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THE ECONOMIC TIMES
wealth

Are you making your money work?
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RISING INTEREST RATES
WHAT INVESTORS SHOULD DO NOW

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FINANCIAL PLANNING / Q&A / PORTFOLIO DOCTOR / AND MORE...

RISING INTEREST RATES
WHAT INVESTORS SHOULD DO NOW

PHOTOS: GETTY IMAGES

Invest in FMPs, short-term debt funds and FDs, but leave room for further investment in them to benefit from the likely hike in interest rates.

By **Sanket Dhanorkar**

The RBI hiking interest rates after four years signals the start of a rate tightening cycle, say experts. It will impact investors across fixed income categories—bank deposits, company bonds, small-savings instruments and bond funds. The impact, however, will vary across fixed income products. While bank deposit and corporate bond investors stand to gain from the likely hike in interest rates on deposits and higher coupon rates on bonds, long-term debt fund investors could suffer due to rising bond yields. Investors in traditional savings instruments such as PPF and Senior Citizens' Savings Scheme should benefit from the expected hike in rates, though rates may not rise as quickly as before.

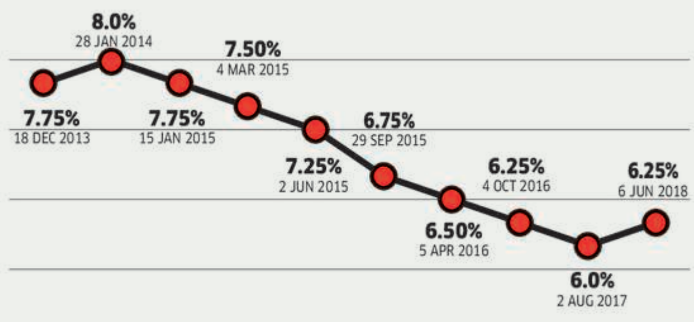
Here is how investors can tackle the mixed impact of an upward interest rate cycle on their fixed income portfolio and come out winners.

Take a measured approach

Several non-convertible debentures (NCDs) and company FDs are offering attractive interest rates. For instance, the latest NCD issue from Shriram Transport Finance offered between 9.1% and 9.4%, depending on investment tenure. But experts advise against investing all your surplus in the existing offers. Many companies will offer NCDs in the coming months and, as interest rates are likely to inch up further, their rates are likely to be better than being currently offered. "Don't invest your entire surplus now. Leave room to take advantage of opportunities that may arise when rates get stiffer," says Vivek Rege, Founder and CEO of VR Wealth Advisors. However, it would not be prudent to avoid investing altogether at this stage. Investors may consider deploying part of their surplus money in current NCDs. The rest can be deployed as and when offers get more attractive. "Rates may remain stagnant for some time, so it would make sense to use part of your surplus to lock-in at current rates," says Suresh Sadagopan, Founder, Ladder 7 Financial Services. By investing at different stages of the rate cycle, you can build a pool of investments that will mature at different points of time. This way, the entire corpus will not be subjected to reinvestment risk at the time of maturity. Besides, it is better to spread your money across 2-3 companies than risk your entire capital with a single issuer.

Interest rate cycle is strengthening now

After a gap of four years, the RBI hiked interest rates in June by 25 basis points.



COMPILED BY ETIG

Don't take too much risk

While coupon rates on company bonds and fixed deposits are looking attractive now, experts advise caution. "Higher coupon often

Short-term bond funds more attractive

Invest in shorter-term bond funds to capture the gains from the rise in spreads.

	CURRENT YTM^ (%)			YTM (%) ONE YEAR AGO		
TENURE	G-SEC	BONDS*	SPREAD %	G-SEC	BONDS	SPREAD %
1 year	6.91	8.27	1.36	6.39	6.9	0.51
3 years	7.77	8.54	0.77	6.52	7.1	0.58
5 years	8.05	8.61	0.56	6.57	7.2	0.63
10 years	7.89	8.58	0.69	6.49	7.38	0.90

^YIELD-TO-MATURITY | *HIGHEST-RATED (AAA) CORPORATE BONDS | G-SEC STANDS FOR GOVERNMENT SECURITIES | COMPILED BY ETIG | DATA AS ON 11 JULY 2018 SOURCE: BLOOMBERG

Opt for short-term funds with high YTM

These bond funds can deliver healthy return over the next few years.

	YIELD-TO-MATURITY (%)	
SCHEME	JUNE 2017	JUNE 2018
DHFL Pramerica Short Maturity	8.17	9.04
Aditya Birla SL Short Term Opp	7.85	8.87
Baroda Pioneer ST Bond	8.13	8.81
HSBC Short Duration	7.52	8.73
Invesco India Short Term	7.32	8.57
Reliance Short Term	7.47	8.57
DSPBR Short Term	7.42	8.48
Axis Short Term	7.21	8.47
ICICI Pru Short Term	7.48	8.47
L&T Short Term Bond	7.14	8.46

SOURCE: ACE MF

Fixed maturity plans on offer

These long-term FMPs could be good investment options

Duration	Plan
1,100 days	Aditya Birla Sun Life Fixed Term Plan
1,080 days	DSP BlackRock FMP
1,098 days	IDFC Fixed Term Plan Series 159
1,116 days	Reliance Fixed Horizon Fund XXXVIII
1,735 days	ICICI Prudential Fixed Maturity Plan

The best fixed deposits

FD rates are likely to go up further if RBI raises benchmark rates again.

	5-YEAR FD RATES (%)	
BANK	AGE UP TO 60	ABOVE 60*
IDFC Bank	8.25	8.75
AU Small Finance Bank	8.00	8.50
DCB Bank	7.75	8.25
Lakshmi Vilas Bank	7.50	8.10
RBL Bank	7.25	7.75
Public Provident Fund	7.60	7.60
Senior Citizens' Saving Scheme	NA	8.30

Note: FD interest up to ₹50,000 is tax-free for senior citizens

Higher tax on gains from bond funds

Falling inflation has reduced impact of indexation and increased the tax liability.

PERIOD	3-YEAR RETURN	GAIN (₹) ON INVESTMENT OF ₹1 LAKH	RISE IN COST INFLATION INDEX	GAIN/LOSS (₹) AFTER INDEXATION
2009-2012	8.0%	26,049	10.3%	-8,257
2010-2013	9.1%	29,877	10.6%	-5,259
2011-2014	9.4%	30,863	9.6%	-873
2012-2015	8.7%	28,480	9.3%	-1,955
2013-2016	9.0%	29,560	8.3%	2,560
2014-2017	7.5%	24,252	6.3%	4,252

bond prices, NAVs and returns. So, investors may consider allocating some surplus to long duration/gilt funds to capture any reversal in yields.

Investors who do not need money over the next three years may also consider fixed maturity plans (FMPs). These are closed-ended funds that hold bonds of similar duration till maturity and are able to lock-in prevailing yields and give predictable returns to investors. Experts contend that investor should take advantage of the higher yields being offered by FMPs. "If there are no immediate liquidity needs, it would be wise to go for held-to-maturity instruments that will allow the investor to lock in higher yields at this point of time," says Rege. "Due to their low expense structure, FMPs can be a good avenue for investors to fetch returns of around 8.5% over the next few years," says Jain. Here too, you may invest in a staggered manner to make the most of the upward rate cycle.

Consider post-tax returns

When identifying fixed income instruments, investors should also take into account post-tax returns. For instance, bank fixed deposits, recurring deposits and small savings schemes' after-tax returns have fallen over the past few years. Interest rates on bank FDs have steadily dropped from near double digits to as low as 6%. As rates on small savings instruments are now linked with market rates, they too saw a sharp cut. PPF rates were cut from 8.7% in 2013-14 to 7.6% in 2017-18 while SCSS rates dropped from 9.2% to 8.3%. Small investors are, however, likely to get some relief as interest rates go up. But rates may not rise in the same proportion as bond yields as the government has not been strictly following the prescribed formula—linked to bond yields—to arrive at small savings schemes' interest rate.

Investors must note that excluding PPF, interest income from bank and company FDs, NSC and SCSS is included in one's income for the year and taxed at the applicable slab rate. "While small savings schemes provide predictability of income, investors should keep in mind their poor tax-efficiency," says Rege. So, despite the possibility of interest rates moving up, experts suggest that investors take limited exposure in these products as part of their fixed income portfolio.

Interest income from NCDs is also taxed at marginal rates, making them tax-inefficient, particularly for those in the highest tax bracket. At 9% per annum, the post-tax earning for those in the highest tax bracket will be around 6.3% while for those in the 10% bracket it will be around 8.1%. "NCDs are only relevant for investors in the lower tax bracket," says Rustagi. If you sell the NCD before it matures within a year, you will have to pay short-term capital gains tax at applicable slab rate. If sold after one year but before maturity, you will have to pay 10% tax on the gains without indexation.

Bond funds and FMPs are slightly more tax-efficient as they enjoy indexation benefits. Indexation adjusts the purchase price for inflation during the holding period and this upward revision in purchase price reduces capital gains and brings down tax liability. Gains on bond funds and FMPs, if sold after three years, are taxed at 20% after indexation, effectively nullifying the tax incidence. However, given the sharp fall in inflation in recent years, the benefit from indexation is now not as high as it was a few years ago, say experts. "FMPs and bond funds are no longer as attractive on post-tax return basis. Investors need to be mindful of a higher tax incidence due to lower indexation benefit going forward," says Azeez.

Don't ignore asset allocation

Due to the prospects of higher returns, investors may get tempted to park more money in fixed income instruments. With NCDs and company fixed deposits offering almost double-digit returns at a time when the stock market has been witnessing a lull, investors may even feel like pulling out money from their equity investments. But if your investment horizon is more than five years, it makes no sense to divert money into fixed income for near term benefit of higher interest rates, says experts. Investments for long-term goals should remain in more productive avenues such as equity mutual funds. The returns from these funds may have dipped over the past year, but their longer term potential remains intact. In fact, switching to other avenues in search of higher yields may put the accumulated corpus at risk. "Don't shift asset allocation purely because fixed income segment is likely to do better. You may end up compromising long-term goals for short term gains," says Rustagi. Some re-alignment within the fixed income portion of your portfolio should put you in a good position to tackle a rising interest rate environment. But be patient with your equity investments and avoid straying away from your asset allocation.

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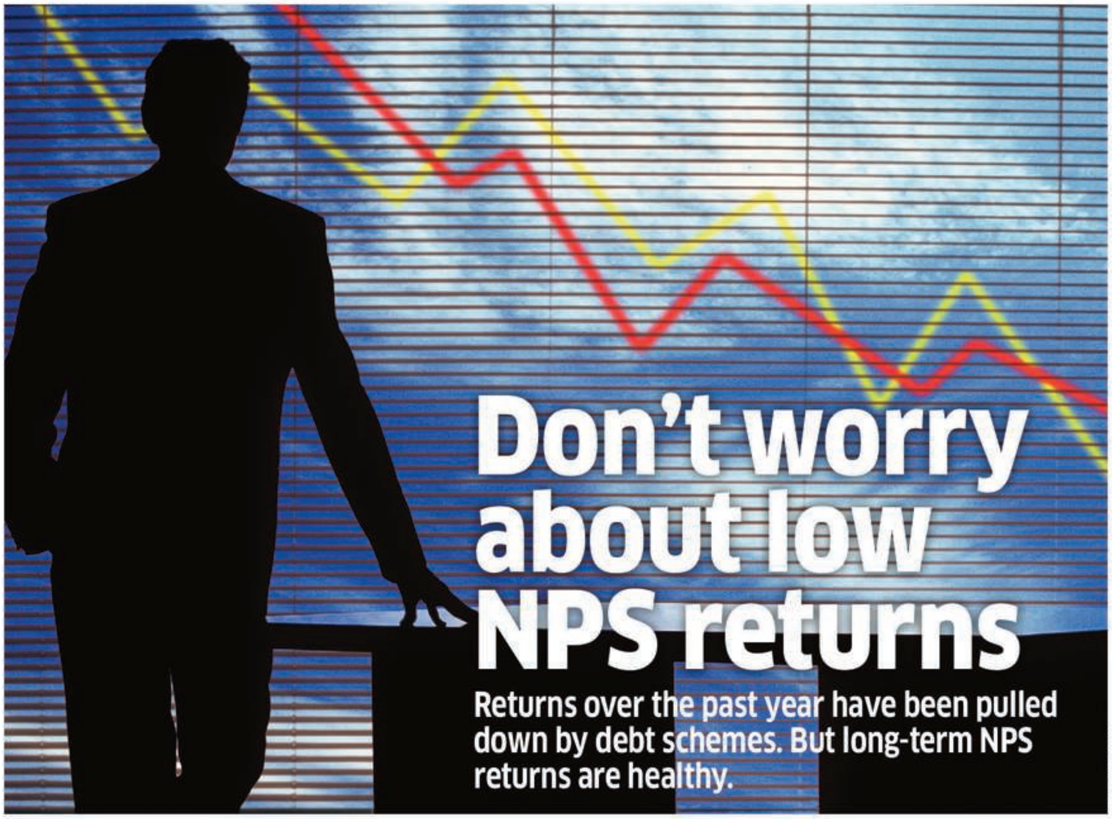


Don't worry about low NPS returns

Returns over the past year have been pulled down by debt schemes. But long-term NPS returns are healthy.

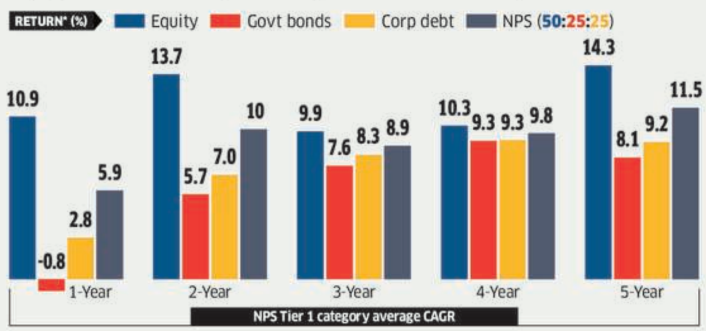
by **Narendra Nathan**

The equity component of NPS has generated an average 10.9% over the past year. The return is calculated based on the average performance of all NPS Tier 1 equity schemes. However, government bond funds, which some investors assumed to be 'risk free', have generated a negative return of 0.8% during the past year. "While government bonds are free from default risk, they carry interest rate risk and, therefore, it is not correct to assume that they are risk free," says Gaurav Mashruwala, a Mumbai-based financial planner. Interest rate risk refers to the change in the prices of bonds due to changes in interest rates. Since yield and bond prices move in opposite directions, bond prices fall when yield moves up. This is what happened during the past year. "Let this be a lesson to all investors that there are no investment products without any risk," says Harsh Roongta, a Sebi-registered investment adviser.

Though slightly better than the returns from government bonds, the average return of corporate debt funds over the past year was a dismal 2.77%. Due to the negative return from government bonds and subpar performance of corporate debt funds, one-year return of NPS, for investors with 50:25:25 equity-government debt-corporate debt ratio, fell to just 5.93%. This is significantly lower than EPF and PPF returns. NPS investors who avoided equity altogether and split their investments equally between 'risk-free' government and corporate debt suffered more with just just 0.99% return.

Opt for a diversified NPS portfolio

Equity schemes have helped make up for debt funds' underperformance.



These NPS funds have topped the charts

The poor 1-year returns of debt schemes shouldn't be a worry as they will improve once interest rates start going down.

EQUITY PLANS	1-YEAR	NAV (₹)	ASSETS (₹CR)
Birla Sun Life Pension Scheme	15.03	11.80	16.71
UTI Retirement Solutions	12.58	28.25	254.90
HDFC Pension Fund	12.50	20.99	1,177.56

GOVERNMENT BOND PLANS	1-YEAR	NAV (₹)	ASSETS (₹CR)
LIC Pension Fund	-0.15	16.22	363.61
ICICI Prudential Pension Fund	-0.38	20.74	722.88
SBI Pension Fund	-0.40	22.33	1,978.01

CORPORATE DEBT PLANS	1-YEAR	NAV (₹)	ASSETS (₹CR)
Birla Sun Life Pension Scheme	5.69	10.84	9.07
Reliance Capital Pension Fund	2.73	22.10	50.89
ICICI Prudential Pension Fund	2.66	24.58	5,97.79

Source: Value Research. Returns as on 9 July 2018

Lessons from past year

All investment products carry risk. So, avoiding some asset classes altogether, fearing risk, is not a good idea. The solution is to maintain a diversified portfolio comprising various asset classes. When some asset classes fare well, others might disappoint, however exposure to different asset classes will help mitigate risk. There is no standard formula applicable to all investors, but the thumb rule for investing in NPS is to allocate at least 50% to equity if the retirement is at least 10 years away. So last year's NPS performance should be a wake up call for young investors, who had shied away from equity investment. It's time they increased their equity investment in NPS.

Investors also need to understand that NPS is a long-term investment vehicle and it is best to ignore short-term volatility in returns. Market cycles come with different trends and the short-term trend may be the opposite of the long-term trend. Since this rule is applicable to the debt market as well, experts are even advising investors to continue with their debt-only allocations and not get hassled with short-term aberrations. "Just like equities, interest rates also move in cycles and short-term losses now will be recouped when interest rates start falling again. Short-term volatility should not impact long-term investors," says Roongta. Though one-year return of both government bonds and corporate debt are low now, both have generated good returns over 3- and 5-year periods. Also, investing in debt funds when bond yields are high usually leads to better returns in the following year (*see* page 3).

Govt versus corporate debt

Why have government bonds underperformed corporate debt? Should investors dump government bonds in favour of corporate debt? There are two key factors responsible for the underperformance of government bonds. First is the low duration of corporate bonds. They usually have a maturity of around five years, compared to 10-30 years of government bonds. Since price volatility will be large in bonds with long duration, the price fall was more in government bonds. Second, there is higher liquidity in government bonds and mark-to-market impact will be higher if trading happens regularly. "Interest rate risk is there in all fixed income products, even in fixed deposits. While it will be visible in government bonds because they are marked to market, it won't be visible in products where investors are forced to hold till maturity," says Roongta. This is why experts advise against shifting from government bonds to corporate debt as it will expose investors to greater risk because while government bonds carry interest rate risk, corporate bonds carry interest rate risk as well as default risk.

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Govt, RBI mull database to track non-cash transactions

The move aims to track black money and investigate money laundering cases.

In an attempt to widen the crackdown on black money, the government is planning to set up an information technology (IT)-based mechanism to keep tabs on all non-cash financial transactions in the country. In another development, to address concerns arising out of possible misuse of anonymous demand drafts (DDs) for money laundering, RBI has decided that the name of the purchaser be incorporated on DDs, pay orders, banker's cheques and similar instruments.

The first move is a step towards tracking black money and establishing a money trail to investigate money laundering cases and operations of shell companies. The government and RBI have begun discussions to put in place the 'search engine' or database of all payment transactions in the country.

The preliminary discussions on the issue were held with the central bank after the finance ministry, income tax department and some investigating agencies deliberated on the issue in the wake of a series of steps to investigate shell companies and money laundering cases that have doing rounds.

The proposal is to let RBI put in place a platform where all non-cash transactions can be recorded and shared on a need-to-know basis, according to a senior government officer familiar with the discussions.

A law enforcement agency has suggested that the database could be used to establish a trail of transactions often seen in case of a fraud. But, there are doubts if the proposed tool will be sufficient to help investigating agencies track transactions meant to launder or siphon off money. For instance, a ₹5 crore cheque payment by person A to B can be tracked but it is possible that A had received ₹20 crore from person C and the database alone is not seen to be sufficient to deal with the issue.

