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THE ECONOMIC TIMES
# wealth

HOW WELL HAVE MODEL PORTFOLIOS DONE
P16

# IS THE MID-CAP STORY OVER?

Mid-caps have corrected sharply in recent months. But it's not the end of the road for the segment. **P2**

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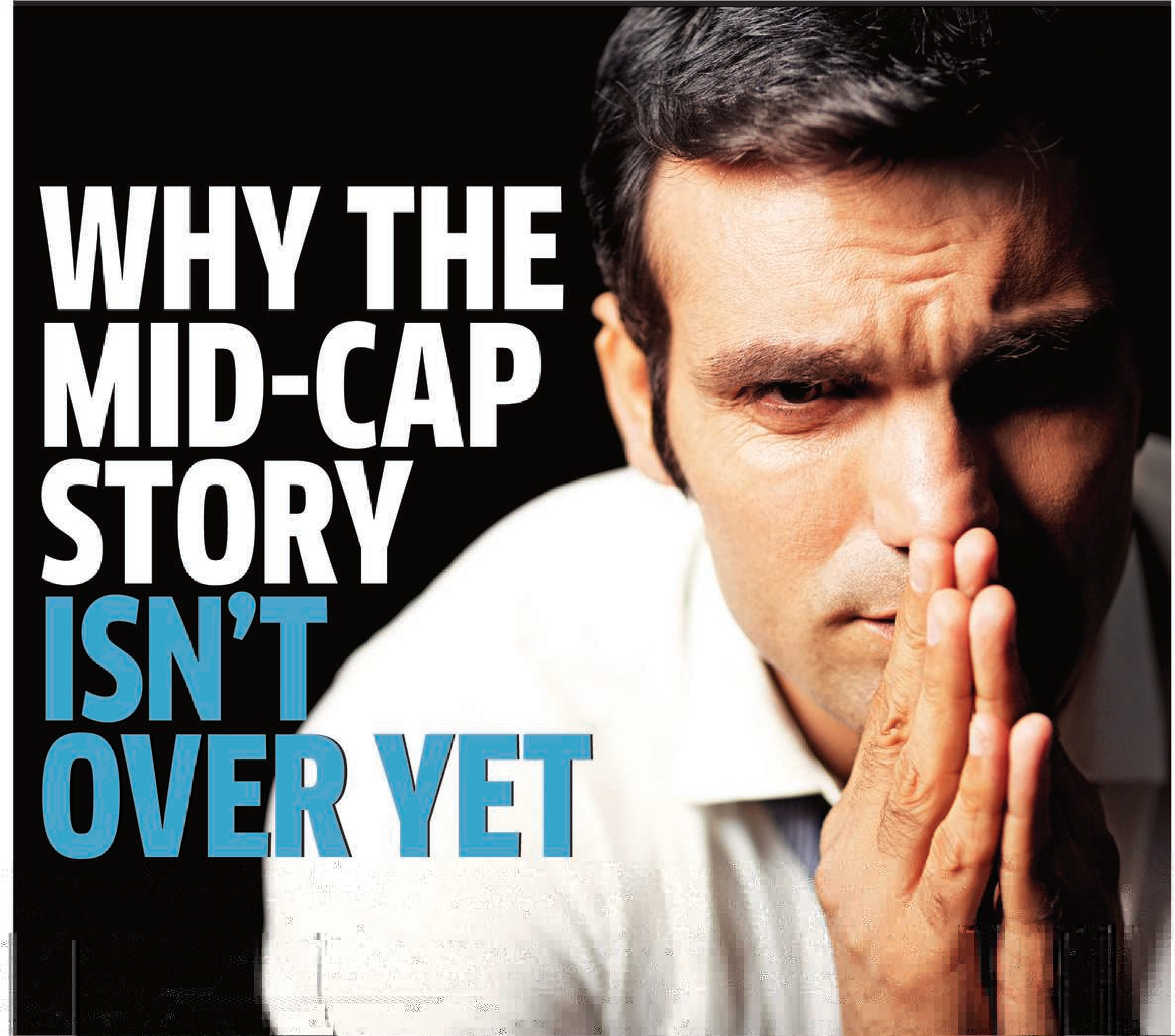
# WHY THE MID-CAP STORY ISN'T OVER YET



IMAGESBAZAAR

**After a prolonged rally, mid-caps have corrected sharply in recent months. While the sentiments have soured, it may not be the end of the road for the segment.**

By Sanket Dhanorkar

The [illegible] is over [illegible]. [illegible] the [illegible] segment [illegible] clearly turned. Since the end of December last year, the BSE Midcap index has [illegible], even as the benchmark Sensex gained 2.5% in the same period. Last month saw the mid-cap index post its worst monthly fall (-6.8%) in nearly 18 months. Individual stocks have [illegible] much more. From the BSE Midcap universe, 21 stocks [illegible] 30% or more, while another [illegible] have corrected between 10% and 30%. The continued weakness in the mid-cap space has made investors anxious and sentiment [illegible]. Suddenly, clouds of uncertainty have [illegible] over the mid-cap universe, with investors questioning whether the mid-cap story has run out of steam. Many [illegible] mid-cap funds are no longer [illegible] favourably with investors [illegible]. [illegible] huge inflows until recently have witnessed [illegible] redemptions. But it would be a mistake to think that the [illegible] for mid-caps. In fact, investors [illegible] some of the quality names from the segment [illegible]. In the following pages, we delve deep into mid-cap territory to find out if these businesses can deliver on the promise that attracted investors initially.

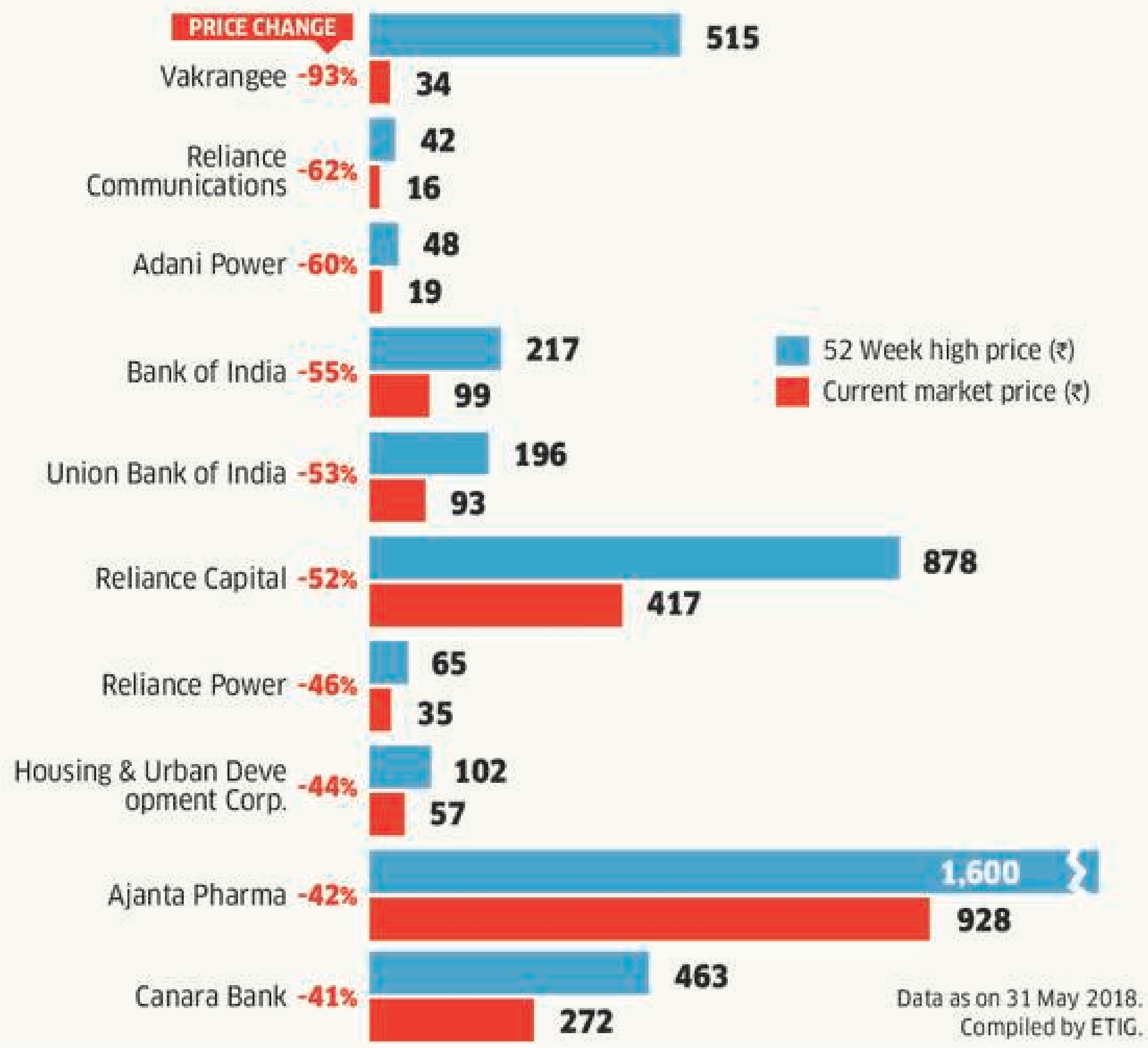
## What's ailing mid-caps

There are several reasons why investors have suddenly lost faith in mid- and small-cap stocks. The primary factor is [illegible] in the face of [illegible] macro indicators and heightened market volatility. As a result, investor preference has shifted towards large-cap stocks. Spiralling crude oil prices and depreciation of the rupee have spooked the market. Foreign portfolio investors have also been selling heavily from certain mid-caps. "The impact of a sell-off is much greater in mid-caps, since liquidity is low. Panic selling by small investors has led to the sharp cut," reckons Vikas Gupta, CEO, OmniScience Capital.

Further, valuations of certain pockets of the mid- and small-cap space had been stretched after a multi-year upswing in share prices. Given the respective growth prospects, the steep price differential between large-caps and mid-caps has led the latter to underperform. After a three-year upswing in the mid and small-cap space, valuations had clearly run up compared to large-caps. With the macro

## These mid-caps tanked the most

A number of midcaps saw their valuations slide more than 40%.




## Some mid-caps showed resilience

These stocks saw a sharp uptick in prices even as others took a hit.


environment becoming more challenging, investors are selling stocks where there is even the slightest uncertainty over business fundamentals," says Pankaj Tibrewal, Equity Portfolio Manager-Senior Vice President, Kotak Mutual Fund.

Recent changes in mutual fund categorisation norms may also have led to some churn in mid-cap stocks. "In the past few weeks, there has been some pressure to sell across many mid- and small-cap stocks due to the re-alignment of fund portfolios," says Sachin Shah, Fund Manager, Emkay Investment Managers. Fund managers have had to realign their portfolios to ensure that their funds are positioned within the market cap boundaries set for each category. With the identity of mid-caps now clearly defined as stocks ranking between 100 and 251 in terms of market capitalisation, funds have had to realign accordingly. Large-cap funds that earlier had a heavy mid-cap presence have had to tone it down to ensure that large-caps constitute at least 80% of the corpus.

### Company fundamentals intact

Interestingly, there has been no deterioration in company fundamentals, to warrant the sell-offs. "The correction seen in the mid- and small-cap space appears to be more of an expression of the market's risk-off mood fuelled by rising commodity prices, the prospects of hardening interest rates and the political concerns," says Taher Badshah, CIO, Invesco Mutual Fund. While there have been a few disappointments in terms of earnings, most mid-cap businesses have reported strong financial numbers in the recent quarters. "Except for a few banks, earnings profile for mid-caps has been healthy," says Tibrewal, suggesting there has been a role reversal over the past few years: While earlier the macros were healthy and micros were weak, this time the macros have deteriorated a bit even as micros have grown stronger, he points out.

## PE differential between large caps and mid-caps shrank


Data as on 4 June 2018. Compiled by ETIG.

*The recent correction has removed some of the froth from the mid-cap space. Many of the expensive mid-caps are now trading at lower valuations.*

In fact, several businesses that have seen a dip in stock price have reported healthy growth in profitability. Havells India, Mahindra CIE Automotive, Rain Industries, Century Textiles and PVR are among companies that clocked more than 100% growth in net profit for the quarter ended March 2018. Yet their stock prices are trading much lower than they were in the recent past.

"Consumer products (FMCG and durables), especially those with a rural focus, global cyclicals such as metals and oil & gas, and private banks is where the earnings trajectory has been the strongest so far," says Badshah. Experts are of the opinion that there is a long runway for growth in mid-caps, which investors can tap into over the long term. The recent introduction of the Goods and Services Tax has heralded a significant transformation for organised players. "The size of the formal economy will expand multi-fold, which will allow many mid-sized businesses to multiply their profits over the next five to seven years," predicts Tibrewal. "Companies operating in sectors where the share of unorganised players is more than 40% are likely to benefit from a sharp re-rating," adds Sonam Udasi, Fund Manager, Tata Mutual Fund.

### Less prohibitive valuations

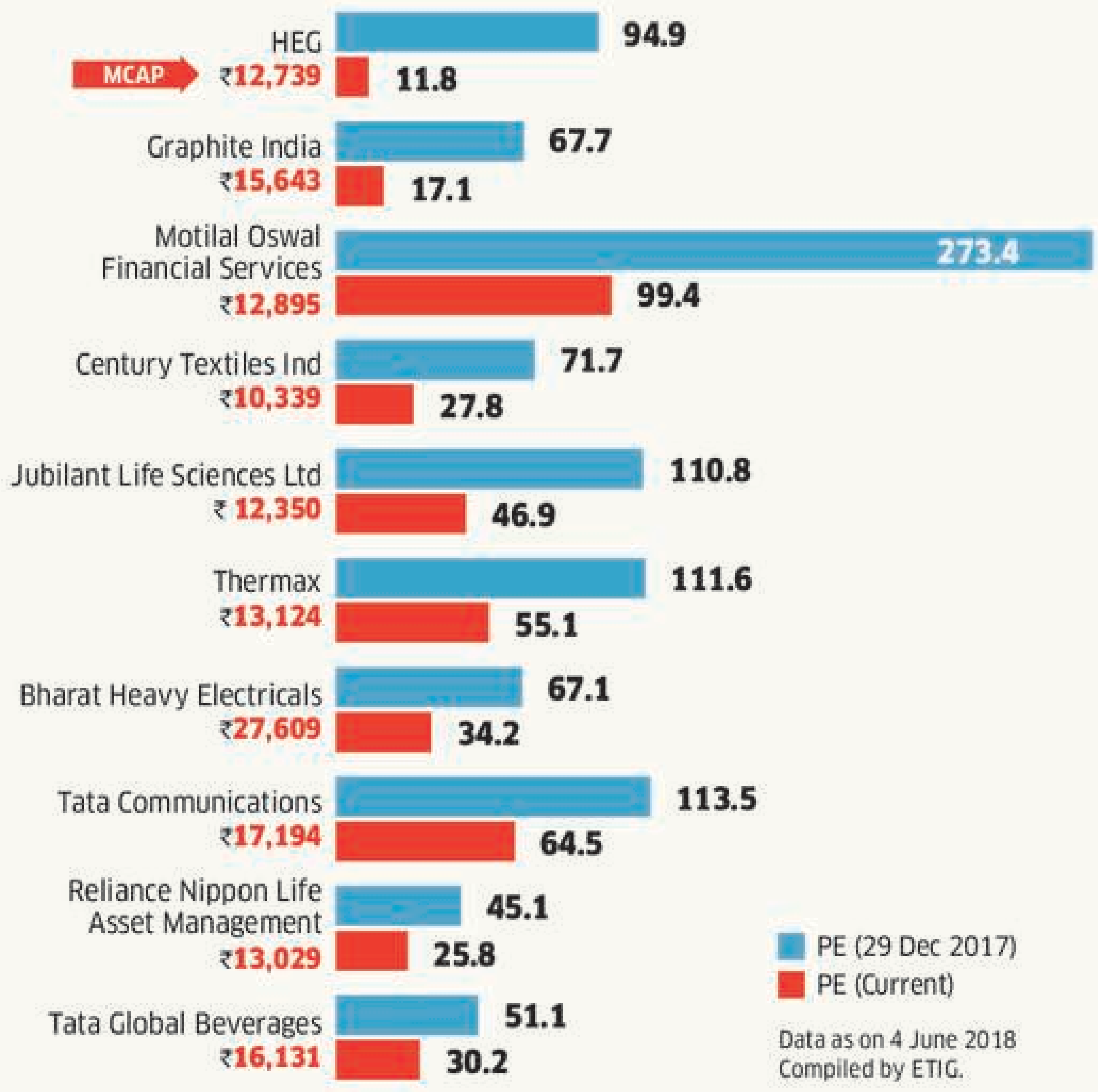
Most market participants feel that large-caps are more attractive than mid-caps, even after the recent correction. However, it would be a mistake to shy away from the mid-cap segment altogether. Experts say that the recent correction has removed some of the froth from the mid-cap space. Many of the expensive mid-caps are now trading at lower valuations. While they are by no means cheap, the asking price is certainly less prohibitive than it was earlier. The BSE Midcap index as a whole was trading at over 47 times earnings at the end of last year. The multiple has since contracted to around 34 times. Around 44 stocks from those ranked between 100th and 251st in terms of market cap have seen valuations shrink more than 20%. For some, the PE multiple has collapsed due to strong earnings growth in recent quarters. Expectations are that valuations in mid-cap stocks will gradually contract further in the near term, providing an opportunity for entering select mid-caps. "The recent correction in mid-caps is definitely bringing more mid-cap companies into our evaluation zone compared to six months earlier," says Badshah.

### Focus on quality

Investors picking stocks on their own should take advantage of this correction to reposition their mid-cap portfolio, suggest market experts. "There is a very limited window of opportunity for investors to enter select mid-caps before the segment picks up again. Valuations are more favourable now, while fundamentals have improved compared to six months

## Expensive mid-caps saw a drop

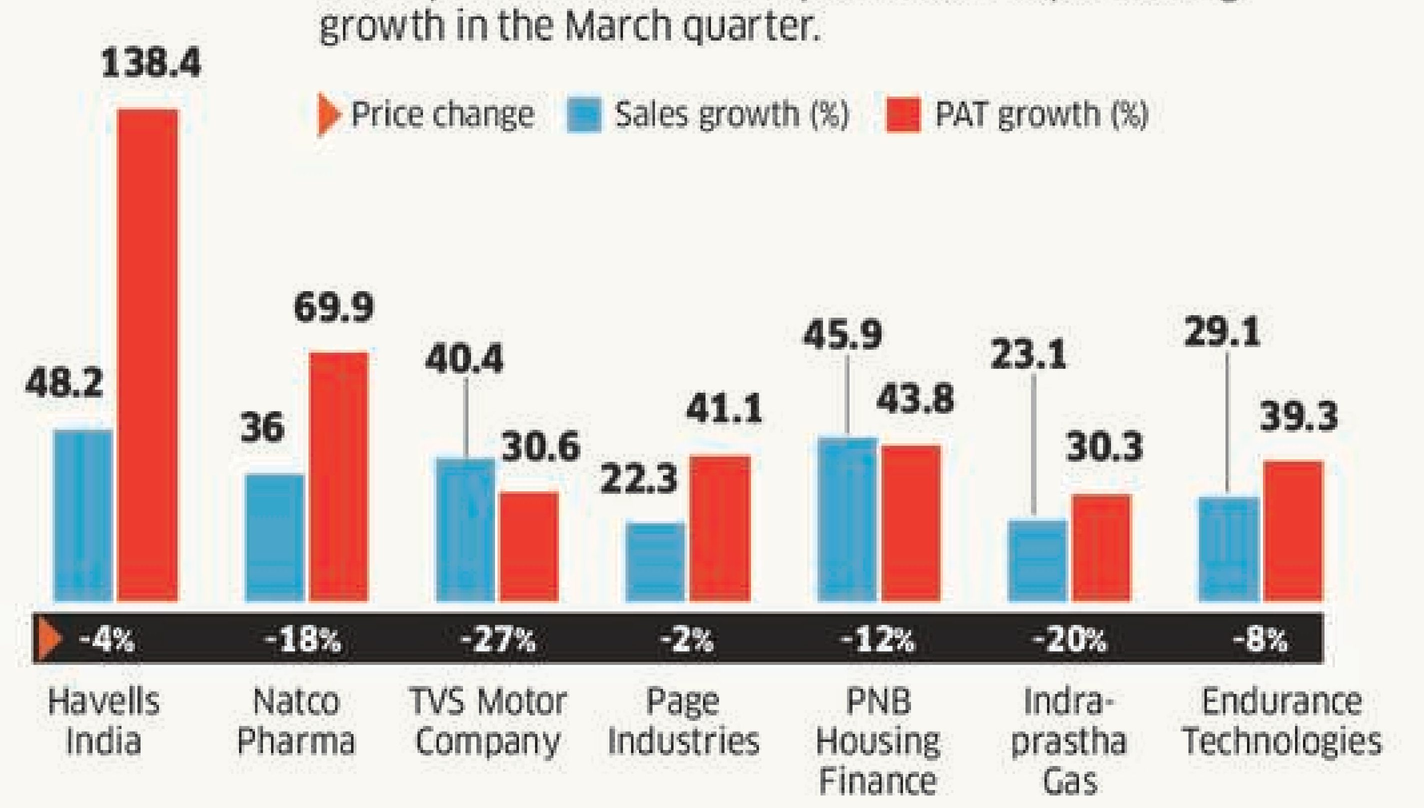
Some of the richly priced mid-cap stocks have seen valuations cool down after correction.




Data as on 4 June 2018
Compiled by ETIG.

## Earnings stayed strong, but shares started slipping

Share prices of several companies fell despite strong growth in the March quarter.




Figures are for quarter ended 31 March 2018. Data as on 4 June 2018. Compiled by ETIG.

## Mid-cap funds slipped from their perch

These funds enjoyed a strong run during the mid-cap rally, but are feeling the heat.


Source: ACE MF. Compiled by ETIG. YTD return data as on 5 June 2018. All returns are absolute, not annualised.

ago," confirms Gupta. At the same time, investors can't simply buy everything that has fallen in this correction and hope to strike gold, he points out. "One needs to be very selective and do thorough research on the company's business outlook, management quality, and inherent profitability and be sure that the valuations are reasonable even after the price corrections," warns Shah. Last year, when liquidity was abundant and volatility was at a significant low, the market was not inclined to distinguish between good and bad businesses. Investors were riding the momentum and largely ignoring the fundamentals. Everything in the mid-cap basket saw an uptick in share prices, irrespective of issues like high leverage and irregular cash flow. Experts predict that this year, quality will play an important role in the portfolio. "The wheat will be separated from the chaff in the coming months," asserts Udasi. This trend is already visible in the stock prices, as most quality companies in the mid-cap space have managed to hold fort, even as others took a beating.

Investors who have ignored their risk appetite and taken a higher mid-cap tilt than necessary should consider cutting back on their exposure. They should start by weeding out the illiquid stocks or highly leveraged businesses. Refocus on quality of the underlying business rather than the promise of growth. Choose companies with superior earnings visibility, consistency in cash flows and ability to maintain healthy profit margins. "Don't venture into unknown territory. It is quality that ultimately pays off," cautions Tibrewal.

### How to approach mid-cap funds

For investors in mid-cap funds, the deterioration in return profile may have come as a shock. Some have already made a hasty exit. But experts insist that this is not the right approach. Mrinal Singh, Deputy CIO, Equity, ICICI Prudential AMC, thinks that investors entering the mid-cap space now should exercise caution, given their stretched valuations, but his advice for an existing mid-cap investor is to continue with their SIPs.

Mutual fund investors can use the correction as an opportunity to exit non-performing funds and buy ones with a good track record. Most mid-cap funds have enjoyed a

***To benefit from the growth potential of this segment, investors should remain invested in a mid-cap fund for a five-year horizon at the very least.***

stellar run because of the mania surrounding this segment. However, the recent pullback has shown that investors should not go by a fund's return profile alone. "An equity fund's ability to contain the downside is what helps it deliver healthy returns over the long term," asserts Vidya Bala, Head, Mutual Fund Research, FundsIndia. "This ability went largely untested for the past four years," she adds.

Several mid-cap funds delivered super-sized return in the three years leading up to December 2017, emerging as top performers in the category. However, the same funds have seen a sharp fall in NAV during the recent crash, since they delivered the returns by riding the momentum and investing in high beta, low quality stocks. A handful of funds, which chose to invest in companies with sound fundamentals instead of riding the wave, have managed to contain the downside well. Investors should choose funds that perform consistently over time, rather than suddenly scorching the performance charts.

Experts stress that investments in mid-cap funds should be made strictly with a longer time frame in mind. "When investing in a mid-cap fund, it is important to understand that the fund manager builds a portfolio by considering the future scalability of the businesses, which becomes visible over a period of time," explains Udasi. "But if investors take a myopic view and exit early, the fund manager might be forced to sell part of his winning hand, hurting the fund's return profile." To benefit from the growth potential of this segment, he urges investors to remain invested in a mid-cap fund for a five-year horizon at the very least. Bala concludes that mid-cap funds can play a big role in helping investors reach their financial goals. The key is to moderate your exposure and maintain a disciplined approach over long period of time.

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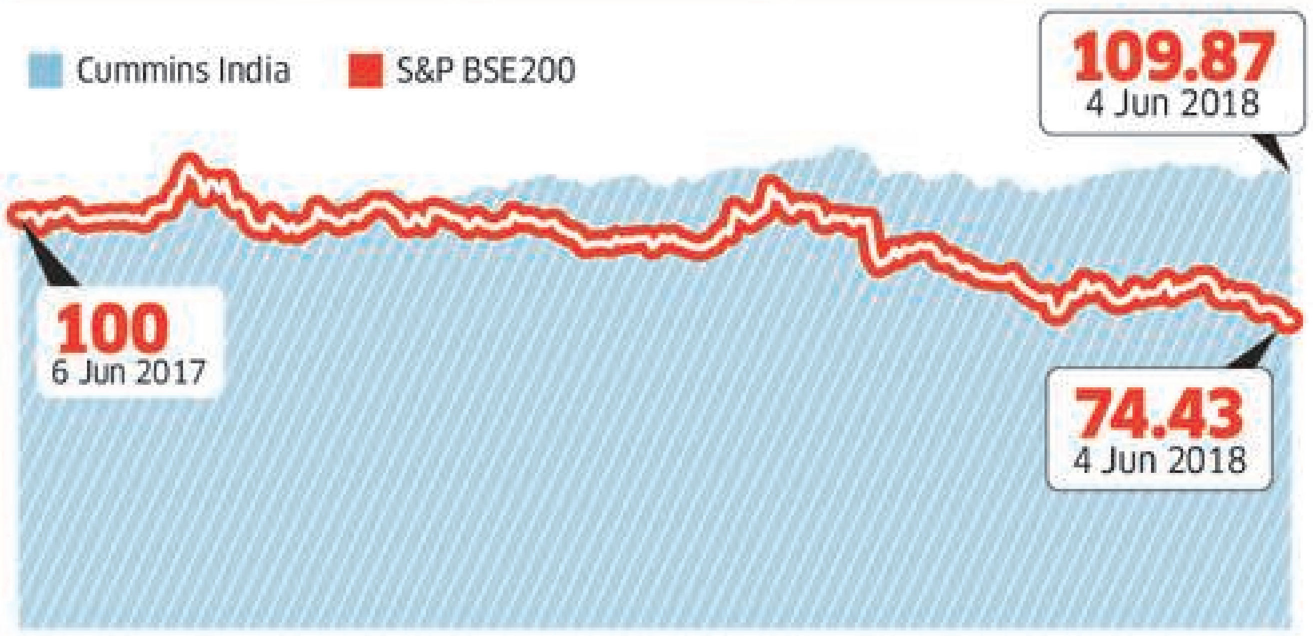
# Mid-cap stocks that are worth investing in now

We have zeroed in on five stocks which have seen their PE multiple soften by over 20% since December last year, making them attractive.

