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APRIL 2021



COVID-19 OPPORTUNITY: HOW INDIA'S EXPORT THRUST CAN REIGNITE ECONOMY



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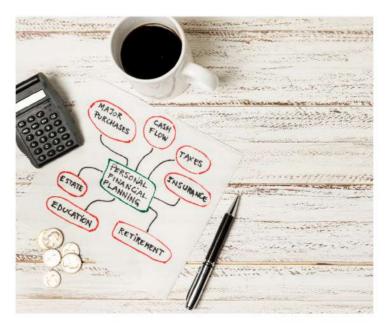
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#### Dear Investors,

Equity markets had a roller-coaster ride in Financial year 2020-21. After crashing due to COVID-induced turbulence, markets have rebounded and are now hovering near their record highs. During the fiscal year the S&P BSE Sensex rallied 68% and the Nifty surged 71%, ending with 49509.15 points and 14690.70 points respectively. Mid and smallcap Indices significantly outperformed their larger peers. The S&P BSE Mid-cap was up 91% and the S&P BSE Smallcap gained 115% in FY21. Among sectors Metals and Auto were top performers while FMCG and Oil & Gas sectors were laggards during the year.

Retail inflation rose in February after falling for three consecutive months as food prices saw a modest increase. Consumer Price Index inflation stood at 5.03% in February 2021 as compared to 4.06% in January 2021. Inflation in food and beverages rose to 4.25%, compared to a rise of 2.67% last month. Core inflation, excluding food, fuel and light, climbed to 5.59% in February compared to 5.33% in January.

The Index of Industrial Production (IIP) for January slipped back into the negative territory and contracted at 1.6% after growing 1% in December on the back of positive manufacturing numbers.

After two consecutive quarters of contraction, India's GDP witnessed a positive growth of 0.4% in the October-December quarter (Q3FY21) compared to revised contraction of 7.3% in July-September quarter (Q2FY21).

India's fiscal deficit touched Rs 14.1 trillion in the first 11 months of FY21 - 76% of the 2020-21 revised estimates of Rs 18.5 trillion and 36% higher than last year's corresponding level of Rs 10.4 trillion. The government expects to earn revenues of Rs 1.85 trillion in March 2021, 40% lower than what it earned in the year-ago period. Fiscal deficit in FY21 is estimated to remain at Rs 17-17.2 trillion.

India's current account deficit narrowed to USD 1.7 billion or 0.2% of the GDP in the December quarter as against USD 2.6 billion or 0.4% of GDP in the year-ago period, according to RBI data. During the fiscal year 2020-21, the current account had been in surplus in the previous two quarters, at USD 15.1 billion and USD 19 billion, respectively, as per the data.

The 10-year Government bond yield ended the quarter at 6.177%, up by 29 bps from the previous quarter. G-sec yield curve witnessed an upward shift across the curve as debt market sentiments turned sour on high GOI borrowings for FY22. Due to expectation of large govt. borrowing yields may harden a little further in the coming months as the government is planning to raise a whopping Rs 7.24 lakh crore in

the first half of this financial year which is 60% of the targeted borrowing for the full fiscal year. In the near term direction of yields will be driven by RBI monetary policy stance and global economic conditions.

Indian equity markets have performed relatively better than other emerging markets since the worries about second wave of COVID-19 has set in. Markets are currently trading above their historical average multiples. Given the massive gains in last one year on the back of global liquidity, markets may consolidate in the near term. However, volatility cannot be ruled out due to factors such as rise in global bond yields, reduced inflows in emerging markets, worries related of second covid wave in India.

As we navigate into new financial year, we feel that the economy is picking up compared to where we were six or nine months back and a recovery has been underway. However, second wave of COVID-19 is worrisome. Resurgence in COVID cases are threatening the nascent economic recovery and bringing back fears of another economic slowdown. The recovery process which gained momentum recently will face resistance from the rising coronavirus cases in the country. Ultimately, evolving COVID-19 trajectory and progress on vaccination will dictate at what pace we normalise and economic activity resume at earlier levels.

Apart from COVID-induced worries, we are quite constructive on forward outlook and earnings recovery. We think that implementation of rapid vaccination drive, large pent-up demand, investment enhancing measures by the government and better external demand can provide an upside to the growth. Looking at the macro condition in India, we have a stable situation - negligible current account deficit, reasonable inflation and not high credit growth. From a cyclical perspective, the market is still far from the peak of its cycle as capex cycle, credit growth and capacity utilisation are yet to improve. According to RBI, real GDP growth is projected to pick up from (-) 8.0% in 2020-21 to 10.5% in 2021-22 due to low base effect.

Key risks for the markets are rapid resurgence in COVID-19 infections, hawkish moves of US Federal Reserve, hike in global interest rates, sharp increase in oil prices, shortfall on policy execution and spike in interest rates in India.

As these uncertain times continue, investors need to assess their investment objective, asset allocation and time horizon before making an investment decision. Prudent approach for the investors at these times will be to follow a sound asset allocation strategy in line with their investment horizon and risk appetite.

Stay Safe & Happy Investing!

Abhinav Angirish Founder & CEO InvestOnline.in





# COVID-19 OPPORTUNITY: HOW INDIA'S EXPORT THRUST CAN REIGNITE ECONOMY

ver the past decade, Indian exports witnessed the peak in the year 2013 followed by fluctuations in trade and gradual downward slopping export curve. With the Coronavirus outbreak in the world, the global trade is adversely affected which led to a drop in the Indian Exports by 35% in March, followed by 60% in April and 36.5% in May. Experts are expecting a recovery with the end in lockdown period.

The Prime Minister of India introduced the people to his vision and strategy of 'Aatamanirbhar Bharat' where the nation would expand its net exports and frame a competitive environment further making it capable of ease of doing business and global destination for investment. India as a nation with innumerable advantages when it comes to manufacturing. These advantages include skilled labor, technology, talent, intellect and developing domestic market. The current situation of Covid-19 has given India an opportunity to emerge as a reliable nation for investment and manufacturing needs.

As more and more countries are seeming to realign their global selling policies and broadening their import sources post the Coronavirus outbreak, India must take advantage of the present opportunities to appear as the best substitute for employing economical, quality products. A significant point in India's exportation policy must be to extend its partnership in Global Value Chains (GVC) and promote competitiveness in several categories as listed in the report.

A three-tier approach for intensifying Indian exports necessitates being examined for a wide approach. These incorporate-

- Increase Domestic Competitiveness:
- Tap International Markets:
- Resolve Sectoral Hurdles

Initially, the report focuses on Increasing Domestic Competitiveness. To promote value-added exports, an extensive and facilitative import condition is needed which would support in attracting global corporations and assure competitive entrance to intermediate goods.

For developing international competitiveness, key recommendations listed in the report include re-examining FTAs and tariff formation with an intrusive market-seeking strategy and build an Indian brand "Make in India" further engaging in market promotion in potential markets.

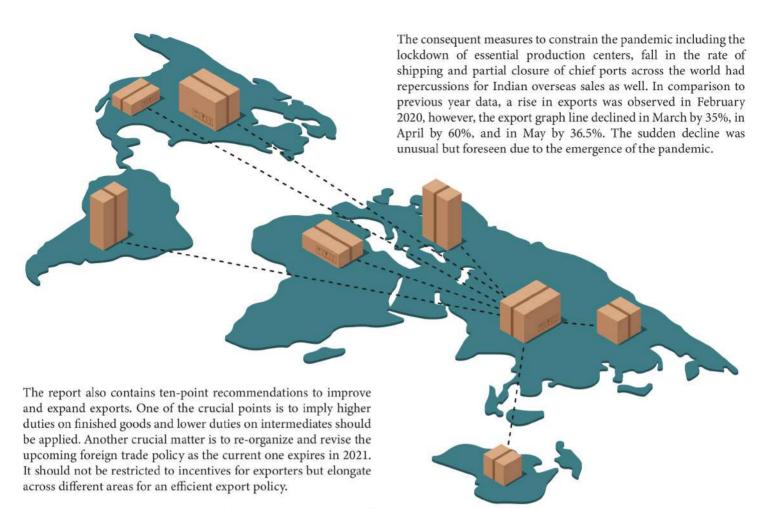
The report incorporates definite measures for nine leading manufacturing sectors such as automotive, chemicals, electronics, steel, and textiles, etc. Education and healthcare are included under services.

To boost the agriculture and allied sector, the report contains recommendations related to agri produce, fruits and vegetables, marine products, and processed foods.

For growth in automotive, auto components, and electric mobility, Government bodies should focus on engaging in free trade agreements (FTAs)/Preferential Trade Agreements (PTAs) with potential countries such as Bangladesh, Sri Lanka, Nepal, Algeria, Libya, Nigeria, Kenya, South Africa, Egypt, Chile, Peru, Colombia, Indonesia, the Philippines, Israel, the UAE, Saudi Arabia, Australia, the UK, Mexico, and Brazil.

For the steel sector, India should demand an auto-trigger device to prevent a surge in imports while arranging an FTA, and also opt for stricter Rules of Origin.





By following the listed measures, India can fulfill its dream of self-reliant economy and emerge as 'Aatmanirbhar Bharat' globally.

# RECOMMENDATIONS

Exports of goods and services play an influential role in the economic development of a nation. Since reformation introduced by the Government of India in the year 2014 regarding liberalization of FDI (Foreign Direct Investment), ease of doing business, and raising world-class infrastructure to facilitate the requirements of global trading, the export capacities of the nation have elevated resulting in a rise in job opportunities and growth of the economy.

The export & import data of the past decade has experienced several fluctuations amid of uncertain trading environment. Witnessing the peak in 2013, a contraction of 2.1% has been observed in April to January (2019) exports data and the imports have also lowered by almost 8%.

In such a scenario, the emergence of a global pandemic – Coronavirus has worsened the situation of contracting international trade. The effects of the pandemic started from China in January 2020 where the Chinese Export Machinery faltered to a standstill.

With the resumption of trading, a V-shaped graph line is expected indicating similar monthly values as observed the previous year. As for India's export commodities, a rise in the price of the gems and jewelry raw materials and a contraction in demand have been observed. Whereas, the prices of minerals and fuels have dipped. Coronavirus Pandemic has restricted the movement of the people which has profoundly affected the service industry. The industry is expected to recover once the travel facilities resume their regular range.

While the end of the lockdown phase may result in shoring up the growth rate for exports in the next few months, India will continue to face enormous downward pressure as the global economy enters recessionary conditions.



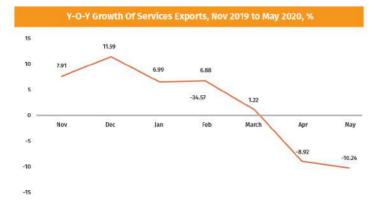
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To overcome the situation, the country has outlined a new strategy where 'Aatmanirbhar Bharat' will act as a driving force for economic growth. In the CII Annual Session Meeting held in June 2020, the Prime Minister of India introduced the well-defined concept of 'Aatmanirbhar Bharat'which means self-reliant India. The clear focus is to make India stronger and capable to embrace the world.

"Key trends over recent years have stimulated owing to the Coronavirus-induced difficulties of recent months, including increasing wages in manufacturing nations, technology progressions, and geopolitical clashes such as the US-China trade conflict."

The previous World Trade Growth Rates of India weren't impressive. In the current economic scenario, to make the best out of the situation, India needs to make a shift in the action and direction. Promotions of all growth drivers for exports can aid in gaining force acting as one of the essential growth pillars of GDP.

At the same time, it must be acknowledged that prevailing global conditions contribute a unique convergence of opportunities for greater export assistance of the country. Key trends over recent years have stimulated owing to the Coronavirus-induced difficulties of recent months, including increasing wages in manufacturing nations, technology progressions, and geopolitical clashes such as the US-China trade conflict. These are bearing upon the length and direction of supply chains, although the extent and shifts are currently in progress and not well understood. Therefore, India must channelize these stimulated forces towards its marketplace and develop its domestic industry and external connections accordingly. With the definite intention of the Government rendering into a renewed focus on exports as an opportunity for Indian businesses, the time is suitable for devising and executing new strategies. The support of the private sector, particularly through representative industry bodies, is a key pillar of this mission.

# COVID-19 OPPORTUNITY FOR INDIA - NATION MUST TARGET 5% SHARE IN MERCHANDISE EXPORTS AND 7% SERVICE EXPORT BY 2025

The unexpected pandemic has affected world trade negatively. By strengthening the partnership between Government and Industry, the enigma can be turned into an opportunity. Currently, India has a 1.67% share in merchandise exports and a 3.54% share in service exports, whereas India should aim for a 5% share in global merchandise exports by 2025 meaning in four years exports should increase threefold. The target of enhancing exports can be achieved following a structured three-way roadmap as follows:

- Increase Domestic Competitiveness:
- Tap International Markets:
- Resolve Sectoral Hurdles

# Key points to promote exports

# GVC's and Tariff Policy:

In order to achieve India's export mission, the Government of India needs to participate in GVC (Global Value Chains) and establish a welcoming import environment. A friendly import environment will attract investors and promote the import of components, intermediates, and other inputs for value addition in the domestic market. India is a developing country with a central linkage. By acting as a hub on lines of ASEAN, the nation can attract global investors and export products after value addition. The framework of Import Duties is a critical part of this process. The general principle that must be followed is the implication of higher duties of finished products and minimal duties on intermediates and raw materials. Also, stability in guidelines must be maintained.