Similarly, tracking all transactions related to an entity and its key functionaries may be difficult in the current set-up, officials said. The officials have said that the focus was on corporate data, although data related to individuals would also be available in the database.

Meanwhile, tightetning the reins on the DDs used by money launderers, the RBI has sought mandatory incorporation of the name of the purchaser on the face of the financial instrument. Despite government barring the use of cash in high-value transactions, tax avoiders have managed to work around this by purchasing DDs. These drafts have been used by tax avoiders for purchase of benami property.

—Sidhartha

PRODUCT LAUNCHES

:: Mutual Fund

BOI AXA Mutual Fund has announced BOI AXA Mid Cap Tax Fund Series 2. The scheme will predominantly invest in equity and equity related instruments of mid-cap companies. The minimum investment is ₹500. **The NFO is open till 11 October.**

IDFC Mutual Fund has launched IDFC Equity Opportunity Series 6. The scheme will invest in equity and equity related instruments of Indian and foreign companies. **The minimum investment is ₹5,000. The issue closes on 23 July.**

Sundaram Mutual Fund has announced Sundaram Long Term Tax Advantage Fund Series V. The tenure of the ELSS fund is 10 years. **The issue closes on 24 September. The minimum investment is ₹500.**

Kotak Mutual Fund has launched Kotak Balanced Advantage Fund. The scheme will follow a dynamic asset allocation model. **The minimum investment is ₹5,000. The issue closes on 27 July. It will reopen for sale and repurchase from 10 August.**

Now, salary hikes based on next year's performance

When the performance review time rolls around at IBM, employees get judged not only on their past accomplishments but also on how they might perform in the future.

Using artificial intelligence, Watson Analytics looks at an employee's experiences and projects to infer the potential skills and qualities each person might have to serve IBM in the future. Watson also scours IBM's internal training system to see if an employee has gained new skills. Managers then take Watson's assessment rating into account as they make bonus, pay and promotion decisions.

"Traditional models said if you were a strong performer in your current job that was the singular way that you got a promotion," said Nickle LaMoreaux, vice-president for compensation and benefits at IBM. "Well, we certainly still care about performance," she said. But that now includes hypothetical future performance, too. IBM claims Watson has a 96% accuracy rate, as compared to IBM's internal analysis with HR experts. The company spot-checks employee performance against its predictions.

Previously, employers used past accomplishments as the sole metric for compensation decisions. The method worked when job tasks stayed relatively static over time, but "the half-life of skills is getting shorter and shorter," said LaMoreaux. What employees could do yesterday matters less than what they can potentially do tomorrow.

10,500

rupee per square foot is the annual rent for office space in Connaught Place, New Delhi. This makes it the most expensive commercial area in India and ninth most expensive office location in the world.

QUOTE OF THE WEEK

"It takes five years to learn how to make money; and twenty-five to learn how to not lose it."

NASSIM NICHOLAS TALEB,
AUTHOR, SCHOLAR AND MARKET EXPERT

45% of home buyers feel interest rates too high

Nearly half of the prospective home buyers end up not taking a decision to buy a home because they think the interest rates are too high, revealed a consumer poll by Magicbricks.

"For 45% of prospective home buyers, rising interest rates for home loans remains an impediment in buying their dream house," the real estate portal said.

The poll also reflected the fact that long payback period is a worrying factor for around 27% borrowers, whereas, 21% feel that the tedious process of applying for a home loan is the biggest problem. Only 7% borrowers feel that it is easy to get a home loan these days. Increase in the rate of interest, the poll said, is another matter of concern for home buyers who are planning to buy a house at this time.

— Satyanarayan Iyer

Online fraudsters at work as taxpayers file their returns

Taxpayers advised to not respond to suspicious emails asking for banking details.

This is the season to file income-tax returns(ITR) and the phishing fraudsters are using this time to lure victims. Taxpayers are receiving emails from addresses remarkably similar to the original tax department portal, asking them to provide their net banking details to "receive their refund amount". The sender's address in the current fraud appears as *donotreply@incometaxindiafilling.gov.in* and not *donotreply@incometaxindiaefiling.gov.in*—the 'e' is missing from 'efiling' and 'filing' is spelt as 'filling.

"We issue standard alerts on our website as well as by text messages cautioning taxpayers about online fraud. It is best not to respond to suspicious mails and never share your bank account or credit card details because we do not solicit them," an I-T spokesman said. The I-T website did not show any alert, but chartered accountants and tax return preparers (TRPs) circulated a cautionary note on WhatsApp. It said: "An important announcement for all

of those who have filed their returns and have received an e-mail stating that there has been an error in calculating tax and a refund has to be issued—please ignore it. It is circulated by hackers. Once you click on the link, it will direct you to a netbanking login page and once you log into it, your bank account will be hacked. The income tax department will send an intimation about refunds payable through a proper notice."

Sushma Bandelkar, a TRP in Mumbai, said, "Such frauds will increase as the 31 July deadline to file returns approaches." She has advised taxpayers to not share any personal information with any caller who claims to represent the I-T department, or email any details. She said, "If a refund is due, you will receive a formal notice from I-T. Do not give your bank details to any individual or website."

Bandelkar said phishing frauds using I-T returns as the hook have taken place often in the past. "If there are any changes, a rectification form must be filed before you can receive your refund. All CAs and TRPs provide the assessee's bank account number and IFSC code as part of the returns filing process. So, the department does not solicit these from individual taxpayers again. Any refund due will come to you through NEFT. It is best to ignore such emails," she said. —*Bella Jaisinghani*

Engineering colleges woo students with discounts

Amid the possibility of thousands of seats going vacant and facing imminent closure under All Indian Council for Technical Education (AICTE) norms, private engineering colleges are now offering all kinds of lures to attract students. From fees as low as ₹2,500 per year to offers of free laptops and two-wheelers, colleges are now adopting new strategies to woo students. According to a data released by the AICTE, out of 15.5 lakh engineering courses seats in 3,291 engineering colleges, over 50% remained vacant in 2016-17. In 2015-16, too, half of 14.76 lakh engineering seats had no takers. As per an *Ahmedabad Mirror* report, this year, at the end of round 1 admissions process in Gujarat colleges, as many as 34,642 seats out of 55,422 have remained vacant.

To counter this situation, colleges are offering several discounts including reduced fees in the name of scholarship, complete waiver of first semester fee, free laptops, half transportation and hostel fee and two-wheelers at the end of four-year course to those who pay entire course fee by single payment. Desperate to get admissions, an institute in Gujarat is offering fee as low as ₹2,500 per year, while another college has hired commission agents to bring students. After several years of boom, engineering education in the country is fast losing its sheen.

You can now use Whatsapp to claim insurance

Future Generali India Insurance has become the first non-life insurer to adopt WhatsApp to deliver policies to the client. The company will also allow customers to use the messaging platform to register claims and upload videos of vehicles damaged in accidents.

The delivery of policies through the instant messaging platform will be in addition to the email copy that the company will be sending. The customer will also receive a physical copy of the policy, the need for which depends on the requirements of local police.

While the policy delivery will be a straight-through process, the claims registration will be done by company representatives who will also guide the policyholder on how to shoot the video of the damaged vehicle using his mobile phone.

AND ELSEWHERE

KYLIE MAKES IT TO LIST OF FORBES BILLIONNAIRES


JON KOPALOFF

Kylie Jenner, the reality TV star, is touted to become the youngest self-made billionaire in the United States thanks to the booming cosmetics company she launched two years ago, *Forbes* magazine reported.

The half-sister of Kim, Khloe and Kourtney Kardashian, the 20-year-old Jenner debuted Kylie Cosmetics in 2016 with $29 lip kits containing matching lipstick and lip liner. Touted to be one of the hottest selling make up companies, it had sold more than $630 million worth of makeup since, including an estimated $330 million in 2017.

Forbes said it valued her company at nearly $800 million and that Jenner owns 100% of it.

Adding millions from TV programs, endorsements and after-tax dividends from her company, Forbes has stated that Jenner was "conservatively" worth $900 million. Another year of growth would make her the youngest-self made billionaire ever, male or female.

Jenner first grabbed the spotlight as part of the *Keeping Up with the Kardashians* reality TV show with her mother and siblings. Forbes estimated that Kim Kardashian, who has her own cosmetics, clothing and mobile games lines, is worth $350 million.

In an interview with *Forbes*, Jenner credited social media for helping drive her success.

How are gains from F&O to be taxed and declared in ITR

They are considered non-speculative business gains and taxed at the normal rates applicable to the taxpayer.

GETTY IMAGES

KARAN BATRA

THE AUTHOR IS FOUNDER & CEO OF CHARTERED CLUB

Filing income tax returns is easy if you have income only from salary and bank interest. But many taxpayers also have income from other sources, including gains from trading in futures and options (F&O). Gains from F&O are not considered capital gains but business income. As these are considered non-speculative business gains, income tax is levied according to the applicable tax slab rates.

There are two ways to compute income from F&O trading:

- Normal system of computation: Income = sales – purchase – other expenses – depreciation
- Presumptive system of computation: Income = assumed percentage of sales

Normal system of taxation

This can be explained with an example.

During 2017-18, Mr A traded in Nifty many times. His purchases were worth ₹70 lakh and sales worth ₹80 lakh.
On the face of it, the income of Mr A would be: ₹80 lakh - ₹70 lakh = ₹10 lakh
But he also incurred several expenses related to this business, including:

- Subscription plan for receiving stock market tips: **₹3,000**
- Telephone and Internet bills: **₹20,000**
- Salary paid to employee(s): **₹2 lakh**
- Fee to CA for filing return: **₹10,000**
- Other business expenses: **₹15,000**

The total expenses were **₹2.48 lakh**
In addition, the depreciation on assets such as car, office furniture and computer during the year was **₹1.25 lakh.**
So, the total income of Mr A from the trading business would be computed as follows: ₹80 lakh - ₹70 lakh - ₹2.48 lakh - ₹1.25 lakh = ₹6.27 lakh

Under this system, the income is computed on actual basis and the taxpayer is required to maintain a record and invoice for each and every expense made. Moreover, he is also required to maintain all the books of accounts, profit and loss account as well as the balance sheet.

It can become very difficult for a small business owner to maintain so many records and to keep a copy of all the invoices.

Therefore, for small traders there is another option wherein no records are required to be maintained and the tax is to be paid on an assumed basis. This scheme is called presumptive tax and is explained below.

Presumptive taxation

Under the presumptive scheme of taxation, the law gives the small traders an option to declare his income as a percentage of total turnover.

The small trader can disclose his income at any level above 6% of turnover. Earlier, the minimum required to be disclosed was 8% but this was reduced to 6% from 2016-17 onwards. As the payment is always received in banks in case of F&O transactions, they can disclose the income as 6% of turnover.

In case the small trader feels that his income is less than 6%, he would have to shift to the normal scheme of taxation and prepare all books of accounts and keep copies of all invoices.

The presumptive scheme of tax is only applicable to traders whose annual turnover is less than ₹2 crore.

However, in case of F&O trading, as the value of contracts traded is huge, the manner of computation is a bit different.

Computation of turnover

In case of F&O transactions, the total of all contracts sold is not considered as the total turnover. The turnover is computed by taking into account the total of all favourable and unfavourable trades. This can be explained with the help of the following example:

Mr B enters into two transactions during the year.
He purchased one lot of Nifty for **₹8 lakh** and sold the same for **₹8.5** lakh, thereby earning a profit of **₹50,000.**
He purchased one lot of Reliance Industries for **₹9.5 lakh** and sold for **₹9.4 lakh**, thereby incurring a loss of **₹10,000.**
In the above case, the total turnover would be considered as **₹60,000.**

Which system is better?

The normal scheme of taxation may turn out to be better in some cases whereas presumptive scheme of taxation may turn out to be better in others. It actually depends on the trader and he should decide which system works best for him.

What to do about losses

F&O trading is a risky business which may result in losses as well. In case a person incurs a loss from trading, it can be set-off against any other income of that year (except salary income).

In case the person is unable to set-off this loss, the loss can be carried forward for up to eight financial years and set-off against business income only.

It is important to note that F&O losses can be set off against other incomes (except salary) in the financial year in which the loss was incurred. However, if this loss is carried forward to future years, it can only be set-off against business income of that year.

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In India, securing a child's future through good education is one of the top priorities for parents. Next on their agenda is taking care of the expenses for the child's marriage. Since a child gets several years before he/she needs a large chunk of money for higher education or marriage, parents should look at systematic investment plan (SIP) in equity funds for building a large corpus.

USE SIPS TO MEET CHILD'S HIGHER EDUCATION COSTS

SIPS IN EQUITY FUNDS COULD CREATE LARGE CORPUS OVER LONG TERM WHICH COULD ALSO BE USED TO MEET EXPENSES FOR CHILD'S WEDDING

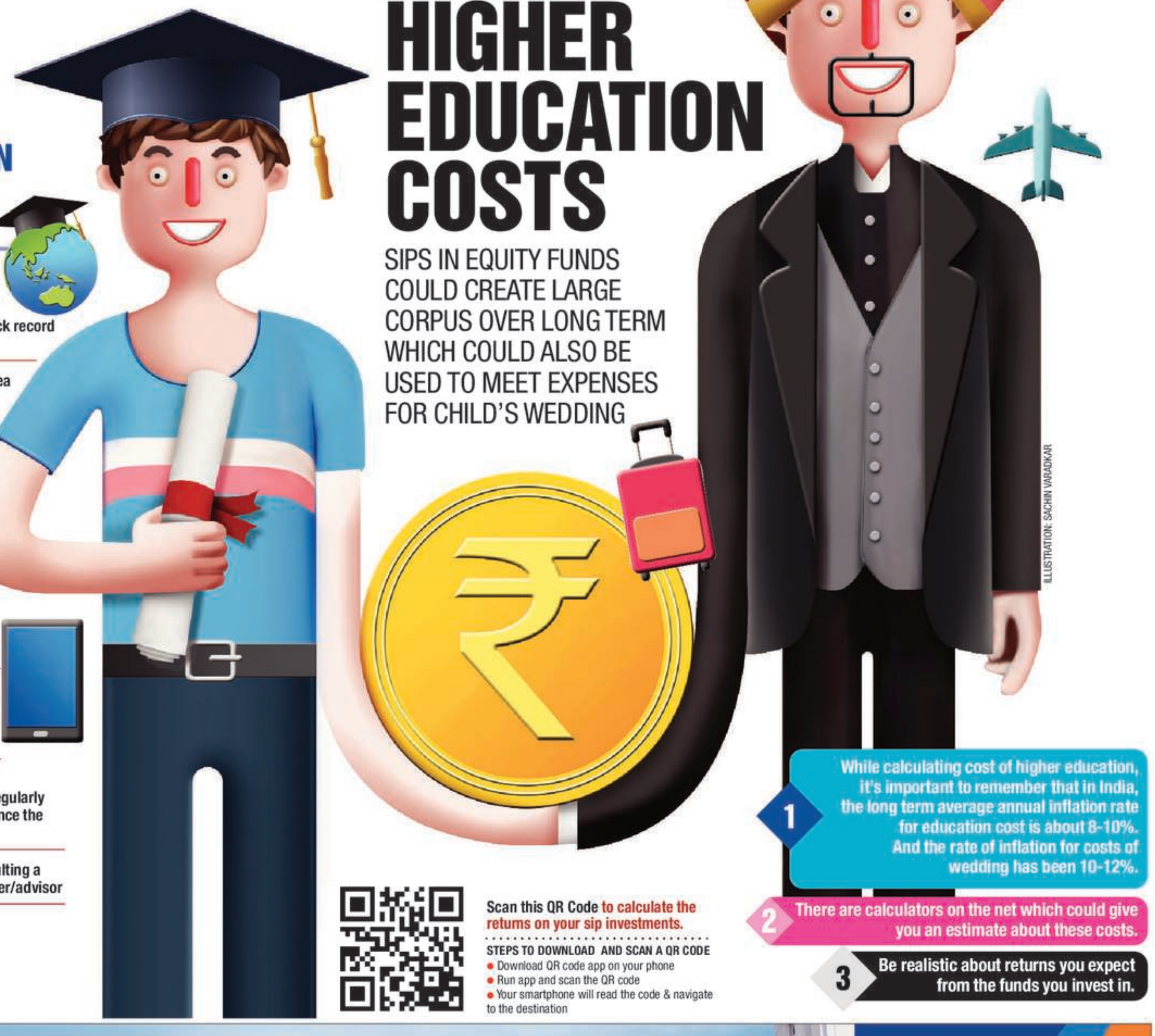

ILLUSTRATION: SACHIN VARADKAR

PUTTING IN PLACE AN SIP

- Select one or two equity fund(s) from a good fund house with a track record of several years
- Have a good idea about when your child could go for higher education and when he/she could get married
- Fill up the application form (s), ECS mandate(s) for fund transfer and the SIP mandate(s) for the fund
- Don't touch these funds unless under extreme conditions
- Review fund performance regularly and if required rebalance the portfolio
- Consider consulting a financial planner/advisor

1. While calculating cost of higher education, it's important to remember that in India, the long term average annual inflation rate for education cost is about 8-10%. And the rate of inflation for costs of wedding has been 10-12%.
2. There are calculators on the net which could give you an estimate about these costs.
3. Be realistic about returns you expect from the funds you invest in.

Scan this QR Code to calculate the returns on your sip investments.

STEPS TO DOWNLOAD AND SCAN A QR CODE
- Download QR code app on your phone
- Run app and scan the QR code
- Your smartphone will read the code & navigate to the destination

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5 consistent performers you can bet on

These stocks have outperformed the benchmark index, BSE Sensex, for most part of the past three years.

by **Sameer Bhardwaj**

Several stocks generate excess returns compared to their benchmark indices. The most consistent among the outperformers also have the ability to generate wealth over the long term. So, we have identified stocks that have outperformed the benchmark BSE Sensex for most of the trading days over the past three years.

We restricted our study to BSE500 stocks and calculated their daily returns from 29 June 2015 to 29 June 2018. We also calculated the daily returns of BSE Sensex for the same period. We then considered each stock from our universe of 500 stocks and looked for trading days on which the stock outperformed the Sensex. Then we added all the trading days on which a stock outperformed the Sensex, and calculated the outperformance of the stock in percentage terms. For instance, IndusInd Bank outperformed the BSE Sensex on 395 trading days out of 745 trading days in the past three years, so its outperformance stands at 53%. We repeated the exercise for each of the 500 stocks and then sorted them in descending order on the basis of their outperformance.

After analysing point-to-point returns of the selected stocks, we found that the top 10% delivered an average return of 143% between 29 June 2015 and 29 June 2018. The BSE500 returned 34.2% during the same period. These top 10% stocks delivered 25% point-to-point average returns between 29 June 2017 and 29 June 2018, while the BSE500 generated 10.6% returns during the same period. So, in the past one and three years, the top 10% of the outperforming stocks have generated a premium of 2.4-times and 4.2-times respectively compared to the benchmark index.

These stocks have not only consistently outperformed the BSE Sensex but also score highly on their fundamental attributes. The unaudited results for 2017-18 show that the top 10% of the stocks have delivered year-on-year aggregate operating and net profit growth of 15% and 12% respectively. Comparatively, aggregate operating and net profits of BSE500 were 8.1% and 2% respectively for the same period. Our study shows that the analysis of stock performance with respect to market benchmarks could help investors identify medium to long-term outperformers. Let us look at the five stocks from our top 10% list that have got the highest buy recommendations from analysts.