## CUMMINS INDIA

| M-Cap (₹cr) | CMP (₹) | YTD price change (%) | PE (current) | PE (29 Dec 2017) | 5-year avg ROE (%) |
|---|---|---|---|---|---|
| 18,922 | 683 | -24.4 | 26.7 | 34.2 | 24.8 |

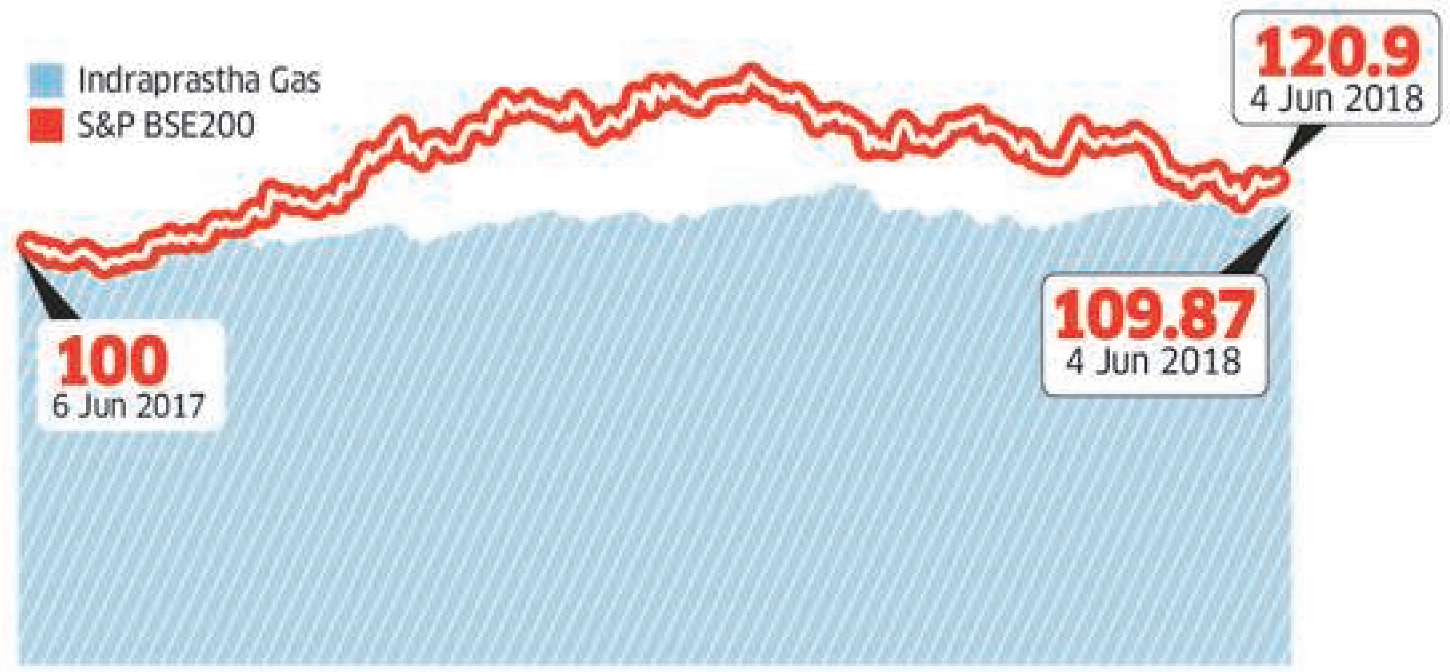



Cummins' shares have been underperforming for quite some time, mostly owing to deterioration in its RoE profile. Adverse business climate both in India and abroad in the past two years and dilution in equity base have contributed to the fall. But analysts are confident that earnings will recover on the back of rising volumes in industrial business and cost saving measures. "The downside could be limited from the current levels and Cummins India can surprise a rather skeptical market on the margin front," says Ruchir Khare of Kotak Securities.

## INDRAPRASTHA GAS

| M-Cap (₹cr) | CMP (₹) | YTD price change (%) | PE (current) | PE (29 Dec 2017) | 5-year avg ROE (%) |
|---|---|---|---|---|---|
| 18,746 | 268 | -20.1 | 28 | 38.5 | 22 |

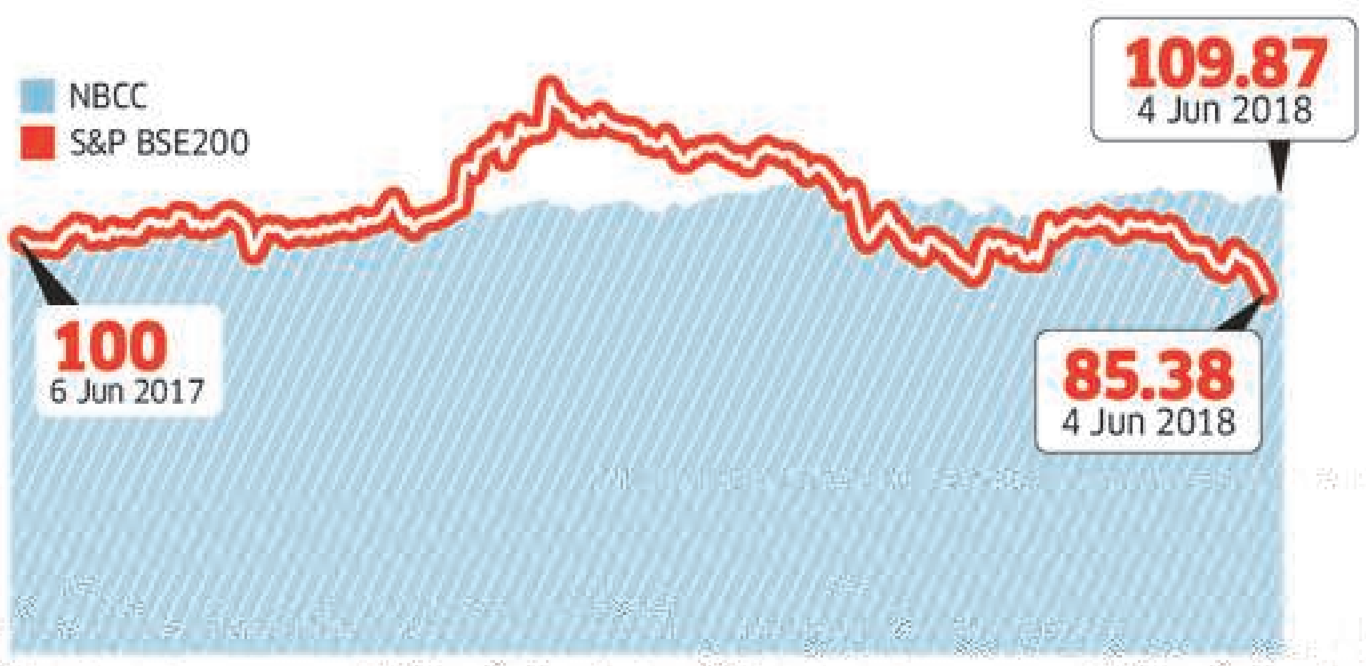
IGL shows strong traction in gas volumes, led by increased conversion to gas by private vehicles as well as higher connections coming in from industrial users. It continues its geographical expansion as well. After the recent correction, IGL is priced attractively relative to its growth potential. "We are positive on the fundamentals of IGL, led by a monopolistic business model, a strong balance sheet and forays into newer geographies," says Nilesh Ghuge of HDFC Securities.




## NBCC

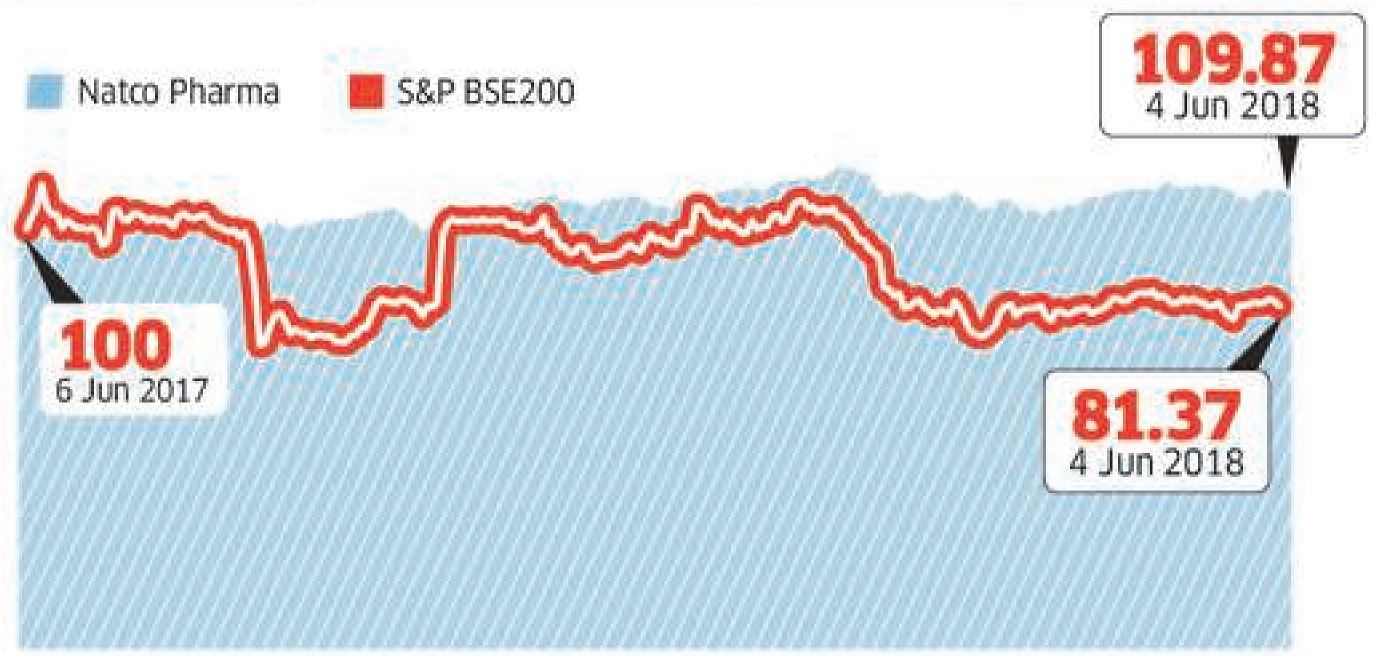
| M-Cap (₹cr) | CMP (₹) | YTD price change (%) | PE (current) | PE (29 Dec 2017) | 5-year avg ROE (%) |
|---|---|---|---|---|---|
| 15,525 | 86 | -30.1 | 46.6 | 60.3 | 22.5 |

NBCC's order backlog remains strong at nearly ₹80,000 crore providing healthy earnings visibility going ahead. Execution of existing big-ticket projects related to the redevelopment of colonies and railway stations is expected to pick up pace in the coming year. It is also in negotiations for securing more projects in coming months, adding to its pipeline. The sharp correction in its stock price allows good entry point for investors. "We like NBCC given its unique business model (PWO status leading to awarding of contract on nomination basis) and huge opportunities ahead," says Deepak Purswani of ICICI Direct.




## NATCO PHARMA

| M-Cap (₹cr) | CMP (₹) | YTD price change (%) | PE (current) | PE (29 Dec 2017) | 5 -ear avg ROE (%) |
|---|---|---|---|---|---|
| 14,537 | 788 | -18 | 20.8 | 31.7 | 20.1 |

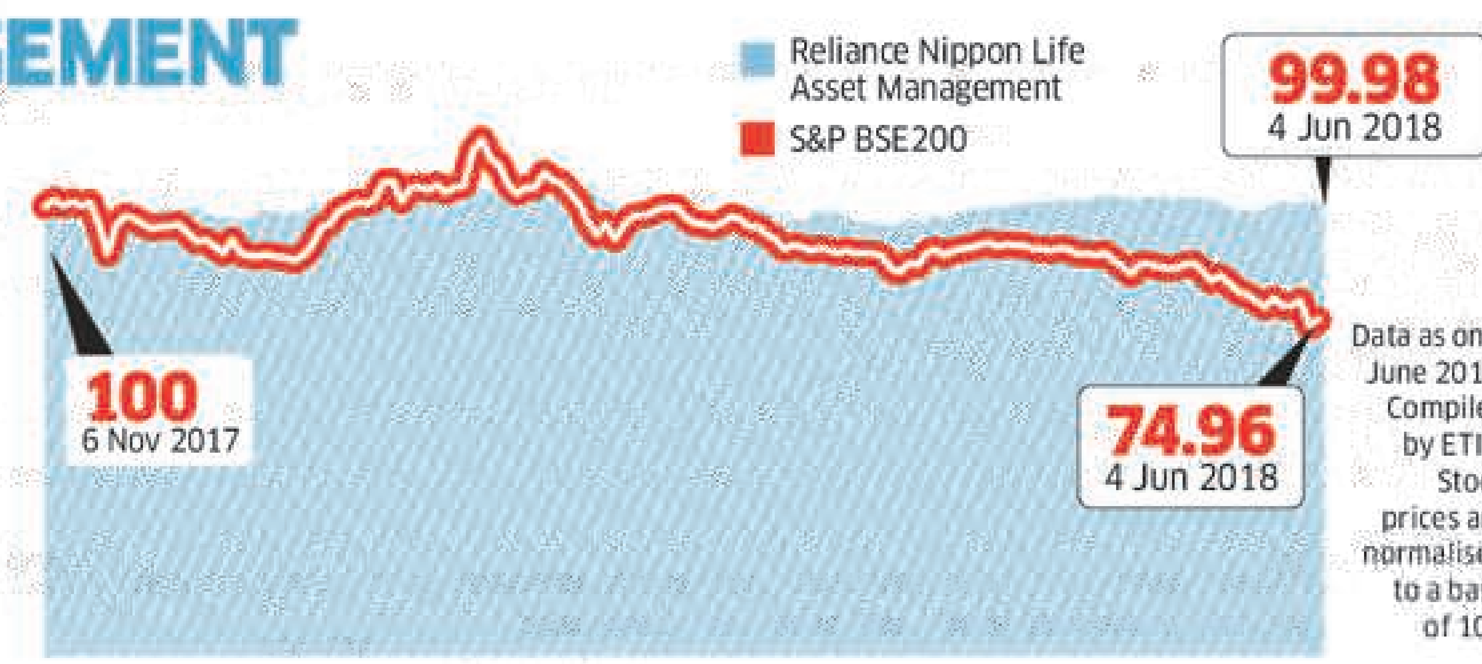



Natco's focus on limited competition and niche offerings are expected to give it a leg-up over many of its peers affected by severe price erosion in the US market. The company plans to shift focus to other markets like India, Brazil and Canada. Its strong momentum in the domestic oncology segment is expected to continue. "Considering Natco's strong oncology portfolio, healthy balance sheet and sharp focus on complex filings in the US, we are upbeat about its business," says Rashmi Sancheti, research analyst at Anand Rathi Share and Stock Brokers.

## RELIANCE NIPPON LIFE ASSET MANAGEMENT

| M-Cap (₹cr) | CMP (₹) | YTD price change (%) | PE (current) | PE (29 Dec 2017) | 5-year avg ROE (%) |
|---|---|---|---|---|---|
| 13,029 | 213 | -28.8 | 25.8 | 45.1 | 21.8 |

A well-entrenched player with a diversified asset base, Reliance AMC is well positioned to capitalise on the rising equity investment culture. The high run-rate of sticky retail SIP inflows bodes well for the fund company's AUM growth. A wide distribution network reaching far into smaller towns reduces the risk to its flows. "We expect the company to maintain its leadership position and incrementally benefit from its efforts to penetrate the B15 and B30 locations," says Ravikant Bhat of Emkay Global.




Data as on 4 June 2018. Compiled by ETIG. Stock prices are normalised to a base of 100

# SIPs help realise goal of buy low and sell high

Systematic investment plans (SIPs) are the best way to invest in mutual funds. The benefits come as much from psychology as from maths.

DHIRENDRA KUMAR
CEO, VALUE RESEARCH

**MONEY MYSTERIES**

**SIPs are the simplest way of investing regularly and getting good returns from equity, without having to worry about when to invest and when not to invest and thus often missing out on the best opportunities.**

The maths is very simple. You invest a fixed amount every month in a mutual fund. This automatically implements the holy grail of investing—buy low, sell high. Here's how it works.

Since SIPs mean investing a fixed sum regularly regardless of the NAV or market level, you end up getting more units when the markets are low. Let's say you are investing ₹20,000 every month. When the NAV is ₹20, you will get 1,000 units because 20,000/20 = 1,000. However, if the market dips and the NAV drops to ₹16, you will get allotted 1,350 units, as 10,000/16 = 625. This is the key. Investors automatically buy more units when the markets are low. This results in a lower average price, which translates to higher returns.

When you want to redeem your investment in the mutual fund, all the units you own are worth the same. However, your profit margin is higher for units that were bought at a lower price. Effectively, you have paid a lower average price, which translates to higher returns. That automatically enforces the investor's goal of 'buy low, sell high'.

So what's this bit about the psychology? The biggest problem in investing is not in where to invest. Instead, it is to invest at all and keep investing through thick and thin. People invest sporadically, and then stop investing when equity markets fall. This comes naturally to most investors, generally because falling equity prices are presented as a crisis in the mass media. Of course, this makes no sense. As a buyer of anything, you want low prices. So should you as a buyer of equity or equity mutual funds. But for the most part, investors do not.

SIPs neatly solve these two problems that prevent investors from getting the best possible returns for their money. They are actually the best feature in mutual fund investing and yet are not actual funds themselves. SIPs are the schedule on which you invest.

However, while this maths is great, it's not the main reason why people get great returns out of SIP investing. The reason for the returns is in the psychology of investing. SIPs are the simplest way of investing regularly and getting good returns from equity, without having to worry about when to invest and when not to invest and thus often missing out on the best opportunities. When the markets turn discouraging, the general instinct of many investors is to stop investing, either because they are scared or because they are trying to catch the bottom. However, SIP investors—not all but most—tend to continue their SIPs. Soon, when the markets go up, this teaches them the value of not stopping their SIPs in bad markets. Thus begins a virtuous cycle, creating a larger new generation of investors who understand the value of regular investing.

GETTY IMAGES

Over the last three to five years, an additional development in the actual mode of paying for the SIP investment has improved matters further. Earlier, SIPs meant writing a pile of cheques and giving them to the fund. Obviously, there was a limit to this, generally anything from 12 to 36 months. As a result, investors felt that an SIP was a fixed tenure plan. When the cheques would run out, investors would take their time to go through the whole effort again. At that point, if the markets were looking depressed, they would not do it at all.

Now, investors generally give an ECS mandate for the monthly SIP investment amount to be directly transferred from their bank accounts. Generally, this is a perpetual mandate. Stopping the SIP requires an instruction to be registered. Earlier, stopping was automatic but continuing involved a fresh pile of cheques to be written. In my experience with investors, I have felt that this change of defaults has had a huge impact.

The kind of returns that one can get with SIPs are truly mind-boggling. Here are a few very long-term examples. I took up four funds that have been around for decades and calculated what would have happened if I had done a modest SIP for the last 20 years, using the free Portfolio Manager on Value Research Online.

It turns out that just a small investment of ₹5,000 a month over two decades left me with sums of ₹1.29 crore, ₹1.85 crore, ₹ 1.21 crore, and ₹2.05 crore for the four funds. The amount invested in each case was just ₹12 lakh (₹5,000 a month for 20 years). An investment like this can change the life of a middle class person. However, there's no special complexity in doing this. Just something straightforward, done over a long period.

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# What the RBI hike means for you

RBI has raised the key repo rate by 25 bps to 6.25%, signalling the start of a rate tightening cycle.

*by* **Sanket Dhanorkar**

The interest rate cycle may have shifted to a phase of tightening rates. After a gap of four years, the apex bank has hiked interest rates in its latest monetary policy review. It has raised the key repo rate—the rate at which the central bank infuses liquidity in the banking system—by 25 basis points to 6.25%. Concerns over inflationary pressure stemming from rising commodity prices were behind this decision.

This signals the start of a rate tightening cycle after a multi-year period of benign interest rates that benefited borrowers. Dhananjay Sinha, Head - Institutional Research, Economist and Strategist at Emkay Global Financial Services, reckons this rate hike could lead to a tightening stance if the inflation risks accentuate along with currency depreciation. Bekxy Kuriakose, Head – Fixed Income, Principal Mutual Fund, feels there is a chance of further 25-50 bps hike during the remainder of 2018-19 if oil prices continue to rise and US treasury yields rise to 3.25% levels and above. The progress of monsoons, marginal support price (MSP) hikes, adherence to fiscal policy targets would also be key, she says.

The likely shift in interest rate cycle will make loans more costly for borrowers. With the RBI effecting a rate hike and signalling a possible shift in the cycle, lenders are likely to raise interest rates on loans further in the coming months. On the other hand, depositors are in line to fetch higher interest rates on their fixed deposits with banks.

**A possible shift in cycle**

The hike comes after multi-year period of benign interest rates

| RBI INTEREST RATES | | SBI INTEREST RATES | |
|---|---|---|---|
| DATE | RBI REPO RATE (%) | EFFECTIVE DATE | INTEREST RATE (%) |
| 18 Dec 2013 | 7.75 | 7 Nov 2013 | 10.00 |
| 28 Jan 2014 | 8.00 | 10 Apr 2015 | 9.85 |
| 15 Jan 2015 | 7.75 | 8 Jun 2015 | 9.70 |
| 4 Marc 2015 | 7.50 | 5 Oct 2015 | 9.30 |
| 2 Jun 2015 | 7.25 | 1 Jan 2017 | 9.25 |
| 29 Sep 2015 | 6.75 | 1 Apr 2017 | 9.10 |
| 5 Apr 2016 | 6.50 | 1 Jul 2017 | 9.00 |
| 4 Oct 2016 | 6.25 | 1 Oct 2017 | 8.95 |
| 2 Aug 2017 | 6.00 | 1 Jan 2018 | 8.65 |
| 6 Jun 2018 | 6.25 | 1 Apr 2018 | 8.70 |

While RBI cut rates by 200 bps since last rate hike, SBI reduced base rate by 135 bps. Compiled by ETIG

Meanwhile, anticipating a rate hike, the 10-year benchmark government bond yield had risen by around 40 bps since the turn of the year to 7.8%. Since the rate hike, yields have climbed further to around 8%. When interest rates harden, bond prices fall, resulting in a rise in bond yields. However, RBI maintained a neutral stance in the policy, keeping the window open for a pause in interest rates going ahead.

"The uncertainty risk we see from this policy is on the stance of the monetary policy. The RBI has hiked the repo rate but retained its stance at neutral which suggests that it wants the flexibility and be data dependent. It also conveys that we may not be in a long rate hiking cycle and the rate hikes are more pre-emptive against emerging inflation risks," says Arvind Chari, Head – Fixed Income and Alternatives, Quantum Advisors. Experts have suggested investors avoid taking duration calls and remain invested in shorter tenure instruments.

# Home loans below ₹35 lakh may cost less in metros

Revision of housing loan limits for priority sector could mean lower interest rates.

**The Reserve Bank of India** (RBI) has hiked repo rates by 25 basis points, making home loans costlier. However, the revision of housing loan limits for priority sector lending (PSL) from the existing ₹28 lakh to ₹35 lakh may lead to reduction in interest rates on home loans up to ₹35 lakh.

The apex bank, to provide a fillip to low-cost housing, decided to revise the housing loan limits from the existing ₹28 lakh to ₹35 lakh in metropolitan centres, and from the existing ₹20 lakh to ₹25 lakh in other centres, provided the overall cost of the dwelling unit does not exceed ₹45 lakh and ₹30 lakh, respectively.

According to Anuj Puri, Chairman, ANAROCK Property Consultants, the decision to increase the limit would be a big boost for first-time home buyers who are looking to buy properties in the affordable segment. Besides, subsidy benefits of ₹2.68 lakh from the Centre under schemes like Pradhan Mantri Awas Yojna, would make owning a house in metros easier.

As banks have to lend around 40% of their total loan to priority sectors like micro enterprises, borrowers from weaker sections and agriculture sectors among others where default rates are high, they tend to lend aggressively to those priority sectors where default rates are low. The default rates in housing loans in the range of ₹10 lakh to ₹35 lakh is comparatively low. Therefore, the RBI's decision would prompt banks to lower rates on small ticket home loans to increase market share.

However, developers are unhappy with the rate hike by RBI. Jaxay Shah, President, CREDAI National said, "The decision to hike the repo rate may lead to suppressed growth in the Indian real estate sector which has shown substantial resilience over the last 18 months."

Justifying the rate hike on account of inflationary trends, global hardening of interest rates as also petroleum prices moving upwards, Niranjan Hiranandani, President NAREDCO, said the hike of 0.25 basis points in the repo rate would not make a major difference to real estate. However, he added that in the long run, "we would prefer rates coming down".

*—Prabhakar Sinha*

## PRODUCT LAUNCHES

### Mutual Funds

UTI Mutual Fund has launched UTI Nifty Next 50 Index Fund. The new open ended scheme will replicate and track the Nifty Next 50 Index. **The NFO closes on 22 June. The minimum investment required is ₹5,000.**

Aditya Birla Sun Life Mutual Fund has introduced ABSL Fixed Term Plan Series –QC. The close-ended income scheme has a tenure of 1,116 days. **The NFO is open for subscription till 11 June.**

ICICI Prudential Mutual Fund has launched ICICI Prudential Pharma Healthcare and Diagnostics (P.H.D) Fund. It will generate long term capital appreciation by investing in health-related sub sectors. **The NFO opens on 25 June.**

### Banking

Yes Bank has unveiled Green Future: Deposit, a product that offers an interest rate of 7.5% and 8% for senior citizens. **The deposit can be opened only through netbanking and a mobile application.** The product comes with tenures of 18 months and eight days to 18 months and 18 days.

## WhatsApp payment plans on hold amid privacy concerns


**With Facebook battling a** slew of privacy concerns around user data sharing and storage, the formal launch of digital payment services by WhatsApp is expected to be delayed further.

WhatsApp has been testing a pilot payment service in India in partnership with ICICI Bank since February, which was opened to a limited set of users who could in turn invite their friends to sample the service. So far, 700,000 users have tried the service, as per industry estimates.

WhatsApp Pay was expected to go live for all users by the end of March. But the rollout plans have been impacted by privacy concerns after the Facebook-Cambridge Analytica episode, and the RBI directive on data storage.

The launch will allow every WhatsApp user to update the service and gain access to the payments feature. The NPCI has restricted the testing of the digital payment service. WhatsApp currently has over 200 million active monthly users in India.

*—Pratik Bhakta*

## SBI says husband can't use wife's debit card

**The casual act of** letting your spouse or a close relative withdraw money from an ATM using your debit card could prove costly. This is what a Benglauru woman on maternity leave recently learnt the hard way.

Banking rules categorically state that an ATM card is non-transferable and no other person apart from the account holder should use it.

On 14 November 2013, Bengaluru resident Vandana gave her debit card with PIN to her husband, Rajesh Kumar, to withdraw ₹25,000 from a local SBI ATM. Rajesh swiped the card; the machine delivered a slip showing the money was debited, but the amount was never released. SBI cited the 'non-transferable' rule and said the account holder was not the ATM user and turned down the claims.

When the ATM did not release the money, Rajesh called the SBI call centre only to be informed that it was an ATM fault and the money would be reverted to the account within 24 hours. When that did not happen, he approached the bank with a complaint. But much to his shock, SBI closed the case in a few days, stating the transaction was correct and the customer got the money.

They couple lodged a complaint with the bank, following which an investigation committee ruled that Vandana, the cardholder, is not seen in the footage. Before approaching the consumer forum, the couple made a final plea to the bank ombudsman who simply ruled, 'PIN shared, case closed.' The case went on for over three-and-a-half years. Vandana said SBI should refund her money which was lost due to an ATM flaw, but the bank stood its ground, citing the rule that sharing ATM PIN with someone else was a violation. On 29 May, the court ruled that Vandana should have given a cheque or an authorisation letter to her husband instead of sharing the PIN. The court dismissed the case.

## Sebi to take action in WhatsApp leak case

**Sebi will soon** take action against some market operators and senior staff members of about a dozen listed blue-chip firms for their alleged involvement in leak of price-sensitive information through WhatsApp.

The companies may also face censure action by the market watchdog for alleged lapses in safeguard mechanism to check leak of unpublished price sensitive information (UPSI), including financial results before they were made public for all investors, the regulatory sources stated.

The regulator is close to completing its probe into the matter, including for suspected unlawful gains through insider trading on the basis of leaked information, and is collating the details it had sought from all concerned companies, officials said.

Among various companies from which Sebi had sought details through its interim orders, HDFC Bank last week disclosed in a regulatory filing that it has submitted the requisite information to the regulator.\

Referring to Sebi's 23 February directions, HDFC Bank said, "In this regard, and keeping with its commitment to the highest standards of corporate governance and the integrity of its systems, the Bank has submitted the requisite information and reports to Sebi in compliance with the Sebi directions and within the timelines prescribed therein."

## QUOTE OF THE WEEK

"The ball & pitch have changed. The fund manager may play a defensive game, rather than take a wild swing."

**NILESH SHAH,** MD, KOTAK AMC ON FUND RECATEGORISATION

# Now, PAN a must for sending money abroad

**Henceforth, you won't be able** to send money abroad for your kid's studies, to buy property or shares without PAN. You cannot exceed the specified annual limits either. The move is an attempt by the government to ensure that money being transferred abroad is tax-paid and also to monitor remittances closely to ensure that individuals stick to the limits prescribed.

The Reserve Bank of India (RBI) has tightened the rules for remitting money abroad under the Liberalised Remittance Scheme (LRS) and has made PAN mandatory for anyone using this scheme. Earlier PAN was not insisted upon for transactions of up to $25,000.

The LRS scheme is used by resident Indians to send money abroad for their children's studies and also to invest in foreign stocks and property. LRS was opened to Indian residents in 2004.

The central bank has made PAN mandatory for every transaction under the scheme after the bank noticed in January this year that several Indian businessmen, Bollywood celebrities and diamond merchants rushed to remit funds abroad to bet on stocks and properties and breached the specified limits under the scheme.

The rules of the scheme allow individuals only to buy stocks and properties abroad and not for pure speculative bets on instruments like derivatives. The annual LRS limit (per individual) was raised in 2015 from $1,25,000 to $2,50,000. *—Preeti Motiani*

# 58% to travel abroad despite falling rupee

**The recent dip** in the rupee against the US dollar and the stable Euro mean that Indians have shifted their choice of holiday destination from America to Europe, according to a recent survey by the travel portal, Yatra. Europe (42%) has emerged as the favourite destination, followed by Southeast Asian countries, including Thailand, Singapore and Malaysia (30%).

Despite the strengthening of the US dollar against the rupee, 51.5% respondents are optimistic that the rupee will rise enough to plan their holiday, while 48.5% said that the fall did not matter and they would go on a holiday anyway. The survey was conducted by *Yatra.com* among 1,573 respondents across 11 cities in the country.

As many as 72% said that they would not shorten the duration of the trip due to the dip. However, 51% respondents are considering compromising on shopping and opting for budget air carriers to cut costs and manage their budgets. Only 32% will evaluate expenses before choosing between a domestic and an international destination, as per the survey.

