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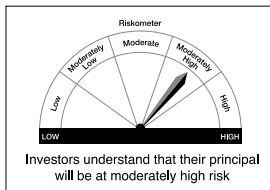
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The objective is to keep readers better informed and help them decide for themselves.



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Outlook

Anju Bobby George
Athlete



Mary Kom
Boxer



Jeje Lalpekhlua
Footballer



Bhaichung Bhutia
Footballer



Virender Sehwag
Cricketer



Sanjay Manjrekar
Cricketer



Rani Rampal
Hockey Player



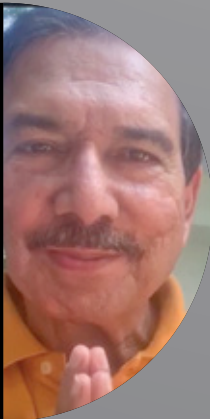
Mithali Raj
Cricketer



Pullela Gopichand
Badminton Player



Arun Lal
Cricketer



Harbhajan Singh
Cricketer



Mehrajuddin Wadoo
Footballer



TOGETHER IN SOCIAL DISTANCING

Firms Rejig On Liquidity Crisis



Rebuilding wealth wiped out in bouts of turbulence as markets see huge outflow

The second phase of the nationwide lockdown on account of the COVID-19 crisis has brought in more difficult times for investors. While the markets have behaved erratically leading to considerable loss of investor money, there has been a liquidity crisis in the market which is leading to many financial companies rethinking on their existing products and schemes.

Last week the biggest news that came in was that of Franklin Templeton, one of the earliest global financial companies to launch operations in India, to take the inevitable and unprecedented decision of closing down six of its high performing fixed income and credit risk funds in its India unit with a total AUM of over ₹30,000 crore. Ostensibly, the decision came in because of a lack of liquidity in the bond market. It is also true that India's debt market has been feeling the pinch ever since the COVID-19 pandemic started and created a liquidity crisis as people stayed home.

While this is the first big fund house to withdraw major schemes from the market, the move is certain to prompt other big fund houses to follow suit and withdraw schemes from the market because of lack of liquidity. Obviously, this will make matters worse and aggravate the situation as liquidity is not expected to improve in the market or at least until the lockdown is lifted and normalcy returns to the markets. This will considerably dent investor confidence and narrow down options for investors, especially in the debt market.

Most people are hoping that things will start getting normal from May-June, if, at all, the government lifts the lockdown and people start getting back to their regular routines. However, things are still grim on the COVID-19 front and it is highly possible that the lockdown will either get extended nationwide or at least in several pockets in various states, which means that things will not return to normal till coronavirus infection cases start going on a decline noticeably. So a realistic estimate would be to look at June-July for normalcy to return to the markets when,

hopefully, liquidity will start improving.

But thankfully, all is not lost at the stock markets at least. The markets have been behaving quite erratically of late, losing most of the time and experiencing moderate gains from time to time. Ever since the pandemic set in, the Sensex and the Nifty have dropped by an average of about 30 per cent, which, though a huge loss, is not the maximum Indian investors have seen. Experts feel that Indian investors, at least a large number of them, have seen larger losses when the Sensex had tanked by a larger amount. This includes the Harshad Mehta scam, the dot com bubble burst and the Ketan Parekh episodes when the markets had tanked by around 50 per cent. If the market had dropped by a similar amount now, the Sensex ideally should have come down to around the 17,000-18,000 level. The fact that the Sensex is still ruling at around 31,000 despite the repeated falls shows that the markets are still pretty resilient as compared to their historical past and can withstand these developments and pressures. If things proceed as expected, we should see the Sensex getting back to the 35,000-36,000 level by October.

The other good news is that Foreign Portfolio Investors who had exited the market couple of months ago, have started making inroads into the Indian markets again. This should give a booster shot to Indian investors and bring back investor confidence. As and when the government opens up various sectors and the lockdown is lifted gradually, the market is expected to become more resilient and bring in gains for investors.

The next few weeks would be defining for Indian investors and would determine how the markets behave and what happens to investors' money. The government has come out twice in the last one month to provide a booster package to lift sentiments. It is expected to further announce packages for investors and the economy which will bring in good tidings for all. In the meantime it would make sense to stay invested in the markets as profit booking in these times could bring in less than expected results. Please stay safe. ■



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COVID-19 Volatility For An MF Investor

I would like to compliment this cover story of Outlook Money for putting up such an important thought before the investors. Amid the pandemic, the investors are surely befuddled, and it is important to ingrain the concept of SIP and STP in such situations. Investors should understand that they must not stop the ongoing strategies as volatility is the best friend of these strategies in the long run.



Suvashree Majumdar, Kolkata



Importance Of Asset Allocation In The Turbulent Times

Kshitija's column on asset allocation and how it might help us sail through turbulent times is an interesting article.

Naresh Kumar, Mumbai

Time To Turn Wounds Into Wisdom

To remain invested is the need of the hour. The unstable environment might come as a shock, but one must keep calm and cut the expenses as much as possible, and increase the savings rate. I liked how this article explained the strategy by taking the example of 2008 crisis, where those who stayed invested gained in the long run.

Arun Jaiswal, Mumbai



Follow Guidelines, Ensure Safety

I have been following Outlook Money for several years now, and I am glad how this time they focused on the COVID-19 issue and answered the queries of the insurers regarding health and travel insurance.

Sarita Viswanath, Chennai

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Gaining An Institutional Face

I found this article on mutual funds very intriguing. How India has developed over the years under this category was very informative. I hope to read more of such articles.

Srijan Singh, Mumbai

Digitisation Can Improve Insurance Penetration

This article spoke what many of us feel nowadays with digitisation gradually becoming a necessity and a way of living a better life. It will surely make a better tomorrow. Coming to the insurance category, without any doubt digitisation has simplified it and brought significant efficiency into the insurance business.

Mahima Jain, New Delhi



Managing Portfolio During Volatility

This article has an interesting approach. When we are all grappling with such uncertainty, especially in the medical domain, it is important for all of us to relook at our portfolios and emergency funds. I liked how the author explained in a detailed stepwise pattern, and ended with an optimistic frame, and the key words being patience and discipline.

Sudip Kumar Mondal, Kolkata

Not A Comforting Message

I got to understand and learn a lot from Manish Tewari's speech in the Outlook Money Conclave. He has unveiled several factors which remain unnoticed, and the ramifications are not easily understood by the common people. I appreciate how he focused on the fall of private consumption, manufacturing growth and agricultural credit. As we all are aware of the unemployment reaching its peak, I had a great time reading about all other parameters that do not send a comforting message.

Kuheli Adhikari, Delhi

AT1 Bonds Write-Off Exposes Gaps

The article focusing on the Yes Bank crisis was very informative. Many depositors were baffled and had no access to information that was behind this decision. I would like to thank Outlook Money for highlighting this issue with sound investigative research.

Ashish Mishra, Bangalore



My Plan

With uncertainties all over the globe, it is profoundly important for all of us to take financial discipline seriously. This article is wonderfully weaved, giving us a picture of reality focusing on dedicated SIPs and health insurance covers to mitigate the risk of any future uncertainties. People have a hard time trying to figure out their financial roadmap, and to have a strong financial commitment. And it is absolutely necessary to start getting financial advice from an early age, so that down the line, we do not feel helpless.

Akash Gupta, Kolkata

COVID-19: Where Do We Go?

The article of Farzana Suri was full of positive notes especially when things are going downhill. I always look forward to articles like these, and hoping to see more.

Samayata Bhansali, Mumbai

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Various Pros And Cons Of Senior Citizen Saving Schemes



SWAPNIL BHANDARKAR

swapnil.bhandarkar@gmail.com

My mother is a 62 years old housewife. She has ₹10 lakh as savings which we want to invest with the intention to give her a monthly stable income. Which scheme would you recommend and what are the pros and cons of each scheme? The following schemes are Senior Citizen Savings Scheme, Systematic Withdrawal Plan, Annuity Plan from some insurance companies like Tata AIA or HDFC Life.

The Senior Citizen Saving Scheme (SCSS) comes with the highest safety with an interest rate of 8.6 per cent (January to March 2020). Investments are eligible for deductions under Section 80C limit. It gives a stable income in the form of interest and gets directly credited into the bank account of the depositor. SCSS comes with a fairly medium to long tenure of five years, extendable for another three years. It is advisable to be watchful on factors like interest, which is taxable and is paid quarterly. Given

your information, an investment limit of ₹15 lakh, might not be a concern. Premature withdrawals are permitted only after the first year but with penalties at the rate of 1.5 per cent before two years and

thereafter before maturity.

Systematic Withdrawal Plan (SWP) from mutual funds has the potential of higher returns and is a good choice for those investors with more risk appetite. SWP from a debt mutual fund can give a reasonable visibility of regular cashflows. Always choose the monthly withdrawal percentage a bit lesser than the expected yield to maturity. Accrual based funds are highly suggested for SWPs. As far as the taxation is concerned, gains on withdrawals up to three years would be as per the marginal tax slab of the individual.

Annuity plans come with the comfort of income stability but the returns are below average in most cases, hence could be preferred less.

Sriram B.K.R., Investment Strategist at Geojit Financial Services

M P SINGH, singh_mp65@rediffmail.com



I want to invest for 12 months in liquid funds instead of recurring deposits as I will be requiring funds after a year. I would like to know about the tax implication and which are the best liquid funds available?

Liquid funds come under the debt category. Gains realised within three years are considered as short-term and would be taxed as per the individual's marginal tax slab rates. Some names that you can consider are, Tata Liquid fund, Axis Liquid fund and Sundaram Money fund.

Sriram B.K.R., Investment Strategist at Geojit Financial Services

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SRIKANTH REDDY

srikanthr2908@gmail.com

I am an NRI and planning to invest for my child's education, who is right now four months old. I would like you to help me with the following queries. How much do I need to invest monthly or yearly to accumulate an amount of ₹35 lakh by the time my son turns 15 years? Do I need to pay a tax on ₹35 lakh? If yes, how much would it be?

We will be requiring a little more information on your risk appetite whether it is low, average or aggressive? If the corpus is for your child's education, we would like to know whether you are planning it in India or any other country? What type of instruments are you looking at?

With all the available information I would say that for reaching ₹35 lakh in 14.7 years, and assuming that you have a moderate risk; with investments in equity-oriented mutual funds, you need to invest ₹7,700 per month. I am also assuming your investments are growing at an expected rate of 12 per cent per annum. If you expect the investment to grow at 15 per cent per annum, then the investment could be around Rs 6,000 per month.

Yes. As per current tax laws, long term capital gains from equity-oriented investments (those held for more than 12 months) are taxed at the rate of 10 per cent on gains beyond ₹1 lakh per annum. If you are doing a systematic investment, then 12 months should be counted for each instalment (including the last one) for long-term.

Answering your third question, you need to reconsider the future amount if it is for higher education. The education inflation grows at higher teen digits and any lower assumption on base cost or on the inflation might end up creating a big shortfall.

Sriram B.K.R., Investment Strategist at Geojit Financial Services

SARABJEET SINGH

iamsarabjeetsingh@gmail.com

I am 32 years old and doing an investment in PPF of 1 lakh per annum (₹3 lakh till now), ₹50,000 per annum in NPS (₹50,000 till now), and ₹10,000 in ELSS (₹1 lakh till now). How much corpus I will accumulate and need to accumulate more to retire at the age of 60? What other investments can I do to accumulate good corpus for my child's education?

If your existing investments continue in the same pattern every year, it is expected to grow. In case of PPF it will grow to around ₹1.01 crore (at an expected rate of interest of 7.9 per cent per annum, throughout), each investment comes with a lock-in period of 15 years.

In case of NPS it will grow to around ₹74 lakh (at an expected CAGR of 10 per cent per annum). Investments come with a lock-in period till 60 years of age. In case of ELSS it will grow to around ₹3.5 crore (at an expected CAGR of 14 per cent per annum), each investment comes with a lock-in period of three years.

This sums it up to around ₹5.25 crore. We would strongly suggest you to start a separate SIP (systematic investment plan) for your child's future education in an equity mutual fund scheme. You can calculate taking some real-time costs and the inflationary trends to arrive at a ball-park figure, else please contact a financial advisor for assistance.

Sriram B.K.R., Investment Strategist at Geojit Financial Services



Ind-Ra Slashes Growth To 1.9 Per Cent For FY21

India Ratings and Research (Ind-Ra) has revised its FY21 gross domestic product (GDP) growth further down to 1.9 per cent from its earlier estimate of 3.6 per cent published on March 30, 2020. This will be the lowest GDP growth in the last 29 years and is based on the assumption that the partial lockdown will continue till mid-May 2020.

Ind-Ra's estimates suggested that GDP may come back to the 4QFY20 level only by 3QFY21, anticipating resumption of normal economic activities during 2QFY21 and festive demand during 3QFY21. However, if the lockdown continues beyond mid May 2020 (almost as anticipated) and a gradual recovery takes root only from end of June 2020, GDP growth may slip further to negative 2.1 per cent, lowest in the last 41 years. The Ind-Ra research report said the proactive intervention of the Reserve Bank of India (RBI) notwithstanding the spill over impact of COVID-19 has percolated into the financial markets as well, choking the credit channels and raising the risk aversion. The RBI announced its seventh bi-monthly Monetary Policy Statement of FY20 on March 27, 2020. Although the policy focused on (i) the repo rate by 75 basis points (bps), (ii) cutting the cash reserve ratio by 100 bps to three per cent, (iii) announcing targeted long-term repo operations Targeted Long-Term Repo Operations (TLTRO) worth ₹1 lakh crore, were primarily focused on easing the tight monetary conditions building up in the economy, the financial market reacted otherwise.

Ind-Ra's retail inflation estimate for FY21 is 3.6 per cent. Retail inflation had breached the RBI's upper bound of six per cent in December 2019 and peaked in January 2020, before the prices of vegetables, fruits and petroleum brought it down to 5.9 per cent in March 2020. As the threat to headline inflation has receded lately due to (i) adequate buffer stocks in cereals, (ii) good rabi harvest, (iii) record decline in global crude prices and (iv) low pricing power of firms, even the RBI now expects the retail inflation to fall to 2.7 per cent in 3QFY21 and 2.4 per cent in 4QFY21. ■

Aparajita Gupta

AMFI Urges Stockholders To Continue Investing

Nobody saw it coming. Yes. Franklin Templeton's decision to wrap up six of its major debt schemes on April 23, has created ripples in the world of finance. Post the event, the Association of Mutual Funds in India (AMFI), the industry's apex body is all set to extend support to lakhs to investors who are caught in a state of flux. In a statement issued, AMFI states, "A majority of income-oriented debt schemes have invested in superior credit quality securities and have appropriate liquidity to ensure normal operations. AMFI strongly recommends that investors continue to focus on their investment goals, consult financial advisors and not get side-tracked by an isolated event in a few schemes of a single fund company."

Commenting on the latest development of the asset management company, AMFI states that the action is limited to only six specific income-oriented debt schemes managed by Franklin Templeton.

Further, the Assets Under Management (AUM) of these six schemes constitute less than 1.4 per cent of the Indian Mutual Fund Industry's aggregate AUM as on March 31, 2020. In light of the above, sharing his views Nilesh Shah, Chairman, AMFI says, "The mutual funds industry remains fully committed to investor interests and there is no need for them to panic and redeem their investments. The industry continues to remain robust like in 2008 sub-prime crisis or 2013 taper tantrum crisis."

"Sebi regulations allow mutual funds schemes to borrow up to 20 per cent of their assets to meet liquidity needs for redemption or dividend pay-out." ■

Himali Patel



Graphics: Praveen Kumar.G

GOVT MUST ABOLISH LTCG TO BOOST INVESTOR SENTIMENT

An upswing will depend on the flattening of spread curve, discovery of medical cure, economic stimulus and revival of industry and consumer sentiment

By **Yagnesh Kansara & Arindam Mukherjee**

After COVID-19 pandemic broke out, the government and the regulator has made an attempt to take care of interests of almost all the stake holders. Finance Minister Nirmala Sitharaman announced a relief package worth ₹1.70 lakh crore, which would take care of farmers, landless labourers and make arrangements for free distribution of food articles for poor people affected by the lockdown. The Reserve Bank of India (RBI) followed suit with a bigger package of ₹3.77 lakh crore. RBI came out with yet another Relief Package 2.0 in the second week of April, which was aimed at deepening the availability of credit from banks through additional Targeted Long-Term Repo Operations (TLTRO) worth ₹50,000 crore with a focus on Small and Medium Enterprises (SMEs) and Non-Banking Finance Companies (NBFCs).

Under this relief package SMEs and other corporate entities will be benefited in the form of repayment of loan for a period of three months. It also announced reduction in the rate of interest for the industrial and banking sector. However, amid all these packages, one of the most important stake-holder that was forgotten was the investor.

Following the outbreak equity markets have taken a huge beating. Markets have dipped in excess of 30 per cent. It is the investing community that provides large chunk of risk capital to the Industry and plays a significant role in the development of the economy. This

community also needs support in the form of some soothing announcement from the Ministry of Finance (MoF) to come back into action.

India's markets regulator Securities and Exchange Board of India (Sebi) said it has granted a one-time relaxation in its primary market fund-raising norms to make it easier for companies to raise capital amid the pandemic. Sebi has extended its period of approval for Initial Public Offerings (IPOs) and rights issues by six months. This will be applicable to companies where Sebi's approvals have expired or are due to expire between March 1 and September 30.

These measures will benefit companies planning to raise capital. What is required is a more direct step that



supports investor community and is relevant in the falling interest rate regime. The government needs to keep in mind that in the low interest rate regime, it is only the capital market, which has the ability to attract savings and can boost the risk capital. If it fails to do so, it will not only damage itself but will also badly impact the highly ambitious disinvestment programme.

Ajay Bagga, a Private Investor, feels, "Fiscal stimulus, action by RBI to manage the market stability and liquidity and sector-focused stimulus measures will help revive the real economy and corporate cash flows. For the markets, a liberalisation of the investment tax regime with lower STT, abolition of the Long Term Capital Gains (LTCG) tax and reduction of the Short Term Capital Gains (STCG) tax along with holding periods should be introduced to boost sentiments."

Echoing similar views, Archana Khosla-Burman, Founder Partner, Vertices Partners, says, "The government could reduce the tax burden on investors by temporarily removing the tax on share buyback and LTCG. This could provide some relief and exemptions in these times of turmoil caused by the continuous bleeding in the stock markets. The removal of the buyback tax will prompt more companies to announce buybacks, which could help provide floor to the share prices. Further, the removal of LTCG tax will provide a good booster, as shares of most of the companies are trading low. Along with the abolition of LTCG, government may also consider reduction of Dividend Distribution Tax (DDT) from its current rate."

The suggestion to removal of buyback tax is in line with the recent step taken by the Commerce Ministry to tweak the rules for Foreign Direct Investment (FDI) by certain neighbouring countries. The move is to check the hostile and predatory takeover bids by foreign investors, when the stock prices have taken a severe beating in the domestic markets.

Additionally, measures to boost industrial production and manufacturing are also required to bring back investor confidence. "Corporate earnings visibility and growth are the fundamental bedrock of the markets. Measures to revitalise the production sectors in the

economy will be positive for cash flows and sentiments and will boost the investor confidence," Bagga explains.

Of course, some measures have been taken, which should bring in some cheer, says Navneet Munot, ED and CIO, SBI MF. "We are a country deficient in risk capital. With domestic savings rate steadily declining and at multi-year lows now, we have stayed heavily dependent on foreign capital. However, FPIs pulled out nearly \$15 billion from the Indian financial markets in March, their highest ever outflow, amidst heightened global risk-aversion. Recent moves such as increasing FPI limit to 15 per cent in corporate bonds and opening up certain government securities under the fully accessible route are welcome steps. Statutory FPI limits of Indian companies having been increased to the sectoral foreign investment limit effective April 1, 2020. This should help increase India's weight in MSCI EM equity index," he explains.

It is not that the government has not taken steps at all that can help the economy. But these are all good medium-term measures as they may not be of much help immediately. In addition to these we also need



AJAY BAGGA
Private Investor

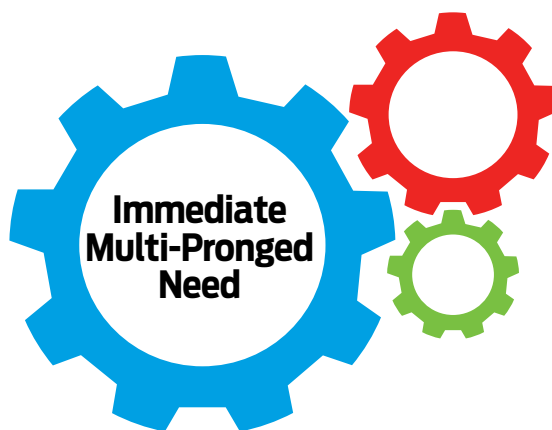
A lower STT, abolition of the LTCG and reduction of STCG along with holding periods should be introduced



concerted efforts to revive domestic savings. Yet the key monitorable with respect to investor sentiment stays the spread of the virus on one hand, and the extent of lockdown and its impact on the economy on the other. The policy response on both these fronts will determine the extent of damage to the economy and hence cuts to corporate earnings. And this will continue to shape sentiment in the near term.

The prolonged lockdown and disturbance in industrial production and business activity could take a toll on companies, especially the SMEs. Munot feels the big concern is that the economic distress caused by the lockdown could result in several smaller businesses failing to survive and a huge spike in unemployment. This will put the financial system at a heightened risk, which in turn will adversely affect the economic activity, thus leading to a vicious cycle.

Munot says, "Just when after several years of clean-up the financial system finally looked ready to support growth, we cannot afford this. It is therefore imperative that the policy makers are aggressive and proactive in not just controlling the virus but also mitigating the



- 1** **Farm Economy:** With the Rabi harvest ready, farm supply chains and markets have to work, so that farmers can reach their produce to the buying centers and get a fair value for their labour. Similarly with the Kharif sowing season starting, it is critical that farmers have credit, inputs and labour available to complete the sowing on time. This is largely in the hands of the state governments
- 2** **SMEs/MSMEs:** Though there is good systemic liquidity with daily money market liquidity of more than ₹4 lakh crore, SMEs and MSMEs who have low cash cushions and staying power are facing an existential crisis. Like in the US, it is critical to enhance the credit available to these segments and to give deferrals to them on repayments. These are the largest employers after agriculture and construction industry, and nearly 1/4th of them will go bankrupt unless funds are made available to them urgently
- 3** **Unemployment grants to informal workers out of jobs:** This is the largest segment of bread winners after farmers and they have been facing a huge hardship. Direct transfers of survival grants should be made into their accounts to help them tide over the lockdown period
- 4** **Support to troubled sectors like airports, aviation, hotels and restaurants, retailers and malls, real estate, logistics, NBFCs, micro finance and automobile value chain players facing acute losses due to the lock down needs to be announced**
- 5** **Tax rate cuts in GST to lower prices and boost consumption are required**
- 6** **For all those who have lost their jobs, some kind of an unemployment insurance package should be rolled out to help them tide over the next few months**

second order economic impact. Signs that policy makers are ahead of the curve on both fiscal and monetary fronts will be critical in stabilising financial markets. There will be worries on debt but it is important to note that debt to GDP typically rises in any crisis.”

As growth rate falls near interest rates, debt burden will rise anyway. Taking the economy out of trouble with the growth denominator taking care of the ratio is therefore the only way to go. The RBI however must absorb government supply to keep yields down. While this may lead to concerns around our ratings and the currency, at a time when most countries are doing the same, the relative pressure will be less severe.

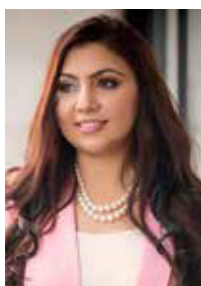
Munot feels that the government’s thrust over the past few years has been to revive investment activity to create jobs and in turn support consumption sustainably. A lot of ground work has been done in this regard like formalisation of the economy through

crackdown on black economy and reforms in the form of GST, a continuous thrust on lowering cost of capital, improvement in ease of doing business, recent corporate tax cuts, among others. The current crisis will lead to unprecedented global stimulus.

With monetary policy having reached its limit globally, fiscal policy will do the heavy lifting, which should be positive for global infrastructure and investment activity. At the same time, the case for just-in-time and super concentrated supply chains may weaken, as global firms weigh reliability against efficiency, leading to a need for more diversification and multilateralism. With the rising distrust of China, India could emerge as a strong alternative. We have to be prepared to capitalise with appropriate administrative, judicial and regulatory realignment.

So what should investors do in the absence of any targeted relief package for them from the government? Bagga opines, “Conserve your capital, stick to your asset allocation, build your emergency reserve and diversify. Staying optimistic and understanding market cycles is crucial to weather the downturns.”

Munot says, “Several valuation measures such as market cap to GDP and long-term earnings-based yield spreads, are in the vicinity of Global Financial Crisis (GFC) lows of 2008. It suggests attractive entry points for long-term investors. Investments made at such valuations should be rewarding in the long run and the fact that retail investors have continued with robust SIP



ARCHANA KHOSLA-BURMAN

Founder Partner, Vertices Partners

Removal of buyback tax will prompt more buybacks, which could provide floor to share prices



Asset Allocation For A Smooth Investment Voyage

Building a winning portfolio is dependent on a number of factors. It is important to remember that your portfolio should be designed according to your needs and goals. Just like all eggs are not put into one basket, in the same way having a great portfolio means allocating different assets in the right proportion. Asset allocation is the key to building a successful portfolio that will navigate troubled times with ease, while clocking returns in the best of times.

The Power of One with Many

One of the most important steps to build a successful portfolio is properly dividing assets among different types of investments. Because these investments perform differently depending on economic conditions, a good balance can keep a portfolio strong in a wide range of economic situations.

