BEST TIME TO BUY
YOUR NEW HOME?

Ready-to-move-in houses are available at low prices, steep discounts and easy instalments.
Celebration begins with IDBI Home Loan.

Welcome the festivities to your dream home with IDBI Bank Suvidha Home Loan.

- Balance transfer and top-up facility with nil processing fees
- Attractive rate of interest linked to credit score
- Minimum processing fees and maximum funding

IDBI Bank Limited, Regd. Office:
IDBI Tower, WTC Complex,
Cuffe Parade, Mumbai - 400 005.
Toll Free Numbers: 1800-209-4324/1800-22-1070,
Non-Toll Free Number: 022-67719100
Visit us: www.idbibank.in
CIN : L65190MH2004GOI14838
Contents

NOVEMBER 2020 ■ VOLUME 19 ■ ISSUE 11

Regulars
4 Talk Back  8 Queries  10 News Roll  60 Stock Picks
62 Morningstar  64 My Plan

Columns
Vijay L Bhambwani, Saraswathi Kasturirangan & Pruthvi KS

30 On The Path To Recovery
Nightmare for startups are over as the ecosystem is limping back to normalcy

32 COVID Fails To Dampen Startup Funding
EdTech and venture capitalists infuse fresh capital during the pandemic

36 Costly Covers, Better Care
Health insurance turns friendlier, but premiums will rise over the next three years

44 MSMEs Struggle To Stay Alive
The distress of India’s backbone could lead to serious job losses and unit closures

48 Divide On Digital Transaction
Debate over banks and fintechs levying fees on digital payments intensifies

50 Protection Quotient
Women should look for policies that cover their special needs and offer financial protection

52 New Darling Of Fund Managers
It is the right time to invest in equity pharma funds

56 An Opportune Moment To Invest In Pharma Stocks
Interview: Sailesh Raj Bhan on how a long term approach for systematic investment plan is a good way to invest in pharma funds

66 Don’t Put All Your Eggs In One Basket
Actress Ritabhari Chakraborty’s take on investments

Buyin Homes In Troubled Times
A silver lining appears for the troubled real estate sector with falling prices and interest rates, plentiful supply, and lucrative offers

pg 12

Cover Design: PRAVEEN KUMAR_G

Outlook Money does not accept responsibility for any investment decision taken by readers on the basis of information provided herein.
The objective is to keep readers better informed and help them decide for themselves.

www.outlookmoney.com | November 2020 | Outlook Money | 3
Should You Give In To The Lure Of Discounts?

With Big Billion Days knocking on the door, we are all a bit too frugal to splash out on clothes and jewellery this festive season. However, as these festivities come once a year, we weave plans to surprise our near and dear ones with gifts. This article was like a luminary in a dark tunnel. Right now, I have much more clarity on how much to spend during festivals.

Shreyashi Mondol, Kolkata

---

How To Save More Tax

I was not acquainted with the tax benefits and deductions that come under several Sections like 80C and 24B. This story helped me get a better picture. Secondly, it was great to read all the advice on investments any employer must consider before arriving at their tax liability and tax-deductible every month. Surely, it is time for salaried employees to plan carefully and optimise tax outgo.

Shreyashi Iyer, Chennai

---

Keep Your Furry Friends Safe

I grew up in a family where we have always enjoyed the company of pet dogs and cats. They have been an integral part of our lives and our children love spending time with them. When I came across this article, I was overwhelmed to know that our country’s pet population has grown to 10 million. However, I am disappointed and miffed by the fact that all this while we were living under a veil when it came to acknowledging the benefits of pet insurance. I would like to thank the team for coming up with a story and providing valuable information, especially details of new pet insurance policies available in the market. The article shows how our pets were denied the benefits.

Aashi Sharma, Mumbai

---

Betting Culture & IPL

What an amazing time to discuss this topic. Informative, especially about Dream 11 and what criminal record it holds. As a person, I am against the betting that goes on in fantasy games, even though children in my house find it ecstatic. I appreciate that the story has a fine balance between the negative and positive sides of IPL betting. It has quotes and comments of IPL fans, which makes it even more relatable and interesting.

Devlina Hegde, Bangalore
Give your investments the glitter it deserves.

Presenting HDFC Multi-Asset Fund.

HDFC Multi-Asset Fund invests in a diverse portfolio of equity, debt and gold related instruments. With this fund, you could not only aim to get the growth of equity and stability of debt, but also the benefits of gold to hedge against market uncertainties and inflation. So add some glitter to your portfolio and invest in HDFC Multi-Asset Fund.

To know more, contact your Mutual Fund Distributor / Registered Investment Adviser or give a missed call on 73974 12345

This product is suitable for investors who are seeking*:  

- To generate long-term capital appreciation/income  
- Investments in a diversified portfolio of equity and equity related instruments, debt & money market instruments and gold related instruments

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

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.
Senior Living In Post COVID World

Sunil Malhotra’s story and his decision to invest in senior care have helped thousands of others like him wake up, get rid of the dilemma and take the set. The pandemic has changed our way of living. As independent seniors are becoming the new demography in India due to changing realities, they must be encouraged to live a wholesome life and not limit their happiness. But, at the same time, they must go through all the options available and not sign up for a less than satisfactory facility in a hurry. I believe the article does complete justice regarding facts and offers excellent suggestions on choosing a trusted developer operator.

Sumitra Chatterjee, Kolkata

Do Not Get Affected By Market Noise

I have been following every article of My Plan on Outlook Money for the past couple of months, and I feel that the series of enriched investment experiences that you highlight is commendable. This paves a smooth road for many beginners who are nervous about their first step in the world of investment.

Arjun Malhotra, Mumbai

New Gigs In Town

I will be graduating this year. After considering the current job market scenario and low placement, I was planning to sign up for freelancing. Since nobody in my family has participated in the freelance economy, I was unsure if it would be a good decision. Added to that, I also did not have any precise data to give me a clear picture of demand in the market. Thanks to Outlook Money for coming up with this story cemented with reliable data about the job market.

Nidhi Pandey, New Delhi

Insure With A Two-In-One Plan

Joint term insurance offers the opportunity to cover oneself and a spouse under one contract, and I was aware of its benefits. I liked this story because it has minutely described the cover and various options available in various cases. Also, thanks for emphasising on the drawbacks.

Gurpreet Singh, Delhi

Overcome Stress In Uncertain Times

As the dark shadow of pandemic engulfs the globe with each passing day, millions are drowning in serious depression and anxiety. The column by Swami Mukandananda on how to fight this war with empowering minds is truly the need of the hour. Problems are inevitable, but we need to train ourselves accordingly when we are on a battlefield, and it starts with such proven practices.

Saraswati Das, Kolkata

Insurance Goes Paperless

The galloping infection has entirely changed the business dynamics, with a strong infiltration of the new-age technology. However, as the story has mentioned, I am excited to see how things turn out for the insurance industry as there will be less physical interactions between insurance agents and customers. Even though people are welcoming this new move, I highly doubt its longevity, as we all are used to a specific pattern and personal touch.

Mahira Jaiswal, Bangalore
India’s first ESG ETF

ESG

ENVIRONMENTAL | SOCIAL | GOVERNANCE

New Fund Offer opens on 27/10/2020
New Fund Offer closes on 10/11/2020
Reopens for continuous sale and purchase: 18/11/2020

Invest in
Mirae Asset ESG Sector Leaders ETF
An open ended scheme replicating/tracking Nifty100 ESG Sector Leaders Total Return Index

Why invest in ESG Sector Leaders ETF?

- Invest in companies with lower business risk and higher sustainable growth opportunity
- Avoid companies with major controversies
- Aim to grow wealth and contribute to communities with sustainable investing

PRODUCT LABELLING

Mirae Asset ESG Sector Leaders ETF is suitable for investors who are seeking*

- Returns that are commensurate with the performance of NIFTY100 ESG Sector Leaders Total Return Index, subject to tracking error over long term
- Investments in equity securities covered by NIFTY100 ESG Sector Leaders Total Return Index

*Investors should consult their financial advisers, if they are not clear about the suitability of the product.

Follow us on: 

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

1800-2090-777 (Toll Free) Mon-Sat: 9 am - 6 pm | customercare@miraasset.com | Contact your financial advisor for details
Play Your Credit Cards Right

CHANDAN, Pune
cksonal123@gmail.com
My monthly salary is ₹50,000. I have two credit cards with limits of ₹1,50,000 in each. What will be my annual expense limit through these cards?

A credit card with a limit of ₹1,50,000 per month means the amount of your monthly expense is limited to ₹1,50,000. If you spend ₹50,000 from one card in a month and return ₹10,000 out of it, then your limit would be ₹1,50,000 - ₹40,000 + interest on ₹40,000. and the whole amount will be payable next month. Every month if the minimum amount is paid, it keeps on accumulating interest on outstanding. Hence, at the end of twelve months the limit will be ₹1,50,000 (outstanding + interest payable). Credit card limits are calculated every month. It is advisable to pay the outstanding balance first while keeping aside the amount you want to spend at the beginning of each month. As soon as your salary is credited to your bank account, utilise it for your variable expenses. Use your credit card smartly and utilise the limit without paying extra interest on it.

Try not to exceed 20 per cent of your monthly income, even though you have a higher credit limit. In my opinion, splurging with plastic money will burden you with heavy credit card debts. The interest rate is very high, around 3-4 per cent monthly on the outstanding balance.

Hina Shah, Certified Financial PlannerCM & Coach, LUHEM

SUJITH, Trivandrum
sujiths413@rediffmail.com
I am a 38-year-old businessman from Kerala. I have been investing ₹40,000 for retirement in SIP of large, small, and mid-cap funds. In the next eight years, I plan to invest in a property worth ₹40 lakh, for which I can invest ₹30,000 in SIP. Please suggest an option that can provide returns of 8-10 per cent.

For your property purchase goal, you can look at allocating your SIP of ₹30,000 into large-cap funds and aggressive hybrid funds, as investing in mid and small-cap funds require a longer horizon of over ten years, since they are comparatively more volatile.

Suhel Chander, Certified Financial PlannerCM, Handholding Financials

SUMAN SURENDRAN, Chennai, suman1002007@gmail.com

I have been investing ₹7,000 in L&T Emerging Businesses Fund and ₹7,000 in Mirae Asset Emerging Bluechip Fund. However, L&T Mutual Fund has been giving negative returns to date. Shall I continue or shift to SBI or Axis Small Cap? Also, please suggest if Mirae Mutual Fund is a good option too.

L&T Emerging Business Fund is a small-cap fund. These funds are invested with a time horizon of over 10 to 15 years, as this category is very volatile and can deliver good returns if held for the long term. Mirae Asset Emerging Bluechip Fund is a large and mid-cap fund and is less volatile. I would suggest you avoid putting all your eggs in one basket. You have not mentioned the time horizon for which you are investing in these funds.

Suhel Chander, Certified Financial PlannerCM, Handholding Financials
New Normal: New Realignment

21st November, 2020 | 11:00 a.m onwards

Key Discussion Points:
- Leverage digital technology
- Deliver ultimate CX
- Create post-pandemic resilient business models
- Disruptive InsurTech

Highlights:
- 8+ knowledge sessions
- 20+ Industry leaders and think-tanks
- Regulator’s keynote address
- Business networking opportunities

For more, visit: www.outlookmoney.com
RBI Governor Shaktikanta Das has said the risk of a second wave of COVID-19 could put sand in the nascent recovery wheels. His deputy, M D Patra, opined that it might take years to regain the output lost on account of the pandemic.

The views were expressed by them during a meeting of the newly constituted Monetary Policy Committee (MPC) held from October 7 to 9. A newly appointed independent member of rate-setting panel, Shashanka Bhide, said uncertainties relating to the COVID-19 pandemic will impact growth and inflation scenarios in the next two to three quarters.

Das also said the decision to cut the benchmark repo rate would depend on the evolving situation with regard to inflation, which is currently above the tolerance level of the central bank, according to the minutes of the meeting released by RBI on Friday.

“I recognise that there exists space for future rate cuts if inflation evolves in line with our expectations. This space needs to be used judiciously to support recovery in growth,” Das said.

In the first quarter of this fiscal, India’s GDP contracted 23.9 per cent. Deputy Governor Patra said that India has entered a technical recession in the first half of the year for the first time in its history.

“If the projections hold, the level of GDP would have fallen approximately 6 per cent below its pre-COVID level by the end of 2020-21 and it may take years to regain this lost output,” he said.

While voting for keeping interest rate unchanged, RBI Executive Director Mridul K Saggar expressed concern that if current real negative interest rates fall further, it may generate significant distortions that could adversely affect aggregate savings, current account, and medium-term growth in the economy.

---

**Consumers See 43% Fall In Household Income**

COVID has virtually wiped away people’s earnings. In fact, 43 per cent of Indian consumers indicate a dip in their household income during the pandemic, says a survey by Experian Global. The survey - Insights Report - points out businesses have been concerned about the well-being of their customers and 53 per cent of them highlight customers’ health and safety are the biggest challenges.

On the technology front, the report finds that the most common fraud detection and protection methods include security measures in customers’ devices (20 per cent), physical biometrics (19 per cent), customer identification programme (17 per cent) and PIN codes (16 per cent).

In next 12 months, 84 per cent of Indian businesses plan to increase their budget outlay in analytics and customer creditworthiness. These findings come after a dip in business confidence in analytics model on consumer credit risk from 83 per cent to 76 per cent and consumer collection decisions from 81 per cent to 76 per cent, the report adds.

Businesses are constantly re-examining ways to improve, with 24 per cent considering a hybrid approach to their analytics model. Nearly 81 per cent of the businesses have increased adaption of Artificial Intelligence, it says.

“I have always believed that challenging times offer the best opportunities. While businesses had to grapple with the onslaught of the pandemic, we have also witnessed greater agility and adaptability in banking, financial services and insurance sector,” says Sathya Kalyanasundaram, Country Head and Managing Director, Experian India.

**Himali Patel**
By Vishav

Additionally, one glance at the sellers may tell us they are in some distress. In India, housing has been in a crisis for some time now—the never-before-seen, near-unnatural boom period of the nineties, when prices trebled and quadrupled menacingly, is way behind us. A severe liquidity crunch gave us the spectacle of half-completed projects and unsold inventories. Forlorn, empty towers, some with the scaffolding on for months and years, dotted our urban landscapes.

Low prices, cheap interest, plentiful supply: this may finally be your chance to buy a home. But its foundation must be on wise, careful choices.

It’s as easy to ask the question as it is for a child to sketch a dream house in her sketchbook, with clouds and a tree next to it. Is this a good time for you to buy your own dream house? The question has been with you for a while. Let’s say you had recently, maybe a year or two ago, at last reached a point in your life when you could finally afford one—that is, foresee being able to pay out a loan in a stable, predictable manner. Or you are at another phase in life, and looking to add some more concrete to your long-term investments. In either case, you were biding your time. So should you go for it? It’s an instinctual question in times such as these: the economy is in a trough, and prices are low. Common sense should tell you this is a buyer’s market. But the fine print of life can always hold surprises, so let’s carefully examine the pros and cons.

First, the reasons to answer with a yes. Housing prices have indeed been on a downward swing, and that trend was on even before the pandemic struck. Data from the Reserve Bank of India (RBI) tells us home prices had declined around 1 per cent during January-March, compared to previous quarter. Post-COVID, there was a drastic dip, and then a correction that still left prices significantly lower. And reports predict a further fall, though the jury is out on that. Plus, there exist two related facts of direct relevance: one, interest rates too have come down and efforts are being made by RBI to ensure the benefits of rate cuts are passed on to homebuyers; and two, there’s no dearth of unsold inventory. So there’s both choice and capacity for end-users and investors. That should make it a buyer’s

Homing in

Research potential options; compare prices across localities and projects
Take digital tours with 360-degree view; no need to visit multiple sites
Opt for reputed developers with quality construction and timely delivery
Book properties with completed legal formalities
It is a buyer’s market; don’t hesitate to demand freebies like club membership, parking, preferred floor
Play your cards well; ask for discounts even from unwilling builders

The Buyer’s Checklist

HOMING IN
Low prices, cheap interest, plentiful supply: this may finally be your chance to buy a home. But its foundation must be on wise, careful choices

By Vishav

It's as easy to ask the question as it is for a child to sketch a dream house in her sketchbook, with clouds and a tree next to it. Is this a good time for you to buy your own dream house? The question has been with you for a while. Let's say you had recently, maybe a year or two ago, at last reached a point in your life when you could finally afford one—that is, foresee being able to pay out a loan in a stable, predictable manner. Or you are at another phase in life, and looking to add some more concrete to your long-term investments. In either case, you were biding your time. So should you go for it? It's an instinctual question in times such as these: the economy is in a trough, and prices are low. Common sense should tell you this is a buyer's market. But the fine print of life can always hold surprises, so let's carefully examine the pros and cons.

First, the reasons to answer with a yes. Housing prices have indeed been on a downward swing, and that trend was on even before the pandemic struck. Data from the Reserve Bank of India (RBI) tells us home prices had declined around 1 per cent during January-March, compared to previous quarter. Post-COVID, there was a drastic dip, and then a correction that still left prices significantly lower. And reports predict a further fall, though the jury is out on that. Plus, there exist two related facts of direct relevance: one, interest rates too have come down and efforts are being made by RBI to ensure the benefits of rate cuts are passed on to homebuyers; and two, there's no dearth of unsold inventory. So there's both choice and capacity for end-users and investors. That should make it a buyer's market with a good possibility for better price negotiation.

Additionally, one glance at the sellers may tell us they are in some distress. In India, housing has been in a crisis for some time now—the never-before-seen, near-unnatural boom period of the nineties, when prices trebled and quadrupled menacingly, is way behind us. A severe liquidity crunch gave us the spectacle of half-completed projects and unsold inventories. Forlorn, empty towers, some with the scaffolding on for months and years, dotted our urban landscapes.

The Buyer's Checklist

- Research potential options; compare prices across localities and projects
- Take digital tours with 360-degree view; no need to visit multiple sites
- Opt for reputed developers with quality construction and timely delivery
- Book properties with completed legal formalities
- It is a buyer’s market; don’t hesitate to demand freebies like club membership, parking, preferred floor
- Play your cards well; ask for discounts even from unwilling builders
Recall that this was the sector that brought even the US down to its knees with the subprime crisis of 2008; the subsequent global recession washed over all of us. (In a real sense, we are still not out of that slump.) That has meant a decade-long crisis for the realty sector, which further fed into a larger vicious cycle. The challenges it has been grappling persist despite government intervention: the liquidity crunch never really ebbed, and unsold property is still lying idle after years. As if that was not enough, the pandemic came, bringing in the real ravages. Everything came to a complete standstill with the lockdown. The labourers went home, construction activity went into a long pause, most new projects are delayed....

Shouldn't all of this spur you, the first-time buyer or the thoughtful investor, into action? Well, care and caution should be your watchword. It would be folly to think of this season as a distress sale. To begin with, big realtors are among the canniest, most dogged operators with real staying power...they typically wait out a trough without lowering prices. Not to speak of the more unscrupulous players: think back to those scenarios where buyers, famously, had to move courts for justice.