"Summer being the traditional travel season nationwide, Indian travellers tend to book their holidays well in advance, often locking in prices ahead of time with package deals. The travellers who plan their holidays at a short notice are more likely to be impacted by the depreciating rupee," said Sharat Dhall, COO (B2C), *Yatra.com*. *—Riju Mehta*

₹864 crore

is what Nikesh Arora stands to earn as the new CEO of Palo Alto Networks. The sum will only be awarded if the company's share price more than doubles. Meanwhile, India's richest man Mukesh Ambani has kept his annual pay capped at ₹15 crore for the ninth straight year.

# Cryptocurrency racket busted

**The police last week** busted a cryptocurrency racket in Thane, near Mumbai, after a gang duped several investors across the country to the tune of ₹300 crore to ₹500 crore.

Talia Kazi, a prime technical support staffer at the company that helmed the alleged fraud, was detained, while five others are on the run, including the firm's director, Amit Lakhanpal, said the police. Kazi is a Mumbra resident.

Lakhanpal had created his own cryptocurrency, Money Trade Coin (MTC). A cryptocurrency is a digital or virtual currency designed to work as a medium of exchange.

At the centre of the scam is Flinstone Group, where its employees, posing as innovators, lured people to put money in their schemes. The company used to lure investors promising 10 to 20 times returns in just four to six months, officials said. The officer added that some victims were also lured with the offer of citizenship in the Caribbeans as well as an account in Swiss banks. The role of an assistant police inspector is also being probed. An officer said they are yet to understand the entire modus operandi as raids are still under way.

## Housing finance cos multiply

**Loans for** affordable housing have seen a sharp growth. Home loans by affordable housing finance companies have grown from ₹1,000 crore as of March 2013 to ₹27,000 crore in December 2017. This has led to an explosion in housing finance companies (HFCs).

There are 77 registered HFCs, of which 26 are focused only on affordable housing. According to a report by FSG Consulting, a driver of growth in this segment was the credit-linked subsidy (CLS) under the Pradhan Mantri Awas Yojana (PMAY).

## DOMESTIC CALENDAR

**Tuesday JUN 12** — CPI y-o-y figures to be announced

**Tuesday JUN 12** — Industrial production data to be announced

**Friday JUNE 15** — Trade balance figures to be announced

# HOW MUCH DO YOU NEED FOR RETIREMENT?

Investors saving for retirement are often unsure of how much they need for a comfortable life in their sunset years. **Preeti Kulkarni** estimates the ideal retirement target at different life stages.

When a US-based financial portal recently suggested that one should have saved twice his annual salary by the age of 35, it got mocked on social media.

"I think you meant to say, by 35 you should have debt twice your annual salary."

"I've done the math, and I can retire about 10 years after I die, if nothing else happens."

"When did my mom start writing articles..."

The sarcastic responses to the article evoked much mirth, but missed the key point: If the figure seems unattainable, the problem could lie more with one's savings and spending patterns rather than the target itself. *ET Wealth* reached out to financial planners to understand how much Indians need to save at various ages to ensure a comfortable retirement.

First, a caveat: the exercise to determine final retirement corpus—and the ideal savings at various life-stages—will have to be tailor-made for each individual, taking various expenses, dependents' needs, goals and other requirements into account. "Even post-retirement goals will vary—some may decide to lead a frugal life while others will have international travel plans, for instance. So while thumb rules can be seen as guide posts, they cannot be treated as gospel," says certified financial planner Gaurav Mashruwala.

It will also vary as per the individual's financial discipline. "For instance, a 25-year-old who allocates 5% of her income towards retirement since her first job and continues to do so will not have to hike her savings as a percentage of income for retirement significantly later," says financial planner Suresh Sadagopan, Founder, Ladder7 Financial Advisories. This is because a decent corpus would have been built over time with the power of compounding kicking in. "But another person who has not made much effort to save for retirement will need to start saving aggressively in the forties," he adds.

## The young and restless

The pleasure Twitterati derived out of ridiculing the retirement savings piece seems to reinforce the unflattering percep-

**A person who starts putting aside even a modest 5% of her income from the time she starts earning will not have to increase her savings significantly later.**

tion about millennials—those born after the year 1980 and broadly, youngsters—as a generation bred on a diet of consumerism with little appetite for savings. Given that many in this generation maintain an expensive lifestyle dotted with gadgets, eating out, rent, education loan EMIs and sundry living expenses, retirement planning is generally not high on their agenda. Even for the prudent ones, retirement, understandably, seems years away and imminent goals like buying a house or a car or saving for a lavish wedding are likely to command a larger share of savings in the initial working years.

So, realistically speaking, how much should the younger lot allocate towards their retirement goals? "You should start with saving a particular portion of your salary rather than targeting a figure of say 1x or 2x of your salary at a particular age," says Sadagopan. "A good ballpark figure for a 25-year-old individual 5%. They should look to save at least 5% of their income specifically for retirement." The period for which your savings stay invested is more important than the actual amount saved. "The key is to start early, even if it means saving and investing small amounts," says Amar Pandit, Founder, *HappynessFactory.in*. Even small amounts can add huge value to your final retirement corpus thanks to the power of compounding.

## The middle years

This is the age when responsibilities start piling up, putting tremendous pressure on finances. Those between 35-45 years of age may be relatively better at withstanding peer pressure to maintain an expensive lifestyle, but there are other needs and goals that make demands on the income, pushing retirement down the priority list. "You can start with saving 20% of the income, and gradually increase savings to 40-50%, based on your overall financial situation," says Pandit. Sadagopan feels that those around 35 years of age you should look to allocate at least 10% of their income towards retirement. "From 5% at the age of 25, the savings rate should go up to 10% by the time a person turns 35. You should maintain this retirement savings level till the age of 50," he says. This does not include the mandatory contribution of the employee and employer to the provident fund.

**Between 35-45 years, one may be able to withstand peer pressure to maintain a costly lifestyle. But other needs and goals push retirement down the priority list.**

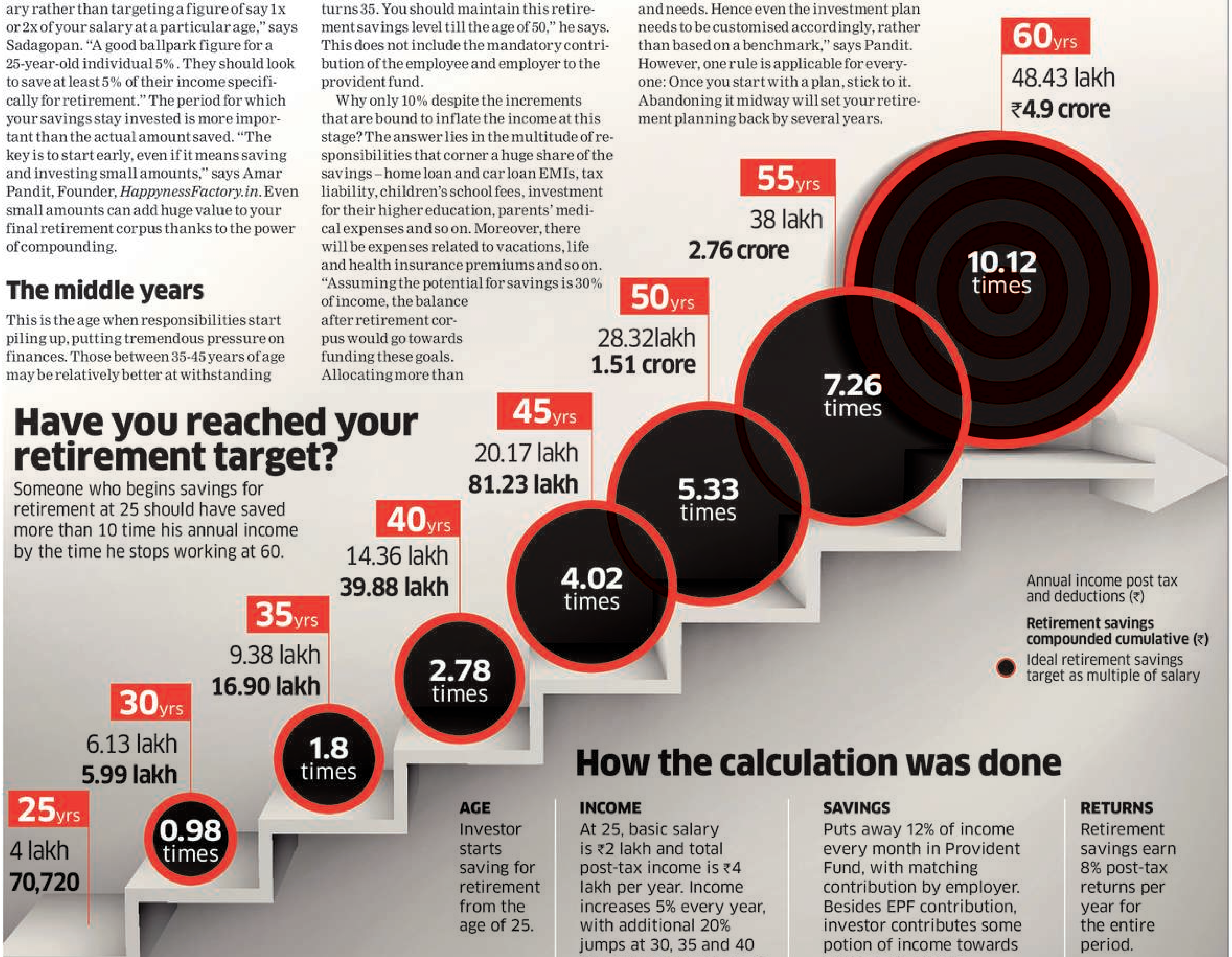
Why only 10% despite the increments that are bound to inflate the income at this stage? The answer lies in the multitude of responsibilities that corner a huge share of the savings – home loan and car loan EMIs, tax liability, children's school fees, investment for their higher education, parents' medical expenses and so on. Moreover, there will be expenses related to vacations, life and health insurance premiums and so on. "Assuming the potential for savings is 30% of income, the balance after retirement corpus would go towards funding these goals. Allocating more than 10% of the income towards retirement will be difficult at this stage due to the number of goals that need attention," says Sadagopan, explaining the rationale behind the modest savings rate (See graphic). Creating buckets of various goals and starting dedicated SIPs in large cap or diversified equity funds for each would be the ideal approach towards navigating the maze during this lifestage. Do remember, however, that every individual's retirement plan would be different. "Every individual has unique goals and needs. Hence even the investment plan needs to be customised accordingly, rather than based on a benchmark," says Pandit. However, one rule is applicable for everyone: Once you start with a plan, stick to it. Abandoning it midway will set your retirement planning back by several years.

## Retirement on radar

Closer to retirement, it is reasonable to expect responsibilities related to children's education to be out of the way, leaving more for retirement savings. However, again, this would vary from person to person. "Many individuals who entered parenthood in their late 30s or early 40s are likely to shoulder children's education responsibilities closer to retirement or even after that," says Sadagopan. He recommends a retirement savings rate of at least 15% once you cross 50 years. This rate should be adhered to until retirement. "This should ensure a decent retirement corpus to see a couple off in reasonable comfort in their retirement years," he adds.

# Have you reached your retirement target?

Someone who begins savings for retirement at 25 should have saved more than 10 time his annual income by the time he stops working at 60.




## How the calculation was done

**AGE**
Investor starts saving for retirement from the age of 25.

**INCOME**
At 25, basic salary is ₹2 lakh and total post-tax income is ₹4 lakh per year. Income increases 5% every year, with additional 20% jumps at 30, 35 and 40 following promotions or job changes. After 40, additional income jumps assumed to be lower at 10% at 45 and 50. At 55, jump only 5%.

**SAVINGS**
Puts away 12% of income every month in Provident Fund, with matching contribution by employer. Besides EPF contribution, investor contributes some potion of income towards retirement savings.

| AGE | 25-35 years | 36-50 years | 51-55 years | 56-60 years |
|---|---|---|---|---|
| SAVINGS | 5% of income | 10% of income | 15% of income | 20% of income |

**RETURNS**
Retirement savings earn 8% post-tax returns per year for the entire period.

Source: Ladder7 Financial Advisories.

# How to link your goals to investments

Goal-based investing ensures that funds are available to the investor in the right amount at the right time.

The exam results season is on. It's a time that is much-awaited and is yet the most dreaded in the lives of many parents. Often they fall short of funds when it comes to meeting the important goal of paying for their children's higher education. The shortfall can arise for other goals as well, like buying property. This happens when one invests without earmarking funds for specific objectives. It is crucial to practice goal-based investing to ensure that funds are available in the right amount and at the right time.

### WHAT IS GOAL-BASED INVESTING?

Goal-based investing focuses on meeting goals that are personal and specific. So, instead of measuring an investment's performance against a variable like index, this approach uses the future value of a goal as the measure. To adopt this strategy when investing, one must plan as per one's age, risk appetite, financial situation and investment horizon.

## THE 5-STEP APPROACH TO REACH YOUR GOALS

### STEP 1 — IDENTIFY SPECIFIC FINANCIAL GOALS

**IT IS** important to chalk out a proper plan to tie-up each investment with a specific goal. It is crucial to prioritise goals and aspirations and estimate the amount of money it would take to fulfil them.

### STEP 2 — CLASSIFY GOALS INTO SHORT-TERM, MEDIUM TERM OR LONG TERM

**SHORT-TERM** — FEW MONTHS-2 YEARS

Buy a car, plan for vacations

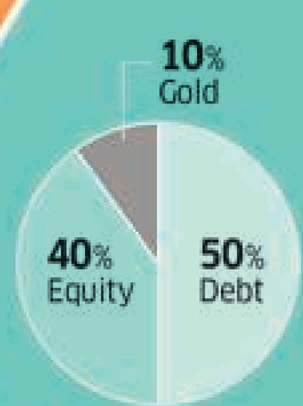
**MEDIUM-TERM** — 3-8 YEARS

Buy property, start own venture, enrol in a professional course

**LONG TERM** — > 8 YEARS

Child's education/ marriage, retirement

### STEP 3 — DECIDE UPON ASSET-ALLOCATION




**IDENTIFY THE** assets that would make up your portfolio according to your goals, risk appetite and investment horizon. You can choose between fixed income, equity and real estate. Allocate funds in more than one asset class.

### STEP 4 — CHOOSE THE RIGHT INVESTMENTS

**EVALUATING THE** correct risk-return metrics and choosing the right asset allocation can seem complex. Mutual funds offer a good solution in such a situation as they are a smart way of investing in various asset classes.

Goals differ from individual to individual. For a longer-term goal, it is advisable to focus on return maximisation with asset allocation towards equity as well as fixed income securities. Given here are some common medium to long-term goals and suggested financial approach for each.

**CHILD'S HIGHER EDUCATION/ MARRIAGE** — LONG-TERM

Invest in equity-oriented funds via SIPs and transfer funds through STP to liquid funds when the date of expenditure nears.

**BUYING A PROPERTY** — MEDIUM-TERM

Mutual funds are better than home loans. Create SIPs in targeted mutual funds and invest in equity and fixed income securities.

**RETIREMENT PLANNING** — LONG-TERM

Start SIPs in equity mutual funds early. For retirement, shift to debt funds gradually. Accumulated corpus can be moved to less risky mutual funds.

*Inputs collated by Research Desk, ICRA Online Limited.*

### STEP 5 — REVIEW PORTFOLIO

**TO STAY ON** track, regularly review your goals and investments. Review the stocks, mutual funds, etc. in your portfolio annually.

Certain products may seem tailor-made for specific needs, but they are like any other plan and may not be useful for one's portfolio. Be cognizant of investment products.

# How to forecast stock returns, future household expenses

MS Excel's Forecast function can help you predict a range of financial variables—returns, inflation, expenses, etc.

*by* **Sameer Bhardwaj**

Ever wondered how analysts make financial forecasts? Generally, they look at the historical data over a period of time and identify the trends. Such trends with the aid of statistical tools help them forecast the future values of the desired variables—inflation, return, expenditure, etc. The association between the economy and the financial markets create inter-linkages among variables. Such inter-linkages help one predict the value of one variable based on the movement of another variable. For instance, rising interest rates make a currency stronger; inflation alters household expenditures; slowdown in industrial activity (IIP) pulls down the stock market; and rising bond yields reduce returns from debt funds.

Such forecasting requires knowledge of advanced statistical concepts and can be a complex exercise. However, the Forecast function of MS Excel makes it relatively easier. This function requires minimal inputs and provides instant forecasts. It employs the regression method of forecasting which is frequently used and is popular among analysts.

The Forecast function requires three inputs. The first is termed 'X', which can either be a time period or any other variable for which the forecast is required. Generally, 'X' requires a single value as an input. The other two variables require inputs in the form of a series. The second input is called 'Known_y's' and is a series of dependent variables. The third input termed 'Known_x's' is a series of independent variables, also known as predictor variables. The Forecast function creates a statistical model using historical data to forecast the future value of the dependent variable, given the estimated value of the independent or predictor variable. So, X is simply the estimated value of the independent variable.

*You don't need to have advanced understanding of statistics to make financial forecasts, thanks to MS Excel.*

To explain the relationship between dependent and independent variables let's look at the returns of Tata Steel and the Sensex. According to finance theory, a stock's returns get influenced by index returns. Therefore, we can assume that the stock returns of Tata Steel will be influenced by BSE Sensex returns. So, the dependent variable is Tata Steel's return (Known_y's) and independent variable is BSE Sensex return (Known_x's). In other words, the stock returns (or variations) of Tata Steel can be predicted through the returns or variations in the Sensex. The forecast function will help predict Tata Steel's returns given the estimate of Sensex returns.

## Predict stock returns

Let us look at the monthly data of price returns for Tata Steel and BSE Sensex for the past 12 months and input the same in the forecast function. If analysts predict that Sensex will deliver around 2% average returns in July, the forecast for Tata Steel's return works out to be 3.04%. On the other hand, if the Sensex is expected to fall 4% in July, Tata Steel's return will fall 6.6%. One can observe how the returns of Tata Steel are impacted by the expected returns of the Sensex (value of X). The basis of these forecasts is the sensitivity of the stock relative to the market index which is technically termed as beta. Changes or variations in stock returns are mainly due to two factors: Internal or company-specific and external or market-specific. Certain stocks have a high sensitivity to market-related factors and this sensitivity defines a significant proportion of their future price variations.

Similarly, one can predict the returns from debt funds by looking at the bond yield data. The bond yield data here will be the independent variable (Known_x's) and debt funds return data will be the dependent variable (Known_y's). The historical returns of the debt funds can be calculated using their NAVs that are reported on a daily basis.

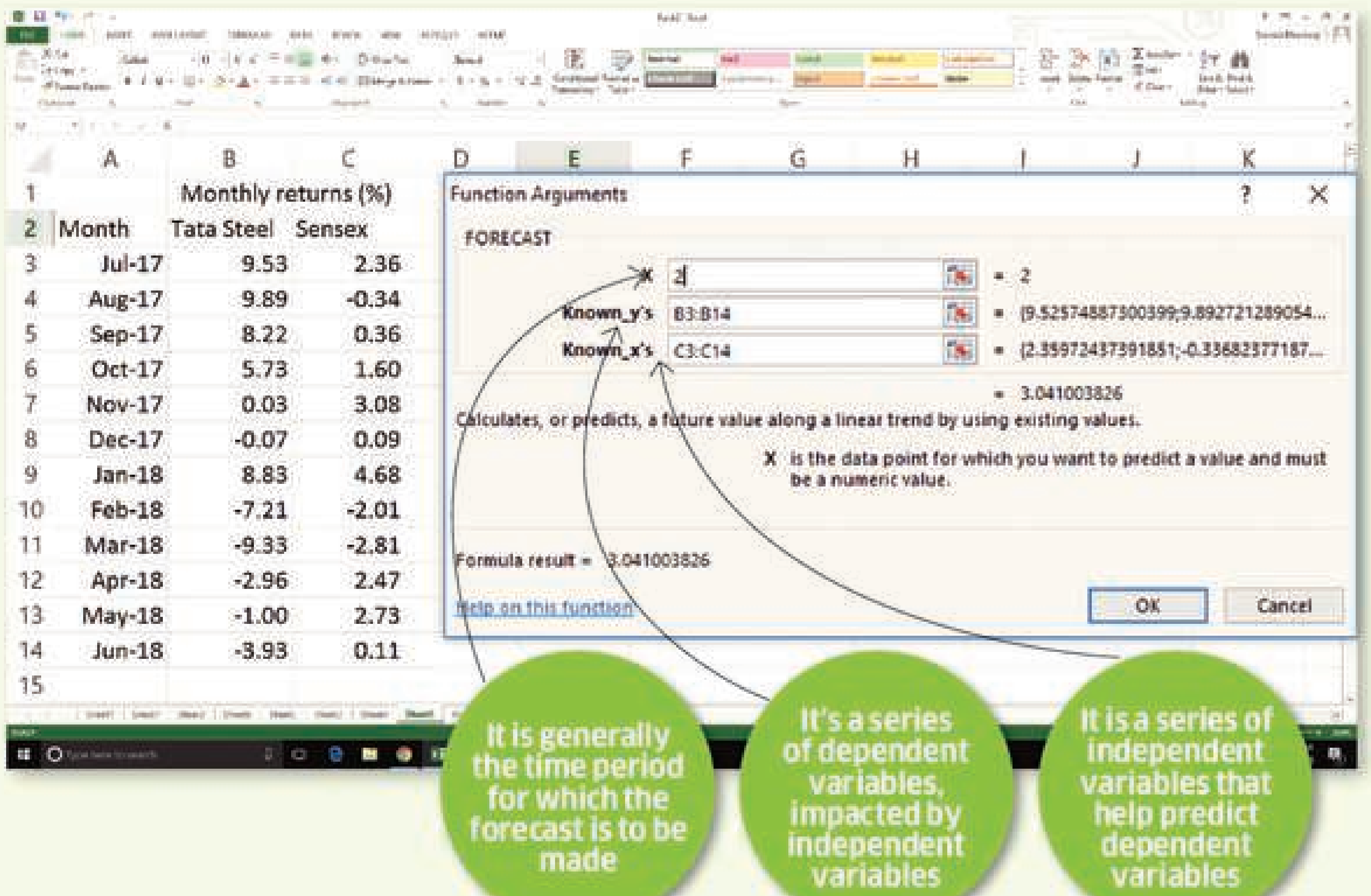
## Calculate future expenses

Apart from these predictions, the Forecast function can be used to do a simple trend forecasting. Such forecasting is done for variables that are expected to move with time. Examples of such variables are household expenditures, corporate revenue or sales and profits. Let us look at an example of trend forecasting by looking at the hypothetical annual expenditure of a household for the past seven years. Since the assumption is that the expenditure grows over a period time, time is the independent or predictor variable (Known_x's). Using the function to predict the expenditure in the eighth year, the predicted value works out to ₹7.92 lakh. Similarly, one can predict the expenditure for the tenth year by changing the value of X to 10—the forecast function predicts ₹8.4 lakh as the expenditure in the tenth year.

The forecasts obtained using this function may not be 100% accurate and they are meant to give the user a basic idea of the future. To derive useful results, it is advisable that the historical data should have at least 30 observations—30 weeks, months, quarters or years.

## Index returns help forecast stock returns

If Sensex delivers 2% average return in July, Tata Steel's return works out to be 3.04%

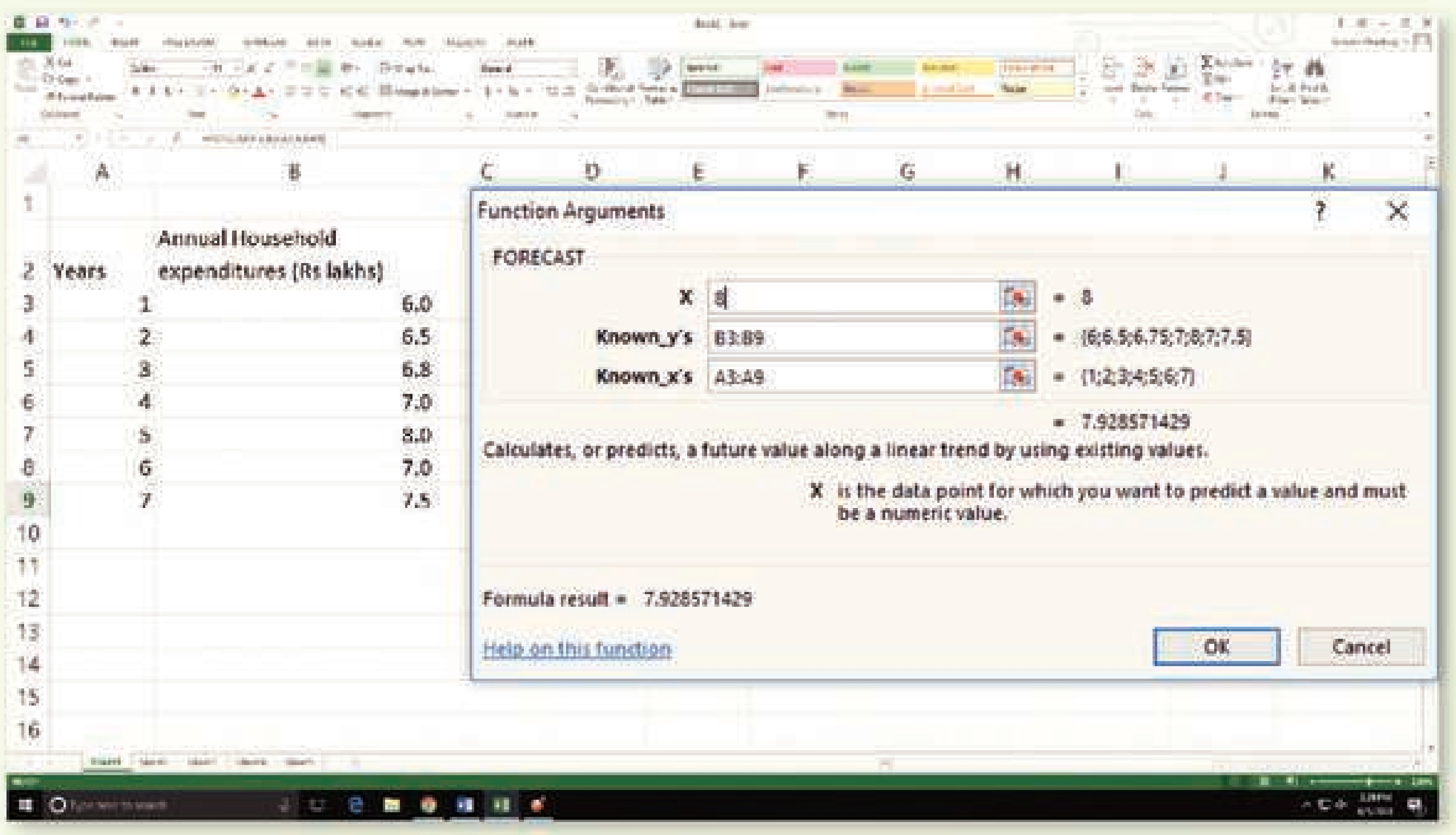


| | A | B | C |
|---|---|---|---|
| 1 | | Monthly returns (%) | |
| 2 | Month | Tata Steel | Sensex |
| 3 | Jul-17 | 9.53 | 2.36 |
| 4 | Aug-17 | 9.89 | -0.34 |
| 5 | Sep-17 | 8.22 | 0.36 |
| 6 | Oct-17 | 5.73 | 1.60 |
| 7 | Nov-17 | 0.03 | 3.08 |
| 8 | Dec-17 | -0.07 | 0.09 |
| 9 | Jan-18 | 8.83 | 4.68 |
| 10 | Feb-18 | -7.21 | -2.01 |
| 11 | Mar-18 | -9.33 | -2.81 |
| 12 | Apr-18 | -2.96 | 2.47 |
| 13 | May-18 | -1.00 | 2.73 |
| 14 | Jun-18 | -3.93 | 0.11 |



## Plan better by estimating future expenses

Use previous years' expenditure trend to calculate future expenses.



| | A | B |
|---|---|---|
| 1 | | |
| 2 | Years | Annual Household expenditures (Rs lakhs) |
| 3 | 1 | 6.0 |
| 4 | 2 | 6.5 |
| 5 | 3 | 6.8 |
| 6 | 4 | 7.0 |
| 7 | 5 | 8.0 |
| 8 | 6 | 7.0 |
| 9 | 7 | 7.5 |

# "We will talk about health rather than health insurance"

Ayushman Bharat is a positive development as it will create massive awareness about health insurance among those who are still not covered, Mayank Bathwal tells **Preeti Kulkarni**.

**Mayank Bathwal**
CEO, Aditya Birla Health Insurance

**How has Aditya Birla Health Insurance differentiated itself from its peers?**
There is clearly a need for health insurance as the penetration is low and the cost of healthcare is rising. Most people think group covers are sufficient, but this is misleading as it will not be there when they retire or quit their organisations. After speaking to customers, we realised that they felt health insurance was meeting a small part of their needs, that is, only hospitalisation claims. Therefore, we adopted a slightly different approach. We decided to talk about health rather than health insurance. We do have a vested interest because if something good happens, we will benefit as claims will be down. To draw a large part of Indian consumers who are 35 or younger and have largely stayed away from health insurance, but are taking care of their health or are generally healthy, we decided to incentivise them by offering 30% of the premium back every year. We track their physical activity and health behaviour, in addition to health assessment at the beginning of the year, at our own cost. This is possible because of technology—smartphones can be linked to our app to track active days. Secondly, even if you contract lifestyle diseases, we put you on a chronic care programme at no extra premium. A health coach is appointed and complements the doctor of the policyholder. We also have a cadre of care mangers who help you navigate the complex healthcare ecosystem in case of hospitalisation. In our first financial year, we have collected ₹250 crore in premium and covered a million lives.