Outperformers analysts are bullish on

The average 3-year return of these consistent outperformers is a whopping 178% compared to the BSE500's 34.2%.

Company	Outperformance* (%)	Operating profit (%)	PAT (%)	3-year return (%)	Analysts' views: Buy	Hold	Sell
IndusInd Bank	53.0	22.1	25.7	125.7	43	9	1
Britannia Inds	50.2	16.7	13.5	129.6	29	8	2
Dalmia Bharat	51.4	5.3	88.0	286.8	24	2	1
JSW Steel	50.6	21.4	75.8	275.8	23	9	3
Asian Paints	51.0	5.2	2.1	71.6	21	12	2
BSE500		**8.12**	**1.99**	**34.20**			

*Number of trading days the stock has outperformed the BSE Sensex in past three years. Operating profit (including other income) and PAT growth is y-o-y. Absolute returns as on 29 Jun 2018. **Source:** ACE Equity and Bloomberg.

IndusInd Bank

It's a new generation private sector bank with more than 1,000 branches and around 1,800 ATMs spread across the country. According to a report by Bloomberg Intelligence, the bank's profit growth will be supported by robust revenue momentum, driven by strong loan growth and healthy expansion in net interest margins. The bank's loan growth is likely to strengthen further in the June 2018 quarter and its asset quality will continue to be among the best in the industry.

Britannia Industries

India's leading food company, Britannia manufactures bakery and dairy products. According to a research report by KR Choksey, the company is likely to grow faster than the market due to the management's efforts on new innovative products in the premium segment, improvement in distribution channel, focus on capturing new markets and increasing penetration in the rural areas. Steps to mitigate the impact of inflation on raw material prices will help improve Ebitda and profit after tax margins by 2019-20.

Dalmia Bharat

This cement manufacturer has an annual installed capacity of 25 million tonnes. Sustained improvement in variable cost parameters, rising market share across regions, increasing scale of premium brands, discipline in capex and debt repayment, and organisational restructuring will be future growth drivers, says a research report by Antique Stock Broking.

JSW Steel

Producer and distributer of iron and steel products, JSW Steel has a capacity of 18 million tonnes per annum. The company has invested $1 billion in the US. According to a research report by ICICI Direct, JSW Steel will benefit from its expansion, given the stringent trade measures announced by the US to support its domestic steel industry.

Asian Paints

The company's product portfolio comprises paints, water proofing material, wall coverings and adhesives. According to a research report by JP Morgan, healthy domestic demand aided by rural recovery, improved overseas operations, extensive distribution reach and product innovations offers positive revenue growth outlook in 2018-19.

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Do-it-yourself investing is not for everyone

Investing in direct funds without the advice of any intermediary can be financially disastrous for new and inexperienced investors.

DHIRENDRA KUMAR
CEO, VALUE RESEARCH

MONEY MYSTERIES

Here's what an adviser should be doing: Trust or credibility development; goal planning, portfolio construction, portfolio rebalancing, ongoing goal planning and risk adjusting, and being a counselor when the market is going down.

In the five-plus years since the mutual funds regulator forced all funds to offer a direct-to-the-customer option, most well-informed investors have understood the advantage of direct funds. They know by now that all funds have a 'direct from the manufacturer' model, whereby investors can get a 'direct' equivalent of each fund. These are cheaper too, as the mutual fund company deducts lower expenses as it does not have to pay the 'retailer'.

Thus, cheaper translates to higher returns. How much higher are the returns from direct funds? A small amount annually, but with compounding over the years, it builds up. So does that mean that direct funds should be an automatic choice for all investors? Not quite. The 1% or so per year differential of returns that exists between direct and regular plans is money, but perhaps not too much of it. One could think of it as the money paid for the services of the distributor because that's exactly what it is. The knee-jerk reaction of always going for the cheapest option would not serve many investors well, except for knowledgeable do-it-yourselfers.

Whatever a mutual fund does for you is paid for by money that is deducted from your investments. For equity funds, fund companies can charge in slabs that go from a maximum of 2.5% to a minimum of 1.75%. There's also GST and all of this put together can raise the high point of expenses to just short of 3%. While the rate is expressed on annual basis, the money is deducted every day in small amounts so that the annual charge adds up to the full amount. This money goes to the fund company, with some of it eventually going to the fund distributor who sold you the fund. While it is certainly arguable that mutual funds charge too much, the deduction is equal for all investors in a given mutual fund.

To understand the choice between direct and regular investment, let's first see what the ideal role of an adviser could be. In a list created by an old American financial company, here's what an adviser should be doing: Trust or credibility development; goal planning, portfolio construction, portfolio rebalancing, ongoing goal planning and risk adjusting, and just as important as anything else, being a counselor when the market is going down. Even though that sounds like a tall order, most investors need some subset of these services. Beginner investors also need simple convenience services to facilitate the transactions.

Even more than that, beginner investors need someone to get them started. Unlike a fixed deposit in a bank, a mutual fund investment is not simply an automatic extension of some services you are already getting. Being too focussed on the last sliver of cost may mean that you never actually get started.

Based on all this, what kind of an investor would be suited for direct investments? That would have to be someone who understands what kind of mutual funds are needed for different kinds of investment needs, is capable of researching these independently and come up with a list of funds to invest in, and then go through the process of actually investing without the help of an intermediary. After one starts investing, whenever the markets fall and investment values come under pressure, an external source of advice can help one stay the course. Essentially, do for yourself everything that an adviser is supposed to do.

Does this sound like you? If it does, then you could definitely earn some extra returns by investing directly. But if you are anything resembling a new and inexperienced investor, then you may be better off with a regular plan. Of course, this leads one to the question of whether it's easy at all to find the right kind of adviser, but that's a different story altogether.

Why you should consider cancer plans

A clutch of life insurance companies offer cancer covers. Find out if they merit a spot in your protection basket, given the high cost of treatment of the dreaded disease.

by **Preeti Kulkarni**

The dreaded C-word is in the news after actor Sonali Bendre disclosed that she has cancer. Earlier, actor Irrfan Khan had made his fight against the disease public, adding to the awareness about cancer and its treatment. However, the level of preparedness for managing the financial aspect of the treatment remains low. This despite a clutch of life insurers actively promoting policies that offer targeted protection against cancer. Recently, health insurer Star Health also launched a policy aimed at cancer survivors. "The sensitivity towards buying insurance to cover this disease is low. Distributors do not sell these policies as much as they promote policies with a savings element," says Anilkumar Singh, Chief Actuarial Officer, Aditya Birla Sun Life Insurance.

Cancer plans the answer

Cancer is now responsible for almost one in six deaths globally. Though medical advancements have increased the chances of early detection and successful treatment, the treatment costs are huge. This is where cancer policies can play a role. The sum insured can be as high as ₹60 lakh. These policies cover cancer right from the early stages to the advanced ones. Future premiums are waived off on detection for three to five years—depending on the plan—to ease the burden on policyholders.

The claim settlement process is simple, as these are fixed benefit policies that hand out a pre-defined sum on diagnosis. As a regular health insurance cover reimburses only hospitalisation costs, the cancer policy payout can be used to meet any recuperation-related expenses as well as to make good any shortfall due to loss of income during treatment. Also on offer are increased sum assured options under premium variants, where the cover increases by 10% for every claim-free year. Income benefit is another feature that can be of help during the recovery phase, particularly if the health condition is debilitating enough to force a break from employment.

Study the features and exclusions of policies before buying

HDFC LIFE

Cancer Care Platinum
ANNUAL PREMIUM: ₹6,373
POLICY TERM: 20 years

FEATURES
- Covers all stages of cancer
- Compensation at every stage
- Premium waived for 3 years on diagnosis of minor stage
- No claim bonus up to 200% of sum assured
- One time payout + 1% of increased sum assured paid monthly

MAX LIFE INSURANCE

Cancer Insurance
ANNUAL PREMIUM: ₹12,773
POLICY TERM: 40 years

FEATURES
- Covers all stages of cancer
- Compensation at every stage
- All future premium are waived off on diagnosis of minor stage
- Multiple cancers can be claimed
- NCB up to 150% of sum assured
- One time payout + 10% of basic sum assured paid annually

AEGON LIFE INSURANCE

icancer
ANNUAL PREMIUM: ₹8,879
POLICY TERM: 35 years

FEATURES
- Covers all stages of cancer-
- Compensation at every stage. All future premium waived off on diagnosis of major stage
- Additional payout at critical stage

Source: policybazaar.com. For a 35-yr-old non-smoker male choosing a sum insured of ₹25 lakh

PNB MET LIFE

Cancer Care Platinum
ANNUAL PREMIUM: ₹18,241
POLICY TERM: 20 years

FEATURES
- Covers all stages of cancer
- Compensation at every stage
- Premium waived for 5 years on diagnosis of mild or moderate stage
- Multiple cancers can be claimed
- Inbuilt term insurance cover

ICICI PRUDENTIAL

Cancer Protect
ANNUAL PREMIUM: ₹6,762
POLICY TERM: 40 years

FEATURES
- Covers all stages of cancer
- Compensation at every stage
- All future premium waived off on diagnosis of minor stage
- Multiple unrelated cancers can be claimed

Despite the benefits, the policies have met with moderate response. "In India, a number of cancer products have been launched and uptake of cancer cover over time may increase, with increasing awareness levels, higher incidence of the disease, improving medical support and higher cost of treatment," says Khalid Ahmad, Head, Products, PNB MetLife.

Unlike life insurers' cancer covers, Star Health's Cancer Care plan extends cover to those who have been diagnosed with cancer (stage 1 or 2). Launched as a pilot, the product covers the risk of recurrence, metastasis, second cancer as well as second malignancy unrelated to first cancer, apart from regular hospitalisation expenses.

Beware of the exclusions

Study the exclusions and restrictions before you take a call. Cancer policies from life insurers restrict coverage for early-stage cancers to 20-25% of the sum insured. Later-stage cancer claims will be eligible for the entire sum assured minus claim paid out, if any, during initial stages. However, some plans also provide a sum assured of 150% in case of major stage cancer. Check if any particular cancer and recurrent claims of cancer affecting the same organs are excluded. Aegon Life's policy, for instance, does not cover skin cancer. The policies come with waiting and survival periods of 180 days and seven days respectively.

Standard exclusions like pre-existing illness apart, cancer caused by sexually transmitted diseases, HIV, or AIDS or arising out of congenital condition and contact with radiation or radioactivity, are not covered under these policies.

Cancer or critical illness

A cancer cover will not be of help in case you contract other critical diseases. A regular critical illness policy or a rider, cover a range of serious ailments. "Both are fixed benefit plans but in case of critical illness policies, there is no payout on the diagnosis of an early stage cancer, whereas cancer insurance covers all stages of cancer," points out Santosh Agarwal, Associate Director and Cluster Head, Life Insurance, *Policybazaar.com*. Therefore, you will have to make a choice on the basis of your health condition as well as family health history. Also ensure you have a basic health insurance policy in place to cover hospitalisation.

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etwealth@timesgroup.com

All major goals within reach

Aggressive saving and investment means Pune-based Agarwals will have a smooth financial journey.

by **Riju Mehta**

Sahil Agarwal, an IT consultant, stays with his homemaker wife and one-year-old child, in Pune. He stays on rent, even though he has his own house, which provides a rental income of ₹12,000 a month. Combined with Agarwal's monthly salary of ₹91,000, his total income comes to ₹1.03 lakh. The household expenses amount to ₹57,000, insurance premium accounts for ₹4,583, and ₹25,000 is put into investments. This leaves Agarwal with a surplus of ₹16,417. His portfolio comprises a house worth ₹70 lakh, cash of ₹2 lakh, gold worth ₹75,000, debt in the form of fixed deposit (₹10 lakh), PPF (₹25.7 lakh) and EPF (₹3.8 lakh), and equity as stocks (₹9.65 lakh) and mutual funds (₹2.3 lakh). His goals include saving for emergencies, child's education and wedding, and retirement.

Financial Planner Pankaaj Maalde suggests Agarwal first build the emergency corpus of ₹3.8 lakh, which is equal to six months' expenses. He can do so by allocating a part of his fixed deposit, ₹4 lakh of the total ₹10 lakh, for this goal. This should be invested in an ultra short-term fund.

As for his child's goals, Agarwal wants to save ₹63 lakh for his education in 17 years, and ₹97.5 lakh for his wedding in 24 years. For the former, no existing resource has been allocated and he will have to start an SIP of ₹10,000 in an equity fund. For the wedding goal, he will have to start an SIP of ₹5,000 in an equity fund and ₹1,000 in the gold bond scheme. For his retirement, Agarwal will require ₹7.15 crore in 24 years. Maalde suggests he allocate his stocks, mutual funds, PPF and EPF corpuses to this goal. Besides these, he will have to start an SIP of ₹10,000 in a diversified equity fund for the given duration to amass the requisite amount.

As for life insurance, Agarwal has a term plan of ₹75 lakh and a traditional plan of ₹7 lakh, for which he is paying an annual premium of ₹40,000. Maalde suggests he surrender the traditional plan as the returns are unlikely to beat inflation. As per the need-based theory, he needs a life cover of ₹1.5 crore, so he should pick an online term plan of ₹75 lakh for ₹12,000 a year. Since his wife is not employed, she doesn't require life cover. As for health insurance, Agarwal has a ₹10 lakh family floater plan, but Maalde suggests he raise this to ₹20 lakh at a cost of ₹2,500 a month. He should also pick a ₹25 lakh critical illness plan and ₹50 lakh accident disability plan for himself at ₹1,333 a month.

Portfolio

ASSET	CURRENT VALUE (₹)
Real estate	70 lakh
Cash	2 lakh
Debt	
PPF	25.7 lakh
Fixed deposit	10 lakh
EPF	3.8 lakh
Gold	75,000
Equity	
Stocks	9.65 lakh
Mutual funds	2.3 lakh
Total	**1.24 crore**

Liabilities	Current value (₹)
Loan	-
Total liability	**Nil**
Net worth (approx)	**₹1.24 crore**

Cash flow

	EXISTING (₹)	SUGGESTED (₹)
Income	1.03 lakh	1.03 lakh
Outflow		
Household expenses	57,000	57,000
Insurance premium	4,583	6,333
Investment	25,000	36,000
Total outflow	86,583	99,333
Surplus	16,417	3,667

FINANCIAL PLAN BY
PANKAAJ MAALDE
CERTIFIED FINANCIAL PLANNER

SAHIL AGARWAL, 36, SALARIED, PUNE

How to invest for goals

GOAL	FUTURE COST (₹) / TIME TO ACHIEVE	RESOURCES USED	INVESTMENT NEEDED (₹/MONTH)
Emergency fund	3.8 lakh	Fixed deposit	-
Child's education	63 lakh / 17 yrs	-	10,000
Child's wedding	97.5 lakh / 24 yrs	-	6,000
Retirement	7.15 crore / 24 yrs	Stocks, mutual funds, EPF, PPF	20,000
Investible surplus needed			**36,000**

Annual return assumed to be 12% for equity, 8% for debt. Inflation assumed to be 7%.

Insurance portfolio

INSURANCE	EXISTING COVER (₹)	EXISTING MONTHLY PREMIUM (₹)	SUGGESTIONS	SUGGESTED MONTHLY PREMIUM (₹)
Life insurance				
Term plan	75 lakh	1,500	Buy ₹75 lakh online term plan	1,000 + 1,500 (existing)
Traditional plan	7 lakh	1,833	Surrender	-
Ulip	-	-	-	-
TOTAL	82 lakh	3,333	₹1.5 crore	2,500
Health insurance				
Employer's	-	-	-	-
Own	10 lakh	1,250	Buy ₹20 lakh family floater	2,500
TOTAL	10 lakh	1,250	₹20 lakh	2,500
Critical illness & accident disability	-	-	Buy ₹25 lakh critical illness + ₹50 lakh accident disability plans	1,333
TOTAL	-	-	₹75 lakh	-
Insurance cost	-	4,583	-	6,333

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.

When risk perception is low, investors can be easily fooled

The regulator is responsible for acting as the gate-keeper and shaping the risk perception of investors.

As the world watched the rescue of 12 young footballers and their coach from a cave in Thailand, the reactions to the episode varied widely. While there was uniform appreciation of the heroic deeds of the rescue team and the grit of the survivors, the incident also invoked fear. The caution quotient in the mind of young trekkers and adventurers went up; parents made a lesson of the episode and filled in as much restraint as possible into the minds of their children as the teaching moments could offer; and many made lists of life skills that they should master. Such is the nature of risk perception.

It is not easy to measure risk perception and preference using simple questionnaires, as we tend to routinely do in investment planning. Those ubiquitous asset allocation tools on websites are rather simplistic, quite basic in their assessment. They are needed so that the investor can check a few things in their mind before making a decision, but we may not be able to extend that tool's usefulness and assume that it would capture risk perception accurately. That is because risk perception is complex, personal and affected by various factors.

Investors turn to risky opportunities offered by unscrupulous players in order to reduce risk perception.

GETTY IMAGES

Assume you are driving on an expressway, where the speed limit is 80kmph. You have a new fancy car, and you love the opportunity offered by a long paved road, and press the accelerator with joy. You are soon hitting 100kmph. Do you feel risk? Very unlikely. There is fun involved in what you are doing; you are exhilarated by the speed; you are admired and egged on by your co-passengers; you think the rest of the world drives carelessly, but you are a great driver. What might prompt you to slow down? If you saw an accident on the highway, you will slow down. Not to rubberneck and gape at the incident, but from a sudden altered risk perception about speeding on the highway.

Those are elements of risk perception that are well documented. If there is fun involved you won't see the risk. That is why trading and taking audacious positions in stocks is seen by outsiders as risky, but the player is unable to give up the fun possibility of making some money, while punting on the stock. If you are in control, you are likely to perceive less risk. Many are convinced that driving in a car is safer than flying a plane, though statistics do not bear out that assessment. The lack of control in a plane and the high profile media attention to plane crashes enhances the risk perception of flying in the minds of many.

What might be driving the risk perceptions of investors when they make their choices? Trust is at the top of the list of factors that impact risk perception. If a road has signals, and if they all work and if the drivers obey those signals, those who drive are confident and less stressed about risks. The power of the rule of the law is that it defines behaviours and outcomes very clearly, so that people are able to make their choices and understand the consequences in a linear and simple manner.

If every event is subject to interpretation, and if a consequence cannot be imagined in advance, many will perceive a high risk. Investors remain wary of equity investing and choose insurance products with lower returns, because they find the definition of outcomes in terms of clear rupee payouts in the future as trustworthy. They trust the neighborhood finance company that just employed the local retired ex-serviceman, who innocently displays a table of deposits and payouts. That structure evokes trust and reduces risk perception, until a default event strikes and modifies it for a while.

Investors turn to risky opportunities offered by unscrupulous players—who peddle dubious investments because they know which buttons to push—in order to reduce risk perception. Someone who is selling plots of land plays on this power of imagination. The sample homes in property sales invoke aspirations and dreams to live well, and push risks of delayed readiness of the flat to the background. The possibility of owning a new ornament and one with a higher value than the amount contributed attracts buyers to subscribe to such schemes.

When investors' attention is focused on the gain rather than the pain, the risk perception drops to the point of vulnerability. They can then be fooled into buying that highly priced IPO, that mutual fund which is being offered for ₹10, that insurance which needs no payment after an initial period, and that bank loan which will waive a few EMIs.