Proper asset allocation allows the optimal exposure to different assets individually, while having a combined effect reduces risk and protects returns better. What you put in the basket, how much, and when are the important factors.

Goals, Risk Tolerance, and Time Horizon

Asset allocation cannot be in a silo. Merely putting % numbers beside each asset class and adding them to make 100 is a futile way of attaining the ultimate goal: an all-weather proof investment solution. Many also make the mistake of



Kaushik Deva
Founder & CEO, Kredere
Wealth Partner Pvt Ltd

using the '100 minus age' rule to decide equity allocation in an asset allocation framework. This is also a sub-optimal route. When putting together an asset allocation plan, it is most important to consider the interlinked factors of financial goals, risk tolerance and time horizons. A holistic view allows you to plan how much money you will need at certain points in your life and how much uncertainty you can tolerate in moving from one life stage to the next.

What Works & What Doesn't

Many investors think picking the best potential asset and allocating maximum money to it would be better. Others consider market timing to be the kingmaker. Research has shown otherwise. In reality, asset allocation plays 91.50% role and other factors together play only 8.5% role in the investment journey. In 2018, most of the equities had a tough time, especially midcap and smallcaps. In 2019, debt markets saw various upheavals. 2020 so

far has seen all financial assets face the brunt of the pandemic triggered economic slowdown. What may seem the best potential asset class today may prove to be otherwise tomorrow. Market timing is next to impossible because no bells ring when peaks and troughs are hit in the real world. The best way to counter the uncertainties, be it a global financial crisis, a healthcare scare like Covid-19 or a local crunch like an Earthquake or Tsunami, is to be prepared with a well-diversified asset mix.

Determine Your Blueprint

Once you have decided your time horizon and the level of risk you're comfortable with, the next step is to determine the investment options that are most suited for your profile. Higher risk opens the door to greater rewards but one should be mindful of the risks.

Your goals are sacrosanct and so is reaching them on time. Your retirement cannot wait beyond 65 years, your child's higher education or marriage cannot be postponed if markets turn turtle tomorrow. This is why the basket of assets should be built in such a way that there is no compromise in terms of meeting your goals at the required time.

Equity offers the best long-term growth prospects to investors. Historically equity has outperformed other investments but they are also unpredictable. Fixed

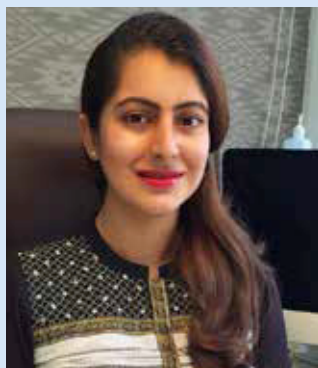
income investments are a safer investment but with relatively lower returns. Cash has a role to play when all assets are performing poorly. Combining different assets complements the strengths, while fixing the weaknesses of a portfolio.

Asset Allocation through Mutual Funds

Asset allocation funds offer different allocation of stocks, bonds and other investments to suit different investing profiles. While static asset allocation funds maintain the ratios of various asset classes, this approach is akin to using out-dated devices in a fast-changing world. Dynamism is the need of the hour.

This is why dynamic asset allocation funds, which follow a model based approach consisting of various economic indicators, are best-suited. The model guides the asset allocation pattern of these funds. A change in economic conditions guides the allocation of investments to various asset classes. When the going is good, the fund adjusts. When there are problems, the fund realigns itself to the new reality. It's a hands-free solution that works automatically.

Dynamic asset allocation funds have proved to be a relatively better investment option in various market cycles. They help eliminate two major human psychologies of greed & fear; this is done by working on the principal of buying low & selling high. By constantly rebalancing to reflect the intended allocation among the asset classes, shift of allocation between asset classes can ensure a smoother investment journey. ■



Manage FOMO And Avoid Any Impulsive Decision

Arti Shroff is a practicing psychologist and psychotherapist. She primarily works with individuals suffering from clinical psychological disorders such as depression, anxiety, bipolar disorder, OCD, personality disorders, emotional and behavioural disorders. She suggested how investors active in stock markets should take care of their emotions during the current turbulence and volatility, during and interview with Yagnesh Kansara. Edited excerpts.

➤ How would COVID-19 impact investors emotionally?

The sudden onset of the COVID – 19 pandemic has fuelled volatility in the entire financial markets across the world. March 2020 witnessed a steep decline in the Indian stock market following the news of the insidious outbreak. The uncertainty and instability in this current scenario has led to feelings of anxiety and helplessness among old and new investors alike. Amid this financial crisis, the threat of a protracted economic recession and high rate of unemployment will invariably loom large. In uncertain times like these, it is important to assess the investor's perception and decision making towards financial planning.

➤ What would be the best approach for Investors?

Any investment involves a process of gathering all types of relevant information, evaluation and analysis before one arrives at a decision on investing. During times of economic instability, it is natural for investors to experience stress and anxiety related to the future outcome of their existing investments. When investors experience a surge of confusion and panic, they may end up making the wrong decisions as emotions and rational thinking rarely go hand in hand.

➤ How can one take the right decision?

The first and the foremost thing one has to keep in mind is that don't allow biases to colour your perspective. It is important to allow feelings of panic and confusion to pass before making a more informed choice and disallow any decision to be driven by common cognitive biases such as the 'over-reaction bias'. Under this scenario, investors who feel 'emotionally invested' in their stocks may suddenly react to any new information they come across, particularly more so when it contradicts their existing beliefs. This, subsequently, may lead to another common bias known as the 'herd effect', where investors simply chose to follow what other investors are doing. Under the given scenario of speculation, driven by negative market sentiment, choices based on biases can prove to be ineffective.

➤ What would be the best way to tackle the media hype and overload of information floating around us?

Avoid infodemic. The sudden influx of information from various media (print, electronic, social media) sources has given rise to confusion and



a spread of false (fake) information, leading to panic and misinformed decisions. The constant bombardment of news and information also creates bias among investors, who may then be unable to make an objective decision towards their financial planning. Stick to reliable sources to procure correct information and limit other sources of media that may not be relevant. Swayed by the infodemic wave, investors may also miss out on the right guidance to carry out a more informed decision. By observing 'information hygiene' may protect you in screening out false news, which leads to reduced feelings of confusion and anxiety.

Limit your screen time. Watching financial figures going down may cause a sense of fear and pessimism. Avoid constant watch on your investments and allow yourself enough time to gain a more objective perspective towards the scenario. Resist the urge of constant checking of your portfolio movement by keeping a realistic count.

➡ How does one manage stress and anxiety related to their investments?

All investments, particularly equity investments involve some element of risk. Uncertainty in the financial markets may lead to feeling helpless. In this case, try to gain a different perspective by 're-assessing' the potential risks and by weighing the pros and cons, thus regaining a sense of control towards your finances. Allow feelings of panic to pass and try to wait for the difficult period to get over by avoiding any impulsive decision driven by strong emotional responses.

Manage FOMO. Engaging in feelings of regret or thinking about 'what-if' scenarios, will not be helpful as no one can predict a certain outcome. One has to understand and accept that it is difficult to time the market. Long-term investors, in particular, may try to catch the proverbial falling knife and experience Feelings Of Fear Of Missing Out (FOMO).

➡ What is the way out for the investors to gain control of their emotions during this turbulence?

Viewing the current market scenario, keep in mind the bigger picture to ensure one does not limit one's perspective to only focusing on the temporary crisis. Like most economic cycles, this one too will recover over a period of time to a point where investors can regain their confidence. ■

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NAVNEET MUNOT

ED and CIO, SBI MF

With domestic savings rate declining at multi-year lows, we are dependent on foreign capital

flows is heartening in that regard. Sentiment measures too suggest that the pendulum has swung towards extreme pessimism which is positive for prospective returns in general. While time wise, volatility may persist till uncertainty on near-term economic growth and earnings outlook continues, these are good times to buy resilient business that should emerge stronger on the other side. It is only in times like these that you can hope to buy strong businesses, managed by good people, that are also available at reasonable and in some cases outright attractive valuations."

There is a demand as well as a supply shock. There are two levels of impacts to consider on the economy - the direct loss of economic activity during the lockdown period and the second order impacts caused by business shutdowns, consequent loss of employment and the strain it puts on the financial system. Both put together are likely to shave off a couple of percentage points from the annual GDP growth in FY21. So while the immediate focus is on survival and the first order impact is inevitable, the promptness with which policymakers act to mitigate the second order impacts will be critical.

"The government will have to lever up further in our view, given stretched household balance sheets on one hand and a risk-averse corporate sector on the other," Bagga says.

Going forward, growth is expected to suffer severely. "In the short term we see a downturn, given 25 per cent of the economy has been functional in lockdown Phase I. The short-term impact is a hit of nearly 7 to 9 per cent of the GDP or around ₹20 lakh crore of lost production. In the medium term, any upswing will depend on the flattening of the spread curve, discovery of a medical cure, kind of economic stimulus provided by the government and revival of industry and consumer sentiment.

"We see FY 2021 seeing no growth in Indian GDP at best. In the long term, India will benefit from the re-shoring from China, that a lot of companies will do. The Indian consumption story will revive and will be a critical driver for the long-term GDP growth at 6 per cent and higher levels," Bagga concludes. ■

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NILESH SHAH

Time To Upgrade Risk Appetite

Disciplined asset allocation and long-term investment will help

The corona crisis has hit us all hard. Nobody could predict the scale of this crisis. This failure to foresee was due to mixed signals from global health agencies early on.

As of now, there are three models to contain this problem. The Chinese model is of strict lockdown. The South Korean model is about large scale testing and isolation. The Japanese model is about strict personal and social hygiene. Combination of these three models may help us contain our corona problem. Going forward, we estimate that there may be a partial lockdown and partial mobility to tackle this issue.

Market reaction has been steep. Our Market Capitalisation (M-Cap)-to-GDP ratio has come down to almost 50 per cent. This is almost close to the 2008 bottom (43 per cent of M-Cap-GDP) level. Price-to-book ratio is now trading at around 2x (forward basis). This is well below the historical average of 2.6x. Today, almost 43 per cent of top 1,000 stocks are trading below 1x book value. Some of the bluest of blue-chips falls in this set. Today, Nifty 50 is back at levels seen last in 2016. Similarly, Nifty Midcap 100 is down to 2014 levels. The Nifty Smallcap 100 is at around 2011 levels. The issue is related to health and needs a medical solution. Market recovery may have to wait for this.

There are some positive side-effects emerging from the current crisis as well. For one, the Brent crude oil prices have fallen to \$25 per barrel. Every dollar drop in oil prices gives us an advantage of \$1.5 billion. As per estimates, we are looking at a gain of \$40 to \$45 billion to the economy due to falling crude oil prices. Moreover, there has been a massive stimulus provided by the RBI and the other global banks. This liquidity, sooner or later, is likely to cause asset price-rise again.

Most importantly, the global supply chain may get re-balanced post the crisis. MNCs may look to diversify their suppliers away from China to avoid supply shocks going ahead. As a result, we may see significant industrial investments come to India in search of opportunities. If India helps settle companies moving out of China like Tata-Motors was settled in Sanand (near Ahmedabad, Gujarat) with one SMS of 'Suswagatam' (welcome); then

we may see substantial improvements in our country's economic growth prospects. The FPIs have pulled out \$16 billion from Indian equity and debt market during March 2020. But we believe that this is a temporary phase. Once medical solution emerges, these investments will come back to India as well. In the developed world, most of the yields are in the negative, or are nearing the zero level. The search for better yields and returns may lead money back to India. The market valuations have become very attractive at these levels.

We believe that it is time to be overweight on equity in a cautious manner. Once the medical situation improves, the markets may begin to react positively. Markets have had similar experience with Ebola and SARS (albeit on a smaller scale) in the past. Then also, the markets had bounced back sharply once the crisis was solved with drugs and vaccine. Investors though can invest according to their risk appetite. Conservative investors may consider large caps or large to mid cap funds for investing. Investors with moderate risk appetite may consider multi cap funds. Risk-happy investors may consider mid and small cap funds. The point is, investors may consider it as an opportune time to upgrade their risk appetite just a bit.

Investors may invest half of their incremental investment in a staggered manner in a falling market when it is in fear mode. The other half should be invested when the market is in hope mode post confirmation of medical solution.

For the debt market investor, the yields are attractively positioned currently. RBI has been aggressive in supporting growth and reviving the capital markets. Towards that purpose, they gave a liquidity infusion of around ₹3.75 lakh crore and a 75 bps rate cut in their latest monetary policy (on March 27, 2020). At that, they have kept their stance accommodative and pro-growth. This provides attractive investment space for six-month-plus investors. Long-term debt investors can consider investing in credit / dynamic bond funds for their investing requirement.

It is going to be a long haul to come out of the current situation. Economy and markets will not bottom out till a medical solution is found. This will allow lockdown to be lifted and economic activity to resume. Post medical solution, the recovery will depend upon steps taken by the government and the RBI to support growth through fiscal and monetary measures. Disciplined asset allocation and long-term investment will be key to future prosperity. Stay safe and stay healthy. ■

Long-term investors can invest in credit / dynamic bond funds

The author is MD, Kotak Mahindra Asset Management Company

Take Good Advantage Of This Crisis

Experts feel it is a God-sent opportunity for long-term and first time investors



By **Yagnesh Kansara**

We are currently going through COVID-19 pandemic and this crisis has given birth to a bye-product called lockdown, resulting in tremendous amount of anxiety and uncertainty in financial markets across the globe.

The equity markets have seen an unprecedented selloff across the board in the last eight to 10 weeks. This selloff has been occasioned by the rapid spread of the pandemic in several countries and therefore, some disruption was expected to happen in the major global economies. Such disruptions affect economic growth, output, aggregate demand and supply, employment and a host of other key macro economic variables. The adverse impact on these variables results in lower income for households, unemployment, and also lower earnings for companies. It is this chain of factors that caused the selloff thereby magnifying the probability of a global economic slowdown.

We have also seen overseas investors exiting the domestic market. From the lows we had seen on the indices, a fall of 30 to 40 per cent, the markets have moved up by about 20 per cent in the last few trading sessions. But it is still too early to say that the markets have bottomed out, as much would depend on the extent of its further spread, containment of its spread, the fiscal and monetary measures, which the central banks and the governments are likely to initiate. As of now all the major central banks including the Fed, RBI, Bank of Japan, have all enacted measures to prop up the money supply, the liquidity and credit. In this backdrop, one would like to know how far the recovery is.

Bhavesb Sanghvi, CEO, Emkay Wealth Management says, "We need to see their final impact, which may take time as is the case with monetary policy actions. But the comforting factor is that the government and the RBI have taken many unconventional measures to combat this unusual foe. The actual numbers on GDP, employment, CPI and IIP, which we will see in the



coming months would tell us the depth of the economic and financial impact of the pandemic.”

At the moment the market looks positive. The world response to the crisis is happening while the crisis is still on, unlike any previous crisis. During subprime crisis of 2008, US response with quantitative easing (QE) was months after the crisis surfaced. Subprime crisis was developing and the US Government and US Fed could have anticipated the same in time, yet the government response was late. COVID-19 crisis didn't give enough preparation time to any country and yet the response is quick. More than \$7-8 trillion have been committed to revive global economies. This is not financial or sectoral or country specific crisis but a health crisis, which has gripped all major economies and continents. We need to understand the impact of this crisis on Indian markets.



BHAVESH D DAMANIA

Founder and Chief Care Taker,
Wealthcare Investments

If lockdown continues through May then we will face a tough time

Bhavesh D Damania, Founder and Chief Care Taker, Wealthcare Investments, says, “This is unprecedented and therefore I do not think it is easy to answer the question. I think flattening of COVID-19 curve across western world will decide the course of the market. If we have to believe China, it took them 100 days to bring back total normalcy in Wuhan so that much time will be needed for western world to return to normalcy. For India, if lockdown continues through May 2020 then we are going to have a very tough time in putting economy back on track. Our GDP growth will be around 1 per cent, we will see huge stress in SME, MSME and Infrastructure sector which will aggravate the labour market pains. Employment across the spectrum of skill sets will be impacted due to slower economic activities and consumption. It appears that western world's curve is flattening but ours might steepen further. So while others will be out of woods, India may still be fighting the battle for few more months beyond May”.

The damage this pandemic has done is devastating. While any death is unfortunate, India has been successful in restricting fatality numbers after five weeks into the lockdown. One key monitorable is any relapse of the virus, as seen in recent reports overseas.

Amar Ambani, Senior President and Head of Research – Institutional Equities, YES Securities, feels, “Whether equity market has bottomed or not, will

depend on when we're able to rein control over the COVID-19 virus. Once the number of daily new cases begins to stagnate is when the market will breathe a sigh of relief. Having said that, I think most of the damage in price has already been done. But we may still see time wise consolidation in 2020. Volatility, for the rest of this year, will remain elevated, as fall in GDP gets reported and certain sectors see a follow-on damage. Bank NPAs will rise and global stress will set in."

The current crisis differs from previous ones in more than one way. Several falls have happened during tech burst phase, Harshad Mehta scam case and in 2008. This is because, in previous crisis, it was only one or other sector that was impacted. However, this time, almost all the sectors have been majorly impacted due to lockdown. With most of the world is shut, there is hardly any life and business that has remained unaffected. During that time it was more of a financial market meltdown but this time it is more like an economic meltdown.

Himanshu Kohli, Co- Founder, Client Associates says whatever damage that was to happen is reflecting in the prices. He adds, "In my opinion, 65-75 per cent or two-third to three-fourth of the fall has already happened and one-third or one-fourth more would happen. Right now it is hard to predict whether we stand at 25,000 levels or 22,000 levels of the Sensex, but the majority of the fall has already happened".

Does it mean we have entered the bear market phase? A bull market or a bear market is a normal market formation and it is part and parcel of the cyclicity that we see in economic phenomena. In other words, the economic phenomena happen in cycles. But in such situations, a fall in the economy and markets happen over a period of time, that is, periodicity is a feature of cycle. The last time we had bearish market was the time the great recession was developing and maturing around 2006-2008. However, current phase of the market is bear market or not, the opinions are divided.

Sanghvi says, "The current situation is quite interesting – the economic difficulties are caused by the pandemic, or rather the fear of the consequences of pandemic. Therefore, we cannot call this technically a bear market, but it can be termed a market characterised by extreme negative sentiment resulting in a selloff. Therefore, the recovery may be faster than a bear market downswing".

By definition, bear markets are defined as 20 per cent fall in prices, declining economic prospects and negative investor sentiments. Of these three factors, only investor sentiment is positive. The EU and the US have entered the recession but determination to fight the crisis and restore growth plus confidence is quite evident today so



AMAR AMBANI

Senior President and Head of Research
– Institutional Equities, YES Securities

Volatility in the markets will remain elevated as fall in the GDP gets reported

we may not see markets falling substantially hereon.

Damania says, "India has unique issue of poverty, population, unemployment, fiscal constraint and medical infrastructure so our response within limited tools will decide the course of recovery at homeland. It is safe to believe that our market will find direction in the next two to three months and volatility will be maximum in this period. Needless to mention that economic recovery will happen next year only. History suggests that after every global health crisis, the recovery has been V-shaped rather than U or L-shaped."

Ambani firmly believes that we are passing through a bear market phase. He argues, "The current state of market certainly qualifies as a bear phase with the extent of price damage seen. In the past, such periods have lasted for one to three years before the previous market peak is reached again. But this time around, the time period may be shorter. This is because - one, it is a health crisis and not a financial crisis so we can bounce-back fast, once full economic activity resumes and two, there isn't much froth in the market since this fall was not preceded by a massive 4-6x rally in the benchmark indices".

The current volatility in the market and its current state is because of risk averse approach adopted by the Foreign Portfolio Investors, (FPIs), adds Kohli.

He says, "Right now, the sentiment is definitely poor. Furthermore, the market is bearing the crisis of foreign liquidity moving out, which means that we are currently



Stay Invested And Reap Rapid Rewards From This Volatility

Peak Date	Sensex Peak Value	Trough Date	Sense Trough Value	Fall From Peak	Sensex 1 Year After Trough Value	1 Year After Recovery %
27-Feb-86	649	28-Mar-88	390	-40%	692	116%
09-Oct-90	1,559	25-Jan-91	956	-39%	2,139	196%
22-Apr-92	4,467	26-Apr-93	2,037	-54%	3,781	72%
12-Sep-94	4,631	04-Dec-96	2,745	-41%	3,527	41%
11-Feb-00	5,934	21-Sep-01	2,600	-56%	3,024	13%
08-Jan-08	20,873	09-Mar-09	8,160	-61%	17,053	70%
Overall Average						85%
Average of Fall >40%						62%
Average of Fall >50%						51%

Source: BSE India & MOAMC Internal Research, Data as on 28.3.2020

in the high voltage and bear market zone. But this is not permanent. As soon as there is positive news or sign of a cure being discovered for corona or vaccination or medicine is out, the markets will jump up and revive. In the past we have seen some bear phases but we have been able to recover”.

Recovery from the current level means there is only one way and that is up. Does that mean the market has entered a stage from where the downside is limited and it is offering a lucrative buying opportunity?

The downside for the markets is anyone's guess from here after such a drastic fall in such a short time. Two quick parameters one can use to gauge how expensive the market is – are the price-earnings ratio and the price-to-book ratio. The trailing P/E for the domestic indexes for the last ten years shows that the markets are at reasonable valuations based on longer term trends.

A very significant longer-term measure is the price-to-book ratio. The lowest P/B in the last 20 years was 2.12 in April 2003, and thereafter, it moved up to 6.23 in December 2007. At present the Nifty P/B is at 2.40. This

shows that, from a long-term investment perspective, the intrinsic value of the assets is much higher than the price at which they are offered.

Sanghvi recommends equity is definitely a good buy. “But it should be executed in a phased manner over the next six to nine months to ensure we participate in any dip that may be seen hereafter,” he suggests. In direct equity investment one should be into quality stocks with attractive cash position and cash flows, and also leadership position indicated by market share, he adds.

On valuation side, India is trading at Market cap to GDP ratio of 49 per cent which is quite low. Another point to note is that Indian equities haven't delivered even FD equivalent returns since last 5 and 10 years on point-to-point basis.

Damanian firmly says, “So it looks like we don't have much to lose from here. There are street estimates of Nifty 50 going down to around 6800 - 7000 levels also. I believe if the market goes to those levels, there will be fresh buying and bulls will take charge. So market will rebound very quickly as we saw in early April.”

For investors with a longer term horizon (three to five years), this is the God sent opportunity. Investors who do not check the stock prices on day to day basis and follow the principle of ‘Invest it, forget it’, the time has come. Ambani says, “Long-term investors wouldn't get such price levels if all was hunky dory in the economy. Another advantage is that the market will give you time to identify the best trades and buy at your price. One needs to revisit their asset allocation based on risk profile and allocate accordingly.” The equity market in the second week of April stands at a discount of about



HIMANSHU KOHLI
Co-Founder, Client Associates

The current volatility is because of risk averse approach adopted by Foreign Portfolio Investors

10-15 per cent to its historical average price. Kohli maintains this is a good time to accumulate and not buying in one shot but in stages. Depending on your profile and depending on whether you're an aggressive or conservative investor, you can invest anywhere for 3 to 12 months. It is advisable to invest in stages irrespective of whether you are investing in weekly SIPs or monthly SIPs only to the extent of the gap between the desired equity allocations in the portfolio, he adds.

This is a God-sent opportunity not only for long-term investors but for the first time investors too. After doing enough brainstorming with respect to risk profile and future financial goals, they should clearly follow what investment guru Charlie Munger says.

Sanghvi quotes Munger, who says, "You need patience, discipline and an agility to take losses and adversity without going crazy. The big money is not in the buying and selling, but in the waiting."

But the first time investors need to be careful before deploying all their funds into the market, cautions



BHAVESH SANGHVI

CEO, Emkay Wealth Management

The numbers on GDP, employment, CPI and IIP in coming months would tell about the impact

Ambani. He says, "First thing they should do is to ensure that there is enough emergency liquidity for 9-12 months. Any excess liquidity beyond that should be used to buy diversified mutual funds and certain direct stocks. If there isn't enough emergency money to set aside, it's also a great time to start an SIP".

These SIPs can be on a weekly basis or a monthly basis and with a minimum 5 to 10 years-time horizon, shares Kohli.

After agreeing that this is the most opportune time to invest in equity with a quite longer term horizon, experts also agree on certain sectors in which investing will be beneficial in the immediate future.

Sectors like pharma and healthcare, telecom and consumer staples may have some benefits emanating from current conditions. The technology sector may gain to some extent due to the weaker Rupee as they would get a better rate on their foreign currency receivables and they also the benefit of many long-term contracts with fixed rates. But for the longer term, the sector that may do better compared to other sectors as well will be the consumption and BFSI as they are the backbone of a booming economy.

Telecom appears to be one sector that is gaining on account of social distancing. People are consuming more content on their phones. This crisis is going to alter behaviour in a big way. People will also feel compelled to have adequate health insurance cover in future.

The other sector that will get benefit is the insurance sector because a lot of people would like to now buy cover for them, whether it is life, health or general insurance.

The sectors one should avoid for the time being till the full recovery takes place includes luxury and aspirational products as they will take time to revive as the mass push will be missing for a little longer time. Aviation, travel, leisure, entertainment, real estate sectors will be worst hit and should be avoided till normalcy gets restored.