**What will be Ayushman Bharat's impact on the healthcare and health insurance space?**
I think it is a positive development. The big thing is that it will create massive awareness. We could not have created awareness on this scale. If I now go to prospective policyholders, at least they would have heard about health insurance. It will also bring in better healthcare infrastructure. You will see further investment on the healthcare side, which will help as we do face challenges around healthcare facilities in smaller towns. Also, a lot of data will be collected. Technology and the ability to leverage it will become critical to manage healthcare data effectively. Yes, there are some concerns around pricing, but to me, those are issues that will have to be tackled as we move ahead in the journey. We will have to start somewhere. Some healthcare providers are not happy with package rates and we will see how it goes.

> *Most people think group covers are sufficient, but this is misleading as it will not be there when they grow older or quit their organisations.*

**Can it bring about some about some kind of standardisation in treatment costs? Will private health insurers benefit from it?**
We have been talking about standard treatment protocols. This will be the beginning. Otherwise, how will you have package rates? They will work only if they are standard protocol-driven. The government is also talking about quality audits—what they are saying is that you can't under-treat a patient. So there will be package rates, quality accreditation and, over time, outcome-based framework. If the patient has to undergo treatment again, it could mean that there was a gap. If there is less repeat, then the healthcare units will be rewarded. From a design perspective, it is the right thing to do. In mature markets, this is what is happening. This is the way to control costs.

**Doesn't administration of such a massive scheme need a healthcare regulator?**
This system will act as a proxy regulator. There are going to be package rates, quality audits and fraud checks. Then there will be state disciplinary committees too. Insurers can give feedback on frauds and every tenth case can be investigated, for instance. The success depends on the execution, but I am happy that the design is being done right. At the moment, I am positive that it will be executed well.

**What would be a healthy claim ratio for this programme?**
Anything less than 100% would be healthy. There has to be money made, otherwise it will not be sustainable. Pricing will have to settle at a level where there is some money to made. We would like to explore the opportunity as for a new company like ours, it will give us scale which otherwise will take a long time to achieve.

**What is the target customer group for your retail portfolio?**
Our focus is not so much on income or age, but on the health intent. If you have it, you will find something in our offerings. If not, then you will not see value in the 30% health returns that you can earn. There is an element of cognitive segmentation of people with health intent. Our products are meant for all age groups, there is no upper limit on entry age. Our offerings are drawing younger policyholders. Our average customer age is less than 35 years.

**Wellness is a key area of focus for you, but how do you quantify benefits?**
We call up customers to remind them that their health assessment is due. There are rewards for customers who do it within 90 days. At present, 20% of our customers have started the healthy journey. We plan to take it to 30% and 50% over the next few years. We will track claims of people who have started their health journey and those who haven't. If we can prove that claims are lower for the former, then we know we are doing it right. It will take 18-24 months to give data, but this is how we will track the effectiveness of the wellness element.

Please send your feedback to
etwealth@timesgroup.com

# Stagger some goals for now

Bharuch-based Daves will have to wait for a rise in income to be able to invest for all the crucial goals.

*by* **Riju Mehta**

Hardik Dave stays in Bharuch, Gujarat, with his homemaker wife and three-year-old child. He brings in a monthly salary of ₹86,500 and stays in rented accommodation. After considering household expenses of ₹38,700, child's education expense of ₹3,500, contribution of ₹5,000 to parents, insurance premium of ₹4,717, car loan EMI of ₹12,800, and investment of ₹18,000, he is left with a surplus of ₹3,783. His portfolio comprises ₹3.2 lakh in cash, ₹9.64 lakh in debt, and equity in the form of stocks worth ₹30,000 as well as mutual funds worth ₹7.4 lakh. His goals include saving for emergencies, child's education and wedding, retirement, buying a house, and taking a vacation. According to Financial Planner Pankaaj Maalde, Dave will have to put off his child's goals and vacation till a rise in income.

Dave can begin by building the emergency corpus of ₹3.7 lakh by allocating his cash and fixed deposit, and investing it in an ultra short-term fund. Dave wants to buy a house worth ₹40 lakh in a year's time, but Maalde suggests he push the goal by three years, when the house value will be ₹52.5 lakh. To amass the down payment of ₹10.5 lakh, he will have to start an SIP of ₹18,250 in an equity savings fund for two years and review the investment after this period. For the remaining ₹42 lakh, he will have to take a loan, and at 8.5% interest rate, the EMI will come to ₹33,820. This can be sourced from his surplus and saving on rent.

For his child's education and wedding in 15 and 22 years, Dave will need ₹41 lakh and ₹88.5 lakh, respectively. To achieve these, he will have to start SIPs of ₹8,300 and ₹7,500 in equity funds. However, due to lack of surplus, he will have to wait for a rise in income before he can start investing. For his retirement in 26 years, Dave will need ₹3.5 crore, and will have to start an SIP of ₹5,000 in a diversified equity fund. He should also continue to invest ₹1,000 a year in the PPF till retirement.

For life insurance, Dave has a ₹1 crore term plan and a ₹10 lakh traditional plan. Maalde suggests he surrender the traditional plan. He also doesn't need any more life cover. For health, he has a family floater plan of ₹5 lakh, but Maalde advises him to increase this to ₹10 lakh at a cost of ₹1,167. He should also pick a ₹25 lakh critical illness plan and a ₹25 lakh accident disability plan as soon as his income rises.

## Portfolio

| ASSET | CURRENT VALUE (₹) |
|---|---|
| **Cash** | **3.2 lakh** |
| **Debt** | |
| PPF | 4.25 lakh |
| EPF | 4.1 lakh |
| Fixed deposit | 1.29 lakh |
| **Equity** | |
| Mutual funds | 7.4 lakh |
| Stocks | 30,000 |
| **Total** | **20.54 lakh** |

| Liabilities | Current value (₹) |
|---|---|
| Car loan | 5.5 lakh |
| **Total liability** | **5.5 lakh** |
| **Net worth (approx)** | **₹15.04 lakh** |

## Cash flow

| | EXISTING (₹) | SUGGESTED (₹) |
|---|---|---|
| **Income** | 86,500 | 86,500 |
| **Outflow** | | |
| Household expenses | 38,700 | 38,700 |
| Children's education | 3,500 | 3,500 |
| Contribution to dependants | 5,000 | 5,000 |
| Car loan EMI | 12,800 | 12,800 |
| Insurance premium | 4,717 | 2,250 |
| Investment | 18,000 | 23,250 |
| **Total outflow** | 82,717 | 85,500 |
| **Surplus** | 3,783 | 1,000 |

FINANCIAL PLAN BY
**PANKAAJ MAALDE**
CERTIFIED FINANCIAL PLANNER

**HARDIK DAVE**, 34 YEARS, SALARIED, BHARUCH

## How to invest for goals

| GOAL | FUTURE COST (₹) / TIME TO ACHIEVE | RESOURCES USED | INVESTMENT NEEDED (₹/MONTH) |
|---|---|---|---|
| Emergency fund | 3.73 lakh | Cash, fixed deposit | - |
| Down payment for house | 10.5 lakh / 4 yrs | - | 18,250 |
| Child's education | 41 lakh / 15 yr | - | 8,300* |
| Child's wedding | 88.5 lakh / 22 yrs | - | 7,500* |
| Retirement | 3.5 crore / 26 yrs | PPF, EPF, stocks, mutual funds | 5,000 |
| **Investible surplus needed** | | | **23,250** |

*Due to lack of surplus, investment for these goals will begin only after a rise in income. Annual return assumed to be 12% for equity. Inflation assumed to be 7%.

## Insurance portfolio

| INSURANCE | EXISTING COVER (₹) | EXISTING MONTHLY PREMIUM (₹) | SUGGESTIONS | SUGGESTED MONTHLY PREMIUM (₹) |
|---|---|---|---|---|
| **Life insurance** | | | | |
| Term plan (1) | 1 crore | 1,083 | No more cover needed | 1,083 |
| Traditional plan (1) | 10 lakh | 2,467 | Surrender the plan | - |
| Ulip | - | - | - | - |
| **TOTAL** | 1.1 crore | 3,550 | ₹1 crore | 1,083 |
| **Health insurance** | | | | |
| Employer's | - | - | - | - |
| Own | 5 lakh | 1,167 | Buy ₹10 lakh plan | 1,167 |
| **TOTAL** | 5 lakh | 1,167 | ₹10 lakh | 1,167 |
| **Critical illness & accident disability** | - | - | - | - |
| **TOTAL** | - | - | - | - |
| **Insurance cost** | - | 4,717 | - | 2,250 |

Premiums are indicative and could vary for different insurers.

**Write to us for expert advice**

Looking for a professional to analyse your investment portfolio? Write to us at etwealth@timesgroup.com with 'Family Finances' as the subject. Our experts will study your portfolio and offer objective advice on where and how much you need to invest to reach your goals.

# Performance of Model Portfolios

**The five ET Wealth Model Portfolios complete six months in June. Expectedly, the three portfolios with a large equity exposure are in the red due to the market downturn. But since they were investing through SIPs, the losses are not very significant. The two debt-oriented conservative portfolios have generated positive returns, though nothing very spectacular.**


## WEALTH MAXIMISER Sliding mid-caps hit returns

The savage correction in mid- and small-caps has hit returns, but SIPs have cushioned the impact.

| FUND NAME | CATEGORY | SIP AMOUNT (₹) | AMOUNT INVESTED (₹) | CURRENT VALUE (₹) | RETURNS (₹) | RETURNS (%) |
|---|---|---|---|---|---|---|
| Axis Long-term Equity Fund | Tax saving | 2,000 | 14,000 | 14,515 | 515 | 14.7% |
| Canara Robeco Emerging Equities | Mid-cap | 2,000 | 14,000 | 13,633 | -367 | -9.7% |
| DSPBR Opportunities Fund | Multi-cap | 2,000 | 14,000 | 13,532 | -468 | -12.2% |
| Mirae Asset Emerging Bluechip | Mid-cap | 2,000 | 14,000 | 13,502 | -498 | -12.9% |
| Principal Emerging Bluechip | Mid-cap | 2,000 | 14,000 | 13,606 | -394 | -10.4% |
| **TOTAL** | | **10,000** | **70,000** | **68,788** | **-1,212** | **-6.5%** |

Wealth Maximiser has been badly hit by the market downturn because mid- and small-caps account for nearly 48% of its portfolio. The mid-cap oriented funds are in the red. Even so, the decline is marginal in percentage terms and the ELSS scheme in the portfolio has done well, underlining the value of diversification and systematic investing.

## WEALTH BUILDER Large-caps arrest decline

Wealth Builder has not suffered too much because large-cap stocks have remained largely unscathed by the current downturn. Analysts believe large-cap stocks are likely to outperform in the short to medium term, which augurs well for this portfolio. Even in the long term, large-cap funds tend to deliver more stable returns.

Its large-cap orientation has helped this portfolio remain largely unscathed by the market downturn.

| FUND NAME | CATEGORY | SIP AMOUNT (₹) | AMOUNT INVESTED (₹) | VALUE (₹) | RETURNS (₹) | RETURNS (%) |
|---|---|---|---|---|---|---|
| Aditya Birla SL Frontline Equity | Large-cap | 2,000 | 14,000 | 13,929 | -71 | -1.9% |
| Franklin India Equity Advantage | Large-cap | 2,000 | 14,000 | 13,983 | -17 | -0.5% |
| Kotak Standard Multicap | Large-cap | 2,000 | 14,000 | 13,977 | -23 | -0.6% |
| MOSt Focused Multicap 35 | Multi-cap | 2,000 | 14,000 | 13,786 | -214 | -5.7% |
| Tata India Tax Savings | Tax saving | 2,000 | 14,000 | 13,562 | -438 | -11.5% |
| **TOTAL** | | **10,000** | **70,000** | **69,237** | **-763** | **-4.1%** |



## STABLE WEALTH Retaining balance during crisis

The lower exposure to equity has cushioned this balanced portfolio from the market correction.

| FUND NAME | CATEGORY | SIP AMOUNT (₹) | AMOUNT INVESTED (₹) | VALUE (₹) | RETURNS (₹) | RETURNS (%) |
|---|---|---|---|---|---|---|
| Franklin India ST Income Plan | Short-term debt | 2,000 | 14,000 | 14,186 | 188 | 5.2% |
| HDFC Balanced | Hybrid | 2,000 | 14,000 | 13,854 | -146 | -4.1% |
| ICICI Pru Equity & Debt | Hybrid | 2,000 | 14,000 | 13,799 | -201 | -5.4% |
| IDFC Tax Advantage | Tax saving | 2,000 | 14,000 | 13,638 | -362 | -9.6% |
| L&T Hybrid Equity | Hybrid | 2,000 | 14,000 | 13,922 | -78 | -2.1% |
| **TOTAL** | | **10,000** | **70,000** | **69,401** | **-599** | **-3.2%** |

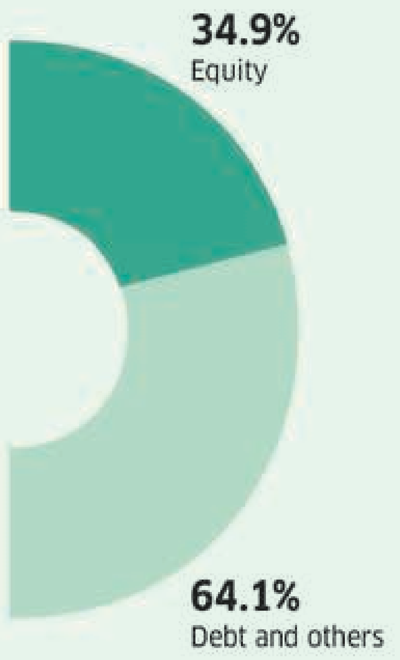
With over 40% of its corpus in debt instruments, the Stable Wealth is cushioned against a market downswing. If the market bounces back, the 60% in equities would generate returns. This balanced approach delivers stable and consistent returns. New investors who are not used to volatility will find it especially useful.

## WEALTH SECURE Fund rejig has changed allocation

The Wealth Secure portfolio was designed for conservative investors and had a low exposure to equity. But after a debt-oriented hybrid fund in the portfolio was merged with another hybrid fund, the allocation to equity has gone up. Two funds have lost money, but the three debt funds have generated positive returns for the portfolio.

This conservative portfolio was meant to have a low equity exposure but now allocates more to equities.

| FUND NAME | CATEGORY | SIP AMOUNT (₹) | AMOUNT INVESTED (₹) | CURRENT VALUE (₹) | RETURNS (₹) | RETURNS (%) |
|---|---|---|---|---|---|---|
| Aditya Birla SL Tax Relief 96 | Tax saving | 2,000 | 14,000 | 13,963 | -37 | -1.0% |
| Baroda Pioneer Short Term Bond | Short-term debt | 2,000 | 14,000 | 14,201 | 201 | 5.6% |
| Franklin India Low Duration | Short-term debt | 2,000 | 14,000 | 14,251 | 251 | 7.0% |
| Franklin India ST Income Plan | Short-term debt | 2,000 | 14,000 | 14,186 | 188 | 5.2% |
| ICICI Pru Child Care Gift | Hybrid | 2,000 | 14,000 | 13,973 | -104 | -21.8% |
| **TOTAL** | | **10,000** | **70,000** | **70,574** | **499** | **3.34%** |





## INCOME GENERATOR Rising rates depress returns

Rising bond yields have led to tepid returns. But portfolio likely to do well in the coming months as rates pause.

| FUND NAME | CATEGORY | LUMPSUM INVESTMENT (₹) | WITHDRAW PER MONTH (₹) | CURRENT VALUE (₹) | RETURNS (₹) | RETURNS (%) |
|---|---|---|---|---|---|---|
| BNP Paribas Corp Bond | Medium-term debt | 3,50,000 | 2,500 | 3,38,423 | 3,423 | 2.0% |
| DHFL Pramerica Short Maturity | Short-term debt | 3,50,000 | 2,500 | 3,41,716 | 6,716 | 3.9% |
| Franklin India Low Duration | Short-term debt | 3,50,000 | 2,500 | 3,46,700 | 11,700 | 6.9% |
| Invesco India Ultra Short Term | Medium-term debt | 3,50,000 | 2,500 | 3,46,540 | 11,539 | 6.8% |
| SBI Debt Hybrid | Hybrid fund | 6,00,000 | 0 | 5,95,302 | -4,698 | -1.6% |
| **TOTAL** | | **20,00,000** | **10,000** | **19,68,681** | **28,681** | **2.9%** |

Bond yields have shot up, leading to lower than expected returns from debt funds. Even so, the future looks brighter. Research shows that when bond yields are in the range of 7.5-8%, debt funds deliver close to 8-9% returns in the following year.

Returns as on 6 Jun 2018. The portfolios were launched on 1 Dec 2017 and all SIPs and withdrawals are assumed to be done on the first trading day of every month.

# Spending money when you have enough can be hard

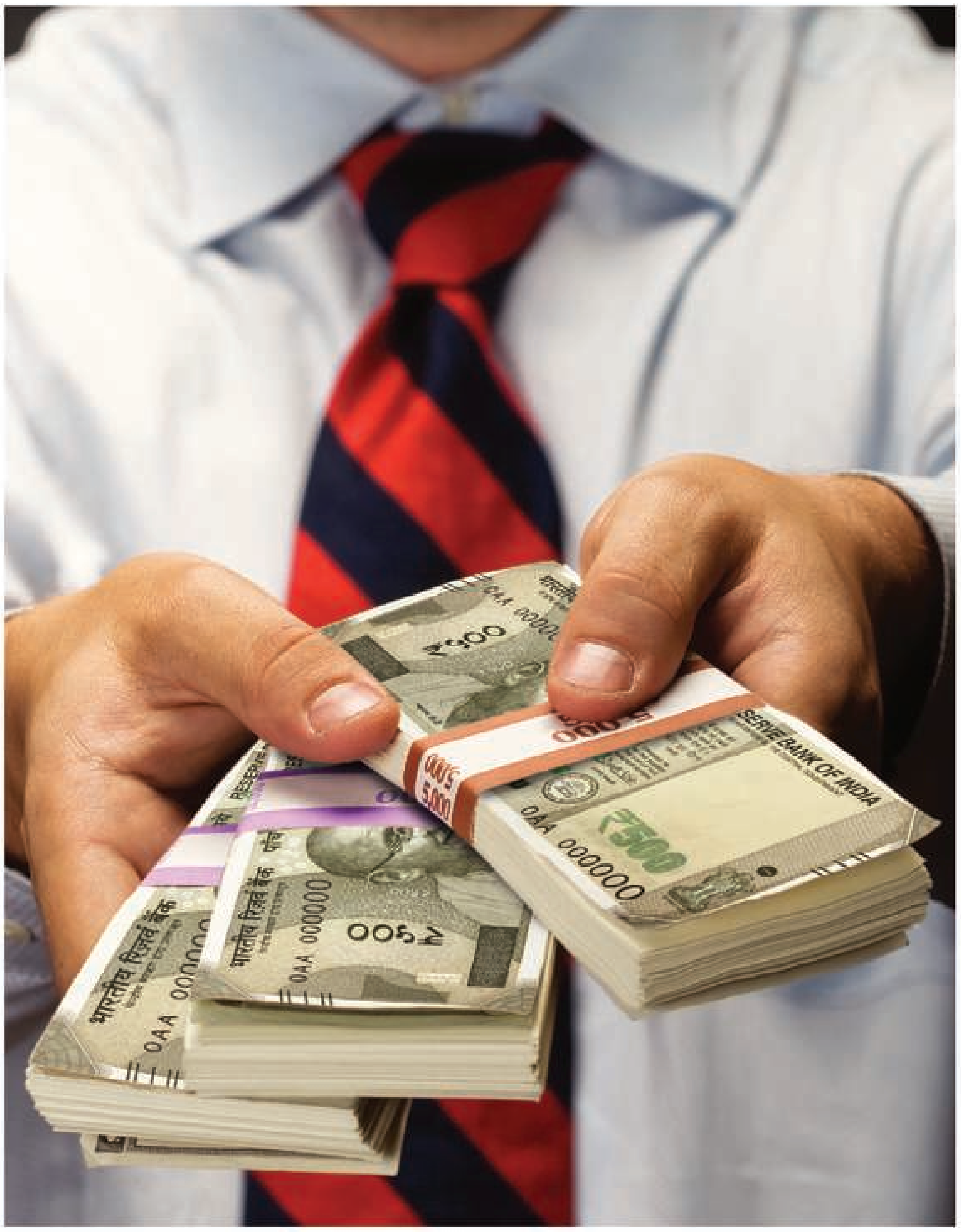
Life can be more meaningful and fulfilling if we share the wealth that we have accumulated.

My friend has an unusual problem. What's more, he believes many of his friends are plagued by the same problem as well. After years of hard work, sacrifice and saving, my friend has built a large corpus to fund all his life goals, and some more. As he and his wife gloat at the graduation of their only son from an Ivy League university in the US, their son asks for his graduation gift: He wants to be disinherited from the wealth his parents have built.

The son's argument is simple. After having studied at a top school and being placed in a good job he will soon begin, he wants to build his life with his own hands. He feels indignant about using the money his father has accumulated. He does not believe it belongs to him, and does not like the privilege it entails. He subscribes to a lifestyle that hinges on minimalism, and does not want to begin his journey with crutches provided by his parents' wealth.

My friend is very proud of his son's ideals. He is not angered by the young man's stance. He does not want to argue about the merits of the case being made. His problem is that he has made no alternate plans for the wealth he has created. He always assumed that he would leave a large bequest for his son, and that the wealth would enable his son to live a life of greater comfort.

***When money constraints are no longer there, it is not always easy to spend. This is true of those who have made frugal living a habit.***



Now that there is no such need for the wealth, he does not know what to do.

The son's suggestion is simple: It is your money to spend, so do whatever you wish to do with it. But my friend is not prepared for that kind of open-ended proposition. He has lived his life exercising control over things, planning in great detail, working out the math before making a money decision, and enjoying the specifics of his decisions. Faced with the prospect of spending a large corpus of money, which covers the retirement requirements of his spouse and himself many times over, our friend does not know where to begin.

Here is what he can do. First, he has to estimate his retirement requirements and earmark the funds needed to cover it. It is the only financial goal to provide for at this time. Our friend is well versed with the exercise of estimating expenses and inflation. He knows how to invest and draw the money needed to lead a life minus any money worries. He needs to invest enough to be able to draw from it whenever necessary. This is the first thing to get out of the way.

Second, he needs to talk to his spouse to identify large-ticket expenses that have been postponed till now. It can range from renovation and upgradation of their house, jewellery for the spouse, travel to favourite destinations to acquisition of material comforts like a better car and so on.

These may seem like frivolous expenses for 55-year olds, but they represent real desires for many—dreams and desires that were locked up in hidden cupboards, so that the child could get the best education and a better footing in life. There is no harm in bringing the list back to the table, and making the decision about what actually matters a lot.

When the constraint around money is no longer there, it is not always easy for people to spend. This is especially true of those who have made frugal living a habit. They should make lists that include large ticket expenses that can enhance the quality of their lives, and spend like today's youngsters, who believe that they deserve the best in the world once they have begun to earn some money. When I told my friend to buy as if you they were buying for their son, the couple smiled, and understood what that meant.

Third, they should think about expenses that would make a big difference to the quality of everyday life. Hiring help that will reduce the burden of mundane or bothersome tasks; spending on books, movies, music, art and food with deserved indulgence; cultivating a new interest or hobby that needs serious investment of time, energy and money; and so on. Simple joys of life that were given a go by only to save money can be funded now.

Fourth, they should focus on the world outside of their little home. There are friends, relatives, household staff, and so many people who we meet in our everyday lives. There are so many relationships that enrich our lives in ways we do not pause and think about. The overt focus on our little household and our children shuts out all else and leaves us cocooned in our narrow priorities. The security that a well-funded future and lack of anxieties around living provides, should enable a more cheerful, generous, inclusive, empathetic and helpful demeanor. Take interest in lives around you.

Fifth, they have to get serious about giving. When you have accumulated wealth that transcends the needs of your life, you owe it to society to give and to return what you can no longer use. If all the lists we discussed so far seem very selfish and narcissistic, they indeed are. We are but people who cannot look beyond our narrow self-interest, very easily. But we can get better with effort and self-awareness.

To think of our wealth as ours alone, is not a default option. If we choose to honestly introspect, we can recognise the many unsuspecting enablers of our growth, who came in our paths and made it possible for us to succeed. To give is to recognize our responsibility to enable the success of many unknown others, who stand where we did during our times of trouble. Identify causes you want to support; join like-minded friends to explore, research, analyse, and choose; Create concrete plans to give and implement those decisions; and make sure your money supports worthy causes that make a difference to the lives of people.

The traditional ways of looking at things have to change, because the world we live in is changing. The opportunities that youngsters have to grow and thrive in their chosen professions have expanded. This has the power to set many parents free of the burden of bequest to heirs. It is possible now to live a meaningful and fulfilling life in which we can allocate the wealth we have not just for ourselves. Grab that opportunity and make a mark.

UMA SHASHIKANT
CHAIRPERSON, CENTRE FOR INVESTMENT EDUCATION ANDLEARNING

# When should you stop SIPs?

For long term investments, do not let market movements dictate your actions.

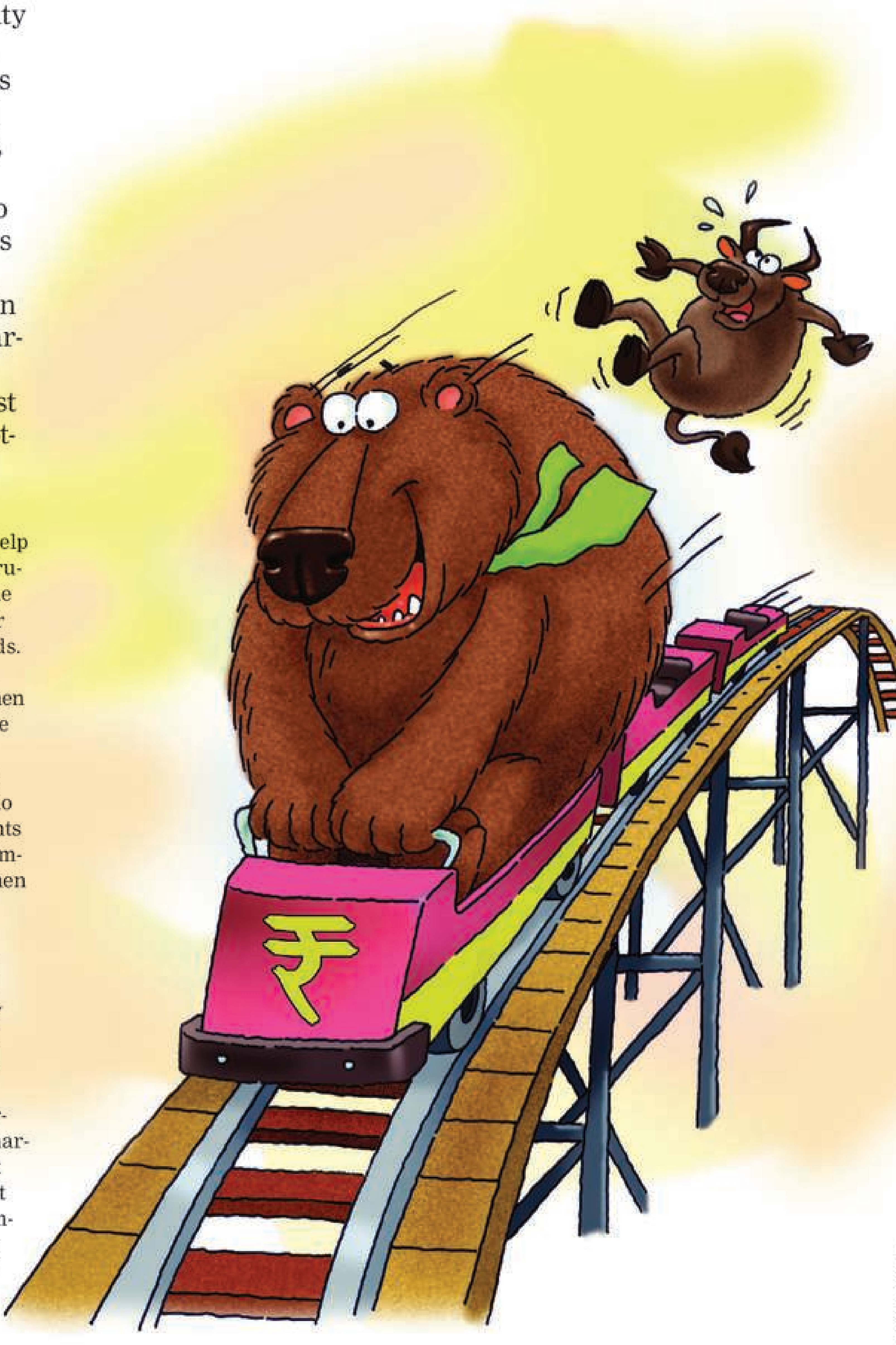
The recent volatility in the equity markets has got Anandita concerned because her investments are primarily in equity mutual funds. She is a regular investor, who has taken the systematic investment plans (SIPs) route to invest. She sees her investments as long-term holdings and is worried about the possible fall in their value. Anandita wants clarity on whether she should exit her SIP commitments and invest again once the markets have bottomed out or stay put.

In a volatile market, the SIPs will help Anandita do two things that are crucial for her portfolio. One, when the markets are low, SIPs will help her acquire more units in mutual funds. Her returns will be enhanced when the markets recover, as they will. She will then be able to reap the benefit of holding more units acquired at a lower cost.

Secondly, continuing with the SIPs in equity funds will her protect her portfolio from being too heavy on other investments such as debt or gold and the consequent impact on the returns from the portfolio when these investments underperform.

Anandita wants to exit the SIPs and reenter when markets begin to improve. However, to be able to gauge the point at which the upturn will happen is not easy and she may enter at much higher levels than intended, thereby reducing her return.

