



# Tips for smart investing

## Make your money work for you

Ganpat Anchaliya,  
CFO, Novartis Hyderabad

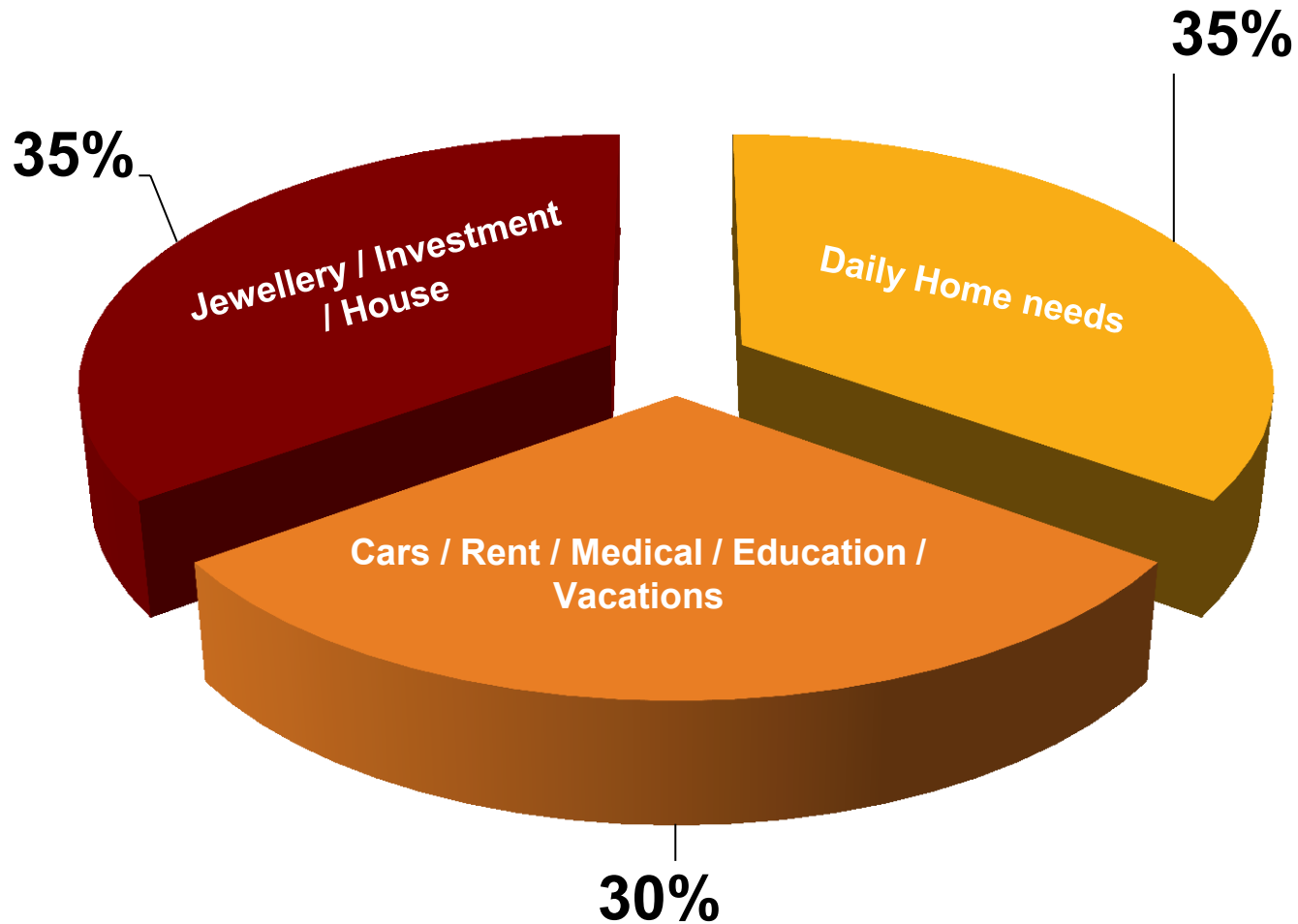


# Video on Power of compounding

*Never underestimate the power of compounding*

---

# Where money earned is spent / used



---

**We are now going to focus  
our discussions on how  
you can make your 35%  
savings/investment work  
for you efficiently**

# What are the various available investment options



Presenting a simple investment option –

**Fixed maturity Plans**



# Investment in a house/real estate

*Ideal investment option for first time home buyers*



Liquidity	Tax free returns	Risk	Leveraging	Best suited for
Medium	Unpredictable	Medium to High	Highest	First time Home buyers

