for road transport and highways, in this model, NHAI will fund 40% of EPC cost during construction period. And the balance 60% will come in the form of 30 semi-annuity payments. The semi-annuity and O&M (operation and maintenance) payment will be inflation adjusted. Further semi-annuity payments will carry 2% higher interest rate than bank rate which will be paid on reducing balance method. The government has identified 13 highway projects of 1,093 kilometres to be awarded on this new model from 1 April 2015. This will be positive for the road EPC players as this will ease their working capital requirement. The reason being they have to fund only 60% of the project cost during construction period. On the other hand, government’s initial capital investment will be lower compared to 100% EPC mode. EPC players having presence in the road EPC segment such as KNR Construction, Sadbhav Engineering, J. Kumar Infraprojects, MBL Infra, NCC would be the key beneficiaries of this new proposal.
CHAIRITY

I-Giver Cook

The list of high-profile US executives committing their wealth for philanthropy keeps growing. Inspired by the likes of Warren Buffet and Bill Gates, Tim Cook, the CEO of the richest company on earth, Apple Inc., too has signalled his intention to pledge some $785 million of his net worth to charity. Chief Executive Tim Cook is joining the roster of the very rich who are giving away their wealth.

In an interview to Fortune magazine, Cook said he planned to donate his estimated $785 million fortune to charity – ‘after paying for his 10-year-old nephew’s college education’.

“You want to be the pebble in the pond that creates the ripples for change,” Cook told the magazine. According to Fortune, Cook says he has started donating money to unspecified causes quietly and is trying to develop a more “systematic approach” to philanthropy that goes beyond writing cheques.

The 54-year-old Cook who took charge of Apple after the company’s legendary founder Steve Job’s death, has been outspoken on social issues. Last year, he became the highest profile business executive to publically talk about his homosexuality. He made a strong case against the discrimination of the lesbian, gay, bisexual and transsexual communities during his induction into the Alabama Academy of Honour last year.

FRAUD

Deserted Sahara And Phantom Loans

The embattled Sahara Group’s efforts to raise the money Supreme Court has stipulated to secure the release of its promoter Subrata Roy is getting bizarre by the day. The SC has set the deposit of $1.6 billion as a precondition for releasing Roy from jail. For nearly a year, Sahara’s desperate attempts to raise the money have all been in vain.

Last week, Sahara produced a letter in the SC purportedly written on stationary of Spanish banking giant BBVA and signed by a bank executive Jose Ramon Vizmanos that claimed to offer the group a line of credit for nearly $1 billion. However, Vizmanos, the BBVA executive in question told Reuters that the bank had no credit exposure to the company and added colourfully that the only thing about Sahara he knew was that it was a desert in Africa.

The Supreme Court on March 23, 2015 gave Sahara group a 90-day window to finalize the sale of its three hotel properties including the iconic Grosvenor in London to raise the money required to secure Roy’s release. Sahara has deposited nearly Rs 3,800 crore needs to furnish Rs 1,200 crore.

The SC has not taken kindly to the tactics and arguments employed by Sahara’s legal team. The latest fracas involving BBVA could end up irritating the judges further.

MUTUAL FUNDS

The NFO Rush

Just three months into 2015, mutual fund houses have filed draft offers with market regulator Sebi to launch as many as 53 new fund offers (NFO). ICICI Prudential MF, IDBI MF, SBI MF, Edelweiss MF and HSBC MF are among the fund houses that are offering NFOs to investors.

Not surprisingly, given the stock market bullishness, a majority of NFOs equity and equity-related schemes. Manufacturing, economic recovery, resurgence of the business cycle and e-commerce are some of the themes that are attracting mutual fund houses.

According to market participants, MF houses are rushing to Sebi to launch new schemes on account of good response received from investors in the recent fund launches.

According to estimates, the mutual fund sector had launched 75 NFOs in the equity segment during the calendar year 2014.
INSURANCE

Finally, Insurance Bill Passes

The Insurance Bill for increasing the FDI limit in insurance sector to 49% from 26% has been passed in the Rajya Sabha. This will lead to the larger players monetizing their investments as well as smaller players receiving a capital boost. This is a major boost for the insurance sector which has a very low penetration, and additional capital will support these companies in expanding their network. Many of the foreign investment partners have already shown interest in increasing their share in insurance ventures. This will lead to the insurance business getting higher valuations. The major beneficiaries of this reform will be companies like Max India, Bajaj Finserv, Reliance Capital, and Exide Life. HDFC Standard Life, ICICI Pru and SBI Life will also benefit but their contribution to valuation of their parent companies is not so significant at the moment.

Early Movers

Days after the new bill was passed in the Parliament allowing 49% FDI in the insurance sector, the country’s largest bank State Bank of India has decided to offload 25% of its holding SBI General Insurance to its joint venture partner IAG. The Australian insurer IAG will now hold 49% in the general insurance JV. IAG, besides its home markets Australia and New Zealand is looking to shore up its Asia operations.

In a notice to BSE, SBI said: “The Executive Committee of State Bank of India’s central board has decided to initiate the necessary action as per JV agreement for dilution of SBI’s stake in SBI General Insurance from 76 per cent to 51 per cent with a corresponding increase in the stake of IAG from 26 per cent to 49 per cent, including appointment of a valuer to facilitate valuation and price discovery.”

In most cases, North Indian temples welcome all, not ask Caste, doors of ‘modern’ temples-TV/Print Newsrooms remain Airtight for Dalits.

- Chandra Bhan Prasad @cbhanp

Ridiculous claim - earth has reached its limits for hospitable life. Still huge untapped farm capacity in Africa and S America.

- Rupert Murdoch @rupertmurdoch

Step1. Have harsh laws against black money abroad Step 2. If 1 doesn’t work give 1 time amnesty & threaten w/ harsh laws Step 3. Go to step 1.

- Ajit Ranade @ajit_ranade

Punishment 4 eating Beef: 5 yrs Punishment 4 having undeclared foreign a/c:10 yrs Q: What happens if a person eating beef has a foreign a/c?

- Samir Arora @iamsamirarora
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Dredging Corporation of India

Dredging Corporation of India (DCI) is a public sector company providing integrated dredging services for major ports, non-major ports, the Indian Navy and ship yards in the form of maintenance dredging, capital dredging, reclamation, hydrographic surveys and beach nourishment in India. The prospect of higher GDP growth will boost external trade which could increase vessel traffic at Indian ports. The port cargo capacity is expected to increase by 86% to 2289 Million MT by 2017 from 1235 Million MT in 2012, which is likely to drive large scale expansion in Indian ports that stoke the demand for dredging. DCI is planning to add two more higher capacity dredgers in 12th five year plan 2012-17, which will take the total number dredgers to 18. This capex helps DCI in meeting the dredging commitments at various ports in an unhindered way and gives visibility for revenue growth. Income from Kolkata and Haldia ports contribute for around 50 per cent of DCI’s total revenue and the trend is likely to continue in next couple of years. DCI’s expertise with regard to Indian soil stratum and climate which varies from port to port, makes it a referred dredging company for the public sector ports. DCI is expected to sustain its growth momentum driven by visibility for revenue growth through the upcoming port projects and stable base business helping DCI to sustain leadership in the dredging market in India. The stock could move up to Rs 450 from the current levels in the next 9-12 months.

Talbros

Talbros Automotive Components Ltd (TAC) is the flagship manufacturing company of the Talbros group established in 1956 as a gasket supplier. TAC is well established gasket manufacturer with over 90% market shares in the two-wheeler segment and around 38% market share in overall automobile segment. TAC’s major revenue contributor is gasket division (62% of FY14 consolidated revenues), while it also forayed into forging in 2007 (18% of FY14 consolidated revenues). TAC’s new product launches are expected drive business up. It was one of the first firms in India to develop asbestos free gaskets and in the process became 100% asbestos free in FY14. With asbestos-free products becoming the industry standard, Talbros stands to gain a considerable competitive advantage. Its 100% asbestos free gasket would scale up export revenues from key global OEMs. TAC’s revenues grew by 10% CAGR, while its adjusted net profit grew by 7.2% CAGR over FY10-FY14. TAC’s initiatives to diversify with increasing forging revenues, cost cutting efforts, acceptance of asbestos free gaskets, focus on revenues from chassis segment and exports focus would be the key growth drivers going forward. According to analysts, the stock currently stock is trading at attractive valuation at a current market price of Rs 140. There seems to be plenty of room for an upside.

Suven Life Sciences

The company has developed a secure basket of repeat clients with a min/max partnership of 2-15 years in the different stages trials. SVLS was involved in over 725 innovation projects from its inception. The company could carve out independent streams of revenue. SVLS has a discovery pipeline of 13 molecules in the lucrative CNS, Obesity and pain management segments. At CMP of Rs 234, SVLS is trading at 25.4xFY17E EPS of Rs.9.07 (18.2xFY17E Adj. EPS of Rs.12.7). A target price of Rs 269 with an upside of 10% looks plausible for the stock.

Current Market Price
Rs 234
Target Price
Rs 259
Potential Upside
11%
results update

Insecticides India
Insecticides India’s technicals-led growth is expected to help the company improve its return ratios significantly above the FY14 levels. The expected growth in FY15, FY16 and FY17 has not been fully factored into the present valuation (conservative PE levels). Increasing chemistry and process strength in technicals is expected to increase revenue contribution from this segment to 22.9% in FY17 from around 10.4% in FY14. Contribution from Navratna and Super 11 brands combined (product strategy started in FY15) is expected to decrease from around 69% (in FY14) of the total revenues to around 65.7% in FY17. Increasing capacity utilization at Dahej’s Technicals facility is expected to help the company to reduce the dependence on purchased goods. Economies of scale and higher margin, priced technicals and formulations are expected to help the company increase EBITDA margins to around 12.5% in FY16 and 13.0% in FY17. Insecticides India’s stock price could move up to Rs 1073 over an investment horizon of 9-12 months offering a potential upside opportunity of 45%.

Excel Crop Care
Excel Crop Care’s performance is expected to be significantly impacted by the drop in Glyphosate prices. It has led to a sharp 40% plus correction in the stock price. The sharp drop in Glyphosate prices is expected to get corrected in next few quarters. Excel Crop Care’s base product portfolio of Glyphosate, Profenofos, Chlorpyriphos, Aluminium Phosphide and Zinc Phosphide contribute close to 60% of the company’s revenues. The steep drop seen in Glyphosate prices (of around 20% or more in two quarters) is expected to cap the top-line growth to around 1.8% and lead to a marginal decline in the bottom-line by about 3% in FY16. In the medium to long term, capex in Gajod plant with high concentration towards fungicides, fumigants and biocides is expected to start turning around the cycle for the company starting from FY17. Excel Crop Care’s shares could rise 30% to Rs 1072 over the next 12 months.

Dhanuka Agritech
Dhanuka Agritech needs significant price hikes to go beyond normalized topline growth levels. The present macro situation, both domestically and globally (dropping agrochemicals price index in China for the last two quarters) precludes such a scenario and thus can put a cap on the growth possibility. Dhanuka’s new product launches in the past four years haven’t been a roaring success. They haven’t been able to get into the list of Top Five bestselling products in their respective categories. As a result Dhanuka’s dependence its old workhorse products to generate revenue growth continues. Declining production of soybean crop in the last three years (and weakness in international prices) and problems in sugarcane production suggest low volume takeoff for Dhanuka’s high-priced herbicides. Its stock price could fall 15% over the next one year to Rs 560 levels.

Tata Motors
Tata Motors owned Jagual Land Rover’s (JLR) wholesale volume declined by 1.2% Y/Y to 38,541. Lower volumes were mainly on account of its fastest growing China region slowing down a bit in February. Jaguar cars declined 2.8% Y/Y, while Land Rover’s fall was 0.9% Y/Y in the month. The month of February is traditionally low volume month for retail sales, while wholesale numbers are reasonably high due to buildup of inventory for the month of March. Company’s retail sales for the month stood at 28,689 units, down 6% Y/Y, indicating sharp inventory buildup. The key fall came on the back of disappointing performance of the company in China, Europe and Other Asian markets, however in US and UK company continues to grow in double digit. The company’s volumes will remain under pressure amid its key China market slowing down recently, while US and UK may cushion overall volumes to some extent.
India’s ‘demographic dividend’—65% of the population below the age of 35—has been touted as the key to the country’s economic success. But the dividend could easily turn into a nightmare if enough employment opportunities are not created, and the people entering the workforce poorly educated and ill-equipped for industry.

**Percentage Increase In Hiring Numbers**

<table>
<thead>
<tr>
<th>Domain</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td>BPO, KPO &amp; ITES</td>
<td>16%</td>
<td></td>
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<tr>
<td>Engg. and Auto</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Pharma</td>
<td>7.2%</td>
<td></td>
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<tr>
<td>Telecom and Allied</td>
<td>6.8%</td>
<td></td>
</tr>
<tr>
<td>BFSI</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>Diversified</td>
<td>52%</td>
<td></td>
</tr>
<tr>
<td>Hospitality</td>
<td>39%</td>
<td></td>
</tr>
<tr>
<td>Engineering</td>
<td>28.98%</td>
<td>27.67%</td>
</tr>
<tr>
<td>Management</td>
<td>21.96%</td>
<td>22.24%</td>
</tr>
<tr>
<td>Vocational</td>
<td>6.87%</td>
<td>6.13%</td>
</tr>
</tbody>
</table>

**Domain Wise Hiring Trend**

- **Degree**: 24.66% (2014), 23.12% (2015)
- **Diploma**: 12.70% (2014), 11.42% (2015)
- **Engineering**: 27.67% (2014), 28.98% (2015)
- **ITI**: 6.89% (2014), 7.37% (2015)
There are skills which are of high importance to employers for hiring a candidate. They included Communication skills, Computer Skills, Numerical and logical ability and few behavioural traits like learning agility, adaptability and interpersonal skills. With these skills added to the technical skills candidates will reach the potential where employer will be more than happy to absorb them in his organization. Considering this the scores of the candidates were analysed around these cuts too. It was observed that there were many states which featured well in individual traits, there were very few states that were doing good all around. Here are the states that perform the best on key parameters.

For a nation like India where the literacy rate has huge variation from one end of the country to another, more than 90% of the workforce is still part of the unorganised sector.

Source: PeopleStrong
Expecting higher returns from investments is a natural tendency of investors. But should this be the only criteria while making investments?

By Vishesh R Sharma
“Only 12%? That’s kind of low, isn’t it?” said the distinguished looking person to whom I had been explaining the arbitrage returns from the Indian markets. We were at a social gathering, and I did not really know him that well. I could only guess from his mannerisms and sophistication in social etiquette that he would also be well-educated about financial matters. “I really look for returns of at least 20-25%. Itna to real estate mein hi nikalta hai”, he concluded with the confidence of a seasoned buyer of several apartments.

I could not bring myself to point out right then that the volatility of any fund was only 2.5% annually (based on various market researches), whereas real estate prices can stay flat or go up 25%. I could bring to his notice that a mutual fund can be liquidated at any time, whereas converting an apartment into cash is no mean feat. Suffice to say that I could have gotten into a debate with him, but I let it pass as the poker table was waiting. Neither was the place nor the moment right to delve into the details of returns adjusted for risk, liquidity and total costs.
Kitna Milega?
Insha Javed, a thirtysomething professional and an avid investor believes returns should be the only criteria while making an investment. “After all, this is what we invest for,” asks she.

Often, Indians tend to focus a lot on the returns and not on the other characteristics of their investments which is certainly not the right approach.

The obvious primary concern besides returns should be the risk attached with the investment. Risk and returns actually go hand in hand. We all understand that 10% returns from a bank fixed deposit is not directly comparable with 20% returns from an investment in an ELSS. Risk is typically measured as the variability of returns. Thus, a bank fixed deposit with sure shot 10% returns versus an ELSS that could return 30% or lose 10% have very different risk-return profiles.

Arvind Sethi, MD and CEO, Tata Asset Management says, “Investing discipline and sticking to your goals go a long way than merely ‘timing’ a return. That said, the return expectation determines in some ways the risk an investor will have to be willing to take. Having an aggressive return target, but investing in debt funds is unlikely to work. It’s always best to settle for realistic “return goals” and plan your investments accordingly. Such a strategy is likely give investor’s peace of mind, which would allow him/her to unwaveringly stick to the investment strategy.”

However, the problem is that the risk and returns for risky investments are not known up front, and have to be estimated. Most of us do not really do a good job of correctly estimating the risks and the expected returns. As the famous saying (variously attributed to Niels Bohr, Albert Einstein or Mark Twain) goes, “It is difficult to make predictions, especially about the future”.

