INVEST GUIDE

JANUARY 2022

AN INVESTOR EDUCATION INITIATIVE

ASSET PLANNING
Its Importance and How To Do It Like A Pro

INDIA'S TAX CONUNDRUM
Why India Needs More Tax Reforms

INDIA BETS BIG ON INFRASTRUCTURE: WILL IT DELIVER?


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W E A L T H

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CEO'S DESK

Dear Investors,

The year 2021 turned out to be a great year for equity markets. The key benchmark indices viz. S&P BSE Sensex & CNX Nifty ended the year on a strong note with annual gains of around 22% and 24% respectively on the back of domestic and FII flows. The mid-cap and small-cap indices, outperformed their larger peers with the S&P BSE Mid-cap index gaining around 39% and the S&P BSE Small-cap index rallying close to 63% during the year. Among sectoral indices BSE Power and BSE Metal were top performers while BSE Bankex and BSE FMCG were laggards during the year.

India's retail inflation rate rose to a three-month high of 4.91 per cent in November 2021 from 4.48 per cent in October 2021, primarily because of a spike in food inflation to 1.87 per cent from 0.85 per cent over this period. IIP growth expanded by 3.2 per cent in October 2021 and remained subdued for second month in a row, mainly due to the waning low base effect while mining, power and manufacturing sectors performed well. The rate was 3.3 per cent in the previous month.

India's GDP grew 8.4% in the second quarter of FY22 due to resumption of economic activity, aided by a higher vaccination ratio and rapid improvement in the industrial and services sectors. Two highlights of the latest GDP numbers was the September GDP number exceeding the pre-pandemic (September 2019) value and an impressive sequential recovery – GDP growth in quarter-on-quarter terms was 10.4% in September 2021 – from the disruption caused by the second wave of Covid-19.

India's Purchasing Managers' Index (PMI), an indicator of the economic health of the manufacturing sector, increased the fastest in 10 months to 57.6 in November from 55.9 in October. GDP growth when seen with the encouraging trend in high frequency numbers such as Purchasing Managers' Index (PMI) suggests that the economy continues to be on a growth trajectory.

The 10-year Government bond yield has ended the quarter at 6.454%, up by 0.231 bps from the previous quarter due to concerns on the possibility of higher Government borrowing and the inflationary impact of rising crude oil prices.

RBI's monetary policy committee has kept the key policy rates unchanged in its December policy amid the threat surrounding Omicron coronavirus variant. We think that the RBI's mop-up through short-term VRRR (variable rate reverse repo) auctions will increase the rates at the shorter end of the yield curve. However, any sharp upward movement in the longer end of the yield curve will be capped by improving fiscal conditions, robust tax revenue, favourable demand-supply and RBI intervention.

As we head into new year, equity markets have corrected around 7-8% from lifetime highs reached on October 19. The fall has been due to heavy selling by overseas investors amid heated valuations and tightening monetary policies by the US Federal Reserve and concern over the new coronavirus variant - ***Omicron***.