As President Obama's chief of staff Rahm Emanuel, during the global financial crisis of 2008 said, "Never let a good crisis go waste". Similarly, investors should take a leaf out of this. ■

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Rebuilding The Wiped Out Wealth

How to square off losses with crores washed away from the markets by COVID-19

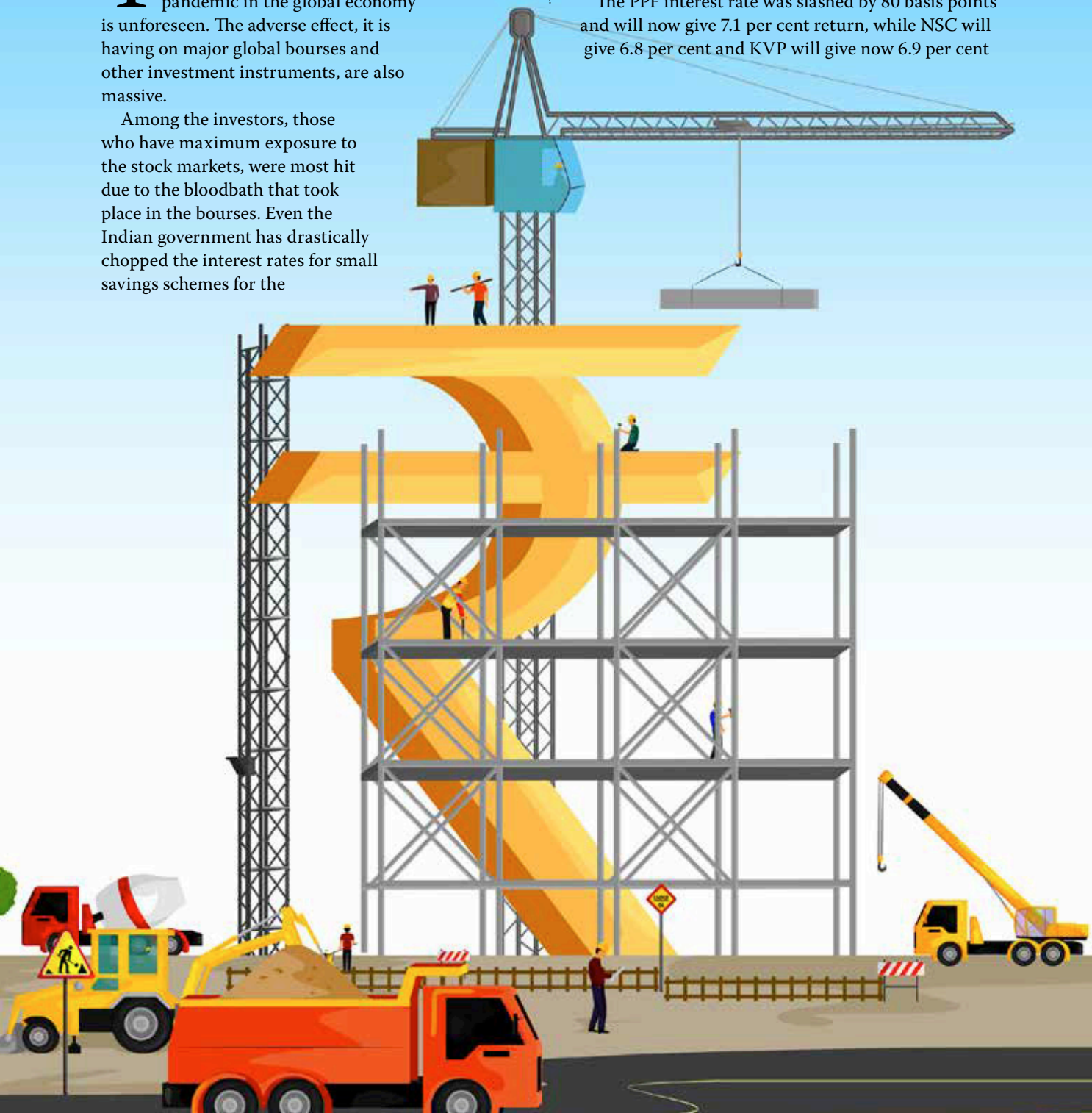
By Aparajita Gupta & Vishav

The unprecedented disruption and disbalance caused by the novel coronavirus (COVID-19) pandemic in the global economy is unforeseen. The adverse effect, it is having on major global bourses and other investment instruments, are also massive.

Among the investors, those who have maximum exposure to the stock markets, were most hit due to the bloodbath that took place in the bourses. Even the Indian government has drastically chopped the interest rates for small savings schemes for the

first quarter of 2020-21, which means popular small savings schemes like Public Provident Fund (PPF), National Savings Certificate (NSC) and Kisan Vikas Patra (KVP) will yield lesser return now.

The PPF interest rate was slashed by 80 basis points and will now give 7.1 per cent return, while NSC will give 6.8 per cent and KVP will give now 6.9 per cent



returns. Thus the average earnings of a person from various investments have already become much lower.

The COVID-19 outbreak, affecting thousands, has sent shockwaves throughout the country.

Raghuram Rajan, former governor of Reserve Bank of India (RBI) in his recent blog titled "Perhaps India's Greatest Challenge in Recent Times" says economically, India is probably facing its greatest emergency since independence.

Rajan had also predicted the 2008 global economic recession.

The equity market players have lost crores of rupees in this pandemic. The prolonged lockdown across the country, to keep the pandemic at bay, has cost heavily.

"Most of the investors who were invested in equity lost 30 to 40 per cent of their equity portfolio. These are notional losses though and will become real losses only if they are booked," says Renu Maheshwari, Co-founder and Principal Adviser, Finscholarz Wealth Managers.

Rajesh Cheruvu, CIO, Validus Wealth further explains the loss incurred by saying that depending on the asset class they were invested, large caps lost around -23 per cent for the month of March; mid-caps around -30 per cent; global emerging markets around -15 per cent. "Debt investors were slightly better off, looking at the positive 10Y G-Sec return. Gold (in rupees) also managed to eke out a single digit positive return for the month. Commodities no doubt did not perform in the larger scheme of things given the demand collapse and geo-political tensions between the US and OPEC+. So, net-net in the grander time horizon year-to-date so far, cash has probably been the king."

In any market crash equity investors are the worst hit. This crash is no exception either. Most of the equity portfolios across industry have lost almost equally. Some sell off happened in debt as well but most of them recovered quickly. Debt funds have also seen volatility.

Bank deposits have not taken any hit as they are not traded in the market.

Now with a lot of money washed away by the pandemic tsunami how to rebuild portfolios to square off the losses in future?

"For those who have lost a lot of money in stocks and mutual funds during this period, they can, of course, gain it back as long as they have not done stock-picking individually. This is one of the reasons

why we always advise our clients against doing stock picking, especially in the mid-cap and the small-cap segment, because it is very easy to get stuck with only one stock and just never recover, or it takes too long to recover. If someone has to do stock picking, then we would always advise blue-chip and select large-cap," says Sousthav Chakrabarty, CEO, and Director, Capital Quotient.

"And, if someone has a capital loss in a blue-chip or a large-cap, then the only strategy at this point would be to continue to hold at lesser levels, depending on, which is the stock they are looking at, assuming they have considerable potential. If it is a mid-cap or a small-cap firm, especially one, which has been badly beaten and where the potential looks extremely uncertain, then we would advise to exit that position and move that money into a blue-chip as it could be available at attractive valuation price now and continue to hold or exit and sit on the sidelines for a little while and then redeploy the money in Nifty 50," he adds.

Ashish Shankar, Head – Investments, Motilal Oswal Private Wealth Management suggests step by step approach to mitigate the losses.

He advises that it is imperative that investors adhere to their long-term strategic portfolio asset allocation and not take any knee-jerk reaction.

Shankar asks the investors to create an 'Investment Charter', which is a vision document and lays down the philosophy, framework and process of managing the portfolio. The investment charter aims to understand broadly the purpose of investment, horizon, return expectation, cash flow requirement, liquidity and risk appetite of the investor and recommends the investment roadmap. If the investment strategies within the respective asset classes are being managed by experts with rich experience of various market cycles, and if the portfolio fundamentals continue



RAGHURAM RAJAN

Former Governor of RBI

Economically, India is probably facing its greatest emergency since independence

to remain healthy, then continue to hold on to such strategies..

Additionally, with prevailing attractive valuations, existing investors can also consider top-ups to their equity portfolios in a staggered manner over the next six-12 months.

Chervu says asset allocation is of primary importance during these testing times. "We believe that because of significant correction in equity markets, investors would have become underweight in equities and hence should rebalance the same in a staggered manner. Within equities, high quality companies with sound business models stand the test of times and they would also have a higher likelihood of a stronger rebound from these anemic valuations."

Interestingly, neither any investor nor financial adviser has exposure to such global pandemic situation during their lifetimes.

Equity is best suited for long-term investment, suggests Archit Gupta, Founder, and CEO, ClearTax.

"One should stay invested for at least five years in order to reap high returns and keep market volatility at bay. Market fluctuations are an integral part of equity-linked investments and staying invested over the long-term is the only way of tackling it. Another great option to deal with fluctuations is by investing in equity mutual funds through Systematic Investment Plans (SIPs). This will provide the investor with the benefit of rupee cost averaging. Also, SIPs are a great option to invest monthly savings in the current market scenario. Investing via SIPs and having a long-term investment horizon is a great combination when it comes to equity-linked investments," he says.

Trying to instil hopes among the investors, Gupta says one should not lose hopes as the current market scenario is not going to prevail. The markets are down because of a pandemic and will pick up once the coronavirus is contained.

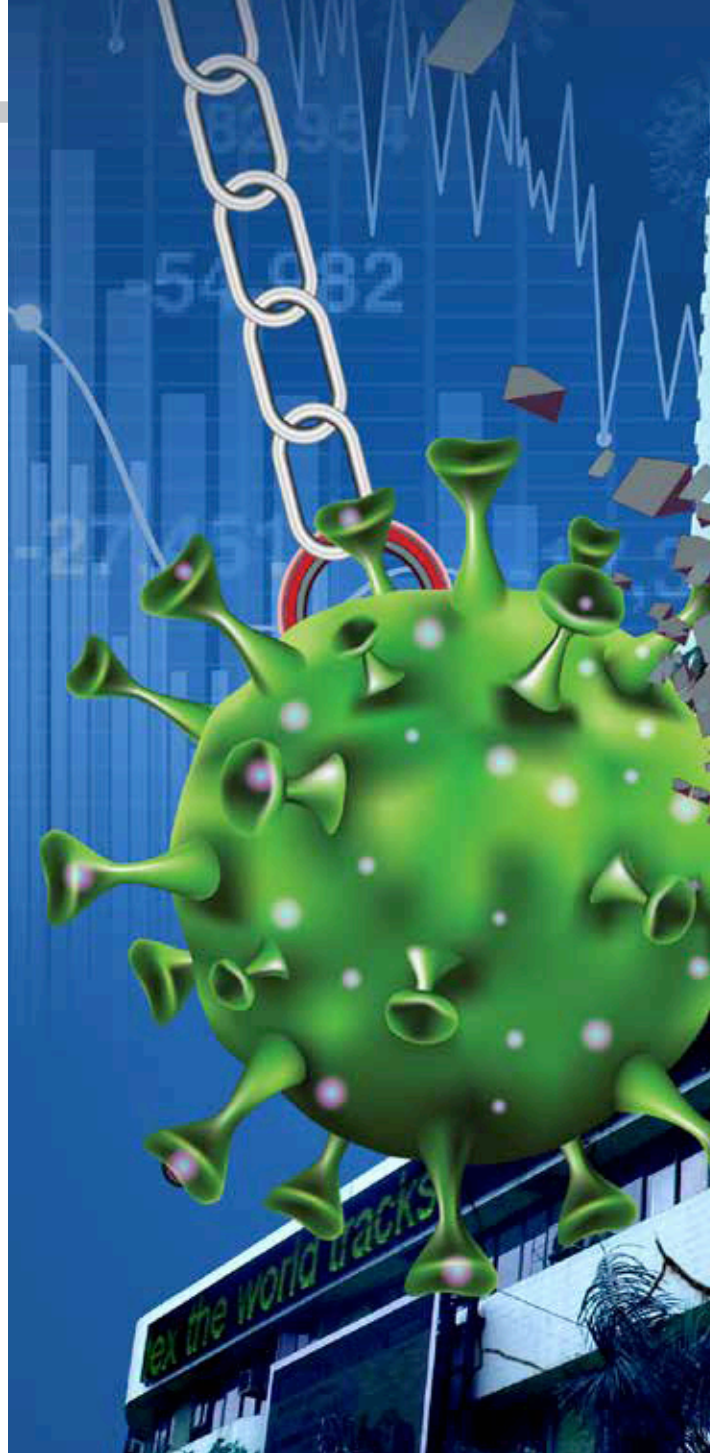
At this point, when markets are down, investors should pick up equity at lower prices and hold onto them over a period of at least five years to



ARCHIT GUPTA

Founder, and CEO,
ClearTax

Invest in equity mutual funds through systematic investment plans



enjoy high returns in the long run. One should not make investment decisions in haste as the market conditions are never going to stay the same. Here, patience is the key.

Maheshwari also echoes a similar voice and says the equity market crash that we saw in month of March is an unprecedented one, but all is not lost. Usually a sharp crash like that also sees a sharp recovery (of market). The losses that we see in portfolios are notional / paper losses and will become real if the investor exits the investment.

Any value that is lost in volatile assets can be



regained only by continuing in equity and riding the wave. The speed of recovery may also make it impossible for an investor to catch the market. The time line of this recovery is COVID-19 dependent and cannot be ascertained now. This time can be utilised to rebalance the portfolios and redirect them to the desired purpose.

“If you have incurred losses by being in volatile assets (read equity), today is not the time to move to debt or other less volatile asset class. Volatile assets can also come back with the same speed as they went down. Hold on to the equity investments, reduce

Minimise Long-Term Adverse Impact

1 Assess your job / business income situation

A. If your job / income is secured:

- i. Keep enough liquidity for at least 3 to 6 months of expenses, to tide over any uncertainty in cash flow.
- ii. Take a look at your impending financial goals. If you do not have 'must have short term goals' use this opportunity to invest for long term in equity. You will be able to get good returns from these levels.

B. If you are not sure about your current income:

- i. Eliminate / reduce your liabilities.
- ii. Create liquidity in your bank account (FD etc) for a minimum of one year of expenses, till certainty returns in the economy. This should include EMLs if any.
- iii. Ideally have next 2 years' expenses in debt / fixed income securities to give additional money security till you find another job / source of income.
- iv. If you have more money than 5 years of expenses, invest in equity to take advantage of this market.
- v. Look at your options beyond your present income that can help you sustain through these hard times.

2 Secure your short-term (important) financial goals in fixed income / bank / post office financial instruments and gold bonds.

3 Continue in equity for long-term goals. If you have additional savings, invest in equity. This can be once in a decade opportunity to invest at such low levels.

Source: Finscholarz

high risk companies and move money into low risk stable companies. If you have additional money that you do not need for next five years, invest gradually into equity. This can average your cost of investment and help you gain faster when the markets start recovering," she says.

Harsh Jain, Co-founder, and COO, Groww says: "The first thing that we would want to tell all the investors who have their funds stuck in the markets is – do not fall prey to panic selling. In fact, even the investors who have booked losses will agree that by selling in a panic, they booked losses that were only notional before. On the other hand, if they would have held on with a longer-term view, then they could have reduced the losses or even earned returns. Hence, for people still invested in the market, our first advice is to not sell anything unless they analyse their investment portfolio carefully. They need to assess the strength of each underlying security to determine if it can survive such volatility or not. Once this is clear, the investors can create a list of investments that they want to redeem and wait for the right opportunity to cash out."

Even after it is gone, COVID-19 pandemic will leave an impression in the minds of the people and it will take a while before they again start investing freely.

This pandemic will probably change the world forever. Post and pre COVID-19 world can be very different and the biggest difference will come in terms of psychology.



RAHUL AGARWAL

Director, Wealth Discovery
and EZ Wealth

Look for stocks that have been hit hard but have stronger pedigree to withstand crisis

Rahul Agarwal, Director, Wealth Discovery and EZ Wealth advises to reassess risk taking capacity and rebalance portfolio accordingly.

"Shift from low quality stocks to fundamental strong companies that have a chances of quick recovery once the market is back to stable conditions. This would be the right time to invest fresh capital or average down on the existing stock holdings. The equity markets have corrected over 30 per cent from their peaks and although there may be further downside, the risk of another significant correction has whittled down. The best strategy in this period would be to look for stocks that have been hit especially hard but have stronger pedigree to withstand the crisis. Some sectors to look into at this point would be auto, cement, steel, real-estate hospitality and aviation sector," he adds.

Throwing some light on how to recover the lost valuations, Shankar says: "For equity investors, we suggest incremental allocation to multi-cap funds, managed by experts, who have demonstrated their skill sets across various market cycles and who have demonstrated capabilities of shifting the underlying portfolio across market capitalisation, depending on prevailing market scenario. For fixed income investors, we suggest focusing on accrual oriented, high quality portfolios (predominantly AAA), through a combination of banking and PSU debt funds, corporate bond funds, and passive roll down strategies."

He says in order to remain insulated from the present volatility, the investor has to follow a disciplined investment process and have the temperament to hold on for the long term despite interim volatility. Ongoing periodic reviews and rebalancing (as and when required) are critical to ensure that the portfolio does not deviate from the stated goals as per the investment charter.

Everyone is looking for a formula to tide over this tumultuous time. People are cautiously holding on to their jobs and hoping everything will become all right. No one knows what the future holds for mankind, but surely to survive money is needed and since it does not grow on trees, one has to multiply it intelligently to remain insulated from upheavals. ■

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Use SIP and STPs to gain from market volatility



Bharat Bagla
Chief Dreamer at Bees
Network Ltd

The fear of a global economic slowdown owing to Covid-19 related shutdowns led to equity markets across the world steeply correcting. Since the start of the outbreak in China, investors globally have lost colossal amount of wealth. In Indian equity market investors alone lost ₹40 lakh crore between February and March 2020. Owing to this many investors seeing their portfolio in red, decided to cash out

of the market. This action resulted in turning notional losses into permanent loss.

Greed & Fear Cycle

When the market rallies, irrespective of market valuations, investors tend to rush to the market. This is largely due to the fear of missing out on the market rally. Conversely, when the market corrects investors tend to rush out of the market in an attempt to protect their investments. Novice investors tend to redeem their SIP investments or stop their SIP altogether fearing further losses. Both of these extremes are never helpful from an investor's perspective.

SIPs the way to go

In order to make the most of equity markets, it is advised that one should stay invested over the long term. The implicit understanding here is that as market moves through a cycle of bull, bear and sideways movement, one's investment across these

phases will help accumulate units (in case of mutual fund) thereby helping lower the cost of acquisition. The best approach to make the most of opportunities present across the market phases is to invest through SIPs. SIP offers investors a low ticket gateway to equity market.

Benefits Galore

There are a host of other benefits as well when one invests through SIP. First it's the power of compounding. Second, rupee cost averaging. If you are investing in mutual funds via SIP it is important to understand this term. The price of SIP units is calculated as Net Asset Value (NAV). By investing for long, one gets the opportunity to average out the cost of each mutual fund unit. For example: Suppose, in a month, an investment of ₹1,500 led to an allotment of 100 units, meaning that the NAV was at ₹15 per unit. Now if the market corrects and the NAV comes down

to ₹10, then that month an investment of ₹1,500 will lead to an allocation of 150 units. This effectively means that when one stays invested across the cycle, one gets the opportunity to accumulate more units at the same cost. Third, low ticket size. The best part with SIP based investment is that you can start investments with as low as ₹500 or ₹1,000 per month. However, this varies from scheme to scheme. So, before starting with investments, check on the minimum investment amount. If one decided to stay invested over a decade, notwithstanding short term volatility, the chances to a negative investment experience is very unlikely.

Use STP

STP stands for Systematic Transfer Plan. This is a very useful tool in portfolio management. Many a times as a financial goal nears, it is important to safeguard the returns generated. So, one can start transferring a part of corpus from an equity fund into a debt fund such that the corpus generated stay protected from sudden equity market volatility. At such time use the STP option to transfer your fund and seamlessly manage your investments.

The mutual fund industry today provides several tools aimed at easing an investor's needs. Be sure to know about these tools and use them as well. To conclude, it is difficult to go wrong with a long term SIP in a good fund. The only thing we have to ensure is to stay invested. ■



Building A Successful Wealth Creation Strategy

Industry stalwarts share their insights on long-term goals to protect against the downturn



By Himali Patel

The COVID-19 pandemic has not only caused tens of thousands of fatalities worldwide but has also thrown the global economies into a tailspin with shutdown. One thing remains obvious is that economic output is expected to slump sharply in the coming days. According to International Monetary Fund (IMF), the pandemic will shrink the world output by 3 per cent in 2020. It has been a turbulent time for the equity and the mutual fund markets in India as the Indian markets (NSE Nifty 50) has seen a meltdown of over 30 per cent from their peak and is currently down by 24 per cent on a Year-To-Date (YTD) basis as on April 20, 2020.

Similarly, Assets Under Management (AUMs) of the mutual fund industry saw a dip of 18.2 per cent sequentially to reach ₹22.3 lakh crore in March 2020,

reveals data from Association of Mutual Funds in India (AMFI). If compared to March 2019, the industry has fallen by 6.4 per cent translating to an asset base reduction of ₹1.53 lakh crore in FY2020. The equity AUMs have suffered due to the massive sell-off in the broad market, despite net inflows in open ended equity-oriented schemes reached ₹11,723 crore in March 2020. In the wake of this crisis many economists and market experts have expressed the types of post-pandemic recoveries one can witness. This would either be a “V-shaped” recovery, where there is a strong and rapid recovery of the economy post slump in GDP or a “U-shaped” recovery where the GDP downturn is long-lasting and takes longer than 12 months to recover.

However, in the end it is futile to time the market, or call the bottom. No one can predict the shape of the recovery – U, V, W, or some other, as the pandemic of this nature is often hard to model.



“The last such steep market fall was seen during the Global Financial Crisis (GFC) in 2008. Those who have witnessed 2008 understand that markets operate in cycles and investing regularly across bull and bear cycles is a prudent way to create wealth. The markets (Nifty 50) fell by 60 per cent from their peak in 2008, and not only recovered, but have grown over 5 times from that bottom to reach a new peak before the COVID-19 pandemic,” says Sanjay Sapre, President, Franklin Templeton India.

Volatility is a friend of long-term investors. These corrections provide great entry opportunities for the new as well as existing investors.

“The concept of wealth creation looks very wrong right now because everyone is seeing 40 to 50 per cent price correction. The falling market prices are a part of the journey and being aware of that as well as recognising it upfront is extremely important. Once

you are aware that markets inherently fluctuate then you can start wealth creation planning and as well as take advantage of this fluctuations,” concurs Kalpen Parekh, President, DSP Mutual Fund.

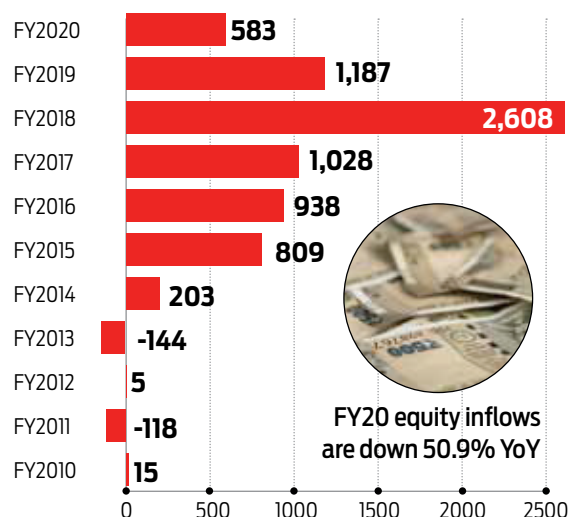
While there is no ‘one size fits all approach’ to build an investment portfolio, there are certain ground rules, which can help investors not only stay resilient in these challenging times but also help create wealth over the long run.

Any investor, who is in the journey to build wealth over the long term, must start with financial planning with a goal. In financial planning, investment horizon and risk appetite are two sides of the same coin. Every investor is different in terms of risk appetite, investment horizon and return expectations. The choice of asset class or funds could vary based on the risk appetite.

“Asset allocation remains the fulcrum of creating a long-term portfolio. Research has proven that for successful investing, asset allocation plays 91.50 per cent role and other factors together play only 8.5 per cent role in an individual’s investment journey. An individual’s financial requirements are unique in nature. So, it is best for investors to seek the help of a financial advisor when it comes to creating an all-weather portfolio,” says Nimesh Shah, CEO, ICICI Prudential Mutual Fund.

Given where the markets are, market experts are advising to increase the allocations to equity funds as equity market looks reasonably attractive. However, every investor - existing or new - needs to be mindful of risk-taking ability and investment horizon before taking exposure to equity.

Net Inflows (₹Bn)



Investor's Plan Of Action

- Define your financial long-term & short-term goals based on your age and the risk appetite you can take
- As an investor, your choice of asset class or funds could vary based on the risk appetite
- In order to strick a risk-return balance, investors must adopt two strategies based on asset allocation and diversification
- It is crucial to have the right asset allocation as each asset comes with its set of risk and is suitable for a certain time horizon
- Investors must review their investments periodically to ensure that they are on right track in meeting their financial goals
- As the strategies could go out of sync with the goals due to a change in the prospects of a particular asset, investors must conduct periodical checks on the performance of funds and review the potential for future growth
- In the end, investors must not act based on short-term volatility as it is a part and parcel of market behaviour



"In order to have a judicious risk-return balance, investors must adopt two strategies – asset allocation and diversification. It is important to have the right asset allocation as each asset comes with its set of risk and is suitable for a certain time horizon, and generally higher the risk, higher is the potential for returns," says Ashwani Bhatia, MD & CEO, SBI Mutual Fund.