Says Vikram Chari, Founder and CEO of Smart Owner, “Most buyers face lack of transparency in pricing. Instead of the price being dependent on the unit one chooses, it is a factor of one’s

Festive Offers From Developers And Consultants

With festive season marketing is gearing up to cash in on the opportunity and overcome the adverse impact of lockdown. The real estate sector is also witnessing lucrative offers, discounts, freebies, and attractive payment schemes:

<table>
<thead>
<tr>
<th>DEVELOPER</th>
<th>LOCATION</th>
<th>OFFER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gaurus Group</td>
<td>Greater Noida West, Ghaziabad</td>
<td>Free gifts including laptop, washing machine, mobile phone, microwave, video doorbell, refrigerator, chimney, iron machine, and a hob</td>
</tr>
<tr>
<td>Raheja Developers</td>
<td>New Delhi</td>
<td>Chance to win luxury car, complementary hard fittings, Leela Gift Voucher worth ₹50K</td>
</tr>
<tr>
<td>Kamla Group</td>
<td>Mumbai</td>
<td>No preferred location charges for higher floors</td>
</tr>
<tr>
<td>Godrej Properties</td>
<td>Mumbai</td>
<td>Zero booking amount, no EMI till March 2021, zero floor rise, free club membership</td>
</tr>
<tr>
<td>Venkatesh Oxy Group</td>
<td>Pune</td>
<td>Book a flat with token amount of ₹11,000 only</td>
</tr>
<tr>
<td>Surya Builders</td>
<td>Bengaluru</td>
<td>Free car parking with flat booking</td>
</tr>
<tr>
<td>The Jain Group</td>
<td>Kolkata</td>
<td>15% annual return till possession</td>
</tr>
<tr>
<td>Aparna Constructions and Estates</td>
<td>Hyderabad</td>
<td>Full protection against any price drop till possession</td>
</tr>
<tr>
<td>Pacific Group</td>
<td>Dehradun</td>
<td>₹100 off on every per sqft at Pacific Golf Estate</td>
</tr>
</tbody>
</table>
being dependent on the unit one chooses, it is a factor of one’s buyers face lack of transparency in pricing. Instead of the price unscrupulous players: think back to those scenarios where buyers, out a trough without lowering prices. Not to speak of the more most dogged operators with real staying power…they typically wait distress sale. To begin with, big realtors are among the canniest, be your watchword. It would be folly to think of this season as a thoughtful investor, into action? Well, care and caution should long pause, most new projects are delayed….

The real estate sector is also witnessing lucrative offers, discounts, freebies, and attractive payment schemes: With festive season marketing is gearing up to cash in on the opportunity and overcome the adverse impact of lockdown. Festive Offers From Developers And Consultants

Dehradun
Pacific Group
Raheja Developers
New Delhi Chance to win luxury car, complementary hard fittings,
Gaurs Group
Greater Noida West,
Pune Book a flat with token amount of
Venkatesh Oxy Group
Godrej Properties
Kamla Group
Mumbai No preferred location charges for higher floors

Cover Story
Says Vikram Chari, Founder and CEO of Smart Owner, “Most

Ability to haggle. It is important for the buyer to look for good developers who offer fairness and transparency. A few may also offer a price protection plan, safeguarding the buyer from price fluctuations. This could save the buyer time and energy, knowing that others are getting the same price.” Any bit of haziness can land you in a limbo. Sameer Tikoo, an IT professional, bought a home for his family last year in Greater Noida. Despite buying a ready-to-move-in flat, he recalls, it took almost a year for him to get possession, after a long-drawn fight with the builder. He was lucky. Thousands have failed to get possession of their flats years after the committed date of completion. “Thankfully, I had some friends who had bought homes recently. They guided me. Otherwise, it’s really difficult for a first-time buyer,” he agrees.

WHAT TO WATCH OUT FOR?

So what must a first-timer do? Experts say one can minimise risk and get the best deal with due diligence. A couple of key points must always be kept in mind while embarking on this journey, says Chari.

Most important, if you can, choose a ready-to-move-in home over an under-construction one to avoid cases like that of Amrapali, where buyers are awaiting delivery after over a decade of booking. Ensure the completion and occupation certificates are in place.

In all cases, go for a developer reputed for quality construction and timely delivery.

Stick to RERA-registered projects. Being under the sanction of the Real Estate (Regulation And Development) Act 2016 will ensure the project is within the jurisdiction of the appropriate state regulatory body.

Even so, make sure you read the agreement carefully, focusing on the deliverables and completion timeline.

Besides giving yourself those buffers of safety, carefully evaluate the floor plans to suit your family’s size and ensure the home is adequate for the future. You must of course prioritise a location convenient in terms of proximity to office, school et al, with good social infrastructure. The pandemic has shown us that facilities like parks, sports arenas and jogging tracks within the residential complex are crucial. But just their presence is not enough: check their per capita availability so that they can be used well during

A post-COVID price fall is not certain—some predict it, but most feel it isn’t a bad time to buy
weekends. According to Manju Yagnik, Vice Chairperson of Nahar Group, and Vice-President, NAREDCO (Maharashtra), this is the right time to invest in real estate as all the factors are working in favour of the buyer. “Homebuyers can take advantage of stamp duty cuts in some states, and home loan rates are available for as low as 6.9 per cent, with discounts, offers, incentives and flexible payment plans,” she says. In the last five years, property prices did not fall drastically but remained flattish, says Sudhir Pai, CEO, MagicBricks. “However, COVID brought an immediate price decline of 9 per cent. The price drop improved to 5.2 per cent during the April-June quarter. Adjusted for inflation, this has resulted in a time-factor price correction in residential real estate,” he adds.

The situation, Pai says, has prompted developers to offer easy payment plans like no EMI till possession, reduced down payments (as in a 10:90 plan, where the buyer pays only 10 per cent in advance and 90 per cent during possession), and a refundable deposit in case of cancellations. He advises homebuyers to carefully understand the obligations and the terms and conditions of each of such offers. Also, they must try to find out till what juncture the developer will fund the EMIs and under what circumstances would the payment be transferred to the buyer. “Homebuyers must try to find out if they are being charged extra and whether these extra charges are being used to fund the payment plan. It is advisable to opt for ready-to-move-in properties and that too from reputed developers, (or ensure they) intend to complete the project. Homebuyers shouldn’t be lured by a scheme in a project that has low chances of completion,” he explains.

Amit Jain, MD of Mahagun Group, also advises buyers to exercise caution to avoid falling into the trap of bad deals. He alerts buyers to be extra cautious as even stuck projects could come to market to sell so as to take advantage of any spurt of interest from homebuyers. “The buyer has to ensure the developer has the wherewithal to complete the project. Many small-time developers will try to ride the offer bandwagon...a buyer has to keep his interests paramount without falling for the bait,” he cautions.

The pandemic has not only highlighted the importance of owning a home, but has also raised the demand for well-managed amenities that enable holistic living, either in a self-sufficient manner or with easy accessibility. According to Yagnik, demand for homes should be guided by location advantages: shopping, entertainment hubs, educational institutions, healthcare facilities, and access to arterial roads and freeways for a quick getaway. “Integrated townships provide good hotspots for dining, shopping, supermarkets and sport facilities,” she says.

**WILL PRICES FALL FURTHER?**
That’s a tough one. Experts have a mixed opinion on whether the post-pandemic phase will see the trend continuing. Commerce and Industry Minister Piyush Goyal has advised developers to start selling idle property at low prices “since waiting for the market to improve would be futile.” Some estimates predict average house
Offering Fintech Solutions To The Industry

Monu Ratra, ED & CEO, IIFL Home Finance Ltd, has been a sentinel in building a fintech-enabled affordable housing finance company. His leadership helped IIFL Home Finance gain recognition as ‘one of the top two private lending institutes’ under Pradhan Mantri Awas Yojana. His innovations - ‘Kutumb’, a green affordable housing initiative and Jhatpat Home Loans, an instant loan processing model - can be applied across industries. He shares his vision with Outlook Money.

IIFL Home Finance started adopting digital automation in sanctioning loans. What influenced you and how has it helped during the pandemic?

Credit underwriting is usually done manually, where in the underwriter or credit manager takes a subjective decision, based on the documentation and details provided by the borrower. It has a high probability of error and turnaround time.

With digitisation of loan application, we are able to ensure automated and more accurate decisions. In the last five years, we have included every facet of lending to create an integrated system for our employees, verification partners and vendors.

With very few modifications we were up and running within no time when the pandemic hit. Our advanced technology adoption made ‘Work From Home’ the new normal.

What level of integration have you achieved and what do you aim for?

We believe in first hand experience. We observe, research and understand the daily challenges faced by our customers, employees and vendors. We use automation for on-boarding of a new customer, servicing existing customers and creating progressive collection tools.

We aim to be a fintech solution/platform for the industry.

As an early adopter of tech integration, you must have created a niche for yourself. Who benefits most through digitisation and what differentiates IIFL Home Finance from its competitors?

With our digital platform, we have expanded our reach to Tier 2 and tier 3 cities, offering a smooth loan processing experience.

We focus on affordable housing and are one of the top runners for the highest number of credit-linked subsidy (under Pradhan Mantri Awas Yojana) facilitators.

Our robust systems and processes backed by sound governance, ethical, transparent practices and risk management has resulted in superior asset quality.

Our niche is not just that we are a technology driven organisation, but how this technology enables our employees, vendors and partners to create more value and provide a seamless experience to our customers.

How do you plan to increase the company’s area of operations and customer base?

The company has continued with its focus on providing low-ticket affordable loans to the underserved segment of the society. In the last two years, we have expanded our reach exponentially in Tier 2 and Tier 3 cities, and aim to deepen our penetration in these areas through our flagship products – Swaraj, a home loan catering to the informal income segment, and Samman, a special offering to boost MSMEs and contribute towards Government of India’s initiative of ‘Make in India’.

How do you think you can benefit the society through your business focus?

The company has aligned its strategy with the government’s vision of ‘Housing For All’ and has benefited over 42,50 customers with interest subsidy of over Rs 1000 crore under PMAY-CLSS. We help people to realise their dream of owning a home, by catering to the informal income segment and enabling financial inclusion.

We also promote Green Affordable Housing through our initiative ‘Kutumb’. Through our in-house architects - Green Value Partners - we consult and assist developers obtain green building certification. Focused on impact investing, we emphasise on funding environment and social friendly projects.

Focused on impact investing, we emphasise on funding environment and social friendly projects.
prices to shrink by up to 6 per cent this year and 3 per cent next year. However, many call this an exaggeration and dismiss any such correction. Pai says while there may not be a major price correction, oversupply means it will remain a buyer’s market until the inventory overhang is solved.

Many disagree with reports on further price falls. Ashok Gupta, CMD of Ajnara India, in fact, predicts the opposite. “With demand on the rise and project costs increasing, we can say that very soon there will be an increase in prices. Though the developer community is not in favour of price rise, the cost they are bearing needs to be transferred on to the customers sooner or later,” he says. Indeed, data from MagicBricks PropIndex suggests some cities have started seeing modest price increments. Hyderabad, for example, posted a 2 per cent price increment in the July-September quarter. The company’s CEO says signs of recovery are becoming visible with property searches up by 30 to 40 per cent as compared to pre-COVID levels. In between, in that shock-and-awe month of April, searches had fallen by almost 50 per cent before reaching pre-COVID levels in June.

Either way, this is not a bad time per se. Says Pai, “There are very good deals available for buyers, especially for those able to demonstrate serious transaction intent. The softening of interest rates, now at an all-time low, along with promotional schemes and government subsidies are expected to increase the volume of transactions. This is expected to take some pressure off both buyers and sellers, but it would largely remain a buyer’s market for the foreseeable future.”

According to Chari, during the initial period of the lockdown, potential buyers were unable to go for site visits, which brought down the transaction numbers across markets. However, he feels the real estate industry in India is not monolithic and different locations experience varied outcomes. “While buyers may take time to become comfortable to resume site visits, most leading developers are wooing buyers with video tours and virtual views that can be experienced from the safety of one’s home. In addition, buyers may find flexible payment plans on offer to suit their cash flows and incomes. In short, the coming few months may be an excellent time for serious buyers to conclude their home purchase—a significant milestone in one’s life,” he says.

WHICH WAY IS HOME?
The housing market has endured various setbacks over the last few years: demonetisation, the NBFC liquidity crisis, delivery delays, supply-demand mismatch. The pandemic, ironically, seems to have come as a positive inflection point—even if it initially dampened spirits all around. “Post lockdown, the demand has started to return slowly on the back of flexible payment plans, reduced interest rates, and some discounting,” says Shveta Jain, MD, Residential Services, Savills India.

Overall, consumer preference seems to be shifting towards affordable and mid-segment properties. Moreover, segments like co-living have shown promise. “With affordable housing as the key focus segment for buyers, peripheral regions are also picking up pace. With reduced budgets, homebuyers are now looking for large-sized houses in such locations. This trend is prominent in markets like Bangalore, Hyderabad and Chennai. There is also a 50 per cent rise in searches in small towns as more working professionals wish to own a property in their hometowns. We are also witnessing a recovery in plots and NRI demand in Tier 2 and 3 cities, which was largely un-impacted and is performing better,” Pai says. Slowly but surely, that childhood sketch is taking shape.

Ensure the developer has the wherewithal to complete the project and will not face problems

AMIT JAIN
MD, Mahagun Group

Ensure the developer has the wherewithal to complete the project and will not face problems
BECAUSE EVERYONE HAS A UNIQUE FINANCIAL DNA.

One Click Investment helps you find the mutual fund portfolio that matches yours!

Now invest in carefully crafted and research backed baskets of mutual fund schemes, that help you power your investments. These baskets comprising of 100% equity to 100% debt, have been specially designed keeping you in mind.

To know more about One Click Investment,

Log on to www.icicidirect.com
Cover Story

India’s commercial real estate will be reborn—but in a new shape

By Vishav

Whether we frame this year in terms of the virus that stalks us still, or the economic catastrophe that came in its wake, the victim in our mind tends to be human. Even when economic sectors are thought of, what comes to mind are humming networks of activity: the movement and productive interaction of material and people. Rarely do we think of something inanimate. Yet, there’s something that underlies all of the above. ‘Commercial real estate’ sounds like a niche, even if a large one—just one subset of one sector, with its set of players. But it’s the very ground—literally—of economic activity.

When COVID-19 came like a classic black swan event, this was one sector fated to feel the cumulative pain—and it’s still grappling with the jolt months later. A prolonged lockdown and the normalisation of the Work From Home (WFH) culture meant a massive, unforeseen contraction in demand. The very fact that numerous companies are considering #WFH as a regular mode would seem to scatter the seeds of doom into the future. It’s a global sickness, of course. A study by JLL shows direct commercial real estate investment fell 29 per cent across the world to $321 billion in the first six months of 2020, compared to the same period last year. Investment volumes in Asia Pacific dropped 32 per cent. And yet, India’s internal yearning and capacity for growth is such that optimists expect the segment to bounce back with a vengeance, once this health crisis is over. If (or when) that resurgence happens, what it has to surmount is daunting indeed. The cash flow problem leading to inability to pay rents, coupled with a fear of global...
recession, has had a severe impact on India. According to Savills India, a leading property consultancy firm, our top six markets—Delhi NCR, Mumbai, Bangalore, Chennai, Pune, Hyderabad—have seen a significant year-on-year decline in office absorption and supply. “From nearly 32.3 million square feet of space absorbed in H1 2019, the H1 2020 absorption fell to nearly 13.7 million sq ft. Similarly, the cumulative supply addition was 13.5 mn sq ft in H1 2020, compared to 26.6 mn sq ft in H1 2019,” says the Savills ‘India Market Watch - Office’ report.

“From an investment point of view, commercial real estate was yielding high returns due to their high-cost index, but post pandemic both sub-segments of commercial real estate—malls and office spaces—are adversely hit due to the lockdown and the WFH trend,” says Manju Yagnik, Vice Chairperson, Nahar Group, and V-P, NAREDCO (Maharashtra). With around 6 mn sq ft of office space lying vacant, she feels commercial real estate may take some time to recover and, accordingly, that may keep the rate of return low. Some industry observers, on the other hand, believe the medium to long-term impact of the COVID shock may not be too severe. They feel this is a transient phenomenon, and its effect will last at best till the pandemic lasts. Either way, this will not be a simple matter of restoring status quo ante: this moment of crisis could be fundamentally transformational.

THE FUTURE OFFICE
The new normal—a shorthand for all the observed effects COVID season has brought—could lead to a shakeout in the commercial space. But some effects could be counterintuitive, even unpredictable, because the impact of the pandemic on the sector has been rather varied. For instance, some feel the demand may in fact pick up because companies may need larger office spaces to ensure social distancing norms are followed even after the pandemic. And while hotels and retail malls have suffered the most due to reduced travel and footfalls, warehouses and offices have been quick to bounce back after the initial dip in the
Some Mortar For Bricks
Realty crashed against hard reality in March, but Cap’n RBI is at hand

No one willingly enters choppy seas, at least not the average seafarer. The real estate industry is like that average person who likes calm waters, but has been forced to navigate through rough weather for a few years owing to policy missteps, a slowing economy and broader inimical factors globally.

Help has been forthcoming in fits and starts, but it took a pandemic to get the right kind of attention. The Reserve Bank of India (RBI) has taken it upon itself to steer the real estate ship—its hull damaged beyond repair—towards calm waters. It relaxed rules on risk weightage for new housing loans by linking them to the Loan-To-Value (LTV) ratio alone. It waived the ticket size rule, which allows banks and financial institutions to extend bigger loans at a risk weight of 35 per cent, down from the previous 50 per cent. That should galvanise the sector, which has so far seen only measures to spur demand in the affordable housing segment.

Just scan the findings of our latest ‘Real Insight’ residential report. A ticket-wise split of sales shows houses costing under ₹45 lakh accounted for the bulk of the 35,132 transactions in July-September; those in the ₹75 lakh to ₹1 crore bracket made up just 10 per cent of all deals. With the LTV rule eased, demand will receive a boost across segments, not just in the affordable category, which has previously benefited from programs such as Credit Linked Subsidy Scheme (CLSS) and Affordable Rental Housing Complexes Scheme (ARHCS)—CLSS, for instance, offered a maximum subsidy of ₹2.67 lakh, depending on loan amount, size of house and the borrower’s income category. Now, the tweak to LTV rules gives a gentle nudge to the premium segment. That’s where the margins are for developers—though the volumes are clearly in the affordable segment—and this ultra-luxury segment has started seeing traction of late, albeit mostly in ready-to-move-in units.