The responsibility of regulators is very high in shaping the risk perception of investors. They represent the authority figure in the marketplace and have the ability to shape and modify risk perceptions. Gatekeeping is known to have a high impact on the trust perception about a particular class of players. The more trusted stock exchanges are those that have stringent listing regulations. Companies that list on them have ongoing responsibilities for information disclosure and penalties for non-compliance. It is not easy in most regimes to set up a bank to mobilise money from the public and the trust that banks evoke come from the regulator's ability to monitor them closely.

When bank asset quality is falling and the government has to make a decision, the responsibility about risk perception weighs on the choices immensely. To shut down a bank that is bad might create a run on others that investors believe are likely to shut down due to NPAs. And if the problem is widespread as it now is, this can create systemic risks – or risks across the entire spectrum – that modify risk perceptions deeply. People could take panic actions not grounded in reality and damage their assets and hurt the banking system too. But is that the justification for allowing the problem to fester, or transfer the risks to the balance sheet of an insurance business?

Thinking about consequences and actions, years after nationalizing banks and building a level of trust equated with that of the government, is the burden. Sweeping the problem under the carpet will only cause further damage. Redefining what a healthy bank is, and asking banks to realign or perish is a clean up the government has to do. And while doing so, managing the risk perception by carefully constructing the vision of healthy banks is important. That age old trust about every bank is wearing too thin to last.

UMA SHASHIKANT
CHAIRPERSON, CENTRE FOR INVESTMENT EDUCATION ANDLEARNING

Ulips or MF for education?

A combination of a term plan and investments in mutual funds should work best.

Nirav is a 35-year-old father of two. His bank's relationship manager has advised him to buy a child education insurance policy to cover his children's future education expenses. While the idea appeals to him, Nirav wants to know if there are better ways of ensuring the best education and care for his children, even if something untoward happens to him. He wants to accumulate a corpus for his kids but needs advice on the factors he must consider while making the decision.

The high upfront costs on the insurance product will make it an expensive proposition to exit.

Nirav should evaluate which of the available investment options helps him provide for his children in the most efficient way. He can invest small amounts in equity, debt or a combination of both through the child education policies or through mutual funds. The differentiator is the protection that the insurance plan typically provides to the premiums. In the unfortunate event of Nirav's death, not only will the sum assured be paid to the family but the premium payments will also continue for the full term. Thus the motivation to opt for an Ulip may be stronger than continuing in a pure investment product like a mutual fund, especially when markets are bad.

However, Nirav must consider the costs involved for the additional benefits that the insurance product provides. A portion of the premium will be allocated to charges rather than invested. Moreover, the high upfront costs on the insurance product will make it an expensive proposition to exit even if the returns are poor.

Nirav can replicate the same benefits at a lower cost by taking a term insurance for a sum that reflects the value of all his future goals, including children's education. This must be combined with an investment plan in mutual funds, preferably through SIPs, to build a corpus. SIPs should help him stay the course rather than invest on and off. In the event of Nirav's demise, the insurance amount will be available to meet the goals along with the fund value. This will also give him much-needed flexibility to take corrective action if the investment does not work as expected. Nirav has to opt for the more cost efficient and flexible option.

THINKSTOCK

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 Critical illness policy

1 A critical Illness policy covers life threatening diseases like cancer, paralysis, heart attack etc.

2 It can be a standalone critical illness policy or a critical illness insurance rider on another policy. There is no upper limit for the cover under a standalone policy whereas in a rider it is restricted to the cover of the base policy.

3 The insured receives the sum assured when diagnosed with any of the critical illness included in the policy.

4 No hospitalisation is required nor are any bills or receipts required to be submitted to claim benefit.

5 Some policies have waiting period restrictions and critical Illness diagnosed within the waiting period are typically not covered.

PAPER WORK

Completion of 15 years of PPF

The Public Provident Fund (PPF) scheme offers accumulation of a corpus and comes with a lock in of 15 years. The subscriber can withdraw and close the account after the lock-in, or continue for another block of five years.

Calculation of maturity

Completion of 15 years of the account takes place from 1 April of the year following the date of opening of the account.

Account closure

Subscriber has to give an application to bank/post office, stating PPF account number and details of bank account in which proceeds have to be credited.

Extension of PPF account without contribution

The PPF account automatically gets extended for a period of 5 years unless the subscriber closes the account. There is no action required from the subscriber. The subscriber continues to earn interest on the balance in the PPF account. However, he cannot make any fresh contributions to the account.

Extension of PPF account with contribution

If the subscriber wishes to continue contributing to the PPF account after its maturity, he must submit Form H to the bank/post office before the end of one year from the maturity date of the PPF account. On choosing this option, the subscriber can make further contributions and continue to get tax benefit under Section 80C.

Points to note

1. One can open a new PPF account after closure of the existing PPF account.

1. Once Form H is submitted for extension of the account with contribution, one can withdraw only up to 60% of the PPF balance at the beginning of 5 year period.

ARE YOU MAKING YOUR MONEY WORK?

Some people are better investors and financially more secure because they know how to extract more from every rupee. **Riju Mehta** explains the consequences of right and wrong financial decisions.

Mr Right | Mr Wrong

Investing for retirement

The simple act of starting to save early can be the difference between a comfortable and constrained life. Mr Right harnesses the power of compounding and after investing ₹36 lakh in 30 years, he gets a corpus of ₹3.05 crore. Mr Wrong puts in ₹45 lakh in 25 years and still gets a lower corpus of ₹2.5 crore.

Mr Right

DECISION
Started investing at 30 years

CALCULATION
Amount invested as SIP in an equity fund earning 12% return: **₹10,000** a month
Period of investment: **30 years**
Total amount invested: **₹36 lakh**

CORPUS AMASSED
₹3.05 crore

Mr Wrong

DECISION
Started investing at 35 years

CALCULATION
Amount invested as SIP in an equity fund earning 12% return: **₹15,000** a month
Period of investment: **25 years**
Total amount invested: **₹45 lakh**

CORPUS AMASSED
₹2.52 crore

Investing for child's goal

Most people confuse investment with insurance, buying traditional insurance plans to fund kids' goals. An endowment plan does not make your money work hard, since you pay a higher premium but get a lower corpus due to low returns of 6-7%, while an equity fund offers over 12% returns over the long term.

Mr Right

DECISION
Investing in equity mutual funds

CALCULATION
SIP amount: **₹8,000** a month
Term: **20 years**
Assumed return: **12%**

CORPUS AMASSED
₹72.9 lakh

Mr Wrong

DECISION
Buying a traditional insurance (endowment) plan

CALCULATION
Monthly premium: **₹8,000**
Total premium: **₹19.2 lakh**
Sum assured: **₹9.6 lakh**
Policy term: **20 years**
Assumed return: **6%**

CORPUS AMASSED
₹28.8 lakh

Tax-efficient investments

Make your money work harder by not allowing tax to eat into investment returns. If you pick fixed deposit, the interest is considered as income and subjected to tax as per your tax slab. However, debt fund returns are capital gains, which invite a lower tax of 20% after indexation, if held for over three years.

Mr Right

DECISION
Investing in debt funds

CALCULATION
Amount invested in debt funds: **₹2 lakh**
Amount after 3 years: **₹2.52 lakh** @ 8% return
Capital gain after indexation: **₹31,470**
Taxed at: **20%** after indexation

TOTAL TAX
₹6,293

Mr Wrong

DECISION
Investing in fixed deposit

CALCULATION
Amount invested in fixed deposit: **₹2 lakh**
Amount after 3 years: **₹2.49 lakh** @ 7.5% (compounded quarterly)
Avg interest each year: **₹16,648**
Taxed in 30% bracket: **₹4,994** per year

TOTAL TAX
₹14,983

Taking a home loan

The term of a home loan depends on the EMI one can furnish, which is why some home buyers opt for an extended tenure. They will, however, end up repaying a bigger loan because the longer the term, the higher the interest. So, Mr Wrong will end up buying the same house for a higher price, compared with Mr Right.

Mr Right

DECISION
Taking a home loan for 20 years

CALCULATION
Loan amount: **₹30 lakh**
Term: **20 years**
Interest rate: **9%**
EMI: **₹26,992**
Total amount repaid: **₹64.78 lakh**

TOTAL INTEREST PAID
₹34.78 lakh

Mr Wrong

DECISION
Taking a home loan for 25 years

CALCULATION
Loan amount: **₹30 lakh**
Term: **25 years**
Interest rate: **9%**
EMI: **₹25,176**
Total amount repaid: **₹75.53 lakh**

TOTAL INTEREST PAID
₹45.53 lakh

Dealing with volatility

In a fluctuating market, maintain your asset allocation by rebalancing the portfolio because a skewed allocation is bound to affect your returns. So while Mr Right may seem to work against his own interests by paring down his equity holding after a bull run, he will not suffer as serious a loss were the market to take a tumble.

Mr Right

DECISION
Rebalancing the portfolio

CALCULATION
Worth of portfolio (80% equity, 20% debt): **₹1 lakh**
Rebalancing when market rises: **50% equity, 50% debt**
Worth of portfolio @13.6% growth (15% equity, 8% debt): **₹1.13 lakh**
Return during market fall (-5% equity, 8% debt): **1.5%**

PORTFOLIO VALUE
₹1.01 lakh

Mr Wrong

DECISION
Not rebalancing the portfolio

CALCULATION
Worth of portfolio (80% equity, 20% debt): **₹1 lakh**
When market rises, **no rebalancing done**
Worth of portfolio @13.6% growth (15% equity, 8% debt): **₹1.13 lakh**
Return during market fall (-5% equity, 8% debt): **-2.4%**

PORTFOLIO VALUE
₹97,600

Buying life cover

The purpose of buying pure life insurance, or term plan, is to secure the finances of your dependants if you were to die. It is not an investment vehicle to get returns. This is why Mr Right secures a ₹70 lakh term plan at an annual cost of ₹7,000, while Mr Wrong is paying a high premium of ₹96,000 to get an inadequate cover of ₹9.6 lakh.

Mr Right

DECISION
Buying a term plan

CALCULATION
For a 30-year-old non-smoker earning ₹7 lakh a year with three dependants.
Sum assured: **₹70 lakh**
Term: **30 years**
Annual premium: **₹7,000**
Total premium paid: **₹2.1 lakh**

BENEFITS
Lump sum to dependants on death of insured

Mr Wrong

DECISION
Buying a traditional (endowment) plan

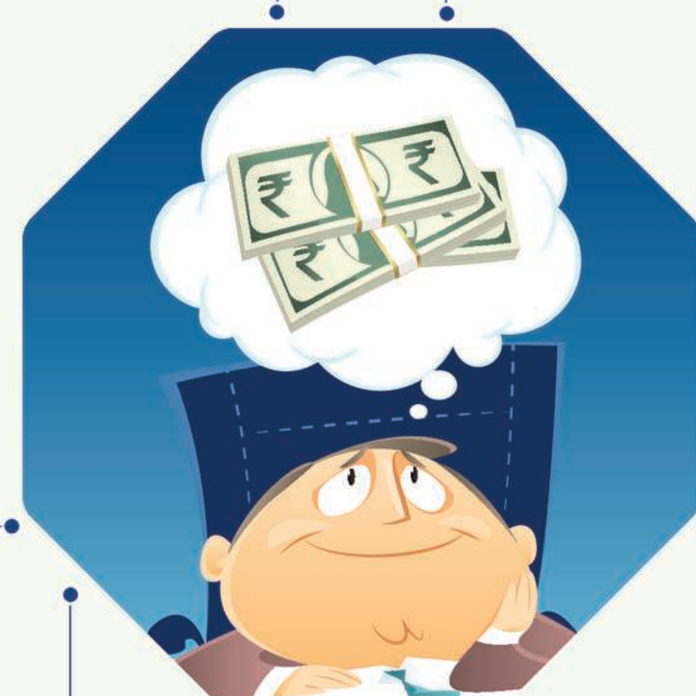
CALCULATION
For a 30-year-old non-smoker earning ₹7 lakh a year with three dependants.
Sum assured: **₹9.6 lakh**
Term: **20 years**
Annual premium: **₹96,000**
Total premium paid: **₹19.2 lakh**

MUTURITY AMOUNT
₹28.8 lakh

ILLUSTRATION: ANIRBAN BORA

5 ways to keep your money dreams real

Having goals and planning for them is key to a financial plan's success, but learn to distinguish aspirations from fantasies, says **Preeti Kulkarni**


GETTYIMAGES

Don't be in a hurry to retire

Many dream of retiring at 40. The plan is to work for 15-20 years and earn enough money to fund retirement. However, that's easier said than done. "Given the rising cost of living and life expectancy, retiring at a young age is not feasible," says Pankaj Mathpal, certified planner and Founder, Optima Money Managers. Shweta Jain, Founder, Investography, does not promote the idea of early retirement too. "If you start planning at 35 and wish to retire at 45, it won't be possible. You will need to postpone retirement by a few years, depending on your estimated monthly expenses," she adds. The key is to start early and invest regularly. Then you can still retire before 58 comfortably.

Scale down house expectations

Living in spacious, airy apartments is a common desire that often consumes savings meant for other goals and also leads to people overstretching their budgets. The consequences are a huge loan, higher interest burden and EMIs, which adversely affect the quality of regular life and choke other critical goals like retirement and child's education. "Some also believe in buying a house other than the regular house they live in despite servicing a home loan for the latter too," points out Jain. Unless rental income from the additional house is attractive enough to take on a humongous, long-term liability, it is best to direct your savings to financial instruments.

Spend on education, not lavish weddings

In India, weddings are often extravagant, with the couple and the parents wanting it make it a memorable occasion. In the quest to do, they blow up lakhs of rupees—dipping into money saved over years or even the retirement kitty. "Many Indian parents want to not only finance their kids' higher education, but also weddings, even at the cost of pushing critical goals down the priority list," says Mathpal. His advice is to let the children take care of wedding expenses. "Many couples these days would have decent savings by the time they get married. Parents can allow them to shoulder the responsibility," he says. It is better than having to depend on children after retirement due to depleted savings.

Plan foreign holidays in advance

Thanks to rising disposable incomes and proliferation of social media, international holidays today qualify as must-dos. "However, this should not come at the cost of other goals like buying a house, retirement planning or saving for children's education," says Mathpal. The solution is to plan for these holidays in advance rather than using savings or bonuses, or worse, taking a travel loan. "Start investing through SIPs in a debt fund for an international vacation you want to take two years from now. For a long, expensive holiday, planning should start five years prior, and you should look at investing in equities for a bigger corpus," he adds.

Go easy on depreciating assets

Fancy cars, expensive gadgets and appliances are extravagant aspirations if they do not conform to your affordability meter. "There has to be a trade-off. Prioritise goals that are important and spend on those," says Jain. Also, never buy high-end appliances or gadgets on loan—their value does not appreciate over time. Zero-interest consumer loans sound lucrative, but they carry charges like processing fees. Do not spend on assets that lose value over time at the cost of critical requirements. Without an emergency fund and insurance, you run the risk of exhausting all your life savings in case a crisis hits home. If you must own lifestyle products, save regularly to be able to afford them.

"Investors low on equity should hike exposure now"

Large-cap stocks are on a roll. But investors in mid- and small-cap stocks need not panic as the market may see a reversion to the mean soon, Manish Sonthalia tells **Narendra Nathan**

Manish Sonthalia
CIO, PMS, Motilal Oswal AMC

Sensex is at all-time high again. Should equity investors be worried?
Instead of worrying, investors who are low on equity should increase their exposure to it now. Indian equity markets will continue to do well. Historically, the Indian market has delivered a CAGR of around 15% over the last 30-35 years. In other words, investors doubled their capital by doing nothing except investing in Sensex stocks. Active fund managers did even better, giving around 5% outperformance in large-cap schemes and around 10% in mid- and small-cap schemes.

With the economy maturing, will the returns come down?
Not much. The economy has grown from $2 trillion to $2.5 trillion in the last few years and is expected to grow further. We have a high savings rate that would generate a high investible surplus. The share of financial assets is also expected to improve in the coming years. This is because financial literacy is increasing. Thanks to campaigns like 'Mutual fund sahi hai', many people now know that investing in the stock market is not risky if they do it in a disciplined way.

Large-caps are doing well now. Should investors continue to stick with them?
Most people are still chasing large-caps, but I am on the other side. The chance of making money from current level is low. Large-caps are overshooting because everyone is buying and mid- and small-caps are undershooting because everyone is throwing them. The market is getting extremely polarised, so I think we may again see a 'reversion to the mean' soon.

What will be the triggers for this mean reversion?
First, we need to understand the reasons behind the recent mid- and small-cap carnage. There was some excess bubble on the mid- and small-cap side because of the continued inflow. While the inflow to large-cap was almost zero, money flowed to mid- and small-caps over the last 2 years, which gave stupendous returns. This excess deserved to be corrected and that has happened. Imposition of LTCG tax was the next reason for this carnage.

India has a high savings rate that will generate a high investible surplus. The share of financial assets is also expected to improve.

The LTCG rule applies to both segments, so why should mid- and small-cap get affected more?
The capital gain made in mid-cap was much higher compared to large-caps, so the incentive to sell was more. Though there was the 31 January grandfathering clause, several investors wanted to start on a clean slate and LTCG was another push for people to take profit off the table.

What were the other reasons?
Sebi's decision to reclassify mutual fund schemes was the next big reason. Since mid-caps were generating good returns, almost every scheme was loaded with mid- and small-cap stocks. The definition of large-cap changed and fund managers had to align their portfolio with the new definition. They had no option but to sell mid- and small-cap stocks. This kind of exodus would not have happened without the regulatory change. This short-term polarisation happened because the amount of money involved in this process was huge (around ₹8 lakh crore). Since the mid- and small-cap selling induced by the factors mentioned above is already over, mean reversion process will start now.

What are the sectors that are expected to lead the growth in coming years?
We are now bullish on the consumption theme, autos, private sector banks and NBFCs, IT and pharma. We are already a $2.5 trillion economy and growing fast. Organised retail should do well.

Do you have any specific preferences within the auto sector?
No, we are bullish on all segments. This growth will come from the domestic market and from exports. Auto components will also do well.

Is the bullishness in export sectors like IT and pharma due to the recent weakness in the rupee?
No. Both IT and pharma are secular growth stories. IT will benefit from the digital transformation happening across the world. The banking and financial services sector is the main contributor of domestic business for IT companies and they continue to maintain it. IT spending by these companies are not one-off.

Pharma is still facing headwinds, so why are you bullish on it?
The Indian pharma sector's main problem was the fall in generic drug prices in the US and the prices have started bottoming out. With some big generic players cutting production because they are not making money, the generic price erosion we saw in the last few years will taper off. Product approvals are happening, and most US FDA related problems are also coming down. More importantly, Indian pharma companies are now shifting from generics to formulations.

Why are you bullish on private banks?
In private banks, there is clear visibility on growth and this growth is happening at the expense of PSU banks. Continued recapitalisation and equity dilution happening, that too at very low prices, is the next issue with PSU banks. Even if their profits go up in future, EPS will not go up because the number of shares are increasing at a faster pace and without increase in EPS, how can the share price go up?

Please send your feedback to etwealth@timesgroup.com

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 work in the merchant navy and was not in India between 2 Nov 2017 and 6 May 2018. My company is based out of Hong Kong and has offices in India too. I received $2,300 per month in my NRE account during this period. Will I have to pay tax on this? Do I need to file ITR?