As the stocks of some of the best managed companies are available at a very attractive price, investors can deploy funds for medium to long term. It would be good to invest in credible well-managed equity-oriented mutual funds.

"As an investor one can cherry pick three or five best managed companies in sectors which will continue to grow (pharma and healthcare, digital businesses, fintech, infrastructure) and directly invest or select mutual funds, which are focused on these sectors. You must avoid sectors which are unlikely to recover in the short to medium term such as aviation, travel, leisure, retail and Non-Banking Financial Companies (NBFCs)," says Suresh Surana, Founder, RSM India.

Most importantly, it should not be only equity funds, investors should also allocate assets in different asset classes. In a balanced portfolio, equity and debt mutual funds, traditional products, and so on can all have their own space and this is guided by the financial goal, the tenure of the investment and clear understanding of the product by the investor.

"All funds – equity, debt, & hybrid – have space in an investors' portfolio. Investors can follow asset allocation at portfolio level which will require them to readjust the movements in the portfolio on periodic basis. An alternative would be to invest in funds from the hybrid category and looking at their risk appetite they can choose which is better fund for their investments," explains Kailash Kulkarni, CEO, L&T Mutual Fund.

However, funds like Dynamic Asset Allocation Funds (DAAF), despite low risk, may not outperform like pure equity funds.

"The only thing that doesn't work with DAAF is that in case markets go up by 30 per cent, a regular equity fund will go up by 30 per cent, but DAAF might only



KAILASH KULKARNI
CEO, L&T Mutual Fund

An alternative would be to invest in hybrid category of funds and judge their risk appetite

go up by 27 per cent. For instance, when markets have fallen by 30 per cent the dynamic fund has fallen only by 20 per cent,” says Parekh.

As a matter of fact, DAAF are for all seasons, the only downside of it is that in an upward trending market, they may not be the top performer adds Parekh. A reason why it is imperative for investors to understand their risk profile more clearly. While building a long-term portfolio, one should ensure a combination of multiple asset classes and product diversity for each asset class.

“Investors should evaluate increasing their equity exposure if the current equity allocation is less than the desired allocation. Preference for hybrid funds vis-à-vis equity funds should be based on investor’s risk appetite. For investors with a three-year time horizon and moderate risk profile, we suggest they evaluate large, mid cap or multi cap funds,” says Ankur Maheshwari, CEO, Equirus Wealth.

Further, the current situation should be taken as good times when it comes to refreshing your asset allocation. As an investor if you are unallocated/ under allocated to equity, given risk profile, this is a wonderful opportunity to correct that imbalance. Swarup Mohanty, CEO, Mirae Asset Mutual Fund, feels, “The correction in ‘stock prices’ owing to



SWARUP MOHANTY

CEO, Mirae Asset Mutual Fund

We recommend 70 per cent in large cap, hybrid, multi cap or focus fund and 30 per cent in mid cap and sector funds

coronavirus, which may be a short-term event, is much more than the ‘value’ of many businesses, thereby increasing the ‘margin-of-safety’. We would recommend 70:30 where 70 per cent in large cap, hybrid, multi cap or focus fund and 30 per cent in mid cap and sector funds.”

Some experts feel that diversifying outside of the home markets may also be a good idea for long term investors looking to hedge their India exposure by way of investing in marquee global brands that are not listed in India. From a goal perspective too, overseas education for children is becoming an increasingly important goal. “Global funds help in planning goals, which require expenditure in foreign currencies in later years. Such goals could include higher education



Top 5 Mutual Funds Returns (AUM-wise)

	Scheme Name	AUM (₹ Cr)	Return (%)		
			1 Month	1 Year	3 Year
Equity Funds	SBI ETF Nifty 50*	53167.24	3.48	-24.94	1.68
	Kotak Standard Multicap Fund Regular Plan#	22871.08	1.31	-23.97	-0.19
	SBI ETF Sensex*	20307.62	3.46	-24.45	3.61
	ICICI Prudential Bluechip Fund*	18891.94	4.84	-22.85	0.38
	Axis Long Term Equity Fund@	17495.33	-1.77	-19.11	5.48
Hybrid Scheme Dynamic Asset Allocation	HDFC Balanced Advantage Fund	32369.03	5.73	-20.03	-1.73
	ICICI Prudential Balanced Advantage Fund	22849.12	3.51	-14.98	2.57
	UTI Unit Linked Insurance Plan	3896.29	-0.52	-10.69	0.56
	Kotak Balanced Advantage Fund - Regular Plan	3251.03	2.66	-13.15	-
	Nippon India Balanced Advantage Fund	2529.05	-0.35	-13.33	1.82

Source: Value Research ; Note: * Equity; Large Cap; # Multi Cap; @ Equity; ELSS; All AUM as on 31st March 2020; Returns as on 17th April 2020

Source: Value Research ; Note: AUM as on 31st March 2020; Returns as on 17th April 2020

for children. While the core portfolio should comprise of Indian funds, given the high growth rate of the economy, to capitalise on new and emerging themes and benefit from diversification, global funds should be a small proportion of an investor's portfolio (about 5 to 15 per cent)," says Srinivas Rao Ravuri, Chief Information Officer-Equities, PGIM India Mutual Fund.

Further the investors must avoid chasing the best performing asset classes and instead invest across asset classes via asset allocation. An asset allocation strategy is best suited to help investors meet various investment goals, and aid wealth creation over the long run with optimal portfolio volatility.

"It has been historically observed that no asset class has consistently given the best returns year after year. This phenomenon is called 'Winners Rotate' which means a different asset class may be the best performer every year," says Sapre. It is critical not to be lured by short-term performance, or purely

by past performance as this may not necessarily sustain in future. When investing, it is best to assess performance for the time period for which you want to invest. The longer the investment horizon, the more important it is that one selects funds that have shown resilient performance across market cycles.

"The choice of funds should take into account the manager's investment style (growth, value, blend), consistency of long-term performance (ideally over 5-10 years), and capabilities of the AMC as demonstrated by AUM, experience of investment team, etc," points out Virendra Somwanshi, MD & CEO, Motilal Oswal Private Wealth Management.

In such volatile times, staggering your investments across a broader period has become extremely prudent to avoid getting caught off-guard at either extreme of the valuation or the price curve. Investors should consider Systematic Investment Plan (SIP) as a mode of investment to avoid hassles of timing the market. SIPs help you to average out the purchase cost of your investment. These intermittent corrections are crucial for the SIP to deliver healthy returns. As one accumulates more units in weak market phases, the benefits of SIP become apparent as markets start moving up again. Investors can shield their mutual funds from the downturn with ongoing commitments that will benefit in the long run. Stick to a plan, take a deep breath and wait for the storm to pass. ■



SRINIVAS RAO RAVURI,
CIO-Equities, PGIM India Mutual Fund

Global funds help in planning goals, which require expenditure in foreign currencies

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Investing In The Times Of COVID-19

Avoid any speculative investment and add diversification to your portfolio for better returns

By Vishav

The crisis emerging out of the COVID-19 virus is no more just a health crisis but has taken the shape of an economic crisis of enormous proportions. And this crisis has not only affected those who are infected by the virus, but the entire population, whether directly or indirectly. Among the biggest victims, after those who were actually infected, are perhaps the small investors who had put in their hard-earned savings in the equity market through mutual funds route or otherwise. With stock markets correcting by over 30 per cent due to the pandemic, before recovering a little bit, their portfolios have lost huge portion of wealth and there seems to be no signs visible of recovering those losses in the near-term with the whole global economy coming

to a standstill and possibility of a global recession becoming more and more real.

And it's not just the stock markets that have been hit. Conservative investors would also have to settle for less returns going forward as the returns on Fixed Deposits (FD), Recurring Deposits (RD) and other fixed income assets have already gone down and it is expected that interest rates are going to be lower in the times ahead. In such a scenario, many investors face the question of what they should do with their savings now: should they hold on to cash or should they invest, and where should they invest.

According to Joseph Thomas, Head of Research, Emkay Wealth Management, while equities are "clearly at buy levels" because the price to book value of the Nifty 50 is at an all-time low of close to 2.50, fixed income products and fixed return products should also be a part of the portfolio as they offer stability to the portfolio and provides the much-needed balancing factor especially in times of high volatility.

"In terms of investing in this climate, two important factors should be borne in mind, which are of fundamental importance to the act of investing. One





ARCHIT GUPTA

Founder, and CEO ClearTax

Markets being down makes a good time for investors to go for equity-linked investments

needs to be seized of the long-term objectives of investing - am I on the right course as far as my long-term objectives are concerned? It is equally important to assess whether you are getting advice from a team of reliable and experienced professionals who always work with you, irrespective of whether markets are falling or booming," he says.

In terms of fixed returns assets, Thomas advises that one needs to be careful as adverse movements in interest rates may jeopardise the portfolio objectives.

"At this juncture, it makes immense sense to stay at the short end of the curve, that is short term products, like short term bond funds, banking and PSU Debt funds. These products have a maturity profile of two years to three or four years and the price impact of a rise in rates would be quite limited. The benefit of higher liquidity usually accrues to the short end of the curve and therefore, that is the preferred region. With trajectory of growth and inflation highly uncertain, and the likely expansion in fiscal deficit, it is a better idea to avoid long bonds," he adds.

However, for those investors who have some appetite for risk and have patience to wait for at least three years, this is perhaps the right time to make some significant wealth by investing in equity markets, according to Rahul Agarwal, Director, Wealth Discovery and EZ Wealth.

"If you have a low risk appetite for equity, but want to invest for long term, then go for the best secured option such as small savings schemes which have a higher rate of interest. For example, you can



put your money in PPF which gives 7.1 per cent (for April – June quarter) and also avail tax benefits on investments, withdrawals and interest earned. If you have already exhausted the available limit of 1.5 lakhs and have surplus funds to invest, then opt for opening PPF accounts in the name of your family members including minor children and park the money there for long-term savings," he advises.

Archit Gupta, Founder, and CEO, ClearTax, holds a contrary view as he feels that bank deposits are not going to be a great option at this point as the interest rates would fall with the market.

"The central bank will lower the interest rates in order to boost economic growth and GDP when the economic condition is not conducive. Therefore, the returns that the bank FDs would offer would not be attractive. Markets being down makes a good time for investors to go for equity-linked investments. If one lacks market knowledge, then they can opt to invest in equity mutual funds," Gupta says.

Gold is another asset class, which may be looked at for its enduring value due to its store of value function. However, like other asset classes, gold, too, has been impacted by this global health crisis which is fast turning into a much bigger economic one.

Gold price naturally reflects an upward bias but it has not just been one way but volatile, says Somasundaram PR, Managing Director-India, World Gold Council. In an era of leveraged positions and rule-based trading, gold too has witnessed massive liquidations, perhaps to raise cash to cover losses in other asset classes.

"While another bout of quantitative easing and low/negative real interest rates will be hugely positive for gold, consumer markets for gold jewellery could see a deep phase of uncertainty as income contraction amid volatile gold prices and supply



SUNIL MISHRA

CEO, Trespect

Unlike other asset classes like stocks, no crisis can wipe out your real estate investment entirely

disruptions could affect buyers' sentiment. As weddings and other occasions could turn out to be low key affairs for at least a year after this crisis is over, gold demand could slump," he says.

In terms of real estate as an asset class, even this segment has faced several ups and downs over the past few years. While some green shoots were emerging for the real estate industry, the sector has once again confronted a challenge in the form of the pandemic which may have a considerable impact.

However, according to Sunil Mishra, CEO, Trespect, given the volatile nature of most other asset classes, real estate is proving to be a safe bet for most buyers, provided they remain invested for a long-term.

"Real estate has traditionally been a favourite for many investors even before most modern stock markets had started trading. This preference is based on three underlying benefits - regular income in the form of rent, security and safety, and healthy appreciation in value. One of the biggest arguments in support of real estate has been its tangible nature. Your real estate investment can be seen and experienced. It is a physical asset that can be used for residence or leased out to generate income. And unlike other asset classes like stocks, no crisis can wipe out your real estate investment entirely," he clarifies. Mishra adds that while real estate returns may not have touched dizzying heights like stocks and gold but neither have they hit rock bottom.

However, due to the lockdown, the sector has also been hit with construction being halted due to the lockdown. "In the next few months there may be a dip in the pace of the sector with reduced new launches and extension in completion of projects. However, housing remains a basic necessity and demand will continue to exist once the situation normalises," says Surendra Hiranandani, Chairman and Managing Director, House of Hiranandani.

He adds that the sector has displayed tremendous resilience in the past while battling challenges, and it does have the potential to gradually overcome the challenges thrown by the pandemic.



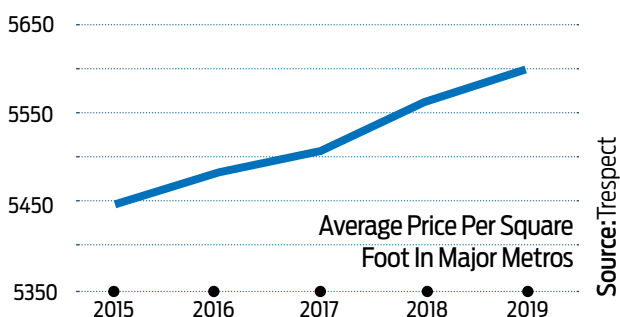
JOSEPH THOMAS

Head of Research,
Emkay Wealth Management

Avoid long bonds in uncertain growth trajectory, inflation & fiscal deficit expansion



Real Estate Price Trends Over 5 Years



Dhruv Agarwala, Group CEO, Housing.com, agrees and adds that while equities have fallen in the range of 25 per cent and could fall even further given the big hit on expected earnings, real estate prices will not fall to that extent given that they are at a multi-year low already.

"As such, the current crisis may encourage people who have been fence-sitters with respect to real estate to consider including real estate as part of their overall investment portfolio. Thus, we may see renewed interest in real estate as an investment option. Having said that, this will take some time to materialise considering the ripple effect this crisis is likely to have on consumer sentiment and purchasing power," he explains.

While these are tough times, this is also a good time to analyse and rebalance one's investment portfolio. EZ Wealth's Agarwal feels it is advisable to get rid of speculative investments and add diversification to one's portfolio. Some amount of gold needs to be added to investment portfolios as a hedge against uncertainty. If one is too underweight on equity, perhaps it is the right time to have some exposure to equity.

However, all portfolio investments should be commensurate with one's risk appetite, time horizon and financial goals, he concludes. ■

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Jobs Are At Risk But All Is Not Lost

With extended lockdown, hiring freeze, salary cuts and job losses, some sectors will be badly affected

By Anagh Pal

The COVID-19 pandemic has left us all in an unprecedented crisis since the WWII. In fact, some are calling it a bigger crisis, since more people across the world are affected. With strict lockdown measures across the globe and India, this crisis is going to impact businesses in a way that has never been seen before. Now the situation is more serious than 2008 – the devastation is faster and unknown. Naturally jobs will be affected.

“The formal sector contributes to more than 60 per cent plus to the country’s GDP. Companies are mature and bracing to absorb the hit by taking salary cuts so as to minimise job losses. However, 10 to 20 per cent loss of jobs and a gross impact of around 7 to 10 per cent on salaries are expected. It will also be important to wait and see for how long the demand and consumption is impacted due to COVID-19,” says Kunal Gupta, Founder & CEO, Mount Talent Consulting.

However, things hold promise in the medium to long term. “Exports are impacted, however, India Inc could gain a larger global market share due to low costs and high level of quality, anti-China sentiment and a democratic system in India. We could see a surge in manufacturing, technology growth and exports in a couple of years,” he adds.

COVID-19 has already caused a lot of human suffering and economic disruption. As per the recently released OECD Economic Outlook Interim Report (March 2020), global growth could drop to 1.5 per cent in 2020, half the rate projected prior to the virus. “The rapid spread is negating all global and Indian economic revival efforts. This sudden economic pause is leading to both concern

and apprehension as more and more countries are going into a total lockdown to manage and mitigate the impact of the virus. The picture is grim for India Inc as well. If the virus spread continues for more months, there could be job losses across various sectors,” says Ashwajit Singh, Managing Director, IPE Global.

Kamal Karanth, Co-Founder, Xpheno, a specialist staffing company, is optimistic, “It is still early stages, and what we see and read around in the job context are reactionary to the lockdowns and potentially impacted demand. The longer term assessment should not be a guess, but a more logical conclusion. It depends on the tolerance of various sectors and the players within it, and more importantly the ability to innovate and find alternative avenues.” Overall, things are going to be tough, but we can expect a strong rebound.

However, the impact is going to vary across sectors with some sectors being affected in a major way, while others are weathering out the storm better because their business will not be impacted as much.

Says Rituparna Chakraborty, Executive Vice President & Co-Founder, TeamLease Services, “Aviation, hospitality, retail (discretionary products, non essentials, mall-based formats), construction, outdoor entertainment and tourism shall have the deepest impact.” While the government has allowed partial opening of certain sectors and industries, the functioning of it will largely depend how India manages to control the pandemic. The pandemic will have an impact on the employment in the informal sector that are dependent on daily earnings with most of the work being outbound and cannot be done from home. For formal sectors, we have to wait to see how the lockdown relaxation pans out.

With businesses being impacted so severely, salary cuts and job losses may become a reality. The disruption to the global economy due to the pandemic is expected to wipe out 6.7 per cent of working hours globally in the second quarter of 2020 – an equivalent of 195 million jobs worldwide, as per International Labour Organisation’s COVID-19 and the World of Work report.

Says Karanth, “Announcements of enterprise top brass salary cuts have emerged and are expected to increase in the weeks to come. So despite the enterprise and industry contexts, the familiar modus operandi is to start from the top for salary cuts and start from the bottom in the

Impact On Sectors

■ **Impacted:** Travel, Tourism, Hospitality, Aviation, Real Estate, Retail, Malls

■ **Growth:** Telecom, Pharma, Diagnostics, Banking, Insurance

■ **Resilient :** Utilities, Consumer Goods and Durables, Fertilizers, Technology

unfortunate event of layoffs.”

He adds that while top and middle management can expect to undergo salary cuts and deferred payments of anywhere from 10 per cent to 30 per cent on average, the duration should be expected to not be lesser than six months at least. Organisations that can meet a critical balance of their cost and revenue with the top management salary cuts, will afford to stay away from salary cuts at bottom levels. However when the push comes to shove, announcements on salary cuts across the board will not be surprising anymore.

Says Chakraborty, “Every company shall come up with different criterias to evaluate jobs and salaries”. Some might look at rationalising headcount by segregating employees as performers, potentials and laggards. Some might segregate based on criticality of job roles. Some might choose grade wise pay cuts (higher wagers taking higher cuts) to save more jobs overall. Some might choose to cut jobs and ensure wage protection of those they want to retain.

If the disruption is prolonged it could have a bearing on India's imports from the countries which are critical for domestic economic activity. “Sectors such as the tourism and hospitality industry in India could render 3.8 crore people jobless, which is a substantial part of the total workforce. GoAir and Indigo have already cut salaries across the board following a suspension of operations. The auto and electronics industries are facing supply chain disruptions that could result in a lower or zero hikes across the sector. The economic impacts of the lockdown are beginning to be felt and will escalate in the coming months,” says Singh.

However it is not all gloom and doom on the hiring front as over 200,000 jobs have been directly published by enterprises in the last four weeks, with over one-fourth of it being announced in the last week. So hiring activity has not ground to a halt

“With junior and mid-senior level openings



ASHWAJIT SINGH

Managing Director,
IPE Global

**If the virus spread continues,
there could be job losses
across all sectors**

accounting for another sizeable 40 per cent of the openings, the opportunity for cross company movements at these levels are also available. Also important to note is that over 91 per cent of these openings are full-time openings with the remaining being a mix of contractual and part-time openings,” says Karanth.

Many companies across the spectrum are hiring. “In fact, many companies who had issued offer letters for hiring on a mass level are honouring their commitments in spite of



the economic downturn. Speaks a volume about their leadership and corporate ethics," says Prasad Rajappan, Founder & CEO, ZingHR.

Visionet India, a technology solutions and business process management company is planning to boost its workforce by further adding 1,500 employees. "With interest rates down in the US we see a surge in mortgage related aspects like refinance. We are further building to cater to the demand from India," Amit Khandelwal, SVP, Head IT, VisionetIndia.

By the end of 2020, Vuram, an IT solutions company, plans to grow its people strength by 15 to 20 per cent. Says Suresh Kumar C, Director - People and Operations, Vuram Technology Solutions, "From an Industry point of view, IT and ITES hold the lion's share with over 79 per cent of the total openings. Employers in ecommerce and BFSI continue to hire and contribute to about 15 per

How To Survive The Downturn



1 Freshers

1. Be more flexible when it comes to job selection
2. Start to look at non-conventional and conventional work across in startups and SMEs
3. Constantly look at opportunities even if they are short term in nature
4. Explore job fairs, recruiters, college and school alumni networks and leverage your Linked-in
5. Invest your time in online courses, which can increase your efficiency level of learning

2 Mid-Level Employees

1. Start thinking on re-skilling as a preparatory for further career enhancement
2. Get online streams of seminars, talks and even podcasts on various topics to increase your knowledge and skill
3. Do all it takes to keep yourself relevant to the enterprise context
4. Exhibit agility to take up more and be flexible to commercial iterations
5. Keep up to date with what your organisation is doing, not just in your own team, but across all sections and departments



KUNAL GUPTA

Founder & CEO,
Mount Talent Consulting

Expect 10-20% loss of jobs and a 7-10% gross impact on the salaries

cent of the openings. IT jobs constitute the maximum with close to 80K active openings across multiple levels, followed by engineering at 45K jobs and the Sales & BD offering over 65K opportunities."

In the current situation, fresher hiring and jobs could bear the brunt. However, with over 80,000 of the recently published job openings at entry level positions, it is encouraging to see that these are available at a point when the next batch of fresh graduates are entering the job market.

"It remains to be seen if the campus commitments are kept by the enterprises. While some have been seen honouring offers made, the reality can only be seen in a few months from now," says Karanth. He adds that sectors in this new normal economy will create more avenues for freshers across colleges whether top or medium ranked. Fields like fintech, hitech, research, agritech, healthtech, manufacturing, exports and a few others might see a good run to hire human capital at the base of the pyramid.

It is too early to predict when things will get back to normal. However, even as some sectors bounce back faster, others will take a longer time. Singh believes that to prevent an economic contagion that parallels the virus' rampage, the government needs to quickly announce measures to protect jobs and ensure the private sector, especially the small and medium businesses can survive. There is a need to immediately get cash in the hands of the private sector to enable them to pay salaries and survive.

"We expect things to start bouncing back from the third to fourth quarter of this year. We also feel that the job market will grow at a different speed in some sectors during this new normal. Work from home and remote jobs might see a super boom in the new normal economy," says Rajappan.

Optimistically one should look at 9 to 12 months for a normalcy of numbers getting restored. "But there is above average probability that a part of the workforce may return getting engaged in something different from what they did pre-COVI-19," says Karanth. Only the fittest will survive. ■

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Long Live Volatility

Investors all over the world are facing twin battles – keeping themselves protected from the pandemic and dealing with the fallout of equity market volatility. There is a flood of negative news flowing from all corners of the globe. Under these circumstances, investors are left to brave market volatility while seeing their portfolio value (life savings) erode substantially.

When stock markets turn volatile it brings along a certain sense of uncertainty and human beings in general are not adept when asked to deal with uncertainty. For an investor, the fear of loss is more unnerving than the actual loss or even the joy of a gain. Therefore, it is not the volatility but the uncertainty due to volatility that causes emotional setbacks. For example: When on a roller coaster ride, the ups and down of the ride is a part of the enjoyment and is not to be feared. Similarly, market volatility is not to be feared but is to be enjoyed by an equity investor. Volatility must be considered as a friend of an investor rather than an enemy.

The important point to note here is that an investor's response (emotional action), stemming from the fear of loss triggered by market volatility, read stopping SIPs

or redeeming investments, may actually result in a permanent loss. Therefore, it is imperative to understand that market volatility is not the problem but it our aggregate decision of what we do during volatile times which actually hurts an investor. Hence we investors are only responsible for the volatility seen in our portfolios. Market corrections over the past decades have largely varied between 20% - 30%. In extreme instance there has been 50% correction as well. Every other year a long term investor would have witnessed 10% swings too. But despite all these developments, equity markets have eventually recovered and have successfully made new highs. Only those who have stayed invested could have benefitted from such corrections and the ensuing rallies. However, what is often seen is that fearing notional losses, investors rush in to redeem their investments thereby making the losses permanent. By doing so, one becomes an unfortunate victim of the fear of market volatility.

It is often said that in equity markets losses are temporary but gains are permanent. As an investor, it is important to understand that volatility which is seen from time-to-



Deepak Kumar Bhardwaj
Chief Investment Strategist, The Capital Investment Advisory Services

time is responsible for superior returns generated over long term. This is because volatile times provide an investor with the opportunity to buy/accumulate more units (in case of mutual fund) at lower price, helping us to lower cost of acquisition. And in case of major market dislocation, like the one seen recently, then investors can consider lump sum investment as well. If the volatility were to reduce then the opportunity to make outsized gains also reduces. Therefore, an investor should not only learn to live with volatility but also learn to tide over volatility gainfully and wish "Long live volatility".

The pandemic induced

market correction presents a brilliant opportunity for a long term investor to take or enhance one's equity exposure. One year from here on, many investors will be looking back at present situation and will acknowledge it as a missed opportunity. This has been the trend among investors over the past several market corrections.

Markets generally tend to move in line with corporate earnings. Owing to extreme developments such as a lockdown, there could be instances that corporate earnings could take a beating. But this is a one-off. Eventually industries will come back to normalcy and earnings too will be back on track which will be reflected in the share prices as well.