Commercial Instinct
Pre-pandemic, the office space market was having a dream run. Net leasing had touched an all-time high in calendar year 2019 at around 47 million sq ft; the segment attracted huge global as well as domestic investors. But fate intervened. The freeze started in March: corporates deferred expansion plans, investors became cautious, the WFH mode added to the woes. Still, August saw the successful launch and listing of India’s second Real Estate Investment Trust (REIT) by Mindspace Business Parks, with an issue size of ₹4,500 crore—demonstrating the inherent strength of our office market. The REIT enables developers to monetise their rent-yielding commercial assets, and also offers an opportunity to retail investors to earn rental income along with capital appreciation by subscribing to REIT units. Buoyed by the success of REIT-II, Brookfield has recently filed a document to launch India’s third REIT, with an issue size of over ₹4,000 crore. Going by the performance of the two listed REITs and their strong rental collections...
even during the pandemic, I have no doubt Brookfield’s public issue will easily sail through.

I’m in no way suggesting things are all hunky-dory. While July-September sales of residential properties rose by 85 per cent from the previous quarter, they still represent a 57 per cent decline from the year-ago period. So there’s a lot of work to be done. One has to wait and watch to see how RBI’s direction to lenders on loan recast and moratorium pans out. The banking system, already battling one of the world’s worst bad-debt ratios, is bracing for another wave of defaults post-pandemic. Hence, RBI is bound to dither when it comes to extending the moratorium beyond August, even if the borrower’s loan was deemed current as per its suggested cutoff date. The administration’s moves to kickstart credit growth and revive the economy are yet to yield desired results. The challenges are linked to the broader economic recovery, which can’t happen until there is a revival in demand. For that, consumption, investment and job creation are crucial. While the finance minister did announce additional measures to boost consumption by diverting leave travel concession allowance for goods purchase, it might be too little. The support announced in May too may have fallen short. The economy is expected to post its worst full-year contraction on record at around 10 per cent, according to the IMF. While it’s likely to expand by around 9 per cent in the next fiscal, that would be owing to the base effect rather than any real revival. The government has little fiscal space to boost spending, so it’s up to RBI to continue doing much of the heavy lifting on stimulus measures. The central bank will stay the captain, steering the ship across these turbulent waters.

The author is the Group CEO of Housing.com, Makaan.com and PropTiger.com

second quarter of 2020. Indeed, in the medium to long term, growth in e-commerce and increase in logistics outsourcing are likely to drive the growth in warehousing. If the prospect of a major shakeout is real for anyone, it will be hotels and retail malls—they are spaces that will remain affected at least till a majority of Indians are vaccinated against the virus. This is so even if, as Google mobility trends show, India has reached around 60 per cent of the pre-COVID levels when it comes to visiting places like restaurants, cafes and shopping centres.

Manav Singh, Chairman, Imperial Holding, says high quality commercial real estate is here to stay but they will have to reinvent themselves to the new normal. “The same office will be used by multiple companies on different days, therefore decreasing the net cost of the lessee and at the same time, possibly, even increasing the net revenue to the lessor. This will allow several more people to rent good properties that were out of their budget six months ago. Equally, Grade-B properties may struggle as those tenants would have moved to Grade-A at a lesser cost,” he says.

What about office as a work space, a salient mental category for all of us? Disaggregated working, a minor trend born via IT and outsourcing and with us for a few years now, had not won many converts—primarily because the quality and intensity of (formal and informal) interactions in one physical space was seen to be by itself a factor of productivity. But Singh says offices were a real need only when means of communication were nonexistent or primitive—indeed, having a telephone was a luxury. “However, old habits and traditions, so deeply ingrained, could not be broken. I’ve been working from home for the last six months and feel my productivity, creativity and overall satisfaction are significantly more than before. If you map the daily life of an employee, s/he spends two to four hours a day travelling to and from work. This creates a huge imbalance in life as s/he is unable to spend enough time with family, friends or pursue other vocations,” Singh explains. He’s “100 per cent convinced” that #WFH is here to stay. “In line with this conviction, I am of the view that commercial real estate will take a huge hit,” he says.

Ashish Bhutani, CEO, Bhutani Infra, concedes certain changes are definitely inevitable. “The movement of the commercial segment to Tier 2 and 3 cities will gain more steam as companies are looking to cut costs and smaller cities offer better options. The demand for larger office spaces is also likely to increase as big corporates will stick to social distancing guidelines,” he explains. This may actually spur a buzz of activity: as space requirement goes up, developers will have to come up with projects at favourable locations. At the other end, the churn will also have a concentrating effect, he predicts, as “tenant-landlord agreements will lean more towards lease and revenue-sharing”. Some of these models existed earlier also, but will now attract some urgent focus, he feels.
Why does a Patek Philippe watch sell for so much? What has made Apple the most valuable company in the world? How did Tesla get a market cap higher than that of any other automaker? The common factor in all these success stories is beautiful design - designs that are coveted by consumers across the globe and command a premium price.

In some ways, real estate is similar to a Patek Philippe or an Apple device. On the one hand, it is a work of art. On the other hand, just as an Apple device or a Tesla car has a practical functional purpose, so do buildings. And just as a beautifully designed phone or car can command a premium price, so does a beautifully designed property.

And yet, most real estate investors fail to consider design while investing. When they look at an investment, they consider the location, the developer’s reputation, the going rates in the area, and the discount that they may get. This worked well in the past, when developers were creating unremarkable buildings and the core competency in real estate was the ability to manage legal and regulatory hurdles. But as the real estate industry in India becomes more sophisticated, the competencies of architecture and design are becoming more prominent.

An early harbinger of this trend was Adarsh Palm Meadows in Bangalore with its, for its time, cutting edge design. Palm Meadows was way ahead of the curve, which resulted in its price shooting up from Rs. 300 to Rs. 10,000 per square foot in a very short period, while other properties nearby enjoyed only a small fraction of its price appreciation.

This trend can also be seen in commercial properties - new office buildings are much better built than older ones, and command a premium both in rental rates and capital values.

As design becomes the most important aspect of real estate success, new developers are leapfrogging over older ones and creating products that command a higher price. A good example of this is Prime One Corp, which is headed by NRIs and has a team of internationally experienced architects and designers led by Jeff Kiser, an American architect. It has a number of projects that one would mistake for buildings abroad. These homes seem exquisitely designed, with beautiful balconies to enjoy Bangalore’s wonderful weather, and thoughtfully designed interior spaces. Even aspects that developers often neglect, such as the rooftop, are transformed into sky lounges that evoke the feeling of being in a five star hotel. Another area where we noticed it being different was in the infrastructure - the roads, sidewalks and bike paths felt more like what one would see abroad.

Investors who carefully look at the design aspects of projects will be rewarded with superior returns as these developments will have higher price realizations. Long-term appreciation in prices will be driven by beautifully architected projects and not by unremarkable ones. Invest with developers with a DNA of superior design so that you get a better return and de-risk your investment from obsolescence.
the real estate industry in India becomes more sophisticated, the competencies of architecture and design are becoming more prominent.

An early harbinger of this trend was Adarsh Palm Meadows in Bangalore with its, for its time, cutting edge design. Palm Meadows was way ahead of the curve, which resulted in its price shooting up from Rs. 300 to Rs. 10,000 per square foot in a very short period, while other properties nearby enjoyed only a small fraction of its price appreciation. This trend can also be seen in commercial properties - new office buildings are much better built than older ones, and command a premium both in rental rates and capital values.

As design becomes the most important aspect of real estate success, new developers are leapfrogging over older ones and creating products that command a higher price. A good example of this is Prime One Corp, which is headed by NRIs and has a team of internationally experienced architects and designers led by Jeff Kiser, an American architect. It has a number of projects that one would mistake for buildings abroad. These homes seem exquisitely designed, with beautiful balconies to enjoy Bangalore's wonderful weather, and thoughtfully designed interior spaces. Even aspects that developers often neglect, such as the rooftop, are transformed into sky lounges that evoke the feeling of being in a five star hotel. Another area where we noticed it being different was in the infrastructure - the roads, sidewalks and bike paths felt more like what one would see abroad.

Investors who carefully look at the design aspects of projects will be rewarded with superior returns as these developments will have higher price realizations. Long-term appreciation in prices will be driven by beautifully architected projects and not by unremarkable ones. Invest with developers with a DNA of superior design so that you get a better return and de-risk your investment from obsolescence.
But Bhutani also foresees the concept of “co-working” changing as people opt for flexibility and multiple locations. Kunal Moktan, CEO and Co-Founder, PropShare Capital, doesn’t entirely agree. He sees #WFH as a cyclical wave that will ebb, not a structural shift in the behaviour of companies—especially for MNCs that have captive backoffices in India. He cites several reasons. “Indian homes are not suited for #WFH for extended periods of time. Indian families are bigger in size and it’s difficult for people to have a dedicated workstation and work with children or parents around. Then, the infrastructure: frequent power cuts as well as patchy internet connections make it extremely difficult to work efficiently. The recent power failure across Maharashtra is a prime example. Grade A commercial offices have power backups, which enable employees to work without issues,” he explains.

The resilience in India’s commercial real estate, Moktan says, also lies in the fact that here the cost of working from offices is not very high. “For MNCs, a per seat cost of approximately $100 is not very high. In fact, this cost hasn’t increased for them significantly over the last decade, essentially due to rupee depreciation against the dollar, while revenues for the companies have grown multifold during this time. That is why MNCs like Microsoft, Amazon and Apple are using COVID as an opportunity to get into long-term leases at lower rates,” he says. “The continued attractiveness of the Indian office market in terms of low operating costs and availability of low-cost, skilled workforce is likely to keep the demand high. Strong rental collections (98.5 per cent in Jul-Sep and 99.9 per cent in Apr-Jun) seen by Embassy Office Parks REIT shows office real estate has been quite resilient to the pandemic,” Moktan adds.

GREEN SHOOTS
After the severe dent on India’s booming office leasing market in the first half of 2020, the second half is witnessing green shoots of revival, feel experts. With metro rail, inter-state travel opening up and the panic having subsided, people are ready to return to normalcy. “The initial exhilaration related to #WFH has now subsided and people are missing the team camaraderie and boardroom brainstorming,” says Ankit Kansal, Founder and MD, 360 Realtors. “Employees and employers have realised that #WFH cannot be a long-term substitute. People are returning to work. This is good news for commercial
The worst hit by the Covid 19 pandemic have been the elderly. As per a HelpAge India report on the impact of Covid 19 on the elderly, 62% elders reported suffering from chronic diseases such as asthma, hypertension, diabetes, cancer etc., 42% elders reported worsening of health condition during the lockdown, and 61% respondents felt confined & socially isolated.

Mental health of elders was deeply affected as they became prone to anxiety, depression and loneliness. It is therefore vital that elders remain especially active and engaged during such a time. HelpAge India has been stressing hard for the need of elders to remain active both mentally and physically, so they can live long and healthy lives. An active and healthy lifestyle also leads to improving their immunity and longevity.

It is for this very purpose that ICICI Securities & HelpAge India launched a unique active ageing initiative for elder residents at the Gurdaspur ‘Multi-facility Elder Retreat’ old age home in Punjab.

The home run by HelpAge India, welcomes the support brought by ICICI Securities, which is like a breath of fresh air for the elderly residents. Under this initiative, a full-fledged outdoor activity area has been developed, consisting of an elder friendly gm, walking track and a flourishing vegetable herb garden, helping elders remain physically and mentally active.

ICICI Securities is a strong advocate for elder cause and spends significant part of their CSR resources in bringing a positive change in their lives. This partnership with HelpAge India was thoughtfully designed keeping in mind the need and abilities of senior citizens.

Similar activity centers is in works in old age homes at HelpAge’s old age home in Cuddalore, Tamil Nadu, with focus on physical and mental wellbeing of the elder residents and also equipping and running a model old age home in Leh, Ladakh. The idea is to provide elders a holistic way of living, where both their physical and mental well-being is looked after.

Preventive care is essential for all individuals and is the first step to remain healthy, it also helps reduce risk factors associated with premature death and chronic illness. Diseases that originate due to lifestyle choices like, obesity, hypertension, heart problems, and diabetes, etc. are easier dealt with when one takes the route to maintain an active and healthy lifestyle. Therefore, it is important that one focuses on preventive healthcare activities & initiatives, to keep fit and productive during later years.

WHO defines ‘Active Ageing’ as the “process of optimizing opportunities for health, participation and security in order to enhance the quality of life as people age.” It applies to both individuals and population groups. Active ageing encourages the involvement of older adults in society and highlights their capability and knowledge.
real estate players. In the second half of the year, we have started witnessing a demand bounce-back. It’s slow, but maybe by next year the momentum will pick up.” The revival will also come from a spread effect—from opportunities in untouched Tier 2 and 3 markets, where demand for organised retail and office space has become an absolute necessity, feels Abhishek Bansal, Executive Director, Pacific India. New segments like co-working spaces and logistics will also help. “This shift from traditional to modern developed commercial structures has been majorly driven by the need for hygienic, contactless and automated surroundings. As people are getting on with their businesses, they are looking for commercial spaces in places other than Tier-1 cities. This has already kickstarted demand in peripheral areas,” he explains. Pre-leased properties are one sub-segment that may see some demand, though properties with over 70 per cent vacancy will need to be reviewed. As a sub-sector, retail has got the hardest blow as the malls were closed for almost half the year and people are still apprehensive of going into enclosed retail spaces, especially when they can get everything they need at their doorstep. “Smart retailers are banking big on an omni-channel strategy—which integrates different methods. Malls have started witnessing an uptick in food and beverages but till such time as multiplexes and family entertainment centres open, malls will keep facing a dearth of footfalls,” Kansal says.

WHAT’S IN IT FOR SMALL INVESTORS?
Small investors have been insulated from these ups and downs because the big ticket sizes involved in commercial real estate normally confines it to the affluent class and institutional investors. The segment has given better returns than residential real estate in the last few decades, but profits from these price appreciations and higher rental yields have hitherto eluded the small investor. But now innovative fractional investment instruments allow even small investors to consider commercial property. This concept, prevalent in the US and Europe for a decade, is now picking up in India. Fractional investment enables one to buy a portion of a property, thus partaking of a fraction of the benefits of owning a commercial property without any of the hassles or upfront expenses. Kansal says it enables small investors to invest in even premium commercial properties to earn a monthly rental yield and build long-term wealth. “Virtual spaces are not trending anymore as customers are looking at clear ownership and bankable, tradable products,” he says. Bhutani agrees. “The investor can start earning once the property is fully-funded, enjoying the benefits of value appreciation, and also sell off his part after six months. It is, in fact, a wise way to earn extra money without the hassles,” he explains.

Fractional investing comes with its own risks, though. Moktan says the onus is on the investors to manage their risk. One key precaution would be to invest in assets that are completed, tenanted, and now diversifying across different asset classes and locations. Kansal adds that selling fractional property is more tedious and not as streamlined as whole ownership. “Some of the other challenges are higher maintenance and building common consensus on space. Collaborating with co-investors may pose challenges for some fractional investors.”

Moktan has a hot tip: returns, he says, are made at the time of investing, not while selling—investing in times of uncertainty normally leads to good returns. “Research published by Cambridge Associates, a US-based firm, which studies global funds across asset classes, shows real estate funds launched during the recession in 2001 and 2009 rewarded investors with the best returns since the turn of the century, giving an average annual return of 24 per cent and 18 per cent respectively,” he adds. In short, as the strange caravan of 2020 trundles towards its end, we may be left with newer ways of going to office.
Several investors, off late, have been grumbling about the poor performance of their equity investments especially through mutual funds, even over a three year time frame. Many of them would have been investing through SIP as well. At a time when the benchmark indices such as the Sensex and Nifty have been generating solid returns, the fund performance may have been not much to speak about.

But worry not. I would say investors have reasons to be happy if SIP is not generating returns. This is because an investor often forgets that in volatile markets, one gets the opportunity to accumulate equities at lower levels, which proves to be very beneficial over a complete market cycle.

The very objective of SIP Investment is to reap gains from Rupee Cost Averaging. When equity market turns range bound or enters a phase of market correction, investor end up accumulating more unit of the same scheme, without any increase in outgo.

There is an old Wall Street joke where a newcomer asks a veteran, “How do I make money on the stock market?” The old veteran replies, “That’s the simplest thing, Buy low, sell high.” So the young man presses further, “Yes, but how do I do that?” The reply comes, “That’s very difficult. It takes a lifetime to learn.”

Now, that not a great joke, but it is a fact. The most common interpretation of ‘buy low, sell high’ is to buy when the markets have fallen.

So to understand this better let us just ask ourselves a question, when do you buy more?

a) When you get your favourite or desired product at discounted price?
b) When you get your favourite or desired product at market price?

Most people will answer “a”. The reason being, they are getting what they wanted at a discount. They are paying much less than the original MRP of the product.

Negative return generating SIPs: A boon

On an emotional level, the statement made here may seem blasé. However, data suggests otherwise. The recent CRISIL-AMFI report indicates that the probability of generating more than 10% return is 97.5% over a 10-year time frame. In fact there are funds which have generated over 26% returns in 10 years.

If the cause of low/negative returns is the overall market sentiment, or underperformance in some of the fund’s holdings, then the sanest approach is to wait for the storm to pass i.e. to wait for the market to stabilise, before making any hasty decision. In the meanwhile, fund manager too will be moving their allocation in order to reduce losses.

For example: SIPs invested during the period January 2010 to August 2013 (~3 years) generated negative returns. However, if the investor would have held on to their investment for two more years, then the portfolio would have generated double digit returns. This shows that investors who lost patience in 2013 and redeemed made their losses permanent and lost out on the opportunity to make any money from their investment.

Looking ahead

India and the world at large is going through testing time due to the rampant spread of the Coronavirus pandemic. Growth across the globe has crashed to multi decadal lows and the outlook too remains challenging. What needs to be remembered at such times is that India continues to remain one of the few bright spots globally in terms of a solid domestic base.

In the light of this, the best approach is to continue with one’s existing SIPs. There is absolutely no point in stopping regular investment because of valuation concerns or fearing market correction such as the ones seen in mid and small caps in 2019. The current market is providing long term investors the occasion to accumulate units at lower prices and thereby, benefit from rupee cost averaging. In fact, investors with investible surpluses should top-up their existing SIPs with lump sum investments during steep market corrections. This will help them achieve their financial goals sooner. To conclude, it is important to stay focused on the long term, for as market cycles go, this too shall pass. Happy investing!

(Author is Managing Director, Midas FinServe Pvt. Ltd)
On The Path To Recovery

The startup ecosystem, which was grappling with liquidity concerns, is getting back to normalcy. Many startups are getting more funding and gaining traction than before.

By Rajat Mishra

The year 2020 is nothing short of a nightmare for India’s entire startup ecosystem, which was on an upward spiral making the nation proud. However, COVID-19 induced lockdown brought everything to a screeching halt, barring fintech, telemedicine and a few others, enabling digital offerings. In fact, four Indian startups gained the unicorn status during the slump. With restrictions getting curbed, the sector is crawling back on track and is witnessing growth.

A Parliamentary panel in its report ‘Financing the Startup Ecosystem’ notes that Indian startups must tread the path of self-reliant India and must cease their dependence on foreign investment for growth. It has recommended abolishing of tax on long-term capital gains for collective investment in startups through angel funds, alternate investment funds and limited liability partnerships.