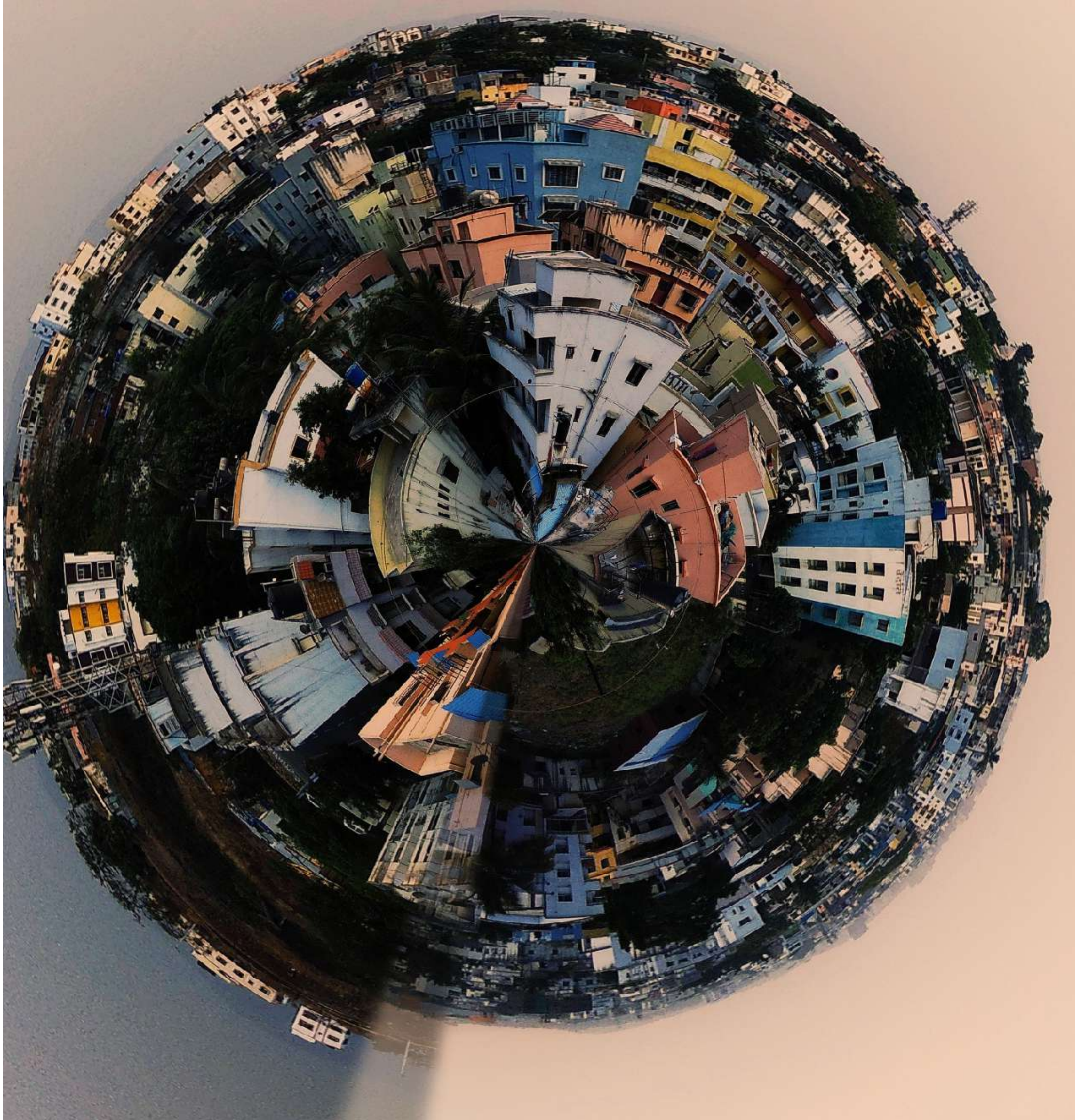
The US Fed is accelerating its tapering of asset purchases. A swift policy shift by central banks to tame surging inflation could be a downside risk for global stocks as tighter liquidity conditions globally will have a negative impact on investors' risk appetite. RBI is also expected to raise rates and unwind excessive liquidity support in the next few quarters to tame inflation.
Another risk for the markets is Omicron. If it leads to a significant domestic outbreak and increased restrictions, economic recovery can be derailed. As a result, continued impact of the pandemic on supply chains, commodity inflation and mobility could threaten corporate earnings that have driven the equity market in the past 12 months. The current rally is built mainly on the expectation of earnings growth; any downward revision will create pressure on the valuations.We think that in current scenario of a hawkish US Federal Reserve and tenacious Covid-19 virus investors should brace themselves for greater volatility in markets.

However, over medium to long term we continue to remain very positive on Indian equities on the basis of revival in earnings growth, supportive government initiatives, robust tax revenues, boost in exports, improving macro conditions and structural strength in the economy. We think that any correction in markets due to above reasons is likely to be short-lived considering resilience and healthy macro situation of Indian economy. We are currently witnessing a very significant new earnings growth cycle in India after years of earnings recession and corporate balance sheets are far healthier today than they have been anytime in the past. Corporate India's Return on Equity (RoE) is now improving back to its average levels of around 15 percent in the past.

Therefore, in our view investors need to stay invested in equities and adopt a buy-on-dips strategy. Any sharp dip in equity markets should be treated by patient investors as a good entry point to increase equity allocation in line with their risk profile.

Happy New Year & Happy Investing!

Abhinav Angirish
Founder & CEO
InvestOnline.in



INDIA BETS BIG ON INFRASTRUCTURE: WILL IT DELIVER?

Infrastructure sector is a key driver for the Indian economy. The construction of roads, ports, airports, and railways not only facilitates trade but also drives economic growth by providing jobs to millions of people in India. It has been estimated that nearly 10 per cent of the total workforce in India is employed directly or indirectly in infrastructure-related activities. Infrastructure development is critical for any country's growth as it provides access to markets, allows free flow of goods and services, promotes tourism, creates employment opportunities and boosts business confidence.

India's infrastructure sector has seen a steady rise in the last few decades. It has become a significant contributor to the country's economic growth.

According to the World Bank report 'Investing in India: An Assessment of the Infrastructure Sector', infrastructure investments account for less than 2 per cent of total public investment in India. This is much lower than in other major economies such as China, Japan, South Korea, Brazil, Mexico and Indonesia.

The government has launched several schemes over the last decade to boost infrastructure investment in the country. These include:

• Industrial Infrastructure Development Fund (IIDF) was set up under the Ministry of New and Renewable Energy in 2010 with an initial corpus of Rs 100 billion to promote infrastructure development through financing projects at a concessional rate.