Conviction is the single most important factor which helps an investor tide over difficult times. Within the emerging market basket, India is unlikely to be extremely affected by the pandemic. This is largely because India is not dependent on exports unlike most of the other emerging markets. As a result, the global slowdown is likely to have a minimal impact when compared to other markets. Going forward as global allocation to the emerging market will be decided, India is likely to attract a sizeable portion of such inflows, aiding further for the markets to recover substantially. So, rather than getting unnerved by the current bout of market volatility, a smart investor should learn to make the most of such times.

To conclude, it is safe to say that volatility was, is and will be there. It is difficult to imagine equity markets devoid of volatility. So, learn to embrace volatility than fighting it. ■

S&P BSE Sensex Calendar Year Return (39 years)



Source: MFIE, Calendar Year returns are absolute returns as on 31st Dec 2019. Launch date of Sensex is 1st Apr 1979 with a base value of 100. Calendar Year Returns: From 1st Jan to 31st Dec every year.

Tomorrow Is Going To Be Yet Another Day

Myriad repercussions might redefine India's startup ecosystem in a post pandemic world

By Rajat Mishra

It was not long ago when a professor of entrepreneurship at Massachusetts Institute of Technology, speaking to an international English daily said that the 2008 global financial crisis was all about eliminating the weak and survival of the strongest.

Fast forward 2020—the world is grappling with a brand-new challenge that has shaken the root of human survival and livelihood. The novel coronavirus or COVID-19 has wreaked havoc, transcending

the boundaries cast, creed, colour and of course geopolitical barriers.

This invisible enemy has brought global economies to a screeching halt and put the world under lockdown. India is no exception. In an effort to fight COVID-19, a country with 130 billion population has been put under lockdown for a second term. Needless to say, with daily economic activity coming to a standstill, pay cuts, layoffs and even smaller organisations, especially start-ups completely shutting down.

As a developing economy, India had endured several hardships – from the 1991 economic crisis owing to



swelling imports to Global Financial Crisis (GFC) of 2008. However, if we compare them with the current situation, nothing seems to match up to the magnitude of the impact of the novel coronavirus or COVID-19.

While the country's robust startup ecosystem had shown some real signs of growth and promising future, the sudden wave of the deadly virus has jolted the very base of India's startup scene.

According to Traxcn, (a Bangalore-based data-driven research platform) it might come as a surprise, but till February this year, Indian startup raised funding, which was three times more than 2019. In fact, before the pandemic tightened its grip over the economy, things were looking brighter for Indian startups.

A report released by KPMG in February last year stated that the number of startups in the country increased to 50,000 in 2018 from 7000 in 2008, which is a 7.14x jump. Sadly, the smooth-running startup street was forced to cut-short its journey owing to the COVID-19 pandemic and of course the multitude of challenges it threw up. And the pertinent question looming large is—will the crisis lead to multiple boom and bust story of many startups or like the 2008 financial crisis it will act as a filtering mechanism pushing innovation in entrepreneurship at its best.

However, we must understand that the pandemic has given rise to a typical situation. Unlike previous economic crisis, the virus has transcended all political and economic boundaries leaving no Big Brother for developing economies (also badly hit) to turn to. A deep-rooted sense of uncertainty across global economies is indeed evident.

Back in October 2008 when world's leading venture capital firm, Sequoia Capital had issued a missive to its portfolio companies titled RIP Good Times in the wake of the GFC. And sensing the vibes of cataclysm ushering slowly passed on a piece of advice that companies should reduce costs and start generating profits as soon as possible.

And cleaving through yet another recent crisis graver than the GFC, the firm published an open letter sharing more or less the same advice to its portfolio companies. Aptly naming it as the Black Swan of 2020, Sequoia Capital said that it may take much longer for the global economy to recover.

The founder of a certain Silicon Valley-based startup on the condition of anonymity said that after taking into consideration the extenuating circumstances we decided to limit our operations and took certain crucial measures. He further added that finding the next round of capital (funding) would be one of the crucial challenges the startup sector will have to endure.



ESHA TIWARY

Startup Incubator and General Manager, Entrepreneur India

It would be of great help if the government help startups to stay afloat

However, that might differ from one startup to another, depending upon the genre it caters to.

Sharing his views on the same, Ajay Tiwari, Founder, Happylocate, India's first one-stop relocation platform, says, "Surely sailing through the pandemic is very daunting and a tough challenge. But the situation would be different for essentials and digital-learning platforms. Similar business categories will have an

Startup Street India

- World's 2nd largest startup hub
- Around 26 startups are recognised every day
- Provides the 3rd biggest startup ecosystem globally
- 1300 new tech startups were launched in 2019



unfair advantage over others. And largely sailing through will not be smooth.”

Comparing the Black Swan of 2020 with the GFC, Tiwari adds that while the timing of both the economic crashes are same, the current one is way graver than its predecessor. Nonetheless, the present digital-savvy economy with higher acceptance levels has an edge and is expected to bounce back sooner. But Tiwari quickly adds a caveat stating that the pandemic is a “big speed breaker and not a simple roadblock.”

However, some experts differing in their opinion say that, not all startups will have to bear the brunt. In fact, certain startups focused on video communications will be on an upward spiral. On the other hand, startups catering to online groceries and edtech will be able to consolidate their ventures substantially. But startups related to travel and hospitality, food and beverages including online food delivery services will dwindle away to a great extent if not completely.

On the other hand, another sect of entrepreneurs is of the opinion that economic recovery depends how soon the spread of the pandemic is contained. While it is a universal truth that in the battle between human beings’ grit and an invisible virus, obviously the former will emerge victorious. But at what cost?

That is the question of the hour. Providing an insight into this dilemma, Esha Tiwary, startup incubator and General Manager at Entrepreneur India, says, “This is a very challenging time for early stage startups as they do not have the capital infusion to tide over an extended economic slump. It would be of great help if the government help startups to stay afloat.” She also adds that being an incubator they are emphasizing more on the communication part. “We are committed to supporting them through this challenging phase,” she adds.

However, Ayush Jha, Co-founder and CEO of Clairco, a Bangalore- based startup focusing on providing clean air (by turning air conditioners into purifiers) says, “As hygiene and wellness have become the focus, air purification will be at the heart of it. We are confident that we will come out of this stronger than ever. Though there are few operational challenges at the present due to lockdown but we understand that it is temporary and for the larger good. It will take a few months for the economy to recover from the coronavirus crisis; but one must not lose sight of hope.”

Total Funds Raised By Indian Startups Recently



Drawing similarities between GFC and the current pandemic leading to economic downturn, Jha adds that the only similarity that two crises share is the uncertainty factor is their rise and spread. And this is where government's role comes in. Policy responses need to be crafted accordingly since the COVID-19 is a public health crisis.

Nevertheless, analysing from another perspective, startups like Clairco seem to have looking at a somewhat brighter future. While chances of raising funds and grants are somewhat better for companies like Clairco, revising and optimising operation plans



LOVEPREET

Co Founder and Business Head, Infurnia

Enterprises are hesitant in entering into any contracts and awaiting clarity on how soon the market will rebound

are very much on the agenda especially keeping in mind the supply chain processes.

While startups like Clairco seem to have captured the rainbow visible thinly through a dense overcast sky, for some dark clouds are looming large like never before. For example, Infurnia, an architecture and interior design software startup is staring at uncertainty as the construction sector has come to a standstill owing to the pandemic. The company's Co-Founder and Business Head, Lovepreet says, "With almost all construction activities coming to a halt, and the interior design firm coming to a standstill, we are seeing significant slowdown in sales. Enterprises are hesitant in entering into any contracts before they get more clarity on how soon and how well the market will rebound."

Lovepreet also added that even though they have not laid off any employee so far, it would be of great help if the government steps in and creates some program similar to the Small Business Paycheck protection program launched in the United States.

Kapil Jain, Founder of Graphitto Labs, a Mumbai - based communications startup says that many startups will face challenges (some already are) amid the lockdown including sharp decline in business activities over the past few weeks.

Most startups were anyways working remotely, depending heavily upon the online space, often at minimal cost; however, the pandemic is all set to redefine the way even startups function. While for some the pandemic is a boon in disguise (startups like ClairCo or others focusing on video calls), for some it has already wreaked havoc. As predicted, since business tenets would be redefined in a post COVID-19 world, the country's start-up ecosystem is leaving no stone unturned to revamp strategies and innovate solutions that can help them ride the tide.

And far as the future of India's startup ecosystem's trajectory is concerned – will have to wait and watch.

Till then, let all of us – stay home and help flatten the curve. ■

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Trapped In The Whirlwind Of Adversity

With every passing day, the global agencies portray a grim GDP forecast for India for FY21

By **Aparajita Gupta**

Apart from killing over a million people worldwide, the novel coronavirus (COVID-19) pandemic has infected the global economy very adversely and India is no exception. With every passing day, various global agencies are predicting lesser growth for India for the current FY21 fiscal and the just ended FY20.

The World Bank has projected that India's Gross Domestic Product (GDP) growth may plummet to 1.5 to 2.8 per cent in FY21 due to the COVID-19 impact.

"In India, GDP growth in the fiscal year that has just started is expected to range between 1.5 and 2.8 per cent, implying the per-capita GDP growth of between 0.5 and 1.8 percent. This would come after the already disappointing growth rates of previous years. The green shoots of a rebound that were observable at the end of 2019 have been overtaken by the negative impacts of the global crisis," stated World Bank's report South Asia Economic Focus, Spring 2020.

The Asian Development Bank projected India's GDP will slow down to 4 per cent in FY21 due to a weak global environment and continued efforts to contain the COVID-19 outbreak in the country. The forecast assumes that the pandemic dissipates and full economic activity resumes from the second quarter of 2020.

"The COVID-19 pandemic jeopardizes global growth and India's recovery. But India's macroeconomic fundamentals remain sound, and we expect the economy to recover strongly in the next fiscal year," says ADB Chief Economist Yasuyuki Sawada. "Indian authorities have

acted swiftly to shore up the economy hit by the pandemic. Ongoing reforms to personal and corporate taxes along with measures to strengthen the agriculture and rural economy and alleviate financial sector stress will help accelerate India's recovery."

The S&P Global Ratings has further cut India's GDP forecast to 3.5 per cent from 5.2 per cent for FY21. It said in a report, "While lower official interest rates and government stimulus actions provide

some relief, the slump in demand is likely to lead to a declining credit quality and rising defaults, particularly among the non-financial corporates with weaker credit profiles."

Fitch Ratings has also chopped India's growth to a 0.8 per cent for FY21 attributing it to the unparalleled global recession that is underway caused by COVID-19 pandemic related disruptions. However, it has projected 6.7 per cent growth for FY22.

In its latest report, Global Economic Outlook, Fitch Ratings says it now expects world GDP to contract by 3.9 per cent in 2020, a recession of unprecedented depth in the post-war period.

Analysing these predictions, Arun Kumar, Malcolm S. Adiseshiah Chair Professor, Institute of Social Sciences said that the official data of growth does not include the unorganised sector. The unorganised sector is badly hit after the demonetisation drive in the country.

"Rate of growth of the Indian economy has already plummeted to negative before the pandemic broke. Even the organised

ARUN KUMAR

Malcolm S. Adiseshiah Chair Professor, Institute of Social Science



The economic growth rate has already plummeted to negative before the pandemic



sector has gone into a negative zone now. This will take some more time to come back to normal. Speaking optimistically, six-seven months from now the country is likely to grow at -2 per cent or -3 per cent. The overall rate of growth for FY21 will be around -10 per cent," he explains.

Painting a grim portrait of the economic situation, Kumar says, "My suspicion is we are into an economic depression and its recovery will take two to three years. Future economic growth will depend on the number of days the lockdown continues. The longer the period of lockdown, the worse will be the economic recovery rate. Having said that we also need to keep in mind that the number of people getting affected by the pandemic is an important indicator. The consumer and business sentiments are down after the economy received a shock. Since consumer sentiment is down, the demands for things will be simultaneously going down. In a situation when consumer demand does not rise, business sentiment will be low, following that the investment will be low."

Moody's Investors Services has slashed India's 2020 GDP estimate to 0.2 per cent from 2.5 per cent earlier.

The economic costs of the coronavirus crisis amid the near shutdown of the global economy are accumulating rapidly. Moody's Investors Service expects G-20 advanced economies as a group to contract by 5.8 per cent in 2020. Even with a gradual recovery, 2021 real GDP in most advanced economies is expected to be below pre-coronavirus levels.

"The contraction in economic activity in the second quarter will be severe and the overall recovery in the second half of the year will be gradual," says Madhavi Bokil, Vice President, Moody's.

Mihir Swarup Sharma, Senior Fellow and Head, Economy & Growth Programme, Observer Research Foundation says, "There is certainly

Who Predicts What

Organisation	Growth (in %)	Year
World Bank	1.5 – 2.8	FY21
ADB	4	FY21
S&P Global Ratings	3.5	FY21
Fitch Ratings	0.8	FY21
IMF	1.9	FY21

a room for a further downgrade depending on how the pandemic plays out over the summer. We were already at a low level of growth, and we have no clear idea what the hit to growth will be, or for that matter the length of this crisis."

He explains that the most vulnerable sections of the economy are small and medium-sized enterprises that already had cashflow problems. The government should loosen stringent KYC provisions temporarily and bring private fintech companies inside the tent as partners. The priority is getting cash out quickly to normally under-banked enterprises.

Even the International Monetary Fund (IMF) projected 1.9 per cent growth for India in FY21 from 5.8 per cent that was projected earlier. The IMF also projected a sharp contraction of the global economy by 3 per cent in 2020.

ICRA, too, has projected that the Indian economy will grow at 2 per cent in FY21. Speaking about the

revival of the economy, Kumar says, "Coming one or two months will be very crucial and the recovery will be very slow. This is a situation worse than a war. Demand does not collapse in a war. Here, in this case, both demand and business have collapsed."

"The government should look at the survival packages, where the poor will be having the basic food to survive on. The government should expand the public distribution system otherwise there will be food riots. The farming sector will collapse because there are no labour, transport or traders. The government should start procuring farm products from the farmers directly and start using it through the public distribution system," he adds.

In this maze of problems, everyone is looking for a solution. But the solution seems to be few and far between. "Saving the GDP is not the priority. The first priority is saving lives, and then the second is preserving well-functioning enterprises. If that is done, we can return to a pre-virus level of output when this is over. Trying a big GDP-focused stimulus right now would be counterproductive," says Sharma.

Saving lives and the economy are the two vital tasks of the government. With the recent measures of easing partial lockdown, some economic activities have resumed. But the mammoth challenge of turning the wheel of the economy to its fullest capacity remains in front of the government. ■

MIHIR SWARUP SHARMA

Senior Fellow and Head, Economy & Growth Programme, Observer Research Foundation



First priority is saving lives and the second is preserving well-functioning enterprises

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Will The Pandemic Spread Further?

The closure of six debt schemes by Franklin Templeton MF has eroded investor confidence

By **Yagnesh Kansara**

As the saying goes - a bull market is when you get a stock tip from your barber... A bear market is when you get a haircut from your fund manager!

Similar, or rather more severe than that has happened in the Indian financial market last week. The lockdown imposed as a containment measure to stop the spread of COVID-19 pandemic has taken its first toll in the Indian financial market. The closure of its six debt schemes by the Franklin Templeton (FT) Mutual Fund has resulted in eroding the confidence of investors to a large extent and has created a sort of crisis of confidence in the market. These six debt schemes together have more than ₹28,000 crore Assets Under Management (AUM).

Through a notice dated April 23, 2020, FT MF announced its decision to wind up six of its schemes; Franklin India Low Duration Fund, Franklin India Ultra Short Bond Fund, Franklin India Short Term Income Plan, Franklin India Credit Risk Fund, Franklin India Dynamic Accrual Fund and Franklin India Income Opportunities Fund.

As per the fund house, "There has been a dramatic and sustained fall in liquidity in certain segments of the corporate bonds market on account of the COVID-19 crisis and the resultant lock-down of the Indian economy which was necessary to address the same. At the same time, mutual funds, especially in



the fixed income segment, are facing continuous and heightened redemptions.'

These funds have been facing significant redemption pressure, which intensified in the months of March and April. These funds witnessed an estimated net outflow of ₹9,148 crore in March alone. The fund house maintains that in this

DEEPAK JASANI

Head of Research,
HDFC Securities



FT's voluntary wind up of six debt funds has shaken up the debt MF industry

scenario, this is the best possible way to safeguard the interest of exiting investors and is the only viable means to secure an orderly realization of portfolio assets.

Hence from April 24, 2020, the Trustee and the AMC have: (a) ceased to carry on any business activity in respect of the Schemes; (b) ceased to create or cancel units in the Schemes; (c) ceased to issue or redeem units in the Schemes.

The Reserve Bank of India (RBI) on following Monday announced a special liquidity facility of ₹50,000 crore for mutual funds in the wake of the winding up of six debt funds by Franklin Templeton.

Banks can avail of 90-day funds from the RBI's repo window and use it to lend exclusively to mutual funds or purchase investment grade corporate papers held by MFs. The scheme will be available from April 27 to May 11. This is third instance when the central bank has opened a special window for the MFs.

Joseph Thomas, Head of Research - Emkay Wealth Management says, "The erosion in investor confidence usually results in more redemptions and may lead to liquidity problems for the mutual fund industry, when many of them already have negative cash in debt funds. So, more than a crisis of liquidity, it is a crisis of confidence".

Though RBI may have announced opening of special window to help debt MFs tide over their liquidity problems, the after effects of the low rated credit risk fund portfolios may haunt the



mutual funds for some more time to come because of the economic slowdown and the resultant sluggishness in economic activity emanating from the pandemic, Thomas adds.

Amit Singh, Head, Investica, the online MF platform powered by Choice Broking says, "Retail Investors should be Prudent while investing in debt funds and should always look only for the quality of the portfolio and should completely ignore past performance, big names and big brands while making investments".

Omkeshwar Singh, Head-RankME, Samco Securities, says, "Investors affected by the current crisis have no choice, but to wait so that the liquidity gets back to the lower end of the system as and when the lock down is over and economic activities re-start, only then the AMC will pay back the realisable money".

FT has always maintained its image of managing low credit high yield debt funds. Many retail investors opted for these funds to get higher returns. Now that these schemes have shut down, the existing investors cannot do any transaction in these six schemes. At the same time, No expense ratios

will be charged for these funds. Investors will get redemptions in the future when the underlying bonds mature or when they pay interest. Hence, Existing investors can expect partial amount credits in their accounts if there are investments in any of these six schemes.

Investors conviction towards credit risk funds was never high, coupled with that lockdown extension and no clarity on full scale resumption of economy, the conviction dwindled more. Investors started redeeming money to which, FT had to liquidate best of their holdings and eventually the scheme was left with illiquid, low rated and thinly traded papers.

Bhavesh D Damania, Founder and Chief Care Taker, Wealthcare Investments says, "The situation doesn't seem to be the same with other fund houses and their schemes!! Most large players have already cleansed their books since default of IL&FS, DHFL, Zee. So I do not foresee similar run on other

These six debt schemes together have ₹ 28,000 crore AUM

AMCs credit risk funds. Even if they face huge redemption pressure like FT, most have already increased allocation to AAA, G-Sec and raised cash levels to combat such situation".

He said, now is the correct time to consider investing in Credit Risk funds in a staggered manner. Though, the volatility will be very high, one should be ready to live with that. Existing Investors should examine their portfolio and take action. Many debt fund categories are safer and stable which can be considered in case, one is fully risk averse".

There is no doubt that this development has shaken up the debt mutual fund industry. This coming after a series of NAV write-downs/segregation by various fund houses due to downgrades/defaults by investee companies will not do any good for the risk-on sentiments of retail and HNI investors. This episode once again highlights the weakness in the secondary debt markets in India as they tend to get illiquid by small bouts of micro and macro negative news.

Deepak Jasani, Head Of Research, HDFC Securities opines, "Despite the categorization by Sebi, a lot of debt schemes take on risks that are not reflected in their scheme risk-o-meter or their category names. Fund managers with a view to generate higher return tend to take higher risks in the portion of other investments permitted in even safe low risk categories. Investors would also do well to desist from chasing just returns without having regards to the risk taken by the respective schemes. AMFI on its part should educate investors on this aspect (how to assess this risk). On a higher level, faster legal resolutions/recoveries will help in development of buying out of stressed assets and improving the depth and liquidity in secondary debt markets".

One hopes that this is a one off case and we will not see more such cases even though the economy is yet to come out of this difficult phase. ■

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Playing A Very Defensive Game

Analysts are positive on HUL's growth

By **Himali Patel**

When it comes to Fast-Moving Consumer Goods (FMCG) space, Hindustan Unilever (HUL) has a track record of strong financials on every count on a higher base. The company, which is into manufacturing of branded and packaged FMCG products, saw an increase in demand for home and hygiene related products due to the present pandemic. Despite COVID-19 crisis, analysts continue to remain positive with its volume growth on account of strong demand for its products. The company's net sales and net profit have clocked a Compounded Annual Growth Rate (CAGR) of 4 per cent and 7 per cent respectively. That said, the company's third quarter (Q3) performance for financial year (FY) 2020 was broadly in line with most broking firms' estimates. The total sales rose 4 per cent during the quarter as its domestic consumer business grew by 4 per cent year-on-year.

The company's segmental revenue for the nine-month-ended December 31, 2019 increased by 5.3 per cent Y-o-Y. Out of this, the home care segment contributed to 35 per cent of the revenue, beauty and personal care by 45 per cent, foods and refreshment contributed to 19 per cent and other products by 1 per cent. On the operating front, the Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) grew 19.2 per cent Y-o-Y on back of improved operating leverage. "Factors that have led to the company's

strong earnings performance like nimbleness, stringent cost savings, premiumisation and best-of-breed analytics are likely to benefit it in the future as well," says an analyst at Motilal Oswal Financial Services.

That said, the company in the month of April 2020, completed its merger with GlaxoSmithKline Consumer Healthcare (GSKCH) with a consideration of total equity value of ₹31,700 crore for 100 per cent of GSKCH India. In addition to that, HUL has also paid ₹3,045 crore to acquire the Horlicks brand for India from GSK. In March 2020 it has also announced the acquisition of VWash brand from Glenmark Pharma. "With HUL's extensive distribution reach of 7+ million outlets and direct distribution of 3.5+ million retail outlets, we believe it would be able to market VWash on a much wider scale across geographies. This would help the product grow faster with the company, going forward," points out an analyst at ICICI Direct.

Considering the extraordinary economic slowdown, HUL, going forward, is likely to sustain a robust revenue growth and continue to dominate a premium to the peers being the leader in the category. "We currently estimate 15 per cent PAT CAGR over FY20-22 (post-merger) and value the stock at 46x FY22 pro-forma earnings per share (EPS) of ₹46.4, thus assigning a target price of ₹2,136 (Quoted as on April 1, 2020)," says an analyst at Prabhudas Lilladher. The company remains one of the best defensive players in the current uncertain environment as per various broking firms. ■

Hindustan Unilever

→ **CMP: 2337.65**

→ **PE: 73.23**

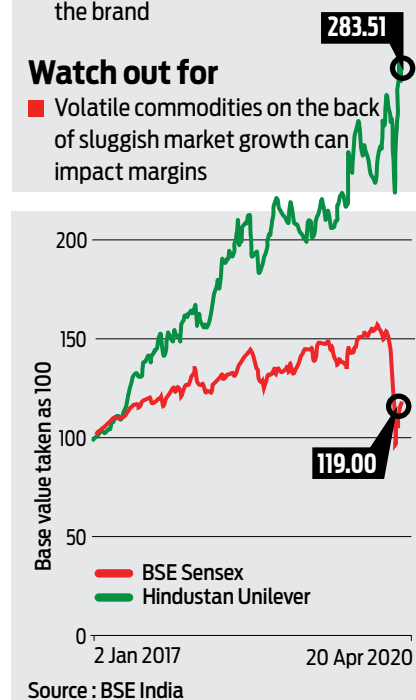
*As on April 20, 2020

Why Buy

- Consistent growth with maximum range of new generation products
- Its acquisition of VWash from Glenmark Pharma bodes well for the brand

Watch out for

- Volatile commodities on the back of sluggish market growth can impact margins



Financials

Net sales (₹ crore)		PAT (₹ crore)	
FY19	39311	FY19	6060
FY18	35550	FY18	5227
FY17	33252	FY17	4490
OP (₹ crore)		EPS (₹)	
FY19	9430	FY19	28.028
FY18	7885	FY18	24.139
FY17	6696	FY17	20.722

OP: Operating Profit; PAT: Profit After Tax;
EPS: Earnings Per Share; Source: Ace Equity

Sailing Through The COVID-19 Storm

Brokerages expect the bank to post a 30% growth

Although COVID-19 pandemic might have discounted two quarters of de-growth in earnings, many market experts and analysts believe that blue-chip stocks like HDFC Bank are trading at attractive valuations, offering once in a decade opportunity. Being one of India's leading private banks that offers a diverse range of financial products, HDFC Bank has a proven track record of not only good earnings but is also backed by a strong risk management system. Further, many brokerage houses are expecting HDFC Bank to remain unfazed by COVID-19, thereby expecting to post a 30 per cent growth earnings in its net profit in fourth quarter (Q4) for financial year (FY) 2020. As of December 31, 2019, the bank enjoys a wide distribution network spread across 5,345 banking outlets and aiding customers with 14,533 ATMs/ Cash Deposit & Withdrawal Machines (CDMs) across 2,787 cities/ towns.

On the financial front, HDFC Bank's net profit and Interest earned have clocked a Compounded Annual Growth Rate (CAGR) of 15.9 per cent and 15.7 per cent respectively over FY 2015-2019. "We believe the bank will be able to gain market share driven by strong leadership position across segments, large distribution, digital focus and strong capital adequacy," says an analyst at IDBI Capital. When it comes to the bank's net revenues for Q3 FY2020, it posted a 19 per cent growth at ₹20,842.2 crore as compare to corresponding quarter of the previous year.