# Foreign Exchange Management:

There is a requirement for a calibrated management of the exchange rate to promote exports with strong capital inflows as the 36-currency export-weighted real efficient exchange rate for India stands at about 116 for June 2020, indicating overvaluation of the rupee.

# **Cost of Doing Business:**

India's cost of doing business in areas like access to capital, gaps in logistics, higher power and freight costs, royalty, state-level taxes is a key disadvantage for export promotion. The current Government's discussion on Remission of Duties and Tariffs on Exported Products Scheme (RoDTEP) would take into consideration multiple costs.





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## INCREASING DOMESTIC COMPETITIVENESS:

Export of goods in an international market is not limited till manufacturing and necessitates a strategic approach and regulatory framework involving important ministries and central government. There in an involvement of multiple players such as state and local administration, respective Industries, financial sectors, agriculturist, service providers, financial institutions, transportation service providers for movement of goods across country and borders etc. In order to promote export, every engaged player must be activated. To acquire the desired proportion of global trade, there is a strong need to build domestic competitiveness, national competitiveness, sectoral competitiveness and enterprise competitiveness.

The key areas in India where structural changes are required to promote the exports are:

- I. National competitiveness
- 1. Export finance at competitive rates
- 2. Trade facilitation for faster port evacuation
- 3. Trade infrastructure and lower costs
- 4. Certification facilities
- II. Regional competitiveness
- 5. State investment climate and ease of doing business
- 6. State policies for promoting exports

#### III. Enterprise competitiveness

- 7. Quality attainments and entrepreneurship skilling
- 8. Access to information

#### IV. Sectoral competitiveness

Specific measures for identified sectors are outlined at the end of the paper.

# NATIONAL COMPETITIVENESS

# 1. Export finance at competitive rates

As per the RBI notification released on June 2020, the Export Credit Outstanding is at less than Rs 17,000 crore of total non-food bank credit outstanding of Rs 91 lakh crore as of 24 April 2020. The Export-Import Bank of India acts as a major source of funds for exporters. But the rate of interest offered by the bank is more than the lending rates of other emerging economies.

Exporters require working capital to maintain the inflow of goods and Export Finance plays a crucial role in catering to their needs. As per online data available on Reuters, in countries like China, the prime lending rate for one year is as low as 3.85% and for five years the rate stands at 4.65%. Whereas, the base lending rate offered by RBI as of June 2020 hits 8.15%-9%.

The relation of several factors resulting in delay must also be taken into consideration as it generates the need of higher working capital. Delay in GST refunds for exporters, logistic delays etc. are few examples. Increase in rates of Merchandise Export from India Scheme (MEIS) for all products by 2% till 31st December 2020 enhances the competitiveness.

# Short-Term Measure Interest Equalization Scheme (IES)

- The scheme was announced in April 2015 for five years and allows a subsidy of 3%-5% on loans for the export of specific items
- Extension of the scheme for the next two years after March 2021 for exporters and manufacturer-exporters
- Provide benefits of the scheme to all exporters instead of limiting it to MSME
- Engage in Awareness Campaign to spread the word and reach out to more and more enterprises
- Expand overall allocation of the scheme empowering enterprises to access funds
- Promote External Commercial Borrowings by extending LIBOR-spread capping
- Settle pending ECGC (Export Credit Guarantee Corporation) claims
- Reduction in ECGC (Export Credit Guarantee Corporation) insurance cost

# **GST** and Cesses

- GST was introduced with a motive to reduce the number of taxes which was a great initiative. But even now there are many taxes out of GST framework affecting the competitiveness. There is a need to optimize such taxes.
- Cesses are levied by Government with a specific purpose. There should be a comprehensive review of such taxes.
- The GST refund process for exports in case of goods begins with by taking reference to a primary document known as shipping bill.
   The process should speed up and instant refunds should be promoted.

#### Medium-Term Measure

- Enhance capital of EXIM Bank of India allowing it lending more capital
- · Expand lending limits of EXIM Bank



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# 2. Trade Facilitation Action Plan

The National Trade Facilitation Action Plan which was introduced in 2017 had a remarkable effect till 2020. Now there is a requirement for a new plan. The previous plan promoted clarity in affairs, increased the performance of departments, and eliminated redundant procedures. Also, it improved the Parameters of India's Doing Business for Trading across borders which were 146 in 2018 and 68 in 2020. The plan for the upcoming years demands digitized procedures, a well-elaborated risk assessment system, and a simplified method to lessen the cost and save time at ports. The upcoming policies must be reasonable at both domestic and international fronts.

# Short-Term Measures

- Establishment of a structured management office which would act as a single window to cater all export related issues.
- Resolving export related grievances within stipulated period of time.
- Promoting better technology resulting in reduction of physical examination.
- Promoting digitization empowering departments and exporters sharing necessary documents such as invoice and list of packing online.
- Empower and expand authorized economic operation program
- · Ascertain delivery directly at port.
- Finding solution of operational hurdles at ports, CFS and ICDs
- In case of self-sealed cargo consignments, the group should be waived off which would make export faster
- Export issues should be timely resolved by organizing rapid consultations of DGFT with the respective state governments
- Appointment of a shipping regulator to access the freight charges in other countries
- Trade bodies and related industries must be engaged in the formation of policies
- Data on firm-level must be collected to comprehend the issues related to exporting and resolve in a speedy manner

## **Medium Term Measures**

- The database of customs need to be integrated with other government bodies and international organizations for adequate risk management.
- Modern technology such as Artificial Intelligence and Machine Learning should be exercised for better Risk analysis.
- Upgradation of SEZ units into EDI (Electronic Data Interface)
- Preface Slot Booking system to reduce clogging of trucks on ports
- Introduction and promotion of digitalization at ports for the reduction in the number of delays.
- Examination and monitoring of goods need to be updated to prevent and minimize the import of defectives.
- Emphasis on developing capability of the customs officials related to Rules of Origin.

#### 3. Trade infrastructure

In the year 2017, the Government of India introduced Trade Infrastructure for Export Scheme and introduced a budget of INR 600 Crores for three years for the same. The scheme aimed to improve the export-related infrastructure such as warehouses in the Special Economic Zone (SEZ), stations of land customs, laboratories for certification, and mile connectivity. In absence of quality infrastructure, the cost of exports rises and also affects the timely delivery of consignments.

As the previous Export Scheme of Trade Infrastructure has ended, now Government officials must frame the regulations for upcoming years.

#### **Short-Term Measures**

- Include Trade Infrastructure Export Scheme (TIES) under goals of National Infrastructure.
- Expand allocation of the budget allocated to TIES.
- Provide subsidies on the electricity power supply to manufacturers engaged in exporting and also ensure uninterrupted supply.
- Work on improvement of facilities provided at SEZs, industrial parks, and manufacturing centers to link with port.
- · Add digitization wherever required to make processing smooth.
- Identify gaps of warehouses and cold chains by continuous surveillance and initiate construction.
- Provide relaxation of three days ground rent to Days Past Due (DPD) customers.
- Indian Customs Electronic Gateway (ICEGATE) provide a digital facility for registration of Dock Customs for shipping bills.
- The payback period which is currently six years should be increased by two years to eight years.
- Set-up of Near-shore warehousing with shared warehouse empowering exporters respond instantly fulfilling the urgent requirements.

# **Medium-Term Measures**

- Draft a strategy for hinterland connectivity considering the inland corridors to reduce the dwell time on ports.
- Initiate implementation of drafted Infrastructure projects related to exports on an earliness basis.
- Construction of advanced port parks with major services available at one place.

# **Long-Term Measures**

- Construction of more efficient shipping facility to avoid trans-shipment situation which results in delay in delivery of the consignment.
- Emphasis on building Infrastructure for port evacuation would expedite trade and further reduce the logistics costing,
- Initiate establishing an inland water system to promote eco-friendly and cost-efficient means of bulk shipping,



# 4. Certification facilities

Countries with high SPS and TBT barriers demand testing and standard compliance certifications to permit trading in the country. Such certifications require capital as they are costly resulting in closing the doors for small enterprises in the export market. Also, the necessary information for such certifications is not easily available to potential exporters. Due to this many Indian manufacturers miss the opportunity of exploring the international market by exporting their products.

# **Short-Term Measures**

- An awareness campaign covering major information regarding standards and testing compliance for exports in countries with high barriers.
- Draft a system to make certification accessibility easy for exporters.
- · Make loans easily available for acquiring certifications.
- Include all HS Code items in a common portal and provide details regarding required standards.
- Draft a map of establishing certification providing bodies close to manufacturing hubs of making a system to provide service easily to firms.

#### Medium-Term Measures

- Establish several certification authorization offices across the nation and design a common portal for every certification-related information.
- Strengthen standards of Indian products by engaging in mutual recognition agreements with partner countries involving Government in such interactions.
- Emphasis on building high-quality products to meet the standard requirements in manufacturing units.

# REGIONAL COMPETITIVENESS

The timely delivery of consignments and costs of production are highly dependent on the regional competitiveness where all the cities and states coordinate and produce output including outward-facing industries. The state government has a crucial role to play in providing required export-related infrastructure for easy transfer and storage of goods. Also, the government of respective states is responsible for attracting required investment with a focus on promoting exports.

# 5. Ease of doing business

On a state level, the easy availability of land, labor, and easy access to approval defines the ease of doing business in a particular region.

- Draft SWS (Social Welfare Charge) and implement on imports. Further, regular meetings should be conducted by the Chiefs to ascertain the implementation.
- A time-limit of approval should be introduced and physical visit to the government offices must be minimized for instant consents.
- Augmentation of SWS platform and limitation of interface with the government till there only.
- Issue official notice providing exemption of imports made by SEZ (Special Economic Zone) and manufacturers belonging to GST Compensation Cess.

- Permit industries and firms to buy land directly from farmers and rationalize stamp duty.
- Digitization of land records on all levels for easy access to information.
- A single stop office should be established in every state providing information regarding the sale and purchase of lands, transactions, and current land titles.
- Selection of labor laws should be excused for industries for three years.
- 'Fixed Term Employment Workman' should be introduced and implemented on the earliest basis.
- Establishment of Single Labor Authority in every state.



"The timely delivery of consignments and costs of production are highly dependent on the regional competitiveness where all the cities and states coordinate and produce output including outward-facing industries."

"On a state level, the easy availability of land, labor, and easy access to approval defines the ease of doing business in a particular region."

# 6. State Policies for Promoting Exports

Every state of India has its own specialty in manufacturing goods. The assigned Government officials need to identify the respective specialty of a state and frame the policies accordingly. By designing the regulations keeping in mind the identified goods and services, exports can be promoted. For efficient implementation, cost competitiveness and speedy approvals also need to be considered.

#### Short-Term Measures

- Framing export policies in consideration of identified goods and services
- · Work on building adequate infrastructure for export hub spots.
- Promote exports by introducing incentive related scheme.
- Rationalization of taxes such as stamp duty, fuel, electricity bills, etc.
- Promote large scale production and make land easily available for the same.
- Elevate export of goods and services by organizing promotional events and activities.

#### Medium-Term Measures

- · Introduce cluster model to present exporting as a safe activity.
- Develop connective routes between major manufacturing hubs and ports.
- · Ensure a hassle-free supply of electricity.
- Maintain coordination with other states to deal with the shortage of input supply.

# ENTERPRISE COMPETITIVENESS

An enterprise holds the major share of total exports. The capability of an enterprise is defined in terms of qualities of goods manufacturers, timely delivery of the consignment, cost-efficiency, reliability on products, the capability of innovations, utilized technology, etc. To ensure Enterprise Competitiveness, training and development of MSMEs are of primary focus.

# **Quality Attainments**

The quality aspect is not limited to a product rather it involves the entire process of making the desired output. In this practice, cost management, quality management, productivity tracker, environment, and energy management are essential parts of it.

#### Short-Term Measures

- Make entrepreneurs comprehend the importance of quality management.
- Establishing the training centers and development of programs of providing training on different levels.

#### Medium-Term Measures

- Establishment of facilities and machinery at manufacturing units for water and waste management.
- Motivate entrepreneurs to follow measures by introducing awards and recognitions.

# Information

A lack of practical knowledge has been observed among novice enterprises indulging in exports. Information regarding how to export, tariff plans, where to export, FTAs, desired certifications, etc. needs to be made available on online portals. Along with this, establishment of information centers near industrial hubs should be considered.