• Construction Infrastructure Finance Company (CIFFCO), a public-private partnership company established by the Government of India in 2011, provides debt finance for infrastructure projects across sectors such as road, port, rail, power and water supply, flood management, irrigation, urban renewal, environment protection, rural electrification and education. CIFFCO has so far provided loans worth Rs 1.2 trillion to various infrastructure projects.

• National Investment Fund (NIF) was established by the Cabinet Committee on Economic Affairs in 2015 with an objective of mobilizing equity funds from institutional investors for long-term capital formation in order to meet the funding needs of key infrastructure sectors.

• Public-Private Partnership (PPP) route is being used by many states to build large-scale infrastructure projects such as metro rail networks, highways, ports, airports, dams, etc.

• Privatization of state-owned infrastructure assets is another important mechanism to raise resources for infrastructure development.

• International financial institutions such as World Bank, Asian Development Bank, European Investment Bank and African Development Bank are involved in supporting infrastructure development programmes in developing countries.

India's infrastructure sector has been growing steadily over the last decade.

However, its contribution to GDP growth is still low. As per the latest data available with Ministry of Road Transport & Highways, in 2017–18, the share of infrastructure sector in total value added in India was just 3.6 per cent. In comparison, during the same period, the share of infrastructure sector in China was 8.1 per cent. Similarly, in Indonesia, it was 4.7 per cent, while in Vietnam, it was 7.8 per cent.

According to the World Bank report 'Investing in India: An Assessment of the Infrastructure Sector', infrastructure investments account for less than 2 per cent of total public investment in India. This is much lower than in other major economies such as China, Japan, South Korea, Brazil, Mexico and Indonesia.

What are the challenges facing infrastructure development in India?

A recent study has highlighted some of the key challenges faced by the infrastructure sector in India. The study shows that infrastructure development is a complex and lengthy process, which involves the following:

- Infrastructure development requires a huge amount of capital.
- Infrastructure development is a long-term activity, taking years to materialize.
- Infrastructure development is a high cost/low benefit activity.
- Infrastructure projects require a large number of skilled personnel.
- Infrastructural projects have a higher failure rate than non-infrastructure projects.

The study recommends that the following steps be taken to overcome these challenges:

- Focus on creating a conducive policy environment for infrastructure development.
- Ensure transparency in the bidding process for infrastructure projects.
- Establish an independent regulator to ensure that the bids are fair and transparent.
- Provide incentives for infrastructure developers to undertake timely completion of projects.
- Increase the proportion of infrastructure projects undertaken through public-private partnerships.
- Promote the use of innovative technologies such as smart cities and building information systems to reduce the burden of bureaucracy and improve efficiency.
- Reform the land acquisition laws to facilitate speedy resolution of disputes.

It also recommends that the following steps be taken to encourage private participation in infrastructure development:

- Encourage the creation of a legal framework for PPPs in infrastructure development.
- Make it easier for investors to participate in infrastructure development through public-private partnerships.
- Give incentives to infrastructure developers to undertake projects in rural areas.
- Streamline the approval process for infrastructure projects.
- Increase the availability of affordable credit for infrastructure projects.
- Encourage the establishment of new infrastructure companies to provide better returns to investors.
- Improve the quality of construction work in infrastructure projects.
- Take measures to reduce corruption in infrastructure projects.
- Use the power of technology to streamline the planning, execution and monitoring of infrastructure projects.

It is evident from the above recommendations that there is no single solution to all the challenges faced by the infrastructure sector. It will require a multi-pronged approach to address each challenge in turn. However, it is important to recognize that addressing any one of these challenges may not be sufficient to achieve success in the longer term.

The key to unlocking the potential of infrastructure development in India lies in improving the quality of workmanship, increasing the speed of execution, reducing the time taken to complete projects, improving transparency in bidding and awarding processes, encouraging greater involvement of private sector

players, ensuring that the government recovers its costs and investing in innovation to improve the efficiency of infrastructure projects.

Infrastructure development in India has been growing steadily over the last decade. However, its contribution to GDP growth is still low.

It has been argued that infrastructure development needs a huge amount of capital. In order to raise resources for infrastructure development, the government can take several approaches. These include:

- Privatization of state-owned infrastructure assets.
- International financial institutions such as World Bank, Asian Development Bank, European Investment Bank and African Development Bank are involved in supporting infrastructure development programmes in developing countries.
- Public-Private Partnership (PPP) route is being used by many states to build large-scale infrastructure projects such as metro rail networks, highways, ports, airports, dams, etc.
- The government can encourage the establishment of new infrastructure companies to provide better returns to investors.
- It can encourage the establishment of infrastructure finance institutions such as Infrastructure Development Finance Company (IDFC), which was established in 2011 under the Ministry of New and Renewable Energy. IDFC provides debt financing for infrastructure projects across sectors such as road, port, rail, power and water supply, flood management, irrigation, urban renewal, environment protection, rural electrification and education.
- It can provide grants to local governments for infrastructure development.
- It can give tax concessions to investors for setting up infrastructure projects.
- It can provide subsidies to farmers for developing irrigation facilities.
- It can provide interest subvention schemes to encourage banks to lend to infrastructure projects.
- It can give incentives to investors to undertake projects in rural areas.
- It can provide grants to States to develop integrated transport systems.