Since these are investments for longer-term goals, Anandita should not allow market movements to dictate her investment actions, particularly given that she is not much of a hands-on investor. If she is comfortable with the investment choices she has made, then she must sit tight for the intended horizon and let them grow.



GETTY IMAGES

The content on this page is courtesy Centre for Investment Education and Learning (CIEL). Contributions by Girija Gadre, Arti Bhargava and Labdhi Mehta.

## SMART THINGS TO KNOW Mutual funds with insurance cover

**1** Some mutual fund companies provide a complimentary life insurance cover to their SIP investors investing in certain schemes.

**2** The cover provided is a term insurance policy, where the insurance company will pay out money only in case of death of the investor.

**3** The investor has to have an investment tenure of at least of three years to be eligible for this facility. Cover ceases if SIP is discontinued before the completion of three years.

**4** Maximum sum assured is about 10 times the SIP instalment in year one, about 50 times in year two and about 100 times in year three.

**5** The cover will continue till the investor reaches the age of 50-55 as mentioned at signup even if the SIP stops after completing three years.

## PAPER WORK

### Withdrawing investments in case of death of investor

If an investor passes away when the lock-in period of his or her investments are in force, different rules apply for different instruments.

### Equity Linked Savings Scheme (ELSS)

ELSS is subject to a three-year lock-in. If an investor dies, the nominees can withdraw the money before completion of the lock-in, provided a year has passed since allotment.

### Public Provident Fund (PPF)

PPF accounts are subject to a lock-in of 15 years. In case of death during the lock-in period, the nominees can withdraw the amount on submission of requisite documents.

### Fixed deposits

In case of five year tax saving fixed deposits with banks, death of the investor can mean the nominee can withdraw the deposit even during the lock-in period.

### GOI bonds, corporate deposits

In case of GOI bonds, the bond will be transferred to the nominee. But no premature withdrawal is possible. For corporate fixed deposits, it depends on the terms of issue. It is at the discretion of the company to liquidate the deposit on the demise of the deposit holder.

### Documents

In most cases, the nominee must fill requisite forms. This has to be supported with documents like copy of death certificate, investment papers, letter of indemnity, affidavit by the claimant, succession certificate/ letter of administration and an attested copy of probate of will.

### Points to note

**1.** In case of death of a Karta of a Hindu Undivided Family (HUF), the new Karta will take over the PPF account.
**2.** Nominee will act as a trustee and will have to distribute the amount to legal heirs.

# Q&A

Our panel of experts will answer questions related to any aspect of personal finance. If you have a query, mail it to us right away.

**I am 30 years old and I want to accumulate a retirement corpus of ₹1 crore. I have never invested before, please advice on the strategy to adopt.**

Given your time horizon, it is advisable that you invest in equity mutual funds via monthly SIPs (systematic investment plans). Assuming that you will retire at the age of 60, and earn a pre-tax return of 10% per annum, you should invest ₹4,387 per month to build the desired corpus. You can choose from an array of schemes—index funds, multi-cap schemes, etc. One scheme will be enough, given the relatively small investment. However, if you want to build an inflation-adjusted corpus of ₹1 crore, assuming annual inflation at 8%, you will need to amass a corpus of ₹10.94 crore by the time you retire. To build this corpus, you will have to invest ₹48,400 per month. You should spread this investment equally over four equity schemes.

**Jayant R. Pai**
CFP and Head of Marketing, PPFAS Mutual FUND

**I am 79 years old and my total income falls below the taxable income threshold. However, it includes both long-term and short-term capital gains. Will I have to pay tax on these gains?**

For senior citizens, income up to ₹3 lakh is exempt from tax. So, if your total taxable income, including the long- and short-term capital gains, does not exceed ₹3 lakh, you won't have to pay any tax on your capital gains. Once you cross the age of 80, income up to ₹5 lakh will be exempt from tax.

**Ashok Shah**
Partner, N.A. Shah Associates

## QUESTION OF THE WEEK

**I am 55 years old and have been investing in the following mutual funds for the past six years via monthly SIPs: ₹3,000 each in Franklin India Blue Chip and Franklin India Prima and ₹2,000 each in HDFC Mid-cap Opportunities and HDFC Prudence. I want to invest an additional ₹4,000 per month for another five years. Please advise.**

While just 30% of your monthly investment goes into large-cap schemes, you invest a large 50% into mid-caps. As mid- and small-cap companies are richly valued, any future correction will hit this segment the most. Hence, it is advisable that you invest the additional ₹4,000 in any one of the following large or multi-cap funds: ICICI Prudential Bluechip, Reliance Large Cap and Aditya Birla Sun Life Equity. Invest in the direct plan of your preferred scheme as direct plans from mutual funds come with lower expense ratios which help them generate higher returns compared to regular plans.

**Naveen Kukreja**
CEO and Co-founder, Paisabazaar.com

**My friend is a writer and has earned some income in dollars from the sale of his books abroad. Which ITR form should he file?**

Assuming your friend is earning this income in the form of royalty, it will be considered professional income and he will have to use Form ITR-3 to file his return. Further, if income earned from royalty is less than ₹50 lakh, he can avail 50% deduction for expenses without maintaining any books of accounts under Section 44ADA and he will need to file his return of income via Form ITR-4. He can also claim deduction for royalty income under Section 80QQB of up to ₹3 lakh or the actual amount earned, whichever is less, if the royalty amount is received as a lump sum. If the royalty amount is not received as a lump sum, then royalty received in excess of 15% of the value of the books sold will not be tax deductible. However, if the royalty is received as lump sum, this 15% limit is not applicable.

**Amit Maheshwari**
Partner, Ashok Maheshwary and Associates

**I have started making monthly investments of ₹15,000 each in SBI Small Cap Fund and Reliance Large Cap Fund; ₹13,000 in Mirae Asset Emerging Bluechip Fund and ₹1,000 in SBI Magnum Multicap Fund. Is my portfolio adequately diversified? Do I need to make any changes?**

Your exposure to the mid- and small-cap segment, via SBI Small Cap and Mirae Asset Emerging Bluechip, is quite high. Consider reducing investment in SBI Smallcap to ₹5,000 and add the remaining ₹10,000 to SBI Magnum Multicap instead. You also need debt to diversify from equity risks. Consider investing in a short-term debt fund when you have additional surplus.

**C.R. Chandrasekar**
CEO and Co-Founder, FundsIndia.com

**I am 76 and have been suffering from asthma and high blood pressure for the past several years. Can I claim deduction of ₹30,000 under Section 80D towards medical expenses incurred because of my health condition?**

You cannot claim deduction for the medical expenditure incurred during the financial year 2017-18 as this deduction was available only to people aged 80 and above. Starting financial year 2018-19, the age limit to avail this deduction has been brought down to 60 and the limit of deduction has been raised to ₹50,000. So, you will be able to claim the deduction for the medical expenses incurred in 2018-19, provided you are not covered by a health insurance policy.

**Rakesh Bhargava**
Director, Taxmann

**Ask our experts**

Have a question for the experts?
etwealth@timesgroup.com

# SMART STATS





# ET WEALTH TOP 50 STOCKS

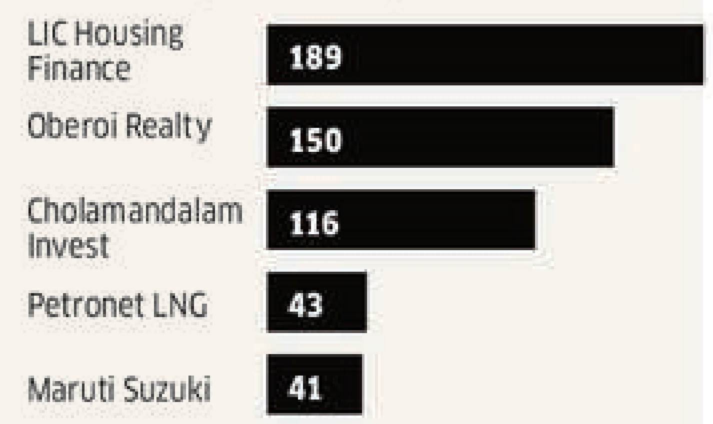
Every week we put about 3,000 stocks through four key filters and rate them on a mix of factors. The end result of this is the listing of the top 50 stocks based on the composite rating to help ease your fortune hunt.

| | RANK | | PRICE ₹ | GROWTH%* | | VALUATION RATIOS | | | | RISK | | RATING | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Current Rank | Previous Rank | Stock Price | Revenue | Net Profit | PE | PB | Div Yield | PEG | Downside Risk | Bear Beta | No. of Analysts | Consensus Rating |
| Redington | 1 | 1 | 117 | 11.93 | 290.11 | 9.68 | 1.32 | 1.97 | 0.03 | 1.49 | 1.29 | 11 | 4.73 |
| Apollo Tyres | 2 | 3 | 276 | 21.32 | 58.58 | 20.50 | 1.61 | 1.10 | 0.38 | 1.26 | 1.69 | 22 | 4.59 |
| PTC India | 3 | 2 | 84 | 26.51 | 35.32 | 7.01 | 0.63 | 3.70 | 0.21 | 1.57 | 2.28 | 10 | 4.90 |
| Coal India | 4 | 4 | 289 | 18.38 | 128.57 | 25.56 | 7.32 | 5.68 | 0.20 | 0.99 | 0.80 | 31 | 4.45 |
| Allcargo Logistics | 5 | 6 | 113 | 20.55 | 37.50 | 16.15 | 2.82 | 1.77 | 0.32 | 1.25 | 0.91 | 10 | 4.60 |
| VA Tech Wabag | 6 | 5 | 405 | 17.21 | 44.51 | 16.81 | 1.96 | 0.96 | 0.38 | 1.31 | 1.28 | 21 | 4.62 |
| Jubilant Life Sciences | 7 | 9 | 734 | 23.96 | 53.49 | 17.78 | 2.80 | 0.41 | 0.34 | 1.61 | 0.91 | 14 | 4.86 |
| Apar Industries | 8 | 7 | 703 | 11.51 | 46.95 | 18.64 | 2.43 | 1.47 | 0.40 | 1.07 | 0.44 | 11 | 4.82 |
| NCC | 9 | 10 | 110 | 29.12 | 472.82 | 39.22 | 1.78 | 0.37 | 0.09 | 1.78 | 1.91 | 19 | 4.79 |
| NTPC | 10 | 12 | 163 | 10.79 | 19.90 | 12.71 | 1.37 | 3.02 | 0.56 | 0.76 | 0.75 | 30 | 4.50 |
| Grasim Industries | 11 | 11 | 1,044 | 19.58 | 73.87 | 25.61 | 1.55 | 0.53 | 0.32 | 1.05 | 1.43 | 14 | 4.36 |
| Petronet LNG | 12 | 31 | 219 | 42.91 | 20.05 | 15.56 | 4.02 | 1.15 | 0.78 | 1.14 | 0.69 | 40 | 4.25 |
| Oberoi Realty | 13 | 13 | 515 | 150.09 | 171.98 | 38.13 | 2.87 | 0.39 | 0.23 | 1.58 | 1.91 | 23 | 4.09 |
| Jain Irrigation Systems | 14 | 20 | 103 | 18.40 | 86.10 | 24.20 | 1.22 | 0.74 | 0.29 | 1.83 | 1.82 | 10 | 4.50 |
| Granules India | 15 | 15 | 78 | 19.70 | 33.70 | 14.99 | 1.98 | 1.36 | 0.41 | 1.71 | 1.94 | 12 | 4.42 |
| LIC Housing Finance | 16 | 14 | 493 | 188.66 | 16.03 | 12.36 | 1.95 | 1.27 | 0.60 | 1.08 | 1.37 | 44 | 3.82 |
| Ceat | 17 | 16 | 1,368 | 16.28 | 61.00 | 23.36 | 2.13 | 0.85 | 0.40 | 1.46 | 2.24 | 21 | 4.29 |
| Motherson Sumi | 18 | 17 | 313 | 23.69 | 63.54 | 41.25 | 6.81 | 0.64 | 0.65 | 1.19 | 0.69 | 35 | 4.37 |
| Skipper | 19 | 22 | 177 | 22.12 | 30.20 | 15.46 | 2.86 | 0.90 | 0.53 | 1.78 | 0.86 | 11 | 4.55 |
| Dr Reddy's Lab. | 20 | 18 | 1,965 | 12.74 | 71.92 | 33.23 | 2.58 | 1.02 | 0.46 | 1.26 | 0.77 | 45 | 3.40 |
| CESC | 21 | 25 | 1,010 | 7.38 | 30.24 | 13.38 | 1.20 | 1.19 | 0.48 | 1.05 | 1.49 | 22 | 4.41 |
| IRB Infrastructure | 22 | 19 | 239 | 24.02 | 19.58 | 9.12 | 1.47 | 2.13 | 0.47 | 1.49 | 1.84 | 22 | 4.00 |
| BHEL | 23 | 24 | 76 | 15.89 | 197.85 | 64.16 | 0.87 | 1.77 | 0.33 | 1.32 | 1.75 | 39 | 2.59 |
| Indiabulls Housing | 24 | 26 | 1,208 | 23.92 | 24.85 | 13.35 | 3.84 | 3.56 | 0.58 | 1.23 | 1.30 | 15 | 4.27 |
| Maruti Suzuki | 25 | 21 | 8,911 | 40.54 | 24.55 | 34.15 | 6.32 | 0.85 | 0.94 | 0.74 | 0.85 | 51 | 4.35 |
| Gujarat Gas | 26 | 29 | 829 | 26.90 | 95.60 | 39.02 | 6.11 | 0.36 | 0.35 | 1.00 | 0.40 | 22 | 3.95 |
| APL Apollo Tubes | 27 | 34 | 1,798 | 31.45 | 44.93 | 26.51 | 5.90 | 0.67 | 0.60 | 1.39 | 0.86 | 10 | 4.70 |
| Apollo Hospitals | 28 | 28 | 971 | 17.00 | 435.03 | 115.02 | 3.68 | 0.65 | 0.67 | 1.15 | 1.06 | 22 | 4.55 |
| Alkem Laboratories | 29 | 27 | 1,963 | 17.54 | 59.73 | 37.14 | 5.25 | 0.77 | 0.62 | 1.02 | 0.76 | 15 | 4.67 |
| HeidelbergCement | 30 | 41 | 143 | 13.83 | 35.42 | 24.31 | 3.10 | 1.39 | 0.57 | 1.38 | 1.44 | 12 | 4.50 |
| Cholamandalam Inv. | 31 | 36 | 1,579 | 115.54 | 29.60 | 25.29 | 4.78 | 0.42 | 0.85 | 1.19 | 1.26 | 25 | 4.52 |
| NBCC | 32 | 35 | 87 | 37.33 | 52.39 | 44.07 | 7.95 | 0.63 | 0.22 | 1.27 | 1.36 | 13 | 4.39 |
| Cyient | 33 | NR | 714 | 18.46 | 20.26 | 19.83 | 3.43 | 1.98 | 0.97 | 1.35 | 1.25 | 28 | 4.46 |
| Reliance Industries | 34 | 30 | 971 | 20.04 | 22.97 | 15.94 | 1.96 | 0.58 | 0.87 | 0.95 | 1.66 | 40 | 4.25 |
| Escorts | 35 | 43 | 915 | 39.19 | 147.23 | 32.33 | 6.92 | 0.17 | 0.16 | 1.45 | 1.58 | 13 | 4.31 |
| Somany Ceramics | 36 | 33 | 565 | 17.97 | 39.74 | 30.22 | 4.12 | 0.47 | 0.76 | 1.22 | 0.69 | 17 | 4.76 |
| Cipla | 37 | 37 | 541 | 20.10 | 33.95 | 30.84 | 3.47 | 0.37 | 0.90 | 1.04 | 0.92 | 45 | 4.04 |
| Finolex Cables | 38 | NR | 676 | 23.89 | 59.74 | 31.27 | 4.25 | 0.44 | 0.52 | 1.07 | 0.78 | 11 | 4.00 |
| Arvind | 39 | 40 | 404 | 16.62 | 59.38 | 33.79 | 2.77 | 0.61 | 0.56 | 1.36 | 1.71 | 17 | 4.18 |
| Persistent Systems | 40 | NR | 769 | 14.94 | 18.14 | 19.03 | 2.89 | 1.32 | 1.07 | 1.36 | 0.35 | 37 | 4.38 |
| Sun Pharma | 41 | 46 | 489 | 17.55 | 66.40 | 54.28 | 3.08 | 0.71 | 0.83 | 1.35 | 1.06 | 41 | 3.29 |
| Emami | 42 | 48 | 1,032 | 18.65 | 95.35 | 76.13 | 11.61 | 0.51 | 0.77 | 1.03 | 0.49 | 36 | 4.22 |
| Mindtree | 43 | 50 | 1,013 | 22.25 | 39.21 | 29.42 | 6.06 | 0.99 | 0.71 | 1.26 | 0.94 | 33 | 3.09 |
| Balkrishna Industries | 44 | NR | 1,106 | 28.61 | 52.81 | 29.05 | 5.23 | 0.48 | 0.79 | 1.24 | 0.64 | 20 | 3.85 |
| Exide Industries | 45 | NR | 256 | 14.98 | 38.53 | 31.53 | 4.01 | 0.93 | 0.82 | 1.06 | 1.10 | 32 | 4.00 |
| InterGlobe Aviation | 46 | NR | 1,171 | 30.43 | 22.28 | 20.08 | 6.36 | 2.90 | 0.87 | 1.42 | 1.09 | 20 | 3.95 |
| India Cements | 47 | NR | 119 | 13.68 | 262.25 | 55.29 | 0.71 | 0.86 | 0.23 | 1.71 | 2.20 | 20 | 3.60 |
| Eicher Motors | 48 | NR | 29,712 | 25.75 | 46.50 | 41.33 | 11.52 | 0.33 | 0.88 | 1.04 | 0.38 | 42 | 3.95 |
| Jagran Prakashan | 49 | 38 | 160 | 11.50 | 22.11 | 16.73 | 2.44 | 1.84 | 0.71 | 1.01 | 0.79 | 19 | 3.95 |
| Blue Star | 50 | NR | 672 | 26.15 | 51.78 | 43.12 | 7.76 | 1.12 | 0.83 | 1.24 | 0.28 | 16 | 3.81 |

* THE FIGURES UNDER THIS HEAD ARE FOR EXPECTED GROWTH. NR: NOT IN THE RANKING. DATA AS ON 7 JUNE 2018. SOURCE: BLOOMBERG

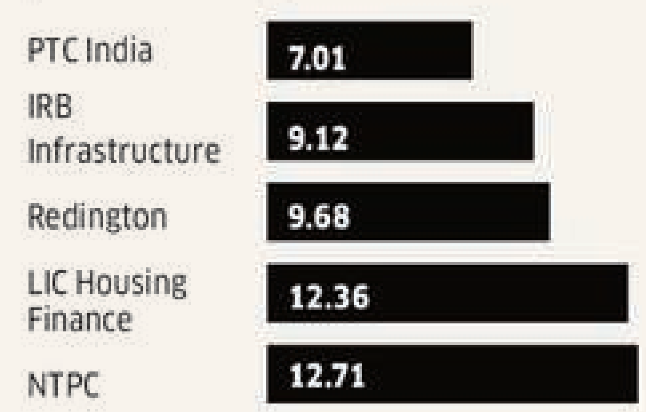
## 1 Fast growing stocks

**Top 5 stocks with the highest expected revenue % growth over the previous year**



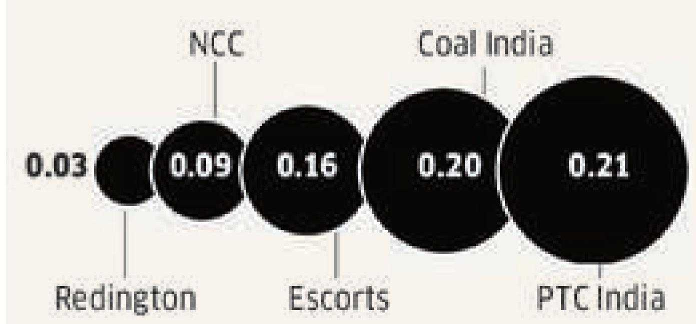

## 2 Least expensive stocks

**Top 5 stocks with the lowest price-earnings ratio**



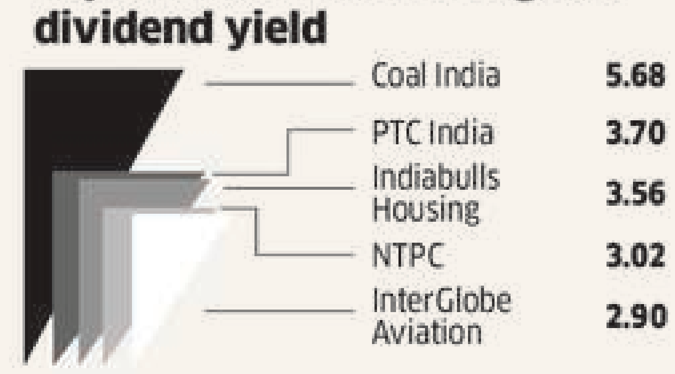

## 3 Best PEGs

**Top 5 stocks with the least price-earnings to growth ratio**



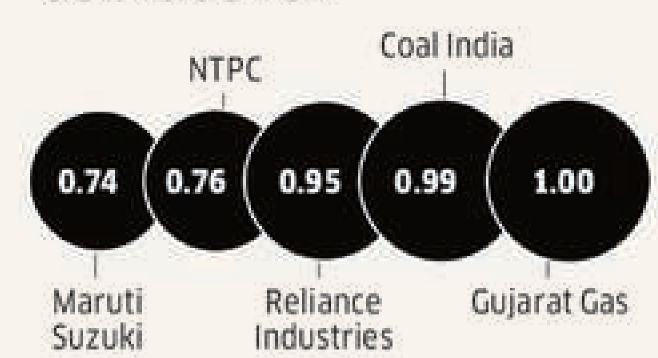

## 4 Income generators

**Top 5 stocks with the highest dividend yield**




## 5 Least risky

**Top 5 stocks with the lowest downside risk**




SEE DOWNSIDE RISK AND BEAR BETA COLUMNS IN THE ADJACENT TABLE.

# ETW FUNDS 100

BEST FUNDS TO BUILD YOUR PORTFOLIO

**ET Wealth** collaborates with **Value Research** to identify the top-performing 100 funds across 10 categories. Equity funds and equity-oriented hybrid funds are ranked on 3-year returns while debt-oriented hybrid and income funds are ranked on 1-year returns.

| | Value Research Fund Rating | Net Assets (₹ Cr) | RETURNS (%) 3-Month | 6-Month | 1-Year | 3-Year | 5-Year | Expense Ratio |
|---|---|---|---|---|---|---|---|---|
| **EQUITY: LARGE CAP** | | | | | | | | |
| JM Core 11 Fund | ★★★★★ | 35.33 | 2.91 | 1.89 | 8.53 | 14.88 | 18.68 | – |
| Mirae Asset India Equity Fund | ★★★★★ | 7,478.51 | 1.89 | 1.69 | 9.81 | 14.12 | 20.72 | 2.26 |
| Kotak Standard Multicap Fund | ★★★★★ | 19,227.84 | 2.43 | 1.95 | 6.85 | 13.87 | 20.49 | 1.97 |
| Reliance ETF Dividend Opportunities | ★★★★ | 18.43 | 2.77 | 6.55 | 10.52 | 12.98 | – | 0.11 |
| JM Multicap Fund | ★★★★ | 143.88 | 3.62 | 2.88 | 6.16 | 12.93 | 18.85 | – |
| Kotak India EQ Contra Fund | ★★★★ | 334.01 | 5.91 | 7.16 | 16.91 | 12.78 | 16.25 | 2.53 |
| Invesco India Growth Opportunities Fund | ★★★★★ | 483.87 | 2.86 | 4.56 | 16.16 | 12.53 | 18.93 | 2.49 |
| HDFC Balanced Advantage Fund | ★★★★ | 1,180.88 | 0.22 | 0.32 | 8.72 | 12.12 | 15.46 | 2.29 |
| ICICI Prudential Bluechip Fund | ★★★★ | 17,141.91 | 2.8 | 2.85 | 11.45 | 12.09 | 16.79 | 2.12 |
| SBI Bluechip Fund | ★★★★★ | 19,087.74 | 3.04 | 3.34 | 8.59 | 11.54 | 18.05 | 1.97 |
| UTI Equity Fund | ★★★★ | 5,272.43 | 7.18 | 10.17 | 15.32 | 11.37 | 17.03 | 2.06 |
| Reliance Retirement Fund | ★★★★ | 1,238.34 | 0.24 | 1.15 | 11.6 | 11.15 | – | 2.2 |
| Reliance Large Cap Fund | ★★★★ | 9,832.83 | 0.13 | 0.1 | 9.21 | 10.87 | 18.13 | 1.98 |
| Aditya Birla Sun Life Frontline Equity Fund | ★★★★ | 20,451.39 | 2.2 | 2.08 | 7.3 | 10.8 | 16.83 | 2.2 |
| Aditya Birla Sun Life Focused Equity Fund | ★★★★ | 4,212.48 | 1.7 | 0.67 | 6.85 | 10.65 | 17.45 | 2.32 |
| Motilal Oswal Focused 25 Fund | ★★★★ | 1,079.59 | 3.34 | 4.07 | 7.86 | 10.38 | 17.03 | 2.44 |
| Invesco India Dynamic Equity Fund | ★★★★ | 1,008.28 | 2.22 | 1.5 | 9.91 | 10.26 | 15.58 | 2.06 |
| Invesco India Largecap Fund | ★★★★ | 141.76 | 3.78 | 5.49 | 10.22 | 10.11 | 15.74 | 2.63 |
| ICICI Prudential Value Discovery Fund | ★★★★ | 16,651.89 | 0.89 | 2.26 | 5.84 | 7.99 | 21.31 | 2.11 |
| **EQUITY: MULTI CAP** | | | | | | | | |
| Tata Equity PE Fund | ★★★★★ | 3,519.81 | 2.04 | 3.48 | 11.63 | 16.94 | 24.28 | 2.15 |
| Tata Retirement Savings Fund | ★★★★ | 451.51 | 4.6 | 4.03 | 14.62 | 16.62 | 20.09 | 2.74 |
| SBI ETF Nifty Next 50 Fund | ★★★★★ | 12.94 | 0.73 | -1.1 | 10.38 | 15.83 | – | – |
| Invesco India Contra Fund | ★★★★★ | 1,441.87 | 2.49 | 3.65 | 17.2 | 15.62 | 23.45 | 2.18 |
| Principal Multi Cap Growth Fund | ★★★★ | 683.94 | -0.43 | -2.21 | 10.04 | 15.42 | 20.69 | 2.38 |
| L&T India Value Fund | ★★★★ | 8,073.48 | -2.83 | -2.32 | 4.54 | 15.35 | 24.58 | 1.99 |
| Motilal Oswal Multicap 35 Fund | ★★★★★ | 13,131.17 | 1.27 | 1.81 | 8.89 | 15.23 | – | 2.04 |
| Reliance ETF Junior BeES | ★★★★ | 364.83 | 0.8 | -1 | 10.54 | 15.11 | 18.85 | 0.2 |
| ICICI Prudential Nifty Next 50 Index Fund | ★★★★ | 230.35 | 0.54 | -1.4 | 9.68 | 14.98 | 18.42 | 0.8 |
| Aditya Birla Sun Life Equity Fund | ★★★★ | 9,250.62 | 1.4 | 1.34 | 7.95 | 14.7 | 21.8 | 2.28 |
| Sundaram Large and Mid Cap Fund | ★★★★ | 371.94 | 3.01 | 4.4 | 12.86 | 14.46 | 19.62 | 2.94 |
| DSP BlackRock Equity Opportunities Fund | ★★★★ | 5,559.95 | -0.57 | -2.89 | 7.07 | 14.21 | 19.28 | 2.32 |
| HDFC Capital Builder Value Fund | ★★★★ | 3,053.17 | -0.22 | 0.67 | 13.09 | 14.08 | 20.08 | 2.3 |
| SBI Magnum Multicap Fund | ★★★★★ | 5,165.61 | 1.4 | 1.19 | 9.28 | 13.91 | 20.51 | 2.01 |
| IDBI Nifty Junior Index Fund | ★★★★ | 54.08 | 0 | -2.16 | 8.04 | 13.71 | 17.35 | 1.74 |
| Parag Parikh Long Term Equity Fund | ★★★★ | 1,056.19 | 1.65 | 3.57 | 14.94 | 12.87 | 18.66 | 2 |
| Aditya Birla Sun Life Equity Advantage Fund | ★★★★ | 6,184.03 | 0.13 | -4.03 | 4.29 | 12.66 | 21.83 | 2.3 |
| Edelweiss Large & Mid Cap Fund Regular Plan | ★★★★ | 280.94 | 1.42 | 2.74 | 12.03 | 11.19 | 16.72 | 2.27 |
| Franklin India Equity Advantage Fund | ★★★★ | 2,852.59 | 3.1 | 2.26 | 8.62 | 9.17 | 18.62 | 2.33 |
| **EQUITY: MID CAP** | | | | | | | | |
| Mirae Asset Emerging Bluechip Fund | ★★★★★ | 5,447.63 | -0.41 | -2.87 | 5.74 | 19.04 | 29.59 | 2.49 |
| L&T Midcap Fund | ★★★★★ | 2,738.69 | -2.21 | -3.55 | 8.64 | 18.05 | 28.29 | 2.06 |
| Aditya Birla Sun Life Pure Value Fund | ★★★★ | 3,865.53 | -6.89 | -7.25 | 9.43 | 17.34 | 27.02 | 2.33 |
| Canara Robeco Emerging Equities Fund | ★★★★ | 3,558.80 | -0.28 | -0.43 | 8.39 | 17.13 | 29.96 | 2.22 |
| Principal Emerging Bluechip Fund | ★★★★ | 1,840.83 | 0.07 | -1.28 | 11.44 | 16.71 | 26.53 | 2.12 |
| Kotak Emerging Equity Scheme | ★★★★ | 3,285.96 | -0.8 | -1.85 | 7.86 | 15.94 | 25.79 | 2.04 |
| HDFC Mid-Cap Opportunities Fund | ★★★★ | 21,357.03 | -0.5 | -1.5 | 7.61 | 15 | 25.34 | 2.21 |
| Edelweiss Mid Cap Fund | ★★★★ | 763.28 | -3.74 | -2.88 | 11.08 | 13.55 | 25.92 | 2.31 |
| **EQUITY: SMALL CAP** | | | | | | | | |
| L&T Emerging Businesses Fund | ★★★★ | 5,001.23 | -4.6 | -2.83 | 11.59 | 23.68 | – | 2.01 |
| Reliance Small Cap Fund | ★★★★ | 7,207.07 | -6.45 | -5.38 | 13.39 | 22.11 | 34.43 | 1.99 |
| SBI Small Cap Fund | ★★★★★ | 836.02 | -8.28 | -9.53 | 23.25 | 21.93 | 33.36 | 2.32 |
| **EQUITY: TAX SAVING** | | | | | | | | |
| Motilal Oswal Long Term Equity Fund | ★★★★★ | 1,044.84 | 0.82 | 4.51 | 11.26 | 18.4 | – | 2.16 |
| Principal Tax Savings Fund | ★★★★ | 408.66 | -0.39 | -2.29 | 9.84 | 15.31 | 20.63 | 2.31 |
| Aditya Birla Sun Life Tax Relief 96 | ★★★★ | 6,059.83 | 2.44 | 2.54 | 15.62 | 14.45 | 22.11 | 2.1 |
| L&T Tax Advantage Fund | ★★★★ | 3,284.57 | -0.75 | 0.68 | 8.75 | 14.3 | 19.01 | 1.84 |
| Tata India Tax Savings Fund | ★★★★ | 1,398.27 | 0.22 | -2.05 | 8.94 | 14.14 | 20 | 2.09 |
| Aditya Birla Sun Life Tax Plan | ★★★★ | 742.27 | 2.45 | 2.42 | 15.31 | 13.99 | 21.36 | 2.4 |
| BOI AXA Tax Advantage Fund | ★★★★ | 178.23 | -0.88 | 0.93 | 19.49 | 13.52 | 18.87 | 2.53 |
| IDFC Tax Advantage Fund | ★★★★ | 1,429.45 | -0.47 | 1.25 | 13.05 | 13.13 | 21.07 | 2.4 |
| Axis Long Term Equity Fund | ★★★★ | 17,263.04 | 7.31 | 9.16 | 18.34 | 13.12 | 23.31 | 1.77 |
| DSP BlackRock Tax Saver Fund | ★★★★ | 4,366.38 | -0.11 | -1.8 | 5.5 | 13.1 | 19.43 | 2.15 |