Amongst a raft of recommendations made by the panel, some important suggestions include expanding funding sources, incentives for long-term capital gains, and guidelines for rationalising prices. The idea is to encourage domestic capital to revive the economy. The committee has made recommendations on expanding the role of Small Industries Development Bank of India’s (SIDBI) Fund-of-Funds to help disburse more funds to this new economy.

While these may take some time to transpire into reality, the world’s third-largest startup ecosystem post-COVID is recovering faster than expected. According to a report, ‘COVID-19 and Antifragility of India’ - Indian Startup Ecosystem by The Indus Entrepreneurs (TiE) Delhi-NCR and Zinnov, between March and June, 40 per cent of startups were adversely impacted while 15 per cent were forced to discontinue their operations due to the pandemic. The report mentions, Indian startups
grabbed the third position globally in 2019. The country boasted of a total 26 unicorns till January 1, 2020, and Indian startups received $14.5 billion funding, the report reveals.

Lockdown, social distancing norms, coupled with risks from COVID, left the startup ecosystem cash-starved. Overall funding during the period dipped 50 per cent from pre-COVID levels, the report reveals. However, the industry saw a gradual recovery from the month of September, and the good news is that most segments appear to have recovered to pre-Covid levels.

Throwing light on the recovery of the startup ecosystem, Saurabh Goel, Co-Founder of Pune-based startup AmberStudent, says “We at AmberStudent saw almost 50 per cent drop in revenues from March to May. It was the effect of panic and students’ uncertainty about their future. Businesses started returning to normalcy from June, although the pace was slow. We saw a twofold surge in bookings between August and September compared to last year. It is continuing in October. We have seen delays of a month or two, which caused a shift in our month-on-month projections. We have also grown our employee numbers by 80 per cent post lockdown.”

Goel adds that without any doubt, this pandemic has hurled innumerable challenges before the startup ecosystem. He, however, feels there is a whole new array of opportunities evolving. Online products and services have seen a steady surge in consumer demand, owing to social distancing norms. Startups suddenly received the traction that was missing before. People are getting accustomed to services delivered to their doorsteps. The pandemic has essentially acted as a tipping point for radically shifting consumer behaviour to app-based products and services. The TiE-Zinnov report further states that 75 per cent of startups are gradually recovering post lockdown.

Saurabh Goel
Co-Founder, AmberStudent

We saw a twofold surge in bookings between August and September compared to last year

Sainadh Duvurru, Co-Founder of a relocation startup HappyLocate, based out of Bangalore, says, “When the lockdown was imposed, we thought it would be for 45 days and then we would quickly bounce back to normalcy. But all of us were wrong. I will say things are getting normal, and that is reflected in the numbers.”

During the lockdown, we had a lesser number of people working for us. But after the lockdown was lifted, the number grew substantially. Our profits have grown post lockdown but they are not in line with anticipated profits during the pre-COVID period. COVID has been a speed breaker and has forced us to compromise with our profit goals,” he adds.

Funding too is back on track. According to reports, the startup ecosystem grappling with liquidity concerns, is gradually limping back to normalcy. Many startups are getting more funding, compared to last year. India is expected to be home to about 62,000 startups, including 100 unicorns, by 2025. Four startups, Nykaa, Unacademy, Postman, and Razorpay, emerged as unicorns when the pandemic was at its peak.

Nearly 30 per cent of startups have pivoted to newer markets for alternative revenue streams, while over 55 per cent of startups are focusing on profitability and reducing cash burn. Further, deal activities in terms of total investments and the number of unique funded startups have recovered to pre-COVID levels during the quarter ended September 2020. Four Indian startups have gained the unicorn status amid the pandemic, which brings cheer to the new economy as other sectors are struggling to survive.

The report also states that the startup ecosystem may generate 750,000 new direct jobs and 2.8 million indirect jobs by the end of 2020.
COVID Fails To Dampen Startup Funding

The crisis-ridden economy has helped some startups emerge as $1 billion companies, with innovative and resilient approach

By Indrishka Bose

The startup ecosystem has set an example of rapid growth despite facing the most taxing times and has grabbed the limelight for improving its innovation quotient.

India is home to the third-highest number of startups. Unicorn refers to a startup that reaches a $1 billion valuation. As per Hurun Global Unicorn Index 2020, there are 586 unicorns globally. India ranks fourth with 21 unicorns after the US, China and the UK.

The COVID crisis may have punched and bruised the sector, but it has refused to be knocked down. In fact, it has added colours of optimism by managing to pump up valuation to a $1 billion mark. RazorPay, a Bengaluru-based financial technology company, became a unicorn valued over $1 billion. Chiratae Ventures, formerly known as IDG Ventures, has already invested in eight companies from its fourth fund and is expected to broaden its investments in 30 to 40 companies in the next couple of years.

Educational institutes have shut brick and mortar classrooms and are conducting online classes. Edtech startups have jumped to the opportunity and are adopting strategies to take the education system to the next level.

Unacademy and BYJU’s have already strengthened their dynasty by raising capital worth $1.5 billion in 2020 and $10.8 billion in 2018.

Raashi Bathija, Co-Founder of UnMath School, says, “UnMath School is a trusted brand in the education space for the last eight years. It was a B2B company before welcoming the big change. Our online programme was greeted with an overwhelming response by end-users within a short period, thereby directing our trajectory towards a positive direction.”

Overall engagement of students has seen an increase of 8.5 per cent during the lockdown. Bathija agrees, saying, “There has been a rapid surge in the enrollments, which has helped us raise fresh capital, thereby improving our valuation. We see a great opportunity in terms of funding and growth in the next couple of months.”

As per State Of Indian Startup Ecosystem Report 2020, more than 55,000 startups have been set up in India, out of which 32,000 have raised $63 billion in the last five and a half years.

In 2019, Indian startups raised over $11 billion. It was 55 per cent higher than the valuation of 2018.

Venture Highway, which provides guidance and capital to early-stage nascent ideas in technology, believes the ecosystem is taking calibrated bets.

“Since we are now comfortable with writing cheques without meeting founders, deal-making has picked up pace,” says Samir Sood, Founder at Venture Highway.

Investors believe the pandemic will irreversibly improve digitization adoption. The impact of COVID has only underscored a decade-old belief in favour of new technologies.

“The pandemic has helped us with our decision-making framework and the kind of founders we would like to partner with. We will continue to push our own founder’s agenda as we go for future fundraising,” informs Sood.

Fresh capital has suddenly moved into ‘pandemic-resilient’ good quality companies. Good internet connectivity and falling data price have been an advantage for the sector.

“The reason some of the unicorns continue to attract capital is that investors see the upside even at current valuations,” says Sood.

With a surge in demand or cost optimisation, startup companies continue to attract capital, reflecting investor confidence. The government sees this new economy as the eye of its ‘Atma Nirbhar Bharat Abhiyaan’.

We do see a great opportunity in terms of funding and growth in the next couple of months
Small Business Owners, Traders Remove Price Risk With Commodity Derivatives

In today’s highly volatile market, even small fluctuations in prices of commodities can directly affect a small business owner or trader. The raw material cost is integral to the final price of your goods. Any unanticipated rise in the price of the commodity can force you to pass on to customers, which results in declined demand. On the other hand, if you are incapable of passing on the costs to the customers, your profit margins vanish.

It is in this serious context that commodity derivatives help acquire or sell commodities at a price decided months before the actual transaction. As a result, there is no business risk associated with any price change that may happen. Like any financial derivatives i.e. Forwards, Futures and Options contracts, commodity derivatives are essentially an agreement between two parties to buy/sell a specific quantity of a commodity at an agreed price on or before a future date. With such a smart solution available to address the woes of small business owners and traders, commodity derivatives are emerging as a risk management tool.

In India, the commodity derivatives markets have a large scope to develop. Small business owners and traders are still in the first stage of development when it comes to utilizing derivatives in the commodity market. As awareness grows, small business owners and traders understand the safe hedge provided by commodity derivatives during times of inflation & against price movement in the physical market.

In a business, when the price is high, there could be less demand, and an expectation in fall in prices leads to an opportunity loss for the business owners. Imagine if ABC Jewellers is holding a stock of 5 kgs Gold. When the price peaks at ₹5,500 per gram, the jeweller can lock the expected demand and price by selling the GOLD futures contract. When the actual demand rises at ₹5,000 per gram, the jeweller can reverse the futures contract. In this simple way, a small business owner can identify the demand from a new market with a settlement guarantee. Also, they are able to protect asset value by locking the price.

Now, let us assume when the price is low, traders or small business owners tend to increase their stock for future sales. In order to avoid higher investment, storage & maintenance cost, it is advisable to buy a futures contract. In this contract, they fix the commodity price for future deliveries, confirm supply from the suppliers, avoid maintenance of commodities, and side-step upfront ‘100% value at risk’ situation.
Financial Immunity
Matters The Most During
UNCERTAINTY

Survey Findings

1. Due to the ongoing pandemic COVID-19, how focused have you been towards building PHYSICAL IMMUNITY?
8 in 10 Indians (81%) are focusing on building their physical immunity:

2. Do you feel that stress/ anxiety lowers mental immunity and affects physical immunity?
8 out of 10 Indians (78%) strongly feel that stress / anxiety affects mental & physical immunity:

3. Top 3 Financial worries, on the backdrop of the current pandemic.
4 out of 10 Indians are worried about:

4. In your opinion, which Financial products have you bought or intend to buy with a motive of safeguarding your family’s future?
8 out of 10 Indians (80%) associate Life Insurance with ‘Safeguarding the family’s future’:

5. How financially prepared are you, if you or the chief wage earner gets succumbed to any lifestyle diseases like Cancer, Heart Attack, COVID etc.?
More than half of Indians (53 %) are not sufficiently prepared financially to face any lifestyle diseases:

6. On the backdrop of the pandemic, do you have a Critical illness cover, are you considering to buy one or if do you have one?
Over 7 out of 10 Indians (75%) who don’t have critical illness cover are inclined towards buying one in next 3 months:
INDIA is the second most COVID affected country in the world after the US. In the backdrop the ongoing pandemic, SBI Life Insurance, in association with Nielsen, conducted a survey titled- ‘Understanding Consumers’ Attitude towards Financial Immunity’ to gain a comprehensive understanding of the consumers’ attitude towards Financial Immunity. About 2400+ Indians across 13 cities were a part of the consumer survey. The study findings indicates that the onslaught of COVID-19 spread has made consumers realise the importance of being financially prepared and the need for the right financial products in combating unforeseen financial emergencies. Consumers’ top worry revolves around protection and covering self and family against critical illness and infectious diseases. A combination of term & critical illness cover makes consumers worry free & financially prepared.

### Key Highlights

- 6 out of 10 Indians (62%) strongly feel that Financial Immunity is ‘Being able to maintain financial security & stability of the family to address any uncertainty related to life & health’.
- 7 out of 10 Indians (76 %) strongly agree that maintaining physical/ mental health helps to have a better financial immunity.
- 8 out of 10 Indians (80%) associate Life Insurance with ‘Safeguarding the family’s future’.
- More than half of Indians (53 %) are not sufficiently prepared financially to face any lifestyle diseases.
- On the backdrop of COVID, over 7 out of 10 Indians (75%) who don’t have critical illness cover are inclined towards buying one in next 3 months.
- 6 out of 10 Indians (61%) consider Critical Illness plans to address the rising treatment cost and financial burden on the family due to Critical/ terminal illness.

### Reasons for purchasing / intending to purchase Critical Illness plan/ cover?

- **6 out of 10 Indians (61 %)** consider Critical Illness plans to address the rising treatment cost and financial burden on the family due to Critical / terminal illness.

### When asked what does ‘FINANCIAL IMMUNITY’ mean to you?

- 6 out of 10 Indians (62%) strongly feel that Financial Immunity is ‘Being able to maintain financial security & stability of the family to address any uncertainty related to life & health’.
- Feeling comfortable with financial requirements arising now and in future (30%)
- To be able to fulfill future responsibilities/ goals for self and family (32%)
- Having enough finances and cash flows to take care of day-to-day expenses for at least 5-6 months in case of no job/ business (28%)
- Being able to pay the rising treatment cost towards any critical illness like cancer, kidney failure etc. or medical/ hospitalization charges (27%)
Costly Covers, Better Care

Annual health insurance premium may see a sudden surge as the regulator’s diktat widens health coverage, making health policies more inclusive and less complicated

By Debjoy Sengupta

The pandemic has truly changed our life’s worth. Today we are extremely careful about things we would seldom care before. Take, for example, health insurance. Everyone’s running for cover. Hospital bills are running into lakhs of rupees. Social media like Twitter, Facebook, and others are flooded with complaints on claim rejection, non-payment and reimbursement settlement delays. In fact, many were left with a deep hole in their pockets, settling a major chunk of their bills in cash as hospitals chose to charge patients even for doctors’ safety gear. These were not covered under health insurance.

Policyholders were often left wondering about the fate of their claims. While some policies covered one set of illnesses, others covered a diverse group of diseases, with different premiums and clauses. It was a nightmare. However, a quick intervention from the regulator has paved the way for a better standardised health insurance order.

The Insurance Regulatory Development Authority of India (IRDAI) has mandated that all general and health insurers offer standard individual health insurance products. This was implemented from October 1, 2020. For customers, it means insurance cover for more illnesses and procedures. Now pre-existing diseases include any health condition that has been diagnosed 48 months before the issuance of the health policy and a medical condition that develops within three months of policy issuance. Also, stress, mental illness, telemedicine, high tech surgeries are now covered under health insurance.

While buying insurance products has become less complicated, it has spiked up the cost of premium, making the policy costly.


Product Uniformity

The idea is to allow buyers to pick and choose without going through the tedious process of comparing products and clauses. In other words, health insurance policies have been made more inclusive and less complicated.

Commenting on the development, Surendra Bagri, Promoter of Axiom Insurance Brokers, says, “Standardisation of health insurance rules by IRDAI is a very welcome and landmark move. It will be easier to compare products, widen coverage and remove ambiguities.”

Bagri’s firm, an insurance broking house, advises individuals on buying
the right insurance policies. It facilitates them on renewing policies and, if necessary, switch to the best available product.

**New Diseases Covered**

As per the new guidelines, insurance companies can no longer exclude diseases like HIV, mental illness, stress and psychological disorders. Illness contracted through hazardous activities, treatments for age-related conditions, internal congenital disorders, and genetic disease will be covered as well.

Professionals with high risk of injuries like firefighters and stunt artists will now be covered. However, injuries owing to adventure sport will continue to be excluded.

Similarly, modern treatment methods like robotics surgery, uterine artery embolisation, balloon sinuplasty, deep brain stimulation, oral chemotherapy, and intravitreal injection will fall under the purview of health insurance. However, insurers can introduce sub-limits in their policies to cap payment for such diseases.

**Telemedicine Covered**

With pandemic-led social distancing and lockdown, most people resorted to telemedicine to avoid hospital visits, especially for OPD treatments. It was never allowed under the purview of mediclaim. Now it is a part of insurance cover that can be claimed. Sanjay Dutta, Chief of Underwriting, Reinsurance and Claims at ICICI Lombard General Insurance Company, says, “With the new set of norms, there is now a lot of clarity on what is to be covered and what is payable.”

“Treatments that generally require hospitalisation can also be done in facilities other than hospitals, which will now have to be covered. Some procedures like chemotherapy can now be taken at non-hospital health centres,” he adds.

**SURENDRA BAGRI**

Promoter, Axiom Insurance Brokers

**Standardisation will make it easier to compare products, widen coverage and remove ambiguities**

**Redefining Pre-Existing Diseases**

Insurers are seen rejecting a large number of claims every year on the grounds of pre-existing diseases. It was never easy for policyholders to ascertain which disease would be classified as pre-existing. To remove this ambiguity, the regulator has clearly defined pre-existing disease. It would be any condition, ailment, injury or illness that a physician has diagnosed within four years before the date of commencement of a policy or within three months of buying a policy. Insurers can, no more, reject claims for diseases
As a host of new diseases and ailments are covered, it is natural that insurers will raise premiums for claims. “Insurers will now have to cover diseases like HIV and mental illnesses. As new risks or diseases are covered, claims are likely to go up. Insurers will need to increase premiums for new and renewal policies,” explains Dutta. “IRDAI has allowed insurers a leeway to increase prices by 5 per cent, without submitting any data on claims from such diseases. They only need to inform the regulator about the hike.”

“It is likely that insurers will raise prices. Also, an insurer may not have the necessary experience in covering claims for new diseases. Hence, it would be difficult for them to ascertain the increase appropriately. Pricing might need adjustments in the future,” says Dutta.

Under normal circumstances, insurers can increase premiums by submitting supporting data on claims experience to the regulator once in three years. The regulator takes a view based on data submitted.

Experts feel insurers will approach the regulator within this three-year window to raise premiums based on claim experience from the new diseases and disorders they are covering. It may lead to a further rise in policy premiums.

According to an insurance industry executive, some public sector insurance companies have already increased prices by at least 30 per cent, since their policies were underpriced. Private insurers, however, have raised prices earlier this year and covered themselves in advance.

As a host of new diseases and ailments are covered, it is natural that insurers will raise premiums for claims.

“Insurers will now have to cover diseases like HIV and mental illnesses. As new risks or diseases are covered, claims are likely to go up. Insurers will need to increase premiums for new and renewal policies,” explains Dutta. “IRDAI has allowed insurers a leeway to increase prices by 5 per cent, without submitting any data on claims from such diseases. They only need to inform the regulator about the hike.”

“It is likely that insurers will raise prices. Also, an insurer may not have the necessary experience in covering claims for new diseases. Hence, it would be difficult for them to ascertain the increase appropriately. Pricing might need adjustments in the future,” says Dutta.

Under normal circumstances, insurers can increase premiums by submitting supporting data on claims experience to the regulator once in three years. The regulator takes a view based on data submitted.

Experts feel insurers will approach the regulator within this three-year window to raise premiums based on claim experience from the new diseases and disorders they are covering. It may lead to a further rise in policy premiums.

According to an insurance industry executive, some public sector insurance companies have already increased prices by at least 30 per cent, since their policies were underpriced. Private insurers, however, have raised prices earlier this year and covered themselves in advance.

present four years before a policy is purchased and three months after it is issued. The regulator also mandated insurers cannot exclude diseases permanently from their coverage at a later stage. They have to take the customer’s prior consent.

Short Waiting Period
The waiting period for lifestyle diseases like diabetes, hypertension, and cardiac conditions is allowed only up to 90 days. Earlier, one had to wait for as long as four years.

Eight-Year Moratorium
As per new guidelines, insurers cannot deny claims on the grounds of non-disclosure of facts after completion of eight years. Insurers need to pay claims for all covers that are not specifically excluded. Only during a proven fraud can an insurer reject a claim request.

“A clearer definition of pre-existing disease and new concepts like the eight-year moratorium period or permanent exclusions are very beneficial for consumers. Now several new treatments like oral chemotherapy and immunotherapy will be covered,” explains Bagri.

Settlement Delays Fixed
Delays in claim settlement have been a contentious issue with health insurers.