Noted researchers, Tversky and Kahneman, had shown way back in 1974 that people tend to make major errors in estimation. First of all, they are heavily ‘anchored’ in their expectations. In the area of investment, anchoring can be to the most recent returns. That is to say that if a fund went up by 20% last year, we start with an assumption that the returns will be about the same in the current year too. We are incapable of making sufficient adjustments to the anchored estimate based on the information that we have or can easily get. For example, we would tend to expect the returns to be plus or minus five percent, even though historical records may show that the actual range may vary from -30% to +70%.

The Total Cost
Finally, we come to the total costs. We need to take care of the transaction costs (for example the stamp duty in the case of real estate) that are involved in our investments. What look like attractive returns can quickly become mediocre or even poor returns once you consider the total costs of transaction. The normal costs of brokerage, transaction and stamp duties must be considered. Even more important are the market impact costs. Market impact costs refer to the cost of getting out of a position.

Let us say you own an apartment and want to sell it in a hurry to raise some cash. The price you will get will certainly be lower than the price you would get if you had some time to wait for the right buyers. The difference in the realised price versus the fair price is the market impact. Similarly, when selling stocks, if you have to sell in a hurry and the stock does not trade a lot of volume, the price will fall as you start selling. This risk is particularly significant in Small-Cap and some Mid-Cap stocks. Finally, there are the taxes to be considered. Whether you are going to pay long or short term capital gains or even business income can make a huge difference to your post tax returns.

Create Alpha And Not Merely Returns
The desperation for higher returns often encourages people to overlook certain other key parameters. A major problem investors tend to overlook is the ease of liquidating their assets. Most investors are only concerned with the absolute returns, and assume that the money will be available as and when required. Only in times of crises do they re-
alise that having a lot of illiquid investments does not do you much good if you do not have the cash required to meet your obligations.

For example it is true that real estate investments may have returned 20% on average over long periods of time, consider what your realised return would be worth if you needed the cash in a hurry. A lot of real estate developers have discovered, much to their dismay, that assets do not equal cash.

Keshav Walecha, a Delhi-based salaried employee and a father of two learnt this lesson the hard way. “Once I sold some ancestral property and had excess cash in hand. A friend suggested that I should invest this money in a particular scheme which will also give me tax benefits. Although I was not sure but still went with his advice. Few months later my son fell ill and I needed immediate cash for his treatment. However, my fund had a minimum block in period which I got to know when I went to encash my fund. Fortunately my wife had some savings which we used for my son’s treatment.

Walecha says that moment made him realise that one should have a sound investment policy and not be blinded only by the rate of return. “Alpha is sometimes misused to indicate “short bursts of outperformance”. These bursts are difficult to sustain and replicate. To us Alpha is achieving above average returns sustainably over long periods of time. To this end investors need to have a clear understanding of their return expectation giving it sufficient time to fructify,” says S Naren, CIO, ICICI Prudential AMC.

“It is advisable that for any immediate obligations, a person should plan a Contingency fund and dip into that, rather than disturb a well thought out investment plan. And should the immediate need be such that the person has no choice, then withdraw those funds in a manner which do not disturb the asset allocation or, if the time frame is long enough, withdraw funds in a manner which is biased in favor of equity,” adds Naren. Portfolio churning is part of any investment manager’s strategy. But churning in itself is no guarantor of outperformance or alpha. A good financial plan is an iterative process in which a person’s goals are defined and then an asset allocation is determined to meet those goals. So if a person needs 5 crore to retire, and given their level of income it would need 70% equity and 30% debt (with some assumptions of course about the long term return on both asset classes) then they would need to be comfortable with it.

However, given the volatility in equity markets the person is not comfortable and would be psychologically happier with a 50:50 allocation – then they would have to go back to the drawing board and see – well shall we lower the target of Rs 5 crore or shall we see if we can find ways to save more. This is why one needs a good financial advisor to help take you through these iterations and then come up with a plan which helps you navigate the uncertainties ahead – whilst ensuring that your current needs, both financial and psychological, are also taken care of.

“The future is an unknowable unknown. This is easy to say but very difficult to accept, which is why people keep trying to time markets. So the challenge is to truly understand and accept that – and believe that over a 10, 20, 30 year time frame you will get a certain return, say 15% compounded from equities and 7% compounded from Debt. And then stick to those investment rules and not get shaken out when markets are bad or even when they are good. If you are able to follow this method, maybe with some minor modifications in asset allocation when things are very good.

Top 5 Equity Funds

<table>
<thead>
<tr>
<th>Scheme Name</th>
<th>Category</th>
<th>NAV</th>
<th>AUM (Rs Cr.)</th>
<th>6 Months</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axis Focused 25 Fund (G)</td>
<td>Large-cap</td>
<td>18.07</td>
<td>246.78</td>
<td>23.51</td>
<td>57.13</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Birla SL Frontline Equity Fund (G)</td>
<td>Large-cap</td>
<td>168.46</td>
<td>8602.75</td>
<td>21.99</td>
<td>62.7</td>
<td>26.14</td>
<td>17.28</td>
</tr>
<tr>
<td>Franklin India Opportunities fund</td>
<td>Multi-cap</td>
<td>57.43</td>
<td>371.95</td>
<td>18.56</td>
<td>60.54</td>
<td>25.11</td>
<td>14.38</td>
</tr>
<tr>
<td>ICICI Pru Value Discovery Fund-Reg (G)</td>
<td>Multi-cap</td>
<td>115.07</td>
<td>8681.77</td>
<td>24.79</td>
<td>92.77</td>
<td>33.72</td>
<td>23.02</td>
</tr>
<tr>
<td>Reliance Top 200 Fund (G)</td>
<td>Multi-cap</td>
<td>24.85</td>
<td>1116.02</td>
<td>25.73</td>
<td>73.17</td>
<td>26.65</td>
<td>17.9</td>
</tr>
</tbody>
</table>

We need to take care of the transaction costs (for example the stamp duty in the case of real estate) that are involved in our investments. What look like attractive returns can quickly become mediocre or even poor returns once you consider the total costs of transaction.
volatile – that is the best chance which you have of securing your future,” says Sethi.

The Near Perfect approach

While dealing in mutual fund or for that matter equity, what people should ideally be looking at is a combination of cycles, sector, industry and company valuations. Equities have the potential to outperform all asset classes over the longer term. However, equities tend to be volatile in the short-term. Thus, investors allocating towards equities should have a buy-and-hold strategy to ensure a good investment experience.

If investors foresee an immediate obligation, they may invest for a horizon of three months to one year in products like liquid funds, ultra short-term funds and monthly income plans to ensure liquidity.

Investors should decide their asset allocation (i.e. how much of his wealth should be invested in which asset class) basis their risk profile and investment horizon. Having said this, it’s true that an investor would find it cumbersome to invest in debt and equity securities and then monitor them regularly.

“The market volatility depends on investors’ current asset allocation strategy. If they are under invested in equities, they may look to invest lump sum in equity strategies which are defensive (or have cash) as equity markets have run up and if the markets offer opportunities over the course of next few months or one year, these strategies will have enough cash to buy equities,” says Naren.

It may be a prudent strategy, thus, to add flavour of funds in the balanced advantage or dynamic asset allocation category. These funds seek to increase allocation to equity when the markets are cheap, and book profits in equities when markets are rising thereby reducing volatility and boosting returns.

Naren further adds, “If investors are well invested in equities, it is recommended to invest in a staggered manner through equity mutual funds over the course of next 6-9 months. The outlook for equity markets is very positive for the next 3-5 years. With the current price of crude and good growth prospects, India is the most attractive emerging market in the world and therefore, it is an opportunity to invest for the long-term in Indian equities.”

Looking at the last year’s performance is like looking at the rear view mirror to drive the car. Therefore, one may look at the long-term performance record of the fund. The need of the hour is to move away from selecting products based on short-term(previous year’s performance and look at other important parameters like pedigree of the fund house, consistency in performance and risk management.

So, the next time someone tells you that a particular investment idea is going to generate 25% returns don’t forget to ask them about the risk involved, the liquidity constraints and finally, the total transaction costs.

### Top 10 Tax Savings Schemes

<table>
<thead>
<tr>
<th>Scheme Name</th>
<th>3-Year Rolling Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axis LT Equity Fund (G)</td>
<td>25.98 14.58 15.61</td>
</tr>
<tr>
<td>Birla SL Tax Plan (G)</td>
<td>21.71 18.69 17.55 16.76</td>
</tr>
<tr>
<td>Canara Rob Equity Tax Saver Fund-Reg (G)</td>
<td>17.81 22.82 22.44 22.79</td>
</tr>
<tr>
<td>DSPBR Tax Saver Fund-Reg (G)</td>
<td>17.23 14.10.52 9.50 0.18</td>
</tr>
<tr>
<td>Franklin India Taxshield (G)</td>
<td>16.22 15.31 18.91 28.44</td>
</tr>
<tr>
<td>HDFC Long Term Adv Fund (G)</td>
<td>16.06 21.92 12.3 47.51</td>
</tr>
<tr>
<td>ICICI Pru Tax Plan-Reg (G)</td>
<td>15.45 19.41 18.32 17.72</td>
</tr>
<tr>
<td>IDFC Tax Adv(ELSS) Fund-Reg (G)</td>
<td>15.17 20.18 25.81 41.01</td>
</tr>
<tr>
<td>Reliance Tax Saver (ELSS) Fund (G)</td>
<td>11.93 9.97 7.14 6.2</td>
</tr>
<tr>
<td>Religare Invesco Tax Plan (G)</td>
<td>11.62 16.6 15.46 12.84 -4.49</td>
</tr>
</tbody>
</table>


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Now that I have got your attention by quoting from the Oscar award winning movie Birdman’s title, I must tell you that for many things in our life ignorance works as a wonder but when it comes to investment and managing personal finance ignorance can be catastrophic.

Sticking to an investment philosophy helped Warren Buffett to become one of the richest men on earth, but as he has said many times over it’s because he never tried to become smart but instead he tried to avoid mistakes. If we can avoid mistakes and blunders, financial nirvana is not hard to achieve.

You might say that it easy said than done but trust me most part of our life we
ignore the basic investment principle and either try to remain conservative because of our past experience or lack of financial knowledge or become too aggressive and ultimately lose money with reputation.

“Show me the money” this one line from Cuba Gooding Jr from the movie Jerry Maguire says a lot about our approach towards investment. Many investor tend to invest their money in so called safe heavens, fixed income instrument or government securities. For them safety of principal takes utmost importance and they associate risk with the losses. While losing money scares everyone, ignoring the fact that the bigger risk which cannot be seen but can only be felt is the inflation risk. It is the risk to avoid the risk and the conservative approach doesn’t help our money to keep the pace with inflation or simply put you will not able to grow your money if you invest in the fixed income instrument which yields 7.5% when Inflation itself is at the same level. Financial awareness is very low in our country and the investing in unproductive instrument doesn’t help the cause either. That’s why it is very important in knowing the entire spectrum of investment before coming to a conclusion of what is good for you and what not. But having said that the constant push by the relationship manager of the bank or our relative insurance agent exploit our ignorance and the fact that we don’t question them for the product they sell results in getting trap in the misselling. While we might get away with the misselling trap but we cant deny the fact that sticking with fixed income or on the other hand being too aggressive investor have harmful effect on our hard earned money.

Diversification- The Grail For Balancing Risk
Diversification in different asset classes like fixed income instruments, government securities, mutual funds, gold or real estate reduce the risk of concentrated portfolio and improve the overall return. Diversification or balancing risks improves the chances of reaching goals without having the worst potential outcomes. It is better to assess a long-term mix of equities, bonds, and other Investments according to your goals, time horizon, and risk tolerance. Once you set out what mix of portfolio is suitable for you, the next step is to find out the potential product form the particular asset class which suits your need and requirement. Training yourself past the obvious can help you making rational decision in investment.

How To Get Started
If you understand your time horizon and risk appetite and have some investing experience you can choose the combination of different asset classes , there is no single asset allocation model that is right for every financial goal, you have to use the one that is right for you. Let’s look at a hypothetical asset allocation model (See chart) based on age which considers that we can take more risk by investing in equity while we are young and gradually shift to less risky asset when we near retirement. By not putting all eggs in one basket we improve the above average return with less down side risk and with systematic approach in investment we can achieve our goals in time.

Ernest Hemingway once wrote a story in six words — “For sale: baby shoes. Never worn.”
He reportedly called it his best work. Well, that holds true for investing as well. A simplified approach has greater chances of success. If someone asked me write the approach in the simplest way I would say invest your surplus money which you don’t require for next the five years in equity mutual funds and rest in debt. Keep calm and stay invested.
The Big Savings Push

The government is eager to coax household investors away from land and gold towards more productive financial market investments

By Kiran Nanda

High savings inter-linked with high investments is likely to become the key driver for regeneration of Indian economic growth in the near future. This runs as an undercurrent throughout the Finance Minister’s Budget 2015-16 speech.

Though the Indian economy, in a way, is endowed with largesse of domestic savings but these are largely held in unproductive physical assets. Time has come when this distortion which is causing tremendous harm to the economy needs correction. Savings need to be channelized towards productive investments. Only then, foreign investment will flow in. Together both domestic savings and foreign money will be able to transform India into a sustainable preferred Investment destination.

At present, only around 2% of India’s population is estimated to be investing in the capital market. This needs to increase many times more. In developed countries this ratio is much higher. In India most of the saved money gets locked up in idle assets like land or gold.

The Japanese economy provides an interesting lesson for India. Japan, once a healthy and fundamentally strong economy with high rate of domestic savings is today struggling to get revived as its savings rate has fallen to almost zero.

India’s GDP growth for 2013-14 has been one of the lowest in a decade. Along with this, the savings rate has fallen to a nine-year low. From a peak of 38.1% of GDP in 2008 (when India seemed to have entered a virtuous cycle of savings and growth), the savings
rate has fallen to 30.6% of GDP in 2013-14, from 33.9% in 2011-12.

### Declining Savings

<table>
<thead>
<tr>
<th></th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings Rate</td>
<td>33.9</td>
<td>31.8</td>
<td>30.6</td>
</tr>
<tr>
<td>Investments Rate</td>
<td>38.2</td>
<td>36.6</td>
<td>32.3</td>
</tr>
</tbody>
</table>

In India, the biggest source of savings is the household sector, followed by the private corporate sector and the public sector. Household savings continue to be the largest contributor to gross capital formation. Household savings has two components—financial and physical, where the latter typically does not lend itself easily to financial intermediation in the economy. The contribution of physical assets to household savings has stood stubbornly above 60% all through the last decade.

Household savings fell by almost one percentage point from 22.8% of GDP in 2011-12 to 21.9% in 2012-13. The fall in private sector savings was marginal—0.2 percentage points from 7.3% to 7.1%—while the savings rate of the public sector remained unchanged at 1.2% of GDP. In the last nine years, however, the rate of savings in the public sector has more than halved from 2.3% of GDP in 2004-05 to 1.2% in 2012-13. This is a worrying trend.

The recent economic survey dubs the statutory liquidity ratio SLR—the reserve commercial banks in India need to maintain in the form of gold, cash or government bonds before providing credit to the customers—a form of financial repression where the government preempts domestic savings at the expense of the private sector. Recently, the RBI has taken commendable and gradual steps in lowering the SLR from 25% to 21.5%.

Gross fixed capital formation declined from 33.6% in 2011-12 to 29.7% in 2013-14 while gross domestic savings declined from 33.9% to 30.6%. The implication is that the growth surge in the crisis year of 2013-14 was also a massive productivity surge, reflected in an incremental capital ratio that declined by about 30% and total factor productivity growth that improved by over two percentage points.

Notwithstanding the fact that the policy impediments prevented a higher rate of investment, the fall in savings has undercut the very basis of growth in India. To further complicate matters, the switch in the composition of household savings, that is, from financial to physical assets cannot be changed overnight. The gap between financial and physical savings is now the widest in the last about 15 years or so. Foreign institutional investors today hold a larger stake in listed Indian companies than the combined stake of Indian mutual funds and Indian financial institutions. Current account deficit (CAD) declined sharply from a record high of 4.7% of GDP in FY13 to 1.7% of GDP in FY14, which increased marginally to 1.9% in H1 FY15. The latter CAD figure, which is the gap between domestic savings and investment—points to a comforting direction but reality is not so as this comfortable figure is mainly due to drastic fall in global oil prices during last about six months.

Stalled projects stand at 7% of GDP and are mostly accounted for by the private sector, specially manufacturing and infrastructure owing to changed market conditions and impeded regulatory clearances. There is need for public sector investment to increase capital formation and recreate an environment to crowd-in the private sector.