"Infrastructure development in India has been growing steadily over the last decade. However, its contribution to GDP growth is still low."

The World Bank study highlights the following factors as having contributed to the growth of infrastructure in India:

• Improving transportation and communication infrastructure has led to faster movement of goods and services, thus leading to increased trade and employment opportunities.

• A large number of people have migrated from rural to urban areas, thus increasing the demand for housing, roads, utilities and other basic infrastructure.

• Infrastructure projects such as airports, ports and highways are often associated with tourism, thus creating additional jobs.

• Increased access to information and communications technology has led to improved productivity and efficiency of businesses.

• Improved health care infrastructure has led to reduced mortality rates, thus providing additional job opportunities.

• Investments in infrastructure have helped create an enabling environment for businesses to grow.

• Investments in infrastructure have helped create a favourable business climate for investors.

• Investments in infrastructure have helped reduce poverty levels.

• Investments in infrastructure have led to higher standards of living for citizens.

It is evident from the above that infrastructure development has played a crucial role in transforming India into a developed nation.

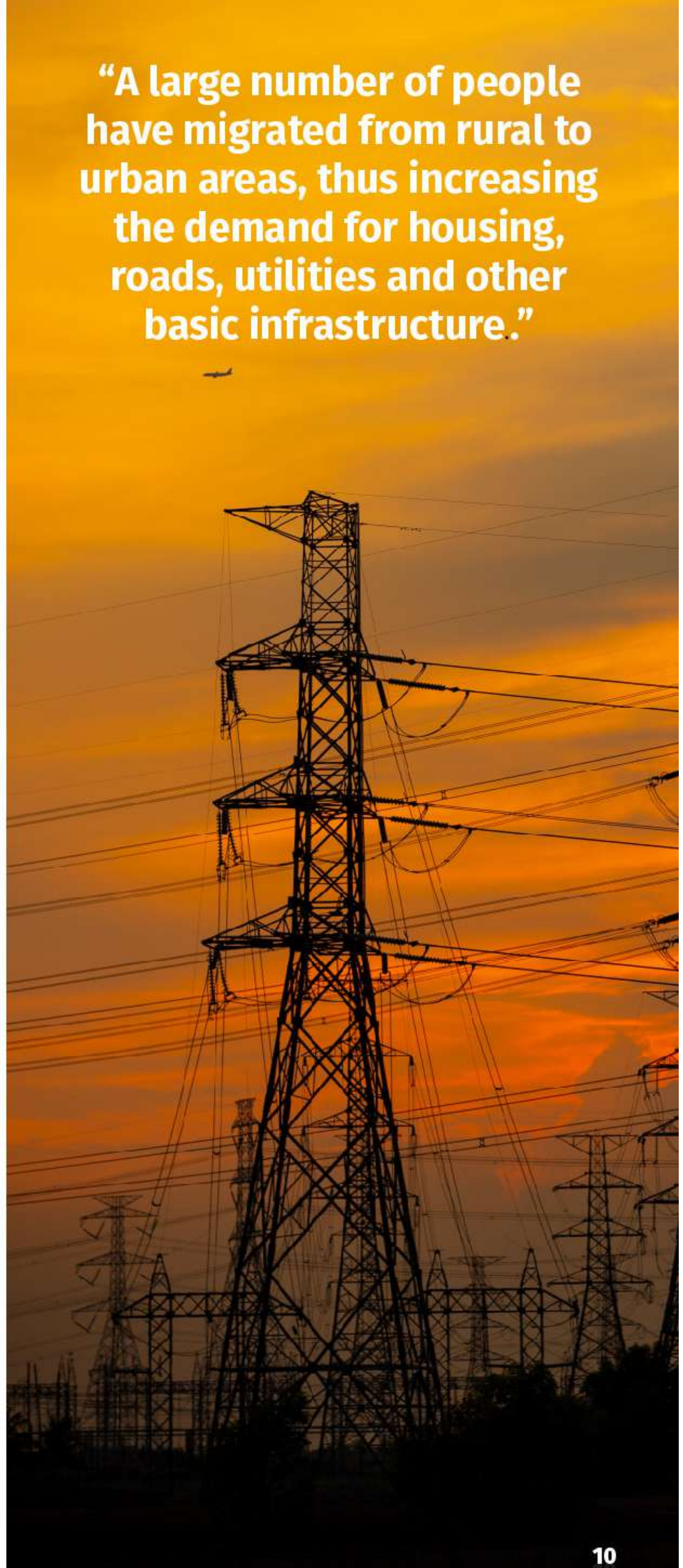
In FY21, infrastructure activities accounted for 13% share of the total FDI inflows of US$ 81.72 billion. The percentage is expected to rise to 14% by FY22.