According to a dipstick by Bharti AXA, on some 2373 individuals, almost 50 per cent said claim settlement ratio was the most important deciding factor in buying policies, followed by prices.

However, the segment followed no set timeline for settling claims and reimbursements. IRDAI solved the issue by stipulating that an insurer has to pay or reject a claim within a month from the date of receipt of necessary documents. In case the insurer needs to investigate, it has to initiate and conclude the process within 30 days.
What should one look for while purchasing a comprehensive Motor Insurance policy?

It is important to have a comprehensive motor insurance policy to secure yourself from unwarranted financial losses and cover your vehicle against uncertainties. Customers must look at the insurer’s claims service standards and historical record of claims settlement before making a purchase decision simply on the basis of the premium amount.

While the Motor Vehicles Act, 1988 mandates only Third Party Insurance for every vehicle owner and driver, it is highly recommended to invest in add-on motor insurance packages to cover maximum possible financial losses. Some of the add-on packages one must opt for are – engine & gearbox protection cover, consumable cover, roadside assistance service, zero depreciation cover and the NCB protection cover.

How is HDFC ERGO using technologies like AI and ML help in simplifying Motor Claims processes?

AI and ML help improve efficiency and speeding the entire claims process. We have implemented AI & ML technologies in our surveyor application to catalyse the Motor claims assessment process. Our AI tool, IDEAS (Intelligent Damage detection Estimation and Assessment Solution), uses image processing, machine learning and natural language which supports instant damage detection as well as calculation of the claim estimate for the surveyors, assisting them to settle the claims in real-time. With IDEAS seamlessly integrated and implemented in the surveyor’s inspection workflow, the entire process is done under 3 main functions i.e. Read (vehicle number, make and model), Detect (all vehicle parts, damaged parts, severity of damaged parts) and Auto Assess/Estimate the claim amount, which is based on the damage & severity detection done by the AI assisted intelligent rate masters. The tool has been developed by processing more than 3,00,000 images and the accuracy levels are far better than expected. This will help further improve efficiency and consistency in claims service for the customer.

How do you plan to leverage AI and ML in Motor Claims going forward?

Investing in new and innovative solutions & services are key to customer satisfaction and at HDFC ERGO we are constantly evaluating new and innovative solutions & services for our Partners and Customers. As of today, almost 75% of our physical inspections are assisted through the IDEAS AI tool and we have already processed more than 20,000 motor claims with promising accuracy levels. We look to further revolutionize Motor claims and empower customers with DIY self-assessment of their vehicles through the mobile application to settle claims instantly.
days, wherein it either settles or rejects the claim within 45 days. In case an insurer delays this payment, it needs to pay interest on the amount of the claim at bank rates and an additional 2 per cent.

Double Cover
Many employers offer health covers, where employees can opt for an individual or a family floater policy. Now one often has two policies – one provided by the employer and another purchased by self. A policyholder covered by more than one policy can file claims from any of these. The insurer has to settle all claims, as long they are valid. If the claim amount exceeds the sum insured, the policyholder can file another claim from the second policy, for the balance sum. “Now, with new guidelines and exclusions standardised for health policies, consumers may not need to get into details of every product for choosing the best option. These have been taken care of, as all products would offer the same set of conditions, exclusions and pricing. Additional features offered by insurers will now be the only deciding factor,” explains Milind V Kolhe, Chief Underwriting and Reinsurance Officer at Bharti AXA General Insurance.

Nothing is free, and everything comes with a price tag. Now, as we see the regulator simplifying processes and widening coverage, standardising all conditions for the consumer, it will not be a surprise to see the policy price tag go up. Today it could mean an upward limit of 5 per cent in both new and renewal policy premium. Surely insurers will not stop at that. It has been seen that in certain cases, this premium percentage could go up even in double digits. Given India has an underpenetrated insurance sector, will a hike in premium charges help? We may need to wait and watch.

debjoy@outlookindia.com
Asset allocation is the practice of dividing an investment portfolio across various asset classes such as stocks, bonds, gold, cash etc. These allocations are dependent on an individual's financial requirements across short, medium or long term. However, over time, depending on a variety of different factors, asset allocations change.

### Asset Classes One Can Consider

- **Stocks/Equities** – Equities typically tend to offer higher returns over time but there is considerable risk associated as well. Here, too depending on market capitalisation, the quantum of risk associated changes. Large-cap stocks are comparatively less risky as compared to small-caps etc.

- **Fixed Income** – Debt investments tend to be less volatile than stocks and the returns associated too are modest. Typically, investors with a short time horizon can consider this asset class as fixed income offers stability and income.

- **Cash** – Cash and equivalents are the least risky asset class as the risk of losing capital is minimal. Investments into fixed deposits come under this category.

### Factors To Consider

When crafting an asset allocation plan, it is tempting to go by thumb rules such as “100 minus your age should be in equities”. But it is best not to apply such rules blindly if you want to succeed at asset allocation. Your portfolio allocation to equities versus debt, risky assets versus safe ones, liquid assets versus illiquid ones etc needs to be decided by your personal risk appetite, life stage and return expectations. Using a one-size-fits-all template most likely will land you in trouble.

For instance, the 100 minus age rule would require all 25 year olds to park 75% of their portfolio in equities and the rest in safer assets. But should a married 25-year old who has no savings and dependant parents have the same equity allocation as a single 25-year old who hails from affluent family? The former obviously has a lower risk appetite than the latter. A 60-year old retiree with a comfortable government pension and medical cover may be quite comfortable with a sizeable equity allocation in his retirement portfolio but certainly not a retiree with no pension and a high need for predictable income and liquidity! The above examples demonstrate that aping someone else’s asset allocation or using a thumb rule based only on age can lead to an ineffectual or unsuitable asset allocation plan.

Age, certainly, is an important input into your asset allocation plan. One, your life stage and marital status (single or married or married with kids) decides your financial priorities and these have a big bearing on your allocation between equities and debt. Two, the number of dependants who look to you for ongoing financial support or help in the case of emergencies has a bearing on the size of your emergency fund and allocation to volatile assets. Three, higher your liabilities or loans, the more your need for predictable investment returns. Individuals with a large EMI outgo have a higher need for an emergency fund or FD savings to tide over choppy phases in their income or career. Four, your liquidity needs can also decide how much of your portfolio you expose to different asset classes. Bank FDs or debt funds may be better at offering regular cash flows than stocks or equities.

### Asset Allocation Schemes

As a lay investor, if all these tend to overwhelm you, then it is best to consider asset allocation schemes offered by several mutual fund houses today. The aim of here is to invest your corpus across equity and debt depending on how attractive each of these asset classes is. What the fund manager here does is, when the equity markets are cheap, the allocation to equities is increased and as the market starts to rally and the market valuation rises, such funds sell equities incrementally and shift to debt asset class. Such an arrangement ensures that the capital invested tends to be protected from the ferocity of extreme market movements. The presence of debt further ensures that the downside of the portfolio is protected at all times.

Such an arrangement frees the investor from tracking equity and debt market, the need for rebalancing from time-to-time, and more importantly keeping a track of taxation incurred owing to such rebalancing. In effect, by investing in an asset allocation fund, all of the above mentioned requirements are taken care of. So, this becomes a one stop solution for an overwhelmed investor.

*Author is Business Head, Luxe Avenues (formerly Wealth Express)*
Tweaks In Health Cover

Always disclose a pre-existing health condition and pay premium on time

By Debjoy Sengupta

As an executive with a large corporate, Anand Tripathi (name changed) thought he had his life figured out financially. Till he was diagnosed with a heart ailment requiring immediate hospitalisation and a possible surgery. Those were tense times for the family but Tripathi was not too worried, sure that his hospital bills would be settled by his insurer. He was admitted and treated at a multi-speciality hospital in a large metro. When the hospital presented a ₹3-lakh bill for his treatment it was sent to the third-party administrator for cashless claim settlement.

And that’s when Tripathi received a rude jolt—the third-party administrator informed that his claim was rejected by the insurer on the ground of pre-existing disease. The doctor’s diagnosis of Tripathi’s ailment indicated that he was suffering from hypertension, which led to further complications requiring the treatment. Tripathi had not disclosed his pre-existing condition while buying the policy some four years ago. Had Tripathi disclosed his condition, the insurer might have charged him a little extra premium, but he would have been covered and his claim paid.

A simple health insurance is now worth its weight—value, if you please—in gold. The COVID scare has made the world sit up and take the health insurance with far more importance than ever before. Insurers too are scanning claims with a fine-tooth comb. And so are the authorities. The regulator has introduced several changes for policyholders’ benefits and ease-of-claim settlement processes.

High-risk diseases such as HIV and cancer, conveniently excluded by health insurance providers to control their outgo, are now part of health policy. Claims will now be settled or rejected within a set deadline—if not, the insurer will pay interest at enhanced rates on claims payable for each day of delay. The regulator introduced these changes for policyholders’ benefits and ease of claim settlement processes.

The Insurance Regulatory Development Authority of India (IRDAI) has asked insurers to offer Equated Monthly Installments (EMI) for paying health policy premiums. This is to benefit policyholders in claims settlement and cover diseases that insurers had so far kept outside their ambit. The regulator, however, issued a precise definition of pre-existing diseases to remove ambiguity in interpretation of rules and minimise insurers’ leeway in rejecting claims.

Any condition, ailment, injury or illness that a physician has diagnosed within four years before the date of commencement of a cover or within three months of buying a policy is
treated as pre-existing disease. If undisclosed, this can lead to rejection of claims.

**The Ball Is In Your Court**

Now the policyholder needs to take care of two things: proper declaration of pre-existing diseases and payment of monthly premiums on time. Apart from fraud, these are the areas based on which insurers can still reject claims.

Milind V Kolhe, Chief Underwriting and Reinsurance Officer at Bharti AXA General Insurance Company, says: “The most important part in the policy buying process is the declaration an individual makes while buying a cover. A digital or a printed form does not make a difference as long it is declared correctly. It needs to be true.”

With standardised guidelines, all health policies have been converted into a standard product with uniformity in treating exclusions or claims rejection. Earlier, insurers had to decide on a case-to-case basis for each claim, with the potential of many cases turning into contentious issues in terms of policy or claims servicing. These used to turn into audit and product rating issues later. Often, outcomes would depend on the company’s interpretations of guidelines.

“The regulator cleared a lot of gaps in guidelines by introducing standard exclusions in the health product. The health insurance sector is also evolving in terms of consumer behaviour patterns during the current pandemic situation. It is likely to strengthen insurers’ internal processes and reduce turnaround time for claims servicing. Set guidelines will result in faster claims settlement,” says Kolhe. “Both the insurer and the insured will know precisely what is covered and what isn’t. It is expected to reduce consumer grievances.” Based on declarations made, an insurer may ask an individual to take specific medical tests.

Subrata Mondal, Executive Vice President and Head, Underwriting at IFFCO Tokio General Insurance, says, “Several insurers do not insist on a health check-up below the age band of 45 and 55 years. If there is any declaration of a pre-existing health condition that may impact future health and require hospitalisation, the insurer could insist on a health check-up. Depending on the medical reports, it will take a suitable decision that will be based on its underwriting guidelines.”

An area where policyholders can benefit is in porting or migrating from their existing covers to save on premium outgo. Remember never to suppress any fact when migrating to another insurer because the company offering the new policy will have access to your medical history and claims data. Suppression can lead to refusal of cover.

**EMI Payments**

Health cover prices are rising almost every year. IRDAI has asked insurers to provide monthly instalment facilities for paying premiums to offer some respite to policyholders. A policy that may cost ₹20,000 annually can thus be bought by paying the premium in 12 monthly instalments. However, continuity of such policies will depend on the timely payment of instalments.

While Mondal feels EMI facility will greatly benefit policyholders who cannot afford a high upfront premium, Kolhe says it will increase coverage. While there are no additional risks involved in offering EMIs, an insurer’s only challenge is from the technology perspective.

Mondal explains, “We have set up a robust system to ensure there is no mismatch in the EMIs paid and received. An SMS alert goes to the insured as a reminder for EMI dues. There is also a facility for providing post-dated cheques as well as auto-debit facilities for ensuring smooth hassle-free processes.”

Many companies are implementing systems in a phased manner to ensure quarterly, or monthly instalments are paid on time, reminders are sent in advance and grievances are minimised.

However, the bottom line is, if premiums are not paid on time, the health policy will lapse, and insurers will not entertain claims. Hence, ensure you pay on time to continue your policy.

**Online Policies, Same Benefits**

There is a popular misconception that claim rejections are higher when policies are bought online. A recent study also indicated that agents are slightly more trusted in smaller towns. “Whether one buys a policy online or from an agent, the rules and the process for claims adjudication are the same. Agents develop a relationship of trust with policyholders by explaining products and processes. They remain in touch with the customer for policy servicing. In contrast, an online customer is assumed to be well informed with a definite goal. From an insurers’ perspective, the product, its features, coverage and terms and conditions do not change whether bought online or through an agent,” says Kolhe.
MSMEs Struggle To Stay Alive

The backbone of India’s economy employing over 100 million faces trying times

By Lola Nayar

Revival in global trade and export orders does bring hope for India’s Micro, Small and Medium Enterprises (MSMEs) that account for 48 per cent of the country’s exports and happen to be the largest employers after agriculture. However, anxiety looms large on their ability to carry on with severe liquidity crunch, as many overseas buyers are delaying payment and some have filed for bankruptcy.

According to the National Sample Survey 2015-16, there are 6.34 crore MSMEs—6.30 crore micro, 3.31 lakh small and 5,000 medium enterprises—employing 11.10 crore people. The government has been taking various incentives and measures to promote the sector, considered the economy’s backbone. However, unless addressed, the current problem holds the risk of closure of many units, leading to huge job losses—something India can barely afford.

Animesh Saxena, President of Federation of Indian Micro and Small & Medium Enterprises (FISME), says delayed payments would hit almost 90 per cent of the MSMEs. International buyers, who were earlier paying within 30 days, are now seeking 90 days for the same. “Though most big companies have been paying on agreed terms, some are refusing to honour agreements. Many are delaying payments citing various reasons including poor sales,” says Saxena, who is also the Managing Director of Neetee Clothings, an apparel exports company.

The slowdown triggered by COVID-19 forced many overseas buyers to delay payments as goods were not moving off shelves. In some cases, payments for goods delivered were delayed up to six months. Neetee is among the few fortunate that have received payments within 60 days.

With around ₹10 crore worth of payment stuck, Prit Mohinder Uppal, Managing Director of Faridabad-based Pee Empro Exports, is among those hit hard by the pandemic. “Delay in payments has led to financial problems for us with over ₹10 crore locked
is that much hangs in the balance, like availing duty drawback on taxes already paid. Same is the case with Rebates under State and Central Taxes and Levies (RoSCTL) scheme. This scheme is an export incentive in the form of a transferable and sellable duty credit ascertained on Freight On Board (FOB) value for export.

Apart from non-receipt of dues, MSMEs have to endure a legal process to prove to the government that they have lost payment as their buyers have gone bust. There is also a likelihood that the government may demand return of all export incentives availed, with penalty and interest. Having already paid taxes and suffered non-payment, these exporters claim, the situation is tough. They fear facing an added interest burden on borrowed funds.

Exporters’ risks have increased due to reduced use of Letter of Credit (LC) during the last few years and more so during recent times. Currently, banking institutions use new instruments like factoring and forfeiting. Several global institutions, which have started operations in India, buy the receivables at a discount and take over risks based on the buyer’s credibility. The advantage is that the exporter can immediately get some money, and the risk element is also eliminated.

Many large Indian companies have marketing set-up overseas to secure

RAVI SOOD
General Secretary,
Badli Industrial Estate Association

Delays affecting MSMEs are not just due to overseas buyers but domestic buyers as well

buyers. “The decline of LC does not mean Indian exporters are taking too much risk,” argues Ajay Sahai, Director General & CEO of Federation of Indian Export Organisations (FIEO).

He is happy that despite challenges, exports are rising. India’s merchandise exports in September 2020 was worth $27.40 billion, a rise of 5.27 per cent against $26.02 billion in the previous corresponding period.

However, exporters argue there is limited credit protection in India. Most exporters seek it through government-owned Export Credit Guarantee Corporation (ECGC), banks, and some foreign companies established in India. With a limited budget, ECGC fixes a limit on risk coverage for different companies.

During any default or mishap, ECGC provides up to 80 per cent of the insurance cover. Large companies block

in companies that have declared bankruptcy,” says Uppal. “What worries us is that bankrupt companies in the US and EU will not pay us. These companies will go through a restructuring process to turn profitable again.”

The list of companies in the US, which have declared bankruptcy under Chapter 11 to undergo restructuring, is growing in number. It includes some big names like Lucky Brand, Ascena Retail Group that operates Ann Taylor stores, J Crew, and JC Penny. The story is the same in Europe, with majors like Esprit in Germany seeking protection against creditors. According to norms, liabilities of bankrupt companies are frozen during restructuring and the court monitors the process for a defined period. Exporters point out that one needs to be lucky to receive even 10 per cent of the dues from these bankrupt importers.

What worries exporters like Uppal
ECGC risk quota early, leaving little for the smaller ones. Unless MSMEs are protected by LCs or insurance, the process of getting paid during a delay or any other mishap can be futile or expensive for exporters.

The impact of the pandemic has been uneven across sectors. Trades in agricultural products saw a dip of 5 per cent, as food, an essential item, continued to be shipped under strict lockdown. However, fuel and mining products fell 38 per cent as prices collapsed and people consumed less due to travel restrictions. Manufactured goods witnessed a 19 per cent drop.

Pankaj Bansal, CEO, TMA International, which primarily exports engineering and electrical goods, including solar panels, did not face too many problems in receiving payment but shares the concerns of fellow exporters facing a severe cash crunch. “Many overseas buyers are asking for additional discounts on orders shipped as well as on new orders. The market has turned extra competitive because the number of players has increased while demand has dipped. Buyers are in a better position to bargain,” says Bansal.

Buyers tend to take their own time to make payments when demand falls. They wait till their stocks are off the shelf. Many seek to make payment in 90 days instead of 60. Before and during the ongoing pandemic, companies were forced to offer discounts, even on previously agreed terms on some orders received or deliveries made.

Bansal points out that the engineering industry, in particular, has been hit hard not just in India but globally as well, due to a 40 to 50 per cent dip in production. Industries in most sectors are suffering. As people are mostly working from their homes, demand for lifestyle goods, including shoes and branded apparel, has been badly hit. The situation is expected to improve in three to six months, say experts.

According to the World Trade Organization (WTO), the overall world average trade dropped 21 per cent during the pandemic’s peak. It has forecast a 9.2 per cent drop in overall trade volume in 2020 and expects a 7.2 per cent rise in 2021.

Relief measures announced by the government to help MSMEs are being implemented, with most banks proactively approaching distressed MSMEs to offer 10-20 per cent increased financial support beyond their existing limits. However, the problem is severe and is expected to take time to settle.