It is worth noting that a positive development has emerged that the above stated deeply entrenched distortionary trend of falling savings and investment rate, seems to be on the verge of getting corrected. For the first time, a holistic perspective is being taken by authorities on tackling the critical problems of the country including the poor savings as a percentage of GDP. A long term vision of growth has been adopted. No wonder Big Bang reforms have made way for persistence and creative incrementalism.
Though on the face of it, it seemed that the Budget 2015-16 had not dealt with the issue of savings mobilization at all. But seen minutely, the Budget has opened a number of doors which portend more savings getting mobilized and also channelized towards productive investments. A broader definition of savings i.e. resources has been adopted. An all encompassing approach to channelize savings towards productive investments has been considered. In fact boosting resources mobilization for investment purposes appears to be the running theme of this year’s Budget. Raghuram Rajan, Governor RBI, even prior to the Budget announcement, has been persistently insisting on the need to incentivize domestic savings.

Most important of such policy initiatives is the proposal of monetising gold thereby enabling activation of idle gold held by Indians. Second important issue taken outside the Budget refers to unlocking of land for growth purposes. Passing of the Land Acquisition Bill, however, has got stuck in political controversies. But as government has adopted a pragmatic perspective of economic growth and is ready to adopt a flexible stand, hopefully, this complicated issue may get solved. PM has underlined resolve on land acquisition bill. Budget 2015-16 apart from monetizing gold to direct gold into productive channels, has taken many other initiatives which in the long run are likely to result in higher savings. These are the ‘Make in India’ campaign, facilitating affordable Housing for the masses, promoting Renewable & Green energy, opening up the Insurance & Pension sectors which holds potential of placing India in top 10 Insurance markets, incentivizing the PPP mode of infrastructure development and enticing the private sector to once again exhibit its animal spirits to invest. Further, the policy of gas pooling to revive and unlock Rs 60,000 crore worth of investments made in power plants which are languishing for want of fuel, ensuring stable tax policies, promoting Infrastructure tax free bonds carrying very low default risks and their interest income fully IT exempt along with the stance of linking investments to end use are some other such measures that will enhance availability of more resources. Creation of a new Micro Units Development and Refinance Agency (Mudra) Bank, to be set up with a corpus of Rs 20,000 crore, is another game changing development which will mobilise informal savings of numerous micro enterprises for investments in the formal economy and also boost employment creation.

In sum, with India now the fastest growing country for a second consecutive quarter, staying ahead of China by a small margin, there is more likelihood of the cake of savings getting enlarged and then getting invested in productive channels. As a result, the country’s growth prospects have started brightening. However, simultaneously, the mismatches also seem to be growing like the widening gap between the financial sector’s growth and the real economy’s growth. This gap needs to be bridged at the earliest by implementing all critical unattended reforms so that the country’s resource base gets widened and strengthened to be utilized to actualize the much needed investments in the economy.
Budget 2015: What could have been

By now readers would be more or less familiar with Budget 2015. So for this column, instead of dwelling on the provisions contained in the Budget we thought instead why not examine key areas that the Budget could have addressed but ended up not doing so.

No change in Exemption Slabs, Tax Rates or even the Sec. 80C limit
This is the trifecta that affects the amount of tax that you and I pay. Lower taxes can only be brought about by making changes to one or more of either the basic exemption limit, the actual tax rate or tax deductions. As it turned out, Budget 2015 left all three untouched – sure, there were some enhancement of medical insurance and NPS limits – but the main investment oriented tax deduction – that of Sec. 80C – has been left untouched.

Housing Loan interest
The other equally important tax deduction urgently in need of a revamp is the one to do with deduction on home loan interest. While it is true that the same was raised to Rs 2 lakh from Rs 1.50 lakh in last year’s Budget (2014) – however, if you consider the way property prices have skyrocketed over the last decade, even Rs 2 lakh seems to be a pittance. If you capitalize the interest at say 10% p.a., the amount of loan on which the deduction is available will work out to Rs 20 lakh! What property is available nowadays for Rs. 20 lakh? The interest deduction should be raised to at least Rs. 5 lakh in view of the manifold rise in property prices that have taken place.

Restoration of standard deduction
Homeowners/landlords get a 30% standard deduction. Businessmen can set-off every expense they incur to earn income. Why treat the salaried differently?

Increase in reimbursement for medical expenses
Then there is the issue of deduction for medical expenses. Spiraling health care costs are a reality and there is no system of government sponsored health plans. In such circumstances, having a paltry limit of Rs 15,000 in which the employee is expected to cater to the medical expenses of his entire family borders on the farcical. An amount of at least Rs 50,000 is required to make this deduction meaningful.

Education
The government wants to encourage education. However, education allowance for children has remained static for over twelve years now at Rs 100 per month per child for a maximum of two children (earlier it was Rs 50). Ditto for hostel allowance at Rs 300 per month per child.

Deduction on rent paid
Then there is actually one area where the salaried are better off than self employed people. Or more precisely, those self employed persons who stay in rented places. Most of the salaried get HRA and the related HRA deduction. But if a self employed person were to pay rent, the deduction available to him is a meager Rs 24,000 per year. Most people pay this much rent (if not much more) per month!

Service Tax
Budget 2015 has increased the service tax (ST) rate from the current 12.36% to 14%. The ‘Education Cess’ and ‘Secondary and Higher Education Cess’ is to be subsumed in the revised rate of ST. Thus, the effective increase is 1.64%. This new ST rate of 14% rate is not yet applicable – it shall come into effect from a date to be notified by the Central Government after the enactment of the Finance Bill, 2015.

However, the story does not end here. The government has given itself room to raise the ST rate even further to 16%. An enabling provision has been put into place that empowers the government to impose a Swachh Bharat Cess on all or any of the taxable services at a rate of 2% of the value of such taxable services, the objective being apparently to finance and promote Swachh Bharat initiatives. This Cess shall also be levied from a later date yet to be notified by the government.

Service tax, though an indirect tax, directly adds to our cost of living. Expenses on almost all amenities such as telephones, electricity, restaurants, transport, credit cards etc., are subject to service tax. As this service tax is passed on by the service provider, in effect, it is the common man, irrespective of his income, who bears it. Any increase therein would further add to the burden of the aam aadmi – something the government could have avoided especially in the current environment where general price levels remain elevated.

The authors are leading financial advisors. Write to them at wonderlandconsultants@yahoo.com
"Americans are getting stronger. Twenty years ago, it took two people to carry ten dollars worth of groceries. Today, a five-year-old can do it" — Henny Youngman, American comedian

That is the telling statement on the monster called Inflation. A decade ago, buying chocolate worth Rs 5 on some special occasion was a luxury in itself. The size of chocolate bar was large enough to share with six of our friends and we got a hefty share too. Fast forward to 2015, we can still buy the same product for Rs 5, but the size of it is so small that it is enough to wrap around just one molar teeth.

Inflation cannot be felt every time we buy something, but when it hits, it hits hard. We have all heard stories of how Rs 100 was enough to meet monthly household expenses in the 1970s and early 1980s. No matter how much someone advises us about the dreadful effect of inflation, many still cannot digest this fact, especially in the context of planning investment in the purview of inflation. For example, if someone had given you Rs 10 lakh in 1991 and you just buried it in the earth, and after 24 years, if you take out that money and say “yes, I am a millionaire!”, there would be no base to that and there really would be nothing to create an ado about. The truth is, the value of that Rs 10 lakh will only be Rs 1.18 lakh today.

This simply means, you can only buy products or services worth Rs 1.18 lakh in 2015 with your Rs 10 lakh because of devaluation of the rupee (inflation at work). When it comes to investment, it is very important to look for real return or inflation-adjusted return to get a clear picture out of your investment. Many investors—risk-averse as they are—do not know which way to turn. All we say is do not subscribe to castle-in-the-air approach and keep things in perspective.

By Ankit Choradia
comes to planning our investment, we need to have realistic expectations from our investment. Investing is not a one-time activity and it is a process that requires constant planning and a systematic approach. While a professional financial planner can help you in planning your investment, it is important for you to understand the basic concept of money management. This will not only help you align with realistic expectation from investment but also help you in your understanding various investment avenues, risk-reward tradeoffs, time horizons and tax implications. Investment planning is simple; we don’t have to complicate it by making bad investment or over-diversification. Following are the way to happiness and prosperity:

**Save For The Rainy Days**

Before planning for investment to meet future goals, it is important to maintain a contingency fund so that if any emergency arises, we don’t have to touch our investment. Life rarely goes as per plan. Ideally, one should park three to six months of our monthly income in the emergency fund. An emergency fund should be easily accessible but not so easy that you get tempted to withdraw it for your non-discretionary expenses. There are few ways wherein we can create an emergency fund, for example, one can open a savings account apart from our regular saving/salary account with a bank which gives high interest rate of 6-7%. Another simple way is to put the amount into liquid funds with a sizable corpus scheme. Liquid funds offer slightly higher return than savings account and can be liquidated easily as per the need.

**Save More**

George S. Carlsen in his book Richest Man in Babylon has written and advises—in order to achieve financial success, one must ‘start thy purse to fattening’. Irrespective of our earnings, we should start saving first. We don’t have to earn a high salary to become rich. All we need to do is patiently channelise the money into investment: The more we save and put our money to work, the faster we can reach to our financial goals. Take one-third of income and save it for the future as a wise person once said, “saving is income of the future.”

**Start Early—The Power Of NOW**

Starting early and starting young is key to successful investment and creation of wealth. But don’t worry if you already got few grey hairs. A Chinese proverb suggests ‘the best time to plant a tree was 20 years ago. The second best time is now’; it is never too late. The power of compounding is the single-most reason for you to start investing early. If you would have invested that same Rs 10 lakh in 1991 in a financial instrument which gives 10% interest, your current investment value of that would have been a whopping Rs 98.50 lakh. Now say wow! That’s the power of Compounding, described as the eighth wonder of the world by Einstein.

The table below highlights the future value of an amount invested in different time frames with different interest rates.

**Analyse Your Goals**

Everyone has some financial goals which they want to achieve some day. While dreaming about holidaying in Las Vegas doesn’t cost us anything, it is not the goal which is significant. It is very important that you set realistic goals which are imperative to you (and your family) and can be achievable within the required time frame. The cost of buying a house, children’s higher education, retirement planning are some of the important goal which need to be carefully analysed and planned for. We should able to figure out that what corpus will be needed in the future, of course, adjusted for inflation.

**Choosing The Right Investment**

Starting to save is a good decision but only saving will not suffice the needs; we should put our money to work, which means, we should make investments. An investment decision should be based on one’s risk appetite, time frame for investment and importance of the financial goals. Basis that, one can create a portfolio of different investment instruments such as fixed income, bonds, equity, mutual funds, gold, debentures etc. Ideally, an investor should allocate a higher portion in equity if their goals are of slightly longer term. I may disappoint some conservative investor by saying that the only way to become wealthy is through long-term investment in equity or equity mutual fund, but that is the fact of the matter.

While the above discussed points can help an individual get better in investment planning, in the game of investment, hard work, honesty and humbleness take us a long way.
between the years 2004 and 2008, India’s primary market had a dream run. As the country was gearing up for a regime change, markets were in for a stretched honeymoon which went on for three straight years. By 2007, India Inc had raised more than Rs 77000 crore from the primary markets through IPOs.

Then appeared the black year (read: 2008) when markets globally came crashing like a pack of cards though and the craze for IPOs also lost its sheen to some extent. However the situation was not alarming mainly due to the robust domestic fundamentals and the troika of Manmohan Singh, P Chidambaram and Pranab Mukherjee was considered to be in the commanding position to steer the economy clear from misadventure.

The joy, however, was short-lived. The scenario changed drastically and companies failed to create wealth for their investors. As the years passed, interest in the IPO market drained completely and it hit its nadir. The year 2013 was particularly sad for the markets as the money raised through IPOs declined to hit a 10-year low.

In 2013, 38 companies raised Rs 1619 crore. Among these, Justdial was the only IPO that caused a flutter among investors. The only other two worth mentioning were Repco Home Finance and V-Mart. Power Grid raised Rs 6958 crore, but that was through a Follow-On Public Offer. Had it not been for the 35 small and medium enterprises’ (SME) IPOs that mobilised around Rs 367 crore, the fissures would have been much worse.

Optimism On The Rebound
A recent report by Economic Times has suggested revival signs in the IPO market.
As per the report, the year 2015 will see spurt in IPO activities as more than a dozen companies have filed their draft documents in 2014. The report further added that many companies, which scrapped their IPO plans earlier due to bad market conditions, are putting in fresh efforts to enter the capital markets.

So, what has changed between the end of 2013 and the begging of 2015?

First thing first, there is an overall sentiment riding high on the reformist image of PM Modi. His repeated chants of ease of doing business in India have helped the cause further. As a result, companies have gained confidence and are willing to invest in capacity expansion, strategic acquisitions thereby driving the fund requirements. Those investors, who had lost big during the 2008-13 phase, are also willing to return as the light at the end of the economic tunnel shines bright now!

No wonder, till January Indian companies had lined up initial public offers (IPOs) worth at least Rs 8,000 crore in 2015 to fund business expansion and meet working capital requirements on expectations that the bullish trend in the stock markets would continue.

SMEs Expected In Driving Seat
As per the data from SEBI, as many as 30 small and medium enterprises (SMEs) got listed on the stock market, raising Rs 236 crore, in the first 10 months of the current financial year. In what should be music to ears for Indian start-ups as well as investors, SEBI plans to make changes in the rules that could further make it easy for Indian start-ups (the third fastest growing market in the world) to take IPO route to raise funds. This is a clear indication that the regulatory body wants to create a more appealing environment to Indian Entrepreneurs.

What It Means For The Investors
In the present scenario, Indian markets are the second-best performing markets in the world, closely following China. The momentum is expected to sustain on the back of a stable government. Unless something untoward happens, this could lead to a long-term cycle of equity fund raising. If things go as planned on the economy, this could be the biggest long-term bull market people would witness, say experts.

Now the question is, how investors can take advantage of the Bull Run and maximise returns? First of all, investors need to be wise nuts. Thoroughly research a company before subscribing to any particular IPO. Bull market means even some shallow companies (often overpriced) tend to cash in on the investor sentiment. So, look for strong accounting books for at least last five years besides a solid management team at the helm.

As for the price on offer, a close study at the pricing of peers can help a great deal. It is also advisable to understand the risk. Before looking at investing in any shares one should also think about her (his) investment goals, time horizon and whether she is looking for income (via dividends), or growth (via an increase in the share price).

Because the price of shares and hence the value of investment can fall as well as rise thinking carefully about personal appetite, tolerance and capacity for risk. Remember, a strong spike up means a correction hinges close by. So, be prepared to lose as well. Usually, the companies that go for public offers have certain objectives behind the offers. These include raising the funds for business growth, retiring/reducing debt, and stake sale by some of the promoters etc.

Investors should analyse these objectives carefully and get an idea about the future of the business and company’s growth. It is important to keep in mind the expectations of future earnings’ growth of a company is the prime driver of its stock prices in the market.

While the prospect of investing in an IPO might sound exciting, a little scrutiny certainly won’t harm the cause.
Banking sector stocks are set to sizzle as the economy turns the corner and loan demand picks up  By Team Finapolis

The banking sector over the last few years has been beset by bad loans going up and credit off take almost stagnating. Banks being the arteries of the economic system, they’ve suffered more than other sectors as economic growth dried out.

However, with signs of a turnaround now visible, the banking sector is expected to perform much better in FY16 compared to FY15. An expected improvement in the economy coupled with declining interest rates is expected to lead to a pick-up in credit growth and stabilization in asset quality.

Banks reporting strong performances will gain favour among investors. Private banks could outshine their public sector peers, led by better growth, asset quality, higher return ratios and better capitalization.

Source: Karvy Stock Broking, RBI
The answer to the many problems facing Indian banks lies in an improvement of economic climate. With inflation expected to be benign, rate cuts by the Reserve Bank of India (RBI) have already started coming in. An additional 50-75bps rate cut seems likely by the end of FY16. Credit growth for FY15 is expected to be around 11-11.5% whereas for FY16, it is expected to improve to about 13-14%.

FY15 has been mixed for the banking sector. Private banks have fared much better than PSU banks. The bad loans on the books of government banks have risen. PSU Banks are likely to face higher pressure as they have sizable restructured books.

FY15 has seen a slew of reforms despite the economic sluggishness. Economic growth has stabilized and also started reporting improvement. GDP growth is likely to improve to 5.5% for FY15 from 4.7% in FY14. Despite higher prices for food articles, CPI inflation has remained lower. With much lower than expected inflation, rate cuts by the RBI have already started coming in. The RBI has already reduced repo rate by 50bps in 4QFY15 and we expect an additional 50-75bps rate cut by the end of FY16. As interest rates have already come down in the past 9 months, banks are likely to reduce their base rate either by late 4QFY15 or in 1QFY16, which will further support credit growth.