In FY21, FDI inflows from China stood at US$ 8.4 billion while those from India were estimated at US$ 6.6 billion. These are followed by South Korea with US$ 3.3 billion and Malaysia with US$ 2.7 billion.

In FY21, FDI inflows into Tanzania stood at US$ 1.2 billion; Kenya received US$ 784 million; Uganda, US$ 556 million; Mozambique, US$ 505 million; Rwanda, US$ 405 million; Zambia, US$ 333 million; and Zimbabwe, US$ 286 million.

The major investors include China Construction Bank Corporation (China Cbank), Citibank Nederland, Mitsubishi Corp, Goldman Sachs International, Deutsche Bank AG, Sumitomo Mitsui Banking Corp, ABN AMRO Bank, Société Générale, Crédit Agricole S.A., Credit Suisse First Boston, UBS Warburg, Morgan Stanley Dean Witter, Standard Chartered Bank, Jardine Matheson Holdings, Incorporated, The Hongkong & Shanghai Banking Corp, the Royal Bank of Scotland Group Plc, and several others.

There are some interesting observations about infrastructure in India. While the country has made great strides in terms of electricity and telecom networks, its roads are still sub-par. This is despite the fact that the government has spent billions of dollars on building highways across the country. There is lack of progress on water supply projects and the failure to invest in rural sanitation systems.



India has a huge population, which means it needs far more roads than any other country in the world. Yet the roads are worse than they were even 20 years ago. The problem with this argument is that it assumes that people have the right to demand better infrastructure at the same time when the government is spending hundreds of billions of dollars on building roads and railway lines. Why should the government spend so much money on building roads and railways only to make them unusable? What is the point of having a road or a rail line if nobody can use it? There is a lot of talk about the need for good roads and efficient transport systems in India but why do we not have these things? Why are our roads in such poor shape? Why does the country not have a single decent airport? Why is air travel so expensive and difficult? Why are there no express trains between major cities? Why is there no proper urban transportation system? Why are there no quality schools in rural areas? Why are there no proper healthcare facilities in remote villages?

The answer to all these questions is simple: We don't want to invest in infrastructure because we don't think it's necessary. This attitude towards infrastructure is common to many developed countries around the world. For example, in Europe the governments have decided to focus on creating jobs rather than investing in infrastructure. In America, the government has been cutting back on infrastructure investment for decades now. And in Australia, they've gone one step further and privatized their entire national railway network. In short, what we are seeing is a complete reversal of policy by governments everywhere.

If we really want to build infrastructure, it must start with thinking about how to improve the lives of ordinary citizens. If you ask the average Indian citizen about his or her priorities, most would probably say something along the lines of 'better education' or 'improved health care'. They would probably not say anything about roads and airports. This is the result of the way our society is structured. Our education system is woefully inadequate and our healthcare systems are so bad that many people die due to preventable diseases. As a result, the average Indian citizen doesn't really see the need for improving infrastructure. After all, if you are not healthy, then what's the point of spending money on roads and airports? So it is no surprise that the government is reluctant to spend money on building roads and railways.

What can be done to change this situation? The first thing that needs to happen is for the government to stop wasting money on useless projects. Once the government stops spending money on roads and airports, private investors will come forward and invest in these areas. The government could also create incentives for people to use public transport instead of private cars. This would help reduce traffic congestion and pollution. At the same time, the government should ensure that rural communities get access to good schools and hospitals. These measures will not cost the government a lot of money and they will improve the lives of millions of Indians.

In the long run, it is important for the government to develop a comprehensive plan for infrastructure development in India. It should set targets for itself and begin working towards achieving those goals. For example, the government could target a certain percentage of GDP for infrastructure spending. This will encourage private investors to come forward and help the government achieve its goals. It's possible that the government could even borrow money from international agencies to fund its infrastructure projects. The World Bank and Asian Development Bank are both willing to lend money to developing countries. However, the government has to convince them to give loans to India.

Finally, it is important for the government to ensure that the people in power are held accountable for the decisions they take. There are several instances where the government has built roads and airports that have turned out to be failures.