Ravi Sood, General Secretary, Badli Industrial Estate Association, brings to fore another aspect of MSMEs’ challenges. “Delays affecting MSMEs are not just due to overseas buyers but domestic buyers as well. Unlike exporters, who can use various instruments to cover their risks, no such risk cover is available in the domestic market,” says Sood. Private and public sector entities are delaying payments despite government guidelines.

MSME Minister Nitin Gadkari informed in May that outstanding payments to MSMEs totaled ₹5 lakh crore. A total of 56,797 cases were filed for outstanding dues on the Samadhaan portal of the MSME ministry. Dues have touched ₹16,601.34 crore. The recent changes in the Insolvency and Bankruptcy Code (IBC) have limited small operational vendors’ scope for triggering insolvency proceedings.

Christmas and New Year sales will determine the growth in global trade of lifestyle products, which was badly hit during COVID, feels Sahai. However, if sales continue to remain subdued, the entire chain—right from manufacturers, exporters to overseas importers, could be hit—leading to large number of job losses.

MSME’s distress could lead to serious job losses and unit closures unless exporters, who are badly hit, get a corresponding domestic market to sell their goods. Simultaneously, units with healthy export orders in the chemicals and electrical sector have been facing a labour shortage. Migrant labourers, forced to leave cities during the lockdown, haven’t returned to work yet.

There have been mixed sentiments and an uneven impact on the sector. It is struggling for revival.
Over last 40 years, equity market has provided an equal and free-of-cost opportunity to all investors to make gains. However, very few have actually managed to encash it. The question to ask here is why?

To analyse this, let’s understand how equity market generates returns. Over long term, equity market returns are largely dependent on corporate earnings. As earnings rise, so does the share price of that particular company. However, in the short term, sentiment becomes the primary market driver. So, Share price = Earnings + Sentiment. Earnings are declared on a quarterly basis but share prices change every minute based on sentiment. Also, on a single stock, one investor may generate good returns while another one may suffer a loss.

The most successful investors in Indian stock markets, like, Rakesh Jhunjhunwala, Ramesh Damani and the likes made their wealth by investing in equities. But still, very few individual investors have managed to create wealth from markets. This brings us to an important point, i.e. apart from market research, analysis, etc, it is our sentiment that decides our returns. This is the reason why successful investors keep talking about the importance of behavioural biases than research.

Reining Sentiments
One of the main feelings that an investor need to control is the fear of losing money. Psychologists say, the human mind partly processes the pain of loss of money in the same manner in which it processes the fear of death. This is the reason why people opt for gold or real estate over equities, even though equities generate far better returns.

Over the past 30 years, S&P BSE Sensex has grown 39x. In the same time frame, gold has grown 16.5x. Clearly, when one takes into consideration aspects such as returns and liquidity, equities emerge as the best option. In order to make steady gains from different asset classes, it is important to have a proper asset allocation plan in place. The general thumb rule is, 100 minus your age should be the equity allocation, and remaining should be in debt, with 5-10 per cent in gold.

Investing is about minimising risk to generate wealth over the long term, not short-term profits. So save and start investing early on to meet one’s financial goals. The other benefit is lower taxation element when investing over the long term. However, unanticipated negative shocks are part and parcel of equity investing. So, the best approach is to consult a mutual fund distributor before committing to long term plans.

SIPs Help
No matter what your life stage is, if you are earning then you have to invest as well. The arithmetic of compound investing is an absolute dictator and gives outsized success to those who start early. For starters, in capital market, SIP is a great tool to invest into mutual funds. During heightened volatility, it is critical that investors should not stop their SIPs. In fact, such opportunities will help investors benefit from Rupee-cost-averaging – buying more fund units when they cost less and less units when fund NAVs rise, thus automatically enforcing the investor’s goal of ‘Buy low sell high.’

It is important to remember that reacting emotionally to sudden shifts in market, has negative consequences. If you are a long-term investor in equity funds, don’t be concerned about short-term market aberrations. If a company’s fundamentals are sound and overall market is stable, there is no reason to worry. But if the rationale doesn’t hold true, it is best to book losses and exit.

Achieving Financial Freedom
Financial freedom does not necessarily mean retirement. It means being able to do things that you enjoy and work at a pace which makes everyone around you happy. There is no one method to help a person achieve financial freedom. In case if you are too lazy to visit a financial planner, do yourself a favour by investing into dynamic asset allocation funds.

In such a fund, the exposure to equity and debt is dynamically managed. This is achieved by reducing equity exposure when market trends higher and vice versa. Over the years, this kind of funds has delivered more returns than benchmark indices at reduced risk.

There is no alternative to good planning. Devise a strategy of a good corpus that will take care of your expenses, debt repayments, investments and tax liability and back it up with judicious spending, life will be smooth even if you are in troubled times!!

(Author is Director, Sajag Securities Pvt. Ltd.)
Divide On Digital Transaction

As debate rages on whether to charge digital transactions, experts feel there is a need to incentivise these platforms

By Rajat Mishra

There has been a shift from cash to digital payments during the pandemic since it is both simple and safe.

However, the Central Board of Direct Taxes (CBDT) has recently barred banks from charging fees for using digital payment gateways like Unified Payment Interface (UPI). CBDT has also asked them to refund what has already been charged since January 2020. It has intensified a debate of sorts where industry, fintechs, banks and the government have their justifications.

Recently, Paytm imposed a 2 per cent fee on amounts added to e-wallets through credit cards. Users earlier paid that fee if they loaded more than ₹10,000. A message - “Please use UPI or debit card to add money for free” – is displayed when users try to add money via credit cards to their e-wallets.

According to Paytm’s spokesperson, this nominal charge is applicable since the company pays a fee to banks and credit card companies for loading money on to e-wallets. For other sources like UPI or debit cards they absorb the cost. “The 2 per cent charge is passed on to customers,” the spokesperson says.

Large private banks like HDFC Bank, ICICI Bank, Axis Bank and Kotak Mahindra Bank have been levying charges on UPI payments over 20 transactions every month. This is still happening, although the finance ministry, in August, advised banks against imposing any such charges on digital transactions or payments, irrespective of the number.

The tax regulator issued the notice after a research paper by Professor Asish Das from IIT Bombay revealed how banks levy charges. The paper recommends the need to cap Merchant Discount Rate (MDR) on debit and prepaid cards at 0.6 per cent of the transaction value. When we make a digital payment, the seller or the merchant pays an amount to the payment gateway - fintechs and banks - for transferring the money earned to their account. Depending upon factors like the merchant’s turnover or the transaction amount and MDRs generally vary between 0.4 per cent and 0.9 per cent.

The no-charge or zero MDR rule came into effect from January 2020, despite the payment industry and banks opposing it.

The IIT Bombay report suggests MDR for all types of debit and prepaid cards. For transactions up to ₹2,000, a cap of 0.25 per cent has been recommended. For transactions exceeding ₹2,000, the cap suggested is 0.6 per cent. For a business with an annual turnover of ₹20 lakh or more, the debit card MDR is capped at 0.9 per cent of the transaction value or ₹1,000, whichever is lower.

For every transaction, there is a fee that banks have to settle with the National Payment Corporation of India (NPCI). Running the entire backend platform also involves a cost. Hence, some banks and fintechs are unhappy about this no-fee move.

Dilip Asbe, MD and CEO of NPCI, has earlier cautioned MDR
will slow down its deployment in the country if the cost of merchant acquisition is between $500 million and $1 billion a year. He has strongly insisted on a stable MDR regime.

Anita Pai, Chief Operating Officer of Yes Bank, says, “Implementation of digital transactions involves various investments by banks and fintechs. Banks have to invest in technology infrastructure, information security, continuous application development and maintenance. Additionally, banks also need to invest in resources to take care of user training, customer communication and customer servicing to complete the digital payments circle in entirety. Therefore, it is important that banks and fintech clients are sufficiently incentivised to ensure continuous investments. Anything given for free may not be sustainable in the long run and ultimately may hamper the growth of digital transactions. However, given the government has mandated certain rules around levying charges, we shall be compliant.”

Pai, commenting on the CBDT notification asking banks to refund all such charges, says, “In our view, the CBDT notification is fine as long as it is in line with the budget announcement, which again has varied interpretations across the ecosystem. The stated announcement was mandating banks to levy zero MDR on merchants for facilitating retail customer transactions initiated through UPI and Rupay debit cards. In case certain banks have charged MDR for such transactions, it is right that the same be refunded to comply with the law of the land. However, there is a disconnect if this gets applied to UPI charges on person to person or business to business payments – these, in our view, are outside the purview of the above said directive/objective.”

During the pandemic, digital transactions have scaled new heights. NPCI data reveals 1.8 billion UPI transactions worth ₹3.29 lakh crore took place in September, against 1.61 billion transactions worth ₹2.98 lakh crore, in August. The Immediate Payment Service (IMPS) also touched an all-time high in September with 27.9 million transactions worth ₹2.48 lakh crore. Similarly, payments through Bharat Bill Pay soared to 3.920.83 crore. The data here is quite significant as the number of transactions crossed 1.8 billion in September from 1.61 billion in August, the value of transactions reached ₹3.3 lakh crore, from ₹2.98 lakh crore.

Industry experts feel that if the government needs to push for Digital India, these transactions should be made free. Facing stiff resistance from all the quarters, it would be worth watching what steps the government takes to sort out this complex matter. rajat@outlookindia.com
Protection Quotient

Women should choose customised insurance covers for special needs and financial protection

By Nirmala Konjengbam

For Lucknow-based Priyanka Singh, June brought along a bundle of joy in her life. She became a proud mother. One look at the baby’s face was enough for her to let go of all the suffering of her painful labour.

With the pandemic, extra care was taken by the family, which meant additional costs. Priyanka was covered under a group health insurance policy from her work that failed to pay her maternity expenses. Thankfully, her husband’s policy did.

Priyanka is not a one-off case. Most women covered under such group health schemes fail to read the fine print and miss the obvious.

If one size does not fit all, go for tailor-made policies. These policies can take care of pregnancy and maternity as well as complications like uterine fibroids, polycystic ovary syndrome, endometriosis, breast cancer, and ovarian and cervical cancer.

When a woman wears a homemaker and breadwinner’s hats, her stress and anxiety levels are very high. Therefore, apart from wellness, the right healthcare policy is a must.

Women-specific insurance plans, like life insurance, including Unit Linked Insurance Plan (ULIP), health or critical insurance policies, are formulated, keeping gender-specific health issues and requirements in mind.

Apart from health insurance and critical illness benefits, one must not forget the potential of these policies in securing one’s financial future. Investing in ULIP for the long term would enable one to make big savings that could be used to deal with any sort of future financial expenses.

Premium payments for these policies also help save taxes.

“In addition to providing financial security and risk cover, women-specific plans focus on safeguarding specific anomalies related to women like complication in childbirth, detection of organ-specific cancers (breast or ovary), death of spouse,” says Srinivasan Parthasarathy, Chief Actuary and Appointed Actuary at HDFC Life.

There are also options like premium waiver and payouts on emergencies like death and permanent disability that could ease financial trouble, thus providing protection.

Some good women-specific insurance plans available in the market are Bajaj Allianz Women Specific Critical Illness, HDFC Life Smart Woman Plan, Tata AIG Wellsurance Woman Policy and Care JOY Maternity Health Policy. These policies are available for both working and non-working women.

Bajaj Allianz Women Specific Critical Illness policy covers eight different critical illnesses that women may suffer. These include ovarian cancer, breast cancer, fallopian tube cancer, uterine/cervical cancer. It is a benefit-only-plan and a lump sum is paid on detection of a critical illness.

“Once a critical illness is diagnosed, it not just affects a woman’s health, but might also prevent her from carrying on with her employment. To take care...
Women Specific Insurance Plans (Life & Health)

<table>
<thead>
<tr>
<th>Plan</th>
<th>Insurer</th>
<th>Eligible Age</th>
<th>Cover</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDFC Life Smart Woman Plan</td>
<td>HDFC Life Insurance</td>
<td>18-45</td>
<td>Waiver of premium in case of unforeseen circumstances such as:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Complications during childbirth</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Diagnosis of covered ailments</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Death of spouse</td>
</tr>
<tr>
<td>Bajaj Allianz Women Specific Critical Illness</td>
<td>Bajaj Allianz General Insurance</td>
<td>21-65</td>
<td>Breast cancer, fallopian tube cancer, uterine or cervical cancer, ovarian cancer, vaginal cancer, permanent paralysis of limbs, multi-trauma, burns; congenital disability benefit, children’s education bonus and loss of job.</td>
</tr>
<tr>
<td>Care JOY Maternity Insurance Plan</td>
<td>Religare Health Insurance</td>
<td>18-45</td>
<td>In-patient care, day care treatment, maternity cover, newborn baby cover, pre and post hospitalisation cover.</td>
</tr>
<tr>
<td>Tata AIG Wellsurance Woman Policy</td>
<td>Tata AIG General Insurance</td>
<td>18-65</td>
<td>Heart attack, stroke, kidney, coma, total blindness (due to acute sickness or accident), major burns, multiple sclerosis, permanent paralysis of limbs, open-chest coronary artery bypass graft and major organ or bone marrow transplant.</td>
</tr>
</tbody>
</table>

Once a critical illness is diagnosed, it not just affects a woman’s health, but her work too

of this, our plan covers loss of job, where a lump sum benefit is paid to the insured. Women are also eligible for children’s education bonus if diagnosed with any of listed critical illnesses,” says Rashmi Nandargi, Head of Retail Health Underwriting, Bajaj Allianz General Insurance.

It also provides congenital disability benefit, which means 50 per cent of the sum assured is paid if a child is born with such disabilities. The policyholder

is also given job loss cover and support for the child’s education.

“In case she happens to lose her job within three months of being diagnosed with a listed ailment, this plan covers loss of job. One of the worries after being detected with a critical illness is also taking care of children’s education if they have any. Hence, we also pay for the future education of up to two children under this plan. Thus, ensuring that they can stay free from worries and focus on their recovery,” adds Nandargi.

HDFC Life Smart Woman Plan is a ULIP instrument that provides protection along with investment. Premiums paid for the plan are invested in equity and debt funds, which claim to offer good long-term returns. On maturity, the accumulated value of funds is paid to the policyholder or the nominee. Additional periodic payouts are also made to help the policyholder manage financial expenses.

Women between 18 and 45 years can opt for this plan and also get covered under COVID-19 related death claims.

The policy offers financial protection to women in the form of premium waiver during unforeseen circumstances like:

- Complications during childbirth
- Diagnosis of covered cancer ailments
- Death of spouse

“This plan is designed to support women at different stages of their lives. It ensures continued savings even during adversities, thereby enabling our women customers to sustain their lifestyle, and continue living life with pride,” says Parthasarathy.

Tata AIG Wellsurance Woman Policy is for critical illness that also covers the cost of hospitalisation. A lump sum amount is paid to the policyholder on detection of any of the critical illnesses listed under the policy. They also provide hospitalisation expenses with daily benefit to patients admitted for accident, sickness or those in ICU. A lump sum amount is also paid for recovery at home after the patient is discharged from hospital.

Care JOY Maternity Health Policy enables a would-be mother to manage her financial expenses easily. It provides comprehensive maternity cover with expenses supporting in-patient care, daycare treatment, pre and post hospitalisation care. It also pays a newborn’s medical bills up to 90 days after birth.
New Darling Of Fund Managers

Is it a good time to invest in pharma funds as growth visibility for the sector has improved on multiple counts?

By Himali Patel

The year 2020 suddenly saw pharma stocks turn into fund managers’ blue-eyed baby. From a low earnings and valuations base, pharma stocks witnessed large gains from January 2020. As of October 16, 2020, the S&P BSE Healthcare index’s returns increased 48 per cent.

Asset Management Companies (AMCs) are mirroring the same trend in their returns. As per data from Value Research as on October 16, 2020, under equity-oriented MF, the category of sectoral pharma fund has gone up by 18.83 per cent in last three months and the returns were up by 64.27 per cent in last one year. Fund managers are spotting this growth as a major opportunity.

Nine AMCs are offering pharma funds. They all favored Cipla, Divi’s Laboratories and Dr Reddy’s Laboratories after analysing their stock portfolio. Eight AMCs have stocks like Alkem Laboratories, Apollo Hospitals, Lupin and Sun Pharmaceutical, amongst other common pharma scrips.

IIFL Wealth Hurun India has come up with a report on India’s Top COVID-19 Pharma Entrepreneurs List 2020, which reveals top ten companies working on vaccines or drugs include Cipla, Divi’s Laboratories, Dr Reddy’s Laboratories, Alkem Laboratories, Lupin and Sun Pharmaceutical, among others. No doubt fund managers are bullish on these stocks.

As key pharma companies have laid a sharp focus on capital efficiency, visible improvement in the domestic and export markets should reflect in the form of higher earnings.
growth. Experts believe this has led to a massive re-rating of the sector since March 2020.

“The last one-year returns are a function of the sharp re-rating of the PE multiples as the sector is likely to post higher growth in profits coupled with superior return ratios. This largely captures the 50 per cent return and given the Price to Earnings (PE) re-rating, the performance of the sector would be in line with the overall broader markets,” says V Srivatsa, Executive Vice President & Fund Manager - Equity, UTI AMC.

In recent times regulatory challenges, competition, pricing pressures, and large R&D budgets left the Indian pharma industry in the lurch.


S&P BSE Healthcare index data showed double-digit annual growth of 23 per cent in 2013; 47 per cent in 2014; 15 per cent in 2015. However, between 2016 and 2019 returns were negative. January 2020 saw a rebound.

The COVID-19 crisis resulted in a shift of thrust towards healthcare and better diagnosis. It has bolstered demand in the sector.

“Pharma is a relatively secular sector with many diversified revenue streams. Further, India has over 27 crore people over the age of 50 who are primary consumers of pharmaceuticals. This, along with global outsourcing and manufacturing opportunities, are the two biggest drivers of growth,” points out Sailesh Raj Bhan, Deputy CIO - Equity, Nippon India Mutual Fund.

Since 2016, pharma companies have faced multiple headwinds in terms of decline in exports due to customer consolidation in developed markets and US plant compliance issues.

**DEEPAK JASANI**

Head - Retail Research, HDFC Securities

---

### Systematic Investment Plans (SIPs) in pharma funds is a preferred mode of investment

#### Pharma Mutual Fund Returns

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Net Assets (Cr)</th>
<th>6 Mth Return (%)</th>
<th>1 Yr Return (%)</th>
<th>3 Yr Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nippon India Pharma</td>
<td>3,911</td>
<td>30</td>
<td>63</td>
<td>20</td>
</tr>
<tr>
<td>ICICI Prudential Pharma Healthcare And Diagnostics</td>
<td>1,988</td>
<td>36</td>
<td>69</td>
<td>NA</td>
</tr>
<tr>
<td>SBI Healthcare Opportunities</td>
<td>1,434</td>
<td>32</td>
<td>64</td>
<td>NA</td>
</tr>
<tr>
<td>Mirae Asset Healthcare</td>
<td>1,006</td>
<td>35</td>
<td>73</td>
<td>NA</td>
</tr>
<tr>
<td>DSP Healthcare</td>
<td>833</td>
<td>43</td>
<td>78</td>
<td>NA</td>
</tr>
<tr>
<td>UTI Healthcare</td>
<td>586</td>
<td>32</td>
<td>68</td>
<td>15</td>
</tr>
<tr>
<td>Aditya Birla Sun Life Pharma &amp; Healthcare</td>
<td>416</td>
<td>26</td>
<td>50</td>
<td>NA</td>
</tr>
<tr>
<td>Tata India Pharma &amp; HealthCare</td>
<td>337</td>
<td>27</td>
<td>56</td>
<td>17</td>
</tr>
<tr>
<td>IDBI Healthcare</td>
<td>55</td>
<td>26</td>
<td>58</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: ValueResearch; Note: Regular plans are considered. Returns are as on 17-Oct-2020 and returns up to an 1 year are absolute. Returns beyond 1 year are annualised.