RBI has taken a few steps to support the banking space. The special 5-25 rule for refinancing of existing infrastructure projects will provide required relief to banks which were reeling under the pressure of restructured advances. As per this rule, banks can restructure existing infra projects without the same being classified as GNPA. Private sector banks remain clear winners in 9MFY15.

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In the post election market rally, all the stocks across the banking space have shown a sharp rise on the back of an expected improvement in their performance led by an expected economic revival. An improving economy after a prolonged period of slowdown has lead to buoyancy in the valuations in the banking space.

SLR in favour of advances, thus resulting in an improvement in NIMs. Banks reporting quality performance will gain favour among investors. Individual stock performances will be more important than the sector’s performance.

In the post election market rally, all the stocks across the banking space have shown a sharp rise on the back of an expected improvement in their performance led by an expected economic revival. An improving economy after a prolonged period of slowdown has lead to buoyancy in the valuations in the banking space. Considering long term outlook and revival of the economic cycle, there is still plenty of upside left.

We take a look at some of the frontline banking stocks.

**Safe Bet**

<table>
<thead>
<tr>
<th>Current Market Price</th>
<th>Rs 572</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Price</td>
<td>Rs 735</td>
</tr>
<tr>
<td>Upside</td>
<td>28.5%</td>
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</table>

Axis Bank is well placed to gain from an expected revival in the economy, given its improving liability franchise and a strong focus on retail advances.

With the Union Budget 2015-16 removing the distinction between FPI and FII holding, Axis is ripe for greater FII investment. Given its strong earnings growth, stable asset quality and high return ratios, Axis would be a good investment bet.

**Fortunes Turned Around**

<table>
<thead>
<tr>
<th>Current Market Price</th>
<th>Rs 109</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Price</td>
<td>Rs 138</td>
</tr>
<tr>
<td>Upside</td>
<td>27%</td>
</tr>
</tbody>
</table>

DCB has been nursed back to a healthy state by its management with an all-round improvement in all the operating parameters, in spite of negative macro-headwinds. A rapid expansion in secured advances has helped towards an improvement in the asset quality. Continuous improvement in cost to income ratio along with strong growth in advances will support its earnings growth. Its earnings could grow at a CAGR of 27% over FY17 led by a 25% growth in its advances.

Post FY2009, the bank has turned its focus to relatively more secured assets category. DCB de-risked its portfolio in favour of secured mortgage and SME/MSME advances from high ticket and unsecured advances. During FY10-14, strong growth in mortgage (37% CAGR) and SME (22% CAGR) segments led to a 24% CAGR in loan growth. Its corporate loan book reported a slower growth of 17% (CAGR) over FY10-14. Going forward, advances are expected to grow at a CAGR of 25% over FY14-17.

The bank opted for consolidation in FY09 and FY10 and shifted its focus to secured retail and SME loans. The bank’s asset quality has improved since then, as is reflected in GNPA and NNPA having reduced to 1.9% and 1%.

Driven by strong growth in advances, improving operating performance and asset quality, and strong capital adequacy of 14.4%, expect the return ratios to improve going ahead. Over the next 12 months the stock could soar to Rs 138 representing a 27% upside on its current valuations.
Federal Bank is well placed to capitalize on the macro economic revival in the country. Post the consolidation phase in FY14, the bank has addressed most of the constraining issues (higher focus on secured advances) and is likely to report improved performance, going ahead.

Federal Bank is a south-based bank with major concentration in the state of Kerala. The bank is well placed to capitalize on the macro economic revival in the country. Post the consolidation phase in FY14, the bank has addressed most of the constraining issues (higher focus on secured advances) and is likely to report improved performance, going ahead. The bank is mainly focused on retail and SME advances for loan growth. We expect an improvement in return ratios for the bank which will make it a strong growth candidate. Earnings could grow at a CAGR of 22% over FY14-17, led by 19% growth in advances.

Post the consolidation in advances in FY14 where the bank’s loan book declined by 1.5%; however, the bank is now all set to bounce back sharply. It is reducing its focus on corporate advances and increasing concentration on high yielding and better rated retail and SME advances. The share of corporate advances to total advances has declined from 39% in FY10 to 30% in Q3FY15. The bank is now primarily focusing on SME and retail advances to improve its advances growth. We expect the advances of the bank to grow at a CAGR of 19% over FY14-17.

Federal Bank’s asset quality has been improving since FY14. The asset quality had deteriorated sharply post FY12-13, leading the bank to go for consolidation. Since then, the bank has witnessed lower slippages and higher recoveries, leading to an overall improvement in the GNPA. The GNPA declined from 3.4% in FY13 to 2.2% now. Strong advances growth, and stable NIMs and asset quality, are likely to lead to an improvement in return ratios. The stock is currently trading at 1.3x FY2017 ABV. In the next one year the stock could reach levels of Rs 182 representing a growth of 33%.

HDFC Bank is one of the best performing banks in India. It is the second largest private sector bank in the country, and reports impeccable asset quality, higher than industry level advances growth, and strong return ratios. Lack of headroom for FIIs to invest in the bank has however led to narrowing down of the valuation gap between HDFC Bank vis-a-vis its peers. HDFC Bank’s current valuations price in most of the positives and we therefore may only have limited room for appreciation.

Despite the sluggish domestic economy, the asset quality of HDFC Bank has remained strong. Led by strong underwriting policy and stringent recovery procedures, HDFC Bank continues to report best in class asset quality. GNPA of the bank has remained at 1-1.2% for the past several years. The bank also provides for all its NPAs adequately. NNPA also continues to remain firmly under control for the bank.

Historically, HDFC Bank has always focused on outpacing the industry by 4-5%. The bank has a balance between advances in the retail and corporate segments. Growth in corporate loan segment is mostly driven by working capital loans whereas on the retail side, auto and home loans are the key drivers.

HDFC Bank reports strong advances growth, higher CASA and NIMs, best in-class and stable asset quality, lower credit cost and strong return ratios. However, the valuation premium that the bank enjoys over its peers (Axis Bank, ICICI Bank, Yes Bank) has contracted, owing to lack of headroom for FIIs to invest in the stock. It could be a good stock to hold on to. Over the next year it could appreciate about 10%-15% to levels of Rs 1200.
Strong Core

India’s largest private sector bank, has reported an impressive performance post its consolidation phase. Led by its 5C strategy of Credit Growth, Credit Quality, CASA, Customer Centricity, and Cost Efficiency, the operating parameters of the bank have improved sharply. With all the subsidiaries adding value, ICICI Bank is in a sweet spot.

ICICI Bank

The bank has shifted its focus to secured retail advances post FY11 over unsecured credit cards, personal loans as well as unsecured corporate advances. About 26% of the bank’s advances are contributed by overseas book and the bank will likely continue to maintain its focus on the overseas business. We expect overall advances to grow by 20% over FY14-17.

Focus on SME and retail advances, strong focus on CASA deposits, repatriating of excess capital by overseas subsidiaries and an improving credit deposit ratio have also contributed to improvement in NIMs. GNPA for the bank has improved from 5.1% in FY10 to 3.1% in FY14 though it increased for the first time in 19 quarters in Q3FY15 to 3.4%.

The bank expects the asset quality to be under pressure for the next two quarters. GNPA could remain higher in FY15, but decline going ahead in FY16 and improve to 2.8% by FY17. Its shares could reach levels of Rs 433 in the next year representing a 30% upside.

All Round Rebound

Yes Bank has grown at a healthy pace in the past few years and has emerged as the fourth largest lender in the private banking space. The bank is increasing its footprint in the retail segment by expanding its branch network and is as a result witnessing a consistently improving share of retail advances and deposits. Strong return ratio of the bank is set to continue, backed by improvement in NIMs and robust asset quality. Led by an improvement in economic activity, along with continuous focus on balance sheet expansion, Yes Bank is likely to report a strong growth in its lending activities in the coming years. Though the bank has traditionally been strong in corporate lending, it is now increasing its focus on the SME and retail business. Advances are expected to grow at a CAGR of 29% over FY14-17.

Yes Bank is aggressively expanding its footprint in the retail sector by expanding its branch network. Offering a higher interest rate for savings bank deposits is one of the steps adopted by the bank to increase its CASA base. CASA deposits have increased from 10.5% in FY10 to 22.6% currently. Against a total deposits growth of 29% (CAGR) over FY10-14, the CASA deposits have reported a much stronger growth of 55% over the same period.

Yes Bank has been consistently delivering higher return ratios over the past several years. In spite of its aggressive growth strategy, Yes Bank has been able to maintain its strong asset quality as well as above-average returns ratios.

Yes Bank has been consistently delivering higher return ratios over the past several years. In spite of its aggressive growth strategy, Yes Bank has been able to maintain its strong asset quality as well as above-average returns ratios. The stock has largely outperformed the BSE Bankex in the past few months. Yes Bank’s stock price has risen by 102% in YTD FY15 versus a 56% rise in the BSE Bankex over the same period. It is currently trading at 2.5x P/ABV FY17. It could reach levels of Rs 980 in 12 months representing a 22% upside.
How Scary Is the Bond Market?

The prices of long-term government bonds have been running very high in recent years (that is, their yields have been very low). In the United States, the 30-year Treasury bond yield reached a record low (since the Federal Reserve series began in 1972) of 2.25% on January 30. The yield on the United Kingdom’s 30-year government bond fell to 2.04% on the same day. The Japanese 20-year government bond yielded just 0.87% on January 20.

All of these yields have since moved slightly higher, but they remain exceptionally low. It seems puzzling – and unsustainable – that people would tie up their money for 20 or 30 years to earn little or nothing more than these central banks’ 2% target rate for annual inflation. So, with the bond market appearing ripe for a dramatic correction, many are wondering whether a crash could drag down markets for other long-term assets, such as housing and equities.

It is a question that I am repeatedly asked at seminars and conferences. After all, participants in the housing and equity markets set prices with a view to prices in the bond market, so contagion from one long-term market to another seems like a real possibility.

I have been thinking about the bond market for a long time. In fact, the long-term bond market was the subject of my 1972 PhD dissertation and my first-ever academic publication the following year, co-authored with my academic adviser, Franco Modigliani. Our work with data for the years 1952-1971 showed that the long-term bond market back then was pretty easy to describe. Long-term interest rates on any given date could be explained quite well as a certain weighted average of the last 18 quarters of inflation and the last 18 quarters of short-term real interest rates. When either inflation or short-term real interest rates went up, long-term rates rose. When either fell, so did long-term rates.

We now have more than 40 years of additional data, so I took a look to see if our theory still predicts well. It turns out that our estimates then, if applied to subsequent data, predicted long-term rates extremely well for the 20 years after we published; but then, in the mid-1990s, our theory started to overpredict. According to our model, long-term rates in the US should be even lower than they are now, because both inflation and short-term real interest rates are practically zero or negative. Even taking into account the impact of quantitative easing since 2008, long-term rates are higher than expected.

But the explanation that we developed so long ago still fits well enough to encourage the belief that we will not see a crash in the bond market unless central banks tighten monetary policy very sharply (by hiking short-term interest rates) or there is a major spike in inflation. Bond-market crashes have actually been relatively rare and mild. In the US, the biggest one-year drop in the Global Financial Data extension of Moody’s monthly total return index for 30-year corporate bonds (going back to 1857) was 12.5% in the 12 months ending in February 1980.

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Regarding the stock market and the housing market, there may well be a major downward correction someday. But it probably will have little to do with a bond-market crash. That was the case with the biggest US stock-market corrections of the last century (after 1907, 1929, 1973, 2000, and 2007) and the biggest US housing-market corrections of all time (after 1979, 1989, and 2006). It is true that extraordinarily low long-term bond yields put us outside the range of historical experience. But so would a scenario in which a sudden bond-market crash drags down prices of stocks and housing. When an event has never occurred, it cannot be predicted with any semblance of confidence.

Robert J. Shiller, a 2013 Nobel laureate in economics, is Professor of Economics at Yale University and the co-creator of the Case-Shiller Index of US house prices. Courtesy: Project Syndicate
Saving accounts, by nature, are made to offer liquid money at any point in time. The decision also stems from the fact that these accounts carry operational money, which can be withdrawn 24*7. Although saving accounts are certainly not popular as an investment options since they can never offer the kind of returns people expect on par with rising aspirations. A meagre 3-4% is certainly not enough to meet present and future financial obligations. Agreed!

However, have you ever wondered that saving accounts can also be an instrument to aid with different other financial instruments like Debit Cards, Loans, other banking transactions and so on?! Well, if you still have not heard (or are not completely aware) about the provisions of Privileged Banking (Privy League as some banks like to say), you are in for a pleasant surprise. That’s because having a decent amount of money in a saving account makes you eligible to enjoy the bank’s privilege facilities. Banks, public and private both, indeed pamper the loyal clients and how.

The Eligibility Criteria
As they say, “There are no free lunches in life”. This statement holds true when you hope to avail the facilities under privilege banking. Different banks have different criteria to extend the services under Privilege Banking. Some repays for loyalty while others look for extensive transactions. Besides, if you wish to make it to the bank’s list of privileged customers,
Once you become an elite customer, you will have to ensure that you stay one. If you fail to meet the minimum eligibility criteria for two consecutive quarters, your account will be downgraded and benefits will be scrapped.

The Benefits

How do you gain from being a privileged customer of a bank? Privileged customers are usually chosen from the bank’s existing base of customers. Services offered to them may include personalised bankers, quicker transactions, special pricing on financial products and exclusive offers. Privilege banking is primarily meant to offer a hassle-free, prioritised banking experience to loyal customers of the bank.

With privilege banking services, clients are entitled to membership of exclusive clubs of banks. They enjoy upgraded services and offers each time they make a transaction. As a privileged customer, people are typically offered a dedicated relationship officer, who will be the one-point contact for all banking needs. In addition to this, clients may be offered a dedicated area, or sometimes even an exclusive branch of their choice to take care of all financial needs, irrespective of which branch they have their account in. Several banks offer exclusive debit and credit cards, with higher withdrawal and shopping limits.

If you are a part of a privilege club, you are also eligible for higher loans than regular customers. Many clubs offer premium tickets to sporting events and entertainment shows, pampering privileged clients to the hilt on every count. Of course, this is just an overview of the benefits you get.

Harsh Khurana, who uses HDFC Bank for all his banking needs, has this to say, “Since I turned 18, I have been making all transactions through HDFC. Now, the bank makes it a point inform me before launching a new scheme. Besides, when the RBI raised interest rates, I got a housing loan from my bank at comparatively low rates. I must say, loyalty always pays.”

However, keep in mind that these are not standard benefits and may differ from bank to bank. Having said so, it is true that privileged clients are set to gain a lot once they join the exclusive list of a bank. Listed below are some of the facilities which people may be able to avail for themselves on joining the ‘elite league’.

Personal Relationship Manager (PRM): Privilege banking makes clients eligible to have a Personal Relationship Manager (PRM), who looks after all the savings as well as investment related issues. He/she is also the one-point contact for customers to get problems, if any, sorted out at the earliest.

Debit/Credit Cards: A wide range of debit and credit cards are given out to priority customers. Credit cards with higher-than-normal credit limits are offered to customers. Most banks also offer inbuilt card insurance, as well as lost card liability cover to their privileged clientele.

For instance, ING Vysya Bank issues World Exclusive Master Card to its priority customers. These cards offer a withdrawal limit of Rs 1.5 lakh, instead of the normal Rs 25000.

Similarly, Kotak Bank offers to its Privileged customers a daily cash withdrawal and purchase limit of Rs 2.5 lakh each with a complimentary Lost Card Liability Insurance of Rs 1 lakh and complimentary Air Accident Insurance Cover of Rs 2 lakh.

Axis Bank offers its priority customers a combined Lost Card Liability and Purchase protection liability of up to Rs 50,000 to protect against fraudulent use of the debit card or damage/loss of articles purchased using debit card.

Loans: Priority customers often get preferential rates while taking loans from banks; the increased creditworthiness of the customer is the reason for this.
Doorstep Banking: Privileged customers can use the facility of doorstep banking, wherein the bank (personal relationship manager) walks up to the customer’s door, rather than the customer going to the bank for any transaction. Banks believe that this is a way to position the product better in the customer’s mind. The customer is able to make a connection with the product, and its effective delivery is facilitated.

Fees and Service Charges: Waivers are available on various kinds of fees and service charges for privileged customers of banks.

Lounge Access: Priority customers get access to premium lounges at all branches of the concerned bank. Some banks also offer access to premium lounges at airports, both domestic as well as international.