On the quality front, the bank witnessed a marginal slip in its Gross Non-Performing Assets (GNPA) at 1.42 per cent of gross advances as on Q3 FY2020 as compared to 1.38 per cent in Q3 FY 2019. Further the Net NPA stood at 0.48 per cent of net advances as on Q3 FY2020. "Asset quality is expected to remain under pressure. However, growth in advances and deposit despite weak economic environment should drive the company's performance," cautions an analyst at Geojit Financial Services. The Net Interest Income (NII) rose 13 per cent in Q3 backed by the growth in advances of 19.9 per cent and a growth in deposits of 25.2 per cent. However, the Net Interest Margin (NIM) for the quarter stood stable at 4.2 per cent.

That said, HDFC Bank's cost-to-income ratio for the quarter stood at 37.9 per cent in Q3 FY2020 as against 38.4 per cent in Q3 FY2019. The bank's continuous focus on deposits has been a key catalyst for the maintenance of a healthy liquidity coverage ratio at 140 per cent, that is well above the regulatory requirement. "Over the past 10 years, HDFC Bank has steadily grown its loans market share to ~8.5 per cent of the system, driven by steady branch addition, improving employee productivity and effective use of technology to gain distribution efficiency. Within retail loans, it has been institutionalising the sales process so as to increase the pace of customer acquisition," says an analyst at Axis Securities. ■

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HDFC Bank

➔ **CMP: 946**

➔ **PE: 20.57**

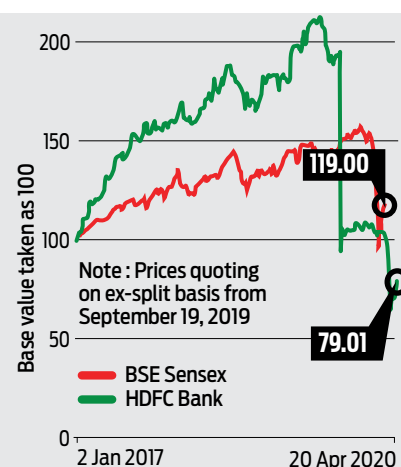
*As on April 20, 2020

Why Buy

- Strong financial record with consistent profitability and stable NIM
- Strong market leadership with steady branch addition and distribution network

Watch out for

- Asset quality concerns can continue, under the given current adverse macros



Source: BSE India

Financials

IE (₹ crore)		PAT (₹ crore)	
FY19	105160.74	FY19	22332.43
FY18	85287.84	FY18	18510.02
FY17	73271.35	FY17	15280.48
TI (₹ crore)		EPS (₹)	
FY19	124107.79	FY19	82.00
FY18	101344.45	FY18	71.33
FY17	86148.99	FY17	59.63

IE: Interest Earned; TI: Total Income; PAT: Profit After Tax; EPS: Earnings Per Share; Source: Ace Equity

Nippon India Dynamic Bond Fund

Investment Strategy

Prashant Pimple is a competent manager and has 15 years of experience on the fixed-income side. He has been with the fund house for more than a decade and has exhibited a flair for managing duration strategies. The fund house has witnessed a change in the ownership, resulting in Reliance Mutual Fund being renamed Nippon India Mutual Fund.

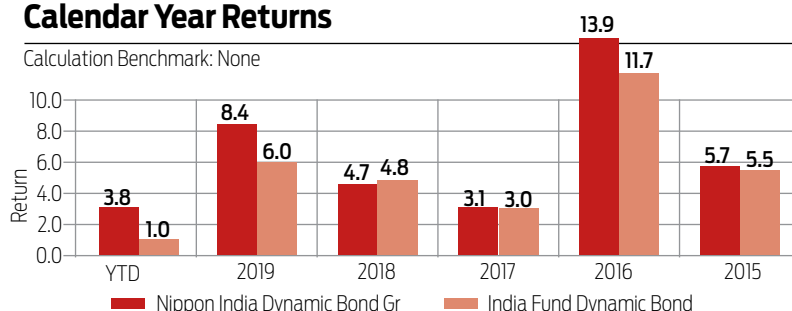
The investment strategy is research-intensive and relies mainly on fundamental research. The manager primarily focuses on active duration bets. Given that duration is an integral part of the strategy, studying the macroeconomic scenario for taking an interest-rate directional view forms the broader framework of the process. The investment team incorporates the views of key external economists and an in-house economist on factors

such as gross domestic product growth, inflation, fiscal deficits, and trends in government borrowing. The manager maintains a quality portfolio and invests only in AAA rated securities. They also use the analysis of sell-side research and credit-rating agencies to form a view on companies' creditworthiness. The exposure limits are decided by the head of fixed income, Amit Tripathi, or the investment committee, depending on inputs provided by the credit research team on the type of issuer and the tenure of the issue.

The execution of the process has been good, with 60%-70% of the core portfolio reflecting the medium- to long-term view of the fund manager; the remaining 30%-40% of the portfolio is tactical, used to take advantage of any short-term movement in rates.

Calendar Year Returns

Calculation Benchmark: None



Trailing Returns

Data Point: Return Calculation Benchmark: None

	YTD	1 Year	3 Years	5 Years	10 Years
Nippon India Dynamic Bond Gr	3.82	10.84	6.64	7.38	8.39
India Fund Dynamic Bond	0.96	5.74	4.85	5.90	6.90

Fixed-Income Statistics

Fixed Inc Style Box (Long)	High Mod
Average Eff Duration	-
Average Eff Maturity	6.7
Average Coupon	7.4
Average Price	105.2

Fixed Income Style Box

			High
			Med
			Low
Ltd	Mod	Ext	

Top Holdings

	Portfolio Weighting (%)
GOVT STOCK	46.43
GOVT STOCK	22.29
726% Govt Stock 2029	8.45
7.88% GS 2030	7.41
Triparty Repo	6.93
Swarna Tollway Private Limited	2.92
Indian Railway Finance Corporation Limited	1.91
RELIANCE INDUSTRIES LIMITED	1.32
Indian Railway Finance Corporation Limited	1.27
Housing Development Finance Corporation Limited	0.64

Fund Snapshot

Morningstar Category	India Fund Dynamic Bond
Fund Size (₹)	8.1 billion
Inception Date	15/11/2004
Annual Report Net Expense Ratio	1.85
Morningstar Rating Overall	*****
Manager Name	Multiple
Minimum Investment (₹)	5,000
Morningstar Analyst Rating	Neutral

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ICICI Pru Value Discovery Fund

Manager Biography And Fund Strategy

“Mrinal Singh took over the reins of this fund in February 2011. Over the years, he has emerged as a skilled portfolio manager, adept at running funds of varied types. While he is an expert in the small/mid-cap segment, he specialises in value investing, too. Naren is at the helm of the investment function and works closely with the investment team. His contribution to the top-down and sector views are a big positive.

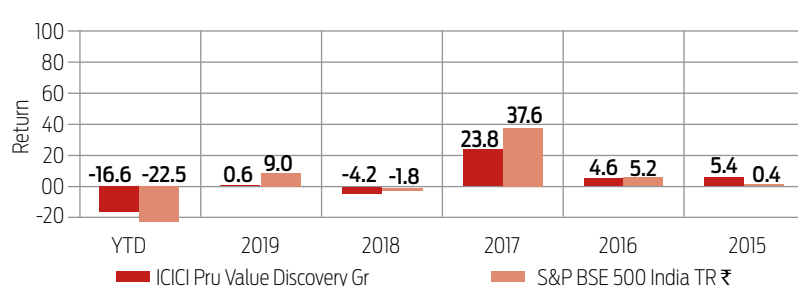
Mrinal Singh's investment approach entails scouting for stocks he believes are trading at a significant discount to their fair value. He relies on a combination of absolute and relative valuation parameters (such as P/E, price/book value, EV/EBITDA) for picking stocks. Additionally, he looks for differentiating factors (technological prowess, cost advantage) that can give the company a sustainable edge. While a bottom-up approach is more prominent, top-

down factors aren't ignored. With the investment strategy rooted in value bets, the fund's portfolio is significantly distinct from the benchmark index and other funds. He is patient with his stock picks especially from the small/mid-cap segment, a strategy that jells well with his investment philosophy. The strategy is not without risk. It can hold back the fund in rising markets when valuations are stretched and can lead to value traps. Hence, its long-term success will depend in no small measure on the manager's execution capabilities. On that count, we believe Singh is equipped to successfully ply the strategy

Mrinal Singh professes to manage the fund in an unconstrained manner with value as an underlying theme. Singh prefers quality stocks and will not invest in a company, which doesn't meet all his selection parameters. Hence, he doesn't invest in companies that are highly leveraged”

Calendar Year Returns

Calculation Benchmark: S&P BSE 500 India TR ₹



Trailing Returns

Data Point: Return Calculation Benchmark: S&P BSE 500 India TR ₹

	YTD	1 Year	3 Years	5 Years	10 Years
ICICI Pru Value Discovery Gr	-16.57	-19.80	-3.53	0.34	10.40
S&P BSE 500 India TR ₹	-22.47	-20.93	-0.40	2.80	7.12



Portfolio Date:
31/3/2020

	%
Basic Materials	11.9
Consumer Cyclical	13.5
Financial Services	7.7
Real Estate	0.0
Consumer Defensive	4.6
Healthcare	12.4
Utilities	10.9
Communication Services	7.7
Energy	5.5
Industrials	6.4
Technology	19.5
Total	100.0

Top Holdings

	Portfolio Weighting (%)
Infosys Ltd	9.62
Sun Pharmaceuticals Industries Ltd	9.06
Mahindra & Mahindra Ltd	6.86
NTPC Ltd	6.83
Bharti Airtel Ltd	6.58
ITC Ltd	4.32
PI Industries Ltd	4.11
Wipro Ltd	3.66
Indian Oil Corp Ltd	3.08
Grasim Industries Ltd	2.83

Fund Snapshot

Morningstar Category	India Fund Value
Fund Size (₹)	117 billion
Inception Date	16/8/2004
Annual Report Net Expense Ratio	2.13
Morningstar Rating Overall	*****
Manager Name	Multiple
Minimum Investment (₹)	1,000
Morningstar Analyst Rating	Bronze

Data Source: Morningstar India

Franklin India Equity Fund

Manager Biography And Fund Strategy

"The presence of a seasoned manager in Anand Radhakrishnan, an experienced and stable team that ranks among the best in the industry, and a fundamentals-driven investment strategy backed by extensive research are the most appealing aspects of this fund.

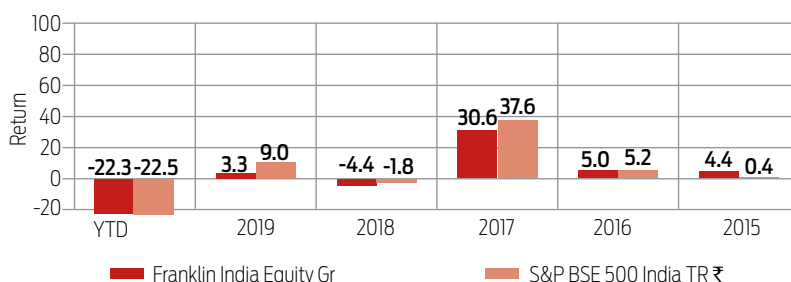
Analysts gauge companies using DCF models and parameters such as ROE, P/BV and P/E. Sector-based model portfolios created by analysts are compiled by the research head to create market-cap-based model portfolios that serve as guides to the portfolio managers. The skilled management team's participation aids the process in no small measure. Anand Radhakrishnan seeks companies with clean balance sheets. He looks for steady businesses with sustainable

competitive advantages that can generate healthy ROEs and ROCEs. He focuses on profitability using EVA as a measure. A contrarian streak is perceptible in the manager's stock picks. Radhakrishnan will pare/exit positions he believes are expensive. That said, the strategy is not without risks. His valuation-conscious approach and inability to play momentum will hold the fund back during speculative or bull markets. The fund also struggled owing to a few investment calls that could have been best avoided. A more prudent approach would help in this regard.

The fund's portfolio largely remains stable in terms of allocation, nature, style, and diversification. Both large and mid/small-cap stocks form part of the portfolio, with more than a 70% allocation to large caps."

Calendar Year Returns

Calculation Benchmark: S&P BSE 500 India TR ₹



Trailing Returns

Data Point: Return Calculation Benchmark: S&P BSE 500 India TR ₹

	YTD	1 Year	3 Years	5 Years	10 Years
Franklin India Equity Gr	-22.26	-24.57	-4.05	0.55	8.48
S&P BSE 500 India TR ₹	-22.47	-20.93	-0.40	2.80	7.12



Portfolio Date:
31/3/2020

	%
Basic Materials	8.5
Consumer Cyclical	10.2
Financial Services	26.9
Real Estate	0.0
Consumer Defensive	10.6
Healthcare	5.8
Utilities	3.4
Communication Services	8.4
Energy	4.9
Industrials	8.6
Technology	12.7
Total	100.0

Top Holdings

	Portfolio Weighting (%)
HDFC Bank Ltd	8.17
Infosys Ltd	7.35
Bharti Airtel Ltd	6.96
ICICI Bank Ltd	4.90
Axis Bank Ltd	3.94
Larsen & Toubro Ltd	3.88
HCL Technologies Ltd	3.04
State Bank of India	2.95
Marico Ltd	2.79
Mahindra & Mahindra Ltd	2.51

Fund Snapshot

Morningstar Category	India Fund Multi-Cap
Fund Size (₹)	76 billion
Inception Date	29/9/1994
Annual Report Net Expense Ratio	2.20
Morningstar Rating Overall	***
Manager Name	Multiple
Minimum Investment (₹)	5,000
Morningstar Analyst Rating	Silver

Data Source: Morningstar India

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This Product is suitable for investors who are seeking*:

BHARAT Bond ETF - April 2023

- Income over the Target Maturity period
- [^] An open ended Target Maturity Exchange Traded Bond Fund that seeks to track the returns provided by Nifty BHARAT Bond Index - April 2023.

BHARAT Bond ETF - April 2030

- Income over the Target Maturity period
- ^{^^} An open ended Target Maturity Exchange Traded Bond Fund that seeks to track the returns provided by Nifty BHARAT Bond Index - April 2030.

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



Mutual Fund investments are subject to market risks, read all scheme related documents carefully.



AJAY BAGGA

Eternal Money Lessons From Life

It would be a huge achievement if you have clarity about the value for money

Within a year of starting work for a multinational, I was sent to New York in the 1990s for training at the headquarters. We used to get \$20 per diem in which we had to manage our food costs for the day. All the other expenses were borne by the employer. There was this intern working with us, who used to drive into the firms parking lot in a swanky Mercedes. The CEO of the firm, who has been hailed as one of the best bankers of the 20th century, used to use the NY subway. We were fascinated by the lifestyle of this intern. He had a magical aura around him of opulence and privilege. Our self-pressed polyester shirts and ties and Bata shoes were the subject of snubs. And the one credit card we had worked only in India and Nepal. Having to pay cash everywhere was seen as so passé. We will call him Mr Grasshopper.

In New York I met Mr Desi Ant also. Like me, he was a Punjabi from a refugee family who lost everything in the 1947 partition of India. Through a cousin he somehow made it to the US, started waiting tables in the cousin's restaurant. Within a year he had started driving a cab and then went on to acquire many cab licenses, which were a gold mine in those pre Uber / Lyft days. When I met him, he was a platinum customer who still drove sometimes, but was managing a huge transportation operation of Punjabi and Pakistani cab drivers. His children were all Ivy League educated - one a doctor and another a lawyer.

Mr Grasshopper would talk derogatorily about Mr Desi Ant, mimicking his accent, his gruff mannerisms and his lack of education. Mr Desi Ant would like to spend time with us youngsters and share stories of people he had driven and things he had seen. More on that some other day. He had a great story on the market crash of 1987.

Then one July a US Congressman cast doubts on the firm's solvency.

Things had been challenging with the savings and

loan crisis and the Latin American debt defaults. As belt tightening happened, raises and bonuses were held up and jobs were at threat.

I saw Mr Grasshopper walking into the office a week later, no car and no swagger. He was behind on his EMI so all the furniture in his house and his car was repossessed. That is when I realised his whole life was a house of cards, built on unsustainable debt and just in time EMI payments. At the first sign of trouble his entire edifice of debt collapsed around him. Within a month he was without a job and had moved back into his parents' house to save costs.

Mr Desi Ant came to see me a few days later. I asked him how things were, given the general gloom in the economy and reduced expenditure all around. He said he paid cash down for all his purchases, used every dollar of tax planning available to his business and was in fact buying more cabs in the downturn. He had seen many cycles from Nixon to Ford to Carter to Reagan and George Bush Sr. He prepared for cycles and for success through sagacity and frugality. That talk was one of the most important lessons in money management and financial planning that I ever got. As I rose to be the Chairman of the Financial Planning Standards Board of India and to head many venerable institutions, those lessons in hard work, perseverance, grit, determination, clarity of objectives and humility have helped me navigate through the good and bad times.

Both stories have a happy ending.

Mr Grasshopper went into business with a former client and married his daughter (I forget if the marriage came first or the business, it's been 30 years now!). The India offshoring miracle happened in a few years and it was one of the few businesses in the world where you had a massive cost advantage. He got in at the right time and the rest as they say, was history. He has not changed much.

Mr Desi Ant is a dear friend and a sounding board. He still goes to office, still runs a tight ship in various businesses that he has acquired. He gives a lot to charity and to immigrant welfare. I call him for advice and for getting infected with his

Earn, spend wisely, do extreme savings and invest for long term



optimism and sheer love for life and success at all he touches. I like stories that end with “And they lived happily ever After”.

For both my friends, the story ended well.

I was thinking of them as I see people all around us losing jobs, panicking about the future and worrying about their investments.

Crisis/ crash/ recessions are a great time to reassess our core values. What do we want out of our life?

What defines us as human beings? What would we like to be our legacy? How do we safeguard our future and those of our loved ones?

These are good questions to think about. There are no right or wrong answers; there are answers that are good for you as determined by you.

A critical question you can evaluate at this time is - What is your relationship with Money?

Do you want to be the Mr Grasshopper or Mr Desi Ant? Or some mixture of the two, or maybe, something totally different from both. If you can clarify your values towards money, that is a huge achievement. Then you will drive the process of money management for yourself, rather than being a cog in the great wheel of Samsara.

If we can recognise there is a huge world that wants to market our products, services, dreams, promises in exchange for our money, we will be able to be more objective in spending our money.

At no point am I asking you to be miserly. But there is a pride in being frugal.

I will give you two examples. The first is legendary investor and one of the richest men in the world, Warren Buffett. Like in his investments, he is careful to the point of being frugal in spending his fortune, but

he has donated more than \$46 billion to philanthropic causes since 2000. He still lives in the house he bought in the 1950s and drives an equally modest car. Buffett prefers to reinvest and grow his money, rather than take it out of the bank. Not one for lavish purchases, he spends relatively little of his billions – except when it comes to philanthropy.

Another is someone who has given huge amounts to charity in India. I will not name him as he likes to be very self-effacing. I used to run a project offering corporate digital salaried accounts to firms. His company was a customer. In those pre big data/pre algo times, he made me do analysis on what were his employees spending most on. We worked out discounts with major retailers for each of those categories, so the purchasing rupee of his employees was stretched. He drove an old car and stayed very modestly. More lessons from him in future columns. I would like to end with this advice. Yes times are bad. Learn. Work on ensuring that you earn money, spend wisely, do extreme savings and invest in a diversified manner for the very long term. That is the simple, but not easy to do, mantra for financial independence and financial liberation.

My life style has not changed in this lockdown except for not being able to go to TV studios, speak at conferences or go for the rare meeting. I use digital platforms to do all my meetings now and find much more time and energy available for doing what I love doing the most - meditating, reading and thinking.

Follow the money mantra I have shared with you. So that you can also achieve this financial liberation. It is priceless. ■

The author is a Private Investor

Insurance Sector To Take A Hit

Removal of tax exemptions under Section 80C could have a detrimental impact on life insurance

By **Vishav**

Thirty three-year-old Nakul Khajuria invests Rs 50,000 every year in a Unit Linked Insurance Plan (ULIP). While he hopes to get some decent returns from this policy in the long run, his primary reason to start it was to save tax. He claims a deduction of ₹50,000 every year under Section 80C on his policy. Asked whether he would have taken this plan had his income not been taxable, or if there was no income tax deduction on this scheme, he says he may have then opted to spend some of that money, or invested in an FD.

Sharma is not alone as a

majority of the salaried class in India invests in insurance products with their primary motive to save tax. However, in the Budget 2020-21 Finance Minister Nirmala

**RAHUL
AGARWAL**

Director, Wealth
Discovery and EZ
Wealth



The industry will face some collateral impact of the new Income Tax regime

Sitharaman unveiled a new simpler income-tax regime, offering taxpayers to opt for lower tax rates by not availing any existing tax saving exemptions - including insurance premiums, something that worked as life blood for the life insurance industry for a long time.

Most industry observers believe that removal of tax exemptions under Section 80C in the new tax regime could have a detrimental impact on life insurance products as well as Equity-Linked Savings Schemes (ELSS) of mutual funds. While a significant part of the population opts for life and health insurance to save tax, these policies are crucial for their financial wellbeing and opting out of them may save them some money in the short run, but can put them in severe financial risk in case of any mishappening.

According to Rahul Agarwal, Director, Wealth Discovery and EZ Wealth, Finance Minister's move came as a shock for the domestic insurers because when the incentive to avail the tax exemption is removed, there are high chances that people would not buy additional insurance coverage.

“The industry as a whole is expected to face as a collateral impact of the new income tax regime as the nature of domestic insurance cover is sold and not bought. And in the absence of any tax incentives, it will be far difficult for the insurance agents to push the sale, particularly in the part, which is largely motivated by tax benefits - lower ticket-size ULIPs and par-savings products,” he says.

Agarwal adds that insurance



penetration, which is very low in India, will come down further at least for the short term.

As per income tax statistics for AY 2018-19, total taxpayers stood at 58 million, and out of which 15 million fall under the bracket of ₹5 lakh to ₹10 lakh income levels. This segment of individuals could be sensitive to the available tax exemption as an incentive to buy insurance. "While this segment is only around 5 percent of the total individual policy universe, it is a sizable 50 per cent of the annual new policies issued," Agarwal says.

However, G Murlidhar, Managing Director, Kotak Mahindra Life Insurance, opines that the impact will not be material for the insurance industry in the immediate term but, in the long term, it could have an impact which remains to be seen.

"Firstly, it is a parallel and optional tax structure; the existing tax incentives for insurance will continue. The existing tax incentives play a very important role in inculcating a long-term savings culture of households and in funding infrastructure investments and growth; so we believe these factors would have a significant influence if and when a complete phase-out is considered by the government in the future," he explains.

He adds that for most taxpayers, foregoing exemptions is not going to be beneficial as the exemptions under the existing tax regime are substantial. So they may opt for the old tax regime as long as they have that option. Moreover, life insurance is under EEE tax regime, so it is not just the deduction available at the time of purchase, but also the receipts under the policy that are tax-free under section 10(10D).

"Also, for customers, insurance provides two key benefits –

protection and long term savings. There is a large scope for growth in protection products, which are bought from a risk perspective and are not impacted by tax incentives. Long term savings help individuals build corpus for future financial needs like children's education, marriage, buying a house, retirement etc. So the role of insurance in customers' lives remains paramount," Murlidhar says.

On the day Sitharaman announced the new tax regime in her budget speech, life insurance companies tumbled up to 10 per cent with HDFC Life, ICICI Life Insurance and SBI Life Insurance all bearing the brunt. More individuals moving towards the new tax regime could mean lesser insurance policy sales which constitutes to be 30-40 per cent of their business.

"This is a concerned zone for insurance companies for whom the tax benefits were a significant sales magnet. They will simply have to rework on how to regain business. Be that as it may, the Finance Minister has put across a strong message for the companies to move their focus from tax benefits to promoting life security," says Amit Sharma, Founder and CEO, eExpedise Healthcare.

He adds that even when it is advised not to utilise insurance exclusively for tax saving, under the current income tax system there

G MURLIDHAR

Managing Director,
Kotak Mahindra Life
Insurance



Existing tax incentives are important in inculcating long-term savings culture



Deductions & Exemptions Not Available In New Tax Regime

- Tax Breaks on Life Insurance Premium
- Medical Insurance Premium
- Investments in Provident Fund
- Home Loan Principal and Interest
- Education Loan Interest
- House Rent Allowance
- Leave Travel Allowance
- Standard deduction of ₹50,000

are different ways that permit one to save tax on life and medical insurance policies. And truth be told, many citizens purchase insurance policies just to lessen their tax outgo to such an extent that they commit to making expensive investment mistakes.

Looking at a silverline in removing the tax incentives, Sharma feels that by removing the exemptions in the new tax system, taxpayers could save themselves from mis-purchasing of insurance policies.

"The government objective behind doing so is to promote the real agenda behind buying policies – protection. The common man could forgo the tax benefit on paying life insurance premiums under section 80C to limit their tax liability in the new income tax slab structure and still buy the same for their life's safety," he adds.

EZ Wealth's Agarwal agrees and adds that for individuals who are genuinely interested in buying insurance, things have not changed. He says that the new age educated consumer buys insurance for a variety of reasons, the tax incentives is one of the reasons but not the only motivation.

"Given the long-term nature of insurance products catering to both savings and mortality risk cover needs of individuals, the impact on their appeal will be limited. People are becoming more aware of the long-term benefits of insurance that can play a key role in financial planning for any individual. In India, there is a general awareness now that in a country where social security is available only to some, purchase of health insurance, life insurance and term insurance is a mandatory requirement for securing individual financial security as well as for the family," he explains.