---

### S&P BSE Healthcare Index

<table>
<thead>
<tr>
<th>Year</th>
<th>Close</th>
<th>Y-o-Y Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>9966.26</td>
<td>23%</td>
</tr>
<tr>
<td>2014</td>
<td>14692.95</td>
<td>47%</td>
</tr>
<tr>
<td>2015</td>
<td>16905.2</td>
<td>15%</td>
</tr>
<tr>
<td>2016</td>
<td>14727.59</td>
<td>-13%</td>
</tr>
<tr>
<td>2017</td>
<td>14799.42</td>
<td>0%</td>
</tr>
<tr>
<td>2018</td>
<td>13923.37</td>
<td>-6%</td>
</tr>
<tr>
<td>2019</td>
<td>13429.11</td>
<td>-4%</td>
</tr>
<tr>
<td>2020</td>
<td>19916.5</td>
<td>48%</td>
</tr>
</tbody>
</table>

Source: bseindia.com, as on October 16, 2020

At present, exports are rising thanks to demand from the US market, currency depreciation and stable pricing. Growth outlook, however, is subdued.

“The pharmaceutical industry has been recovering after witnessing severe pricing pressure in the export markets. In the last many quarters, export growth has been around 8-10 per cent,” says Vrijesh Kasera, Fund Manager, Mirae Asset Healthcare Fund, MiraeAsset Mutual Fund.

In its research report on healthcare, Motilal Oswal Financial Services remains upbeat on COVID medicines that are driving the overall growth in Indian Pharma Market (IPM). “Growth in IPM recovered sharply to 4.5 per cent Year-on-Year (Y-o-Y) in Sep’20 versus a decline of 2.2 per cent Y-o-Y in Aug’20,” notes the report.

Tanmay Desai, Fund Manager for SBI Healthcare Opportunities Fund at SBI MF explains, “The domestic market contributes 30 per cent of Indian pharma companies’ revenues. Exports account for 70 per cent. Exports, primarily to the US, is the biggest demand driver as businesses are by and large normalising.”

Edelweiss Securities in a report, Pharma & Healthcare Preview, notes that despite revenue challenges, the sector is likely to
The broking firm expects healthcare sector revenue to grow by 38 per cent quarter-on-quarter (Q-o-Q) as life returns to normal. Indian pharma companies like Dr Reddy’s Laboratories and Lupin would see around a 6 per cent Q-o-Q export led growth from new product launches.

A leaner cost structure and substantial investments in the past have started to yield results. It is expected to help maintain earnings growth momentum.

“Sector valuations on forward earnings basis is around 26x, equal to the last 10-year average and at around 26 per cent discount to the earlier peaks. Hence, we believe that the valuations will remain reasonable,” says Kasera.

Non-pharma healthcare, like hospitals and diagnostics stocks, are also expected to gain as they are witnessing demand growth. Higher government spending on healthcare and relaxations in the regulatory process has aided these companies.

“Over the long term, we broadly think non-pharma healthcare like hospitals, diagnostics, and wellness, which are under-represented in the index, would increase their weight,” explains Mahesh Patil, CIO – Equity, Aditya Birla Sun Life AMC.

A boost in insurance penetration also indirectly affects the sector. As insurance penetration improves, one can expect an increase in surgeries and resultant pharma demand.

“Many elective surgeries are postponed since out of pocket expenses in India is over 60 per cent of overall medical spending. Ayushman Bharat program, the world’s largest health assurance program launched two years ago, is an important step in that direction,” says Patil.

Sectoral funds generally have a higher risk-reward ratio compared to diversified mutual funds that invest across different sectors.

“Any sector opportunity that still has some cyclical element due to shifts and valuations is good. Investors with more than five-year horizon should look at mutual funds in a sector-specific category,” points out Bhan.

For investors who have the conviction that a sector or a theme will do well in the coming years but are unsure about the companies to invest in now have the option to buy sectoral funds.

“Sectors and stocks run in cycles. Pharma stocks have run up quite a bit, almost 71 per cent since April lows, ignoring the March lows. However, there is still some scope for pharma stocks to do well. But systematic investment plans in pharma funds is a preferred mode of investment,” explains Deepak Jasani, Head - Retail Research, HDFC Securities.

Equity mutual funds witnessed outflow for three consecutive months. In September, it was ₹734 crore, against ₹3,999 crore in August. Banks, consumer non-durables, finance, software, pharma, and petroleum products were the top six sectors where equity MFs invested their funds till September 2020. With the recent uptick in pharma space, this is the right time to invest in equity pharma funds, given the promising future it holds.
First ETF conclave “INNOWAVE” was successfully conducted by Mirae Asset (India) on 14th October 2020. The conclave which lasted for more than three and half hour garnered more than 4,500 registration across all the stakeholder. Mr. Karandeep Manhas – Sr. Manager – ETF Sales, Mirae Asset (India) acted as host for the evening.

In his opening note, Mr. Mohanty (CEO) remarked that the question whether active or passive no longer exist, and the markets are moving towards active and passive in India. Following the keynote address, first session of the conclave was presented by Mr. Jay Jacobs, SVP Research & Strategy Global X, USA. Mr. Jacob touched upon study on Global Trends in ETFs with specific reference to ESG, US thematic ETFs. He shared his perspective on How ESG Investing is beneficial to investor and why companies across the globe are integrating ESG practices as part of its core business.

First panel discussion took place immediately after Mr. Jacob’s session. The panel discussion was moderated by Mr. Siddharth Srivastava, Head ETF – Products, Mirae Asset (India). Other panelists - Mr. Mukesh Agarwal, CEO, NSE Indices Limited, Mr. Sivananth Ramachandran, Director – Capital Markets Policy (India), CFA Institute and Mr. Srikanth Subramanian, Head – Private Wealth, Kotak Investment Advisory Limited. The panel discussed on importance of ESG Investing in India along with how does it fit into investor’s portfolio.

Moving ahead the next insightful session for the evening was addressed by Mr. Jon Maier, CIO – Global X, USA. Mr. Maier particularly spoke about how ETFs are building blocks of model portfolio structures and how ETFs can be used as securities by advisors to scale their business. Mr. Maier session was immediately succeeded by Mr. Alex Vynokur, CEO – Betashares, Australia. Mr. Vynokur touched upon how the change in regulations drive the shift from active to passive citing his experience from the Australian capital market.

The 2nd panel discussion was conducted by Mr. Vaibhav Shah, Head – Product, Marketing and Communication, Mirae Asset (India). The panel comprised of Mr. Mohanty, Mr. Umang Papneja – Sr. Managing Partner & CIO – IIFL Wealth and Mr. Luis Berruga, CEO Global X, USA. The 2nd panel discussion was centered around role of ETFs in advisor and client portfolio. Mr. Berruga shared his insight stating that core part of the portfolio can be constructed using ETFs in order to generate long-term wealth. There is place for active and passive product in client’s portfolio.

The curtain to the conclave was brought down by Mr. Neelesh Surana – CIO – Mirae Asset (India) in conversation with Mr. Shah. Mr. Surana pointed out that alpha generation for well managed active funds will continue. However, 100% of active portfolio is inherent to risk and 100% of passive portfolio may not bring delight to the investor in term of performance. Hence an investor can consider both active and passive.

The conclave was well received across different stakeholders including mutual fund distributors, investors etc. It also enabled the demonstration of significant expertise that Mirae Asset possesses in ETFs across the globe. The conclave facilitated platform to showcase intent of Mirae Asset (India) in establishing itself as a competitive ETF business brand in India.
Recently, pharma funds have been offering good returns. What could be the reasons behind this rally?
The pharma sector in India is one of the most globally competitive sectors. Earnings revival in recent months was the main trigger for the sector’s outperformance, given the fact that valuations were relatively attractive. The sector’s long-term earnings visibility is also strong, given that it is secular and remains ‘unpenetrated’ in India. The COVID-19 crisis also brought out importance of the sector. This should lead to increased awareness and spending over the next few years.

Given the challenging market environment, is it the right time for MF investors to invest in equity sectoral pharma funds?
The pharma sector has many diversified revenue streams. It is among the most globally competitive sectors from India, exporting to more than 100 countries, in addition to a fast-expanding domestic market. A large and rising base of elderly population, rising per capita income, greater health awareness, competitive manufacturing capabilities and talented scientific manpower, make this sector a promising investment theme for the medium term. Any sector-specific investment opportunity does carry some cyclical element due to environmental shifts and valuations. Hence, investors with more than a five-year horizon should look at the sector strategically.

What are the challenges and demand drivers for pharma stocks?
The sector is highly regulated and requires strong compliance capabilities from a quality and process point of view. US FDA scrutiny and local pricing regulations also impact near term performance of the pharma sector. However, it has many strong demand drivers, which offer investors a good opportunity for the long term.

India’s primary consumers are people over 50. Their numbers are estimated at 270 million and they are the second-largest cohort of 50 plus population. It is larger than Brazil’s total population and sevenfold the size of 50-plus population of Germany, which is regarded as one of the world’s aging societies. Demographic trends will lead to a sharp increase in India’s 50 plus population over the next 20 years, which will add significant growth opportunities.

This, along with global outsourcing and manufacturing opportunities, are the two biggest growth drivers. Besides, factors like improved healthcare spending, COVID-driven increased attention, rising health insurance and better diagnosis are leading causes for lifting the demand.

What should be investors’ course of action, while considering pharma funds as an investment?
A long-term systematic investment approach is a good way of participating in the sector, given its favourable long-term trends. India is seen as the pharmacy to the world for its manufacturing and scientific prowess. It is a sustainable, competitive advantage and the large domestic branded market also provides growth.

Which themes are going to play and where could one invest with a short and long-term view?
The most attractive themes for the sector include:
1) Domestic chronic opportunity, where a large number of new patient population is added regularly.
2) Global manufacturing opportunity where India can be the “pharmacy to the world”.
3) Domestic diagnostics opportunity, given a large population base and need for increased diagnostic facilities.

Most of these business models are efficient on capital and hence are shareholders’ value accretive.

“India is seen as the pharmacy to the world for its manufacturing and scientific prowess”

Interview

An Opportune Moment To Invest In Pharma Stocks

Sailesh Raj Bhan, Deputy CIO, Equity Investments, and Pharma Fund Manager at Nippon India Mutual Fund, explains how a long-term approach in Systematic Investment Plan (SIP) is a good way to invest in a pharma fund, given its favourable trends, during an interview with Himali Patel.

Edited excerpts.
Similarly, if you delay your filing, you will attract a penalty of ₹1,000 on a total income below ₹5 lakh and ₹10,000 on a total income over ₹5 lakh. However, the extension does not provide any opportunity for making tax-deductible investments.

Taxpayers need to plan for FY20-21. They need to determine whether they would prefer the regular tax regime or opt for the Simplified Personal Tax Regime (SPTR), introduced from FY20-21. The SPTR aims to increase disposable income in individuals’ hands by lowering the tax rate, repealing various exemptions and deductions, and eliminating the need to maintain documentation related to investments. Certain tax benefits, such as deductions for an employer contribution to the New Pension Scheme (NPS), telephone and fuel reimbursements, will continue. However, deductions towards house rent allowance, leave travel allowance, standard deduction, professional tax, deductions under Section 80C, 80D, 80G, and 80TTA of the Income Tax Act are not available. Besides, deductions towards interest paid on home loan taken for a self-occupied property, and set-off of loss on the let-out property against salary income, are also not available.

Hence, taxpayers need to calculate taxes payable under the regular tax regime as well as the SPTR and determine which is best for them. While the option for availing SPTR may be exercised at the time of filing the return, it is important to file the tax return within the due date to opt for SPTR.

The SPTR rates may be availed at the time of tax withholding. However, once chosen, they can be changed only at the time of filing the tax return. If the taxable income for FY20-21 does not exceed ₹5 lakh, there would be no tax liability.

Taxpayers who had invested in tax-deductible schemes and claimed deductions while filing returns for FY19-20 cannot consider the same for FY20-21 since these details would reflect in the income tax return. Duplication of claims will attract notices from the tax department. Hence, tax return filing requires a fine balance between proper disclosure and claims for benefits due.

Saraswathi Kasturirangan is Partner, Deloitte India and Pruthvi KS is Deputy Manager with Deloitte Haskins and Sells LLP
Blueprint For Mature Investors

Do a health check of your investment portfolio at periodic intervals

VIJAY L BHAMBWANI

Individuals in their late forties or fifties are ideally suited for investing in stock markets. They often know what they want to do with their money or available capital. Having been done and dusted with shopping binges, they are more focused on retirement plans. They have a lifetime of savings to deploy. Hence, they can make the best use of available opportunities. How does one go about this?

First and foremost, one needs to decide on how much money to allocate to which asset class.

Decided on your retirement age? If you are in service, it is 60, but if you are a professional, I presume most will pick an age between 70 and 80. Let me go with the assumption that you are a 50-year-old professional and choose 70 as your retirement age.

Deduct your present age from your retirement age, and the number is 20. So you deploy no more than 20 per cent of your capital in relatively high-risk assets like equity. This may offer higher returns, but risks of losses also loom large.

The remaining amount must be invested in relatively safer assets like fixed-income securities and bullion.

Among fixed-income assets, I prefer the safety offered by central or state governments. These are sovereign guaranteed bonds issued by the Reserve Bank of India, Public Provident Fund (PPF) and post office senior citizens savings schemes. They offer higher returns and tax savings compared to bank fixed deposits. It means increased returns to take back home. The safety comes from the government’s backing and its power to print currency for repaying debt.

Private fixed income schemes lack this advantage. However, returns could be higher, but your capital is also at a relatively higher risk of erosion.

Investors who prefer debt mutual funds should make sure the chosen fund invests primarily in government securities with little exposure to private sector instruments. It will ensure adequate return or safety of your capital.

I chose bullion because of its ability to protect the capital from reduced buying power caused by inflation. The long-term average erosion in Indian Rupee is between 3.50 to 5 per cent per year. Gold, however, provides a store of value as well as capital appreciation in this regard. You can buy physical bars, coins, and Exchange Traded Funds (ETFs).

Investment in equities comes next. Avoid the temptation of purchasing penny stocks — low priced shares, usually in single or low double digits. Some may not make it to your retirement age!

Think of what you cannot live without - commonly called consumer staples in financial market jargon. Buy stocks of good companies that make products like soaps, shampoos, garments, medicines, food items, and footwear. Even if you mistime your entry into the market, remember you have time on your side. Your retirement is a decade or two away. Stocks of these dependable companies will not only appreciate but will also provide dividends over a period of time. Should you wish to trade for short term, I recommend limiting its share within the 20 per cent capital allocated for relatively risky investments. Do not reduce your allocation for safe fixed income instruments to accommodate your trading endeavours.

Your capital gives you freedom to live a comfortable retired life. Capital preservation, therefore, must always be a priority irrespective of your current age.

If you are a first-time investor, it pays to consult an investment advisor even if it entails shelling out a small fee. It can preserve your capital and save it from erosion by following wrong investment decisions. Make sure you share your requirements, investment goals and expected returns upfront with your advisor. It will help formulate the best options for your needs.

Taking a health check of your investment portfolio, at least once every quarter, is a prudent investment practice. It will tell whether you are getting the desired returns from your money or if you need to churn your investment portfolio — the various instruments in which you invested for a comfortable retired life. Happy Investing!

The author is the editor of Fast Profits Daily, a publication of Equitymaster
Aditya Birla Sun Life Mutual Fund, in association with Outlook Money, organised the fourth edition of the investor education and awareness series on World Savings Day on October 31. The theme of the episode was “Save, Invest and Prosper”. Taking a cue from the idea behind the landmark day, the conversation focused on creating awareness about how to make the best of your money by taking wise financial decisions. The panelists were K.S. Rao, Head - Investor Education and Distribution Development, Aditya Birla Sun Life AMC Limited, and Amit Trivedi, Author, Speaker, Trainer, and Blogger with over 26 years in capital markets. They joined Outlook Money’s Special Correspondent Vishav in an insightful conversation.

Rao said that money speaks one language and that is, “If you save me today, I will save you tomorrow”. He said saving money was important to secure one’s future and avoid any regrets in life.

“Savings should become a part of our life, they should become a habit and a reason for joy. The we can enjoy what we are earning and what we are accumulating,” he said.

Trivedi added that prosperity is the end goal for which you start with saving and then you invest those savings. “If you do both properly and give it enough time, then prosperity is yours to take,” he said.

“When we talk about saving, a question is what do we save the money from. We need to save it from unnecessary expenses. Second, we need to save money from our own mistakes,” Trivedi explained.

He said that in order to reach one’s prosperity goals by investing, one can go by the route of SIP (Systematic Investment Plan). “Each drop makes an ocean. So if you keep investing on a regular basis, however small the amount, it adds up over a period of time. The power or compounding does wonders. Prosperity is simply an increase in wealth. The underlying principle of prosperity is to earn higher than inflation while keeping risks on lower side. One can achieve that by investing in a diversified portfolio of carefully chosen stocks. That portfolio is available in a diversified equity mutual fund straight away,” Trivedi added.

Rao said that mutual funds are “mutual friends to everyone” with schemes for all categories of investors. “In terms of time horizon, there are schemes for investing for one day to even a hundred years. If I have money for a few months, I can invest in liquid funds. For up to one year, I can go for short-term debt. For a longer time horizon, I can go to medium-term debt funds or corporate bond funds. For three years and above, there are long-term debt funds or hybrid funds. For five years and above horizon, there are equity funds and thematic funds,” he explained.

Rao added that if one matches their time horizon with investment vehicle, one can minimise the risk. He advised investors to invest their money as per their goals and their risk profile.

However, not taking a risk is the biggest risk you are taking if you are not investing as inflation will eat up your money. So it is crucial to invest where you earn more than inflation,” he concluded.

To watch the complete interview, visit: https://www.youtube.com/watch?v=92JDRy0Dtlw
Lucrative Opportunities

Approval for cancer drug gRevlimid holds tall promises for investors

By Himali Patel

What led to a strong quarter revenue growth of 15 per cent Year-on-Year (Y-o-Y) for Dr Reddy’s Laboratories (DRL), despite challenging environment, is the diversified business model that continued to launch value-added generic products in the last two years. It is not a surprise that brokerages remain bullish on the prospects of DRL, which has gained over 70 per cent since calendar year 2020.