Banks have been going that extra mile to ensure convenience for their customers. An example of this is Kotak Mahindra Bank, which offers exclusive benefits across a wide range of product and services to its preferred customers. The bank offers Magna and Optima privilege banking account variants, each designed to suit specific needs. In addition to benefits like money multiplier, nomination facility, internet banking and mobile banking, you can avail other special privileges like:

- Priority service at all Kotak Mahindra bank branches and through Customer Care
- Nil Demat account maintenance charges
- Investment advisory tools at no extra cost
- Special rates on loans
- Preferential tariffs on Forex
- Multi-city cheque book

Some lenders also offer non-financial services to their customers like car rental facilities, packaging services in case the customer shift base, and so on. However, customers must note that the privilege services are available only till such time as they maintain the desired amount of funds in their account, as required by the bank to qualify for privilege banking.

Terms And Conditions Apply

Having said all this, it is now time to remind you about a few points that would help you make smooth transactions. While a bank does many things to keep its client base strong and intact, customers might sometimes find themselves caught in schemes artfully laid out by banks. To make sure that you do not fall into such traps, and for an overall happy banking experience, check off the points in this list:

- **Hidden costs**: Often, freebies come with a rider. When a bank offers a particular service, it is likely to charge you for the same (in the name of annual charges or other such), while giving the impression that it has been offered free of cost. So, while opting for any schemes, be sure to ask about the hidden costs involved.
- **Offer validity period**: When a bank sends you a discount voucher, you may sometimes wait for an opportune time to use it. Bringing it out at a later point may reveal that the offer was valid for a limited time period, and is of no use to you now. So, check all the details of offers to avoid such mistakes.
- **Penalties levied as well**: Although people deem the services exciting though they must understand that if the conditions for privilege banking are not met regularly, they might attract penalties as well. For example, non-maintenance of the required MAB in the ICICI account in any month will attract a penalty charge of Rs 250 per month.

**Read the documents carefully**: While opting for the services, be clear about what would be on platter once you onboard the privy league. HSBC offers airport lounge facilities for its privileged clients though a careful study of the terms and conditions reveals that the facility would only be available at select airports namely New Delhi, Mumbai, Bangalore, Chennai, and Hyderabad. So, be carefully else you might end up in an embarrassing situation at some public place.

Aside of these, do start differentiating between freebies and discounted services. For example, you may enter a lounge thinking that your bank has given you free entry passes. What you may forget is that only entry is free, not the food and beverages. This is just a one-off instance, and there will be many cases like this one. The ideal way to opt for such facilities is to read the conditions carefully before opting for them.  

Privileged customers can use the facility of doorstep banking, wherein the bank (personal relationship manager) walks up to the customer’s door, rather than the customer going to the bank for any transaction.
Unit Linked Insurance Plan (ULIPs), in its old avatar, was a nightmare for retail investors. Cut to 2014, ULIPs, as a product, has undergone a complete overhaul. In 2010, Insurance Regulatory and Development Authority of India (IRDAI) capped overall charges at 3% of gross yields for policies with tenure of up to 10 years and 2.25% for those with the term period of over 10 years. Also, IRDAI made the high death benefit cover mandatory and ensured a longer lock-in period. Now, the overall charges in the ULIPs vary between 1-3%, depending on the term of the policy. As a result, the new ULIPs produce better wealth creation avenues for investors along with an adequate cover.

So are you thinking of making an investment in ULIPs? Make sure to go through the following things in order to pick the right investment plan for yourself.

1. Risk Appetite
   If generating high returns is your top priority, then you should opt for the aggressive equity-based ULIP. Although, the risk may vary between medium to high, but it provides better returns on investment. Similarly, people who are risk averse should opt for the debt based ULIPs.

2. Customization
   Given that we can never predict future it is crucial to choose a ULIP that offers maximum flexibility. It means the product should give enough flexibility to change the tenure of the policy, sum assured and premium payment frequency. Also, you should go for the plan that offers optimum flexibility in the asset allocation. It is advised to choose the ULIP that allows most free switches and redirection options in a year. By using free switches, policyholders are able to move their investment between different asset classes like debt, cash and equity, depending on the risk appetite.

3. Track Record of ULIPs
   There can be big differences in the payout, depending on the performance of the fund. With charges being trimmed, you are likely to earn more returns. There is always a possibility of striking a more profitable deal. Furthermore, premature withdrawal will be less dear. The insurance regulator has made it clear that the policy administration charges can never cross the mark of Rs 6,000. Therefore, you are strongly advised to make a systematic comparison between available ULIPs in the market.

4. Claim Settlement Ratio
   Even if you have done extensive research before buying a policy, but all your efforts would go in vain if the policy doesn’t help you or your nominees at the time of cash crunch. So, it is important to choose an insurer who is backed by an excellent claim settlement track record.

5. Lock-In Period
   Invest in ULIP if you have long-term goals, for most ULIPs firstly have a lock-in period post which you can withdraw your money but for good returns you should stay invested for a minimum of 10 years.

6. Purpose
   You should remember that buying ULIPs for the sake of insurance is not a right thing to do. The life insurance coverage in ULIP might not be sufficient when you meet any eventuality. You should avoid using it for a tax purpose only. ULIP should be used to meet a long-term goal like retirement, child education, etc.
When it comes to pick a Financial Adviser, you have extensive range of choices, from adviser who works at a large organization or a brokerage house to a local Independent Financial Advisers. It is ground reality that every investor often zooms in on the one metric - how well their investment performed compared to the broader market, Asset Allocation strategies and other investment philosophies and theories but my advisory experience reveals the fact that when it comes to the management of money, how well investments do is out of our control and the past performance is not a clear indicator of future results. But, the only matter is who we choose to manage our money. i.e. A Right Financial Adviser.

Choosing an adviser should be an organized process and it starts from prioritizing your financial needs and attitudes towards investing. Apart from this, every investor should check adviser’s credentials, employment history, his or her certification and disciplinary history etc. On top of it, a first step for every investor to familiarize you with what an adviser can do for you, how advisers are compensated and the achieved level of the credentials advisers may seek to obtain so anyone can be a financial planner but that doesn’t make that person an expert. Once you decided to avail the financial adviser’s services, you should work on certain questions list in hand. Some key areas of these broader questions are as under:

**Expectation And When To Get One**

As an investor, you should be very clear for the expectation and the type of services you want from an adviser. From 6 out of 10 people are not ready to hire a financial adviser as they manage their finances at own but Do-it-yourself investors may not knowledgeable as professional financial advisers within the investment marketplace. Additionally, the complexities of every investment avenues can prove more challenging even for the most diligent individual investor so from the first step, every investor should clear for their engagement with the adviser.

The investor should ask question to an adviser that the advice will be given to you face-to-face, on the phone, via email or in a report and if any particular preference...
for an online or offline model, do ask up front the difference prices for each if any.

What Type Of Financial Advisor To Get

There are many players who provide financial advice in different lines like an Insurance agent, a Mutual Fund adviser or a financial planner who can give valuable financial advice but an Investor you should select one as per your financial needs and goals. There are three types of combination of adviser you can choose from and one is purely on commission means get compensated by selling various financial products, second is only fee based adviser who give advice on his or her qualification, certification and professionalism like Certified Financial Planner or SEBI registered Investment advisors. And the last one category of adviser is combination of commission and fees and this model is very different from previous two model of advisory profession so investor should be very clear that from which category of adviser they want to choose.

Fiduciary Or Suitability

The financial advisory industry has primarily two sets of compliances that every financial adviser has to follow called suitability standard or the fiduciary standard. Fiduciary standard is the standard which is legally bound to give advice on fee bases. A suitability standard which is followed by an adviser who works on commission based model of advisory business so every investor should clear for the adviser that which standard he or she follow for the advisory profession.

How Do You Charge For Your Services, And How Much

If an investor cannot access the information pertaining to the services and fees on planner’s website, ask whether there is an initial planning fee, whether they charge a percentage for assets under management or whether they make money from selling you a particular financial product. These information is not only helpful to show how much the service will cost you but it also helps to determine an incentive to sell you things.

What Services Do You /Does Your Firm Provide

From the beginning stage of engagement with adviser, an investor should be very clear that what assistance the adviser will give you and what he or she will not give on your investments with adviser, an investor should be very clear that what assistance the adviser will give you and what he or she will not give on your investments. Some advisers offer comprehensive financial planning, Investment Planning, Tax planning or estate planning services and some other adviser only deals with financial products only so it is very essential for the investor that which types of services you want according to the particular financial needs.

Will I Be Working Only With You Or With A Team

It is prime thing to know for the investor that he or she is associated with corporate or with an Individual Financial adviser and it also helps to know that how often you will be in touch with your adviser. Some adviser will say that I will meet you twice in a year, some will say that I will meet you quarterly but some investors like the team approach because they know if their advisers on vacation, they can still get an answer right away.

A List Of Some Basic Questions That A Good Financial Adviser Will Ask You

A good financial adviser will ask you all-not some, but all of the following questions.

How is your health?
So if you are not healthy, you will need first and foremost a smart health plan for your medical care and also when your income if you can’t work.

Are you in debt?
You are free from debt or not is also an essential question that every adviser should ask to his client.

Are responsible for aging parents?
It is vital to know that is there any responsibility for your aging parents because any medical emergency for them can disturb the finances of the family.

Do you have a will or trust?
An estate planning is also an important aspect of the financial planning so every individual should have an estate planning.

Will you inherit money someday?
This question is also important because it indicates the real financial position of the client so from financial planning perspective, it is key information that should be aware.

Do you need any some of money to make a major purchase like a new car or buying a home for a family?

I think this point makes a major difference in the financial situation of an Individual as this is a big and essential life stage goal in life of an Individual.

Do you have a retirement plan?
This plan is useful when a person does not have too much income or cash flow as compared to the younger age so it is also a crucial point of discussion between Investor and a Financial Adviser.

Do you have adequate Insurance?
Every person has its own human life value (HLV) and according to the same an individual needs a particular insurance so it is very important point of discussion between an adviser and an Investor.

Are you saving for your children’s education?
Every individual who is married should save and invest for their child’s education as it is very important financial goal for every parent and we all know that to take higher education is very expensive as education inflation increases year by year.

From my perspective, these are very basic questions that understands the real financial situation of an individual so only after an adviser fully understands your financial situation should he or she ask you how much money you have to invest to achieve particular financial goal.

The author is Founder- Nextstep Financial Planners
Among the several issues keeping the chief financial officers at Indian IT firms awake at night, currency fluctuations now rank high on the list. Currency headwinds will adversely impact Indian IT firms’ reported US dollar (USD) numbers in 4QFY15 and FY16.

The USD has strengthened considerably against key currencies like the euro, British pound (GBP) and Australian dollar (AUD) given the improving US economic data and the likelihood of the US Federal Reserve increasing interest rates later this year.

Analysts expect a 320bps-600bps impact on IT firms’ USD revenue growth in FY16 owing to USD strength, even as volume growth estimates remain unchanged. Currency fluctuations could hurt the earnings of Indian IT firms anywhere between 1%-5% in FY16 and FY17.

However, the IT firms are structurally sound and investors could look at buying some of the blue chip stocks whenever there is a significant fall in the market.

The USD has gained 10% against the euro, 4% against the GBP, and 8% against the AUD this quarter. Over the past one year, the appreciation has been 20%, 7% and 18%, respectively. The rupee has also appreciated against these currencies, but not depreciated significantly against the USD.

Key factors driving this strong appreciation have been improving US GDP growth, multi-year low unemployment rates and the likelihood of the US Federal Reserve hiking rates sometime later this year given improving macro-economic data, which could lead to global fund flows into US assets, thus triggering fund outflows from emerging markets like India and further strengthening the USD.

The USD has appreciated significantly against emerging market currencies, hitting an over 13-year high against the South African Rand and a 17-year high against the Indonesian rupiah. However, interestingly the rupee has not depreciated that significantly of late against the USD compared with other global currencies, aided by factors such as favourable fund flows, an expected improvement in India’s GDP growth under the NDA government and lower inflation. The USD has gained 0.3% against the rupee in the current quarter, while over the past year too the appreciation has been to the tune of 0.3%.

Besides, the rupee has also appreciated against the EURO, GBP and AUD, by 9%, 4% and 7%, respectively QTD and 17%, 6% and 15%, respectively over the past year. This is likely to hit rupee revenue growth for IT firms, which is likely to come in lower than USD revenue growth in 4QFY15 and most likely in FY16 as well, given that the impact will be witnessed for the full fiscal year.

These currency movements will result in a double-whammy for IT companies. On the one hand, re-
Over the past few weeks, the USD has strengthened significantly against most major global currencies.

Imported USD revenue will take a hit, given that 25%-30% of their billings are in euro, GBP and AUD. On the other hand, there will not be a proportionate benefit in rupee terms given the much lower depreciation of the local currency compared with the USD. Add to that, rupee appreciation against cross-currencies will result in a hit to reported rupee numbers as well, leading to rupee revenue growth even trailing USD revenue growth. This is likely to happen in 4QFY15 and could be a trend in FY16.

Hexaware is expected to see maximum impact of over 600bps on revenue growth as it will feel the effect in CY15 itself (December-ending FY). Cyient will see over 530bps impact in FY16 owing to its higher exposure to these currencies. HCLT will witness the least impact of 350bps as it has a June-ending FY. Top-tier IT firms will lose $188-$680 million in revenue, while mid-sized IT firms will lose $25-$30 million in revenue in FY16 on account of USD appreciation against the euro, GBP and AUD.

Given improving growth in the US market, sustained demand strength in Europe led by real time bidding (RTB) services and expansion of services in newer geographies like the Middle East and South East Asia, demand growth will remain robust for IT firms over FY15-17. There have been cautious comments by some companies regarding near-term growth outlook. TCS has said initial growth momentum is turning out to be slower than what it had anticipated. Mindtree has downgraded growth outlook for 4QFY15, Persistent Systems has given a cautious outlook on client-specific issues, and KPIT Technologies has indicated a muted March 2015 quarter. Taking an optimistic view, these issues are transitory in nature as far as TCS is concerned, while instances of smaller IT firms caution boil down to client-specific factors rather than industry-wide issues.

Over the past few weeks, the USD has strengthened significantly against most major global currencies including the euro, GBP and AUD, key currencies for Indian IT firms accounting for 25%-30% of their billings.

Analysts expect 11%-16% Y/Y organic volume growth over the period for the top-tier IT firms, with Tech Mahindra, TCS and HCLT likely to trend near the upper end of the range, while Infosys and Wipro are likely to come in closer to the lower end. For mid-sized IT firms also, a similar 12%-16% organic volume growth range is foreseen. Due to adverse cross-currency movements, reported USD revenue growth is likely to come in lower than volume growth.
The public sector bank IDBI is a relative new comer in the mutual funds space. But V Balasubramanian, the head of equity, gold and fund management at the bank has over 33 years of work experience. He has spent 15 years in the mutual fund industry and nearly a decade in treasury. Prior to joining IDBI Mutual Fund, he was senior manager of the treasury at Indian Bank. He speaks to Finapolis about his investment strategy and market outlook.
How would you describe your investment strategy?

V Balasubramanian: We follow a process driven and a disciplined approach to investment and do not get swayed by the short term movements of the market. It’s a combination of both top down and bottom up approach. This helps to focus on the sector allocation while a bottom up approach helps to zero in on stocks. A combination of both value and growth investing, depending on the business cycles, is also adopted.

Buy-and-hold, as a concept, is widely preached and followed by fund houses. Is this concept foolproof, in your view?

VB: As the investment philosophy is not to get swayed by short term market movements, buy and hold, as a concept, though not the only foolproof method for wealth creation, is the best suited for long term investors. There may be cases where a portion of the portfolio may be used to take advantage of the volatility in the market or short term movements, but as a strategy, buy and hold is one of the best models for wealth creation.

Do you believe that portfolio churning is required to create alpha?

VB: Not necessary. As I mentioned, a minimal portion may be required to be churned to take advantage of the short term market movement or to correct imbalances in the portfolio that may arise out of changes in political, macro and for some technical reason. These may offer opportunities to generate some alpha but then these need not form the core structure of the portfolio theme.

Is it possible to recognise a bear market before it is too late?

VB: Yes, the market does show symptoms of a bear market like continuous increase in interest rates, when industrial production starts falling and economy starts showing signs of weakness. To some extent, bear market is recognizable, but then not always.

With globalisation, we may not be immune from turmoil of global markets, for a sustained period of time. At this moment, though there are no strong tailwinds but then the headwinds also look manageable.

The India growth story has become an attractive pitch yet again. But how well insulated are we from global headwinds?