**14.9%** THE 3-YEAR RETURN OF JM CORE 11 FUND IS THE HIGHEST IN ITS CATEGORY.

**16.9%** THE 3-YEAR RETURN OF TATA EQUITY PE FUND, IS THE HIGHEST IN ITS CATEGORY.

**19%** THE 3-YEAR RETURN OF MIRAE ASSET EMERGING BLUECHIP IS THE HIGHEST IN ITS CATEGORY.

**18.4%** THE 3-YEAR RETURN OF MOTILAL OSWAL LONG TERM IS THE HIGHEST IN ITS CATEGORY.

## LAGGARDS & LEADERS

**Taking a long-term view of fund returns, here is a list of 10 funds in each category–five leaders (worth investing) and five laggards (that may be a drag on your portfolio).**

### Equity: Large-cap 5-year returns

| LAGGARDS | | LEADERS | |
|---|---|---|---|
| 10.22 | HDFC Growth Opportunities Fund | 21.31 | ICICI Prudential Value Discovery Fund |
| 11.53 | Taurus Largecap Equity Fund | 20.72 | Mirae Asset India Equity Fund |
| 11.63 | Union Equity Fund | 20.49 | Kotak Standard Multicap Fund |
| 11.95 | IDBI Nifty Index Fund | 18.93 | Invesco India Growth Opportunities |
| 12.06 | LIC MF Index Sensex Plan | 18.85 | JM Multicap Fund |

### Equity: Multi-cap 5-year returns

| LAGGARDS | | LEADERS | |
|---|---|---|---|
| 10.28 | LIC MF Multicap Fund | 24.58 | L&T India Value Fund |
| 12.96 | Aditya Birla Sun Life International Equity Fund | 24.28 | Tata Equity PE Fund |
| 13.17 | Taurus Starshare Fund | 23.45 | Invesco India Contra Fund |
| 13.46 | UTI Dividend Yield Fund | 22.17 | Escorts Leading Sectors Fund |
| 13.98 | SBI Contra Fund | 21.83 | Aditya Birla Sun Life Equity Advantage |

### Equity: Mid-cap 3-year returns

| LAGGARDS | | LEADERS | |
|---|---|---|---|
| 4.4 | Baroda Pioneer Midcap Fund | 19.04 | Mirae Asset Emerging Bluechip Fund |
| 7.22 | Aditya Birla Sun Life Dividend Yield Fund | 18.05 | L&T Midcap Fund |
| 7.78 | ICICI Prudential Smallcap Fund | 17.34 | Aditya Birla Sun Life Pure Value Fund |
| 8.58 | Motilal Oswal Midcap 30 Fund | 17.13 | Canara Robeco Emerging Equities Fund |
| 8.59 | SBI Magnum Global Fund | 16.71 | Principal Emerging Bluechip Fund |

### Equity: Small-cap 3-year returns

| LAGGARDS | | LEADERS | |
|---|---|---|---|
| 7.74 | Union Small Cap Fund | 23.68 | L&T Emerging Businesses Fund |
| 12.66 | Sundaram Small Cap Fund | 22.11 | Reliance Small Cap Fund |
| 14.33 | HSBC Small Cap Equity Fund | 21.93 | SBI Small Cap Fund |
| 15.53 | DSP BlackRock Small Cap Fund | 21.55 | HDFC Small Cap Fund |
| 15.57 | Franklin India Smaller Companies Fund | 19.12 | Aditya Birla Sun Life Small Cap Fund |

### Hybrid: Equity-oriented 3-year returns

| LAGGARDS | | LEADERS | |
|---|---|---|---|
| 6.46 | Principal Equity Savings Fund | 20.45 | Tata Retirement Savings Fund |
| 6.55 | Tata Equity Savings Fund | 17.94 | L&T Hybrid Equity Fund |
| 8.8 | LIC MF Equity Hybrid Fund | 17.48 | ICICI Prudential Equity & Debt Fund |
| 8.84 | L&T Equity Savings Fund | 17.34 | Principal Hybrid Equity Fund |
| 9.27 | DHFL Pramerica Equity Savings Fund | 17.26 | ICICI Prudential Child Care Fund |

ANNUALISED RETURNS IN % AS ON 6 JUNE 2018.

# ETW FUNDS 100

| | Value Research Fund Rating | Net Assets (₹ Cr) | RETURNS (%) 3-Month | 6-Month | 1-Year | 3-Year | 5-Year | Expense Ratio |
|---|---|---|---|---|---|---|---|---|
| **HYBRID: EQUITY-ORIENTED** | | | | | | | | |
| Principal Hybrid Equity Fund | ★★★★ | 1,254.53 | 1.65 | 1.21 | 13.47 | 15.08 | 17.34 | 2.19 |
| Tata Retirement Savings Fund | ★★★★★ | 659.89 | 3.92 | 3.59 | 12.09 | 13.58 | 20.45 | 2.61 |
| Reliance Equity Hybrid Fund | ★★★★ | 13,425.72 | 0.77 | 1.3 | 9.22 | 11.97 | 17.08 | 1.97 |
| ICICI Prudential Equity and Debt Fund | ★★★★ | 28,806.55 | -0.34 | -0.29 | 6.82 | 11.83 | 17.48 | 2.11 |
| L&T Hybrid Equity Fund | ★★★★ | 10,571.56 | 1.4 | 1.83 | 5.91 | 11.25 | 17.94 | 1.98 |
| **HYBRID: DEBT-ORIENTED CONSERVATIVE** | | | | | | | | |
| UTI Regular Savings Fund | ★★★★ | 1,208.67 | 2.29 | 1.95 | 6.77 | 8.73 | 10.55 | 1.6 |
| ICICI Prudential Ultra Short Term Fund | ★★★★ | 2,364.94 | 1.64 | 3 | 6.53 | 8.23 | 8.12 | 1.21 |
| SBI Multi Asset Allocation Fund | ★★★★★ | 374.12 | 0.8 | 1.42 | 5.94 | 8.34 | 10.21 | 2.27 |
| BOI AXA Conservative Hybrid Fund | ★★★★ | 213.24 | -0.78 | 0.02 | 5.62 | 8.52 | 9.52 | 2.01 |
| HDFC Multi Asset Fund | ★★★★ | 172.79 | -0.49 | 0.19 | 5.11 | 7.79 | 9.92 | 2.04 |
| **DEBT: INCOME** | | | | | | | | |
| Invesco India Ultra Short Term Fund | ★★★★ | 1,135.74 | 1.75 | 3.07 | 6.59 | 8.09 | 7.87 | 0.9 |
| Kotak Corporate Bond Fund | ★★★★ | 1,281.77 | 1.67 | 2.86 | 6.35 | 7.84 | 7.73 | 0.55 |
| Axis Strategic Bond Fund | ★★★★ | 1,420.47 | 0.98 | 1.63 | 5.64 | 8.36 | 8.02 | 1 |
| Franklin India Corporate Debt Fund | ★★★★ | 876.06 | 0.92 | 1.86 | 5.63 | 7.8 | 7.9 | 0.91 |
| UTI Medium Term Fund | ★★★★ | 210.73 | 0.96 | 1.5 | 5.32 | 8.1 | – | 1.26 |
| HDFC Corporate Bond Fund | ★★★★ | 11,486.21 | 0.8 | 1.1 | 4.76 | 7.72 | 8 | 0.41 |
| Aditya Birla Sun Life Banking & PSU Debt Fund | ★★★★ | 6,646.43 | 1.08 | 1.3 | 4.71 | 8.1 | 9.11 | 0.59 |
| Kotak Medium Term Fund | ★★★★ | 4,836.36 | 0.8 | 1.08 | 4.56 | 8.05 | – | 1.7 |
| SBI Magnum Medium Duration Fund | ★★★★ | 1,701.34 | 0.8 | 1.08 | 4.56 | 8.53 | 9.19 | 1.2 |
| BNP Paribas Corporate Bond Fund | ★★★★ | 90.75 | 0.13 | 0.66 | 4.27 | 7.33 | 7.62 | 0.45 |
| ICICI Prudential Banking & PSU Debt Fund | ★★★★ | 5,874.73 | 0.81 | 1.05 | 4.22 | 8.24 | 8.06 | – |
| L&T Resurgent India Bond Fund | ★★★★ | 2,494.83 | 0.22 | 0.27 | 3.28 | 7.76 | – | 1.59 |
| **DEBT: SHORT TERM** | | | | | | | | |
| Franklin India Low Duration Fund | ★★★★★ | 5,793.14 | 1.86 | 3.2 | 7.32 | 8.86 | 9.24 | 0.78 |
| Franklin India Short Term Income Plan | ★★★★★ | 9,970.88 | 1.33 | 2.34 | 6.72 | 8.11 | 8.69 | 1.57 |
| Baroda Pioneer Short Term Bond Fund | ★★★★★ | 263.50 | 1.65 | 2.64 | 6.18 | 8.05 | 8.2 | 1.3 |
| Reliance Prime Debt Fund | ★★★★ | 9,100.28 | 1.31 | 2.4 | 5.94 | 7.62 | 8.07 | 0.7 |
| HDFC Short Term Debt Fund | ★★★★ | 10,957.56 | 1.18 | 2.07 | 5.55 | 7.55 | 8.15 | 0.37 |
| BNP Paribas Short Term Fund | ★★★★ | 156.01 | 1.18 | 1.96 | 5.49 | 7.66 | 7.92 | 1.06 |
| UTI Banking & PSU Debt Fund | ★★★★ | 838.91 | 1.21 | 1.79 | 5.4 | 8.23 | – | 0.28 |
| DHFL Pramerica Short Maturity Fund | ★★★★ | 1,552.12 | 0.83 | 1.41 | 4.92 | 7.62 | 8.07 | 1.28 |
| DHFL Pramerica Short Maturity Fund | ★★★★ | 1,552 | 1.06 | 1.67 | 5.24 | 7.63 | 8.12 | 1.28 |
| **DEBT: ULTRA SHORT TERM** | | | | | | | | |
| BOI AXA Ultra Short Duration Fund | ★★★★★ | 774.54 | 1.88 | 3.4 | 7.27 | 8.33 | 8.68 | 0.55 |
| JM Dynamic Debt Fund | ★★★★★ | 258.02 | 1.8 | 3.53 | 7.27 | 8 | 8.36 | – |
| L&T Money Market Fund | ★★★★★ | 774.29 | 1.68 | 3.24 | 7.07 | 8.11 | 8.29 | 0.69 |
| Baroda Pioneer Treasury Advantage Fund | ★★★★ | 1,922.85 | 1.69 | 3.08 | 6.7 | 8.17 | 8.61 | 0.81 |
| Indiabulls Ultra Short Term Fund | ★★★★ | 685.45 | 1.69 | 3.12 | 6.62 | 7.78 | 8.27 | 0.69 |
| Kotak Low Duration Fund | ★★★★ | 6,000.55 | 1.63 | 2.88 | 6.5 | 7.98 | 8.07 | 1 |
| DHFL Pramerica Low Duration Fund | ★★★★ | 1,069.39 | 1.54 | 2.92 | 6.41 | 7.99 | 8.49 | 1.11 |
| UTI Treasury Advantage Fund | ★★★★ | 10,282.65 | 1.54 | 2.92 | 6.39 | 7.8 | 8.42 | 0.36 |
| **DEBT: DYNAMIC BOND** | | | | | | | | |
| ICICI Prudential All Seasons Bond Fund | ★★★★ | 2,286.07 | 1.42 | 0.94 | 3.38 | 9.04 | 10.67 | 1.26 |
| Baroda Pioneer Dynamic Bond Fund | ★★★★ | 21.88 | 1.08 | 0.08 | 3.16 | 7.68 | 7.77 | 1.61 |
| UTI Dynamic Bond Fund | ★★★★ | 1,383.75 | 1.7 | 0.08 | 2.36 | 8.22 | 8.65 | 1.63 |

All equity funds sorted on 3-year returns; debt funds ranked on 1-year returns

**15.1%** THE 3-YEAR RETURN OF PRINCIPAL HYBRID FUND IS THE HIGHEST IN ITS CATEGORY.

**6.6%** THE 1-YEAR RETURN OF INVESCO INDIA ULTRA SHORT TERM IS THE HIGHEST IN ITS CATEGORY.

**7.3%** THE 1-YEAR RETURN OF FRANKLIN INDIA LOW DURATION IS THE HIGHEST IN ITS CATEGORY.

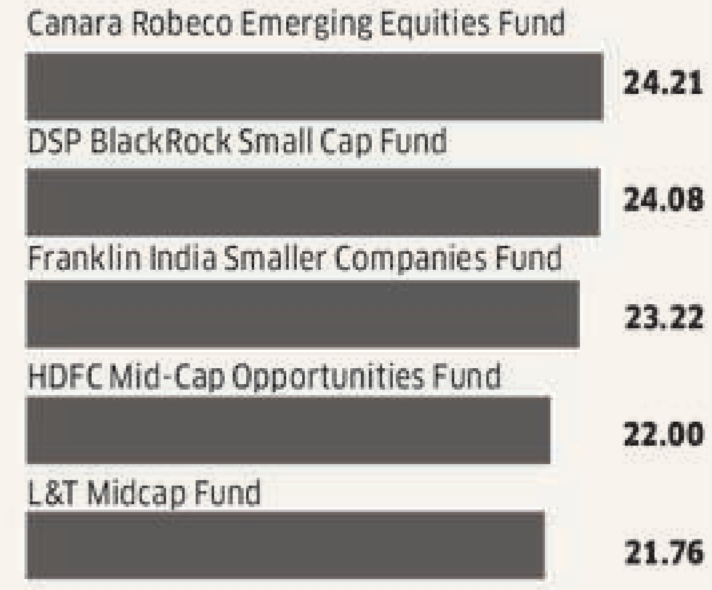
**7.3%** THE 1-YEAR RETURN OF BOI AXA ULTRA SHORT-TERM DURATION FUND IS THE HIGHEST IN ITS CATEGORY.

Exp. ratios as on 30 April 2018
Returns as on 6 June 2018
Assets as on 30 April 2018
Rating as on 31 May 2018

**Did not find your fund here?**
Log on to www.wealth.economictimes.com for an exhaustive list.

## 1 Top 5 SIPs

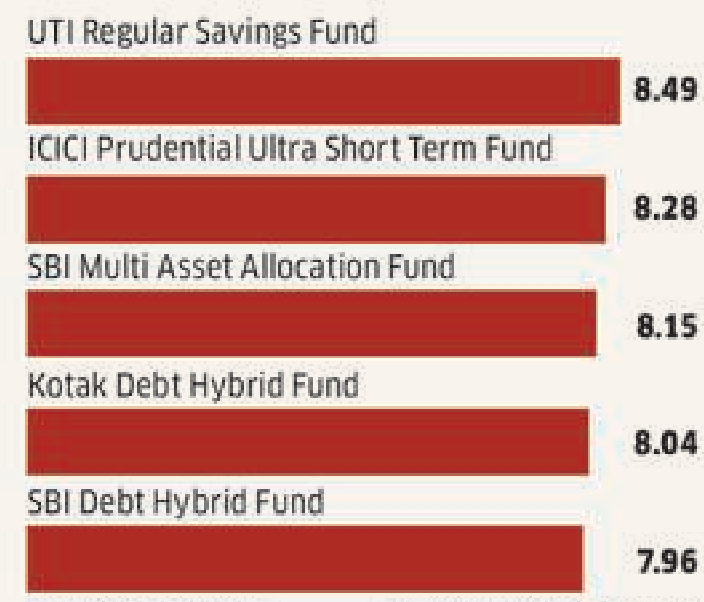
**Top 5 equity schemes based on 10-year SIP returns**




SIP: SYSTEMATIC INVESTMENT PLAN
% ANNUALISED RETURNS AS ON 6 JUNE 2018

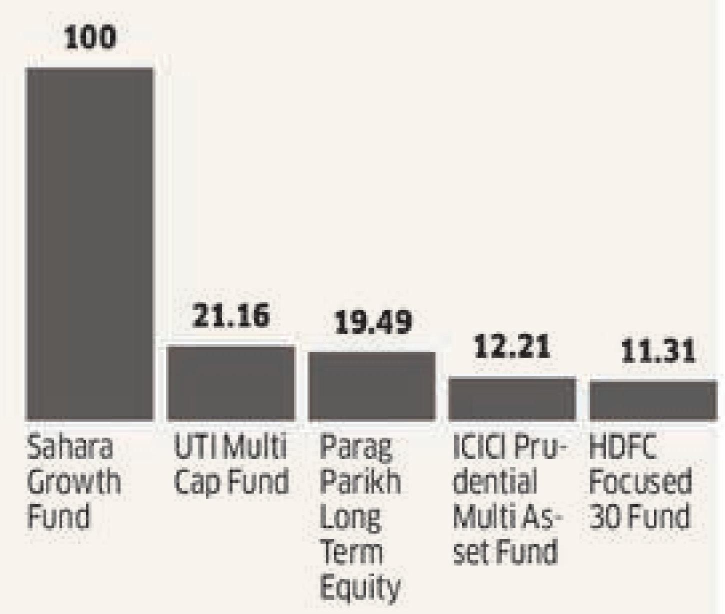
## 2 Top 5 MIPs

**Top 5 MIP schemes based on 3-year SWP returns**



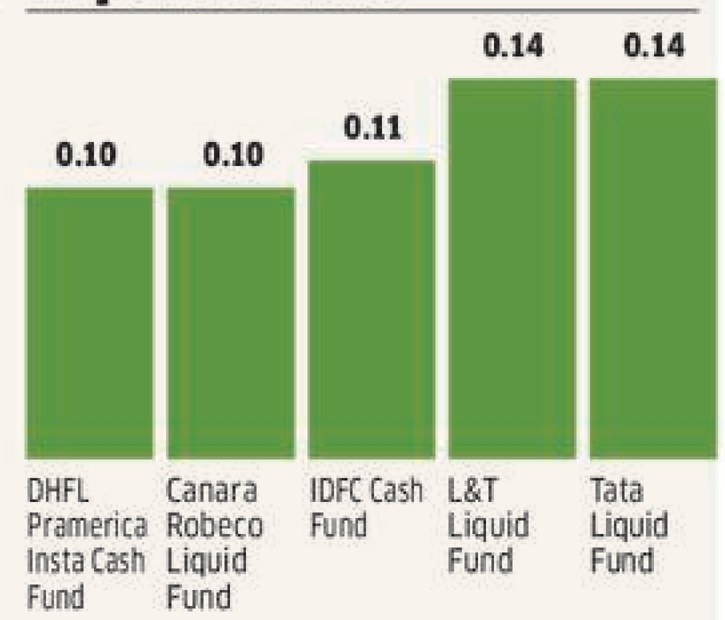

SWP: SYSTEMATIC WITHDRAWAL PLAN
% ANNUALISED RETURNS AS ON 6 JUNE 2018

## 3 Multi-cap Cash holdings




% AS ON 30 APR 2018

## 4 Debt: Liquid Expense ratio




% AS ON 30 APR 2018

% EXPENSE RATIO IS CHARGED ANNUALLY.
METHODOLOGY OF TOP 100 FUNDS ON WWW.WEALTH.ECONOMICTIMES.COM

### Methodology

The Top 100 includes only those funds that have a 5- or 4-star rating from Value Research. The rating is determined by subtracting a fund's risk score from its return score. The result is assigned stars according to the following distribution:

- ★★★★★ Top 10%
- ★★★★ Next 22.5%
- ★★★ Middle 35%
- ★★ Next 22.5%
- ★ Bottom 10%

(Not covered in ETW Funds 100 listing)

Fixed-income funds less than 18 months old and equity funds less than three years old have been excluded. This ensures that all the funds have existed long enough to be tracked for consistency of performance. Given the focus on long-term investing, liquid funds, short-term funds and FMPs are not part of the list. For the same reason, we have considered only the growth option of funds that reinvest returns instead of offering dividends that increase the NAV of funds.

Despite these rigorous filters, the list includes 2/3 funds of each category to maximise choice from the best funds. The fund categories are:

**EQUITIES** (figures over the past one year)

**Large-cap:** Mostly invested in large-cap companies.

**Multi-cap:** Mostly invested in large- and mid-cap companies.

**Mid-cap:** Mostly invested in mid-cap companies.

**Small-cap:** Mostly invested in small-cap companies.

**Tax planning:** Offer tax rebate under Section 80C.

**International:** More than 65% of assets invested abroad.

**Income:** Average maturity varies according to objective.

**Gilt:** Medium- and long-term; invest in gilt securities.

**Equity-oriented:** Average equity exposure more than 60%.

**Debt-oriented aggressive:** Average equity exposure between 25-60%.

**Debt-oriented conservative:** Average equity exposure less than 25%.

**Arbitrage:** Seek arbitrage opportunities between equity and derivatives.

**Asset allocation:** Invest fully in equity or debt as per market conditions.

## FUND RAISER

# 21

**Closed-ended mutual funds have been launched between January and May as opposed to 13 schemes during the same period in 2017. The spurt is because of the restrictions imposed on open-ended funds by Sebi's new categorisation norms, say experts.**

**KOTAK BLUECHIP FUND**

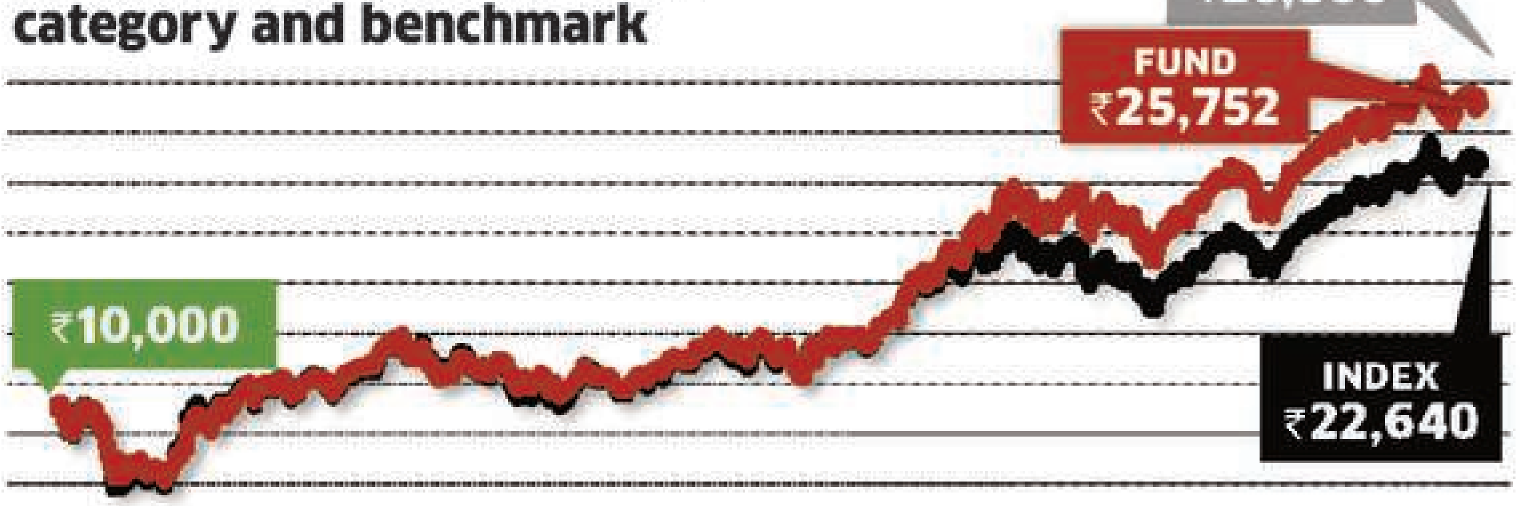
# NOT AMONG THE CATEGORY LEADERS

**ET Wealth** collaborates with **Value Research** to analyse top mutual funds. We examine the key fundamentals of the fund, its portfolio and performance to help you make an informed investment decision.

## HOW HAS THE FUND PERFORMED?

With a 10-year return of 9.92%, the fund has outperformed the benchmark index (8.51%) but underperformed the category average (10.38%).

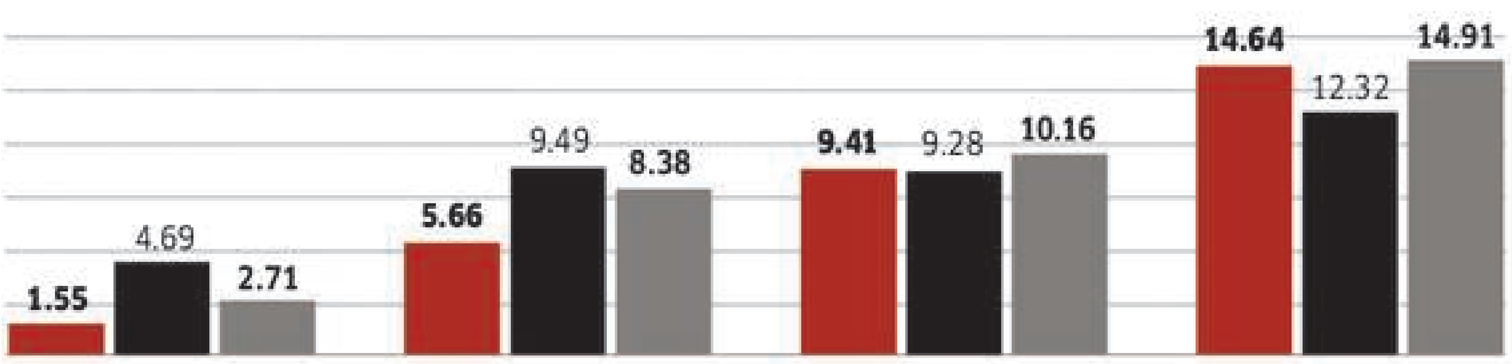
### Growth of ₹10,000 vis-a-vis category and benchmark




AS ON 5 JUNE 2018

The fund has underperformed some of its peers over the past decade.