# TAPPING INTERNATIONAL MARKETS

With the introduction of the LPG policy in 1991, India opened the doors for international trade. To be competitive in the International economic era, the organization needs to be in constant touch with government officials and businesses. With constant and efficient efforts of meeting international standards, the products with the 'Brand of India' tag can make a place in the International market. The major areas that should be emphasized for achieving competitiveness are:

- · Expanding and developing markets
- · Diversifying exported goods and services
- · Global value chains
- · FTAs and tariff structure
- · Marketing promotion

# 7. Expanding and developing markets

As per a report, out of total exports of India, 51% is transferred to the top ten export destinations. Another report states that India's share in global export data is more than its share in eight of the world's top ten importing countries. In consideration of these two reports, it can be concluded that India can develop its share in these markets.

In another report by CII, the organization listed eighteen emerging economies of the world. The data stated that out of India's total exports only 15% traveled to the listed nations. The other two CII reports classified two items holding the highest potential of exporting in both developed and emerging economies.

Embassies and High Commissions of a nation act as its eyes and ears responsible for bestowing market intelligence. Further, Indian ambassadors assigned to each nation observe activities of other nations and comprehend what facilities the foreign nation is providing to its exporters. By comprehensive study and timely implementation, the goal of heightening India's market share in global trade can be achieved.

## **Short-Term Measures**

- Target on recognized economies with high-quality goods in demand.
- Utilize brand building activities through marketing and brand ambassadors.
- Identify key markets and grant supplementary support to exporters in targeting those markets.

#### Medium Term Measures

- Identify the most suitable route of exporting the products to key markets
- Identify the cost-efficient method for manufacturing recognized goods to meet the demands

# 8. Diversifying exported goods and services

While battling with the global pandemic, India found an opportunity and ceased it by providing PPE Kits, medicines, and other COVID-19 related pieces of equipment to the global market. Along with this, the policies related to India acting as a third-party manufacturer for mobile phones and API also contributed to expanding exports. These actions confirm that if the right step is taken at the appropriate time, an effective outcome can be witnessed in a short span of time.

In a 2019 report by International Trade Centre, the data indicated that the top three export items of India – Petroleum, Jewels, and Gold held 24% share of its total exports. Also, out of it the share of export of machinery and electronics was quite low and held much low share in total global exports. To deal with the stated problem, the Government introduced Production Linked Incentive Scheme, Manufacturing Clusters 2.0 and SPECS (Scheme for Promotion of Manufacturing of Electronics Components and Semiconductors) for manufacturing of electronics on a larger scale.

	India's Share In Top 5 Global	Exports, 20	19	
Product Code	Product Label	World Exports (US \$ Billion)	Indian Exports (US \$ Billion)	India's Share (%)
85	Electrical machinery and equipment and parts therof; sound recorders and reproducers	2747.38	14.67	0.53
84	Machinery, mechanical appliances, nuclear reactors, bollers; parts therof	2228.23	2116	0.95
27	Mineral fuels, mineral oils and products of their distilation; bituminous substances; mineral	2062.51	44.08	2.14
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	1495.53	17.19	1.15
30	Pharmaceutical products	1495.53	16.12	1.08

Such initiative has been taken for promotion of Active Pharmaceutical Ingredients (API) and Key starting material as well. A production inked incentive scheme has been introduced by the Government. Along with this an announcement of the establishment of a bulk drug park has been made with all common infrastructure facilities. The park would provide economic support up to INR 1000 Crores. Such schemes should be framed for emerging sectors as well including Solar panels, Electric vehicles and parts, Lithium batteries, Drones, Robotics and Smart products.

#### 9. Global value chains

Global Value Chains (GVCs) acquire approximately 70% of total international trading in form of spare parts, raw material, services, cross-border pieces of equipment, etc. While India has recorded the highest growth in GVC among developing nations in the past few years, the rank of India is still very low. India's rank in the service sector in GVC participation is better than the merchandise sector. Of total GVC Participation, India secured 56th rank out of a total of 64 countries in the year 2015.

The geographical location of a developing nation plays a crucial role in the involvement of the nation in a GVC.

Currently, there are three major exporting hubs all around the world including the United States, Asia (China, Japan, and Korea), and Europe. India's two most major trading partners are the United States and Europe.

With India's upcoming Foreign Trade Agreements (FTAs), the stress is led upon in promoting the conditions of GVCs as currently, India has limited products in the region. With the new Tariff plan, the country is aiming in reducing trade-related costs, liberalization of exports, collaborate with potential countries such as Japan and Korea, and expedite its integration in GVC.

One of the efficient ways of promoting GVC is by creating one of its own. India can boost its trade competitiveness under the banner "Make in India". By changing the terms under FTAs and making it investment-friendly, more FDI can be attracted further converting India's MSMEs into large firms. For this, there is a need to comprehend the gaps in current domestic policies that may be constraining the growth of GVC. The factors that necessitate to be discussed are:

# **Enabling Trade and Investment Policy**

India's current FDI policies are quite liberal but there are certain concerns that need immediate attention. Openness to FDI is the most efficient way of technology transfer in GVC countries. With suitable amelioration in foreign investment rules including Bilateral Investment Protection Treaty and IPR Regime, the nation can motivate leading GVC countries in establishing a relationship with our firms.

# Service Sector Liberalization

India has taken the initial step of liberalizing the trade which has created opportunities, but the GVC also demands efficient services. Liberalization in the trading of goods and efficient services goes hand in hand. India has opened its service sector but still, there are certain restrictions in some sectors which can affect India's growth in GVC.

# Leveraging FTAs

FTAs act as a catalyst between two countries as they are carefully constructed covering a wide range of topics. In recent years, India signed FTAs with Japan and Korea, and now India needs to leverage these countries in promoting FDI and exports. With efficient utilization of such deep FTAs, the country can attract FDI and gains can be even higher if India succeeded in attracting technology from these countries.

# **Trade Logistics**

Trade Logistics plays a major role in GVC integration as an inefficient logistic system of a country can add to the cost of imports and exports, resulting in the delay of consignments, etc. India's current trade infrastructure is not up to the mark facing power shortages, abrupt roads, and finances, etc.

# Trade and Standards

The technical regulations followed by a nation determine ease of doing business and its position in GVC. India's trading standards are still in the initial stage. The leading companies of GVC follow standards strictly and adopt private standards which are costly to comply with.

" India lacks a wide market of top destinations which necessitates being expanded. Along with this, the nation must also broaden its export category to export stores. The marketing promotion system of India is dependent on several sectoral export development groups which require the strength to work collectively and extend the brand of Indian manufacturing and services. With insuffiscattered supplies, cient and market promotion businesses lose to create an impression for Indian products."



#### 9. FTAs and tariff structure

India's planned FTAs are not going as they were determined but still major part of trading has been done on listed agreements. There is a need of new FTAs as no new agreement has been signed since 2012.

## Short-Term Measures

- Reduce inverted duties by careful examination of Tariff structure under FTAs.
- Follow Australia's footsteps and draft a portal with all FTA-related information.
- Identification of hurdles through careful examination of FTAs that are restricting India's growth in partner market.
- Construction of regulatory tariff structure which could promote India's presence on the global chain level.

# **Medium Term Measures**

- Create a tariff structure that could attract foreign investors to set up infrastructure and facilities in India
- Equip FTAs with more regions and make India a nation with a low tariff regime .
- The main emphasis of FTAs should be on attracting investment and promote trading.
- Expand value addition structure in the country and avoid inverted tax.

# 10. Marketing promotion

India lacks a wide market of top destinations which necessitates being expanded. Along with this, the nation must also broaden its export category to its biggest export stores. The marketing promotion system of India is dependent on several sectoral export development groups which require the strength to work collectively and extend the brand of Indian manufacturing and services. With insufficient and scattered supplies, market promotion businesses lose to create an impression for Indian products.

## **Short-Term Measures**

- The nation must focus on increasing export funds targeting the established markets that have the potential and have been captured by China, Vietnam, and other developing exporting nations.
- Establish an active body with private firms participation and brand ambassadors to take marketing promotion on an international level and set-up overseas offices for the same.
- Introduce a campaign similar to "Incredible India" for exporters as well.
- Institute 'Tech Centres' in elite countries, collectively financed by enterprise and Department of Commerce or respective government ministry.

15

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# 11. Resolve Sectoral Growth Hurdles

The extensive report includes precise measures for 9 manufacturing sectors such as automotive, chemicals, electronics, steel, and textiles, etc. Education and healthcare are included under services. Major sectors have been taken into consideration and respective measures are also stated for improvement and growth of respective sectors.

# Manufacturing

# AUTOMOTIVES, AUTO COMPONENTS & ELECTRIC MOBILITY

- Significant benefits and subsidies must be made available for everyone with DTA.
- Concentrate on GST optimization to promote competitiveness.
- Various cesses and current taxation system must be examined again and necessary modifications must be proposed.
- Continuous power availability must be promoted and manufacturers working on export-oriented products must receive power at subsidized rates.
- Draft the cost of doing business of several units further comparing the data with international units in order to comprehend the underlying problems.
- Instead of signing FTAs with producing nations, the focus must be indicated on nations holding potential markets.
- Potential Countries for booming exports through FTA and PTA are Sri Lanka, Nepal, Nigeria, Kenya, Bangladesh, Philippines, Israel, Mexico, Australia, Brazil, UAE, and Saudi Arabia.

#### **CHEMICALS & PETROCHEMICALS**

- Abrupt modifications in duty in the situation of Specialty Chemicals must be avoided as it stimulates manufacturers to turn to the HSN Code of 'Other Category'.
- Introduce a rise of 3% for six month under Merchandise Exports from India Scheme (MEIS) resulting in 5% to reduce the dumping of goods from China.
- With zero percent duty on feedstock the competitiveness can be encouraged in the global market.
- Major countries follow the Global Harmonized System (UN GHS) introduced by the United Nations for the designation and Labelization of their produce. India must also follow the UN GHS to expand its exports which can result in an estimated rise of 10% to 20%.
- India must concentrate on engaging with African countries by signing FTAs as these countries hold significant potential market.

#### **ELECTRONICS**

#### Immediate Measures

- Demand for WTO compliant scheme for granting an incentive of 4% of (Free on Board) FoB value.
- The export duties under Export Promotion Capital Goods (EPCG) scheme must be lessened.
- Stern intrusion of Rule of Origin under FTAs.
- FTAs and GST system resulting in Tax rates on Inputs higher than Tax rates on outward supplies should be decreased.

- Establish 'Trade and Market Facilitation Centres' to guide and prepare Indian exporters in maximising advantage of trade agreements.
- Make finance available for exporters at cheaper rates as compared to China, Thailand and Japan.

#### Medium Term Measures

- Study and Revise Information Technology Agreement-1 inventory
- Augment existing Trade Agreements including South Asian Free Trade Area (SAFTA).
- •.Traverse an opportunity to enter into an FTA with developing markets of South America and Africa.
- Eliminate the issues in the Phased Manufacturing Programmes.

# EODB (Short Term)

- Simplification of the system of Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET).
- All the schemes are connected with customs and to make the process of clearance feasible, a single-window must be installed including both Indian Customs and Foreign Trade Department.
- To support Ease of Doing Business (EODB), timely assistance must be prevailed to abroad.
- Fasten a floor drawback for all industries ( for eg. 2% for electric components).

#### EODB (Medium Term)

Currently, the policy mandates any exporter to establish 2 entities – one in DTA and another in EHTP or SEZ. This obligation contracts from taking benefit of economies of scale. Thus, to overcome this situation, an entity should be permitted to establish a single unit – either in DTA or SEZ.

#### Standards (Medium Term)

- The Government body must enforce a single international standard that should be adopted for all products.
- The nation must set its own standards for emerging products.
- Government Authorities must avail convenient certification process.
- Sufficient Test facilities must be made available in the country.

#### Others

- Incentive Scheme of efficient countries must be operated in the nation.
- All the components should be included under PLI Scheme.
- Motivate MSMEs to invest by lowering the investment threshold to INR 20 Crore.

· Admit R&D as portion of CSR.



#### **GEMS & IEWELLERY**

- Propose a B2C export policy to facilitate exports straight to the purchaser based on worldwide gold rates.
- To protect the trade of Gems & Jewelry and foreign exchange earnings of the nation, the interest subvention scheme should be prolonged to the sector and raised to 7 percent.
- With the emergence of digitization, e-commerce has observed a boom and the same has been witnessed in Gems & Jewelry. By promoting the e-commerce policy, the trading of online Gems and Jewelry can be improved.

## **LEATHER & FOOTWEAR**

- Elimination of obligation of maintaining annual average export.
- Annual Average Export Obligation has already been removed for sectors like handloom and handicrafts. The data of the previous year reflects low usage of the EPCG scheme due to the prevalence of the Annual Average Export Obligation.
- Towns of Export Excellence (TEEs) include Agra, Ambur, and Kanpur with a record of high manufacturing of export goods. Development of these SMART CITIES and SMART TEEs by providing efficient infrastructure including roads, drainage, system, digitization, etc can aid in creating 'Make in India' brand image in the global market.
- A separate regulatory framework must be drafted for the production of export goods including policies to deal with labor issues.

#### PETROLEUM

• Export of transport fuels such as Aviation Turbine Fuel, Petrol, and Diesel doesn't receive any benefit in form of subsidy from MEIS. Although, Export of such goods is certified with an Advance License but no exemption from tax is offered. This framework needs to be rectified.