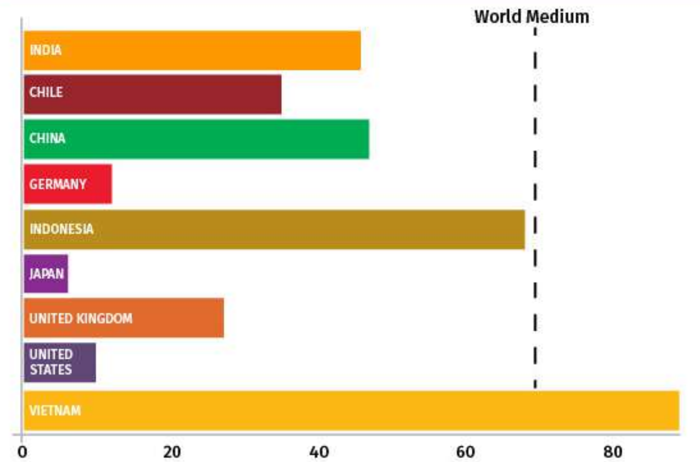
How India compares to other countries in Infrastructure spending is an interesting topic.

India spends only US$120 per capita per year on infrastructure, which is one tenth of what the Top Six countries invest on average i.e. US$1,200. Furthermore, India's focus on infrastructure, conventionally, has been skewed in favour of the two sectors, i.e. electricity and roads sector and thus have been inadequate to match the demand in the various other segments.

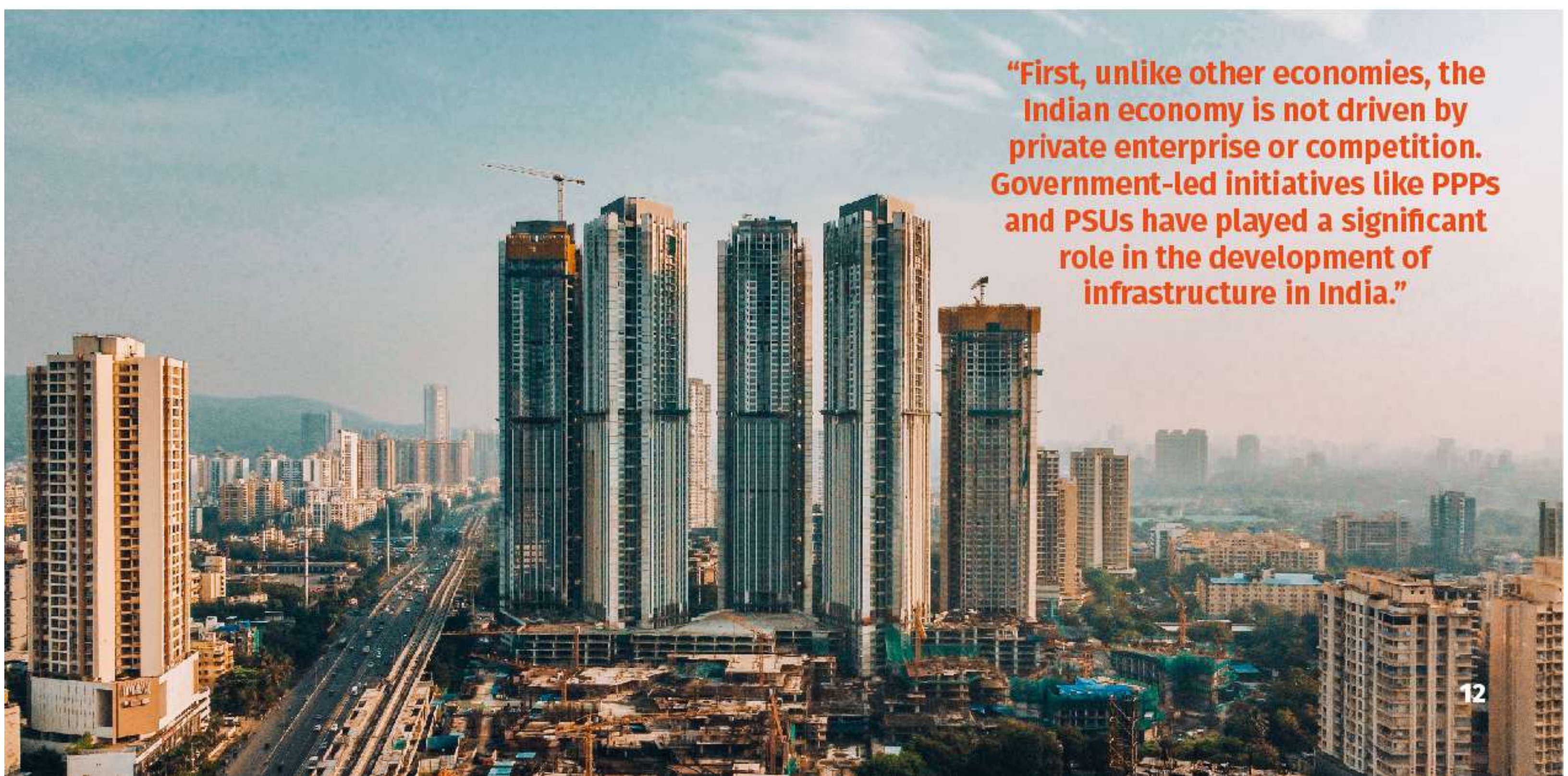
The Effects Of An Increase In Spending Of 1% Of GDP