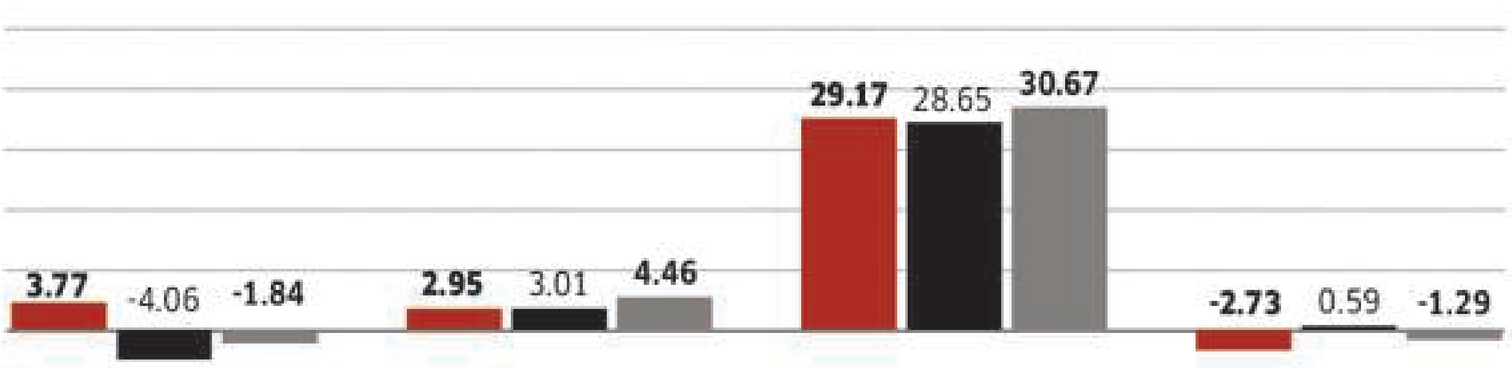
### Annualised performance (%)




AS ON 5 JUNE 2018

The fund has underperformed across time periods.

### Yearly performance (%)




AS ON 5 JUNE 2018

The fund's returns profile has slipped in recent years.

## BASIC FACTS

DATE OF LAUNCH
**29 DEC 1998**

CATEGORY
**EQUITY**

TYPE
**LARGE CAP**

AVERAGE AUM
**₹1,350.02 CR**

BENCHMARK
**NIFTY 50 INDEX**

## WHAT IT COSTS

NAVs*
GROWTH OPTION
**₹220**

DIVIDEND OPTION
**₹33**

MINIMUM INVESTMENT
**₹5,000**

MINIMUM SIP AMOUNT
**₹1000**

EXPENSE RATIO (%)
**2.17**

EXIT LOAD
**1% FOR REDEMPTION WITHIN 365 DAYS**

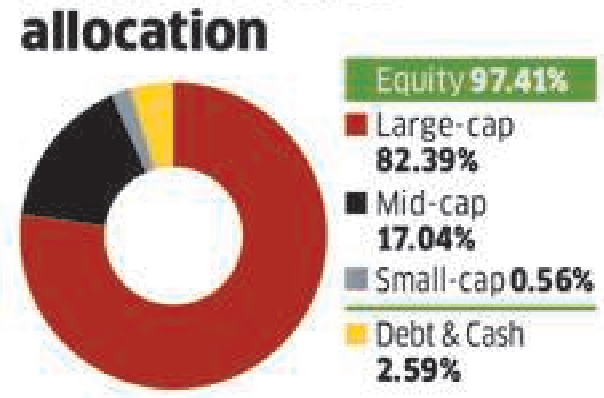
*AS ON 5 JUNE 2018

## FUND MANAGER

**HARISH KRISHNAN**
TENURE: 4 YEARS AND 3 MONTHS
EDUCATION: MBA

## WHERE DOES THE FUND INVEST?

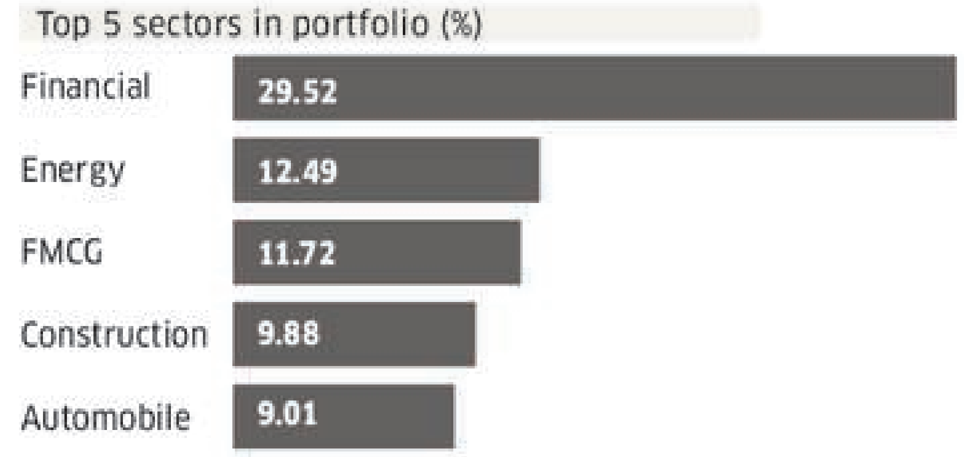
### Portfolio asset allocation




### Fund style box

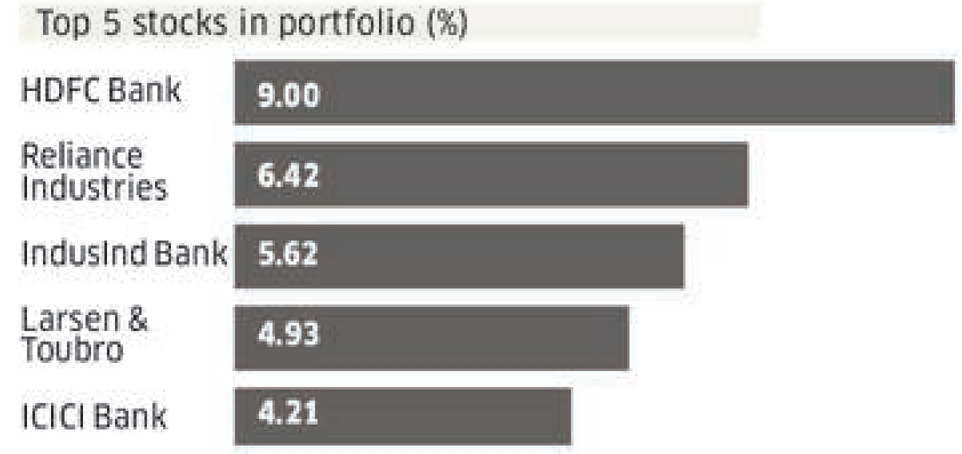

This fund maintains a strict large cap tilt

Top 5 sectors in portfolio (%)




The fund is currently overweight on FMCG and construction, relative to index.

Top 5 stocks in portfolio (%)




The fund's top picks are mostly index heavyweights.

### How risky is it?

| | Fund | Category | Index |
|---|---|---|---|
| Standard Deviation | 13.15 | 13.69 | 13.52 |
| Sharpe Ratio | 0.22 | 0.26 | 0.18 |
| Mean Return | 9.35 | 9.99 | 8.96 |

BASED ON 3-YEAR PERFORMANCE. DATA AS ON 31 MAY 2018

The fund's risk-return profile has slipped relative to peers.

WHEREVER NOT SPECIFIED, DATA AS ON 30 APR 2018. SOURCE: VALUE RESEARCH

## Should You Buy

Earlier known as Kotak 50, this fund has been renamed to reflect its large-cap focus. It maintains the same approach as before–preferring businesses that are likely to grow at a faster pace than the benchmark index. The fund manager identifies growth sectors and then zeroes in on the leaders in the chosen sector. The fund prefers companies with strong brands or franchise and those less prone to recessions or cycles. The top picks in the portfolio are usually index heavyweights, but the remaining portfolio includes several stocks outside the index. The fund's performance has slipped in recent years, hurting its risk-return profile relative to peers. Investors may opt for a fund with a more proven track record till the time this one finds its feet.

# LOANS & DEPOSITS

**ET WEALTH** collaborates with **ETIG** to provide a comprehensive ready reckoner of loans and fixed-income instruments. Don't miss the information on investments for senior citizens and a simplified EMI calculator.

## Top five bank FDs

| TENURE: 1 YEAR | Interest rate (%) compounded qtrly | What ₹10,000 will grow to |
|---|---|---|
| Indusind Bank | 7.65 | 10,787 |
| RBL Bank | 7.35 | 10,756 |
| Lakshmi Vilas Bank | 7.30 | 10,750 |
| Karnataka Bank | 7.25 | 10,745 |
| Kotak Mahindra Bank | 7.20 | 10,740 |
| **TENURE: 2 YEARS** | | |
| Lakshmi Vilas Bank | 7.35 | 11,568 |
| RBL Bank | 7.35 | 11,568 |
| DCB Bank | 7.25 | 11,545 |
| Indusind Bank | 7.25 | 11,545 |
| Karnataka Bank | 7.25 | 11,545 |
| **TENURE: 3 YEARS** | | |
| DCB Bank | 7.75 | 12,589 |
| Lakshmi Vilas Bank | 7.35 | 12,442 |
| RBL Bank | 7.25 | 12,405 |
| AU Small Finance Bank | 7.25 | 12,405 |
| IDFC Bank | 7.20 | 12,387 |
| **TENURE: 5 YEARS** | | |
| DCB Bank | 7.75 | 14,678 |
| AU Small Finance Bank | 7.40 | 14,428 |
| Lakshmi Vilas Bank | 7.30 | 14,358 |
| RBL Bank | 7.25 | 14,323 |
| IDFC Bank | 7.20 | 14,287 |

## Top five senior citizen bank FDs

| TENURE: 1 YEAR | Interest rate (%) compounded qtrly | What ₹10,000 will grow to |
|---|---|---|
| Indusind Bank | 8.15 | 10,840 |
| Lakshmi Vilas Bank | 7.90 | 10,814 |
| RBL Bank | 7.85 | 10,808 |
| Axis Bank | 7.75 | 10,798 |
| Karnataka Bank | 7.75 | 10,798 |
| **TENURE: 2 YEARS** | | |
| Lakshmi Vilas Bank | 7.95 | 11,705 |
| RBL Bank | 7.85 | 11,682 |
| DCB Bank | 7.75 | 11,659 |
| Indusind Bank | 7.75 | 11,659 |
| Karnataka Bank | 7.75 | 11,659 |
| **TENURE: 3 YEARS** | | |
| DCB Bank | 8.25 | 12,776 |
| Lakshmi Vilas Bank | 7.95 | 12,664 |
| RBL Bank | 7.75 | 12,589 |
| AU Small Finance Bank | 7.75 | 12,589 |
| IDFC Bank | 7.70 | 12,571 |
| **TENURE: 5 YEARS** | | |
| DCB Bank | 8.25 | 15,043 |
| Lakshmi Vilas Bank | 7.90 | 14,787 |
| AU Small Finance Bank | 7.90 | 14,787 |
| RBL Bank | 7.75 | 14,678 |
| IDFC Bank | 7.70 | 14,642 |

## Top five tax-saving bank FDs

| TENURE: 5 YEARS AND ABOVE | Interest rate (%) | What ₹10,000 will grow to |
|---|---|---|
| DCB Bank | 7.75 | 14,678 |
| AU Small Finance Bank | 7.40 | 14,428 |
| Lakshmi Vilas Bank | 7.30 | 14,358 |
| RBL Bank | 7.25 | 14,323 |
| IDFC Bank | 7.20 | 14,287 |

ALL DATA SOURCED FROM ECONOMIC TIMES INTELLIGENCE GROUP (ETIGDATABASE@TIMESGROUP.COM)

## BANK MCLR

Marginal Cost of funds-based Lending Rate (MCLR) is the new benchmark lending rate designated by RBI and will replace the base rate for new borrowers.

### Top banks for 6 months

| BANK NAME | MCLR (%) | WITH EFFECT FROM |
|---|---|---|
| State Bank Of India | 8.10 | 1 JUNE 2018 |
| Allahabad Bank | 8.15 | 1 MAY 2018 |
| Dena Bank | 8.25 | 1 June 2018 |
| HDFC Bank | 8.25 | 7 JUNE 2018 |
| Bank Of Baroda * | 8.30 | 7 JUNE 2018 |

### Top banks for 1 year

| BANK NAME | MCLR (%) | WITH EFFECT FROM |
|---|---|---|
| State Bank Of India | 8.25 | 1 June 2018 |
| Allahabad Bank | 8.30 | 1 May 2018 |
| Bank Of India # | 8.40 | 10 May 2018 |
| Dena Bank | 8.40 | 1 June 2018 |
| HDFC Bank | 8.40 | 7 June 2018 |

### Top banks for 2 years

| BANK NAME | MCLR (%) | WITH EFFECT FROM |
|---|---|---|
| State Bank Of India | 8.35 | 1 June 2018 |
| Allahabad Bank | 8.50 | 1 May 2018 |
| Union Bank Of India | 8.50 | 2 JUNE 2018 |
| HDFC Bank | 8.55 | 7 June 2018 |
| Axis Bank | 8.60 | 18 May 2018 |

### Top banks for 3 years

| BANK NAME | MCLR (%) | WITH EFFECT FROM |
|---|---|---|
| State Bank Of India | 8.45 | 1 June 2018 |
| Punjab National Bank | 8.55 | 1 June 2018 |
| Union Bank Of India | 8.55 | 2 June 2018 |
| Allahabad Bank | 8.60 | 1 May 2018 |
| Indian Bank | 8.60 | 10 May 2018 |

### Top banks for 5 years

| BANK NAME | MCLR (%) | WITH EFFECT FROM |
|---|---|---|
| Punjab National Bank | 8.70 | 1 June 2018 |
| Indian Bank | 8.85 | 10 May 2018 |
| Karur Vysya Bank | 9.20 | 7 May 2018 |

* STRATEGIC PREMIUM OF 0.25%. # BUSINESS STRATEGY SPREAD OF 0.30%. FOR ANY CHANGES IN MCLR RATES, PLEASE EMAIL US AT ETIGDB@TIMESGROUP.COM

## Your EMI for a loan of ₹1 lakh

| TENURE | 5 YEARS | 10 YEARS | 15 YEARS | 20 YEARS | 25 YEARS |
|---|---|---|---|---|---|
| @ 8% | 2,028 | 1,213 | 956 | 836 | 772 |
| @ 10% | 2,125 | 1,322 | 1,075 | 965 | 909 |
| @ 12% | 2,224 | 1,435 | 1,200 | 1,101 | 1,053 |
| @ 15% | 2,379 | 1,613 | 1,400 | 1,317 | 1,281 |

FIGURES ARE IN ₹. USE THIS CALCULATOR TO CHECK YOUR LOAN AFFORDABILITY. FOR EXAMPLE, A ₹5 LAKH LOAN AT 12% FOR 10 YEARS WILL TRANSLATE INTO AN EMI OF ₹1,435 X 5 = ₹7,175

## Post office deposits

| | Interest (%) | Minimum invt. (₹) | Maximum investment (₹) | Features | Tax benefits |
|---|---|---|---|---|---|
| Senior Citizens' Saving Scheme | 8.3 | 1,000 | 15 lakh | 5-year tenure, minimum age 60 | 80C |
| Sukanya Samriddhi Yojana | 8.1 | 1,000 | 1.5 lakh per year | One account per girl child | 80C |
| Public Provident Fund | 7.6 | 500 | 1.5 lakh per year | 15-year term, tax-free returns | 80C |
| 5-year NSC VIII Issue | 7.6 | 100 | No limit | No TDS | 80C |
| Time deposit | 6.6-7.4 | 200 | No limit | Available in 1, 2, 3, 5 years | 80C # |
| Post Office Monthly Income Scheme | 7.3 | 1,500 | Single 4.5 lakh | 5-year tenure, monthly returns | Nil |
| | | | Joint 9 lakh | 5-year tenure, monthly returns | Nil |
| Kisan Vikas Patra | 7.3 | 1,000 | No limit | Can be encashed after 2.5 years. | Nil |
| Recurring deposits | 6.9 | 10 | No limit | 5-year tenure | Nil |
| Savings account | 4 | 20 | No limit | ₹10,000 interest tax free | Nil |

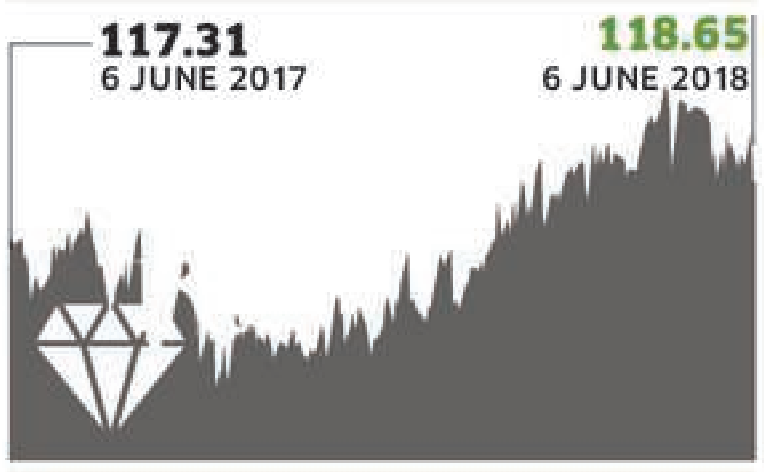
DATA AS ON 7 JUNE 2018

# BENEFIT AVAILABLE ONLY FOR 5-YEAR DEPOSIT

# ALTERNATIVE INVESTMENT RETURNS MONITOR

The scope and attractiveness of alternative investments is increasing. Here's a weekly tracker of returns from such investments. But don't compare these with returns from traditional investments since the proportion and purpose of alternative investments is vastly different.

## Diamond Index




## Precious Metals Index


## Wine Index


## Coin Index


### CHANGE

| | Diamond Index | Precious Metals Index | Wine Index | Coin Index |
|---|---|---|---|---|
| I WEEK | -0.49% | -0.26% | 0.09% | 1.23% |
| I YEAR | 1.14% | -0.37% | 2.93% | -4.07% |

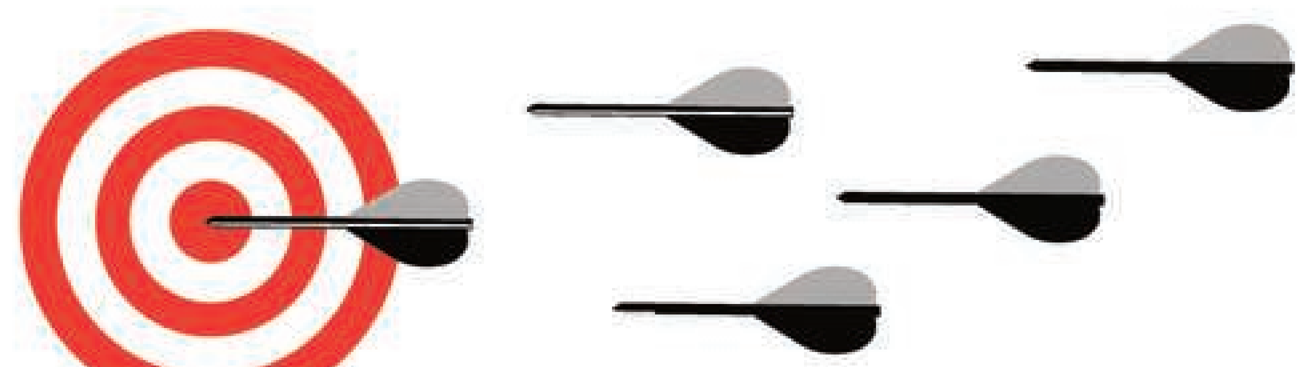
**Overall Diamond Index is based on** actual transactions from 20 different market players and reflects price movements in the global diamond market. The index is updated daily.

**The S&P GSCI Precious Metals Index** comprises gold (91.33%) & silver (8.67%) & provides a benchmark for investment performance in the precious metals commodity markets. It is updated daily.

**The Liv-ex Fine Wine 50 Index tracks** daily price movement of the most heavily traded commodities in the wine market. It includes only the 10 most recent vintages and is updated daily.

**The Krugerrand Coin index represents** the denomination of a 22 carat gold bullion coin weighing one troy ounce that is listed for trading on the Johannesburg Stock Exchange.

# PENNY STOCKS UPDATE



Penny stocks as a recommended non-traditional investment? Not exactly. **ET WEALTH** neither has the expertise nor does it recommend investing in such stocks. But since the relatively 'low' cost of investment attracts some investors to penny stocks, we provide a weekly snapshot of this most volatile and uncertain type of stock investing.

## Top price gainers

| STOCK | MARKET PRICE (₹) | 1-WEEK (%) CHANGE | 1-MTH (%) CHANGE | 1-MONTH AVG VOL (LAKH) | 1-MONTH AVG VOL CHG (%) | MKT CAP (₹ CR) |
|---|---|---|---|---|---|---|
| Gitanjali Gems | 6.76 | -5.45 | **112.58** | 8.20 | 222.69 | 80.19 |
| ABans Enterprises | 9.46 | 27.32 | **69.53** | 0.00 | -100.00 | 13.20 |
| Swadeshi Industries | 1.07 | 24.42 | **67.19** | 0.90 | 272.51 | 11.58 |
| Shantanu Sheorey Aq. | 3.68 | 7.29 | **64.29** | 1.96 | 4,411.25 | 12.84 |
| Mega Corporation | 2.16 | -8.47 | **63.64** | 0.26 | 64.86 | 21.60 |
| Virtual Global Education | 1.06 | -20.90 | **51.43** | 7.45 | 19.16 | 44.91 |
| SRS Finance | 0.60 | 5.26 | **46.34** | 0.13 | 32.73 | 58.87 |
| Facor Alloys | 2.33 | -14.65 | **43.83** | 1.55 | -19.60 | 45.55 |
| Polo Hotels | 9.24 | -5.71 | **32.95** | 0.09 | 513.11 | 12.46 |
| Five Core Exim | 2.00 | -0.50 | **29.03** | 0.03 | -55.57 | 13.02 |

## Top price losers

| STOCK | MARKET PRICE (₹) | 1-WEEK (%) CHANGE | 1-MTH (%) CHANGE | 1-MONTH AVG VOL (LAKH) | 1-MONTH AVG VOL CHG (%) | MKT CAP (₹ CR) |
|---|---|---|---|---|---|---|
| KSK Energy Ventures | 2.67 | -22.16 | **-60.39** | 6.52 | 454.31 | 113.21 |
| IVRCL | 1.51 | -14.20 | **-53.25** | 5.11 | 296.09 | 118.22 |
| Chartered Logistics | 9.96 | -28.09 | **-38.71** | 1.24 | -2.25 | 98.90 |
| Electrosteel Steels | 1.08 | 6.93 | **-31.65** | 97.28 | 214.77 | 260.20 |
| Burnpur Cement | 5.05 | -8.51 | **-31.57** | 1.25 | 230.21 | 43.49 |
| Indosolar | 5.05 | -9.34 | **-27.86** | 1.05 | 78.11 | 187.90 |
| Subex | 5.34 | -14.15 | **-26.75** | 4.99 | -1.31 | 300.11 |
| Karuturi Global | 1.55 | -18.42 | **-26.54** | 6.04 | -67.57 | 125.50 |
| Suzlon Energy | 7.91 | -16.12 | **-24.95** | 45.92 | 114.35 | 4,207.92 |
| Unitech | 4.18 | -10.49 | **-24.55** | 31.41 | 23.58 | 1,093.61 |

## Top volume gainers

| STOCK | MARKET PRICE (₹) | 1-WEEK (%) CHANGE | 1-MTH (%) CHANGE | 1-MTH AVG VOL (LAKH) | 1-MONTH AVG VOL CHG (%) | MKT CAP (₹ CR) |
|---|---|---|---|---|---|---|
| Shantanu Sheorey Aq. | 3.68 | 7.29 | 64.29 | 1.96 | **4,411.25** | 12.84 |
| Ushdev International | 1.54 | -11.49 | -16.76 | 7.95 | **3,985.26** | 52.13 |
| Avance Technologies | 0.67 | -6.94 | -23.86 | 3.55 | **2,824.47** | 13.28 |
| Provogue (India) | 4.27 | -9.15 | -11.04 | 2.51 | **1,135.38** | 99.66 |
| Landmarc Leisure Corp. | 0.74 | -8.64 | -9.76 | 2.04 | **995.82** | 59.20 |
| Alok Industries | 2.23 | 12.63 | 16.15 | 46.74 | **795.06** | 307.14 |
| Saptarishi Agro Ind. | 7.40 | 7.56 | -1.20 | 0.27 | **532.54** | 25.17 |
| Lycos Internet | 4.33 | -15.26 | -1.81 | 8.02 | **518.01** | 206.22 |
| Polo Hotels | 9.24 | -5.71 | 32.95 | 0.09 | **513.11** | 12.46 |
| KSK Energy Ventures | 2.67 | -22.16 | -60.39 | 6.52 | **454.31** | 113.21 |

## Top volume losers

| STOCK | MARKET PRICE (₹) | 1-WEEK (%) CHANGE | 1-MTH (%) CHANGE | 1-MTH AVG VOL (LAKH) | 1-MONTH AVG VOL CHG (%) | MKT CAP (₹ CR) |
|---|---|---|---|---|---|---|
| Uttam Value Steels | 0.19 | 0.00 | 0.00 | 4.86 | **-91.94** | 125.55 |
| Gayatri Sugars | 7.65 | -7.50 | -14.91 | 1.39 | **-85.32** | 33.43 |
| SRS | 0.57 | -9.52 | 7.55 | 1.26 | **-76.61** | 15.88 |
| Jaypee Infratech | 5.05 | -12.17 | -10.46 | 7.32 | **-74.94** | 701.41 |
| Karuturi Global | 1.55 | -18.42 | -26.54 | 6.04 | **-67.57** | 125.50 |
| Ferro Alloys Corp | 6.18 | -12.46 | 18.62 | 1.56 | **-52.99** | 114.52 |
| Opto Circuits (India) | 9.99 | -11.04 | -16.96 | 1.79 | **-50.90** | 287.21 |
| Videocon Industries | 9.07 | -12.45 | -19.09 | 1.61 | **-49.02** | 303.36 |
| Jaiprakash Power Vent. | 3.59 | 1.41 | -15.73 | 9.63 | **-44.66** | 2,152.56 |
| KSS | 0.21 | 0.00 | -4.55 | 2.56 | **-34.42** | 43.67 |

THE STOCKS HAVE BEEN SELECTED USING THE FOLLOWING FILTERS: PRICE LESS THAN ₹10, ONE-MONTH AVERAGE VOLUME GREATER THAN OR EQUAL TO 1 LAKH AND MARKET-CAPITALISATION GREATER THAN OR EQUAL TO ₹10 CRORE. DATA AS ON 6 JUNE 2018. SOURCE: ETIG DATABASE AND BLOOMBERG.

# Dhanuka Agri: Reasonable valuations

Since fundamentals are strong, the correction in this counter offers an opportunity to long-term investors.

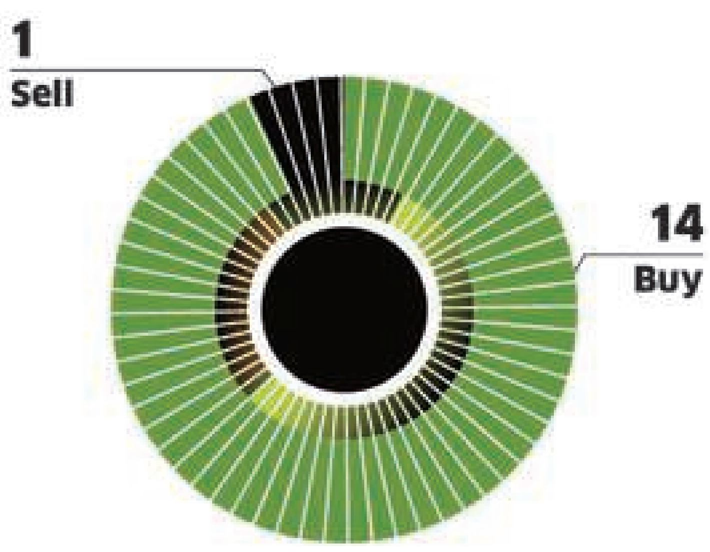
With revenue and net profit growth of 17% and 15% respectively, Dhanuka Agritech's result for the fourth quarter of 2017-18 were better than expected. Net profit growth in the fourth quarter would have been higher had the company's margins not come under pressure due to 28% jump in raw material prices. Dhanuka's revenue and net profit grew 11% and 7% respectively in 2017-18.

Though the company's margins will remain under pressure in the near term, till raw material price increase is passed on to consumers, analysts are getting bullish on the counter because of the increase in its Dhanuka's growth momentum. The company is expected to push its growth rate in the coming years and, according to analysts' consensus estimate, its revenue and net profit are expected to grow at a CAGR of 13% and 12% respectively between 2017-18 and 2019-20.

There are several reasons for this expected growth. Dhanuka's strategy of tie-ups with global innovators and launching 3-4 speciality products every year will help this mid-cap company in the long term. The company has also been launching several innovative products—it launched 11 new products in 2017-18, the most by Dhanuka ever in a financial year.

The company is also benefitting from the structural changes in the industry. For instance, share of herbicide and fungicide in agro chemicals in India is 20% and 16% respectively—the global average is 48% and 26% respectively—and, therefore, the company is expected to see faster growth in these segments. Most of Dhanuka's revenue—around 54% in 2017-18—comes from sale of insecticides.

## Analysts' views




Reasonable valuations, expected strong revenue and net profit growth, industry-wide tailwinds and opportunity in the herbicide and fungicide segments have made Dhanuka anlaysts' top pick.

To raise its revenue from fungicides and herbicides, the company will be launching products like rice herbicide, grape fungicide, etc. in 2018-19.

Positive industry-wide tailwinds—expected good monsoon in 2018-19, central government's target to double farm income by 2022, etc.—should also help Dhanuka.

Government may also adopt new 'farmer friendly' policies' due to quell ongoing farmer agitations. While measures like loan wavers may not be of much help to the agro chemical industry, steps like increase in the minimum support price (MSP) will result in increased acreage and, therefore, help chemical companies like Dhanuka.

Massive underperformance during the past year—stock fell 39% even as the Sensex gained 13%—has brought its valuation to a reasonable level, and this is another reason why analysts are getting bullish on this counter now.