#### **PHARMACEUTICALS**

- A Product-Linked Incentive is provided under the scheme which should be extended.
- Identify the major states for building drug bulk parks and API. Further, Pharma Bureau must be established at such places to support industries in obtaining clearance such as environmental, land, and other pharma related support.

#### STEEL

- Classification of HS Codes based on the grade must be evaluated again to empower importers and domestic players to comprehend the status of imports and grades of the material.
- Strict Rules of Origin must be introduced.
- Onward and backward linkages in the steel market must be developed by introducing clusters.
- A Domestic Label should be offered to promote the utilization of domestically produced steel.

#### TEXTILES AND APPAREL

Minimization of Non-productive movement of products across the country which would aid in reducing cost and also improves timely export of products.

Re-examination of existing FTAs in the Textile and Apparel industry in favor of the nation.

In order to stand in International Competitive Market, a large-scale investment needs to be injected.

Special emphasis should be laid on the green zone of the value chain. For eg., Ahimsa Silk from North-East must be promoted.

Overall, there is tremendous opportunity for India to tap into the export potential and put its economy in the high gear.



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# INDIA'S ECONOMIC EXPANSION

he Union Budget 2021-22 can be termed as adventurous gamble that aimed to support growth. The budget dumped fiscal consolidation and focused on pumping up spending in a bid to spur growth. This was the need of the hour. The government's efforts to boost consumption through spending can give economy a much needed boost. The government has announced a 34.5 per cent rise in the capex spending for 2021-22 which is praiseworthy. The focus on infrastructure and spending will have a multiplier effect on various sectors of the economy and it will make India attractive from investment point of view.

The pandemic caused the economic numbers to dip sharply, but the 0.4% growth posted in third quarter has raised hopes of India's recovery in the FY 2021-22. The investment demand too grew by 2.6% in the third quarter of the economy. This is a good sign as the investment demand was sluggish for several quarters now. Clearly the efforts made under Atmanirbhar Bharat package are showing results.

Investors are gung-ho about the government's efforts going forward and many more measures can be expected from the government.

Even International Monetary Fund (IMF) raised the growth projections for the world economy. IMF forecasted global growth to increase by 5.5 per cent in 2021, higher than the previous projections of 5.2 per cent that it made in October. For the Indian economy, the IMF forecasts a contraction of -8.0 per cent for 2020-21 and an expansion of 11.5 per cent in the next fiscal. India's set to overtake China in terms of growth by 2022.

# **India - Key Developments**

Real GDP Growth: The Indian economy moved out of recession as real GDP grew by +0.4 per cent in the third quarter, compared to a contraction of 7.3 per cent and 24.4 per cent witnessed in the previous two quarters

Industrial Production: Industrial output (measured by IIP) entered into the positive zone in December 2020, clocking a 1 per cent growth as compared with a 2.1 per cent decline in November

Manufacturing PMI: The Nikkei Manufacturing Purchasing Managers' Index eased a little to stand at 57.5 in February 2021 compared to the previous month but remained robust as firms lifted input inventories at record pace with strong growth in sales and production.

Inflation: Retail inflation, as measured by the Consumer Price Index (CPI), eased to a 16-month low of 4.1 per cent in January 2021 settling well within the RBI's target range.

10-year G-sec Yields: After remaining capped at sub-6 per cent since October 2020, the benchmark 10-year G-sec yield has once again spiked above the psychological mark of 6 per cent on high government borrowing.

As per latest growth forecasts by the International Monetary Fund (IMF), the global economy is expected to expand by 5.5 per cent in 2021 backed by vaccine and policy driven improvement in economic activity in the latter part of the year. The US economy contracted by 3.5% in 2020 but the rate of contraction is moderating as per the data for Q4 2020.



# INDIA'S ECONOMIC EXPANSION



The US economy is expected to improve and clock positive growth in 2022. The economies in the Eurozone contracted by a higher 5.0 per cent in Q4 2020, as against the de-growth of 4.3 per cent in Q3 2020. While the UK economy shrank 7.8 per cent in Q4 2020, posting a milder contraction as against the 8.7 per cent fall recorded in the previous quarter.

The government's focus is on the resurgent India. The pumping of capital in the form of spending is expected to boost several sectors of the economy especially health sector. The government is targeting fiscal deficit of 6.8% of GDP by pursuing the expansionary fiscal policy. Many are concerned about the spending spree by the government, but the government is also relying on aggressive revenue generation through disinvestment and asset monetization programme. Some of the bold moves of the government are divestment of two public sector banks, one general insurance company and the IPO of LIC in 2022. The government also announced the amendment of Fiscal Responsibility & Budget Management Act (FRBM Act) and aims to bring down fiscal deficit to 4.5% by 2025.

The rollout of vaccine and government's thrust on inoculating 1.3 billion people is encouraging news. Add to this the government's thrust on increasing allocation on infrastructure expansion, education, housing and health will speed up the economic recovery. The setting up of the Development Financial Institution, which is likely to play a critical role in channelising investments in infrastructure and other key sectors of the economy, is also an important step.

"The rollout of vaccine and government's thrust on inoculating 1.3 billion people is encouraging news. Add to this the government's thrust on increasing allocation on infrastructure expansion, education, housing and health will speed up the economic recovery."

The setting up of National Asset Monetisation Pipeline is a great sentiment booster which will also generate additional revenues for the government. On the vaccine front a large 137 per cent increase in health and well-being spending along with the launch of a new centrally funded scheme, the Pradhan Mantri Swasthya

Suraksha Yojana; Mission Poshan 2.0; and the commitment to provide Rs 35,000 crore for COVID-19 vaccination in FY22, are all encouraging developments.

The government also announced several measures for financial sector as well. The setting up of a 'bad bank' in the form of the Asset Reconstruction and Management Company; increasing FDI (foreign direct investment) limit in the insurance sector to 74 per cent are expected to make financial sector future ready.

# India - Domestic trends

Industrial activity returned to the positive territory in December 2020, with industrial output expanding 1.0 per cent as against a fall of 2.1 per cent experienced in the previous month. The up tick in the index was backed by a healthy increase in manufacturing output (+1.6 per cent) and electricity generation (+5.1 per cent) even as mining output continued to contract (-4.8 per cent). The consumer activity too saw impressive growth with both consumer durables (+4.9 per cent)

and consumer non-durables (+2.0 per cent) posting an appreciable increase. Though intermediate goods and infrastructure goods sectors expanded by less than one percent.

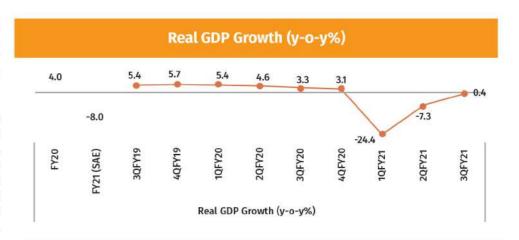
Even on inflation front, the good news continues to flow. The retail inflation as measured by consumer price index (CPI), easing to a 16-month low of 4.1 per cent in January, settling well within the RBI's target range. Even Consumer food price inflation (CFPI) saw a dip to 1.9% as price pressure from food & beverages moderated.

January 2021 saw an uptick in Wholesale inflation which inched to the level of 2% as against 1.2% in December 2020. However, the increase was contributed by the rising price of manufactured products. This means that manufacturers are regaining their pricing power which is a good sign for the economy.

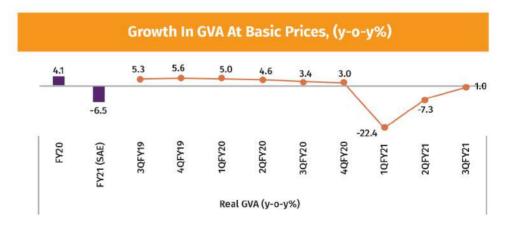
As far as exports are concerned, in January, India's exports maintained an upward trajectory and increased by 6.2% year-on-year. The non-oil and non-jewellery items exports rose by 13.4%. This indicates healthy interval in manufacturing activity. The imports too expanded but at a slower pace. Imports rose 2% against 7.6% in December. Thus, export-import trend clearly indicates demand recovery in the economy. The rise in exports moderated fiscal deficit to US\$14.5 billion versus a deficit of US\$15.4 billion witnessed in December 2020.

# Indian Economy Moves Out Of Recession

India's real GDP grew by +0.4 per cent in the third quarter, compared to a contraction of 7.3 per cent and 24.4 per cent witnessed in the previous two quarters.



Sectora	al Breal	(Up Fro	m The I	Demand	d Side (	y-o-y%	%)
	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	FY20	FY21
Real GDP	3.3	3.1	-24.4	-7.3	0.4	4.0	-8.0
Private Consumption	6.4	2.7	-26.3	-11.3	-2.4	5.5	-9.0
Government Consumption	8.9	13.6	12.8	-24.0	-1.1	7.9	2.9
Gross Fixed Capital Formation	2.4	-6.5	-46.4	-6.8	2.6	5.4	12.4
Exports	-5.4	-8.5	-22.0	-2.1	-4.6	-3.3	-8.1
imports	-7.5	-7.0	-41.0	-18.2	-4.6	-0.8	-17.6



This was possible due to normalization of economic activity post lockdown that was imposed. The festive demand along with rise in government's spending too played an important role in demand revival.

"January 2021 saw an uptick in Wholesale inflation which inched to the level of 2% as against 1.2% in December 2020. However, the increase was contributed by the rising price of manufactured products. This means that manufacturers are regaining their pricing power which is a good sign for the economy."

# **Gross Value Added Growth As A Marker Of Improvement**

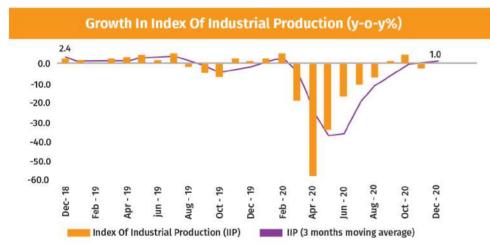
From the supply-side, Growth in GVA at Basic Prices, (y-o-y%) gross value added (GVA) at basic prices recovered sequentially to stand at 1.0 per cent in 3QFY21 as compared to -7.3 per cent seen in the previous quarter. This was made possible due to strong agricultural income and supportive policy environment. The vaccine development aided the urban sentiment which boosted the demand and in turn resulted in improvement of economy.

# INDIA'S ECONOMIC EXPANSION

(y-o-y%)	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	FY20	FY21 (SAE)
GVA at Basic Prices	3.4	3.0	-24.4	-7.3	1.0	4.1	-6.5
Agriculture	3.4	5.9	3.3	3.0	3.9	4.3	3.0
Industry	-3.0	0.0	-31.1	-1.6	1.4	-2.0	-7.4
Services	5.8	3.5	-24.8	-10.9	0.0	6.4	-8.4
Mining & Quarrying	-3.6	5.2	-18.0	-7.6	-5.9	-2.5	-9.2
Manufacturing	-2.9	-1.4	-35.9	-1.5	1.6	-2.4	-8.4
Electricity, Gas & Water Supply	-3.1	4.5	-9.9	2.3	7.3	2.1	1.8
Construction	-1.3	-2.2	-49.9	-7.2	6.2	1.0	-10.3
Trade, Hotels, Transport & Communication	7.0	2.6	-47.6	-15.3	-7.7	6.4	-18.0
Financing, Real Estate & Professional services	5.5	2.4	-5.4	-9.5	6.6	7.3	-1.4
Public Administration Defence & other services	-8.9	10.1	-9.7	-9.3	-1.5	8.3	-4.1

The industrial output clocked impressive gain of 1% growth in December 2020 after posting decline of 2.1% in November 2020. However, the industrial output declined 13.5% till December 2020 compared to the growth of 0.4% in the previous year. However, the manufacturing saw an uptick of 1.6% in December 2020 as against the contraction seen in November 2020. The electricity demand and production too grew and posted a healthy gain. The mining output witnessed contraction of 4.5% in December as against the drop of 6.5% in November 2020. The crude oil and natural gas witnessed slowdown due to lockdown.