	Multiplier Effect (2015 - 2017)	Projected Job Gains (Maximum Above Baseline)
UK	2.5	343,000
Brazil	2.5	418,000
China	2.2	2,400,000
India	2	1,360,000
Argentina	1..8	68,000
U.S	1.7	7,30,000
Japan	1.5	211,00
Canada	1.4	61,000
Italy	1.4	136,000
France	1.3	109,000
Mexico	1.3	193,000
South Korea	1.3	95,400
Germany	1.2	157,000
Indonesia	1	320,000
Australia	1	38,680
Eurozone	1.4	627,000

Quality of Indian Infrastructure



The first thing to note is that India does very well compared to many of its peers. It is second only to Singapore when it comes to infrastructure spending per capita. On the other hand, it is also far behind countries like Indonesia, Malaysia, Vietnam and Chile. Interestingly, while China spends more than any other country, it still falls short of most of its peers. It would seem that despite all the hype about infrastructure being one of the key drivers of growth, India is lagging behind many of its peers in this area.There are a couple of reasons for this. First, unlike other economies, the Indian economy is not driven by private enterprise or competition. Government-led initiatives like PPPs and PSUs have played a significant role in the development of infrastructure in India. Second, as discussed earlier, India's economic growth has been driven by demographic factors rather than efficiency gains. Third, as with most emerging markets, the government is often over-reliant on foreign expertise and technology. This means that the benefits of infrastructure investments may not accrue to the domestic market.



"First, unlike other economies, the Indian economy is not driven by private enterprise or competition. Government-led initiatives like PPPs and PSUs have played a significant role in the development of infrastructure in India."

Fourth, the public sector is plagued by corruption and inefficiency, which leads to slow implementation of projects.

This last point is particularly relevant to the Indian Railways. While it is true that the railways are among the world's best, they are also a classic example of poor execution and management. The fact that the railways were built primarily for political ends (connecting the various princely states) has resulted in the system being run inefficiently. This, in turn, has led to delays in service and frequent cancellations.

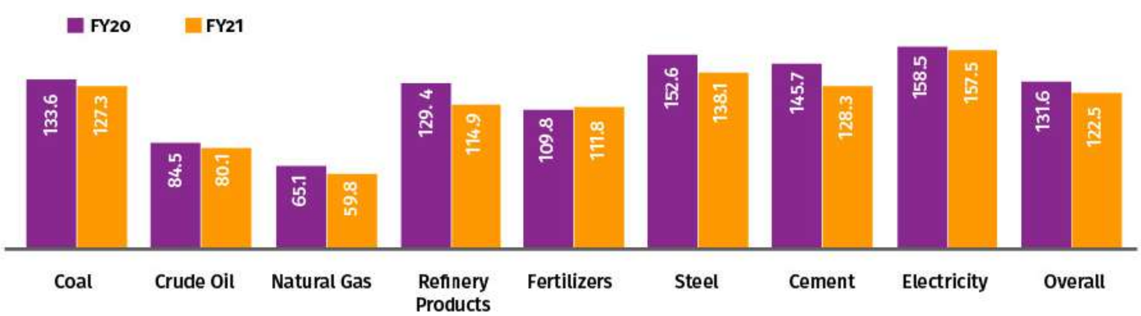
Despite these issues, there are some positive signs. One is the increase in investment by the Railways. Over the past decade, it has invested close to $30 billion in new lines and rolling stock. The result is that the network has expanded rapidly and passenger traffic has increased significantly. This, however, needs to be matched by improvement in quality of service.

INDIAN INFRASTRUCTURE AT A GLANCE

Growth In Infrastructure Realted Activites in FY21 (%)

Note:*-FY20

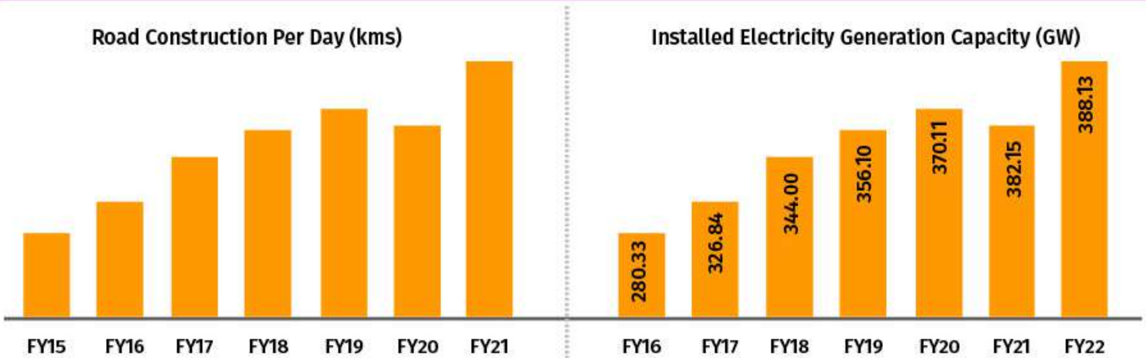
Index Of Eight Core Infrastructure Industries



"In October 2021, the combined index of eight core industries stood at 133.5. In March 2021, the combined index of eight core industries stood at 122.5."