Being a globally integrated pharmaceutical company, DRL is into three business segments - Global Generic (GG), Pharmaceutical Services and Active Ingredients (PSAI) and Proprietary Products (PP). With a revenue of ₹44,175 crore in the first quarter (Q1) of Financial Year (FY) 2021, GG contributes to 79 per cent, PSAI to 19 per cent and PP to 1 per cent. The company’s net profit for the quarter decreased by 13 per cent Y-o-Y. However, the comforting factor is that its GG growth was up by 6 per cent on back of strong presence in Europe and emerging markets.

On the operating front, Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) margin for the quarter stood at 26.3 per cent with improvement in gross margin and productivity. The management foresees a 2x EBITDA on back of emerging markets. Despite an acquisition-related payment of ₹1,499 crore to Wockhardt, its net debt-to-equity ratio stood at 0.02, reflecting a strong balance sheet position.

DRL, in September 2020, announced the settlement of cancer drug gRevlimid capsules patent litigation with Celgene Corporation in the US market. It is expected to launch a limited volume in the US after March 2022.

Analysts feel this drug has a market size of $7.5 billion. At present four players - Celgene, Mylan, DRL and Natco, operate in this space “The recent approval for gRevlimid could create a peak opportunity ranging between $250 million and $300 million revenue per year during FY23 estimated (E)-FY25E. Therefore, we have increased our target price ₹6,200 (on 1st October 2020) for DRL (price to earning multiple of 28x to FY23E earnings),” says Ankush Mahajan, Research Analyst, Axis Securities.

As per analysts, the company believes growth visibility in the US has improved with products like gCiprodex, gVoltaren OTC (launched), gKuvan (settled for Oct-20 launch), gVascepa (launch likely towards end FY21). “We expect these assets, combined with gNuvaring and gCopaxone (uncertain timelines), to generate incremental revenues of $300 million and drive 17 per cent CAGR over FY20-FY22,” says an analyst at HDFC Securities.
Maintaining Its Position

Analysts remain positive on good business growth and firm grip on overall stress levels

City Union Bank’s (CUB) strategy of granular asset profile, focusing on short and long-term loans to the agricultural sector, has strengthened its balance sheet. The bank has clocked a 20 per cent Compounded Annual Growth Rate (CAGR) in the last decade and analysts remain positive on the bank’s prospects.

This 115-year old niche player from Tamil Nadu operates 700 branches and 1788 ATMs across India. About 90 per cent of its services are present in south India.

As of June 30, 2020, the bank’s loan book constituted MSMEs at 32 per cent, agriculture at 16 per cent and commercial trading at 13 per cent. CUB’s deposits and advances for the first quarter (Q1) of Financial Year (FY) 2021 saw a 5 per cent growth. Year-on-Year (Y-o-Y) growth was 7 per cent. “We expect deposits and lending to grow at a CAGR of 7.7 per cent and 10.6 per cent respectively over FY21-22 estimates,” says an analyst at Geojit Financial Services.

The bank’s Net Interest Income (NII) rose to 6 per cent during Q1 Y-o-Y, whereas Net Interest Margin (NIM) was 3.90 per cent. As of June 30, 2020, CUB’s net profit was down 17 per cent to ₹154 crore in Q1 FY2021 as against ₹186 crore in Q1 FY2020 due to a ₹100 crore provision made towards COVID-19 contingencies.

CUB’s net Non-Performing Asset (NPA) stood at 3.9 per cent in Q1, while its provisions coverage ratio was 68 per cent. Although 78 per cent of its customers operate cash credit accounts, the bank’s management doesn’t expect high slippages in mid and large corporate books during Q2 and Q3. This is despite offering moratorium options to all its eligible customers. “In our Q1FY21 result update, we have assessed that the management’s commentary on expected stress or NPA, after moratorium and restructuring, indicated a firm grip and visibility on the overall stress levels,” says an analyst at Nirmal Bang.

A ₹3 lakh crore Emergency Credit Line Guarantee Scheme (ECLGS) was unveiled by the finance ministry under its ₹20 lakh crore economic stimulus. The scheme aims to boost the Micro, Small and Medium Enterprises (MSMEs) sector following distress caused by the pandemic. The management expects this scheme to play a crucial role in improving its activities and cash flow. The bank has sanctioned ₹1,583 crore and disbursed ₹1,218 crore under this scheme to non-individuals in business lines. “Our positive bias on the stock stems from the fact that the management seems to have a high degree of clarity, in terms of incoming stress, historical track record and relatively stronger earnings profile, over the forecast period,” says an analyst at Nirmal Bang. himali@outlookindia.com

City Union Bank
- **CMP:** 149.8
- **PE:** 24.88
*As on Oct 20, 2020*

**Why Buy**
- Consistent growth in interest earned and net income give them competitive edge over peers
- Government scheme to boost the bank’s activity level will lead to cash flow

**Watch Out For**
- Decline in the asset quality in upcoming quarters post lifting of moratorium

**Financials**

<table>
<thead>
<tr>
<th>IE (₹ crore)</th>
<th>PAT (₹ crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY20</td>
<td>4168.60</td>
</tr>
<tr>
<td>FY19</td>
<td>3767.77</td>
</tr>
<tr>
<td>FY18</td>
<td>3402.42</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TI (₹ crore)</th>
<th>EPS (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY20</td>
<td>4848.53</td>
</tr>
<tr>
<td>FY19</td>
<td>4281.56</td>
</tr>
<tr>
<td>FY18</td>
<td>3934.52</td>
</tr>
</tbody>
</table>

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

Source: Ace Equity
Investment Strategy

Amandeep Singh Chopra has been managing funds since 2006. He has been at the helm of this strategy since February 2012. He heads the fixed-income desk at UTI with two portfolio managers. The analyst team has an economist tracking domestic and international macro factors.

The investment strategy is based on the team’s research focussed on taking duration calls by investing in a combination of government securities and state development loans. Macroeconomic research is primarily driven by three fund managers, and their views tend to resonate across the fund house. They track open market operations, trading volumes, broader market interest-rate directional views, and peer positioning. The average maturity on the gilt fund can fluctuate significantly and is positioned in line with Chopra’s view of the interest-rate environment. From a macroeconomic perspective, the manager prefers to invest in the most liquid papers. The focus on risk avoidance seems to be much higher compared to investments for generating top-quartile performance. The strategy typically has less than 10 holdings, and execution is largely influenced by the team’s ability to take the right macro calls and position across yield curves. Execution of this strategy has remained above par and is reflected in the fund’s performance profile.

A skilled and experienced portfolio manager, a relatively low expense ratio, and a stable process stand out for this fund. Further, the fund’s focus on investing with a view to protect the downside instead of generating top-quartile performance results in a consistent performance that remains marginally above average across market cycles.

### Fixed-Income Statistics

- **Fixed Inc Style Box (Long)**: High Ltd
- **Average Eff Duration**: -
- **Average Eff Maturity**: 12.0
- **Average Coupon**: 6.3
- **Average Price**: 98.6

#### Fixed Income Style Box

<table>
<thead>
<tr>
<th>Ext</th>
<th>Mod</th>
<th>Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Med</td>
<td>High</td>
</tr>
</tbody>
</table>

### Top Holdings

<table>
<thead>
<tr>
<th>Portfolio Weighting (%)</th>
<th>5.77% 601 2030</th>
<th>35.62</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.19% Govt Stock 2034</td>
<td>25.25</td>
<td></td>
</tr>
<tr>
<td>5.79% Govt Stock 2030</td>
<td>21.42</td>
<td></td>
</tr>
<tr>
<td>06.61 KA SDL 2035</td>
<td>8.35</td>
<td></td>
</tr>
<tr>
<td>8.13% Govt Stock 2045</td>
<td>2.30</td>
<td></td>
</tr>
<tr>
<td>07.24 AS SDL 2030</td>
<td>0.24</td>
<td></td>
</tr>
</tbody>
</table>

### Fund Snapshot

- **Morningstar Category**: India Fund Government Bond
- **Fund Size (`)**: 7.6 billion
- **Inception Date**: 21/1/2002
- **Annual Report Net Expense Ratio**: 0.95
- **Morningstar Rating Overall**: ****
- **Manager Name**: Amandeep S. Chopra
- **Minimum Investment (`)**: 5,000
- **Morningstar Analyst Rating**: Neutral
Manager Biography And Fund Strategy

Vinod Sambre has been managing DSP Small Cap since June 2010. He is a competent analyst with reasonable portfolio management experience. Sambre has executed his strategy with a good degree of success over the years.

He combines absolute and relative valuation measures when picking stocks in the small-cap space. He scouts for companies that have sustainable competitive advantages over peers. He meets the company’s management regularly and tracks their decisions. Sambre invests only when he is comfortable with the management’s assumptions, forecasts, and capabilities. Sambre is valuation-conscious but does not mind paying a premium for a company if it satisfies all his investment criteria. He looks at quantitative parameters such as ROE, ROCE, P/E and P/BV vis-a-vis a company’s intrinsic growth prospects. He also invests a portion of the portfolio in firms trading well below their book values, which constitute his value picks. He looks for companies affected by poor market conditions and macroeconomic scenarios rather than from deteriorating fundamentals. The top-down approach is sometimes used to increase exposure in sectors looking attractive on valuations and future outlook. Given the bias for small-cap stocks, Sambre adopts a buy-and-hold approach when constructing the portfolio.

The small and mid-cap allocations together comprise almost 100 per cent of the portfolio compared with the small-cap Morningstar Category average of 80 per cent. Even as he prefers a diversified portfolio, he ensures his high-conviction investments have a good representation in the fund.

Calendar Year Returns

Calculation Benchmark: S&P BSE Smallcap TR ₹

<table>
<thead>
<tr>
<th>Year</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD</td>
<td>12.7</td>
</tr>
<tr>
<td>2019</td>
<td>9.8</td>
</tr>
<tr>
<td>2018</td>
<td>0.7</td>
</tr>
<tr>
<td>2017</td>
<td>-5.9</td>
</tr>
<tr>
<td>2016</td>
<td>-25.5</td>
</tr>
<tr>
<td>2015</td>
<td>-22.9</td>
</tr>
</tbody>
</table>

Trailing Returns

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

<table>
<thead>
<tr>
<th>Period</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSP Small Cap Reg Gr</td>
<td>12.73</td>
<td>18.92</td>
<td>-1.17</td>
<td>7.13</td>
<td>12.67</td>
</tr>
<tr>
<td>S&amp;P BSE Smallcap TR ₹</td>
<td>9.82</td>
<td>14.73</td>
<td>-3.54</td>
<td>6.15</td>
<td>4.58</td>
</tr>
</tbody>
</table>

Fund Snapshot

Morningstar Category | India Fund Small-Cap
Fund Size (₹) | 53 billion
Inception Date | 14/6/2007
Annual Report Net Expense Ratio | 2.01
Morningstar Rating Overall | ****
Manager Name | Multiple
Minimum Investment (₹) | 500
Morningstar Analyst Rating | Bronze

Data Source: Morningstar India
Sun Always Shines After The Storm

Hold on to your SIPs, sidestep the market noise and focus on financial goals for better returns

John Inbaraj had been using liquid funds for parking in short-term surplus to manage his business. However, when it came to investments for personal goals, he chose the traditional path — bank deposits.

About a decade ago he met G Rajendiran from Akil Financial Services, who drew John’s attention to the fog that formed around his financial planning.

In the course of their discussions, it emerged that there was a void in John’s financial strategy, which required to be filled suitably. John’s plans lacked a clear roadmap for financial goals. While he had a habit of saving, wealth creation was nowhere in sight due to low returns from his traditional investments. Rajendiran also saw a conservative risk appetite from his business funds’ treasury management, wherein the funds were only finding their way into liquid funds.

After initial discussions, Rajendiran explained and gave a clear picture of Systematic Investment Plan’s (SIP) features and benefits in the long term. John’s interest in money management made him eager to explore and understand various financial concepts. Once introduced to rupee cost averaging, he decided to turn the wheel and start his journey in wealth creation.

John’s children were three and five years old, when he began strategising...
his wealth plan. Keeping their educational requirement in mind, where he would require the corpus at least 15 years later, John decided to save ₹75 lakh. He still has five years in hand to do this.

Looking at the long-term investment horizon, Rajendiran suggested him to start an SIP in a pure equity scheme for both children. Convinced with the long-term wealth creation potential, John ventured into equity funds and committed ₹30,000 in monthly SIP for higher education expenses of his children.

Since it was John’s maiden experience in equity investing, it was important for Rajendiran to set his expectations right. He allowed John to have a pleasant investment experience. As such, the expectations on returns were considered at 10 per cent despite long-term investment in equity funds. Till January 2020, his 10-year SIP generated 12 per cent XIRR. John was delighted with his investment decisions as the SIP was yielding more than expected returns.

However, things changed when volatility hit the equity markets with the unprecedented impact of COVID-19 pandemic. In March 2020, his SIP returns, over an investment period, came down to 5 per cent. The future looked gloomy and investors were rushing to discontinue their SIPS or redeeming their existing investments. John was no exception. He too raised similar concerns. Given the drastic fall in the overall returns due to sharp market corrections, he started complaining how his money could have been better invested in fixed deposits or even in his business, instead of mutual funds. Trying times always test the real conviction of investors. Rajendiran and his team understood John’s concerns and handed him an investment strategy.

Rajendiran kept reminding John about his goals of starting an SIP. Since his financial goal was five years away, John needed to ignore the market noise and continue investing. Today his portfolio has bounced back with an aggregate 12 per cent annualised returns. Had John redeemed all the investments in March 2020, the corrections in his investment portfolio would have permanently reduced his overall returns. Staying invested gave him a chance to reverse the earlier drop in the portfolio valuations, and his conviction proved right.

His trust in mutual fund investment was reinforced by Rajendran. Encouraged with the recent performance, his conviction in equity markets has gone up. In fact, he has topped up the SIP amount for both his children.

John has witnessed the complete economic cycle of severe market corrections and rebound. However, all investors may not be so lucky. It is crucial to have a prudent investment strategy to achieve one’s financial goals.

---

Sharing The Learning:

- **Link your investment in mutual funds to your goals**: It is crucial to link your investments with specific financial goals. Had it been regular investing without a goal, John may have stopped his SIPs during March 2020 corrections. However, investing in financial goals that were five years away provided him enough encouragement to continue investing and cushion his portfolio returns.

- **Select schemes as per your goals** – One should select mutual fund schemes best suited for one’s financial goals, risk appetite, and investment horizon. John was also guided to use pure equity schemes for long-term wealth creation, while using liquid funds for treasury management.

- **Review your portfolio once in a year** – While equity is inherently volatile, investors must ignore the daily price movements. Instead, the focus should be on ultimate financial goals and review the portfolio at least once in a year with the financial advisor. It allows investors to keep their portfolios healthy, as they can identify underperforming schemes and replace them with better-performing ones well in time.

- **Trust your financial advisor** – The market volatility may shake the investors’ trust in markets, and IFAs play a crucial role in reinforcing trust. One must always remember that someone can only feel the pleasant breeze of dawn after the night. You should always have faith in your financial advisor, who can be a friend, philosopher, and guide in your investment journey, especially during dark days.

---

**While equities are inherently volatile, investors must ignore daily price movements**

---

G Rajendiran
Akil Financial Services, Kumbakonam

---
I am no conventional investor but just the opposite when it comes to personal finance. I save in bank fixed deposits and invest in property. Living out of many cities for work has helped me invest in new properties. While some are for personal use, most are for pure investment.

I do not invest in gold. It’s not my cup of tea. Gold jewellery is something my mother has gifted me. Equity or digital gold is totally ‘no’ for me. I can well avoid raking my brain about something I have little understanding of. Two years ago, I put money into bonds. I did not know what to do with it. A chartered accountant helps me as my financial advisor. He manages most things related to finance and taxation. I have insured everything—office, work, life, property and cars. Insurance is my best tax-saving instrument.

In films, I take a calculated risk to get the returns rolling. When I was studying and working for a television series, I was getting a steady salary. After college, I realised, acting was not enough. A three-month project would take care of only a few months, maybe. So I turned producer and began promoting myself more as a brand rather than be just an actor. I used social media as a platform. Today, I have four million followers on Instagram and Facebook. This created more sustainability and I could start rolling money for better projects. It gave me better returns.

I started taking up ad films and independent projects. This helped me create jobs and gave me the power to say no if I didn’t want to do something. I can now choose and pick, unlike college days, when I had taken up many roles. I don’t have to depend on the male-dominated patriarchal mindset for work.

For investment, I like to keep my eggs in separate baskets. That is how I survived the lockdown. I could pay salaries for all my staff as I was constantly producing for different platforms.

For film production, I get financers and venture capitalists. A typical Bengali film may cost me ₹4-5 crore but a Hindi film often costs me ₹35-40 crore. This is where I take a calculated risk and invest.

I constantly invest in new projects. I would pitch for an e-commerce brand like Nykaa, which wants to build an image. I worked on the music video *Orrey Mon* with Ayushman Khurrana, written by Swanand Kirkire and directed by Shlok Sharma. I also did a short film, *Naked* with Kalki Koechlin. The story was penned and produced by me.

In fact, my hands are full with at least five upcoming projects like *Azaad, Kacher Manush, Thakur Tumi Kar, FIR* and *Mahamrigya.

Durga Puja is a big festival in Bengal. Despite muted celebrations and demand, we are working. We helped Kalyan Jewellers produce their TV commercial for the festival.

I also manage an NGO—Scud Society for Social Communication—that provides education, health and empowerment to the underprivileged. This is part of my corporate social responsibility. I like to keep my personal life, work-life and philanthropy in different accounts with a different approach for all.

As told to Outlook Money

Ritabhari Chakraborty’s acting career took off at the age of 15, with Bengali television series *Ogo Bodhu Sundori* in 2009, for Star Networks. It gave her recognition in India and Bangladesh, opening up new horizons in independent films, advertisements and feature films. Listed by Facebook as one of the most promising youth icons to use social media for a good purpose, she strictly believes in taking investment risks at work. In her personal life, however, she prefers conventional wisdom and safe investment.
Focused on the right selection.

ICICI Prudential
Focused Equity Fund

To invest, consult your Financial Advisor

Download IPRUTOUCH App | Visit www.iciciprumf.com

ICICI Prudential Focused Equity Fund (An open ended equity scheme investing in maximum 30 stocks across market capitalisation i.e. focus on multicap) is suitable for investor who are seeking:

• Long term wealth creation
• An open ended equity scheme investing in maximum 30 stocks across market-capitalisation

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

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
3 REASONS TO OPT FOR SIP TOPUP

• Aim to reach your financial goals faster
• Aim to create more wealth
• Increase your investment with increasing income automatically

*(Systematic Investment Plan) SIP facility is generally available in Daily, Monthly & Quarterly frequency

“Visit here https://licmf.info/KYCredressal to learn more about KYC requirements, SEBI Registered Mutual Funds and Grievance redressal.”

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.