In this new alternative arrangement of removing tax exemption there is a lesson for the industry also, which needs to recalibrate its sales pitch. "Going forward insurance should be sold as a savings and protection tool rather than a tax saving instrument. India is a huge market and still has a large pool of populace which is either insured or under-insured, therefore there is ample room for insurers to grow and thrive their business albeit

DIVYANSHU TRIPATHI

CEO and Co-Founder,
Easypolicy



Do proper calculation and draw comparison between the old and new slabs available

with a different sales approach going forward," Agarwal says.

The industry at this point is hopeful that a large section of their customer base would not opt for the new tax regime. They, however, maintain that removing tax incentives given for putting money in insurance is a disservice to the customers.

When it comes to health insurance, healthcare expenses are rising annually and at a rate much higher than the general rate of inflation. The cost of treatment or medication is becoming a major burden on individual budgets. According to Shreeraj Deshpande, Chief Operating Officer, Future Generali India Insurance Company, health insurance protections need to be perceived as a need by every individual rather than being bought for tax purposes.

"In view of the ever rising cost of medical expenses we are already seeing an increased number of persons buying insurance cover. A person who does not have an insurance cover should ensure you purchase a suitable cover. Persons who already have health insurance cover should ensure adequacy of the cover," he says.

Ashutosh Shrotriya, Head-Products and Business Process, Religare Health Insurance, feels most individuals buy health insurance to financially prepare

themselves against unforeseen medical exigencies and not merely to save taxes. "Therefore in our opinion, health insurance as an industry may not necessarily get impacted as a result of the revised tax-regime. However, a more realistic impact can only be assessed only post analysing how many individuals opt for the regime." Most industry insiders feel that for short duration, till everyone does calculation of implication of new tax regime versus the old on their own income tax, people will be confused and the impact could be unknown. However, in the short term, the impact on insurance products which have some tax saving component will be more compared to other insurance products like motor, health and term insurance.

"As these are pure protection and asset protection products having no tax saving mindset in consumer's mind," says Divyanshu Tripathi, CEO and Co-Founder, Easypolicy.

"All the calculations that I have done on different salary bands, I have seen that savings on income tax is much better with old slabs and citizens will end up paying more if they go for new slabs without exemptions. So, my suggestion would be to do proper calculation and draw comparison between old and new slabs with and without exemptions before opting for any slab or in case help needed to do this then they should consult CAs or financial planners for the same," he advises.

In India, every incentive should be given to enable people to buy health insurance and there should also be an awareness programme to educate people about the benefits of buying insurance, concludes Nivesh Khandelwal, CEO, CareCover. ■

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ASHUTOSH SHROTRIYA

Head-Products and
Business Process,
Religare Health
Insurance



Health insurance as an industry may not necessarily get impacted

All you need to know about COVID-19 Insurance

Why does it become all the more important to get an insurance cover in the current situation?

The COVID-19 pandemic is a proof that health exigency can strike anyone at any time. Therefore, it is important that each of us has access to the best healthcare facilities. If one tests positive for COVID-19, the hospitalization bills will eat into your savings, leaving a hole in your pocket. This is just one example why a health policy is a wise choice. Further, a comprehensive policy ensures that apart from being financially secured, you get the right treatment from the best hospitals.

How is Coronavirus being announced as a global pandemic have an impact on existing health insurance covers?

While Coronavirus has been declared as a pandemic by the World Health Organization (WHO), this

does not impact the existing health policies. As per IRDAI, insurers are liable to pay policyholders the claims raised for hospitalization and medical expenses incurred for the treatment of Coronavirus, if one tests positive.

What kind of policies should customers opt for? Should one go for Coronavirus-specific policy?

A corona-specific policy will only cover you for the virus when it is prevalent. A regular health policy, on the other hand, will cover you for most viral infections requiring hospitalization. Therefore, individuals must opt for a health policy which best suits their requirements and ideally, look for the following in a health plan:

- Comprehensive cover with ample Sum Insured
- Cover for expenses arising from critical illnesses and pre-existing diseases
- Minimum or No sub-limits on room rent



- Lifetime renewability
- Wide network of cashless hospitals
- A trusted health insurance brand

What are the downsides of banking on the health insurance policy offered by your employer?

Health covers which employer's offer their employees' are group health policies. Under such policies if the employer decides to discontinue the insurance cover and the employees do not have their own individual policy; they will be left with no cover. Similarly,

an employee may even be left with no health cover on choosing to leave the employer and there's a gap in the employment with the next employer.

Also, if an employee seeks to port from the employer's group health policy to an individual health policy, the individual will be subject to underwriting guideline of the insurer. In such instances, the individual is required to declare the past medical history and may have to undergo pre-policy health checkup, before being allowed to port into an individual health policy. 



What is Covered?*

- In-patient Hospitalization treatment
- Pre & Post Hospitalization expenses
- Road Ambulance

To buy our Health Insurance policies, visit our website www.hdfcergo.com



*Terms & Conditions Apply. Coverage & benefits as per the policy & plan opted for. HDFC ERGO General Insurance Company Limited. IRDAI Reg. No.146. CIN: U66030MH2007PLC177117. Registered & Corporate Office: 1st Floor, HDFC House, 165-166 Backbay Reclamation, H. T. Parekh Marg, Churchgate, Mumbai - 400 020. For more details on the risk factors, terms and conditions, please read the sales brochure/ prospectus before concluding the sale. Trade Logo displayed above belongs to HDFC Ltd and ERGO International AG and used by the Company under license. UIN: my:health Suraksha - HDFHLP20049V041920, Health Suraksha- Revision - IRDAI/HLT/HDFCERGO/P-HV/II/158/15-16, Health Suraksha Top -Up - IRDAI/NL-HLT/HDFC-ERGOGI/P-HV/II/115/13-14, my:health Medisure Classic Insurance - IRDAI/NL-HLT/L&TG/P-HV/II/249/13-14, my:health Medisure Super Top Up Insurance - IRDAI/NL-HLT/L&TG/P-HV/II/31/14-15, HDFC ERGO Hospital Cash Insurance - IRDAI/NL-HLT/HDFC-ERGOGI/P-HV/II/126/13-14. UID: 4342

Salt Away Shillings For Rainy Days

Quick look at certain thumb rules to ensure financial readiness during emergency

By **Dipen Pradhan**

Shradha Rastogi had been mulling to move to a new apartment at Lajpat Nagar in New Delhi when the government announced the lockdown 1.0. The 23-year-old professional was working from home as much of the country prioritises social distancing amid the novel Coronavirus outbreak. But a week later the company sent an email asking her, along with 30 to 40 per cent of employees, to leave without pay for three months.

Shocked and panic-stricken, Rastogi is worried if she will get her job back as the company has not given any assurance till now. However, she had been saving close to 10 to 15 per cent of her salary – decent enough to sustain a living for a few months without a source of income.

Because the government announced the lockdown all of a sudden, like Rastogi many were unprepared. Millions of Indians are now facing financial strains, whether in the form of unexpected medical costs, losing a source of income or seeing their savings plunge amid the outbreak.

Needless to say, the pandemic and its effects have started taking a toll on people's mental wellbeing as well.

"When we look at it from a psychological point, I think the first response to the lockdown has certainly been of panic. While some are trying to figure out their personal finance, there is a longer term which I am worried about are existential questions and concerns about the new normal that we will



have to adjust to,” says Neha Kirpal, co-founder of a mental health platform, InnerHour.

“Especially for bread earners, an inability to provide for their family in a consistent way has created levels of psychological damage, and many have developed insomnia and eating disorders because of the anxiety,” she adds.

Maintaining personal finance in place will be an acid test as we face uncertainties induced by the Covid-19 pandemic. While the virus has had a profound impact on both investment and expenditure, it is the time to restructure the budgeting practice as we enter the new normal.

The rule of thumb is to be financially safe not only for the sake of accumulating wealth, but also setting aside some reserves as liquid assets that can immediately be used to convert as cash-in-hand during emergencies. An emergency fund is parked for immediate requirement to cover expenses that tails along during dire needs.

Although Rastogi’s savings with a private bank was not an investment, it will be sufficient to cover her monthly expenses such as rent, ration for a few upcoming months. However, investments instruments, such as mutual funds, offer redemption even before the asset’s maturity date, while generating interest on the principal amount. Also, funds parked in fixed deposits can be used as liquid assets during an emergency; however, equities are high-risk instruments.

“Stocks are also a form of liquid asset but you do not want to invest your money as emergency funds, because there is a lot of volatility similar to equity MFs. Debt bonds also do not have liquidity, so you can have fixed deposits or recurring deposits as you would not mind losing a few percentages in returns during times of emergencies,” Harsh

Mode To Access Various Assets

Type of Asset	Mode to access	Availability
Cash	Safe Storage	24 x 7
Liquid Bank Balance	Cheque	T + (1 To 2) Working Days
	NEFT/RTGS	Working Bank Hours
	IMPS/UPI	24 X 7
Equity	Stock Broker	T + (2) Working Days
Equity Mutual Funds	Investment Account	T + (2) Working Days
Debt Mutual Fund	Investment Account	T + (1 To 2) Working Days
Gold	Safe Storage	Working Hours
Real Estate	Direct/Broker	Weeks to Months

Source: Finzy

Jain, co-founder, Groww, says.

Fund managers opine that an individual should have a separate fund to cover a lean period in life, which may happen in 18 months, 20 months or in 10 years of your life. Also, goal-oriented savings might help you out in case any third-sort of emergency takes place. Then it raises a question as to what percentage of income should an individual allocate for emergencies?

Sharing his views on the same, Lalit Mehta, co-founder, Decimal Technologies, says, “I would peg it to inflation-linked absolute money, because for an emergency, you really do not want to save 10 per cent of

Balancing personal finance is an acid test amidst the pandemic

your salary every month, and not make the best of the returns, and keep it as liquid funds. You would want to keep a certain corpus linked to your current standard of living and also link it to inflation by continuing to add five per cent or six per cent every year, depending on inflation,” Mehta says.

Over the past few weeks, the Covid-19 induced uncertainties caused many investors anxious about whether to sell or buy stocks in the markets, while gold and government bonds fared relatively well, equity markets, mutual funds—whether small, mid or large cap— credit risk funds, real estate have seen a sizable volatility.

“This uncertainty and volatility can be unnerving for many. Investments are typically meant to be long term and the same applies to investments in stocks and mutual funds. One needs to be selective in selling. Quality stocks can surely

AMIT MORE

Founder and CEO,
Finzy



Quality stocks can be accrued; but remember, not too many catch the price curve’s bottom

be accumulated, but remember not too many catch the bottom of the price curve,” says Amit More, founder and CEO of Finzy.

Although it is best to avoid leveraging your income beyond your means in these uncertain times, salaried professionals can opt to avail short-term personal loan through smartphones-enabled fintech lending companies. These companies provide short term unsecured loans provided the applicant submits last three months salary slips, bank statements, joining-letter from the company, along



NEHA KIRPAL

Co-founder,
InnerHour

For many, the inability to provide for their family consistently, has led to anxiety



with documents such as Aadhaar card, pan card or voters' ID.

However, if you need to borrow for any unplanned expenditure or cash flow mismatch, here's what to keep in mind, as told by More:

■ Reducing Balance Vs Fixed:

Loans should be reducing balance loans and interest rate should not be charged on fixed principal.

■ Fixed vs Floating Interest

rate: Try to borrow at the lowest interest rate available. Interest rates in the economy are at benign levels, and credit might become expensive as banks may try to cover the NPA losses.

- **Lock-in Clause:** Make sure there are no lock-in clauses in the loan terms. You might be stuck with the loan longer than you desire.

- **Pre-payment Charges:** Ensure that you have complete flexibility of prepayments in part or in full and without any charges.

- **Hidden Charges:** Ensure there are no hidden charges like documentation charge, legal charge, franking charges, etc.

■ **Insurance Coverage:** If you have ample term life insurance cover, you can negotiate to avoid any optional insurance covers. Premium amounts are typically high in such covers.

■ **Online vs Offline Loans:** Social distancing should be top priority; so digital processes are better than physical ones. **M**

Loan Against Securities-Rates and Charges

Name of Lender	Interest Rate	Processing fee
Axis Bank	10.5%–12.75%	0.15% of loan amount (Minimum ₹1,000)
UCO Bank	10.70%	₹250
Federal Bank	12.5%–13%	0.15% of loan amount (Minimum ₹150)
IIFL	12%–18%	0.25%-1% of amount
Tata Capital	10.5% onwards	Upto 1% of loan amount
Indian Bank	10.95%	0.308% of loan amount
Kotak Mahindra Bank	9.25%–13%	Upto 2% of loan amount
Citi Bank	10.75%–13.25%	Upto 1% of loan amount
Canara Bank	13.85%	₹100-250

Source: Paisabazaar.com

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DEVANGSHU DATTA

Battling The Black Swan

How should investors come to terms with the global pandemic

In the realm of economic slang, a black swan is an event that is utterly unexpected until it happens. The metaphor appeared in 17th century when Europeans discovered black swans in Australia. Until then they believed that the world has only white swans. The coronavirus or COVID-19, is a black swan.

The world has often been swept by lethal epidemics like Ebola, H1N1 (Swine flu) and severe acute respiratory syndrome or SARS—21st century successors to Spanish Flu (1918) and smallpox. There are dozens of infectious, but less deadly diseases, like the common cold and flu. However, contagious diseases like the flu and cold have low mortality rates.

Now, the coronavirus is an all-rounder. It is less deadly than Ebola but 10-30 times deadly than the flu and of course infectious.

By the time you read this column, we will have a better sense of the impact on the global economy. But the disease has already triggered a worldwide recession. Billions in lockdown for weeks equals severe economic damage. Many people will soon be out of work. Factories are shut; farms are not being able to sell produce and non-essential services are locked down. When the lockdown eases, there will be a hangover caused by low demand because unemployed people spend less.

In late March as this column is being written, nobody knows how long this will last. That is why financial markets are going crazy. Investors constantly look for a sense of the future and a black swan makes it unpredictable.

There is one primary rule to investing in such situations: do not panic. The stock market has fallen and it is likely to fall more. The rupee has nose-dived. As a professional you are likely to go through hard times for sure.

But, do not panic. The world has survived more fatal pandemics. It will survive this one and will make the changes required to cope with the next such pandemic.

Businesses will recover even if they go through long periods of stress. Sectors like tourism and hospitality, will have to cope with abnormal changes in consumer behaviour. However, the global economy will eventually bounce back. It always does.

There will also be new opportunities. Given that millions are working from home, there is likely to be investment into tools that enable working from home efficiently. Figuring out how to deal with the next pandemic will also mean that labour-intensive industries might arrive at more sanitary ways to run businesses. The entertainment and sports industry will find better ways to deliver content remotely. There will be real-time reviews of public-transport systems, of healthcare, and many other sectors.

If the stock market dips further, consider buying more. Historically, the Nifty and Sensex has rarely fallen below an average Price Earning (PE) of 15. The current PE is about 20, and given poor results in the next six months, the market should fall more. But it will rebound. If you hold SIPs, let them continue as they reduce average cost of acquisition and boost eventual returns.

If you wish to create hedges, there are two options—gold and short-term commodities. The painless way to invest in the former is through exchange traded funds. But you can also buy the physical metal, or invest in NBFCs, which offer loans against gold. Gold is usually a safe haven during periods of crisis as it could preserve value during a long recession. Second, consider short-term trades in commodities if you can handle high risks and volatility.

Epicentre of COVID-19, China, is also a global industrial hub. Since its huge domestic market was shut down, as a result, industrial metals and petroleum have been sold down. However, while the crisis in China is easing off, it is getting worse in the rest of the world. Once that giant economy starts functioning properly again, there could be a rebound in metals and other commodities.

All we can do is to remain optimistic and await recovery. Until that happens, stay home, stay safe! 🇮🇳

Do not panic; economy will bounce back, it always does

The author tracks economic, behavioural and corporate trends, hoping to gauge good avenues of returns

Cushioning Impact Of Rate Cuts

Tweak your investment strategy, invest in liquid schemes and opt for Systematic Transfer Plans

By **Anagh Pal**

The world grapples with COVID-19 pandemic with economy facing one of the steepest challenges since the Great Depression. While governments are announcing stimulus packages, central banks all over the world are lowering interest rates because they want more money in the economy to spur demand. The Reserve Bank of India (RBI) too has lowered the reverse repo rates from 4 per cent to 3.75 per cent.

“As per the recent announcements by the RBI, we can expect a further cut in the interest rates in the near future. The RBI is trying to maintain adequate liquidity in the system and ease the inflationary pressure on the economy,” says Harsh Jain, Co-founder and COO, Groww.

“Interest rates are likely to remain low for at least the next 3 months. Thereafter, depending on the containment of the virus and resumption of economic activity, it is possible that RBI may slowly start tightening and interest rates may go up, but only marginally. There is no clarity on this presently,” says

HARSH JAIN

Co-founder and
COO, Groww



Retired people can park a small portion of fund in a liquid scheme and start an STP



VK Vijayakumar, Chief Investment Strategist at Geojit Financial Services.

However, one needs to understand that one should not focus on nominal interest rate, but on the real interest rate. “This is because if the inflation is high, even if the nominal interest is high, your real interest rate may be low because your purchasing power goes down,” says Vidhu Shekhar, Country Head, CFA Institute.

Long-term goals are unlikely to be affected by the current macro factors that have caused slump in both debt and equity as both are expected to return to their long-

term average over the next 1-2 years. “We recommend to use a higher mix of equity in the portfolio for long term goals. One can invest in equity mutual funds through the SIP mode or in lump sum on a staggered basis,” says Sousthav Chakrabarty, CEO, and Director, Capital Quotient.

If someone’s financial goals are very near, say two to three years, this fall in interest rates would not affect them much and they should continue with their deposits which they hold.

“But for someone whose financial goals are 7 to 10 years away and if they have invested in a low yield deposits, then the impact would be severe. This is because low interest rates will yield

Retirement Bucket Strategy

	Bucket 0	Bucket 1	Bucket 2	Bucket 3	Bucket 4
What is this for	This is called as emergency bucket. Your monthly expenses x 24 months expenses money should be parked here	This is for all the running expenses that you incur ever month for the next 36 months or 3 years	This is for all the running expenses that you will need from 37 th month-72 nd month or from 4 th year to 6 th year which is 36 months	This is for all the expenses that you will need from 73 rd month to 120 th month which is 48 months	This is for all the expenses that you need from 121 st month onwards, that is 10 years from now
When this money should be used	Only during medical emergencies. Not for regular expenses	1 st month – 36 th month	37 th month – 72 nd month	73 rd month – 120 th month	121 st month onwards
Where should this money be invested	Joint SB account/ Liquid funds/ Bank fixed deposits	Joint SB account and Liquid funds	Senior citizen savings scheme, Debt mutual funds, fixed deposits	Dynamic asset allocation funds	Large cap mutual fund, multicap an hybrid mutual funds
How to refill the buckets when money exhausts	To be refilled from any of bucket no.1,2,3	Refill from bucket number 2	Refill from Bucket number 3	Refill from bucket number 4	This bucket won't get refilled as it supplies to bucket 1,2,3,4 when they become empty

Source: Grow Wealth; Note: 1) This strategy has to be followed only after checking the risk profile of the investor
2) This strategy should be done by taking professional help

to lower compounding. So if the financial goals are longer, then there would be shortage of funds when the goal is in front of you,” says Deepesh Mehta, Founder and CEO, Grow Wealth and Author, Power Your Child's Financial Future.

He says that to mitigate the risk, one should explore the alternative asset class, which would benefit from falling interest rates. One does not need to change asset allocation if goals are near. But if their goals are long term, then as per the risk profile, they should shift the money to alternatives that are available today. One should also have an exposure to equity as per as the asset allocation.

However, lower interest rate may pose a challenge to senior citizens. 2019 was already a year of rate cuts and with COVID-19, the returns on fixed deposits will experience a noticeable drop.

Says Mehta, “For senior citizens and retired people they depend on interest income for their regular expenses. A falling interest rate scenario puts less money in their pocket for spending.” However, on the other side, a falling interest

rate environment will lead to lower inflation. If their entire portfolio beats inflation, then the impact is minimal. If the return on their investment is 7 per cent and if inflation is 6 per cent, they are in a comfort zone. However, if their net investment return post taxes is 5 per cent and inflation is above that, they need to look for an alternative strategy to overcome this problem. (See *Retirement Bucket Strategy*)

“FDs and RDs have a fixed interest rate for the entire tenure. Hence, senior citizens who had invested earlier when the interest rates were higher will get the promised returns. Those making fresh investments will face the heat of the currently lowered interest rates. This is likely to affect some of the people in the short term but we don't see this being a long-term problem,” says Chakrabarty.

Since interest rates are falling and are expected to fall further, retired individuals can consider rebalancing their investment portfolios. They can start looking at other investment avenues within their risk tolerance to ensure regular income. “They can consider parking a small

DEEPESH MEHTA

Founder and CEO, Grow Wealth and Author, Power Your Child's Financial Future



For longer financial goals there would be shortage of funds with low interest rates

portion of their funds in a liquid scheme and starting a Systematic Transfer Plan (STP) for investing in an equity fund that invests in blue-chip companies that pay high dividends. They can talk to their investment advisor and restructure their portfolio to meet the regular income requirement,” says Jain.

Shekhar suggests an equity exposure to an index fund even after retirement to make up for their losses for a fall in interest rates. “Ideally, one should never reduce one's equity allocation to zero. It is also important to have the right advice,” he concludes. ■

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Making Millennials Creditworthy

ZestMoney is helping people avail loans despite a low or no credit score

By **Sampurna Majumder**

As an age cohort, millennials fall within the bulge bracket of India's earning populace. However, when it comes to managing their finances Indian millennials somewhere miss out on major pointers. Yes. In an effort to realise their life goals, they often look for loans despite a low credit score. And numbers of such individuals are increasing with each passing day.

Tapping into this very demographic space, Bangalore-based fintech company ZestMoney has been successfully lending out the required financial support to lakhs of millennials and Gen Z. Speaking to Outlook Money, the fintech's founding trio say, "We believe in providing affordable, digital, small ticket consumer credit to the masses." They further go on to mention that, a certain data share by the Reserve Bank of India, states that annually, roughly 4.5 crore credit cards are issued in India annually. However, a lot of duplicity is often reported in the process.

Given the duplicity and dormancy, that suggests around two crore people are actively using credit cards (maybe less), which is less than five per cent of the adult population, a minuscule number in a global context. At the same time, UPI adoption is skyrocketing and we believe more than 40 crore people are transacting and interacting online today. For these people, a new form of finance is needed, they further add. "This is what we focussed (new form of finance) on and hence decided to leverage," says Sharma, chief operating officer, ZestMoney.

Priya Sharma, Lizzie Chapman

and Ashish Ananatharaman, the trio first met while working at Wonga—a London-based payday loan provider. Later when Chapman moved to India, the three met yet again only to zero in on a certain business idea and then the rest, as they say—is history.

However, unlike Wonga and its ilk, ZestMoney is very much a consumer-centric loans company. That is to say that it works with consumers who have no credit card, limited credit history and often very little assessable data, to help them build a profile and become 'creditworthy'. Operational since 2016, the firm has successfully disbursed crores of short-term loans to thousands of Indians.

One of the biggest benefits of availing small loans through

ZestMoney is the ease of process. All that a user needs to do is to login and register at the site with a valid email address, complete his or her profile, check for the relevant credit score and then proceed with whatever her personal requirement is. What sets apart the fintech firm are its two major services—shopping and direct payment at e-commerce platforms and of course availing short-term loans sans the major paperwork.

Let us understand, how the two services work. In case of the former, a user will have to login, register, complete the profile, upload documents such as an identity and address proof, and start using the credit limit across ZestMoney's thousand merchant partners; after



**PRIYA SHARMA,
LIZZIE CHAPMAN
AND ASHISH
ANANATHARAMAN**

purchasing the desired product, make payment using the given credit limit. On the other hand, when it comes to availing personal loans, what users will have to do is other than, login, registering and sharing KYC documents, shop something from any one of the partner e-commerce sites and make consistent repayments. This way the user will be eligible to avail a loan. Depending upon the requirement, the fintech may ask its customers to set up the repayment based on his or her risk profile.

Sharing more about ZestMoney's customer base, its founders state that, while there's no age bar in terms of the target audience, however, most of their customers happen to be young professionals within 35. While both men and women form a large base of customers, of late the percentage of the latter has increased to a great extent. In fact, in certain loan segments, such as education loans, women customers have surpassed their male counterparts substantially.

We believe in providing affordable, digital, small ticket consumer credit

A survey conducted by ZestMoney last year, reveals that 20 per cent education loans were availed by women whereas men comprised barely six per cent within the same. The research also found that average loan amount for women is 35 per cent higher than men. In 2019, the average amount of EMI financing taken by women were around Rs 20,000, whereas for men the amount was ₹15,000.