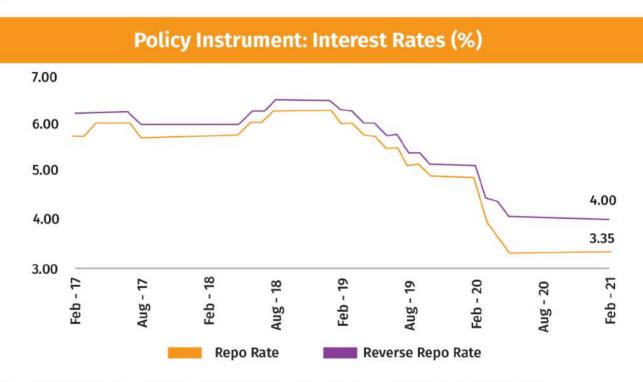
#### Consumer Price CPI And Wholesale Price WPI 8.0 6.0 4.1 4.0 2.8 2.0 2.0 2.0 0.0 -2.0 -4.0 Jan - 19 Jul - 19 Jan - 21 Oct - 19 an - 20 三 CPI Inflation WPI Inflation

# **CPI Inflation Breather**

Retail inflation, as measured by the consumer price index (CPI), eased to a 16-month low of 4.1 per cent in January 2021 settling well within the RBI's target range. Wholesale inflation, on the other hand, inched up in January 2021, rising to the level of 2.0 per cent as against 1.2 per cent recorded in the previous month. The uptick was mainly on account of rising prices of manufactured products signaling a return of pricing power to companies, even as food and fuel indices contracted

# **RBI Continues to Maintain Accommodative Stance**

RBI continued it's accommodative stance. At it's meeting held on February 5, 2021 the Monetary Policy Committee (MPC) decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent. RBI's stance is supportive of economic growth. Further, RBI has been conducting Open Market Operations (OMOs) in a non-disruptive manner by adopting innovative steps such as allowing retail investors to buy government bonds, is commendable as it will help to keep borrowing costs in check. It is to be noted that the central bank had slashed the repo rate by 115 basis points since late March 2020 to support growth. The RBI has forecasted the Indian growth to be 10.20% in FY 2022.



"The city states saw its GDP growth accelerate to 7.3 per cent in 2018-19 as compared to an anemic 4.8 per cent rise seen in the previous fiscal on the back of broad based improvement in all sectors."

	Overview	Of Perforn	nance Of	<b>Key States</b>					
Best Performer			Gujarat						
Top Performers	Ka	ırnataka		Kerela					
	Bihar	Maharasi	ntra	Odisha	Rajasthan				
Aspiring Leaders	Haryana	Jharkhand	Punjab	Telangana	Uttarakhand				
Emerging Startup Ecosystems	Andha Himachal Pr	ra Pradesh radesh Madh	Assam naya Pradesh	Chhattisgarh Tamil Nadu	Delhi Uttar Pradesh				

## STATE OF THE STATES

Gujarat has occupied the top spot for the second year in a row among a total of 22 States and 3 Union Territories which participated in the exercise. Karnataka and Kerala too performed well. The city states saw its GDP growth accelerate to 7.3 per cent in 2018-19 as compared to an anemic 4.8 per cent rise seen in the previous fiscal on the back of broad based improvement in all sectors. Chandigarh secured the 29th rank out of 36 states, one of the lowest rank among all states in Ease of Doing Business.

It must be noted that India has the second largest start-up ecosystem in the world. According to the DPIIT Gujarat has emerged as the best performer in terms of providing the right eco-system to start-ups for the second consecutive year in 2019 followed by Karnataka and Kerala as the top performers.

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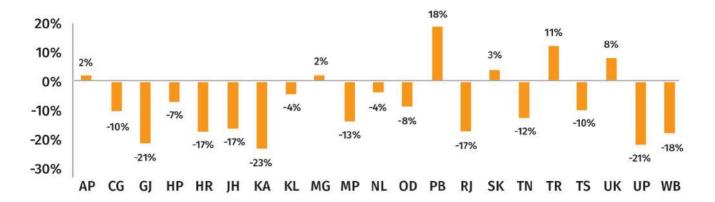
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# Change In States' Revenuereceipts during the period Apr-Oct 2020 over the same period in 2019



# The Problem Of Slow Growth

The economic slowdown and subsequent lockdown in 2020 impacted the performance of the states. The revenue collection of the states suffered. Besides this there was need to provide support to vulnerable sections. Given poor finances the states were forced top borrow money from the market. The five best performing states in working towards meeting the goals are Kerala, Himachal Pradesh, Andhra Pradesh, Tamil Nadu and Telangana. The worst are Bihar, Jharkhand, Arunachal Pradesh, Meghalaya and Uttar Pradesh.

Shortfall in a state's GST collection is compensated by the centre and funded through a cess. In 2019-20, the GST compensation requirement of states was Rs 1.65 lakh crore, nearly double that of 2018-19. This resulted in a shortfall of nearly Rs 70,000 crore which was partly met through 2020-21 cess collection. In 2020-21, states' compensation requirement is set to rise further to Rs 3 lakh crore, leaving a shortfall of about Rs 2.3 lakh crore. Part of this (Rs 1.1 lakh crore) will be funded through additional borrowings by states, and the remaining will be paid by extending cess collections beyond June 2022. The compensation guarantee ends in June 2022, after which states dependent on compensation will see a gap in their revenue balance (this could be significant for some states such as Punjab where this item accounts for 20% of the revenue receipts in 2019-20.

# The COVID-19 Impact

The 2020-21 union budget estimated a 10% growth in nominal GDP for the year 2020-21. More than half of the states estimated their nominal GSDP growth rate in the range of 8%-13%. However, 2020 saw the raging pandemic which resulted in the lockdown. As a result the fiscal projections were derailed with RBI projecting real GDP to contract by 7.5% this year. This is likely to hit the revenue of the centre and the states. The following figure shows the change in the revenue receipts of 21 states (for which data was available) during the period Apr-Oct 2020 over the same period in 2019-20. On average, states' revenue declined by 13% in comparison to the same period previous year. While these states had generated 52% of their revenue in the period Apr-Oct 2019, this year, they have raised only 37% of the full-year target in the corresponding period.

It must be noted that Indian states account for 60% of total government expenditure on infrastructure & asset creation. The Centre is stepping up its efforts to boost the economy by increasing its spending; the states are curtailing their expenses to maintain the fiscal balance. This is the biggest risk to the Indian growth story. It must be noted that the States spend 50% of its revenue receipts on committed expenditure items. Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest payments.

An analysis of the data from 2015 shows that on average the states spend 26% of the revenue receipts on salaries, followed by 12% of the revenue receipts on interest payments and another 12% on pensions. Capital expenditure of 17 key states contracted 23.5% in the nine months to December from a year ago.

Nonetheless, India's bold move to dump fiscal balance in favor of spending can boost the economy in the long run and ensure that growth is back on track. There is little doubt about India's ability to become a major power in the world economy.



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Retirement is regarded as the golden period of human life as by this time you can actually get relieved of responsibilities and focus on experiencing worldly pleasures. But have you ever thought, how would you bear your expenses when you won't be earning anymore? The answer is clear – Money saved and invested at your earning age serves you at your retirement age.

If you are an individual who works vigorously every day and postpones luxurious travel plan to the day when you'll be retired, then you must consider getting your wealth planned. Careful wealth management today will empower you in fulfilling all your dreams and maintaining a similar lifestyle tomorrow – the time when you won't be earning.

Often people delay in planning their retirement with the thought that they have enough time. But, in the case of efficient retirement planning time is the essence. Postponing wealth management is the biggest enemy when it comes to retirement. And not planning your wealth for your retirement period at all can be the biggest mistake of your life.

Instead of presenting some numbers and data to convey the significance of retirement planning, we would like to present a personal case study to which individuals might relate. In this article, you will get to see the wealth accumulation difference between two scenarios – First, when the wealth was managed by a layman using traditional methods, and second when the wealth was managed by an expert. The current case presented is based on the common challenges faced by individuals who start planning for their retirement at the age of 50.

Today we are going to talk about Mr. Shah who kept on postponing planning for his retirement in the early years of his career. But at the age of 50, he realized that he has only ten years left before retirement and he is not prepared to savor his golden period to its absolute. At this point, either he could try to manage things on his own using his limited knowledge of finance or approach one of the financial experts to manage his wealth. We are going to have a look at both scenarios. This would help you in comprehending the importance of wealth management. Also, you will get to learn the things to avoid while planning for your retirement.





# Personal Details of Mr. Shah

Age	50 Years
Retirement Age	60 Years
Salary	INR 87,000
No. of dependent individuals	1 – Wife
Life Expectancy	86 Years

Mr. Shah's current age is 50 years and his retirement age is 60 years. Mr. Shah's wife is not an earning member of the family and is financially dependent on him. This implies that he has ten years only to plan for his golden years and also take his wife's expenses into consideration. Currently, he is earning INR 87,000 per month and on an average his monthly expenses are INR 62,000. This leaves Mr. Shah with a surplus amount of INR 25,000 every month which needs to be invested strategically to avail desired results. Now comes the life expectancy part i.e. for what number of years Mr. Shah needs to be prepared. We won't deny that life is uncertain and there is no defined method of computing the living age of a human being. But while drafting a retirement plan, we need to assume the number of years. This assumed number of living age is totally logical. Considering the scientific method, the longevity of age is related to the family history of ancestors. In the case of Mr. Shah, he has a family history of living over 80 years and in evidence of this fact, we have assumed his life expectancy of 86 years.

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# RETIREMENT PLANNING



	Assets an	d Liabilities			
Type of Asse	Worth of Asset (in INR)	Type of Liability	Worth of Liability (in INR)		
Equity Mutual Funds	(in INR)  375,000  500,000  325,000  1,000,000  700,000  5,000,000  3,000,000  270,000				
Fixed Deposit	500,000				
Equity Shares	325,000				
PPF	1,000,000	Home Loan	1,500,000		
Gold Mutual Funds	700,000				
Residential Flat (Self Occupied)	5,000,000				
Land	3,000,000				
Cash in Bank	270,000				
Total 1	1,170,000	Total = 1	1,500,000		

The above tabular presentation displays the assets and liabilities of Mr. Shah. His total assets are INR 1 Crore 11 Lakhs and 70 Thousand whereas his total liability is 15 Lakhs. Out of total assets, a sum of amount INR 80 Lakhs which is around 70% of his total assets portfolio, is invested in highly illiquid assets – Residential Flat and Land. Mr. Shah's liability – home loan of INR 15 Lakhs was utilized in the construction of the same Residential Flat which is self-occupied.

Moving further in his investment portfolio, around 11% of his total assets include Equity via Equity Mutual Funds, Fixed Deposits and Equity Shares of total value INR 12 Lakhs. The fixed deposits with interest rate 6.25% will mature after two months. Along with this, he has invested in Gold Mutual Funds as well. Mr. Shah opened his PPF account at the age of 40 and currently holds INR 10 Lakhs. His PPF account will mature in the next 5 years. Mr. Shah has maintained INR 2 Lakhs 70 Thousand balance in the bank for emergency purposes.

Currently, Mr. Shah is paying a monthly loan installment of INR 20 Thousand. The home loan of INR 15 Lakhs will be settled till the time Mr. Shah will retire. In spite of the availability of the above-mentioned assets, Mr. Shah realized that he doesn't have sufficient funds and he is nearing his retirement day by day. His total monthly salary is INR 87 Thousand and his monthly expenses including his loan installment are INR 62 Thousand. After all the expenses, Mr. Shah has around INR 25 Thousand surplus every month. Mr. Shah wants to maintain his current lifestyle in the future as well. As he would have paid off his loan, his expenses will decrease by INR 20 Thousand and he needs to spend INR 42 Thousand every month at his post-retirement period to maintain a similar lifestyle.

# When Mr. Shah managed things on his own

Mr. Shah doesn't belong to a finance background and has limited knowledge of the field. When one of financial advisor asked him about the safest way of saving money, he replied "Fixed Deposits or Recurring Deposits". Before meeting Financial Planners, Mr. Shah had thought of other ways to accumulate wealth for his retirement. Let's take a look at Mr. Shah's financial management.

Mr. Shah has planned his loan tenure in such a way that by the time he will retire, he would have paid off his loan which is a smart step. Along with his residential property, he owns a land as well with 4% of annual appreciation. By ten years the value of land will increase to 44.40

After two months, Mr. Shah's FD will mature and he is planning of locking up his INR 5 Lakhs for another ten years. When his FD will mature at the time of his retirement, he would be entitled to receive INR 9.83 Lakhs. In consideration of his Equity Mutual Funds, he holds diversified funds providing him average returns of 10%. By the end of ten years, the value of his current equity mutual funds will rise to INR 9.72 Lakhs.

In terms of Equity shares, Mr. Shah has invested in safe stocks with good returns. On computing, an estimated return of 15%, a sum of INR 13.14 Lakhs can be expected at the time of his retirement. Further, Mr. Shah is planning to extend his PPF by two blocks and also invest INR 7000 more every month.

2

After expanding his PPF, Mr. Shah holds a monthly surplus amount of INR 19,000 which he planned to invest in Recurring Deposits to avail risk-free and guaranteed fixed returns. By investing INR 19,000 every month for the next ten years, Mr. Shah would have invested a sum of INR 22.80 Lakhs and eligible to avail total interest of INR 8.44 Lakhs which would be taxable as per prevailing tax slab.

Mr. Shah also holds Gold Mutual Funds worth INR 7 Lakhs which is a secure and preferred way. Mr. Shah decided to proceed further with this investment as it is assuming 7% estimated returns. On computation of above-mentioned assets and investment, Mr. Shah is will receive INR 154.72 Lakhs at the time of his retirement which won't be sufficient to lead the luxurious life.