Assuming that your stay in India during the financial 2017-18 was not less than 182 days, you will be considered a resident Indian and have to pay tax on the amount received in your NRE account. You will need to report this income while filing your income tax return via Form ITR-1. If your stay in India was less than 182 days, you will be considered a non-resident Indian, but the amount will still be taxable—income received in India is taxable in India irrespective of your residential status. You will need to report this income via ITR-2. However, you can claim tax credit for double taxation, according to the provisions of the double taxation avoidance agreement between India and the country of your residence.

Amit Maheshwari
Partner, Ashok Maheshwary and Associates

I am 32 and looking for a ₹1-crore term plan covering terminal illness, critical illness and disability due to accident. Should I opt for a critical illness rider with the term plan or a separate critical illness policy?

If you are looking at an extensive list of critical illnesses to be covered by your policy then you should go for a standalone plan. For instance, Future Generali Critical Illness plan covers 59 diseases. However, if you want only the most prominent critical illnesses to be covered, then you can opt for a rider that comes with a term plan. Some of the policies that cover terminal illness, critical illness, and disability due to the accident are ICICI Pru iProtect Smart, HDFC Life-3D Plus Life Option, Aegon Life-iTerm and Aditya Birla Sun Life Insurance DigiShield. Their premiums range from ₹12,000 to ₹16,000. Terminal illness is included in these plans and there is no extra cost, but critical illness and personal accident covers need to be taken as riders by paying extra premium.

Yashish Dahiya
Co-Founder and CEO, Policybazaar.com

QUESTION OF THE WEEK

I am 32 years old and want to accumulate ₹20 lakh over 15 years and ₹25 lakh over 20 years. How much do I need to invest per month to achieve these two goals? Please suggest schemes to invest in.

Since you are young and want to invest for longer time periods, you should invest in equities. They tend to deliver higher returns compared to other asset classes over longer time periods. Assuming that equities deliver a return of around 12% per annum over the next 15-20 years, you will need to start an SIP of ₹5,000 per month to accumulate ₹20 lakh over 15 years. To build a corpus of ₹25 lakh over 20 years, you will have to start another SIP of ₹3,000 per month. You may start these SIPs in multi-cap equity funds. The ₹5,000 investment can be spread equally between any two of the following funds: Franklin India Equity, Kotak Standard Multi Cap, SBI Magnum Multi Cap and Mirae Asset India Equity. For your second goal, you can start the ₹3,000 SIP in any one of the following schemes: Motilal Oswal Multicap 35, ICICI Prudential Value Discovery and UTI Value Opportunities.

Rahul Parikh
CEO, Bajaj Capital

I want to invest ₹40 lakh, currently lying idle in my savings bank account. I want to park the money for a year or so till the markets stabilises and then invest in equity funds. Should I invest this sum in liquid or arbitrage funds?

The choice between liquid and arbitrage funds will depend on your income tax slab and investment horizon. Liquid fund returns booked within three years of investment are treated as short-term capital gains (STCG) and taxed at applicable slab rates. Returns booked after three years are treated as long term capital gains (LTCG) and taxed at 20% with indexation. Arbitrage funds are treated as equity schemes for taxation purposes and hence, the fund returns booked within a year are treated as STCG and taxed at 15%. Gains booked from all equity investments, including arbitrage funds, in excess of ₹1 lakh after one year are treated as LTCG and taxed at 10%. So, if you fall in the 20% or 30% tax slab and wish to stay invested for around one year, investing in arbitrage funds can help generate higher post-tax returns compared to liquid funds. You can distribute your investments among the following three arbitrage funds: ICICI Prudential Equity Arbitrage, Edelweiss Arbitrage and Axis Arbitrage. Investing in direct plans will help generate higher returns than the regular plans.

Naveen Kukreja
CEO and Co-founder, Paisabazaar.com

I invested my retirement benefits in Aditya Birla SL Small Cap and ICICI Pru Equity and Debt in June last year and in HDFC Midcap Opportunity last month. All these funds have massively underperformed, eroding even my principal investment. Should I switch to other schemes? Please suggest options.

Two of the three schemes you have invested in are mid- and small-cap funds. These segments have been hit by volatility over the past six months, generating negative returns. These funds need a five-year time frame to be able to deliver. Consider holding them till they recover. As you are a retiree, it is advisable that you have more exposure to debt to insulate yourself from the volatility in equity funds. Consider gradually shifting about 50% of your investments to HDFC Short Term Debt and Aditya Birla Sun Life Floating Rate from the mid and small-cap schemes of the respective fund houses.

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

I took health insurance three years ago, when I was employed with a corporate firm. Now I have switched careers and am a mountaineering guide. Will changing my profession affect the insurance coverage in any way? Should I inform my insurer about this?

Informing your insurer about change in occupation is not likely to bring about any change in your policy coverage. However, there are some insurers who do not provide coverage for medical expenses that arise due to participation in adventure sports such as mountaineering. It would be prudent for you to check if your policy covers this. If adventure sports fall in the category of exclusions, then your plan will not provide any protection from injuries you may sustain in the course of your work.

Sanjay Datta
Chief, Underwriting Claims and reinsurance, ICICI Lombard

Ask our experts

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

SMART STATS

In This Section

ET WEALTH TOP 50 STOCKS

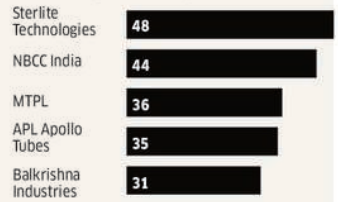
Every week we put about 3,000 stocks through four key filters and rate them on a mix of factors. The end result of this is the listing of the top 50 stocks based on the composite rating to help ease your fortune hunt.

	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
Apollo Tyres	1	4	266	22.85	62.85	19.97	1.57	1.13	0.38	1.24	1.75	22.00	4.59
Coal India	2	6	265	19.56	130.15	23.64	8.36	6.22	0.18	1.05	0.87	33.00	4.42
Allcargo Logistics	3	7	116	22.53	39.62	16.61	2.90	1.72	0.29	1.31	0.93	10.00	4.60
Jubilant Life Sciences	4	11	751	25.32	56.71	18.01	2.83	0.41	0.32	1.65	0.89	14.00	4.86
GAIL India	5	9	356	25.09	23.39	16.82	1.93	2.17	0.72	1.15	1.05	39.00	4.44
Oil India	6	10	210	20.71	21.61	5.80	0.55	5.95	0.22	1.28	0.62	29.00	3.86
Apar Industries	7	12	656	13.84	44.84	17.35	2.27	1.47	0.40	1.06	0.35	11.00	4.82
VA Tech Wabag	8	13	374	17.22	37.68	15.64	1.83	1.06	0.39	1.32	1.37	20.00	4.60
Grasim Industries	9	14	960	20.99	87.10	23.72	1.11	0.56	0.27	1.04	1.45	14.00	4.36
Motherson Sumi Systems	10	17	290	25.39	67.01	37.92	6.26	0.68	0.56	1.25	0.77	36.00	4.39
APL Apollo Tubes	11	19	1,722	34.94	47.38	25.23	4.86	0.69	0.54	1.37	0.66	10.00	4.70
Ceat	12	20	1,288	17.23	52.27	21.96	2.00	0.90	0.45	1.47	2.23	22.00	4.23
Tata Steel	13	23	555	7.36	31.29	4.36	1.10	1.80	0.27	1.29	1.36	29.00	4.62
NTPC	14	22	154	12.45	20.11	12.04	1.23	3.21	0.59	0.80	0.69	31.00	4.52
NBCC India	15	33	68	44.43	54.93	34.38	6.20	0.80	0.16	1.39	1.48	13.00	4.39
Granules India	16	24	92	21.68	34.24	17.71	1.79	1.10	0.49	1.78	1.91	12.00	4.42
Somany Ceramics	17	28	481	19.30	42.55	26.23	3.57	0.55	0.61	1.24	0.59	18.00	4.72
Gujarat Gas	18	31	778	27.19	86.75	36.56	5.73	0.39	0.35	1.05	0.43	23.00	3.91
MTPL	19	27	80	36.33	21.37	4.05	1.40	3.90	0.19	1.51	1.82	10.00	4.10
Alkem Laboratories	20	34	1,860	19.13	61.60	35.70	4.63	0.79	0.58	1.03	0.72	15.00	4.67
IRB Infrastructure	21	25	204	26.90	20.16	7.79	1.26	2.36	0.39	1.51	1.92	22.00	4.00
CESC	22	29	897	8.51	29.38	12.00	1.08	1.32	0.41	1.13	1.64	22.00	4.32
Skipper	23	36	163	22.39	25.77	14.23	2.63	0.92	0.58	1.76	0.67	12.00	4.58
Emami	24	30	530	19.67	99.51	78.42	11.96	1.80	0.77	1.06	0.63	37.00	4.24
Dr Reddy's Laboratories	25	35	2,357	14.90	80.63	39.97	3.10	0.87	0.49	1.30	0.76	46.00	3.46
Indiabulls Housing Fin.	26	32	1,144	25.04	26.78	12.67	3.64	3.65	0.52	1.25	1.40	16.00	4.19
HeidelbergCement India	27	43	137	14.71	39.10	23.37	2.98	1.43	0.50	1.41	1.53	12.00	4.50
Reliance Industries	28	41	1,082	24.59	26.30	17.92	2.20	0.58	0.83	0.98	1.54	40.00	4.22
Arvind	29	42	417	18.27	64.87	34.58	2.83	0.59	0.52	1.39	1.79	18.00	4.22
Sun TV Network	30	46	788	25.19	31.65	27.38	6.63	1.25	0.85	1.43	1.64	28.00	4.46
KEC International	31	48	338	21.39	24.92	18.74	4.32	0.47	0.72	1.55	0.54	30.00	4.47
Century Plyboards	32	NR	235	25.47	47.44	32.23	6.18	0.42	0.67	1.49	1.46	20.00	4.60
Balkrishna Industries	33	47	1,221	30.61	55.96	31.95	5.76	0.55	0.83	1.27	0.66	20.00	4.00
Cyient	34	39	742	20.71	18.08	20.63	3.57	1.77	0.85	1.36	1.22	29.00	4.55
SRF	35	50	1,679	18.25	31.89	20.79	2.69	0.71	0.64	1.53	0.84	17.00	4.12
Persistent Systems	36	NR	844	17.08	20.86	20.77	3.16	1.18	0.99	1.37	0.27	38.00	4.29
Maruti Suzuki India	37	21	9,347	23.06	28.99	35.94	6.65	0.80	1.11	0.75	0.88	50.00	4.38
KEI Industries	38	NR	414	28.16	44.65	22.32	5.36	0.15	0.50	1.91	1.82	12.00	4.83
Bharat Electronics	39	45	106	21.64	18.92	17.95	3.21	2.36	0.90	1.34	1.12	23.00	4.39
Eicher Motors	40	NR	27,995	27.64	49.65	38.92	10.85	0.36	0.80	1.03	0.40	42.00	3.86
Asian Granito India	41	49	312	17.06	38.27	17.73	2.16	0.26	0.47	1.36	1.85	10.00	4.90
Dalmia Bharat	42	NR	2,326	15.43	60.21	38.58	3.45	0.09	0.67	1.23	0.93	27.00	4.56
Bharat Petroleum Corp	43	NR	377	25.04	6.96	8.25	2.03	3.99	1.53	1.45	1.07	38.00	4.13
Sterlite Technologies	44	NR	309	47.54	50.05	32.92	10.38	0.64	0.68	1.98	1.82	12.00	5.00
Bharat Forge	45	NR	621	18.97	47.67	38.02	6.23	0.71	0.82	1.16	1.22	34.00	4.26
Exide Industries	46	NR	267	16.11	40.40	33.01	4.20	0.89	0.82	1.05	1.09	33.00	4.03
Hindustan Zinc	47	NR	275	15.32	24.15	12.54	3.24	2.92	0.56	1.17	1.34	30.00	3.67
UPL	48	NR	582	15.68	18.22	14.85	3.28	1.16	0.77	1.23	1.24	28.00	4.71
Phoenix Mills	49	NR	654	27.75	43.22	41.62	3.54	0.37	0.96	1.60	1.05	10.00	5.00
Blue Star	50	NR	691	26.36	52.14	44.85	8.07	1.09	0.85	1.25	0.34	15.00	3.80

* REVENUE AND NET PROFIT GROWTH BASED ON CONSENSUS ANALYST EXPECTATIONS. NR: NOT IN THE RANKING. DATA AS ON 12 JULY 2018. SOURCE: BLOOMBERG

1 Fast growing stocks

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

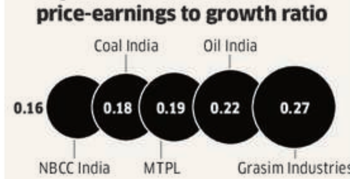


2 Least expensive stocks

Top 5 stocks with the lowest price-earnings ratio

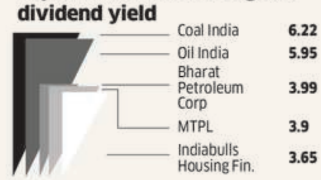
3 Best PEGs

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



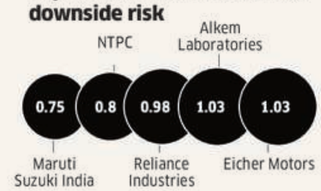
4 Income generators

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	★★★★★	35.26	1.36	-3.03	10.96	14.42	20.04	–
SBI ETF Nifty Next 50 Fund	★★★★★	13.22	-5.07	-9.91	6.19	13.42	–	–
Reliance ETF Junior BeES*	★★★★★	381.81	-5.05	-9.82	6.43	12.74	19.54	0.2
Axis Bluechip Fund*	★★★★	2,080.93	8.48	9.76	22.85	12.73	16.93	2.1
ICICI Prudential Nifty Next 50 Index Fund	★★★★★	234.40	-5.28	-10.08	5.46	12.56	19.01	0.85
Reliance ETF NV20*	★★★★	18.42	7.78	4.59	20.93	11.52	–	0.34
Indiabulls Bluechip Fund*	★★★★	397.55	0.84	-1.55	9.87	11.46	13.92	2.58
IDBI Nifty Junior Index Fund*	★★★★★	52.35	-5.37	-10.73	3.98	11.36	17.99	1.74
HSBC Large Cap Equity Fund*	★★★★	696.10	3.02	0.06	8.88	11.11	15.12	2.38
ICICI Prudential Bluechip Fund	★★★★	17,426.73	0.48	-2.75	9.53	10.88	16.91	2.12
Reliance ETF Sensex*	★★★★	24.84	7.37	5.8	15.52	10.8	–	0.06
ICICI Prudential Nifty 100 ETF	★★★★	39.06	3.84	1.3	11.68	10.68	–	0.49
Sundaram Select Focus Fund	★★★★	766.08	4.27	2.94	12.41	10.46	14.69	2.62
Canara Robeco Bluechip Equity Fund	★★★★	120.76	4.82	3.81	12.49	10.08	14.87	2.69
Motilal Oswal Focused 25 Fund	★★★★	1,115.06	3.56	0.7	8.47	9.88	17.81	–
Invesco India Largecap Fund*	★★★★	142.22	2.23	1.75	10	9.86	16.14	2.63
SBI Bluechip Fund*	★★★★	19,121.11	-1.22	-3.16	6.41	9.72	18.05	1.97
Aditya Birla Sun Life Frontline Equity Fund*	★★★★	20,331.61	0.64	-3.61	5.68	9.6	16.96	2.13
Reliance Large Cap Fund*	★★★★	10,053.92	0.12	-5.2	6.73	9.43	19.02	1.97
Aditya Birla Sun Life Focused Equity Fund*	★★★★	4,149.41	0.66	-4.69	4.72	9.24	17.63	2.32
EQUITY: LARGE & MID-CAP								
Mirae Asset Emerging Bluechip Fund	★★★★★	5,428.64	-2.14	-10.22	4.71	16.85	30.52	2.31
Canara Robeco Emerging Equities Fund	★★★★★	3,529.55	-1.27	-6.8	8.12	15.25	31.18	2.2
Principal Emerging Bluechip Fund*	★★★★	1,838.39	-2.21	-8.29	9.5	15.16	27.26	2.32
LIC MF Large & Mid Cap Fund	★★★★	304.84	-2.24	-6.35	6.82	13.42	–	2.66
Sundaram Large and Mid Cap Fund*	★★★★	377.57	0.47	-1.97	11.39	12.65	19.86	2.98
DSP BlackRock Equity Opportunities Fund	★★★★	5,544.13	-3.11	-9.11	5.43	12.4	19.15	2.14
Invesco India Growth Opportunities Fund*	★★★★	599.02	-0.27	-0.12	14	11.89	19.27	2.43
Aditya Birla Sun Life Equity Advantage Fund	★★★★	6,060.51	-0.25	-6.88	5.41	11.8	22.47	2.28
EQUITY: MULTI-CAP								
Tata Retirement Savings Fund	★★★★★	467.54	2.25	-2.59	14.21	16.13	20.69	2.69
Axis Focused 25 Fund*	★★★★	4,216.99	6.99	6	21.78	16.12	19.55	2.03
Parag Parikh Long Term Equity Fund	★★★★	1,077.02	7.27	3.26	18.19	13.93	19.61	2
SBI Focused Equity Fund*	★★★★	2,775.38	-1.42	-3.65	14.95	13.71	19.94	2.06
Motilal Oswal Multicap 35 Fund	★★★★	13,180.71	-3.01	-4.47	8.37	13.69	–	–
Principal Multi Cap Growth Fund*	★★★★	673.52	-3.41	-10.45	6.6	13.3	20.93	2.47
Aditya Birla Sun Life Equity Fund*	★★★★	9,376.11	-1.37	-5.02	5.6	13.2	21.97	2.26
Kotak Standard Multicap Fund	★★★★	19,613.81	1.83	-1.19	7.83	13.13	21.25	1.97
Mirae Asset India Equity Fund	★★★★	7,733.08	2.25	-3.26	9.36	13	21.34	2.28
SBI Magnum Multicap Fund*	★★★★	5,338.40	-1.87	-5.66	8.24	12.39	21.01	2.01
EQUITY: MID-CAP								
L&T Midcap Fund	★★★★★	2,804.54	-3.87	-10.51	4.58	16.82	29.4	2.01
HDFC Mid-Cap Opportunities Fund*	★★★★	20,616.48	-3.08	-7.4	7.33	14.78	26.46	1.99
DSP BlackRock Midcap Fund	★★★★	5,537.48	-4.98	-9.38	4.49	13.57	25.78	2.16
Kotak Emerging Equity Scheme	★★★★	3,250.16	-6.4	-10.29	3.97	13.44	26.9	2.04
Franklin India Prima Fund*	★★★★	6,601.65	-3.43	-8.23	6.31	12.48	24.28	2.3
EQUITY: SMALL-CAP								
L&T Emerging Businesses Fund	★★★★★	5,055.45	-6.42	-11.71	8.76	22.39	–	1.96
HDFC Small Cap Fund	★★★★	4,042.86	-4.96	-8.35	16.08	19.44	23.53	2.26
Reliance Small Cap Fund*	★★★★	6,944.06	-8.14	-15.62	8.05	19.41	34.96	1.99
SBI Small Cap Fund*	★★★★	808.86	-11	-20.5	13.61	17.29	33.2	2.32
Franklin India Smaller Companies Fund*	★★★★	7,378.91	-5.47	-10.97	4.44	14.44	28.17	2.35
EQUITY: VALUE-ORIENTED								
Tata Equity PE Fund	★★★★	3,923.53	0.97	-3.07	10.89	16.49	25.65	2.14
Invesco India Contra Fund*	★★★★	1,688.77	0.9	-2.92	16.34	14.59	24.71	2.14
Aditya Birla Sun Life Pure Value Fund*	★★★★	3,895.07	-10.03	-19.14	6.48	13.64	27.1	2.33
L&T India Value Fund	★★★★	7,892.34	-4.21	-10.85	2.44	13.41	24.9	1.94
EQUITY: TAX-SAVING								
Motilal Oswal Long Term Equity Fund	★★★★★	1,065.07	-1.9	-2.69	9.26	16.69	–	–
L&T Tax Advantage Fund	★★★★	3,236.43	-0.1	-5.85	9.34	13.56	19.68	1.84
Aditya Birla Sun Life Tax Relief 96*	★★★★★	6,102.48	0.31	-2.7	13.39	13.44	22.5	2.1
Principal Tax Savings Fund*	★★★★	393.11	-3.56	-10.68	6.29	13.14	20.84	2.39
Axis Long Term Equity Fund*	★★★★★	17,546.16	5.24	4.91	19.46	12.9	23.61	1.77
Tata India Tax Savings Fund*	★★★★	1,401.49	-2.86	-9.04	5.84	12.88	20.01	2.07
Invesco India Tax Plan*	★★★★	551.78	2.83	0.4	15.34	12.25	21.22	2.23
IDFC Tax Advantage Fund	★★★★	1,489.44	-3.27	-7.64	11.41	11.65	20.96	2.32

14.4% THE 3-YEAR RETURN OF JM CORE 11 FUND IS THE HIGHEST IN ITS CATEGORY.