VB: The current rally in the market is distinct from the global markets. We have a high interest rate which looks like it will come down from this level, we have inflation which has peaked and started showing signs of cool off while in developed markets it is exactly the reverse. The demographic profile of the country, the growth prospects makes India, among other countries, an attractive investment destination. With globalisation, we may not be immune from turmoil of global markets, for a sustained period of time. At this moment, though there are no strong tailwinds but then the headwinds also look manageable.

What are the key triggers that you are looking forward to with regard to the markets?

VB: Fiscal consolidation, stable currency, low inflation and interest rates will automatically help markets to move on. Policy initiatives of the government that may be conducive for a favourable investment climate will be some of the key triggers.

What are the sectors that you are currently betting on, and in which areas should investors take caution?

VB: We like banks, engineering, automobiles and pharmaceuticals while we have a neutral view of IT and FMCG.

Markets are filled with the hope of another rate cut cycle. Do you believe policy decisions and reforms would impact more than rate cuts? Also, where do you expect the repo rate to stand in the near term?

VB: We have already seen 50 basis point cut. RBI would like to keep the currency stable and look for the effects of the policy action of the last three months before altering the rate structure. Another 50 bps rate cut is possible by March 2016.

Given India’s focus on rural themes in recent times, what is your strategy—bet on rural themes or stick with the urban?

VB: In a growing economy both urban as well as rural theme has to play, if the growth is an all round growth. At this moment, the growth in Indian economy offers opportunity to bet on both rural themes as well urban theme.

The volatility in the market is quite dizzying. What do fund managers do to keep the boat afloat and retain investors?

VB: Any secular bull market will witness lot of volatility which offers long term investors to buy good stocks cheaper. We try to stick to quality names with sound fundamentals and not get affected by the short term movements of the market.

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With the Indian economy showing signs of revival with a pro-active government at the centre, the economy is poised for growth again. Expectations are riding high, stock market is in good health and realty market too is expected to gain momentum soon. Keeping this in mind, is it a good time to buy residential property?

Buying a property these days is a lot different from what it used to be. Before the economic slowdown, one could be confident that a purchased property would quickly appreciate in value. Real estate was looked at as a lucrative investment opportunity. Today, home buyers are in doubt - they do not want to take a plunge because they feel that property prices may decrease. They would prefer to buy when prices are at their lowest. This is a perfectly sound strategy for an investor; but often not a good one for home buyers.

**Investor Or End User?**
The difference between an investor and a home buyer – or ‘end user’ is that the first is looking at returns on investment and is backed by a certain amount of risk appetite. An investor looking at rental returns or capital appreciation is willing to gamble on his or her assessment of current and future market conditions and is usually invested in other instruments such as stocks and bonds.

A home buyer, on the other hand, is looking for a good place to take up residence in. Price is definitely a major consideration, but so are other factors. A home buyer cannot and should not view properties with the dispassionate eye of an investor who looks at them purely as stock in trade.

**Timing The Market**
An investor can and must time the market so as to identify the right entry and exit points. For a home buyer, the entry point may matter in terms of price, but there is no exit point motivation. If a home meets a buyer’s criteria in terms of location, amenities and facilities offered and neighbourhood profile, it is usually inhabited for several years and even decades. Over such a long term, property always appreciates and the ‘investment’ is in any case safeguarded from market fluctuations.

Having addressed the important difference between property investment and home purchase, let us examine how the property market tends to behave. It makes sense for both investors and home buyers to know these fundamentals, but again - both should not necessarily let their choices be guided by them.

**Market Corrections**
The residential real estate market behaves differently in different cities. Sound investment strategy will therefore also vary for different cities, and more importantly for different locations within cities. In some micro-markets, prices are not likely to sink further because there is still sufficient demand and no new supply is coming in for now.

At no stage will property prices in an entire city appreciate, correct or stagnate uniformly. Real estate is all about ‘location, location and location.’

In such a scenario, investors must evaluate the local market, determine the preferred ticket size, identify the corridors which promise the best capital appreciation and rental income, and make an ‘entry’.

Home buyers, on the other hand, are guided by different goals. They look for a home for their family to live in, and the most appropriate guidelines for home buyers have nothing to do with investment potential.

**Strategy For Home Buyers**
The correct strategy for home buyers is to determine their budget, get pre-approved for a home loan based on that budget, short-list at least three locations that their family is comfortable, and identify at least five property options within each location that fit within their budget. Each of these options should be examined on the ground and evaluated on the basis of amenities and facilities offered.

The final short-list should consist of homes that everyone in the family is satisfied with. Next, one needs to understand how far the sellers of these properties will be ready to negotiate on their stated prices. For this, some informed advice from people who are familiar with the local market is called for.

Schemes, and incentives and other ‘offers’ by developers should only be considered if they add real value to the property or translate into significant financial savings on the stated price. The fine-print clauses of financial schemes should also be examined closely by a specialist for legal catches or traps. If they exist, these options should be struck off the short-list.

If the decision is to wait, then the wait and watch game begins. If the decision is to buy, then the home hunt ends. Given that the process of buying a home is already complicated enough, it should never become more complicated than that.
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### IndianIndices: Performance

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<th>Return 6 M (%)</th>
<th>Return 12 M (%)</th>
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<td>51583.09</td>
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<td>5.72</td>
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### March International Commodity Futures Price Trends

<table>
<thead>
<tr>
<th>Commodity</th>
<th>March 24, 2015</th>
<th>February 27, 2015</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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</thead>
<tbody>
<tr>
<td>ICE Sugar (cents/lb)</td>
<td>12.45</td>
<td>13.93</td>
<td>-10.62%</td>
<td>18.28</td>
<td>-31.89%</td>
<td>12.31</td>
<td>1.14%</td>
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<tr>
<td>CBOT Soy Meal ($/t)</td>
<td>326.30</td>
<td>353.70</td>
<td>-7.75%</td>
<td>509.40</td>
<td>-35.94%</td>
<td>302.00</td>
<td>8.05%</td>
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<tr>
<td>CBOT Soy Oil (cents/lb)</td>
<td>31.11</td>
<td>32.80</td>
<td>-5.15%</td>
<td>43.74</td>
<td>-28.88%</td>
<td>29.32</td>
<td>6.11%</td>
</tr>
<tr>
<td>CBOT Soybean (cents/bushel)</td>
<td>981.75</td>
<td>1030.75</td>
<td>-4.75%</td>
<td>1536.75</td>
<td>-36.12%</td>
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<tr>
<td>Nymex Crude Oil ($/bbl)</td>
<td>47.51</td>
<td>49.76</td>
<td>-4.52%</td>
<td>107.73</td>
<td>-55.90%</td>
<td>42.03</td>
<td>13.04%</td>
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<tr>
<td>LIFFE Sugar ($/t)</td>
<td>364.80</td>
<td>371.80</td>
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<td>495.90</td>
<td>-26.44%</td>
<td>360.10</td>
<td>1.31%</td>
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<tr>
<td>Comex Gold (S/oz)</td>
<td>1191.40</td>
<td>1213.10</td>
<td>-1.79%</td>
<td>1346.80</td>
<td>-11.54%</td>
<td>1130.40</td>
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<tr>
<td>LME Aluminium 3 Month ($/t)</td>
<td>1791.00</td>
<td>1815.00</td>
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<td>2119.50</td>
<td>-15.50%</td>
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<td>4.11%</td>
</tr>
<tr>
<td>ICE Cotton (cents/lb)</td>
<td>63.91</td>
<td>64.73</td>
<td>-1.27%</td>
<td>97.35</td>
<td>-34.35%</td>
<td>57.05</td>
<td>12.02%</td>
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<tr>
<td>LME Nickel 3 Month ($/t)</td>
<td>13950.00</td>
<td>14095.00</td>
<td>-1.03%</td>
<td>21625.00</td>
<td>-35.49%</td>
<td>13490.00</td>
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<tr>
<td>ICE Coffee (cents/lb)</td>
<td>137.30</td>
<td>136.75</td>
<td>0.40%</td>
<td>225.50</td>
<td>-39.11%</td>
<td>129.05</td>
<td>6.39%</td>
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<tr>
<td>LME Zinc 3 Month ($/t)</td>
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<td>2065.00</td>
<td>1.02%</td>
<td>2416.00</td>
<td>-13.66%</td>
<td>1945.50</td>
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<tr>
<td>CBOT Wheat (cents/bushel)</td>
<td>523.50</td>
<td>517.50</td>
<td>1.16%</td>
<td>735.00</td>
<td>-28.78%</td>
<td>466.25</td>
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<tr>
<td>Nymex Natural Gas ($/mmbtu)</td>
<td>2.79</td>
<td>2.73</td>
<td>1.90%</td>
<td>4.89</td>
<td>-42.98%</td>
<td>2.57</td>
<td>8.53%</td>
</tr>
<tr>
<td>CBOT Corn (cents/bushel)</td>
<td>393.25</td>
<td>384.50</td>
<td>2.28%</td>
<td>519.50</td>
<td>-24.30%</td>
<td>318.25</td>
<td>23.57%</td>
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<tr>
<td>Comex Silver (S.oz)</td>
<td>16.96</td>
<td>16.51</td>
<td>2.73%</td>
<td>21.53</td>
<td>-21.19%</td>
<td>14.10</td>
<td>20.30%</td>
</tr>
<tr>
<td>LME Copper 3 Month ($/t)</td>
<td>6145.00</td>
<td>5895.00</td>
<td>4.24%</td>
<td>7212.00</td>
<td>-14.79%</td>
<td>5339.50</td>
<td>15.09%</td>
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<tr>
<td>LME Lead 3 Month ($/t)</td>
<td>1850.00</td>
<td>1728.00</td>
<td>7.06%</td>
<td>2307.00</td>
<td>-19.81%</td>
<td>1676.50</td>
<td>10.35%</td>
</tr>
</tbody>
</table>

### Commodity: March Gainers and Losers (%)

**MCX**
- Copper 4.3%
- Mentha Oil 3.7%
- Zinc, 1.6%
- Nickel - 0.5%
- Aluminum - 0.9%
- Crude Oil -2.3%
- Gold - 0.5%
- Cotton - 0.9%
- Cardamom - 8.6%
- Natural Gas 3.8%
- Silver 3.5%
- Lead 7.3%

**NCDEX**
- Rm Seed -0.2%
- Soybean -0.3%
- Soy Oil -1.6%
- Barley -1.9%
- Turmeric -5.1%
- Wheat -11.0%
**NIFTY TOP**

<table>
<thead>
<tr>
<th>Company</th>
<th>March 24, 2015</th>
<th>February 27, 2015</th>
<th>(%) Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ranbaxy Labs</td>
<td>819.05</td>
<td>687.70</td>
<td>19.10</td>
</tr>
<tr>
<td>Sun Pharma</td>
<td>1037.15</td>
<td>878.90</td>
<td>18.01</td>
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<tr>
<td>Bharti Airtel</td>
<td>393.85</td>
<td>355.20</td>
<td>10.88</td>
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<tr>
<td>Idea Cellular</td>
<td>169.90</td>
<td>154.75</td>
<td>9.79</td>
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<tr>
<td>Cipla</td>
<td>710.25</td>
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All figures as on March 24, 2015

**NIFTY BOTTOM**

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<tr>
<th>Company</th>
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<th>February 27, 2015</th>
<th>(%) Change</th>
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<td>Unitech</td>
<td>16.85</td>
<td>21.65</td>
<td>-22.17</td>
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<tr>
<td>Jindal Steel &amp; Power</td>
<td>156.65</td>
<td>193.85</td>
<td>-19.19</td>
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<td>ITC</td>
<td>326.55</td>
<td>393.70</td>
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<td>Hindalco Industries</td>
<td>132.85</td>
<td>155.15</td>
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<td>ABB India</td>
<td>1220.25</td>
<td>1409.65</td>
<td>-13.44</td>
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</table>

The gain in LME Lead 3-Month contract. Immediate demand for this metal and weaker US dollar post the recent Fed meeting supported prices.
CURRENCY

Rupee Movement

ENERGY

Brent Crude (US$/bbl)

METALS

Gold (US$/OZ)

Silver (US$/OZ)

ECONOMY

Inflation (%)

Real GDP Growth

IIP (%)

FII vs. MF (Rs cr)

RBI Monetary Data

---

Loss in sugar ICE.
Weakening of Brazilian real boosted sugar exports from Brazil which resulted in excess supply and kept the prices under pressure in international market.

Loss in CBOT Soymeal.
Surplus supply in the international market due to rise in crushing activity along with ongoing harvesting season in Argentina and Brazil.

All figures as on March 24, 2015
### 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>
</tr>
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<tbody>
<tr>
<td>Franklin (I) Smaller Cos (G)</td>
<td>38.06</td>
<td>81.0</td>
<td>56.4</td>
<td>41.9</td>
</tr>
<tr>
<td>ICICI Pru Exp &amp; Other Services-RP (G)</td>
<td>44.97</td>
<td>59.0</td>
<td>52.9</td>
<td>40.1</td>
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<tr>
<td>SBI Magnum Midcap Fund (G)</td>
<td>56.21</td>
<td>65.5</td>
<td>51.8</td>
<td>38.2</td>
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<tr>
<td>Reliance Small Cap Fund (G)</td>
<td>23.50</td>
<td>81.3</td>
<td>59.9</td>
<td>37.9</td>
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<tr>
<td>UTI Mid Cap (G)</td>
<td>77.52</td>
<td>78.5</td>
<td>58.6</td>
<td>37.7</td>
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<tr>
<td>DSP-BR Micro Cap Fund - RP (G)</td>
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<td>94.6</td>
<td>61.7</td>
<td>37.5</td>
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<tr>
<td>Miraé Emerging Bluechip Fund (G)</td>
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<td>75.9</td>
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<td>JPMorgan (I) Smaller Co. (G)</td>
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<td>86.1</td>
<td>52.1</td>
<td>37.2</td>
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<tr>
<td>Franklin Build India Fund (G)</td>
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<td>87.7</td>
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<td>36.9</td>
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<td>Principal Emerging Bluechip (G)</td>
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<td>73.7</td>
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<td>Can Robeco Emerg-Equities (G)</td>
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<td>89.0</td>
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<td>Franklin India Prima Fund (G)</td>
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<td>Franklin High Growth Cos (G)</td>
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<td>Sundaram SMILE Fund (G)</td>
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<td>110.4</td>
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<td>Religare Invesco Mid N SmallCap (G)</td>
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<td>72.0</td>
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<td>Tata Mid Cap Growth Fund (G)</td>
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<td>86.1</td>
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<td>ICICI Pru Value Discovery Fund (G)</td>
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<td>Birla SL Pure Value Fund (G)</td>
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<td>SBI Magnum Global Fund (G)</td>
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<td>Reliance Mid &amp; Small Cap Fund (G)</td>
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<td>ICICI Pru MidCap Fund (G)</td>
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<td>Sundaram Select Midcap - RP (G)</td>
<td>324.22</td>
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#### ELSS

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<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
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</thead>
<tbody>
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<td>Axis Long Term Equity Fund (G)</td>
<td>31.28</td>
<td>65.4</td>
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<td>ICICI Pru RIGHT Fund (G)</td>
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<td>Reliance Tax Saver (ELSS) (G)</td>
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<td>SBI Tax Advantage Sr-2 (G)</td>
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<td>Birla SL Tax Relief 96 (G)</td>
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<td>Birla Sun Life Tax Plan (G)</td>
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<td>BNP Paribas Long Term Equity (G)</td>
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<td>Franklin India Tax Shield (G)</td>
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<td>ICICI Pru Tax Plan (G)</td>
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<td>SBI Magnum Tax Gain (G)</td>
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<td>HSBC Tax Saver Equity Fund (G)</td>
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<td>IDFC Tax Saver Fund (G)</td>
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<td>LIC NOMURA Tax Plan (G)</td>
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<td>Edelweiss ELSS Fund (G)</td>
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<td>24.1</td>
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#### Equity (Banking)

<table>
<thead>
<tr>
<th>Mutual Fund Scheme</th>
<th>NAV</th>
<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI Pru Bkg &amp; Fin Serv-RP(G)</td>
<td>36.64</td>
<td>59.7</td>
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<tr>
<td>Reliance Banking Fund (G)</td>
<td>177.31</td>
<td>57.2</td>
<td>30.5</td>
<td>23.7</td>
</tr>
<tr>
<td>Religare Invesco Banking - RP (G)</td>
<td>34.99</td>
<td>51.3</td>
<td>29.0</td>
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<tr>
<td>UTI Banking Sector (G)</td>
<td>66.42</td>
<td>45.0</td>
<td>25.1</td>
<td>19.2</td>
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<tr>
<td>Sahara Bkg &amp; Fin. Services (G)</td>
<td>45.63</td>
<td>43.1</td>
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<td>18.6</td>
</tr>
<tr>
<td>Sundaram Fin-Serv. Opp.-RP (G)</td>
<td>28.73</td>
<td>46.4</td>
<td>25.1</td>
<td>17.5</td>
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</table>