Forecasted Asset	Forecasted Value (in Lakhs)
Land Value	44.40
Fixed Deposits	9.83
Equity Mutual Funds	9.72
Equity Shares	13.14
Fresh Investment in Fixed Deposits	29.59
PPF	34.27
Gold Mutual Funds	13.77
Total	154.72

After running the numbers several different ways, our expert financial planners find out that if stern measures are not taken now, Mr. Shah will drain all his assets within Fifteen years of his post-retirement period. Considering INR 42 Thousand as his monthly expenditure, assuming an inflation rate of 7% and computing post-retirement corpse at 8%, Mr. Shah would require INR 227 Lakhs worth of Assets at the time of his retirement.

Since Mr. Shah cannot reduce his current expenditure and save more than INR 25 Thousand every month, he has two options –

- Drastically scale back the retirement lifestyle Mr. Shah wants
- Opt for financial recommendations by our expert advisors.

# When Mr. Shah approached expert financial advisors

We believe in the phenomenon that it's never too late. And the same thing we assured to Mr. Shah. With the help of our expert financial planners, things were back on track for Mr. Shah. If you have also not started planning for your retirement yet and have crossed your 40's, then don't worry. Just take a brief look at the case. This case study will guide you in preparing for your retirement.

# Recommendations

#### View on Land

Mr. Shah holds two land properties – Residential Land worth INR 50 Lakhs where he is living with his wife and another land worth INR 30 Lakhs. Since the last few years, the value of his other land appreciated by 5% per annum, and not much growth was foreseen in upcoming years. Additionally, his land was rendering him only benefit of appreciation on price and lacking rental income. To put his land on use, an expert professional planner would encourage him to sell his land and buy a constructed property with the sale proceeds which could render him monthly rental income and a higher growth rate in terms of capital appreciation.

Mr. Shah implemented the plan. He bought a new property worth the same amount which was expected to grow at 8% per annum in upcoming years. Along with this, the new constructed property provided him rental income of INR 4,000 which was added to his monthly savings. By the time of his retirement, the estimated value of the new property is INR 64.76 Lakhs.

# View on Equity Mutual Funds

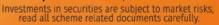
Mr. Shah had invested in well-diversified funds belonging to multiple market sectors with different styles and adjectives. After a thorough comprehension and consolidation of his mutual fund portfolio, it was found that Mr. Shah had invested in too many stocks across schemes which reduced the risk factor but provided average returns. To generate extra returns, diversification needed to be controlled. Assuming 15% equity return on his investment, it was computed that Mr. Shah can expect around INR 35.39 Lakhs at the time of his retirement.





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# View on Equity Shares

Based on his research and recommendations from experts, Mr. Shah has invested in safe stocks with good returns. In consideration of his current holding and assumption of 15% return on equity, the value of stocks can be computed at INR 13.14 Lakhs at the time of retirement. As the stocks were already doing well, he was suggested to hold the same stocks. However, individual stocks can prove to be a tricky affair. Stocks tend to be high risk, high reward instruments, but they are advisable for someone approaching sunset years. It is best to shift money in mutual funds to reduce volatility.

#### Fresh Investment in Equity

After all the expenses, Mr. Shah had a surplus amount of INR 25,000. To make the best use of the surplus, the expert financial planners advised him to initiate a fresh Systematic Investment Plan (SIP) of INR 19,000 on monthly basis. It was suggested to invest in diversified equity mutual funds. As Mr. Shah wasn't expecting a huge increment at this stage of his career, hence it was further recommended to increase the SIP amount by 5% every year. By following the suggested plan and 15% return on equity, it can be safely assumed that fresh investment in Equity will deliver INR 62.79 to Mr. Shah.

#### **PPF** Account

Mr. Shah opened his PPF Account when he was 40 years old which was a good step. Public Provident Fund (PPF) is among the few options excluded from tax at both investment and maturity stages under Section 80 C and Section 10 (10D) of the Income Tax Act, respectively. He extended it by one block of 5 years on the previous maturity period. It was suggested to further extend his PPF by two blocks of 5 years i.e. for 10 years time period. Along with this, the financial experts suggested him to invest INR 7,000 before the 5th of every month. By doing this, Mr. Shah will be eligible to receive INR 34.27 Lakhs on his PPF. This amount is with respect to an assumption of an 8% return on PPF.

#### **Gold Mutual Funds**

Gold mutual funds are a profitable investment option to broaden one's investment portfolio and lessen overall market risk. As a physical asset, gold prices are not directly related to company stocks and a safe form of investment with good returns. Currently, Mr. Shah holds INR 7 Lakhs worth of Gold Mutual Funds. In consideration of the aforementioned benefits, we suggested Mr. Shah to hold his current investment and also invest further. In light of his income and expenditure, Mr. Shah can invest INR 3,000 every month in Gold Mutual Funds. Assuming a 7% return on gold, an overall value of INR 19.29 Lakhs can be expected at the time of his retirement.

Forecasted Asset	Forecasted Value (in Lakhs)
Land Value	44.40
Equity Mutual Fund	9.83
Equity Shares	9.72
Fresh Investment in Equity	13.14
PPF	29.59
Gold Mutual Funds	34.27
Total	229.64

# Difference in accumulated wealth following both plans individually = INR 74.92 Lakhs

By following the wealth management plan, Mr. Shah can achieve his goal and accumulate sufficient wealth for his post-retirement period within ten years of working period. It is to be noted that the new property which is valued at INR 64.76 Lakhs at the time of retirement has contributed towards achieving the retirement goal. This property need not to be sold until Mr. Shah run out of his other investment options. Till then, Mr. Shah can enjoy the rental income and savor the benefits of the annual appreciation of the property.

"Based on his research and recommendations from experts, Mr. Shah has invested in safe stocks with good returns."



# **Key Learning from the Case Study**

# Start planning for your retirement from the very first day of your earning

Postponing retirement planning can be very hazardous. One must start planning as soon as possible. Even a small contribution over the years will make a huge difference in the future. So stop delaying and start acting.

# Carefully choose land before investing

The land is a highly illiquid form of investment. If not constructed, the land investment only benefits with annual appreciation that too if selected region is bound to deliver high growth rate.

#### Provision for medical expenses

Moving towards old age, your monthly expenditure can significantly rise with a rise in your health problems and medical expenditure. Make sure to draft a provision for your medical expenses as well.

## Opt FDs and RDs for Short-Term purpose

Fixed Deposits and Recurring Deposits are significant financial tools and helpful inattaining short-term goals such as funding your child's donation fee, over the next 12 months. But when it comes to long-term planning, FDs and RDs has several disadvantages and few factors need to be considered before investing (including Inflation and taxes). Investing in Tax free bonds, Mutual Funds, Hybrid Mutual Funds etc can be a little risky but these tools assure much better returns.

# Consider high life expectancy

Forecasting accurate life expectancy is an impossible factor as life is uncertain. But you must prepare for the future. Today life expectancy is rising with an improvement in medical science. So, one must not under-estimate high life expectancy and safe for a long life.

A good financial planner can make a huge difference in one's post-retirement life. At InvestOnline our experts can assess your risk profile and help you evaluate your portfolio for efficient wealth management.





# INVESMENT LESSIONS FROM THE PANDEMIC



# INVESTMENT LESSONS IN A PANDEMIC

urrently, the world is going through one of the toughest times. We are living in what the economists is terming as 'the worst recession' since the Great Depression in the 1930s. The world was brought to a standstill by one of the worst pandemics in history. The overall losses that everyone has suffered are massive. The economies came crashing down, and there was instability everywhere. On one hand, the Covid-19 threat had to be fought off with all the might, and on the other hand, we had to try and stop our economies from collapsing.

When the lockdowns were announced in a lot of countries, all their work and economy was stagnated. Countries were facing the brutal brunts of initiating the lockdowns. But, there was no other option! It was mandatory for the safety of the people. Now, some countries who have established themselves well may have had it better than some others.

However, for emerging countries like India, a lockdown was unsustainable, but they had no choice. Saving the lives of people had to be the number one priority. However, it did deeply weakened the economy. These glaring scars on the economy are here to stay for a long time. Since there are no viable options on the table to accomplish both controlling the pandemic, and stabilizing the economy, we are struggling to attain both things. There have never been more pay cuts, layoffs, double digits unemployment rates, and a total slack in the new hiring process.

But, the harshest of experiences become the greatest of teachers. Going through these conditions and surviving in it is not an easy feat, but we are doing it. Don't you think it is bound to teach us something? This ominous grey also has not one, but many silver linings to it. The economy suffered the most and which is why we have the best lessons to learn about it.

Here are some of the best lessons that pandemic has taught us on investment.

# Build a safety net.

Never in our wildest dreams would we have thought that we would have to sit at home and do nothing for a very long time. And yet, here we are. We were in a lockdown where the majority of people were confined to their homes not working. A lot of people lost their jobs. So many small-scale as well as large scale industries were affected and they had to let a lot of people go in an effort to sustain their own businesses. It was a truly horrible ordeal. A lot of people were struggling to even make their ends meet as they did not have any source of income.

Now, what does that teach us? It teaches us that we need to have savings! We need to have something to fall back on if we are to be in such a situation. It is advisable that we have savings that will sustain us for at least six months. So that in a situation where you are jobless or in such a fix, you can live comfortably without worrying about your basic necessities.

A financial crisis is a time of great instability. Business owners

should be prepared for such a situation so that the people who are dependent on them do not have to be laid off. They need to have emergency funds that could sustain the company and its employees in trying times. We cannot think about living from one day to another. We have to think bigger than that.

This security net gives us an assurance that should such a situation occur again, we can be prepared for it. So, our first and foremost aim must be to plan in advance. We have all heard this at least once in life that you do not dig well when you are thirsty. You dig it before because you know that you are going to be thirsty at some point. These funds that you have kept aside can come to your aid whenever you are in an emergency and you urgently need money.

An investment makes your money earn you more money and it is a very good and alluring concept. But, a word of advice, do not do it without having savings to fall back on, as these investments won't come in handy for such unforeseen troubling conditions.

".. the harshest of experiences become the greatest of teachers. Going through these conditions and surviving in it is not an easy feat, but we are doing it."



# INVESTMENT LESSONS IN A PANDEMIC

# Minimum consumer credit.

In today's world, almost everyone has a majority of their earnings tied up in loans. A lot of people have almost 50% of their total income locked up in EMIs. now, this may not be such a bad thing in an ideal situation where you have a steady incoming cash flow, the economy is stable and you do not have to worry about your job security. But, this definitely is not the ideal time, and everything is haywire. People have had layoffs, and pay has been slashed to an inch of the bone. How are people planning on repaying their loans in these circumstances?

Sure when some easement was given by the RBI, there was a little respite. But, even they can't hold out for a long time. And this happened because it was a pandemic. The next time you are in a fix, the world may not be facing a crisis, and your EMI may not be relieved then. You will be expected to pay your installments.

Hence, it would be wise of us if we are not tying up more than half of our salary into these debts. It is suggested that we should have 20-30% of our income taken out for these things. The rest of the money should be saved. So, the pandemic has taught us that just because we can take credit, does not mean we should take all of it. Just because you can, does not mean you should. Keep it well within your limits of endurance. In this way, even if the situation is tight, you will still be able to pay your installments without causing a strain on you.

Minimum consumer credit will also allow you to maximize your savings which will, in turn, make survival significantly easier in times where a lot of people are struggling. This habit of keeping your credit to a minimum also ensures that you will not have to compromise with your standard of living or have to compromise with basic necessities, should you be in a difficult financial condition.

# Health insurance is mandatory.

The pandemic has made for very big holes in our savings. The Covid-19 is a costly affair. The tests require around 4500 rupees. If you are positive, then the medicines cost furthermore. If the situation worsens, then there is the cost of covering ICU expenses. It takes about 50000 per day. It will put a lot of strain on us if we do not have medical insurance. One can only imagine what these lengthy medical bills would affect us.

Life is extremely unpredictable. Health matters the most. And we need to ensure that we have got it covered. Opt for the medical insurance that will cover the costliest of medical emergencies. If you are working in a company, make sure you know about the medical policies there.

Medical emergencies can happen to anyone at home. We should not have to compromise on anyone's treatments just because we did not have enough funds to cover all the expenses. There are a lot of unexpected things that could happen to anyone at any time. It is unwise to leave things to chance. We cannot put our safety and security at risk. Our first aim should be to look after ourselves and our family. However, we also need to be prepared for the possibility of something happening to someone.

Quality health insurance ensures that we can have the best possible medical health care. The Covid-19 has had adverse effects on the respiratory system. If the situation becomes critical then people have had to be put on life support. It just goes to show that even small things like cold and cough could go on to become life-threatening. So, no matter what we think, we must be prepared for anything. It is just what they say, hope for the best and prepare for the worst. It is the best strategy for almost everything.



# Keep control over your spendings.

A lot of people have a tendency to spend excessively when everything is going normal for them. They figure that when everything is good going, they can spend their money excessively. A lot of people spend a majority of their earnings and save very little. They figure that they will not spend so much when they are going through some tough times.

However, overspending is a vicious habit. It does not go away easily. It does not go away according to our current situation. Difficult times and a careless spending habit are not a very good combination. Especially when we are in a situation like a pandemic. The more elaborate our lifestyle is, the more difficult it becomes for us to sustain it.