- Investment in first residential property for self use/stay is highly preferred by employees / professionals
- Investment in House provides highest possible leveraging; you can invest in a house with just initial capital of 10-15%
- Tax benefits are available for Interest paid on house property upto INR 1.5 Lacs
- Landed cost of loan is about ~8-9% (after taking out the tax benefits)
- Returns in real estates/houses are unpredictable; over last 15-20 years real estate has generated average ~8-10% returns

# Investment in a Bank Fixed Deposit

*Is the most default investment option*



Liquidity	Tax free returns	Risk	Leveraging	Best suited for
Highest	6-8%	None	Low	<b>Risk averse Investors who needs Liquidity by their side</b>

- Most Hassle free investment option
- Provides highest Liquidity with almost no risk
- Highly tax inefficient Investment option
- Predictable and fixed returns
- Provides highest level of capital protection

# Investment in a Public Provident Fund (PPF)



*In addition to your company PF, you can invest in PPF*

Liquidity	Tax free returns	Risk	Leveraging	Best suited for
Low	8.5-9.0%	None	None	<b>Risk averse Investors who does NOT need Liquidity by their side</b>

- Provides Fixed returns with low Liquidity and No risk. Investment limited to INR 1.5 Lacs annually
- Investment in PPF are locked for 15 years and pre-mature withdrawn is only possible for certain occasions (such as daughters marriage etc)
- Tax efficient Investment instrument
- Predictable and fixed returns
- Investment in PPF is eligible for deductions under Income Tax under sec 80C



# Investment in Gold



*Our love for gold is world known; India is the highest gold importer*

Liquidity	Tax free returns	Risk	Leveraging	Best suited for
High	Not guaranteed	Low	Low	People who wants to Trade in commodities

- Perceived to be the most efficient/no brainer investment
- No guarantee of returns, but provides high liquidity. Some concerns on safety of investment
- No tax benefits. Gold loan can be obtained at 12-15% interest rates
- People planning for investment in gold should consider Gold ETF's (Equity Traded Funds) as they provides the same benefits of gold investment, with no hassle of keeping the gold at house or in locker

# Investment in FMP (Fixed Maturity Plans)



Liquidity	Tax free returns	Risk	Leveraging	Best suited for
Low	9-10%	Low	Low	<b>Risk averse Investors who does NOT need Liquidity by their side</b>

- FMPs are best suited for high net-worth investors; due to high minimum investment ticket size ~ Rs 10.0 lacs and above
- Highly tax efficient and predictable return investment option
- Investments are locked in for a period of minimum 3-5 years period
- Pre-mature withdrawals attracts penalties

# Investment in Debt/Liquid Mutual funds



Liquidity	Tax free returns	Risk	Leveraging	Best suited for
High	8-11%	Low / Medium	Medium	Moderate/low risk takers who needs Liquidity by their side

- Highly tax efficient and predictable return investment option
- Highly liquid investments with Moderate to low risk
- No ticket size issues; amounts as low as INR 10K can be invested
- Pre-mature withdrawals attracts penalties

# Investment in Equity markets



Liquidity	Tax free returns	Risk	Leveraging	Best suited for
Low	-20% to +20%	Highly risky	High	Individual with high risk high return appetite

- Most risky investment instrument which also has the highest power to compound your investment returns
- If investment through SIP (Systematic Investment Plan); the risk of the investment can be reduced largely
- Returns are tax free, if invested for > 1 year
- No ticket size issues; amounts as low as INR 10K can be invested
- Most under-owned investment by individuals
- With country now looking at higher GDP growth; this investment can compound your returns in couple of years

# Historical comparison

Rs in Lacs

*If you started investing Rs 1.0 lac and increase your investment yearly by 10% for 25 years; what it would become at the end of 25<sup>th</sup> year ?*

Invst instrument	Historical Returns	5th Year	10th Year	15th Year	20th Year	25th Year
Gold	7%	7	22	51	102	193
FD	8%	8	23	54	112	215
PPF	9%	8	25	58	122	241
FMPs	10%	8	26	63	135	271
Debt Fund	11%	8	27	67	148	305
Equity Shares	17%	10	37	106	274	666

# Is there any recipe for success investment

---

- Start investment at early age
- Invest regularly; year after year
- Invest in variety of asset classes
- Maintain discipline for asset allocation
- Keep reinvesting returns earned
- Believe in power of compounding and remember “Patience pays”

# Do you know.....

---

- **Rs 10,000 invested in Infosys in 1990 is today worth 30.5 crores**
- **If instead of purchasing the Royal Enfield bike in 2004, same money invested in shares of Eicher Motors, would have become Rs 8.0 crores today. Could have bought 2-3 Rolls Royce !!!**
- **The investment in Lupin/Cipla/Sun/Glenmark/Natco/Cadila have multiplied more than average 25-30 times in last 10 years**
- **Instead of keeping money in FD with ICICI, investing in their shares would have fetched 20 times more returns in last 15 years**

---

# Happy investing