16.9% THE 3-YEAR RETURN OF MIRAE ASSET EMERGING BLUECHIP IS THE HIGHEST IN ITS CATEGORY.

16.8% THE 3-YEAR RETURN OF L&T MIDCAP FUND IS THE HIGHEST IN ITS CATEGORY.

16.7% 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	
12.11	Principal Nifty 100 Equal Weight Fund	20.04	JM Core 11 Fund
12.42	IDBI Nifty Index Fund	19.54	Reliance ETF Junior BeES
12.53	Taurus Largecap Equity Fund	19.02	Reliance Large Cap Fund
12.56	LIC MF Index Sensex Plan	19.01	ICICI Prudential Nifty Next 50 Index
12.67	LIC MF Index Nifty Plan	18.05	SBI Bluechip Fund

Equity: Multi-cap 5-year returns

LAGGARDS		LEADERS	
10.96	LIC MF Multicap Fund	24.93	Reliance Focused Equity Fund
12.19	Union Equity Fund	24.05	Invesco India Multicap Fund
14.34	Taurus Starshare Fund	22.84	Quant Leading Sectors Fund
14.75	ICICI Prudential Focused Equity Fund	21.97	Aditya Birla Sun Life Equity Fund
15.11	Baroda Pioneer Multi Cap Fund	21.63	Franklin India Focused Equity Fund

Equity: Mid-cap 3-year returns

LAGGARDS		LEADERS	
3.92	Baroda Pioneer Midcap Fund	16.82	L&T Midcap Fund
6.65	SBI Magnum Midcap Fund	14.78	HDFC Mid-Cap Opportunities Fund
6.91	DHFL Pramerica Midcap Opportunities Fund	13.57	DSP BlackRock Midcap Fund
7.87	Tata Midcap Growth Fund	13.44	Kotak Emerging Equity Scheme
7.88	BNP Paribas Midcap Fund	12.78	Taurus Discovery Fund

Equity: Small-cap 3-year returns

LAGGARDS		LEADERS	
5.61	Union Small Cap Fund	22.39	L&T Emerging Businesses Fund
7.21	ICICI Prudential Smallcap Fund	19.44	HDFC Small Cap Fund
9.11	Sundaram Small Cap Fund	19.41	Reliance Small Cap Fund
11.3	HSBC Small Cap Equity Fund	17.29	SBI Small Cap Fund
12.07	Kotak Small Cap Fund	16.55	Aditya Birla Sun Life Small Cap Fund

Hybrid: Aggressive 5-year returns

LAGGARDS		LEADERS	
8.42	LIC MF Equity Hybrid Fund	20.96	Tata Retirement Savings Fund
11.31	LIC MF Unit Linked Insurance	18.9	HDFC Hybrid Equity Fund
12.39	Quant Opportunities Fund	18.7	ICICI Prudential Child Care Fund
12.4	Sundaram Equity Hybrid Fund	18.45	L&T Hybrid Equity Fund
12.45	JM Equity Hybrid Fund	17.79	Quant Balanced Fund

ANNUALISED RETURNS IN % AS ON 11 JULY 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: AGGRESSIVE (EQUITY-ORIENTED)								
Principal Hybrid Equity Fund*	★★★★★	1,349.14	-0.36	-4.07	10.71	13.9	17.74	2.37
Tata Retirement Savings Fund	★★★★★	733.18	2.15	-1.54	11.94	13.32	20.96	2.54
L&T Hybrid Equity Fund	★★★★	10,655.70	0.41	-2.21	5.57	10.83	18.45	1.93
Reliance Equity Hybrid Fund*	★★★★	13,538.91	-1.03	-3.79	5.66	10.55	17.34	1.97
ICICI Prudential Equity & Debt Fund	★★★★	28,743.57	-2.1	-5.35	3.98	10.42	17.28	2.13
SBI Equity Hybrid Fund*	★★★★	24,460.98	0.38	-2.31	9.13	9.6	17.25	1.96
HYBRID: CONSERVATIVE (DEBT-ORIENTED)								
UTI Regular Savings Fund	★★★★	2,604.70	1.26	2.13	6.98	8.64	11.02	1.61
BOI AXA Conservative Hybrid Fund	★★★★★	1,651.52	1.17	1.82	5.49	9.49	11.51	–
ICICI Prudential Regular Savings Fund	★★★★	219.87	-1.68	-2.06	5.34	8.18	9.61	2.03
Tata Retirement Savings Fund	★★★★	134.83	0	-1.18	4.27	8.19	10.88	2.63
Aditya Birla Sun Life Regular Savings Fund*	★★★★	2,320.94	-0.47	-2.03	2.24	9.04	12.57	2.12
DEBT: MEDIUM- TO LONG-TERM								
DHFL Pramerica Strategic Debt Fund	★★★★★	6.19	0.46	1.68	2.93	9.22	–	1.31
ICICI Prudential Bond Fund	★★★★	3,461.12	-0.57	0.58	1.95	7.15	7.77	1.07
SBI Magnum Income Fund*	★★★★	1,760.65	-0.36	0.84	1.8	7.78	6.93	1.45
DEBT: MEDIUM-TERM								
Franklin India Income Opportunities Fund*	★★★★★	3,575.65	1.01	3.23	6.76	8.29	8.92	1.7
Aditya Birla Sun Life Medium Term Plan*	★★★★★	11,415.08	0.8	2.67	5.16	8.39	9.12	1.54
UTI Medium Term Fund	★★★★	205.17	0.21	2.14	5.05	8.06	–	1.3
SBI Magnum Medium Duration Fund*	★★★★	1,698.27	0.39	2.06	4.15	8.35	9.63	1.2
DEBT: SHORT-TERM								
Franklin India Short Term Income Plan	★★★★★	10,182.28	0.93	3.22	6.6	8.16	8.88	1.57
Baroda Pioneer Short Term Bond Fund*	★★★★★	253.30	1.11	3.1	6.15	8.05	8.29	1.3
Indiabulls Short Term Fund	★★★★	128.06	1.31	3.28	5.65	7.6	–	1.5
HDFC Short Term Debt Fund*	★★★★	10,460.44	0.93	2.87	5.64	7.58	8.28	0.37
BNP Paribas Short Term Fund*	★★★★	152.42	0.9	2.82	5.51	7.75	8.11	1.08
BOI AXA Short Term Income Fund	★★★★	221.10	1.01	2.6	4.85	7.8	8.06	1
UTI Short Term Income Fund	★★★★	10,194.46	0.8	2.47	4.73	7.67	8.26	0.85
DHFL Pramerica Short Maturity Fund	★★★★	1,489.66	0.38	2.2	4.7	7.67	8.2	1.55
DEBT: ULTRA-SHORT-TERM								
BOI AXA Ultra Short Duration Fund	★★★★	753.45	1.67	3.63	7.34	8.3	8.69	0.55
SBI Magnum Ultra Short Duration Fund*	★★★★	3,095.24	1.95	3.74	7.07	7.32	8.06	0.2
Indiabulls Ultra Short Term Fund*	★★★★	404.66	1.64	3.48	6.7	7.78	8.28	0.7
DEBT: DYNAMIC BOND								
Franklin India Dynamic Accrual Fund*	★★★★★	3,351.91	0.79	2.82	6.18	8.83	8.72	1.77
Kotak Dynamic Bond Fund	★★★★	784.42	0.05	1.67	3.41	8.36	8.49	0.9
Baroda Pioneer Dynamic Bond Fund*	★★★★	21.84	-0.41	1.24	2.54	7.59	8.04	1.62
ICICI Prudential All Seasons Bond Fund	★★★★	2,242.44	0.19	2.13	2.53	9	10.71	1.35
UTI Dynamic Bond Fund	★★★★	1,362.64	-0.11	1.84	1.47	8.14	8.95	1.65
SBI Dynamic Bond Fund*	★★★★	1,897.26	0.1	0.85	0.23	7.64	6.89	1.7
DEBT: CORPORATE BOND								
Kotak Corporate Bond Fund*	★★★★★	1,244.21	1.54	3.41	6.35	7.85	8.02	0.55
Reliance Prime Debt Fund*	★★★★★	7,086.92	1.08	3.02	6.01	7.64	8.13	0.67
Franklin India Corporate Debt Fund*	★★★★	866.73	0.4	2.6	5.45	7.82	8.25	0.94
Aditya Birla Sun Life Corporate Bond Fund*	★★★★	16,601.93	0.66	2.49	5.07	7.82	8.48	0.35
ICICI Prudential Corporate Bond Fund	★★★★	6,563.51	0.63	2.67	5.02	7.59	8.15	0.55

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

13.9% THE 3-YEAR RETURN OF PRINCIPAL HYBRID FUND IS THE HIGHEST IN ITS CATEGORY.

2.9% THE 1-YEAR DHFL PRAMERICA STRATEGIC DEBT FUND IS THE HIGHEST IN ITS CATEGORY.

6.6% THE 1-YEAR RETURN OF FRANKLIN INDIA SHORT TERM INCOME IS THE HIGHEST IN ITS CATEGORY.

6.2% THE 1-YEAR RETURN OF FRANKLIN INDIA DYNAMIC ACCRUAL IS THE HIGHEST IN ITS CATEGORY.

Exp. ratio as on 30 Jun 2018
*Exp. ratio before 30 Jun 2018
Returns as on 11 Jul 2018
Assets as on 31 May 2018
Rating as on 30 Jun 2018

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

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.

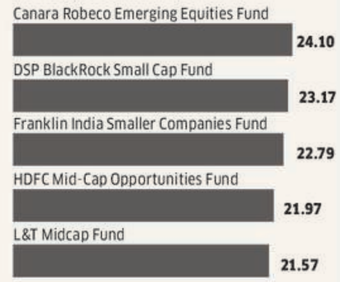
FUND RAISER

₹1,423 CRORE

was the net outflow from arbitrage funds in June—the highest in 2018-19 so far. Higher outflows are a result of arbitrage funds losing their tax advantage over debt funds after the introduction of LTCG tax on equities, say experts.

1 Top 5 SIPs

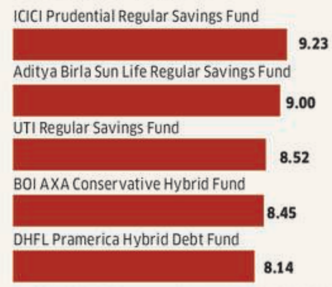
Top 5 equity schemes based on 10-year SIP returns



SIP: SYSTEMATIC INVESTMENT PLAN
% ANNUALISED RETURNS AS ON 11 JULY 2018

2 Top 5 MIPs

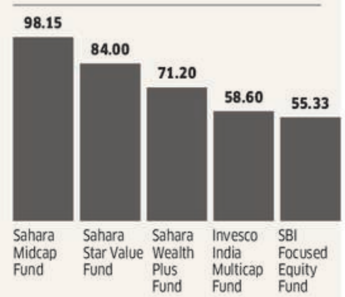
Top 5 MIP schemes based on 3-year SWP returns



SWP: SYSTEMATIC WITHDRAWAL PLAN
% ANNUALISED RETURNS AS ON 11 JULY 2018

3 Mid & small-cap

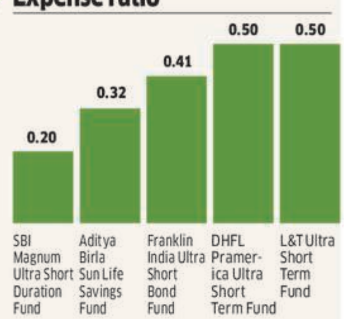
Exposure of multi-cap funds



% AS ON 30 JUNE 2018

4 Debt: Ultra short duration

Expense ratio



% AS ON 31 MAY 2018

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

ADITYA BIRLA SUN LIFE MID CAP

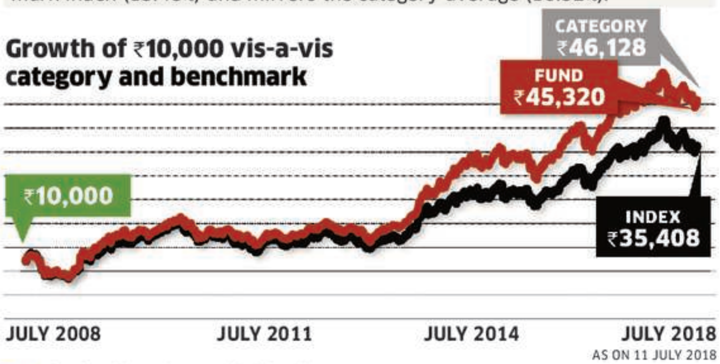
NOT A CONSISTENT PERFORMER

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?

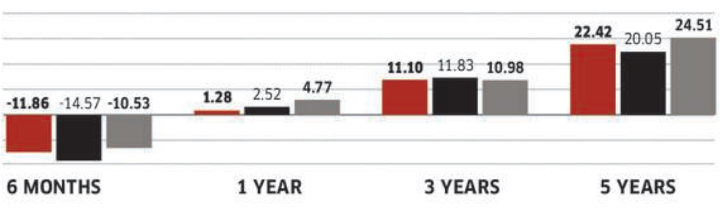
With a 10-year return of 16.31%, the fund has outperformed the benchmark index (13.48%) and mirrors the category average (16.52%).

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



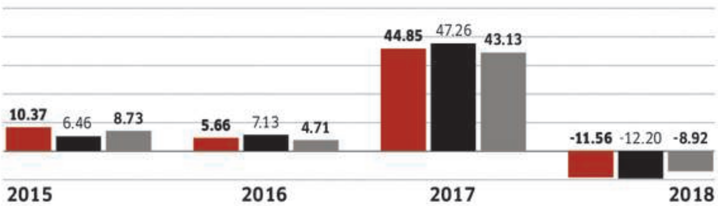
The fund has lagged behind its category average over the past decade.

Annualised performance (%)



The fund has underperformed its index over the past one and three years.

Yearly performance (%)



The fund's performance has been inconsistent over the years.

BASIC FACTS

DATE OF LAUNCH
3 OCT 2002

CATEGORY
EQUITY

TYPE
MID CAP

AVERAGE AUM
₹2,222.19 CR

BENCHMARK
NIFTY MIDCAP 100 INDEX

WHAT IT COSTS

NAVs*
GROWTH OPTION
₹301

DIVIDEND OPTION
₹35

MINIMUM INVESTMENT
₹1,000

MINIMUM SIP AMOUNT
₹1,000

EXPENSE RATIO^ (%)
2.28

EXIT LOAD
1% for redemption within 365 days

*AS ON 11 JUL 2018
^AS ON 31 MAY 2018

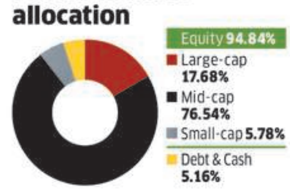
FUND MANAGER

JAYESH GANDHI

TENURE: 3 YEARS AND 5 MONTHS
EDUCATION: B.COM, CFA, MASTER OF INTERNATIONAL MANAGEMENT

WHERE DOES THE FUND INVEST?

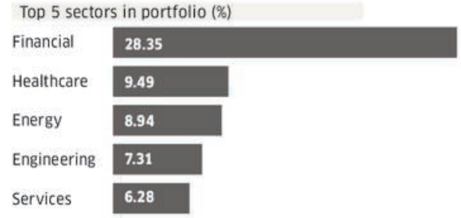
Portfolio asset allocation



Fund style box

The fund invests mainly in mid-caps.

Top 5 sectors in portfolio (%)



The fund has invested heavily in financials.

Top 5 stocks in portfolio (%)

The fund's portfolio construction is highly index agnostic.

How risky is it?

	Fund	Category	Index
Standard Deviation	17.06	16.53	17.12
Sharpe Ratio	0.34	0.30	0.36
Mean Return	12.19	11.47	12.63

BASED ON 3-YEAR PERFORMANCE.

The fund's risk-return profile is similar to its category average.

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

Should You Buy

This fund has retained its mid-cap tilt, paring back its earlier sizeable presence in large-caps due to the new re-categorisation norms. Its earlier highly diversified portfolio with small positions in individual bets has been replaced with a slightly compact portfolio that allows for meaningful exposure to its top picks. The fund manager has a benchmark-agnostic approach, and most stock bets are outside the benchmark index. This lends an element of aggression to the fund. The fund manager often emphasises on macro factors and drills down to sub-sectors for investible opportunities. The fund has not been able to sustain outperformance over longer time frames and its performance has been mediocre. Consistency in execution is needed to make it a worthy bet in this space.