When the economy is thriving, the income increases. And when their income increases, we have a tendency to spend more. But, what they fail to realize is that their spending cannot increase proportionally to the booming state of the economy. We need to keep our spendings to a bare minimum. That is the only we can survive in the tight situations without it affecting us or our way of living.

It is not easy to change our ways in a heartbeat. So, we need to start exercising control over them. Once we know what our permanent expenses are, we have to make sure that we keep them to 20% of our total earnings. This way we can be sure to continue living the way we live even through difficult situations. However, if we have a habit of blowing it out of proportion, spending impulsively, or spending way more than our budget then we are going to find it very difficult to live comfortably in tough times.

# Personal budgeting is the key.

How will you know how much you can and cannot spend or save when you haven't spent some time planning it over. Good times or bad times, budgeting is a skill that everyone should learn. The one who knows how to do it can be happy in tough times too, but the one who does not know it will struggle even when everything is going their way.

Without personal budgeting, it is like we are roaming around like headless chickens who have no idea about our current situation. We do not know if we are saving enough, spending enough, and investing enough. Without having a clear idea about our finances we cannot hope to make wise investment decisions. We need to know how much we are earning. Then we need to have a list of all our permanent expenses as well as some emergency expenses that could occur. Then we need to have an idea about how much we have to save, how we have to save, after that we need to check them for investment options and opportunities.

Personal budgeting is crucial for good financial health. It should also give you an idea about whether or not you can accept long-term credit from banks or you can do good with your current earnings.



It gives us an idea about how much we are spending and if there are any extravagant expenses that we can cut down on to have more funds in hand in case of an urgency.

A well thought and planned budget has been a key for a lot of people to survive this pandemic. Budgeting helps you use your resources wisely and evenly. Without it, people tend to spend when they have, and then they are in trouble when they are falling short of money. Personal budgeting helps us evenly spread our funds over as many months as required without hurting our monthly expenses as well as EMIs if any. It becomes essential, especially when paychecks are getting smaller and leaves are being unpaid.

# Short-term financial decisions can be damaging.

Active investors are the ones who are affected the most in the moment of crisis like the pandemic we are in currently. Recessions and depressions are going to affect them the most. Do you know why? Because they are thinking about their short-term goals. When they are living one day at a time, they cannot hope to manage well when the economy is down.

We say that we have to live in the present all the time and not give a thought about how the future might pan out for us. When the market is flung into unstable swings, and high-pricing commodities lose their over-inflated values, most people's finances shrink by almost 25-30% in mere months, and if the situation is dire, in weeks.

So, even when we are thinking of investing, do not just think about short-term investments. Do not let them be your primary source from where you earn. Think about long-term investments too that are going to play a vital role in the future. It will provide you the stability that is required in uncertain times. Even when the market is all topsy turvy, it will not shake us. We can still come out of it as unscathed as possible.

Not just the market, but we need to think about savings as well. We need to look at different schemes and policies that will give us sure results in the long-term so that we have something in the future to fall onto. Even if there are some unforeseen challenges that we may have to face, our one good decision can turn out to be very handy for us.

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# **Diversify**

We need to have these three rules. The first one is to diversify. The second is, to diversify. And, the third one, surprise surprise is.... Diversify! We have been told that we shouldn't put all our eggs in one basket. Why so? Because when the basket falls, we lose all our eggs. In the exact same way, if we invest in just one thing and pin all our hopes and dreams on it, we are setting ourselves up for failure. The pandemic was harsh on all the sectors, however, some had it better than others. When the market came sliding down, some sectors like gold were doing better than others.

A lot of people turned to this field when everything else seemed bleak. But, what about the people who did not have this presence of mind? They were affected really badly. So, what do we learn from it? Never invest in just one thing. Invest in different sectors be it, stocks, commodities, metals, and so on. In the pandemic while a lot of people were having a bad time, many people were living their life comfortably because of their right decisions at the right time. The same situation affects every field differently. But, when we are investing in everything, we are ensuring that we are stable even when our boats are in the thick of the storm.

# Do not delay formalities

I have not met a person in my life who likes paperwork. Well in everyone's defence, it is not something anyone can like. But, that doesn't mean that we can delay it indefinitely or that it is useless. It is extremely essential. It does not matter how well you plan everything or how accurate all your investments are if you are horribly lagging behind on your paperwork.

One thing that this pandemic has told us is that we can never predict what will happen to us. So why prolong the delay in such important matters? God forbid, if something were to happen to us, we need to make sure that we are not leaving our family in confusion and tons of paperwork. Moreover, when our paperwork is not complete, we are deprived of many occasions of being able to enjoy the fruits of our hard-earned money which we had invested in the right places.

# Multiple sources of income

Let us take the examples of a mango vendor. When it is the summer season, the vendor rakes in a lot of money. However, when it is not the season of mangoes, does the vendor starve? No! Why? Because they are not dependent on just selling mangoes. When it is not the season, they are doing other things as well, for example, they may have an altogether different occupation or they may be dealing in different fruits in different seasons. The point is that they are not depending on only one source of earning.

We need to learn this concept of multiple income sources from them. A lot of people had to lose their jobs in the pandemic. They were left with no income source and a long way to survive on their savings if they had any. In such a situation, if they had a second source of earning, then they could have had some respite, and they would not have had to blow through all their savings. So, we need to plan our life accordingly so that we can include a second set of earnings. We need to make sure that it does not put unnecessary stress on us. If we are finding it hard to juggle two sources, then we may be being counterproductive. We have to find things that are good for us, as well as gel together. Just like our investments, it would be wise if we do not pin all our hopes on it.

# **Prioritize**

One thing that we need to learn from this pandemic is to prioritize. What is absolutely necessary has to happen first, and whatever is not necessary can come later. We need to learn to understand what matters the most to us. Win these times, we have realized that we can live with a lot less in our lives. We need fewer things to stay happy, everything else is optional.

It often takes life-changing events to occur in our life to put things in perspective. And the pandemic was one such occasion. But, should this be the case all the time? Do we need a pandemic to make us realize what is important in our life? I hope not.

We need to take this as a lesson and remember it for a very very long time. This is the time we need to get our priorities right. Let us all sit down and introspect to come up with our priority list. Find out what is your priority, be it physical fitness, mental fitness, or anything else, and start working on it as soon as possible. There is no time like right now to start.

# Learn from the past.

It is not like we haven't been in these situations before. Who has had an entirely smooth life? I can't think of anyone. Everybody has had to go through trials and tribulations in their life, and that is okay. What matters is learning from these experiences and becoming better at handling crises. The most important lesson that we have learned from the pandemic is to learn from our mistakes.

Our experiences are our biggest assets. Because these are the learning moments that prepare us for our future lives. So, this is the right time to think over our lives and think about what we have earned in the number of learnings so far. If we have been through tough times, then it could be the best thing for our growth

We can learn from not only our mistakes but from the mistakes people have made before us. Our history is rife with all the mistakes mankind has made and how they overcame them. This pandemic is not the first time the world is facing such a situation. We were in the same situation decades ago. And we can look at their challenges and analyze how they coped with them. These lessons are invaluable for us and we need to hold them in the utmost regard.

Here are some of the lessons that we can learn from the recent pandemic about wise investing. These days are definitely very troubling for us. A majority of mankind are struggling for survival. So, this is the period where we have to be exceptionally smart about all the decisions that we are going to make.

Money is an important resource that has proven to be crucial in the lockdown. So, it is imperative that we spend it carefully. And not just now, but in normal conditions too we need to be cautious about how we are delegating it. We need to educate ourselves about the different ways in which we can invest in different sectors, what can be the long-term and short-term options. We also need to keep checking our savings and the ways in which we can improve on them.



Do not take any hasty decisions and plan ahead. A stitch in time saves nine, in the same way, one right move will save us a ton of trouble.

Even if we were to encounter such situations again we can be sure that we can overcome them because we have learned these important lessons here.

Looking at all these lessons, thinking of investing in mutual funds may not be a bad idea at all. In fact it might be the wisest decision you make at all. I believe a lot of you will be skeptical about it. But let us just consider the following facts and then decide whether or not it is the best step to take.





# Liquidity.

Whenever you want you can withdraw your money out of it. It is like you have money that is bringing in more money for you and whenever you want to take it out, you can easily withdraw the funds. Moreover, you do not even have to remove the entire amount, or any fixed amount, you can liquidate as many units you want and whenever you want without any hassles. It is like the best of both the worlds. When you are in a financial crisis you are going to have a reserve from which you can withdraw, and when the economy is booming, you will have a great investment.

# Diversification.

One of the most important lessons that we learned today was that we should never put all our eggs in one basket. We need to have various investments so that we do not have to face the brunt of a weak economy. When one sector is failing, others might be flourishing. So, even though mutual funds are one avenue, we can branch out and invest in different ones. It significantly reduces the risk factor when the economy is in trouble. It has many securities. Investors are safeguarded even in cases where one of their securities is having a downfall.

Expert management: Who said you have to be an expert to invest in mutual funds? It is good to have knowledge about these things, however, we do not have to lose our night's sleep worrying about where and how to invest.

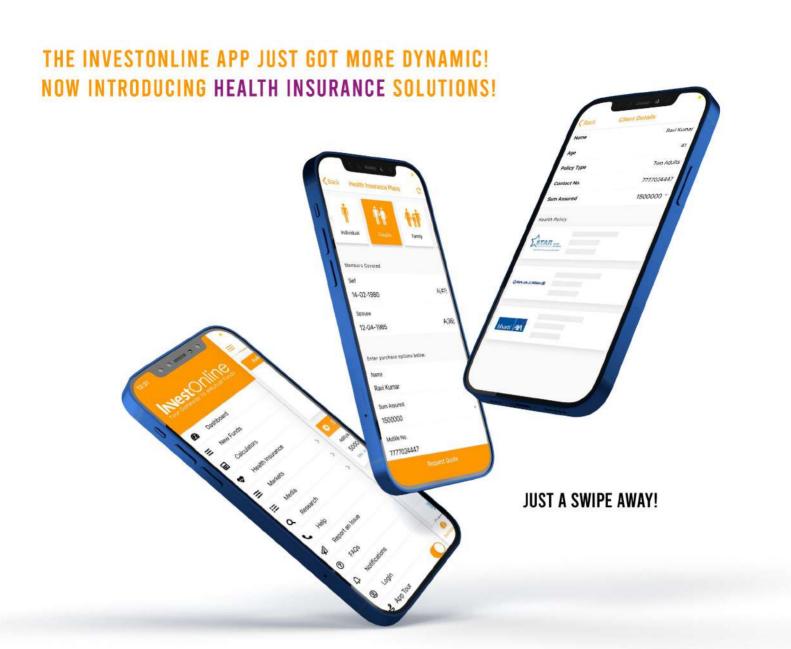
Our funds are handled by experts who have been closely studying the market for years. They know what our best bets are. They know the best time to invest, and they know how much is to be invested in each security that has been shortlisted for you. So, all you have to do is to provide the funds that you want to invest, everything else will be managed by the experts.

Can invest in smaller amounts: A lot of beginners are stuck right in the beginning when the buy-in for any investment is a lot. We do not have much money right in the beginning. However, in mutual funds, there is usually no limit as to how much you can and cannot invest. It is also helpful for us when we are in a tight situation and yet we do not want to compromise on investing. It gives us the flexibility which a lot of other investment options do not offer. You can invest as per the cash flow you have in your account.

# Easy to transact.

A lot of investment options are tricky, time-consuming, and have an elaborate process. However, one thing that separates mutual funds from others is that it is extremely easy for you to do your transactions. You can buy in as easily as you can shop on online websites. Is it not amazing?

We need to definitely consider this investment option, as it caters to a lot of our requirements without any hassles from our side.



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# A B C H L O R P A R T N E R S W I T H JAMNABAI NARSEE CO-OP PROGRAMME

As A Part Of Social Initiative. Students Share Their Experience Of Internship

# PERSONAL FINANCE BY KHUSHI NAGPAL



Khushi Nagpal, a student of class XII from Jamnabai Narsee School, narrates her experience of working at Abchlor Investments Pvt. Ltd.

The internship was a part of the Jamnabai Narsee Co-Op Programme. She tells about how her learning about various facets of personal finance changed her outlook on money, and how InvestOnline helped her to gain insight into the complex world of per-sonal finance.

# The following has to be presented as a cloud

401(k) plan — Alternative Investment — Budget — Bull Market — Consumer Price Index— Down payment — Equity — Bond — Inflation — maturity date — portfolio recession

# Do these terms ring a bell? They are some terms related to personal finance.

In totality, Personal Finance is the financial management which an individual or a family unit per-forms to budget, save, and spend monetary resources over time, taking into account various financial risks and future life events. However, it is important to consider the various branches of personal finance.

Often when one hears the term "personal finance" they become worried and confused, it often trig-gers the subconscious behaviour of the human mind to sabotage its saving goals. Savings are often associated with the "pain" trigger, making people fear that they'll not be able to spend their savings on leisure but will have to keep the funds aside for the future. Even I, a sixteen-year-old teenager assumed that to be the meaning of personal finance. However, through my internship at In-vestOnline, I was proven wrong. I learned that timing is everything when it comes to investing, and it's never too late to start.