One of the major segments, that ZestMoney has been able to leverage upon is the education loans segment. "Young professionals aspiring for higher education often face a dearth of financial assistance. This is because mostly, it comes with a premium attached, making the decision tougher than it ought to be," says

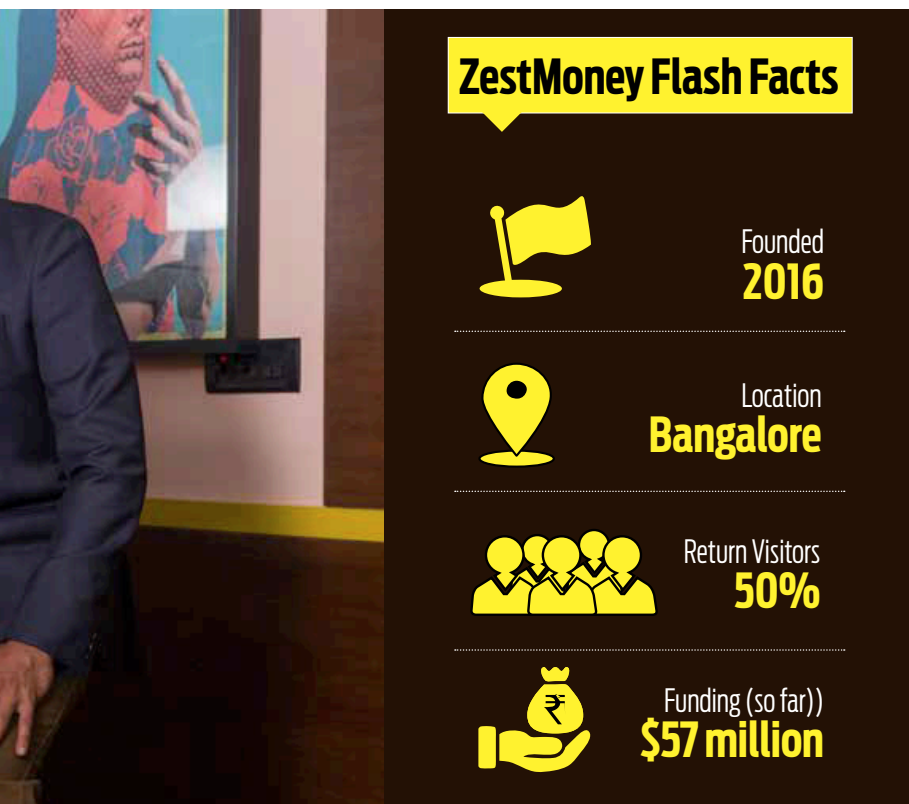
Chapman, its CEO. Keeping this target audience in mind, the platform aims at benefiting over 5,00,000 potential students. "The financing can be availed at zero interest cost, making higher education affordable for everyone," she adds. In order to realise this goal, the tech company has already tied up with online educational platforms such as GreatLearning, BITS Pilani, UPGrad and Springboard.

When it comes to geographical reach of its customers, ZestMoney has no barriers. While most of its current clientele hail from Tier I cities, other cities are also fast picking up. Within a span of three years, ZestMoney has already brought in 10,000 pin codes under its ambit with further plans of expansion. As far as visitors are considered, on a daily basis, the website registers in thousands, at times closer to a lakh. "Every day, almost 20,000 customers apply for loans on our platform," says Ananatharaman, who serves as the fintech's chief technology officer. Till now, ZestMoney has served over six crore customers and by the end of 2019, the tech company almost hit the ₹4000 crore mark in terms of annual run rate.

While ZestMoney is successfully achieving its original goal settings, they are also well aware of responsibility towards the society. Though the company is yet to weave in a full-fledged corporate social responsibility program, they do their bit in ways such as volunteering with local government schools where they help students understand the importance of financial education from an early age.

Believing in the dictum that there is no short cut to success, ZestMoney wants to become the most-loved brands in India within the fintech space. Their hard work has already started reflecting the desired results. While it received the Fintech of the Year award in 2017 by India Fintech Forum, Entrepreneur India named ZestMoney as one of the 50 Start-ups to look out for in 2019. ■

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ZestMoney Flash Facts

-  Founded **2016**
-  Location **Bangalore**
-  Return Visitors **50%**
-  Funding (so far) **\$57 million**

Resolving The Installment Dilemma

Think carefully before you opt for any loan moratorium as it would only lead to a higher liability



By Vishav

With the whole nation under lockdown to slow down the exponential spread of the novel coronavirus (COVID-19), businesses have been hit which has led to a disruption of financial liquidity for a lot of people. Things may have become especially worse for those who have taken loans of one or the other kind had it not been for the RBI's intervention. Paying Equated Monthly Installments (EMIs) of those loans would have been a nightmare for some of the borrowers

whose finances have been affected by an unprecedented nationwide lockdown. However, coming to their rescue, the Reserve Bank of India instructed banks to grant an optional three-month moratorium on all outstanding loans to all borrowers on their EMIs.

This essentially means that borrowers can defer their EMI

Those who can pay their EMIs comfortably should continue to do so

installments that are due for payment till May 31, 2020, without any penalties or any impact on their credit scores. Loans ranging from home loans, personal loans, car loans, corporate loans, agriculture loans, and even credit card loans availed from commercial, regional, rural, NBFCs, and small finance banks come under this scheme. However, those availing this optional moratorium would have to pay the interest for this additional three-month period.

Due to this, many questions have arisen among people regarding whether it makes sense for them to opt for this moratorium or whether

they should continue to pay their EMI installments during these three months as well. The verdict is not completely straight-forward. The moratorium would make sense for those individuals whose capacity to pay their EMIs has been substantially hit. Those who can pay their EMIs comfortably should continue to do so as opting for a moratorium would only add more liability for them.

Explaining this, Archit Gupta, Founder, and CEO, ClearTax, says that if an individual avails a housing loan of ₹50 lakh at an interest rate of 8.5 per cent in March and decides to opt for the moratorium, then the principal amount after the first month of the moratorium would increase by ₹35,000 bringing the outstanding loan amount to ₹50,35,000. And since he would incur compounded interest, the interest applicable for the second and third months would be even higher. At the end of the moratorium period, the total amount payable would have increased by ₹1.07 lakh.

Now after the end of the moratorium period, depending on the bank, the borrower can either pay this interest amount upfront, can pay higher EMIs, or would have to pay EMIs for a longer duration as interest would accrue on this increased amount every month. For instance, in the given example, for a loan tenure of 30 years, the extra interest to be paid would amount to around ₹3 lakh for someone who opts for the moratorium if they increase the EMI amount keeping the loan tenure same. The increase in EMI would only be ₹822 per month. The scenario becomes worse for someone who decides not to increase the EMI amount because in such a case, the tenure of the loan would increase and one would end up paying extra interest worth over ₹9.5 lakh.

Rahul Agarwal, Director, Wealth

Discovery, and EZ Wealth says that the guidelines issued by most of the banks and NBFCs mention that unpaid interest amount on the loan account during this moratorium period will be capitalised, that is, added to one's outstanding principal amount. Also, few lenders have stated that the EMI will remain the same as original and the loan tenure will be adjusted accordingly.

For example, Bajaj Finance has issued a communiqué which states, that to keep one's instalment at the current levels, the tenure of their loan will be enhanced accordingly, Agarwal explains.

"As a result, while their EMI amount will remain the same, the amount of interest cost on the loan will increase due to the extension of the remaining tenure. Some other lenders have issued statements that the loan tenure will be shifted by only three months but the EMIs will be recalculated to adjust the interest portion outstanding during the moratorium period. Individuals are therefore advised to contact their lenders and understand what are the options that have been made available to them," he suggests.

However, this moratorium can be a massive relief for the self-employed borrowers since their income has taken a hit due to the lockdown in the wake of the novel coronavirus pandemic, says Gupta.

"Borrowers can either choose to

SOUSTHAV CHAKRABARTY

CEO & Director,
Capital Quotient



Customers affected by COVID-19, have to contact their lender bank for more clarity

ARCHIT GUPTA

Founder & CEO,
Clear Tax



People who do not have liquidity for the next three months, must avail the moratorium

opt for the moratorium or continue their EMI payments. However, it entirely depends on the certainty of having a regular income for the next three months. As far as we know, we are not aware if the pandemic has hit bottom or not. Availing the moratorium can be the right choice for people who do not have an adequate amount of liquidity for the next three months. For those who are doubtful about their income during the next three months, borrowers can consider opting for the moratorium for a month and then decide whether to continue the benefit or not, depending on the situation," Gupta explains.

Ravindra Sudhalkar, CEO, Reliance Home Finance, also feels that the moratorium facility should be availed only if there is any possibility of non-payment of EMIs due to loss of income or disruptions in cash flow during the period between March 1 and May 31 and that people with steady income sources should continue to pay their EMIs as per their current plan.

"Banks and financial institutions have been allowed to come up with their own set of norms for implementation of the moratorium option for specific loans. Since the interest accrued during the period is to be collected only after the end of the moratorium period, banks and financial institutions are generally recalculating the EMIs by adding the accrued interest to the principal amount and also increase the tenure of the loan as per the period of

Loan Moratorium - Things To Know

- The moratorium is an option to suspend payments
- Interest would continue to accrue on all outstanding loans
- Those with sufficient cash flow should continue to pay EMIs
- Those who are cash strapped or are staring at job loss should opt for it
- Prioritise obligations, continue to pay high-interest loans like credit card bills
- Ask the bank about how it would affect your EMI amount and loan tenure
- If you avail the moratorium, make some bulk payment and increase EMI amount whenever cash flow situation eases



moratorium,” he advises.

Sudhalkar added that since part and full loan repayments are allowed in all variable rate home loans without any penalty, anyone who avails this moratorium should make some bulk payment whenever the cash flow situation eases to ensure he or she does not pay a huge amount of extra interest on the loan.

Salaried individuals who do not have any impact on salary should not defer the EMIs. For self-employed, even if the cash flows are impacted, if the EMI amount can be paid comfortably, one must not opt for the moratorium.

While the RBI governor announced the moratorium facility mandating it for all banks to give this option to their borrowers, the apex bank left it to each bank to formulate its policy around the same. This has also led to some complexities and confusions as different banks decided to go their way in implementing this facility, Sousthav Chakrabarty, CEO, and Director, Capital Quotient, says.

“For instance, some banks decided to give a default moratorium option to all its home loan customers indicating that even if one can pay the EMI, they would get the moratorium on their loan and the onus would be on the client to

inform the bank that they do not require it. Some other banks decided to leave it to the customers to opt for the facility barring which their EMIs would be deducted in a normal fashion. So, customers affected by COVID-19 and unable to pay their liability, have to contact their lender bank for more clarity on terms and conditions,” Chakrabarty says.

The important thing to understand here is that this is not an EMI waiver, warns Harsh Jain, Co-founder, and COO, Groww. Usually, when people hear about the government extending benefits during the time of crisis, a waiver is a natural assumption. Hence, people must remember that the RBI has only allowed the banks to offer an EMI deferment – not waiver.

According to Jain, since each bank

HARSH JAIN

CO-founder & COO,
Groww



RBI has only allowed banks to offer an EMI deferment, not waiver

has formulated its policy to offer this EMI holiday facility to its customers, people should check with their banks first.

“If given a choice, it would be better for people to add the additional interest amount in the total amount payable to the bank and repay it in parts along with the EMIs. This will ensure that they do not take the additional load of trying to repay the interest and bring their repayment schedule back on track. A situation like a pandemic can take some time to be brought under control. Therefore, people should avoid making an upfront payment,” he says.

While the moratorium is available on all term loans and credit cards, Jain recommends avoiding taking the EMI moratorium on credit card payments since in such cases, credit card outstanding will jump higher over the three months of the moratorium due to very high-interest rates.

“You can opt for a moratorium on other term loans like home loans, and personal loans,” he says.

According to EZ Wealth's Agarwal, if one is short of cash flow to meet all of the financial obligations, they need to prioritise the obligations, continue to pay those which have the highest negative impact on their future cash outflows.

“For example, your first priority should be to pay your credit card outstanding on time after that if you have leftover funds you should pay other unsecured loans which carry higher interests and then think of paying the EMI on term loans outstanding. While the burden could be manageable for home loan borrowers given the prevailing benign interest rate regime, this may not be the case with credit card users. Being unsecured loans, the interest charged is exorbitant, which can be upwards of 40 per cent per annum in most cases and could balloon to an unmanageable amount if you do not make attempts to clear the dues,” he concludes. ■

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SANDIP MUKHERJI

Doubt Till You Find The Light

Common misconceptions need to be cleared regarding mutual fund investments

For some of my clients receiving quarterly profits from mutual funds is a high, which is a proof that their investments are yielding results. In reality they might not be in need for funds; however, they feel good to receive the amount of money at regular interval in their bank account. I am at my wits end with such clients explaining that their principal is growing at a very slow pace within a dividend plan, defeating the purpose of investing for capital growth. Albeit most of these clients invest these dividends into mutual funds after six months but they do not seem to have understood the power of compounding, which works wonders in a mutual fund in a growth plan. They have argued many a times saying that a bird in hand is worth two in a bush. In other words, my clients maintain that the hard cash in bank account is a tangible profit whereas the growth in the Net Asset Value (NAV) of the fund is intangible and is therefore of no consequence. I am penning this article with a hope to try and address this issue.

Yet another issue, which I try making investors understand (often in vain) is that NAV of a fund is not an indicator of how cheap or expensive that fund is. These are two fundamental points of mutual fund investments but at times we need to brush up our basic knowledge in terms of mutual fund investments.

Budget 2020 abolished the dividend distribution tax deduction by the fund houses. Now the onus of paying the tax is on investors. Earlier no matter, which tax slab investors used to be in, the fund houses would deduct 10 per cent along with surcharge and pay the proceeds to the investor tax free in their hands. Now, however, the dividends will get added to the investor's income without any deduction by the fund house and the investor

will have to pay tax on it as per the tax slab. While it is good for one who falls within low or nil tax slabs (as the dividends will be tax-free or at very low tax incident) investors falling under a high tax slab (say 30 per cent plus surcharge) the tax on dividends will be expensive. High-income group investors will now be better off in growth options rather than toy around with a dividend option. In growth option the investor will have to pay 10 per cent tax on the gains on redemptions that too the first ₹1 lakh gain is exempted. Therefore, dividends do not make sense as compared to growth options. However, if one needs the dividends periodically as a supplement to one's income say after retirement, then I would rather recommend a Systematic Withdrawal Plan. This is more tax efficient and the capital would also grow alongside.

Second, I will address the issue of a lower NAV being cheaper than a higher NAV in a mutual fund. This is a very common fallacy in the investor community. Let's say fund A has just been launched in a new fund offer (NFO) and has a NAV of ₹10 per unit like in the case of every NFO and fund B has been launched five years back and has a NAV of ₹15 per unit.

Logically, the NAV of fund A is lower than fund B and hence is cheaper. Well, in this case the assumption is wrong because fund B has been in existence for a longer period and hence its NAV is different.

The NAV pricing has no bearing to the future performance of the funds. Performance can be compared of funds in similar periods regardless of the NAVs. Always choose a fund on the basis of performance and other parameters but never on the basis of NAVs.

I hope I have been able to clear the misconception of dividends Vs Growth and the expensive Vs cheap funds basis the cost differential of the NAVs in this article.

Happy Investing. ■

At times brushing up knowledge of mutual funds is necessary

*The author is a wealth advisor and Founder,
Tangerine Ideas*

Have A Goal-Based Investment Plan

Understand the importance of asset allocation strategy amid inherent volatility in equity markets



Dr Thiagarajan is a renowned practicing dentist in Vellore. His wife, Sumathi, is running a diagnostic center as director of the center. They both are blessed with a daughter, Sanjana, and son, Vishnu Raajan. When they met Sreekanth Narasimhan, Founder & Director, Sree Investment Goal-Based Investing – A Vital Ingredient to Successful Financial Plan!

Sreekanth had a detailed discussion with Dr Thiagarajan about on their short and long term financial goals. Even while Dr Thiagarajan did not have a financial background, he took a keen interest in the discussions and

was involved in the entire process. The discussions spanned across different topics, including the safety, liquidity, and tax efficiency in investment in mutual funds. Further, the discussions were also aimed to gauge the risk bearing ability of Dr Thiagarajan, to design an investment portfolio best suiting his risk profile and financial goals. It was also necessary to discuss and align the return expectations to ensure a pleasant investment experience for Dr Thiagarajan, who did not have an earlier experience of investing in mutual funds. As the discussions continued, Dr Thiagarajan was also keen to understand the significance

and advantage of goal-based investing, the importance of asset allocation strategy amidst the inherent volatility in equity markets

While retirement planning was indeed one of the significant long-term financial goals, his son's graduation in June 2019 and the admission of his daughter for her post-graduation in dentistry in 2020 occupied a larger share in his near-term goals. Considering the financial goals and the investment horizon, a suitable investment plan was formulated with monthly Systematic Investment Plan (SIP) for each of his specific goals after considering the available investment surplus. Investment in equity schemes

Disclaimer

Financial Planning of Dr Thiagarajan is based on the "personal opinion and experience" of Sreekanth Narasimhan and that it should not be considered professional financial investment advice. No one should make any investment decision without first consulting his or her own financial advisor and conducting his or her own research and due diligence.

was suggested to be done in a staggered manner either through SIP or Systematic Transfer Plan (STP) to average out the impact of market volatility.

While Dr Thiagarajan had a pleasant investment experience for the initial months, he experienced the market volatility in its real sense post demonetisation. Markets corrected significantly after the demonetisation of high-denomination notes was announced by the prime minister in November 2016, which resulted in all the existing profits getting vanished. However, Dr Thiagarajan continued

to invest in the volatile markets as per the investment plan advised by his financial advisor, as he understood that while the current portfolio valuation may not be high, the same will grow once the market recovers. Dr Thiagarajan also switched his exiting investments from traditional investment products into mutual funds once such investments matured.

In October 2019, Dr Thiagarajan confirmed that her daughter, Sanjana, was appearing for the PG – NEET exam, and they would need to pay the first year fee by March 2020. With the financial goal well in sight,

Sreekanth analysed their investment portfolio and undertook the following actions:

- 1) The portfolio was considered to be rebalanced to ensure sufficient liquid funds by the time such funds were required.
- 2) The relative valuation of different schemes was reviewed to select the schemes to be redeemed/switched out.
- 3) The exit load applicability was reviewed to ensure that the units being redeemed are free from exit load, to ensure minimum leakage from the investment returns.
- 4) The redemptions were also planned from different investment portfolios like self, wife, and children to ensure that the tax incidence due to long term capital gains is minimal.

With careful consideration of the above steps, the required amount was switched to liquid funds. Amidst the market volatility, Dr Thiagarajan had got nervous during the first week of March 2020 and cautioned to withdraw the investments to fund the amount required towards her daughter's admission. He was pleasantly delighted when he was told that the requisite amount towards Sanjana's admission was already lying safe in non-equity funds. With a sense of accomplishment to plan well in advance towards different goals, Dr Thiagarajan processed the transaction for transferring funds towards her daughter's admission.

Just like the medical fraternity is staying committed to the national cause amidst the ongoing coronavirus outbreak, it is crucial for all to stay committed to their financial plans to achieve their financial goals. ■



**Sreekanth
Narasimhan**

*Founder & Director,
Sree Investment Services*

Dr Thiagarajan sailed through the highs and lows and shared his learning from the entire process, which are being outlined below:

- **Portfolio Alignment based on goals timelines:** It is always advisable that the investment portfolio stays aligned with the financial goals. A goal-linked financial plan with proper asset allocation carries immense potential to render peace of mind, even if the markets are highly turbulent. If one is aware that the financial goals still have sufficient time to go, the short-term market volatility may not impact the overall financial plan. Further, defining the investment horizon upfront can also help to select the suitable schemes matching the desired time horizon.
- **Rebalancing higher returns to safer schemes:** As one nears the financial goals, it is important that the portfolio is de-risked to protect the existing returns and to limit the downside. With lesser time in hand, it may be difficult for the investments to bounce back if the markets get into correction mode. As such, one may need to dilute a larger chunk of investments to realize that goal or stay
- **Need-based withdrawal, not market-based:** This is another important aspect of prudent financial planning. If the markets are doing well, one is often enticed to continue to stay invested to ride the future market rallies. However, it is always better to limit the redemptions as per the specific needs, instead of being based on the market trends. One should not ride the profit until the deadline and safeguard the goal amount well before the deadline if the financial goal has already been achieved. A smooth investment journey is not only about generating the returns when the markets are good, but also protecting the downside when the markets are bad.


SUSMIT PATODIA

Putting Money To Best Use In Crisis

What are the best ways to secure investments during darker times?

Equities work with a higher degree of certainty only in the long term. The most important reason to invest in equities is the fact it earns compounding returns. For example, 15 per cent compounded for five years is 2x, 10 years is 4x, 20 years is 16x. So longer the horizon, the more the return!

In times like now, the haze is so heavy that even simple math of compounding gets difficult to see. Never turn off this beacon of light.

For example, you invested ₹100. > up 25 per cent and down > 40 per cent; suddenly the lights go off. Darkness blinds us. While in the dark, the important aspect is how we feel a lack of control and perceive that things are going to get worse. While its natural to think so, it is also important not to brood over the decision that you took when it was up 30 per cent. It does not matter now. It is a lesson to be learnt but not an action to be fretted upon.

What has always helped me to navigate the dark is to have a proper framework. Frameworks can be developed through extensive reading, listening to people and thinking, like net practise in cricket.

Think of it like playing against Shane Warne without the technical knowledge of leg-spin. You do not know what the next ball is going to be (dark) but if you don't know how to play, it doesn't really matter (framework). It is still possible that you get out, but the probability of hitting a century increases manifold if you practice in the nets.

Now, how to go about navigating in the dark? Well, so, you are now left with ₹75 (as illustrated earlier) and disillusioned with the market and its participants. The simplest decision is to take money off the table and walk away. But as they say, the easiest normally is not right. So, what should one do?

Enlisted below are five simple guideposts that help me to navigate the dark:

- **BOTTOM** – The bottom is only made the day

before the recovery has begun. Don't waste time trying to catch the bottom; some of the sharpest single-day returns have been made in the bear market. Analysing 30 years of Nifty returns data, 18 out of the best 30 days of returns actually happened in bear markets. "I will invest when the market stabilises" is not an effective strategy

- More returns are made when things go from worse to bad than good to great. Play the full cycle.
 - There is never the BEST time to invest. There are better and not so better times. Don't listen to anyone who speaks in ABSOLUTES in our markets. We aim to be right 6/10 times over long periods of time
 - **CHANGE** – It is important to spend time to understand what may change and what may not change. A small change in a large set of people leads to exponential business change. This is why they say every crisis leads to a change in leadership in the market. The best of the past may not necessarily be the best in the future. In fact, they have a higher probability of being near the bottom in the future
- Finally, investing in the dark demands certain calculated strategies. If we don't get a second wave of the virus, we should be able to get back to our FY20 earnings by the first half of FY22. This would effectively mean a loss of 1.5 years. This is how I would think about when investing now. Three steps that I would recommend that you follow:

1. Keep aside one year of expenses in a bank account with a stable bank
2. Pay off all debt. You can't go bankrupt if you don't have any loans
3. Incrementally take up your equity exposure in your asset allocation. Use down days to invest or a simple periodic investment plan

I would like to leave with you one long-range thinking exercise – if India's nominal GDP compounds at 9 per cent per annum in dollar terms from FY22 to FY30, what will our GDP by then? Where will India globally rank? ■

A well-planned framework can help navigate through darkness

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Dear Editor,

The one constant in my whole life has been equity investments. I grew up in a household where money management and equity were discussed daily. Like a sponge, I was soaking up the finer points. I grew up in humble surroundings. My grandmother and mother had to sell all their jewellery for my father's brokerage license. My mother would double up as his typewriter. Nine of us lived in a small two-bedroom apartment in Mumbai. We were extremely conservative and judicious with our money.

My father has been my biggest inspiration and role model. Most of my lessons about money and investment have come from him. The way he led us was something I always looked up to. He believed that one's outlook towards money had to be the same regardless if one won a lottery or earned it through hard work. If you are conservative with your money in your professional life, you cannot be spending lavishly in your personal life. Simply put, if you do not respect money, it will not respect you. This consistent attitude often leads to better decision-making and helps one avoid big money mistakes.

The year 1992-93 was important for us as a family and for our business. It laid the foundation of our value system and investment philosophy, in addition to providing us with confidence and self-belief. Although I was just a kid, it would take me more than two decades to realise how this impacted my behavior towards money. This was the era of Harshad Mehta securities scam. My father was trying to establish himself as a broker who did things the right way. However, a lot of his contemporaries were getting rich in no time. He even got offers to join them but he refused. He held on to his beliefs that he would be rewarded in due time. It showed us that managing people's money as well as our own required a huge degree of integrity, honesty and responsibility, no matter how unpopular it was in the short-term. Since then, there was no looking back.

I lived through subsequent market cycles. Every cycle made me more resilient and confident in managing my own finances and making rational decisions. In 2015, my father suddenly passed away in a car accident. I was made responsible to manage our family finances as well as the future of our organisation. I had the good fortune to learn some important money lessons that I put into practice. Patience is crucial when it comes to investments. Having a plan and following an investment philosophy is key to long-term success.

The key to achieving financial independence is to be debt-free. I am fortunate my family started investing on my behalf since I was six years old. By the time I went for my higher education and got married, I did not have to take any loan. Being debt-free, allows the investments to compound uninterrupted. I regularly invest my savings, which helps further in growing the corpus. I have started investing for my daughter since she was six months old. I hope this will help her follow her dreams and passion, without being bogged down by debt. This will be my biggest joy and gift to her.

My investments are predominantly in equity, about 80 to 90 per cent, the rest are in liquid funds to take care of emergency or unexpected expenses. This asset allocation works for me, as I believe equity is the best asset class for wealth creation and I am not perturbed by the volatility that is associated with it. I am young enough to take on the risk associated with equity at this time.

My wife is a director in a multinational bank. Her hard work and dedication have always inspired me to do better. My daughter could not ask for a better role model. My wife is more than capable of managing her own finances after being in banking for 15 years. Her asset allocation is quite different. Real estate, gold and equity make up for her basket of investments. Managing money separately helps us complete our asset allocation as a family, yet aids in reaching our financial goals. ■

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