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

	Interest rate (%) compounded qtrly	What ₹10,000 will grow to
TENURE: 1 YEAR		
RBL Bank	7.75	**10,798**
Indusind Bank	7.65	**10,787**
Karnataka Bank	7.35	**10,756**
Lakshmi Vilas Bank	7.35	**10,756**
Kotak Mahindra Bank	7.25	**10,745**
TENURE: 2 YEARS		
Lakshmi Vilas Bank	7.50	**11,602**
IDFC Bank	7.50	**11,602**
RBL Bank	7.50	**11,602**
Bandhan Bank	7.40	**11,579**
Karnataka Bank	7.35	**11,568**
TENURE: 3 YEARS		
IDFC Bank	8.00	**12,682**
DCB Bank	7.75	**12,589**
Lakshmi Vilas Bank	7.50	**12,497**
RBL Bank	7.50	**12,497**
Bandhan Bank	7.40	**12,460**
TENURE: 5 YEARS		
IDFC Bank	8.25	**15,043**
AU Small Finance Bank	8.00	**14,859**
DCB Bank	7.75	**14,678**
Lakshmi Vilas Bank	7.50	**14,499**
RBL Bank	7.25	**14,323**

Top five senior citizen bank FDs

	Interest rate (%) compounded qtrly	What ₹10,000 will grow to
TENURE: 1 YEAR		
RBL Bank	8.25	**10,851**
Indusind Bank	8.15	**10,840**
Lakshmi Vilas Bank	7.95	**10,819**
Karnataka Bank	7.85	**10,808**
Axis Bank	7.75	**10,798**
TENURE: 2 YEARS		
Bandhan Bank	8.15	**11,751**
Lakshmi Vilas Bank	8.10	**11,740**
IDFC Bank	8.00	**11,717**
RBL Bank	8.00	**11,717**
Karnataka Bank	7.85	**11,682**
TENURE: 3 YEARS		
IDFC Bank	8.50	**12,870**
DCB Bank	8.25	**12,776**
Bandhan Bank	8.15	**12,738**
Lakshmi Vilas Bank	8.10	**12,720**
RBL Bank	8.00	**12,682**
TENURE: 5 YEARS		
IDFC Bank	8.75	**15,415**
AU Small Finance Bank	8.50	**15,228**
DCB Bank	8.25	**15,043**
Lakshmi Vilas Bank	8.10	**14,932**
RBL Bank	7.75	**14,678**

Top five tax-saving bank FDs

TENURE: 5 YEARS AND ABOVE	Interest rate (%)	What ₹10,000 will grow to
IDFC Bank	8.25	**15,043**
AU Small Finance Bank	8.00	**14,859**
DCB Bank	7.75	**14,678**
Lakshmi Vilas Bank	7.50	**14,499**
RBL Bank	7.25	**14,323**

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 JULY 2018**
HDFC Bank	**8.25**	**7 JULY 2018**
Allahabad Bank	**8.30**	**1 July 2018**
Bank Of Baroda *	**8.30**	**7 JUNE 2018**
Dena Bank	**8.30**	**1 JULY 2018**

Top banks for 1 year

BANK NAME	MCLR (%)	WITH EFFECT FROM
State Bank Of India	**8.25**	**1 July 2018**
HDFC Bank	**8.40**	**7 July 2018**
ICICI Bank	**8.40**	**1 July 2018**
Allahabad Bank	**8.45**	**1 July 2018**
Bank Of Baroda *	**8.45**	**7 June 2018**

Top banks for 2 years

BANK NAME	MCLR (%)	WITH EFFECT FROM
State Bank Of India	**8.35**	**1 July 2018**
Union Bank Of India	**8.50**	**1 July 2018**
HDFC Bank	**8.55**	**7 JULY 2018**
Allahabad Bank	**8.65**	**1 July 2018**
Vijaya Bank	**8.65**	**7 June 2018**

Top banks for 3 years

BANK NAME	MCLR (%)	WITH EFFECT FROM
State Bank Of India	**8.45**	**1 July 2018**
Union Bank Of India	**8.55**	**1 July 2018**
Punjab National Bank	**8.60**	**1 July 2018**
HDFC Bank	**8.70**	**7 July 2018**
Indian Bank	**8.70**	**11 June 2018**

Top banks for 5 years

BANK NAME	MCLR (%)	WITH EFFECT FROM
Punjab National Bank	**8.75**	**1 July 2018**
Indian Bank	**8.95**	**11 June 2018**
Karur Vysya Bank	**9.30**	**7 June 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 12 JULY 2018

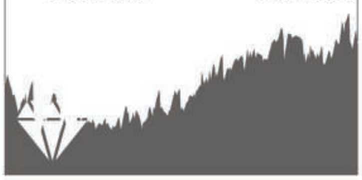
BENEFIT AVAILABLE ONLY FOR 5-YEAR DEPOSIT

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

117.67 11 JULY 2017 — 119.74 11 JULY 2018



Precious Metals Index

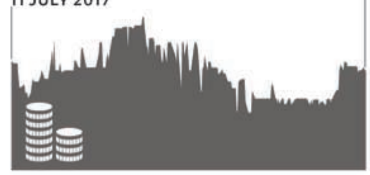
1,594.24 11 JULY 2017 — 1,634.47 11 JULY 2018

Wine Index

345.84 13 JULY 2017 — 359.13 25 JUNE 2018

Coin Index

17,800 11 JULY 2017 — 17,500 4 JULY 2018



CHANGE

	Diamond Index	Precious Metals Index	Wine Index	Coin Index
I WEEK	-0.07%	-0.73%	-100%	0%
I YEAR	1.76%	2.52%	3.84%	-1.69%

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.

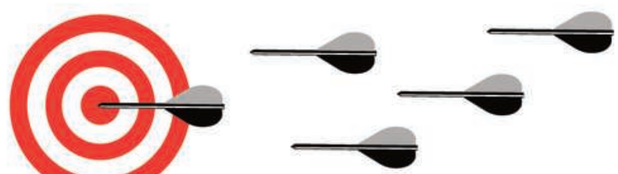
The S&P GSCI Precious Metals Index comprises gold (91.33%) & silver (8.67%) & provides a benchmark for investment performance in the precious metals commodity markets. It is updated daily.

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)
Alok Industries	4.66	-5.48	**91.77**	58.87	108.02	641.83
Kabsons Industries	6.15	9.63	**66.67**	0.00	52.92	10.74
IVRCL	1.91	25.66	**45.80**	11.17	87.35	149.53
Integrated Capital Serv.	3.95	3.95	**41.07**	0.01	-40.07	14.30
KSL and Industries	5.76	9.71	**39.13**	0.01	39.36	57.99
Adhunik Metaliks	4.34	34.78	**33.54**	0.21	74.89	53.60
Sezal Glass	5.00	-2.34	**31.58**	0.00	-84.52	16.78
Tree House Education	8.70	2.35	**30.63**	0.24	161.78	36.81
Amrapali Industries	5.70	-0.52	**28.67**	0.02	-31.48	29.31
Birla Precision Tech.	9.83	-1.70	**26.84**	0.47	123.37	51.75

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)
Gitanjali Gems	3.31	-11.50	**-43.03**	2.89	-57.44	39.26
Gammon Infra. Projects	1.42	-10.69	**-35.45**	12.14	46.84	133.74
Monotype India	0.30	20.00	**-30.23**	1.62	170.61	21.09
Virtual Global Education	0.66	-8.33	**-28.26**	8.74	39.49	27.96
Sunil Hitech Engineers	3.03	-5.61	**-26.28**	4.24	20.51	114.53
Uttam Galva Steel	8.90	0.79	**-23.67**	10.95	59.67	126.61
VKJ Infradevelopers	0.80	3.90	**-20.00**	1.49	-6.80	19.04
Subex	5.44	0.18	**-19.76**	3.10	-40.70	305.73
Urja Global	3.49	-4.38	**-19.40**	4.85	-56.36	177.01
Unitech	4.20	-0.24	**-19.08**	11.83	-67.18	1,098.85

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)
USG Tech Solutions	4.00	0.00	-4.31	0.00	**42,186.00**	15.76
Cressanda Solutions	2.21	-1.78	-11.60	0.34	**27,250.79**	67.10
Safal Herbs	2.50	-3.85	-10.71	0.14	**24,096.88**	25.00
Parvati Sweetners	3.34	-5.92	-15.01	3.64	**16,385.62**	23.67
Winsome Yarns	1.56	-3.70	-19.59	0.07	**15,383.67**	11.03
Dhanada Corporation	4.36	9.27	18.16	0.15	**3,249.14**	24.37
Kretto Syscon	7.79	-3.83	-31.31	0.20	**1,894.85**	11.10
Advik Capital	2.40	5.73	-40.00	0.02	**1,497.48**	11.02
Sulabha Enggineers	1.90	-6.86	-50.90	0.01	**1,002.23**	19.10
Landmark Property Dev.	2.60	-1.89	-20.25	0.08	**653.74**	34.87

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)
Unitech	4.20	-0.24	-19.08	11.83	**-67.18**	1,098.85
Visagar Polytex	0.95	-2.06	-4.04	1.45	**-62.36**	23.39
Lanco Infratech	0.85	13.33	-1.16	4.32	**-60.74**	281.70
Gitanjali Gems	3.31	-11.50	-43.03	2.89	**-57.44**	39.26
Urja Global	3.49	-4.38	-19.40	4.85	**-56.36**	177.01
Jaypee Infratech	6.30	0.96	9.76	2.75	**-48.93**	875.03
Bajaj Hindusthan Sugar	6.45	-1.23	-14.68	5.11	**-47.15**	731.17
Tata Teleservices	4.44	-1.33	-12.94	1.10	**-43.63**	867.99
Subex	5.44	0.18	-19.76	3.10	**-40.70**	305.73
Videocon Industries	7.79	0.13	-2.01	1.05	**-40.61**	260.54

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 11 JULY 2018. SOURCE: ETIG DATABASE AND BLOOMBERG.

South Ind Bank: Reasonable valuations

Shifting focus to retail loans from corporate loans will help the lender arrest asset quality concerns.

Just like public sector banks and private sector banks focused on corporates, South Indian Bank too has been reeling under severe asset quality distress. South Indian Bank's net profit fell 15% in 2017-18, mostly because of higher loan provisioning. However, the bank is beginning to show some green shoots. Though low base is the main reason, South Indian Bank's revenue and net profit in the fourth quarter of 2017-18 grew 16% and 51% respectively, year on year.

Despite battling asset quality concerns, South Indian Bank continued with its good performance across several metrics. Its loan growth rate improved from 12.9% in 2016-17 to 17.6% in 2017-18 and analysts are hopeful that it will improve further to 20% in 2018-19. To improve its loan growth rate and contain asset quality worries, South Indian Bank is now avoiding large corporates and consortium-based lending and is instead focusing on retail and MSME segments.

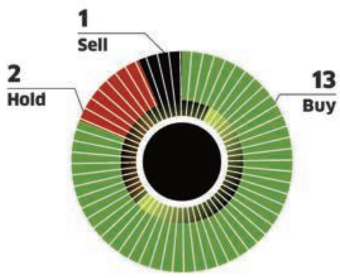
With the bank's management taking steps to address asset quality concerns, analysts now believe that asset quality stress is largely behind South Indian Bank. Concentration on retail and MSME segments is one such step. Selling some of its weak accounts to asset reconstruction companies (ARCs) at 50% of their value is another move aimed at containing further deterioration in the bank's asset quality. Due to RBI's strict norms on recognition of non-performing assets (NPAs), South Indian Bank recognised most of its weak accounts in 2017-18, resulting in NPAs of ₹614 crore in the fourth quarter. As none of the bank's large corporates are now in the NPA watch list, fresh slippages are expected to come down significantly to around ₹600 crore in 2018-19.

Due to reduction in fresh slippages and selling of weak accounts to ARCs, analysts are hopeful that the bank's provision requirements will also come down to 1% of its loan book in 2018-19—significantly lower compared to past two years. This explains why analysts expect the bank's revenue and net profit to grow 14% and 73% respectively in 2018-19.

South Indian Bank's 38% underperformance—32% fall compared to 6% gain in the Sensex—during the past six months is another reason why analysts are getting bullish on this counter. The bank's valuation—both price-to-book and price-to-earning—is below its historical average and, therefore, quite attractive, especially considering the expected improvement in its fundamentals.

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

Analysts views



Focus on allaying asset quality concerns, likely reduction in NPA provisioning, revenue and net profit growth of 14% and 73% in 2018-19 and reasonable valuations have made this lender analysts' top pick.

Fundamentals

	Actual		Consensus Estimate	
	2016-17	2017-18	2018-19	2019-20
Net revenue (₹ cr)	2,391.86	2,802.15	3,203.89	3,787.96
EBITDA (₹ cr)	601.08	499.28	1,655.82	1,995.84
Net profit (₹ cr)	393.10	334.46	578.43	770.33
EPS (₹)	2.61	1.85	3.06	4.11

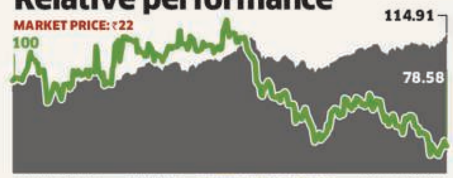
Valuation

	PBV	PE	Dividend Yield (%)
South Indian Bank	0.80	12.03	1.79
AU Small Finance Bank	9.29	63.31	0.00
Bandhan Bank	7.16	60.38	0.00
RBL Bank	3.63	38.17	0.28
Yes Bank	3.36	20.46	0.76

Latest brokerage calls

Reco Date	Research House	Advice	Target Price (₹)
9 Jul '18	Elara Securities India	Accumulate	33
9 Jul '18	Narnolia Securities	Buy	29
5 Jul '18	Edelweiss Capital	Buy	38
26 Jun '18	Motilal Oswal Sec.	Buy	34
16 May '18	ICICI Securities	Buy	34

Relative performance



PERFORMANCE OF SOUTH INDIAN BANK 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
Tata Chemicals	Motilal Oswal	Buy	713	959	35	Maintain Buy. If the reported restructuring of Tata Chemicals happens, it will be win-win for all. Maintaining revenue and earnings estimates and target price.
Dish TV	Axis Capital	Buy	73	90	24	Retain 'buy'. Though there's threat from JIO in the medium term, it will have limited impact on Dish TV because 65% of its subscriber base is from rural India.
NTPC	J P Morgan	Overweight	154	190	23	Maintain 'overweight'. While historical earnings per share CAGR is low, it is expected to improve to 14% between 2017-18 and 2020-21 and stock return is expected to keep pace with EPS growth.
Coal India	Edelweiss	Buy	265	325	23	Upgrade to 'buy'. After 10% cut in the past two months, the risk-reward scenario looks favourable. It is now trading at 9.6-times its expected earnings in 2019-20—lowest valuation in past four years.
Future Retail	Prabhudas Liladher	Buy	557	682	22	Reiterate 'buy'. It is gaining strength from industry consolidation. Future Retail is expected to turn net cash positive by 2019-20, but is trading at 50% discount to D'Mart.
India Cements	Karvy Stock Broking	Buy	112	134	20	Initiate 'buy'. Plan to concentrate on value-added products will have long-term benefits. Increased demand due to govt's infra thrust, Supreme Court stay on banning sand mining, etc. other postives.

SELL

*MARKET PRICE AS ON 12 JULY

Stock	Research House	Advice	Market Price* (₹)	1-Year Target Price (₹)	Potential Downside (%)	Comment
Hexaware Tech	Emkay Global	Sell	494	380	-23	Maintain 'sell'. Hexaware has been a consistent performer. However its high valuations—25-times expected earnings in 2019-20—are not sustainable and should cool off in the coming sessions.

Disability, NPS cut tax by 42%

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

Bengaluru-based software professional Puneet Sharma is paying a high tax because he is not able to claim exemption for the perks in his salary. "I am not able to claim exemption for LTA and even the HRA is partially exempt," he says. However, there are other deductions that he can claim. Taxspanner estimates that Sharma can reduce his tax by over ₹65,000 if some of the taxable allowances in his salary are replaced with tax-free perks and he starts investing in the NPS.

Sharma should start by asking that the transport and medical allowances in his salary, which are now taxable, should be replaced with a newspaper allowance. He should also ask for a higher telephone allowance. This rejig will cut his tax by about ₹5,600.

Next, he should ask his company for the NPS benefit. Under Sec 80CCD(2d), up to 10% of the basic salary put in NPS is deductible. If Sharma's company puts ₹60,000 (10% of his basic) in the scheme, his tax will reduce by about ₹12,500. Another ₹10,400 can be saved if he invests ₹50,000 in the NPS on his own under Sec 80CCD(1b). Given his young age (he is 30), Sharma should opt for the Aggressive Lifecycle Fund that puts the maximum 75% in equity funds.

Tax will be reduced significantly if Sharma claims deduction for the treatment and maintenance of a disabled dependant under Sec 80DD. The deduction of ₹1.25 lakh will cut his tax by ₹36,400.

INCOME FROM EMPLOYER

INCOME HEAD	CURRENT	SUGGESTED	ACTIONS TO TAKE
Basic salary and dearness allowance	6,00,000	6,00,000	
House rent allowance	3,00,000	3,00,000	
Special allowance	4,18,800	▼ 3,75,000	Reduce this taxable portion of the pay package.
Conveyance allowance	19,200		These allowance are now taxable. Replace them with tax-free perks.
Medical allowance	15,000		
Leave travel assistance	75,000	75,000	
Telephone reimbursement	6,000	▲ 12,000	This perk is tax free against submission of actual bills.
Books and periodicals	0	▲ 12,000	
Food coupons	13,200	13,200	
Employer's contribution to Provident Fund	72,000	72,000	
Contribution to NPS under Sec 80CCD(2d)	0	▲ 60,000	Up to 10% of basic salary put in NPS is tax deductible.
TOTAL	15,19,200	15,19,200	

+ INCOME FROM OTHER SOURCES

Interest income	2,000	▼ 0	Avoid fixed deposits; shift to debt funds.
Capital gains	0	0	
Rental income	0	0	
TOTAL	2,000	0	

All figures are in ₹

▲ Denotes suggestion to increase ▼ Denotes suggestion to reduce

Tax-saving investments

INCOME HEAD	CURRENT (₹)	SUGGESTED (₹)	
Provident Fund	72,000	72,000	
Home loan repayment	78,000	78,000	
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 (₹)	
HRA exemption	1,20,000	1,20,000	
Disabled dependant under Sec 80DD		1,25,000	Claim deduction for brother's disability.
TOTAL	1,20,000	2,45,000	

Puneet Sharma's TAX

	TAX ON SALARY	TAX ON OTHER INCOME	TAX ON CAPITAL GAINS	Total
CURRENT	₹1,53,816	₹624	Nil	₹1,54,440
SUGGESTED	₹89,920	Nil	Nil	₹89,920

TOTAL TAX SAVED

₹65,520

PER YEAR

TAX RATIO

(Total tax as % of annual income)

EXISTING (₹)	SUGGESTED (₹)
10.2%	5.9%

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.

How to return to your old job after quitting

Do not ignore ex-employers when job hunting, says **Devashish Chakravarty**


GETTY IMAGES

Steve Jobs did it. And so can you. You can go back to a job that you quit or was asked to leave from. Are you clueless about how you will ask your ex-employer for your job back or for a new role? You are not alone. Most professionals hesitate to do so and thus let potential opportunities pass by. Know that ex-employees who return to work for the same firm are called "Boomerang" employees. In the last three years, more companies have opened to the idea of accepting boomerang employees given the serious talent crunch in the market. Here's what you need to do to open old doors.

When you should

Do you regret leaving your previous job because the new job or culture or pay is not what you expected? Leaving the previous job has given you a fresh perspective of what is valuable to you and since you know exactly what to expect in your previous role, consider going back and requesting for it. Be open to a new role too if it is the people and the culture you miss. If you have left the company a long time back or have handled different responsibilities thereafter, you should have no trouble in reconsidering your ex-employer in a new role and designation. Similarly, consider going back if you have acquired new skills and are now eligible for an opportunity that was unavailable to you earlier.

When you shouldn't

Remember the experiences and the reasons why you quit the job in the first place. If the culture was toxic or you were harassed, dis-respected or under-valued then nothing would have changed. If you quit under less than polite and cordial circumstances or the exit was acrimonious, then how will you handle the negative feelings on both sides? Next, would going back affect your self-esteem? Are you up to the mild embarrassment of having to explain to ex-colleagues why you chose to come back and willing to handle the politics arising thereafter? Finally, are you willing to eat humble pie, sell yourself, answer questions about your decisions and convince your ex-employer why they should hire you back?

How should you ask

Start with informal conversations with people in the organisation like friends from your previous team, a mentor or a manager with whom you share a personal equation. If the vibes are positive, create the space for a formal application. Be honest and prepared about your answers about why you wish to return to the ex-employer and whether you are looking for the same role or a different role if you have new skills or achievements to demonstrate. Do not talk poorly about the employer you are now leaving because then you are signalling that you are willing to trash your interviewer too. Treat the re-hiring process as respectfully as you would treat a fresh job application.