InvestOnline.in is a platform providing the most useful information concerning

personal finance and investments. The website is comprehensive and provides all the financial knowledge that a layper-son requires. It gives a chance to even teenagers like us to educate ourselves with financial knowledge which we otherwise would not receive.

Personal finance as the name suggests is something very personal, it depends from person to person and is based on the person's outlook towards finance. At InvestOnline.in, it is believed that each client is unique and it ensures a curated investment plan for each of their clients based on their goals and needs. Various facilities such as investment calculators, bank registrations, portfolio updates, SIP's and tax saving schemes are available to customers. InvestOnline.in does its best to make personal fi-nance fun and the interactions with the users have proved it. The wealth creation services are aimed to help one build and maintain a personalized investment strategy that suits their specific financial goals and life-stage.

One of the major reasons people fail to secure themselves financially is because they are unaware of the Dos and Don'ts of personal finance. They often do what they feel is the right thing to do, but that might not always be sufficient. Hence, it is essential to know what are the key components that one need to focus on while creating a road map for financial well being.

I clearly remember the first time we came to the Abchlor Investments Pvt. Ltd's office, and as a part of our interview process we were asked to write an essay on "The Need For A Rainy Day Fund" and from that day, my interest in personal finance has peaked. Through my internship at InvestOnline, I have gained a thorough insight into personal finance and how it works. My outlook has taken a 360-degree turn after studying such a vast topic in detail. I have learned that personal finance is one of the most important money-saving tools that one can use. It's not always about the amount of money you save but it's how you do so. With the help of InvestOnline, one can manage their finances in efficient and hassle free way. The extensive research about finances and various financial schemes and calculators has also inspired me to save money more smartly and consciously.

"At InvestOnline.in, it is believed that each client is unique and it ensures a curated investment plan for each of their clients based on their goals and needs." 32664 4142641 5498216 58742 32154316 3322144 1245755 32366987 2154756 32659 32147711

# PERSONAL FINANCE BY KHUSHI NAGPAL

Overall, it was a great experience interning at Abchlor Investment. We were given a new task to perform at every meeting. It helped us explore not only finance but also the digital marketing and social media space.

Throughout the internship, our mentor Mr Kalpesh Maniar and Ms Priyanka Patel were extremely supportive. They helped us explore every sphere of finance which helped us grow and gave us the freedom to try our hand at everything. Their student-friendly and growth-oriented perspective are what kept us going and motivated. We learned about Social Bookmarking, Template Creation, Google and Facebook Ads, Website Analysis and much more.

The internship helped me realize that there's a lot more that goes into making everything perfect and it requires immense hard work and dedication to reach one's true potential. The internship also helped me to improve my time management skills and be more efficient in planning and executing various tasks assigned to me. Submitting weekly case studies, reports and articles helped me refine my writing skills. In addition to this, we were also asked to read the book "Rich Dad Poor Dad" in the course of our internship. This book was a learning lesson and helped me learn about saving skills. I enjoyed interning at <a href="InvestOnline">InvestOnline</a> and I am extremely glad that my school facilitated this internship because I could not have spent my school break in a better and more productive manner. It thoroughly helped me gain insight into how real offices work and was a preliminary step for me from my school life into the real world.

# Khushi Nagpal. Jamnabai Narsee School.



Here is what other students have to say,

**Eshan Naik,** another student said, "It was a great learning experience and I learned a lot about dif-ferent sectors of investment and overall the experience was very beneficial for my knowledge and has helped me to narrow down the path or job opportunities and has given me a clearer picture about my future"

**Aman Bapu,** an intern, said, "The internship was really fun and we got to learn many different and interesting things from it. It helped me gain valuable work experience and helped improve my communication skills."

**Armaan Gupta** feels that the experience as an investment analyst moulded a different perspective about personal finance. According to him, creative assignments like analyzing the competition broadened his marketing knowledge too. "It had been an amazing memorable experience working at Abchlor Investments Pvt. Ltd."

Harshit Mehta too shares his views. According to him, "working in teams is not only fun, but it also taught me the value of co-operation and collaboration. This has truly been a very memorable and enjoyable experience for which I thank my school and Abchlor investment Pvt Ltd."

According to **Amod Pandey**, "The best thing about my experience at Abchlor was the knowledge of Finance which is a blessing for a person like me who wishes to pursue Finance in the future."

According to **Mr Param Mody**, "We, as the students of Jamnabai Narsee School, were privileged enough to intern at Abchlor Investments Pvt. Ltd. where we learned various things first hand. Every task, right from the beginning, was extremely engaging and it gave us an idea of the important roles we were put up to."

**Mr Nagporewalla** agrees, "Each assignment that we received has allowed us to learn something new. We have broadened the horizons of our thinking by finding creative solutions in the case studies that we worked on."

**Mr Kapadia** says, "Every assignment allowed us to learn something new. It was an exciting experi-ence, one which I look forward to again. If there was one negative about this experience, it has to be the fact that the mode of communication was online. In our humble opinion, an offline internship would be more engaging and help us remain proactive during the day. However, such is the situation right now that it is beyond ours and the firm's control and hence we are grateful for what we have."

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Comparing to the bank savings account which offers 4 per cent rate of interest, mutual fund experts believe these low returns in liquid and overnight funds will not sustain for long. With the return of economic growth, they believe, the returns of overnight funds and liquid funds will get back to their usual normal range.

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Retirement planning is an extremely important aspect of one's life. Done carefully, it ensures a life of comfort after one retires. It is important to invest in instruments that can deliver inflation-beating returns so that one can meet his post-retirement expenses easily. The National Pension Scheme (NPS) and mutual ......

Ramesh Mehta, aged 35, is the regional marketing head at a famous company. His only immediate family is his wife and twins aged 3. Ramesh is in the modern class of investors, who know how important savings and emergency funds are. Since he is an aggressive, unconvention-

al investor, he prefers to invest in .....

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Equity Linked Saving Scheme (ELSS): The Future Investment Tool





05

Have you considered wanting a tax beneficiary from tax deduction which reflects returns from equity market.? An equity-linked savings scheme or ELSS is a mutual fund class that offers and allows an individual or HUF a tax rebate under Section 80C of the Income Tax Act, 1961, from total income of up to Rs. 1.5 lacs....

# MARKET UPDATE

# **Fund Performance - Large Cap**

# Fund Performance - Mid Cap

Equity Diversified – Pure Large Cap	1yr	2yr	3yr	5yr	7yr	10yr	Equity Diversified - Mid Cap	1yr	2yr	3yr	5yr	7yr	10
MIRAE - ASSET LARGE CAP FUND REG (G)	68.68	13.15	13.49	16.08	16.82	14.69	PGIM INDIA - MID CAP OPP FUND REG (G)	117.44	30.55	17.84	17.15	16.91	
KOTAK - BLUECHIP FUND (G)	71.05	15.79	13.55	13.66	14.46	11.69	EDELWEISS - MID CAP FUND REG (G)	96.09	21.55	11.49	16.71	20.52	17.
ICICI PRU - BLUECHIP FUND REG (G)	68.70	12.75	11.55	14.28	13.85	12.23	L&T - MID CAP FUND (G)	77.89	13.74	8.04	16.20	19.79	16
CAN ROBECO - BLUECHIP EQUITY FUND (G)	63.61	19.21	16.90	16.29	14.99	12.84	L&T - MID CAP FUND (G)	72.32	16.97	12.72	17.96	22.37	19

**Fund Performance - Tax Saving** 

20MF	KECENTL	.Y ANNOU	JMCFD	IPU

Equity Tax Saving	1yr	2yr	3yr	5yr	7yr	10yr	<b>Company Name</b>	Listing Date	Issue Price	Lisiting Price	Listing Gains	Current Price	Current Gains
IDFC - TAX ADVANTAGE REG (G)	99.52	14.62	9.86	15.65	16.28	14.12	Nazara	30-Mar-2021	1101.00	1971.00	79.02%	1,464.95	33.06%
MIRAE - ASSET TAX SAVER FUND REG (G)	86.01	20.21	17.66	21.20	-	-	Suryoday Small	26-Mar-2021	305.00	293.00	-0.04	273.80	-10.23%
KOTAK - TAX SAVER SCHEME (G)	71.36	16.04	17.66	15.39	16.74	12.36	Kalyan Jeweller	26-Mar-2021	87.00	73.90	-15.06%	68.1	-21.72%
AXIS - LONG TERM EQUITY FUND (G)	57.63	17.84	17.66	15.80	17.92	17.20	Craftsman	25-Mar-2021	1490.00	1350.00	-9.40%	1,417.85	-4.84%

# **BEST PERFORMERS OF January to March 2021**

# **BEST PERFORMERS OF January to March 2021**

# Some Recently Announced Dividend

A' GROUP				A' GROUP				Announced Div	/iden	1
Company Name	CMP	Price On	%	Company Name	CMP	Price On	%	Company Name	-Dividend-	
' '	31-Mar-21	1-Jan-21	Change	' '	31-Mar-21	1-Jan-21	Change	company name	%	Ex-Dividend
ADANI TOTAL GAS	961.25	376.60	155.24	DEEPAK NITRITE	1,656.95	989.35	67.48	Railtel	10	31-Mar-2021
ADANI ENTERPRIS	1030.85	490.85	110.01	GRAPHITE INDIA	511.90	306.55	66.99	ACC	140	30-Mar-2021
ADANI TRANS	908.35	434.55	109.03	HAPPIEST MINDS	540.10	339.55	59.06	Colgate	2000	30-Mar-2021
CUMMINS	919.60	581.55	58.13	3M INDIA	30,238.55	21,108.70	43.25	CRISIL	1400	30-Mar-2021
GRASIM	858.15	933.45	55.56	ADF FOODS	891.90	642.05	38.91	Sundaram-Clayto	220	30-Mar-2021

# **WORST PERFORMERS OF January to March 2021**

# **WORST PERFORMERS OF January to March 2021**

-	A' GROUP			B' GROUP				
	Company Name	CMP 31-Mar-21	Price On 1-Jan-21	% Change	Company Name	CMP 31-Mar-21	Price On 1-Jan-21	(
	FUTURE RETAIL	42.7	79.05	-45.98	GANESH FILMS IN	7.90	22.70	

# **Some Recently Announced Bonus**

INDICES PERFORMANCE	January to March 2021

Company	Bonus Ratio	Year : 2021			Company Name	Close	Prev. Close	% Change	
Name		Announcement	DATE- Record	Ex-Bonus	Company Name	31-Mar-21	1-Jan-21	, change	
East West	1:04	19-Feb-2021	31-Mar-2021	30-Mar-2021	BSE_Auto	22,252.21	20,985.85	6.03%	
WE WIN	2:01	18-Feb-2021	2-Apr-2021	30-Mar-2021	BSE_Metal	14,350.61	11,606.63	23.64%	
Globe Internati	1:04	8-Feb-2021	19-Mar-2021	18-Mar-2021	BSE_Midcap	20,181.31	18,164.48	11.10%	
Sikko Industrie	1:01	4-Feb-2021	19-Mar-2021	18-Mar-2021	BSE_Oil & Gas	14,820.46	14,140.03	4.81%	
Astral Poly Tec	1:03	3-Feb-2021	19-Mar-2021	18-Mar-2021	BSE_SmallCap	20,649.33	18,261.03	13.08%	

# **Some Recently Announced Split**

Company Name	Old FV	New FV	Split Date
East West	10	2	30-Mar-2021
UTI - Gold	100	1	25-Mar-2021
Dixon Technolog	10	2	18-Mar-2021
WARDWIZARD INNO	10	1	17-Mar-2021
Trio Mercantile	10	2	9-Mar-2021
Marine Electric	10	2	18-Feb-2021

#### **The Quarter That Was**

Change -65.20

Indices	31-Mar-21	1-Jan-21	Difference Points
Sensex	49,509.15	47,868.98	1,640.17
Nifty	14690.7	14018.5	672.20
Nifty-Junior	34176.25	32765.95	1,410.30
CNX_Midcap	6772.1	5965.7	806.40
BSE_SMLCAP	18,098.11	18,164.48	2,016.83

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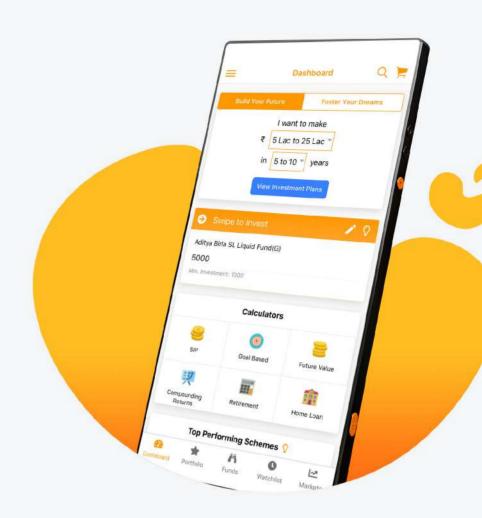




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