Source: moneycontrol.com; Note: All returns are annualized and expressed in percentage; all NAVs as on March 24, 2015
## Performance of Mutual Funds

### Equity (FMCG)

<table>
<thead>
<tr>
<th>Mutual Fund Scheme</th>
<th>NAV</th>
<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI Pru FMCG Fund (G)</td>
<td>156.35</td>
<td>26.4</td>
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### Miscellaneous

<table>
<thead>
<tr>
<th>Mutual Fund Scheme</th>
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<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>UTI Transport &amp; Logistics (G)</td>
<td>84.08</td>
<td>83.3</td>
<td>71.3</td>
<td>43.8</td>
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<tr>
<td>Birla Sun Life Buy India (G)</td>
<td>92.54</td>
<td>72.3</td>
<td>45.3</td>
<td>34.1</td>
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<tr>
<td>Reliance Media &amp; Entertain (G)</td>
<td>51.59</td>
<td>28.6</td>
<td>20.2</td>
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<td>JM Basic Fund (G)</td>
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<td>53.6</td>
<td>32.4</td>
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<tr>
<td>Religare Invesco PSU Equity (G)</td>
<td>13.39</td>
<td>44.3</td>
<td>19.9</td>
<td>11.7</td>
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<td>Reliance Diver. Power - RP (G)</td>
<td>74.04</td>
<td>43.5</td>
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<tr>
<td>UTI Energy Fund (G)</td>
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<td>9.2</td>
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### Equity (Tech)

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<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
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<tr>
<td>ICICI Pru Tech. Fund (G)</td>
<td>40.78</td>
<td>33.7</td>
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<tr>
<td>Birla SL New Millennium (G)</td>
<td>35.22</td>
<td>32.7</td>
<td>33.3</td>
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<td>Franklin Infotech Fund (G)</td>
<td>117.98</td>
<td>30.7</td>
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<td>DSP-BR Technology.Com -RP (G)</td>
<td>52.68</td>
<td>31.2</td>
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### Equity (Pharma)

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<tr>
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<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
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</thead>
<tbody>
<tr>
<td>SBI Pharma Fund (G)</td>
<td>138.30</td>
<td>72.1</td>
<td>54.6</td>
<td>44.0</td>
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<td>Reliance Pharma Fund (G)</td>
<td>137.89</td>
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<td>46.5</td>
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<td>UTI Pharma &amp; Health (G)</td>
<td>99.04</td>
<td>64.5</td>
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### Balanced

<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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</thead>
<tbody>
<tr>
<td>Tata Balanced Fund (G)</td>
<td>170.53</td>
<td>55.6</td>
<td>35.5</td>
<td>27.0</td>
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<tr>
<td>SBI Magnum Balanced Fund (G)</td>
<td>94.30</td>
<td>44.3</td>
<td>31.9</td>
<td>26.5</td>
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<tr>
<td>L&amp;T India Equity &amp; Gold Fund (G)</td>
<td>20.24</td>
<td>51.8</td>
<td>34.6</td>
<td>25.2</td>
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<tr>
<td>L&amp;T India Prudence Fund (G)</td>
<td>19.22</td>
<td>47.9</td>
<td>33.6</td>
<td>25.0</td>
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<tr>
<td>ICICI Pru Balanced Fund (G)</td>
<td>91.33</td>
<td>40.7</td>
<td>30.0</td>
<td>24.0</td>
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<tr>
<td>HDFC Childrens Gift (Inv)</td>
<td>83.19</td>
<td>38.9</td>
<td>31.5</td>
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<td>Franklin India Balanced Fund (G)</td>
<td>89.92</td>
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<td>Birla Sun Life 95 Fund (G)</td>
<td>559.28</td>
<td>45.0</td>
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<td>23.0</td>
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<tr>
<td>HDFC Balanced Fund (G)</td>
<td>107.01</td>
<td>47.2</td>
<td>33.4</td>
<td>22.9</td>
</tr>
<tr>
<td>ICICI Pru CCP - Gift Plan</td>
<td>101.73</td>
<td>45.3</td>
<td>32.8</td>
<td>22.9</td>
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<tr>
<td>Reliance RSF - Balanced (G)</td>
<td>39.07</td>
<td>41.5</td>
<td>28.7</td>
<td>21.7</td>
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<tr>
<td>Can Robeco Balance (G)</td>
<td>110.75</td>
<td>44.7</td>
<td>28.5</td>
<td>21.5</td>
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<tr>
<td>HDFC Prudence Fund (G)</td>
<td>372.04</td>
<td>44.2</td>
<td>30.1</td>
<td>20.7</td>
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<tr>
<td>UTI CCP Advantage Fund (G)</td>
<td>27.14</td>
<td>45.1</td>
<td>29.1</td>
<td>20.6</td>
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<td>ICICI Pru Balanced Adv (G)</td>
<td>25.31</td>
<td>28.0</td>
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<td>20.5</td>
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### MIP

<table>
<thead>
<tr>
<th>Mutual Fund Scheme</th>
<th>NAV</th>
<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tata Balanced Fund - Direct (G)</td>
<td>172.93</td>
<td>56.4</td>
<td>36.4</td>
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<tr>
<td>Tata Balanced Fund (G)</td>
<td>170.53</td>
<td>55.6</td>
<td>35.5</td>
<td>27.0</td>
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<tr>
<td>L&amp;T India Equity &amp; Gold -D (G)</td>
<td>20.62</td>
<td>53.1</td>
<td>35.8</td>
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<td>L&amp;T India Equity and Gold (G)</td>
<td>20.24</td>
<td>51.8</td>
<td>34.6</td>
<td>25.2</td>
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<td>L&amp;T India Prudence Fund -D (G)</td>
<td>19.61</td>
<td>49.3</td>
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<td>Escorts Balanced Fund - D (G)</td>
<td>101.41</td>
<td>48.9</td>
<td>35.6</td>
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<td>Escorts Balanced Fund (G)</td>
<td>101.00</td>
<td>48.3</td>
<td>35.3</td>
<td>19.1</td>
</tr>
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<td>HDFC Balanced Fund - Direct (G)</td>
<td>108.48</td>
<td>48.3</td>
<td>34.3</td>
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<tr>
<td>L&amp;T India Prudence Fund (G)</td>
<td>19.22</td>
<td>47.9</td>
<td>33.6</td>
<td>25.0</td>
</tr>
<tr>
<td>HDFC Balanced Fund (G)</td>
<td>107.01</td>
<td>47.2</td>
<td>33.4</td>
<td>22.9</td>
</tr>
<tr>
<td>Franklin India Balanced -DP (G)</td>
<td>91.13</td>
<td>46.7</td>
<td>31.8</td>
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<tr>
<td>Birla SL 95 Fund -Direct (G)</td>
<td>569.33</td>
<td>46.5</td>
<td>31.5</td>
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<tr>
<td>ICICI Pru CCP - Gift Plan -Direct</td>
<td>103.24</td>
<td>46.3</td>
<td>33.7</td>
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<tr>
<td>DSP-BR Balanced -Direct (G)</td>
<td>107.69</td>
<td>46.2</td>
<td>27.2</td>
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<tr>
<td>UTI CCP Advant Fund - Direct (G)</td>
<td>27.42</td>
<td>45.8</td>
<td>29.7</td>
<td>--</td>
</tr>
</tbody>
</table>

**Source:** moneycontrol.com; **Note:** All returns are annualized and expressed in percentage; all NAVs as on March 24, 2015
Reliance Tax Saver (ELSS) Fund (G)

Fund Objective/Mission
To generate long-term capital appreciation from a portfolio that is invested predominantly in equity and equity related instruments.

Fund House Details
AMC Name: Reliance
Website: www.reliancemutual.com

Financial Details
AUM As On (February 28, 2015) 4331.51
NAV As On (March 24, 2015) 47.75
Min Investment (in Rs.)
Lumpsum 500
SIP 500
NAV (52WeekHigh)(March 03, 2015) 51.04
NAV (52WeekLow)(March 24, 2014) 27.25

Investment Information
<table>
<thead>
<tr>
<th>Scheme Information</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheme</td>
<td>Open ended scheme</td>
</tr>
<tr>
<td>Launch Date</td>
<td>September 21, 2005</td>
</tr>
<tr>
<td>Fund Manager</td>
<td>Ashwani Kumar</td>
</tr>
<tr>
<td>Bench Mark</td>
<td>S&amp;P BSE 100</td>
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<tr>
<td>Max.Entry Load(%)</td>
<td></td>
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<tr>
<td>Max.Exit Load(%)</td>
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</table>

Top 10 Companies

<table>
<thead>
<tr>
<th>Name</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TVS Motor Company</td>
<td>9.8</td>
</tr>
<tr>
<td>State Bank Of India</td>
<td>5.7</td>
</tr>
<tr>
<td>Honeywell Automation India</td>
<td>4.0</td>
</tr>
<tr>
<td>Tata Steel</td>
<td>3.9</td>
</tr>
<tr>
<td>Siemens</td>
<td>3.7</td>
</tr>
<tr>
<td>Bharat Heavy Electricals</td>
<td>3.6</td>
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<tr>
<td>ACC</td>
<td>3.5</td>
</tr>
<tr>
<td>Bharat Forge</td>
<td>3.1</td>
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<tr>
<td>Jet Airways</td>
<td>3.1</td>
</tr>
<tr>
<td>Federal-Mogul Goetze (India)</td>
<td>3.1</td>
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</table>

Top 10 Sector Wise Holding

<table>
<thead>
<tr>
<th>Industry Name</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Equipment</td>
<td>14.6</td>
</tr>
<tr>
<td>Automobile Two &amp; Three Wheelers</td>
<td>9.8</td>
</tr>
<tr>
<td>Auto Ancillary</td>
<td>7.3</td>
</tr>
<tr>
<td>Steel/Sponge Iron/Pig Iron</td>
<td>6.7</td>
</tr>
<tr>
<td>Bank - Public</td>
<td>6.6</td>
</tr>
<tr>
<td>Cement &amp; Construction Materials</td>
<td>4.9</td>
</tr>
<tr>
<td>Castings/Forgings</td>
<td>4.6</td>
</tr>
<tr>
<td>IT - Software</td>
<td>4.1</td>
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<tr>
<td>Electronics - Components</td>
<td>4.0</td>
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<tr>
<td>Bank - Private</td>
<td>3.6</td>
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</table>

5 Years History

<table>
<thead>
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<th></th>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>NAV in ₹ (as on 31st March)</td>
<td>47.75</td>
<td>28.60</td>
<td>21.42</td>
<td>21.30</td>
<td>21.13</td>
</tr>
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<td>Net Assets (₹ Crores. (as on 31st March)</td>
<td>4332</td>
<td>2208</td>
<td>1875</td>
<td>1973</td>
<td>2071</td>
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<td>Returns(%)</td>
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<td>32.58</td>
<td>-0.43</td>
<td>0.64</td>
<td>11.87</td>
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<tr>
<td>CNX NIFTY Returns(%)</td>
<td>27.11</td>
<td>17.53</td>
<td>6.86</td>
<td>-9.11</td>
<td>10.27</td>
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<tr>
<td>Category Rank</td>
<td>2/(53)</td>
<td>2/(52)</td>
<td>45/(49)</td>
<td>5/(48)</td>
<td>10/(46)</td>
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</table>

Latest As on 24 March, 15

SIP Details: Invested Rs 5000 Every Month

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<tr>
<th>Period</th>
<th>Total Invest (₹)</th>
<th>Scheme (₹)</th>
<th>Bench mark</th>
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<td>60,000</td>
<td>76,792</td>
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<td>3 Years</td>
<td>1,80,000</td>
<td>3,44,427</td>
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<tr>
<td>5 Years</td>
<td>3,00,000</td>
<td>6,40,618</td>
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<td>10 Years</td>
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<td>NA</td>
<td>NA</td>
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Volatility Measures

<table>
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<tr>
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<th>Fama</th>
<th>Beta</th>
<th>Std Dev</th>
<th>Sharpe</th>
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<tr>
<td></td>
<td>0.16</td>
<td>0.99</td>
<td>1.10</td>
<td>0.20</td>
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</table>

Source: ACEMF
**HDFC Balanced Fund (G)**

**Fund Objective/Mission**
The primary objective of the Scheme is to generate capital appreciation along with current income from a combined portfolio of equity & equity related and debt & money market instruments.

**Fund House Details**
AMC Name: HDFC
Website: www.hdfcfund.com

**Financial Details**
- **AUM As On (February 28, 2015)**: 3458.58
- **NAV As On (March 24, 2015)**: 107.00
- **Min Investment (in Rs.)**: Lumpsum 5000

**NAV (52WeekHigh)(March 03, 2015)**: 110.83
**NAV (52WeekLow)(March 24, 2014)**: 72.70

**Investment Information**
<table>
<thead>
<tr>
<th>Scheme</th>
<th>Open ended scheme</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>Fund Manager</td>
<td>Chirag Setalvad</td>
</tr>
<tr>
<td>Bench Mark</td>
<td>Crisil Balanced Fund Index</td>
</tr>
<tr>
<td>Max.Entry Load(%)</td>
<td></td>
</tr>
<tr>
<td>Max.Exit Load(%)</td>
<td></td>
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</tbody>
</table>

**Top 10 Companies**
<table>
<thead>
<tr>
<th>Name</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>08.30% GOI 2040</td>
<td>5.0</td>
</tr>
<tr>
<td>08.28% GOI - 21-Sep-2027</td>
<td>4.5</td>
</tr>
<tr>
<td>State Bank Of India</td>
<td>3.9</td>
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<tr>
<td>Infosys</td>
<td>3.9</td>
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<tr>
<td>HDFC Bank</td>
<td>3.7</td>
</tr>
<tr>
<td>Larsen &amp; Toubro</td>
<td>3.6</td>
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<tr>
<td>08.32% GOI 2032</td>
<td>3.2</td>
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<td>Reliance Industries</td>
<td>3.2</td>
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<td>ICICI Bank</td>
<td>3.0</td>
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<tr>
<td>Axis Bank</td>
<td>2.8</td>
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</table>

**Top 10 Sector Wise Holding**
<table>
<thead>
<tr>
<th>Industry Name</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>19.0</td>
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<tr>
<td>Bank - Private</td>
<td>10.8</td>
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<tr>
<td>IT - Software</td>
<td>9.4</td>
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<tr>
<td>Bank - Public</td>
<td>8.7</td>
</tr>
<tr>
<td>Pharmaceuticals &amp; Drugs</td>
<td>6.8</td>
</tr>
<tr>
<td>Unspecified</td>
<td>5.5</td>
</tr>
<tr>
<td>Engineering - Construction</td>
<td>5.1</td>
</tr>
<tr>
<td>Refineries</td>
<td>3.2</td>
</tr>
<tr>
<td>Auto Ancillary</td>
<td>2.7</td>
</tr>
<tr>
<td>Pesticides &amp; Agrochemicals</td>
<td>2.5</td>
</tr>
</tbody>
</table>

**5 Years History**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>NAV in ₹ (as on 31st March)</td>
<td>107.01</td>
<td>74.11</td>
<td>60.64</td>
<td>58.45</td>
<td>54.83</td>
</tr>
<tr>
<td>Net Assets (₹ Crores.) (as on 31st March)</td>
<td>3459</td>
<td>1293</td>
<td>1113</td>
<td>577</td>
<td>245</td>
</tr>
<tr>
<td>Returns(%)</td>
<td>44.09</td>
<td>21.74</td>
<td>3.30</td>
<td>6.13</td>
<td>15.31</td>
</tr>
<tr>
<td>CNX NIFTY Returns(%)</td>
<td>27.11</td>
<td>17.53</td>
<td>6.86</td>
<td>-9.11</td>
<td>10.27</td>
</tr>
<tr>
<td>Category Rank</td>
<td>3(201)</td>
<td>5/(147)</td>
<td>69/(84)</td>
<td>17/(59)</td>
<td>3/(47)</td>
</tr>
</tbody>
</table>

Latest As on 24 March, 15 Source: ACEMF
Of Agreements and Contracts

For entrepreneurs, the knowledge of the laws of contracts is vital. Here’s a primer By MM Ali

In the article titled “Of Agreements and Contracts” of January 2015 issue of Finapolis, we have observed that an agreement comes into existence when one party makes a proposal or offer to the other party and that other party gives his acceptance thereto. It is obvious that both the parties must agree on the same thing in the same sense. In other words, there should be a meeting of minds which is termed as consensus ad idem.