**Selection Methodology:** We pick the stock that has shown the maximum increase in 'consensus analyst rating' in the past one month. Consensus rating is arrived at by averaging all analyst recommendations after attributing weights to each of them (5 for strong buy, 4 for buy, 3 for hold, 2 for sell and 1 for strong sell) and any improvement in consensus analyst rating indicates that the analysts are getting more bullish on the stock. To make sure that we pick only companies with decent analyst coverage, this search is restricted to stocks that are covered by at least 10 analysts. You can see similar consensus analyst rating changes during the past week in the ETW 50 table.

—Narendra Nathan

## Fundamentals

| | ACTUAL | | CONSENSUS ESTIMATE | |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| Net revenue (₹ cr) | 870.51 | 962.63 | 1,087.17 | 1,233.82 |
| EBITDA (₹ cr) | 168.95 | 166.06 | 194.32 | 225.02 |
| Net profit (₹ cr) | 118.25 | 126.18 | 139.32 | 159.63 |
| EPS (₹) | 24.09 | 25.71 | 28.39 | 32.56 |

## Valuation

| | PBV | PE | DIVIDEND YIELD (%) |
|---|---|---|---|
| Dhanuka Agritech | 4.60 | 37.57 | 0.06 |
| Bayer Cropscience | 9.05 | 53.69 | 0.37 |
| Excel Crop Care | 6.88 | 42.67 | 0.36 |
| PI Industries | 5.89 | 30.72 | 0.49 |
| Monsanto India | 7.72 | 30.03 | 1.05 |

## Latest brokerage calls

| RECO DATE | RESEARCH HOUSE | ADVICE | TARGET PRICE (₹) |
|---|---|---|---|
| 23 May '18 | HSBC | Buy | 710 |
| 23 May '18 | Antique Stock Broking | Buy | 740 |
| 22 May '18 | Edelweiss Capital | Buy | 843 |
| 22 May '18 | Emkay Sh. & Stock Bro. | Buy | 773 |
| 22 May '18 | Batlivala & Karani Sec. | Buy | 765 |

## Relative performance


PERFORMANCE OF DHANUKA AGRITECH COMPARED WITH THE SENSEX. STOCK PRICE AND INDEX VALUE NORMALISED TO A BASE OF 100. SOURCE: ETIG DATABASE & BLOOMBERG

# WHAT EXPERTS ADVISE

## BUY

| STOCK | RESEARCH HOUSE | ADVICE | MARKET PRICE* (₹) | 1-YEAR TARGET PRICE (₹) | POTENTIAL UPSIDE (%) | COMMENT |
|---|---|---|---|---|---|---|
| GMR Infra | Edelweiss Research | Buy | 17 | 29 | 72 | Retain 'buy'. Airport operations remain robust. Improving operations of power assets and financial restructuring are boosting GMR's operational cash flows. |
| Mayur Uniquoters | Centrum Research | Buy | 437 | 649 | 49 | Maintain 'buy'. Growth in the company's footwear business continues to recover path. The company's high-margin profile is also intact. |
| ONGC | Jefferies India | Buy | 173 | 225 | 30 | Maintain 'buy'. Though subsidies leave domestic realisations uncertain, higher brent prices lead to a rebound in ONGC Videsh's profits which may treble in 2018-19, if prices remain at current levels. |
| Cummins India | Prabhudas Lilladher | Buy | 681 | 857 | 26 | Retain 'buy'. Domestic outlook is strong, export markets are gradually reviving. The company has a strong record of delivering on cost rationalisation and healthy cash flows. |
| M&M Fin. Services | Anand Rathi | Buy | 486 | 609 | 25 | Initiate 'buy'. M&M Fin. is expected to grow at higher rates and maintain its market share in the vehicle segment. Focus on the SME business should also improve its return ratios going ahead. |
| Bandhan Bank | ICICI Direct | Buy | 498 | 600 | 21 | Initiate 'buy'. Bandhan Bank has a unique business model of high yielding micro finance loan portfolio–94% priority sector fulfilment–and low-cost deposit franchise (34.3% CASA). |

## SELL

*MARKET PRICE AS ON 7 JUNE

| STOCK | RESEARCH HOUSE | ADVICE | MARKET PRICE* (₹) | 1-YEAR TARGET PRICE (₹) | POTENTIAL DOWNSIDE (%) | COMMENT |
|---|---|---|---|---|---|---|
| V-Guard Industies | Axis Capital | Sell | 205 | 190 | -7 | Maintain 'sell'. Though stock has corrected, valuations are still high. Margin contraction and fall in net profit in 2017-18 due to increased advertisement is another negative factor. |

# THE SEASON OF THE NOTCH

Thanks to the Apple iPhone X, the notch display is the new flavor of the season. Most brands have announced their notch screen devices for India too. **Karan Bajaj** rounds up some of the best options available under ₹30,000.

## ₹10,000 - ₹20,000

### VIVO Y83

The recent launch from Vivo holds the title of being the cheapest smartphone with a notch display right now. You get a 6.2-inch size screen with a resolution of 1,520 x 720 pixels, protected by Gorilla Glass. Hardware includes Helio P20 processor, 4GB RAM, 32GB storage (expandable, up to 256GB supported) and a 3,260mAh battery. It has a 13MP rear camera, 8MP front camera and rear fingerprint scanner. On the software side, it runs the latest Android 8.1.


**₹14,990**

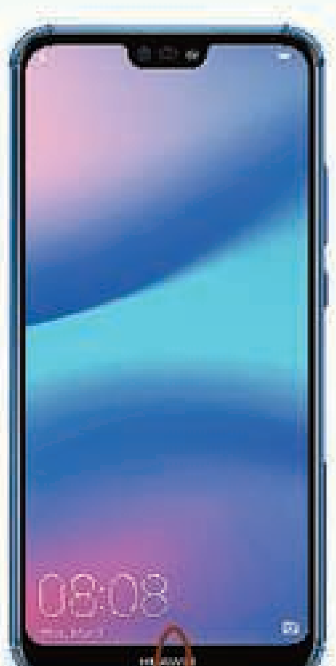
### VIVO V9 YOUTH


**₹18,999**

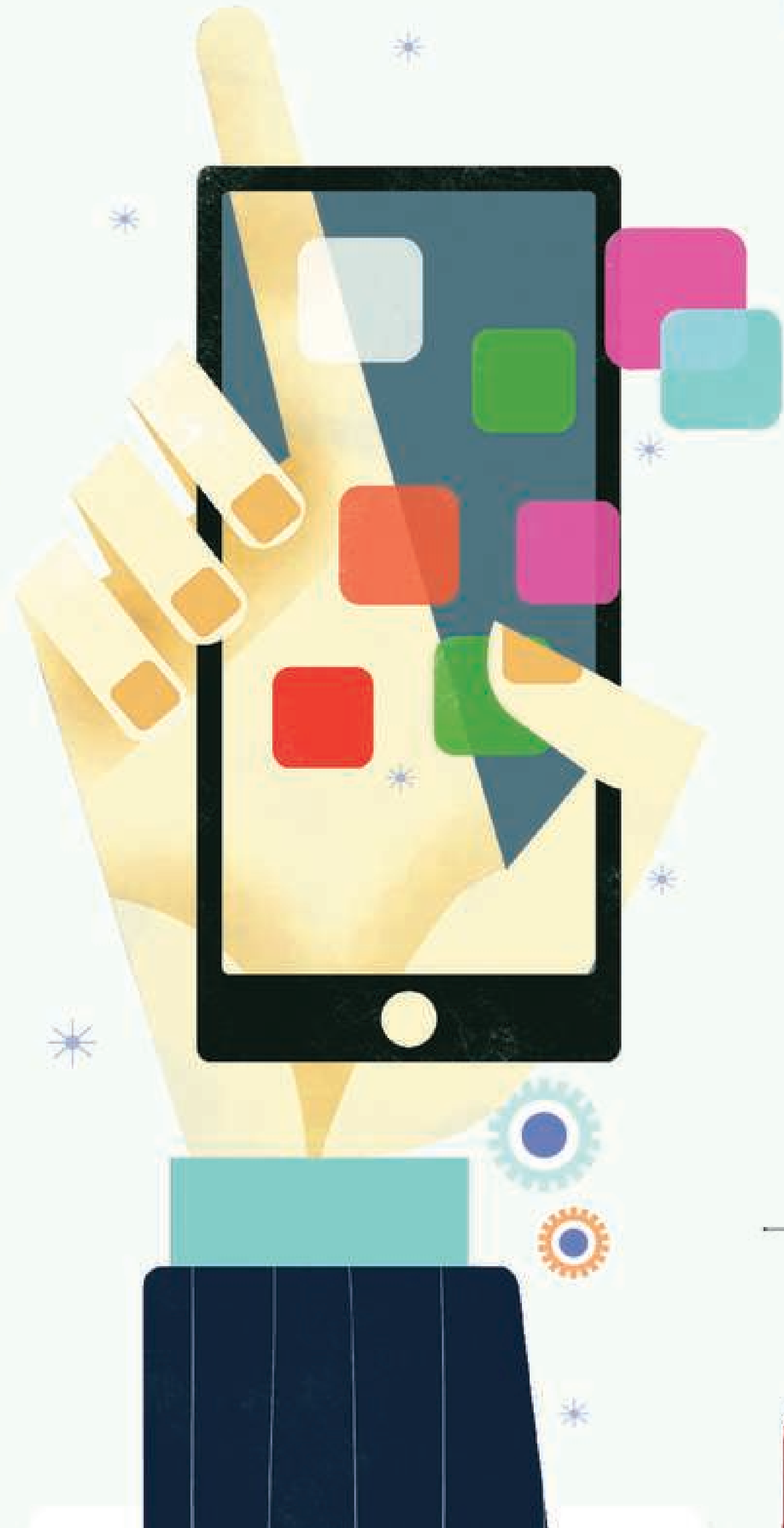
V9 Youth has a 6.3-inch screen with a resolution of 2,280 x 1,080 pixels, just like the more expensive Vivo V9. However, it runs on the Snapdragon 450 processor with 4GB RAM, 32GB storage and a 3,260mAh battery. In the camera department, you get a 16MP + 2MP dual rear camera setup while on the front you get a 16MP camera with f2.0 aperture. Other features include rear fingerprint scanner, Hybrid dual SIM slot, expandable storage and Android 8.1.

### HUAWEI P20 LITE

This one has a 5.84-inch screen with a notch. It is just slightly larger than a phone with a 5-inch screen in 16:9 ratio. It has a resolution of 2,280 x 1,080 pixels with 19:9 aspect ratio. Specifications include octa-core Kirin 659 processor, 4GB RAM, 64GB storage and a 3,000mAh battery. On the rear it sports a dual camera setup (16MP + 2MP) whereas on the front it has a 24MP selfie shooter. Other features include rear fingerprint scanner, USB Type-C port, expandable storage and Android 8.




**₹19,999**



## ₹20,000-30,000

### VIVO V9

The Vivo V9 was amongst the first smartphones to launch with the notch display. It has a 6.3-inch screen with a resolution of 2,280 x 1080 pixels in a metal unibody design. Inside is an octa-core Snapdragon 626 processor, 4GB RAM, 64GB storage and a 3,260mAh battery. It has superior dual cameras than the V9 Youth–16MP + 5MP with f2.0 and the front has a 24MP camera. Other features include dual SIM slot, dedicated microSD slot, rear fingerprint scanner and Android 8.1.


**₹20,999**

### OPPO F7

Oppo F7 is also amongst the first phones to come to India with a notch. It has a 6.23-inch notch screen with a resolution of 2,280 x 1,080 pixels and is protected by Gorilla Glass 5. It is powered by a Mediatek Helio P60 processor, 4GB RAM, 64GB storage and a 3,400mAh battery. You can also get it in a 6GB RAM variant. On the rear the Oppo F7 has a 16MP camera with f1.8 aperture while the front has a 25MP shooter with f2.0 aperture. You get dual SIM slot, dedicated microSD slot, rear fingerprint scanner and Android 8.1.


**₹20,999**

### WHEN MONEY IS NO OBJECT

If you don't have a budget restraint, then there are a number of premium smartphones available upwards of ₹30,000 with a notch display. Check out the Honor 10 (₹32,999, 5.84-inch display), OnePlus 6 (₹34,999 onwards, 6.28-inch display) and the Vivo X21 (₹35,990, 6.28-inch display) in the ₹30,000-40,000 segment. If you are ready to spend even more, you can get the Huawei P20 Pro with a 6.1-inch amoled display or the coveted Apple iPhone X with a 5.8-inch amoled display. Rest assured, all these phones are worth the money and offer the best of features.

**Source:** Websites. Prices subject to change

# NPS, perks can cut tax by ₹76k

**Sudhir Kaushik** of *Taxspanner.com* tells readers how they can optimise their tax by rejigging their income and investments.

Ashish Mohanty pays a high tax because he gets very few tax-free allowances and his tax savings are not fully optimised. Taxspanner estimates that Mohanty can reduce his tax by almost ₹76,000 if he gets more tax-free perks, his company offers him NPS benefit and he invests more in the scheme on his own.

Mohanty should start by asking for more tax-free perks. The medical reimbursement and conveyance allowance are now taxable following the introduction of standard deduction. These can be replaced with the newspaper and telephone reimbursements. These perks are tax free against submission of actual bills. This will save him ₹10,600 in tax.

The big saving in tax will come if his company offers him the NPS benefit. Under Sec 80CCD(2d), up to 10% of the basic salary put in NPS is deductible. If he opts for this, his tax will reduce by about ₹40,500. Another ₹15,600 can be saved if he invests ₹50,000 in the NPS on his own under Sec 80CCD(1b).

Given his young age, he should opt for the Aggressive Lifecycle Fund which puts 75% in equities.

Mohanty has started a recurring deposit to save for paying off his home loan. The interest on a recurring deposit is fully taxable. Instead of earning 7% interest on the recurring deposit and then paying tax on that income, Mohanty should simply increase his home loan EMI and save the 8.5% interest he pays on the loan.

## INCOME FROM EMPLOYER

| INCOME HEAD | CURRENT | SUGGESTED | ACTIONS TO TAKE |
|---|---|---|---|
| Basic salary and dearness allowance | 12,95,508 | 12,95,508 | |
| House rent allowance | 5,18,196 | 5,18,196 | |
| Special allowance | 3,73,092 | 2,44,142 | Reduce this taxable portion of the pay package. |
| Medical allowance | 15,000 | 0 | These perks are now taxable; get them replaced with tax-free allowances. |
| Conveyance allowance | 19,600 | 0 | |
| Leave travel assistance | 40,000 | 40,000 | |
| Telephone reimbursement | 0 | 18,000 | These perks are tax free against submission of actual bills. |
| Books and periodicals | 0 | 16,000 | |
| Employer's contribution to Provident Fund | 1,55,460 | 1,55,460 | |
| Contribution to NPS under Sec 80CCD(2d) | 0 | 1,29,550 | Up to 10% of basic salary put in NPS is tax deductible. |
| TOTAL | 24,16,856 | 24,16,856 | |

## + INCOME FROM OTHER SOURCES

| | | | |
|---|---|---|---|
| Interest income | 4,800 | 0 | Avoid recurring deposits; pay off the home loan. |
| Capital gains | 0 | 0 | |
| Rental income | 0 | 0 | |
| TOTAL | 4,800 | 0 | |

All figures are in ₹

Denotes suggestion to increase  Denotes suggestion to reduce

## Tax-saving investments

| INCOME HEAD | CURRENT (₹) | SUGGESTED (₹) | |
|---|---|---|---|
| Provident Fund | 1,55,460 | 1,55,460 | |
| Life insurance | 13,500 | 13,500 | |
| NPS under Sec 80CCD(1b) | 0 | 50,000 | Consider this new tax-saving option. |
| TOTAL ADMISSIBLE | 1,50,000 | 2,00,000 | |

## Other deductions

| INCOME HEAD | CURRENT (₹) | SUGGESTED (₹) | |
|---|---|---|---|
| Home loan interest | 2,00,000 | 2,00,000 | |
| Medical insurance premium | 0 | 25,000 | Buy health insurance for family and parents. |
| TOTAL | 2,00,000 | 2,25,000 | |

## Mohanty's TAX

| | TAX ON SALARY | TAX ON OTHER INCOME | TAX ON CAPITAL GAINS | Total |
|---|---|---|---|---|
| CURRENT | ₹3,76,396 | ₹1,498 | Nil | ₹3,77,894 |
| SUGGESTED | ₹3,01,968 | Nil | Nil | ₹3,01,968 |

TOTAL TAX SAVED

**₹75,926**

PER YEAR

TAX RATIO

(Total tax as % of annual income)

| EXISTING (₹) | SUGGESTED (₹) |
|---|---|
| 15.6% | 12.5% |

**WRITE TO US FOR HELP**

Paying too much tax? Write to us at etwealth@timesgroup.com with 'Optimise my tax' as the subject. Our experts will tell you how to reduce your tax by rejigging your pay and investments.

# Started late but regular investing can meet goals

Dileep Patwal is investing in mutual funds and post office schemes for his daughter's education and marriage, and his retirement. Here's what the doctor has advised him:

**GOALS**

| 1 | 2 | 3 |
|---|---|---|
| **DAUGHTER'S EDUCATION: 15** years<br>PRESENT COST: ₹**50 lakh**<br>FUTURE COST: ₹**2.09 crore** | **DAUGHTER'S MARRIAGE: 20** years<br>PRESENT COST: ₹**30 lakh**<br>FUTURE COST: ₹**1.16 crore** | **RETIREMENT: 19** years<br>PRESENT COST: ₹**1 crore**<br>FUTURE COST: ₹**3.6 crore** |

## PORTFOLIO CHECK-UP

- Lost compounding advantage due to late start.
- For long-term goals large-caps are better compared to mid- and small-caps.
- Goals are long term, so equity funds are most suitable.
- Don't invest too much in Sukanya scheme.

**Note from the doctor**

- Review and rebalance portfolio at least once a year.
- Reduce risk when goal is near to avoid missing the target.

## INVESTOR'S EXISTING PORTFOLIO

| Goal | FUND NAME* | AMOUNT INVESTED (₹) | EXISTING SIP (₹) | RECOMMENDED ACTION | NEW SIP (₹) |
|---|---|---|---|---|---|
| 1 | ICICI Pru Bluechip | 2,60,455 | 5,000 | Fund is performing well. Continue SIP and increase amount by 10% every year. | 5,000 |
| 1 | Franklin India High Growth Cos | 1,44,922 | 5,000 | Switch to Franklin India Equity Advantage. Raise amount by 10% every year. | 5,000 |
| 1 | Franklin India Smaller Cos | 38,109 | 2,500 | Switch to large-cap Franklin Bluechip. Hike SIP by 10% every year. | 2,500 |
| 1 | ICICI Pru Equity and Debt | 1,16,500 | 2,500 | Fund is performing reasonably well. Increase amount by 10% every year. | 2,500 |
| 1 | BNP Paribas Equity | 79,635 | 2,000 | Switch to Aditya Birla SL Equity and increase SIP to ₹5,000. Hike by 10% every year. | 5,000 |
| 2 | Mirae Asset Emerging Bluechip | 3,034 | 3,000 | Fund has been an outperformer but future could be bumpy. Increase SIP by 10% every year. | 3,000 |
| 2 | Sukanya Yojana | 1,85,000 | 5,000 | Continue investing in this tax-free option. | 5,000 |
| 2 | Smart Life Ulip | 1,75,000 | 5,000 | Continue investing in Ulip till maturity. | 5,000 |
| 3 | SBI Bluechip | 0 | 0 | Start SIP of ₹7,000 in this outperforming large-cap fund and hike amount 10% every year. | 7,000 |
| 3 | Provident Fund | 14,50,000 | 13,000 | Continue contributing till retirement without break. | 13,000 |
| | **TOTAL** | **₹24,52,655** | **₹43,000** | The goals can be reached using the mutual funds marked in the same colour. | **₹53,000** |

# Reduce education target to meet retirement goal

**Dinesh Nagare is investing for son's education and his retirement. Here's what the doctor has advised him:**

**GOALS**

| 1 | 2 |
|---|---|
| **SON'S EDUCATION: 17** years<br>PRESENT COST: ₹**30 lakh**<br>FUTURE COST: ₹**1.51 crore** | **RETIREMENT: 25** years<br>PRESENT COST: ₹**1.5 crore**<br>FUTURE COST: ₹**8.1 crore** |

| Goal | FUND NAME* | AMOUNT INVESTED (₹) | EXISTING SIP (₹) | RECOMMENDED ACTION | NEW SIP (₹) |
|---|---|---|---|---|---|
| 1 | ICICI Pru Equity and Debt | 23,496 | 1,500 | Continue SIP and increase amount to ₹3,000. Hike by 10% every year. | 3,000 |
| 1 | HDFC Balanced | - | 2,000 | Continue SIP and increase by 10% every year. | 2,000 |
| 1 | Aditya Birla SL Equity | 31,963 | 2,500 | Continue SIP and increase by 10% every year. | 2,500 |
| 1 | Aditya Birla SL Top 100 | 16,000 | - | Switch to Aditya Birla SL Equity to consolidate portfolio. | |
| 1 | Kotak Standard Multicap | 16,818 | 1,500 | Continue SIP and increase to ₹3,000. Hike SIP by 10% every year. | 3,000 |
| 1 | Axis Long Term Equity (holder is a minor) | 8,505 | 1,000 | Continue SIP but in your own name. Increase amount by 10% every year. | 1,000 |
| 2 | Mirae Asset Emerging Bluechip | 11,213 | 1,000 | Fund performed well but future may be bumpy. Increase SIP to ₹5,000 and hike by 10% every year. | 5,000 |
| 2 | L&T Emerging Businesses | 500 | 500 | Switch to better performing Mirae Asset Emerging Bluechip. | 0 |
| 2 | SBI Bluechip | 0 | 0 | Start SIP of ₹8,000 in this outperforming large-cap fund and hike amount 10% every year. | 8,000 |
| 2 | Provident Fund | 10,33,000 | 12,000 | Continue till retirement without break. | 12,000 |
| | **TOTAL** | **₹11,41,495** | **₹22,000** | *Some of the fund names may have changed. | **₹36,500** |

## PORTFOLIO CHECK-UP

- Investing in too many funds won't enhance returns but make portfolio unwieldy.
- Sum desired for son's education is too high. To meet it, investment will have to be doubled.
- Retirement goal won't be met if all investments go into education goal.
- Scale down education goal from ₹50 lakh to ₹30 lakh to meet retirement goal.

## PORTFOLIO DOCTOR


Not many investors know whether they have invested in the right funds and if their fund portfolio is on track. The Portfolio Doctor assesses the health of the fund portfolio, examines the schemes and their suitability with regard to the goals and, if required, recommends corrective measures. The advice given is based on the performance of the funds, the risk profile of the funds, the investor as well as his financial goals.

### Assumptions used in the calculations

**INFLATION**

| Education expenses | For all other goals |
|---|---|
| 10% | 7% |

**RETURNS**

| Equity funds | Debt options |
|---|---|
| 12% | 8% |

PORTFOLIOS ANALYSED BY
**RAJ KHOSLA,**
Managing Director and Founder, MyMoneyMantra

### WRITE TO US FOR HELP

**If you want your portfolio examined, write to etwealth@timesgroup.com with "Portfolio Doctor" as the subject. Mention the following information:**

- Names of the funds you hold.
- Current value of the investment.
- If you have SIPs running in any of them.
- The financial goals for which you invested.
- How much you need for each financial goal.
- How far away is each goal.

## Readers' response, online and in print, to ET Wealth stories has been enlightening. We pick some that add information and perspective to our articles from previous issues.

This refers to Dhirendra Kumar's column, 'When a little knowledge is a dangerous thing'. People need easy to understand and access models to verify the authenticity of an investment firm. What is required is introduction of courses that will teach not only the entire process of investing but also make the investor aware of the hiccups like taxation and inflation. Investors should also know about the recourses available if they are duped in any way. Most of the time people just write off their bad experiences. This allows the bad investment options to thrive and make victims out of more investors.
**Vaibhav Gupta**

**I will say this about Dhirendra Kumar, his views and reports on companies, funds and on the global economy and sectors are thoroughly researched, measured, balanced and almost always spot on. You can tell by his quiet, low-key and yet confident manner that he knows his stuff.**
**C.N.**

If books are cooked and numbers are incorrectly reported, no analyst can predict what will happen. The true picture emerges only when a scam unravels. No education can correct this, though moral education can help in the long run. Only a market correction will teach us the right lessons.
**B. Sriram**

### *New parents need plan in place*

The cover story, 'Money tips for new parents', was excellent. It is surprising that so little attention is paid to planning finances before and after a child is born. New parents should be doubly concerned. Not only are they taking on added financial responsibilities with the child, their income is becoming less too as many women tend to stop working to take care of the child.
**Dhiraj**


**This refers to the story, 'Why NCDs are a good option now'. Investors should be very careful about putting their money into instruments that could earn them high returns, but could also make their money vanish too.**
**S. Balawat**

The story, 'Why fund of funds are a viable investment option', was informative. To get more people to invest in mutual funds and keep them invested, LTCG tax should be waived if an investment is held for more than three years. However, the way things are moving now, the general public will remain glued to bank fixed deposits.
**Vilas Save**

**Apropos of the story, 'Small investors hit by Manpasand fiasco', Sebi should immediately investigate how the company fudged numbers over the years. India urgently needs laws whereby investors can sue promoters for compensation for loss suffered due to their actions.**
**Kanwaljit Singh**

Uma Shashikant's column, 'When experts behave like uninformed traders', was timely. The same auditors who resigned were earlier of the opinion that Manpasand as a company has performed well consistently. So who should the investors believe in? An amateur blogger who raised the red flag years ago or experienced money managers who invest after carrying out due diligence only.
**Manav Manoos**

REALTY HOT SPOT

# Proposed Metro link to give a boost

This Chennai locality already enjoys good road connectivity and hosts a number of offices.

## OMR Chennai

**PRICE RANGE**
₹3,090-8,330 per sq ft

Demand: **MEDIUM**
Supply: **HIGH**


**Distance from:**

Airport: 38 km | Railway station: 45 km | NH: 19 km

### HIGHLIGHTS

- Presence of key IT/ITeS parks and SEZs
- Proximity to popular shopping malls
- Well established hospitals
- Enjoys widespread road connectivity through OMR & ECR
- Proposed Chennai Metro Phase-2 to boost demand on OMR

### LOCALITY SNAPSHOT

Schools 20+ | Hospitals 16+ | Restaurants 20+
Banks 20+ | Grocery Stores 20+ | Petrol Pumps 9+

### PROPERTIES AVAILABLE

₹30 lakh (avg)
1 BHK: 610 (avg sq ft)

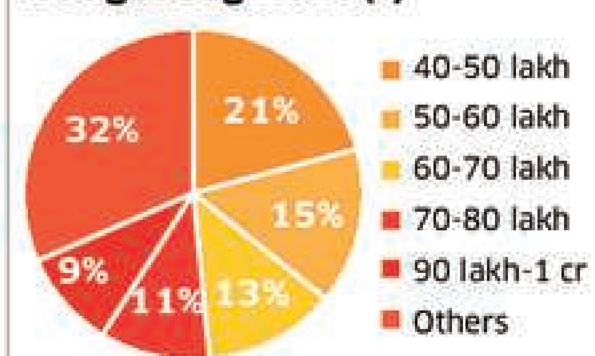
₹70 lakh (avg)
3 BHK: 1,460 (avg sq ft)

₹45 lakh (avg)
2 BHK: 1,010 (avg sq ft)

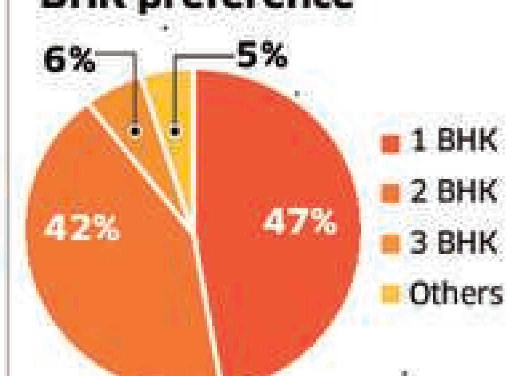
₹1.63 crore (avg)
4 BHK: 2,590 (avg sq ft)

| LOCALITY | VALUES: Price (₹/sqft) | VALUES: Rental (₹/month) |
|---|---|---|
| Sholinganallur | 4,040-5,880 | 16,600-29,100 |
| Navalur | 3,330-5,230 | 19,000-31,100 |
| Thoraipakkam | 5,100-8,330 | 18,100-30,100 |
| OMRoad | 3,430-5,560 | 15,100-26,800 |
| Kelambakkam | 3,140-4,300 | 10,900-17,900 |
| Perungudi | 5,570-7,540 | 20,300-31,000 |
| Siruseri | 3,260-5,070 | 9,500-16,500 |
| Padur | 3,600-4,820 | 13,300-20,600 |

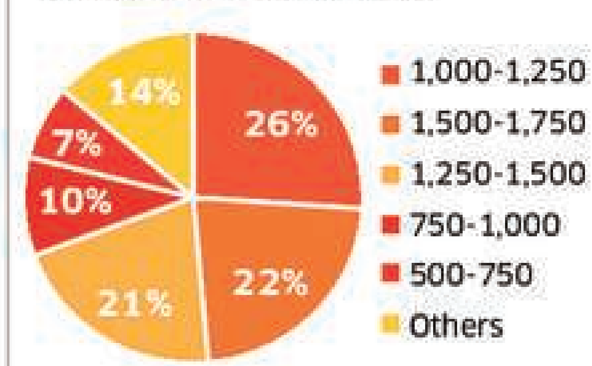
**Consumer preference by budget segment (₹)**




**BHK preference**




**Consumer preference by covered area (sq ft)**

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