What should you consider

Firstly, consider whether you are willing to step back into the same role that you recently exited and are willing to re-join at the same salary or even a reduced one. If you are willing to work only in a new role or team or higher salary, make it clear at the beginning to avoid miscommunication. Remember that you need this and hence are re-applying to your ex-employer. Be willing to compromise or discuss revised expectations on commitment, role, designation, goals, incentives etc. Prepare to negotiate based on the performance you delivered in the past, the commitment you now bring to the role, the new approach or skills if any and your ongoing relationships with people in the team that will benefit everyone. Be open to an internship or trial role if offered.

Start over again

Once you join your ex-employer, treat the job like a fresh start and don't assume the perks and privileges of an old hand. The team and manager had learnt to do without you when you were not around and may resent it if you have an air of entitlement. Put your best foot forward to rebuild old equations and initially contribute more into relationships than others. Respect fresh roles and boundaries of ex-colleagues who have been promoted. Invest a few days in figuring out what has changed in the job content and team and in re-training yourself accordingly.

Dos and Don'ts

Seek support while settling down. Be open to communication with people who are curious about your return. Make sure you are on time and are diligent about your work to win back the trust of your team. Volunteer for new projects to demonstrate your commitment. Don't assume that everything is exactly as before and don't revert to your old way of working before you are sure it still works. Don't start off by complaining about what isn't working or what caused you to quit in the first place. Finally, don't hide any fresh perspectives and maturity that you bring to the role.

How to quit a job

Now that you appreciate the opportunity to be a boomerang employee, think about how you want to quit a job the next time around. Avoid quitting a job in an emotional manner or by insulting colleagues. Following due protocol and being nice to people on your way out helps avoid burning bridges. Having an honest conversation on why you are leaving for a better opportunity and not running away from a bad job or boss, leaves the space for you to return if things don't work out. Finally, stay connected with your ex-team members and your ex-employer and keep the goodwill going.

THE WRITER IS FOUNDER AND CEO AT QUEZX.COM AND HEADHONCHOS.COM.

WHAT ATTRACTS YOUR EMPLOYER...

1 TRACK RECORD

If you had a great performance record in your role before you left, then your employer sees clear value in getting a high performer back into the team. Add to that the personal trust your ex-manager has in you and hence is thrilled to have you back. Still be humble because your firm and team knows how to work without you!

2 KNOWN QUANTITY

You are a known quantity. Your managers and your company know exactly what to expect and what not to. This makes planning your new role and projects that much easier. This comes with a flip side for you. You have to work much harder to prove that you have changed and improved since your previous stint.

3 ONBOARDING SPEED

If you had recently quit and are returning to the same role, there is a huge benefit to your current boss who does not have to spend any time in getting you to speed. Hiring you back saves a few days or weeks of training a new employee into your role. But ask for some time if either your team, work content or tools have changed since you left.

4 NETWORK

If you haven't been gone for a long time or if the leadership or management team is unchanged, then your return is valuable to the firm because of the network you can tap into. Your equation with people in key roles, your personal reputation with decision makers and your instant access to them means that tasks and teams move faster around you.

5 UPGRADED EXPECTATIONS

When you apply for a comeback, your ex-employer can discuss a higher expectation from you. In case you resigned recently, they will expect a firm commitment of continuity. Additionally, your employer will discuss a commitment towards new targets in the same role or a better performance in a new role.

Loans needed to reach goals

Chandrajeet Sagar is investing in a mix of equity funds and debt options for his son's higher education, a car, new house and his retirement. Here's what the doctor has advised him:

GOALS

1 SON'S EDUCATION	2 NEW CAR	3 FOREIGN HOLIDAY	4 NEW HOUSE	5 RETIREMENT: 25 years
20 years	2 years	3 years	10 years	
PRESENT COST ₹15 lakh	CURRENT COST ₹6 lakh	PRESENT COST ₹1.5 lakh	PRESENT COST ₹35 lakh	CURRENT NEED ₹1.03 crore (₹50,000 a month)
FUTURE COST ₹1.01 crore	FUTURE COST ₹6.86 lakh	FUTURE COST ₹1.8 lakh	FUTURE COST ₹68.5 lakh	CORPUS NEEDED ₹5.6 crore

PORTFOLIO CHECK-UP

- Started investing in mutual funds about three years ago.
- Portfolio is unwieldy, with small amounts in too many funds.
- Goals are ambitious and will need big hike in investment.
- Will have to take ₹3 lakh loan for car and ₹40 lakh for house.
- Goals can be reached if SIPs are increased by 10% every year.
- Low PF balance hints at early withdrawals when changing jobs.

Note from the doctor

- Avoid adding more funds. Stay away from new fund offers.
- Don't buy thematic and sector funds. Diversified schemes do better in long term.
- Review investments and rebalance at least once in a year.
- Reduce risk when goal is near so you don't miss the target.

INVESTOR'S EXISTING PORTFOLIO

Goal	FUND NAME*	AMOUNT INVESTED (₹)	EXISTING SIP (₹)	RECOMMENDED ACTION	NEW SIP (₹)
1	Aditya Birla SL Equity	72,700	2,000	Continue SIPs in this outperforming multi-cap fund and increase amount by 10% every year.	2,000
1	Aditya Birla SL Tax Relief 96	26,306	0	Continue holding this outperforming ELSS fund.	0
1	Axis Long Term Equity	27,558	0	Continue holding this outperforming ELSS fund.	0
1	Canara Robeco Emerging Equities	11,000	1,000	Continue SIPs in this outperforming fund and increase amount by 10% every year.	1,000
1	DSPBR Small Cap	20,448	1,000	Performance has slipped recently, but continue SIPs and increase amount by 10% every year.	1,000
2	Fixed deposits	2,50,000	0	Use maturity proceeds for downpayment of car and take loan of ₹4 lakh for the balance.	0
3	Franklin India Short Term Income Plan	0	0	Start SIP of ₹4,500 in this short-term debt fund to save for foreign holiday.	4,500
4	Franklin India Smaller Companies	22,172	1,000	Continue SIPs in this outperforming small-cap fund and increase amount by 10% every year.	1,000
4	HDFC Equity	41,370	500	Performance has slipped in recent years. Switch to ICICI Pru Bluechip for more stable returns.	0
4	ICICI Pru Bluechip	1,04,000	2,000	Continue SIPs in this outperforming large-cap fund and increase amount by 10% every year.	3,500
4	ICICI Pru Value Discovery	22,886	1,000	Switch to ICICI Pru Bluechip for more stable returns.	0
4	L&T Emerging Businesses	4,000	500	Continue SIPs in this outperforming small-cap fund and increase amount by 10% every year.	500
4	Mirae Asset Emerging Bluechip	8,800	1,000	Continue SIPs in this outperforming fund and increase amount by 10% every year.	1,000
5	Motilal Oswal Multicap 35	9,024	1,000	Continue SIPs in this outperforming fund and increase amount by 10% every year.	1,000
5	Reliance Small Cap	1,24,407	2,000	Continue SIPs in this small-cap fund and increase amount by 10% every year.	2,000
5	Reliance Pharma	26,500	0	Switch out of these sectoral and thematic funds and reinvest the proceeds in a large-cap diversified equity fund. Choose from SBI Bluechip, Franklin Bluechip and ICICI Pru Bluechip.	2,000
5	SBI Healthcare Opportunities	18,644	1,000		
5	UTI Transportation and Logistics	57,430	1,000		
5	Provident Fund and PPF	3,50,000	9,500	Continue investing and hold for long term. Do not withdraw before retirement.	9,500
	TOTAL	**₹11,97,246**	**₹24,500**	The goals can be reached using the mutual funds marked in the same colour.	**₹29,000**

Can't reach goals without big hike in SIPs

Gokul Kumar saves ₹40,000 a month for multiple goals. Here's what the doctor has advised him:

GOALS

1 SON'S EDUCATION: 8 years	2 UPGRADE HOUSE: 5 years	3 RETIREMENT INCOME: 18 years
PRESENT COST: ₹16 lakh	PRESENT COST: ₹30 lakh	PRESENT COST: ₹1.75 crore (₹70,000 a month)
FUTURE COST: ₹34.31 lakh	FUTURE COST: ₹42 lakh	FUTURE COST: ₹5.9 crore

Goal	FUND NAME*	AMOUNT INVESTED (₹)	EXISTING SIP (₹)	RECOMMENDED ACTION
1	HDFC Ulip	1,30,421	2,083	Continue these life insurance policies and use the maturity value (approximately ₹12 lakh) for son's college fee.
1	LIC policy	2,00,000	1,777	
2	HDFC Top 200	55,000	0	Start SIP of ₹9,000 in this fund; increase by 10% every year.
2	Mirae Asset India Equity	27,200	2,500	Increase SIP to ₹5,000 in each of these outperforming equity funds; hike amount by 10% every year.
2	Mirae Asset Emerging Bluechip	25,200	2,500	
2	Fixed deposit	7,00,000	0	Income from fixed deposits, recurring deposits is fully taxable. Shift to short-term debt funds for better tax efficiency.
2	Recurring deposit	12,000	6,000	
3	Provident Fund and PPF	30,50,000	25,000	Keep contributing and don't withdraw before retirement.
3	Aditya Birla SL Equity	0	0	Start SIP of ₹20,000 in this multi-cap fund and increase amount by 10% every year.
	TOTAL	**₹41,99,821**	**₹39,860**	*Some of the fund names may have changed.

PORTFOLIO CHECK-UP

- Has invested in mix of insurance policies, mutual funds and bank deposits.
- Investments will have to be hiked significantly to reach all financial goals.
- Healthy PF balance means portfolio has enough debt.
- Start SIPs in equity fund for retirement.
- Review portfolio at least once a year. Change if any fund's performance slips.

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 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.

The suggestions given in the cover story, 'Is your portfolio diversified?' were good. Here are my thumb rules. Invest 10% of your monthly salary to build a retirement corpus. Around 10% of this should be invested in equity. Start doing this in your twenties. It's best to live on rent till the age of 40, provided the rent is less than 25% of your salary. Otherwise buy a place and live in it. Equity will beat real estate when it comes to returns any day. You don't need to think of gold.
Venkat Iyer

This is in reference to the story, 'Why retail investors lose in direct equities'. While the traditional approach works on the premise that investors are rational, the behavioural approach suggests investors act normal but are not necessarily rational. Investors may exhibit one or more of the following behavioural biases—conservatism, confirmation, representativeness, illusion of control, hindsight bias, anchoring and adjustment bias, mental accounting bias, framing bias, availability bias and loss aversion bias. Also possible are over confidence bias, status quo bias, self-control bias and regret aversion bias.
Labeebhaskar1

Fear gets the better of seniors

This refers to the cover story, 'Is your portfolio diversified?' While it's true a diversified portfolio can give decent returns, most senior citizens stick to bank deposits despite the falling rates. This is because they are afraid of market risks and prefer safety to returns.
Subbu India

The one reason why retail investors fail in direct equity is greed. They are part-time players, acting on wild tips. They don't have the patience to hold on to stocks for the long-term. They are incapable of booking profits or losses. They are just driven by fear.
R. Shah

The article, 'Can you replace your salary with investment income?' was informative. It's best to assume a starting salary of ₹20,000 at the age of 24. Savings should be progressive. As one's salary increases, the percentage kept aside as savings should also increase. You have to keep expenses constant.
CriticReview

This refers to the story, 'Money lessons for students'. Children should be taught about the importance of spending wisely and saving for the future right from school. Lessons in managing money should be part of the school curriculum. Earlier, people grew up in large families with limited resources. They automatically learnt to spend wisely and save prudently. Today, children born in nuclear families are pampered. If we don't teach our children today, we will only imperil their future, as they will grow old poor.
L.B.

Corrigendum
In the Top 50 Stocks page dated 6 July, the expected revenue and net profit growth figures of Power Grid Corporation were erroneously mentioned as 11,763% and 12,706%. The error is regretted.

REALTY HOT SPOT

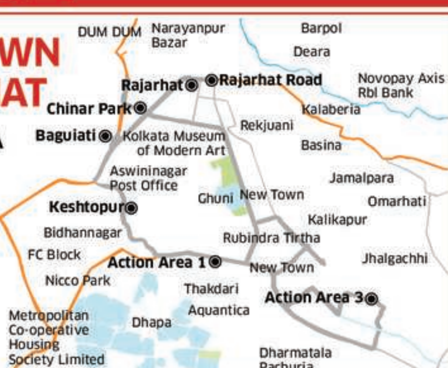
Proximity to IT hub a plus point

Commercial complexes and IT parks in the vicinity should keep rents high in this Kolkata suburb.

NEW TOWN RAJARHAT KOLKATA

PRICE RANGE
₹2,550-5,860 per sq ft

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



Distance from:

Airport: 11 km | Railway station: 16 km | NH-12: 3 km

HIGHLIGHTS

- Well planned and upcoming residential hub comprising commercial complexes and IT parks
- Proximity to employment hubs of DLF IT Park 1 & 2, TCS - Gitanjali Park, Candor Techspace, etc.
- Presence of renowned schools, hospitals, shopping malls and other recreational places

LOCALITY SNAPSHOT

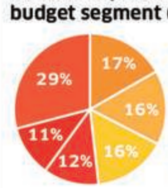
Schools 15+ | Hospitals 10+ | Restaurants 12+
Banks 16+ | Grocery Stores 14+ | Petrol Pumps 10+

LOCALITY	VALUES Price (₹/sqft)	Rental (₹/month)
Rajarhat	3,370-5,450	12,100-20,600
Action Area 1	3,810-5,540	14,500-23,900
Baguiati	2,550-3,890	9,300-14,400
Keshtopur	2,660-3,820	8,900-13,100
Action Area 3	3,500-5,430	15,600-26,100
Chinar Park	3,130-5,720	10,500-15,600
Rajarhat Mn Rd	3,040-4,980	11,800-19,100

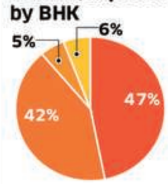
PROPERTIES AVAILABLE

- ₹**25** lakh (avg) — 1 BHK: 630 (avg sq ft)
- ₹**54** lakh (avg) — 3 BHK: 1,350 (avg sq ft)
- ₹**33** lakh (avg) — 2 BHK: 910 (avg sq ft)
- ₹**1.06** crore (avg) — 4 BHK: 2,200 (avg sq ft)

Consumer preference by budget segment (₹)



Consumer preference by BHK



Consumer preference by covered area (sq ft)

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How to rectfiy errors in Form 26AS

Match TDS figures in Form 26AS with those in the Form 16 or 16A. In case of a mismatch, get them rectified.

by **Sunil Dhawan**

By now most salaried individuals would have received their Form 16 from their employer. Although Form 16 will have details of tax deducted at source (TDS) by the employer, it is essential that you check your Form 26AS—the statement showing TDS details from various other deductors. At times, the figures in the two forms may not match.

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What is a TDS certificate?

Every entity that deducts TDS issues a certificate (Form16/16A) to the deductee with details of the amount deducted. The figures in the TDS certificates should match with those shown in your Form 26AS. It is imminent that you compare the figures in both the forms to ensure that you are claiming the right credits.

Mismatch in TDS figures

Checking the Form 26AS will help in spotting mismatch errors that may delay your ITR filing. "There are a range of errors that could occur, such as wrong assessment year, deductee submitting incorrect challan details in the TDS returns, wrong PAN of the deductee or wrong TAN of the deductor, not depositing TDS to the IT department, furnishing incorrect TDS amount, deducting TDS but not depositing it in favor of the co-owner in case of joint ownership, etc", says Neha Malhotra, Executive Director, Nangia Advisors LLP. Such errors could lead to under or over reporting of income or taxes in Form 26AS. This could consequently lead to an inquiry from the IT department.

According to Archit Gupta, Founder and CEO, ClearTax, "Advance tax and self-assessment tax not reflecting in Form 26AS at all and credits of TDS made in respect of some other PAN appearing in your Form 26AS," could be some of the other errors.

How to rectify the errors

An incorrect entry, especially with regards to PAN may lead to unnecessary delays in filing the ITR. One needs to get them rectified before filing returns to avoid future hassles. Gupta explains that TDS made in respect to some other PAN would appear in your Form 26AS if the PAN has been wrongly quoted in the tax payment challan. Other reasons could be that the bank entered incorrect PAN while digitising the challan data or it did not upload the digitised information to TIN (Tax Information Network). "To address this, you can visit the TIN website to verify whether the challan bearing Challan Identification Number (CIN) available with you has been uploaded to TIN or not. If the PAN available in the uploaded data is not yours, you may approach your assessing officer," says Gupta.

In case there is a discrepancy in the TDS certificate issued by your bank where you have a fixed deposit, ask the banker to rectify it. "TDS certificates should be accurate as they can be presented as proof of TDS claimed in case your return gets picked up for scrutiny," says Malhotra.

Authenticity of Form 26AS

Check the authenticity of Form 26AS issued to you by a banker or any other deductor to ensure its validity. The Form in a plain paper or the letter head of the bank may not hold water. "It is mandatory for all deductors to issue TDS certificates that are generated and downloaded from TRACES Portal. Certificates issued in any other manner will be invalid," says Malhotra.

Please send your feedback to
etwealth@timesgroup.com

Made capital gains? Here's how they are taxed

The tax rates for short-term and long-term gains depend on the asset class and the period of holding.

by **Shipra Singh**

Capital gains are profits made from the sale of assets such as stocks, mutual funds, property and gold. The tax rates for these gains depend on the asset class and the holding period. Taxpayers are required to declare all capital gains in the tax return form. "Tax filing is mandatory for those who do not have taxable income but have exempt long-term gains of ₹2.5 lakh or more," says Archit Gupta, CEO, Cleartax.in.

Given below are the tax rates for different assets and the minimum holding period for these gains to be treated as long-term gains.

Stocks, equity-oriented funds

If you sell your stocks or equity-oriented mutual funds within one year, the gains from the transaction are treated as short-term gains and taxed at 15%. If the stocks and funds are held for more than a year, the gains are considered long-term. Till last year, these were exempt from tax.

But from this financial year, up to ₹1 lakh of long-term capital gains will be tax free. Gains above ₹1 lakh in a will be taxed at 10%.

Debt and hybrid funds

Though debt-oriented funds do not enjoy the same tax benefits as equity-oriented funds, they are still more tax efficient than fixed deposits. Gains from debt-oriented funds are considered long-term if they are held for over three years. Long-term gains are taxed at 20% after indexation. Indexation takes into account the inflation during the holding period and accordingly adjusts the acquisition price upwards.

If sold before three years, the gains from debt and debt-oriented hybrid funds are added to the income of the investor and taxed at the applicable marginal rate.

Property

Profits from the sale of immovable property (land, house, shop or office) within two years of purchase are considered short-term gains. They are added to the income of the investor and taxed at the applicable marginal rate. If the holding period exceeds two years, the gains are treated as long-term and taxed at 20% after indexation.

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Gold, ETFs and gold bonds

Gains from sale of any form of physical gold (jewelry, coins, bars) held for less than three years are considered short-term gains and added to the income of the investor. After three years, the gains are long-term and get taxed at 20% after indexation.

Sovereign Gold Bonds launched by the RBI in recent years offer a unique benefit to investors. Capital gains are tax free if the bonds are held till maturity. If sold prematurely, the gains get the same tax treatment as gold funds.

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