In the same article we had seen that an agreement is a very wide term and it is only those agreements which are enforceable in a Court of Law are contracts. Thus all contracts are agreements but all agreements are not necessarily contracts. According to Section 10 of the Indian Contract Act 1872, “All agreements are contracts if they are made by free consent of parties competent to contract, for a lawful consideration and with lawful object, and not hereby declared to be void.” Let us now review all the conditions outlined in Section 10 of the Indian Contract Act which are required to make an Agreement to be considered as a Contract enforceable by law.

Free Consent
Consent means acquiescence or an act of assenting to an offer. According to Section 13 of the Indian Contract Act 1872, “two or more persons are said to be consented when they agree upon the same thing in the same sense.” Unless and until the parties are at “ad idem” there is no contract. The Raffles v Wichelhaus (1864) popularly known the “Peerless” case, is often cited to illustrate this principle. The Claimant entered into a contract with the Defendant to sell 125 bales of Surat cotton arriving in Liverpool by ship “Peerless” from Bombay. It so happened that there were two British ships named Peerless arriving in Liverpool from Bombay, one departing in October and another departing in December. The defendant thought the contract was for cotton on the October ship while the claimant thought the contract was for the cotton on the December ship. When the December Peerless arrived, the claimant tried to deliver it, however the defendant repudiated the agreement, saying that their contract was for the cotton on the October Peerless.

The claimant sued for breach of contract. The Court could not determine which ship named “Peerless” was intended in the contract and held that since there was no consensus ad idem between the two parties, there was no legally binding contract between them.

Section 14 of the Indian Contract states that consent is not free if it is caused by (a) coercion (b) undue influence (c) fraud (d) misrepresentation (e) mistake.

When a party is compelled to enter into a contract by use of force by the other party or under threat, ‘coercion’ is said to be employed. Coercion includes fear, physical compulsion and menace to goods, employed with the intention of forcing any person to enter into an agreement. In the case of Chickam Amiraju v Seshamma, a person held out a threat of committing suicide to his wife and son, if they did not execute a release in favour of his brother in respect of certain properties. The release deed was duly executed. On appeal, it was held that the threat of suicide by the husband amounted to coercion and therefore the release deed was void.

Under section 16(1) of the Indian Contract Act, a contract is said to be induced by ‘undue influence’ where the relations subsisting between the parties are such that one of the parties is in a position to dominate the will of the other and uses his position to obtain an unfair advantage over the other. In the case of Mannu Singh v Umadat Pandey, a spiritual guru induced his devotee to gift him the whole of his property in return of a promise of salvation of the devotee. The Court held that the consent of devotee was given under undue influence.
In the case of *Niko Devi v Kripa* a minor female child, who had lost her parents was living with her cousin brother. A deed was executed by her in favour of her cousin brother. The Court held that this was done under undue influence.

Undue influence is considered as moral coercion. Halesbury has defined undue influence as “the unconscientious use by one person of power possessed by him over another in order to induce the other party to enter into a contract.”

**Parties Competent To Contract**

The parties to an agreement must be competent to contract otherwise it cannot be enforced by a court of law. According to Section 11 of the Indian Contract Act, every person is free to contract who is (a) of the age of majority, (b) of sound mind and (c) is not disqualified from contracting by any law to which he is subject.

According to Indian Law, a minor is a person who has not completed the age of 18 years and the age of minority extends to 21 years if a guardian of minor’s person or property is appointed under the Guardians and Wards Act, 1890. A contract entered into with a minor is void, except in some special cases e.g., in cases of necessaries supplied to a minor, in which case the Supplier of goods is entitled to be reimbursed from the estate.
The principle of an agreement with or by a minor being void is well illustrated by the case of Mohrit Bibi v Dharmodas Ghose. In this case a minor mortgaged his house to a money lender to secure a loan of Rs 20,000. Out of this, the money lender paid him Rs 8000. Subsequently the minor sued for setting aside the mortgage claiming that he was underage when he signed the mortgage deed. It was held that the mortgage was void and therefore cancelled. Further the money lender’s plea that the advance of Rs 8000 should be returned to him was also rejected! The law thus aims to protect minors against their own inexperience and against the possible improper design of those who are more experienced.

It is often stated in this regards that for minors, “Judges are their Counselors, the Jury their Servants and Law is their Guardian.”

**Lawful Consideration**

Consideration is one of the most essential elements for formation of a contract. Consideration means something in return. An agreement is enforceable when each of the parties to it gives something and also gets something in return. In effect, consideration is the price paid by one party for the promise of the of the other party. Though payment of money is the most common form of consideration, it may also consist of an act, forbearance and a promise to do or not to do something. In other words, ‘a contract without consideration is void.’ Consideration must be real, valuable and lawful.

The underlying principle of ‘Consideration’ is well illustrated in the case of Abdul Aziz v Masum Ali. The Secretary of the Mosque Committee filed a suit to enforce the promise which the promisor had made to subscribe Rs 500 to the rebuilding of the mosque. It was ruled that “the promise was not enforceable because there was no consideration in the sense of benefit”, as “the person who made the promise gained nothing in return for the promise made” and the Secretary of the Mosque Committee to whom the promise was made, suffered no detriment as nothing had been done to carry out the repairs.” Hence the suit was dismissed.

**Lawful Object**

A contract must not only be based on mutual assent of competent parties but must also have a lawful object as outlined in Section 23 of the Indian Contract Act. It should be authorized or sanctioned by law. The object of an agreement is unlawful if it is forbidden by law or it is fraudulent or is immoral or opposed to public policy, or involves or implies injury to a person or property of another. The following case laws will illustrate some of these points:

**Sections 24-30 of the Act specify such agreements which have been declared to be void and these include agreements in restraint of marriage, agreement in restraint of trade, and an agreement related to wager**

- In Gherial Parakh v Mahadeo Dass, an agreement between some persons to purchase shares in a company, and thus by fraud and deceit to lure other persons in erroneously believing that there was genuinely market for the shares, was void.
- In Bawijli v Nansa Nagar, a married woman was given money to obtain divorce from her husband and marry the lender. The agreement was held to be immoral and void.

**AGREEMENT NOT EXPRESSLY DECLARED VOID.** The Indian Contract Act 1872 has expressly declared certain agreements to be not enforceable at law. Sections 24-30 of the Act specify such agreements which have been declared to be void and these include agreements in restraint of marriage, agreement in restraint of trade, and an agreement related to wager. Section 29 also states that Agreements, the “meaning of which is not certain, are capable of being made certain, are void.”

**Related Illustrative Cases Are:**

- **Madhub Chander v Raj Coomar.** In this case both the plaintiff and defendant were running the same type of business in the same locality. The defendant faced with business losses, requested the plaintiff to close his business against payment of certain amount of money. Subsequently the defendant failed to pay the promised and the plaintiff sued him accordingly. The Court dismissed the plaintiff’s claim on the ground that the agreement was in restraint of trade.
- **Krihna Murgani v Superintendent Company of India, Pvt Lt.** The Contract of Employment stated that the employee should not join any firm of competitors of his employer in Delhi or run a similar business of his own after his employment ceased. In this case, the employee’s services were terminated after seven years. He then set up in Delhi his own business, similar to that of his former employer’s. It was held that such a restraint on trade after the Contract of Employment ceased is void.

**Possibility Of Performance**

An essential feature of Contract is that it must be capable of performance. Section 56 states that “An Agreement to do an act impossible in itself void”. It must be emphasized that the impossibility contemplated under Section 56 of the Act is not confined to something which is not humanly impossible. If the performance of a contract becomes impracticable or useless having regard to the object and purpose the parties had in view then it must be held that the performance of contract has become impossible.

**Writing And Registration**

According to the Indian Contract Act, a contract may be oral or in writing. An oral contract is as much enforceable as a written contract. However, if there is a provision in any law specifying that the contract should be in written form and registered, than this formality has to be observed.
Karvy Financial Services Limited (KFSL), established in 2009-10 during the challenging times of the global financial crisis, is focused on providing secured business loans to Micro and Small businesses across India. KFSL has built a neighbourhood lending ‘customer centricity’ led business model, with robust risk assessment processes delivering superior value to its customer segments. With a young team and in less than 5 years of existence, KFSL has grown to a loan book size of $ 357 million with a network of 74 branches across 40 locations in India. The company has been profitable since inception and achieving high returns & ROEs.

India has 58 million micro and small enterprises with 240 million people employed. This segment contributes 45% of India’s GDP and has immense potential to provide employment to masses. However, only 4% of the financial needs of the sector are currently met by the banking sector with 90% of sector having no access to formal finance. India has only 15% Debt to GDP ratio in the non-corporate, non-government segment with immense room to grow to finance future growth.

The Government of India with its ‘financial inclusion’ initiatives has identified this huge problem and trying to address the same with various programs to create much needed jobs and boost the overall economy.

KFSL is a step in the same direction. KFSL’s constant endeavour has been to serve the underserved customer. KFSL has helped its micro & small business customers realize their dreams by providing them much needed capital to grow and expand their businesses. KFSL is committed to be an organization that focuses on quality, innovation and long lasting superior relationship with its customers.

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Write in to feedback@thefinapolis.com

Dear Sir,
I am a 33 year old salaried employee. I have been reading in the newspaper about how the stock market will be achieving record levels in few years. I have never invested in the market. Please guide me as to how I can begin. Also, is it important to join any workshop before start investing in stock market?

- Sunny R Narang, Surat

Dear Sunny,
Stock markets are a great way to build wealth in the long run. However, there is extreme fluctuation in the short run. Most people sell and come out of the stock markets when they see this fluctuation, resulting in loss of investment or depreciation of capital. There is certainly hope that the Modi Government will do the right things about economy and we may well see the mother of all bull-runs. It all depends on how the Government tackles inherent problems in Indian economy and politics.

To enter stock market, start with mutual funds. Start a systematic investment plan (SIP) in mutual funds. Since you are only 33 you can go for equity mutual funds. There are many blue chip equity funds offered by HDFC, Birla Sun life, Reliance and many other fund houses.

Once you gain some knowledge, you can start with stock market and consider investing directly in equity or company shares. But, patience and a long term goal are essentials for stock market success.

- Sunny R Narang, Surat

Dear Sir,
I am earning Rs 37000 monthly and living in a rented accommodation for which I pay Rs 7,500 monthly. I will be getting married in few months because of which I want to buy a house. Please let me know how much loan I am eligible for. My friend told me that the bank will only finance 80% of the total amount. Is it possible that the rest of the 20% can be financed through a personal loan?

- Deepak Ahuja, Pune

Dear Deepak,
Banks and housing loan companies consider your monthly income before deciding upon the loan amount. Usually, the EMI should not exceed 40% to 60% of your monthly income. This is not a hard figure though. Hence in your case, the eligibility may be for 10 to 20 Lakh. Please do visit a bank to find out the exact amount. It depends on banks’ internal criteria.

Financing your home purchase through a personal loan is a bad idea. Personal loans attract very high interest rates. This will be counter-productive. Rather, arrange the remaining amount from family sources, if possible.

- Deepak Ahuja, Pune

Dear Sir,
I have never used a credit card nor have I ever opted for loan. Now I want to buy a car, for which I will require a loan of around Rs 4,00,000. My
monthly salary is gross Rs 65,000. I have heard that banks look at CIBIL score before approving a loan amount. Kindly let me know how my CIBIL score will be measured since I have never opted for any credit facility from a bank.

- Ruchika Dhawan, Baroda

Dear Ruchika,
CIBIL score is just a parameter. A bad CIBIL score is a bad thing but not having CIBIL score is not. Apart from CIBIL score, banks also look at your monthly income and paying capacity. Moreover, if you are taking loan from a bank where you maintain your account, it will be even easier because you already have a history with the bank.

Even otherwise, this will not be a problem in your case since your income is sufficient enough for this amount of loan.

- Fenil Naik, Sikkim

Dear Sir,
I have not been employed since last four months and hence I would want to withdraw my PF. However, someone has advised me to do it only in FY2015-16 to save taxes. Please guide if that is indeed the case. Is it fine if I withdraw my PF in the month of April? Do I have to pay any taxes? And please tell me if my previous company will only give me the amount or I have to visit the PF office for the same.

- Hanwant Purichit, Rajasthan

Dear Hanwant,
Stock market requires knowledge and patience (more of patience because knowledge can be gained by experience). I would suggest you go for major part in mutual fund through SIP and a small part in stock, if you are really keen on knowing how market works.

Instead of RD, I would suggest you go for PPF. PPF is much better in terms of returns.

Divide your money into 3 parts: Rs 12000, Rs 8000, Rs 5000. Invest Rs 12000 in equity mutual fund. Please do understand that equity mutual funds perform very well in long run but fluctuate widely in short run. If you have patience to remain invested for next 5-10 years, go for it.

Open a PPF account in any bank and deposit Rs 8000 every month.

You can invest Rs 5,000 in blue chip stocks.

Remember that equity investment (through stock or mutual funds) is risky because the returns depend on market sentiments and company’s performance. Neither is in your hands.

- Raj Vikas Joshi, Mumbai

Dear Raj,
In two years, you need to make about 5 Lakh to buy a car and about 2 Lakh (assuming this is what you mean by saving “some money”). It boils down to making 7 Lakh in 2 years. Even if you invest all your salary; there is no planned investment that can give you such returns, except luck. Depending on luck will be risky as you may lose all your money too.

Here is what you can do. Invest about Rs 5,000 through SIP (Systematic Investment Plan) in a balanced mutual fund, which is essentially a combination of equity and debt). In 2 years, you should have about 1.5 Lakh. If you invest 10,000 per month, the sum can go up to 3 Lakh (or even more if economy improves).

After 2 years, make a car loan down-payment of about 1.5 lakh and purchase the car you want to gift. The remaining 1.5 Lakh can be maintained in the same mutual fund investment depending on whether you need that money. This will grow into the savings that you want to build for the future.

You can easily continue investing in the mutual fund as well as pay the car loan EMI because your salary would have increased after 2 years.
Listening to experts talking on TV about containing Fiscal Deficit has become a ritual for many. Here we simplify the term for you and explain as to how it affects your life.

Fiscal Deficit! Many of you must have heard this terminology in the run up to the Union Budget. Rating agencies talked about containing it. Market experts suggested moderating it. Even the Finance Minister threw light on his grand plans for reducing the Fiscal Deficit.

Have you ever wondered what difference a high or a reduced Fiscal Deficit can make to your life? Or does it even relevant to your finances at all?

To begin with, let us first understand what the Fiscal Deficit means. In a layman’s terminology, Fiscal Deficit is basically when the total budgetary expenditure by the government exceeds the total revenue receipts (excluding the borrowings from financial institutions). In order to meet the deficit, government either borrows from the internal sources (public, commercial banks etc.) or the external sources (foreign governments, international organisations etc.). The other option for the government is to opt for Deficit Financing which essentially means printing of new currency notes by the RBI.

Now the question is how a common man’s life is affected by the raging Fiscal Deficit?

First thing first, if the government does not have sufficient revenue sources then it will refrain from spending on welfare schemes. As a result, subsidies on essential items such as fertilizers, petrol, diesel, LPG will be reduced. This directly impacts your household budgets. Social services such as Education, healthcare will also suffer.

In a layman’s terminology, Fiscal Deficit is when the total budgetary expenditure by the government exceeds the total revenue receipts

The government will also be forced on spending less on infrastructure and other public sectors, thereby limiting the economic growth as well as job creations. Taxes (both direct and indirect) will have to be increased and the exemptions will be far and fewer.

In extreme circumstances, the government can ask the RBI to print new currency to meet the deficit requirements, which could increase the money supply in the market and create inflationary pressure. This leads to hike in interest rates and thereby suffocating credit supply in the market.

For corporate sector, this can have a dampening impact in terms of expansion and further investments since the credit routes become highly expensive.

For individuals, loans (housing, auto, personal and so on) become expensive too and they have to shell out more in EMIs.

Since the government is forced to borrow from rest of the world, it raises its dependence on other countries resulting in frequent foreign interventions in domestic as well as foreign policies. Borrowings increase the financial burden for future generations as well. It adversely affects the future growth and development prospects of the country.

Surplus budgets have become a thing of the past long back. Now a days, budgets are invariably deficit ones and it is only a question of how much the deficit is and its rate of increase over the previous years. That’s why probably you will hear a lot more debates between RBI and government over 3.9% or 3.6%.

Sectors Taking A Hit Due To Increased Fiscal Deficit

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<th>Civil administration</th>
<th>Defence</th>
<th>Interest payments</th>
<th>Subsidies on food, fertilisers, oil</th>
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