In October 2021, the combined index of eight core industries stood at 133.5. In March 2021, the combined index of eight core industries stood at 122.5. In the road's sector, the Government's policy to increase private sector participation has proved to be a boon for the infrastructure industry as many private players are entering the business through the public-private partnership (PPP) model. India is expected to become the third-largest construction market globally by 2022. India plans to spend US$ 1.4 trillion on infrastructure projects through the National Infrastructure Pipeline (NIP), from 2019 to 2023, to ensure sustainable development in the country. Through the NIP, the government invested US$ 1.4 trillion in infrastructure development as of July 2021.

Index Of Eight Core Infrastructure Industries



Note: * Until August 2021

"India plans to spend US$ 1.4 trillion on infrastructure projects through the National Infrastructure Pipeline (NIP), from 2019 to 2023, to ensure sustainable development in the country."

STEPS TAKEN BY THE GOVERNMENT TO BOOST INFRASTRUCTURE

In the Union Budget 2021, the government allocated Rs. 60,241 crore (US$ 8.28 billion) for road works and Rs. 57,350 crore (US$ 7.88 billion) for the National Highways. The government plans to construct 8,500-kms road by March 2022. Moreover, an additional 11,000 kms of National Highway corridors will be completed by March 2022. The government announced an outlay of Rs. 118,101 crore (US$ 16.20 billion) for the Ministry of Road Transport and Highways. Also, the government, under the Bharatmala Pariyojana, was awarded a project worth Rs. 5.35 lakh crore (US$ 73.37 billion) including construction of >13,000 kms of roads worth Rs. 3.3 lakh crore (US$ 45.26 billion). The Ministry of Road Transport & Highways announced that it achieved a milestone by constructing 13,298 kms of National Highways, with construction of 37 kms per day in FY21. In August 2021, the Ministry of Road Transport and Highways constructed national highways extending 3,335 kms compared with 3,322 kms in August 2020. By 2024, the Ministry of Road Transport and Highways wants to build 60,000 kms of world-class national highways at a rate of 40 kms each day. In May 2021, Minister for Road Transport & Highways and Micro, Small and Medium Enterprises, Mr. Nitin Gadkari stated that the government is giving utmost priority to infrastructure development and has set a target of road construction of worth Rs. 15 lakh crore (US$ 206 billion) in the next two years.

In September 2021, the Ministry of Road Transport and Highways constructed national highways extending 3,824 kms compared with 3,950 kms in September 2020. In October 2021, the Dubai government and India, inked an agreement to develop infrastructure such as industrial parks, IT towers, multipurpose towers, logistics centres, a medical college and a specialised hospital in Jammu & Kashmir. For FY21, Indian Railways has the highest-ever planned capex of Rs. 215,058 crore (US$ 29.52 billion). As per the Union Budget 2021, the Ministry of Railways has been allocated Rs. 110,055 crore (US$ 15.09 billion). In FY21, the Indian Railways recorded the highest loading in freight transportation of 1,232.63 million tonnes. With this, the freight revenue of Indian Railways increased to ~Rs. 1,17,386 crore (US$ 15.84 billion) in the same period, as against Rs. 1,13,897 crore (US$ 15.36 billion) in FY20. In FY22 (until June 2021), passenger earnings stood at Rs. 4,921.11 crore (US$ 662.86 million) and freight earnings stood at Rs. 33,241.75 crore (US$ 4.48 billion). The gross revenue stood at Rs. 39,655.25 crore (US$ 5.34 billion) in FY22 (until June 2021). In August 2021, freight earnings stood at Rs. 10,866.20 crore (US$ 1.45 billion) and freight loading was 110.55 million tonnes. In the Union Budget 2021, Rs. 9,000 crore (US$ 1.24 billion) has been allocated to create and augment telecom infrastructure in the country. Also, the Budget 2021 allocated Rs. 42,824 crore (US$ 5.88 billion) for the energy sector. Through the budget, the government announced Rs. 305,984 crore (over five years) for a revamped, reforms-based and result-linked new power distribution sector scheme. The Mega Investment Textiles Parks (MITRA) scheme was launched to establish world-class infrastructure in the textile sector and establish seven textile parks over three years. The government announced Rs. 305,984 crore (US$ 42 billion) over the next five years for a revamped, reforms-based and result-linked new power distribution sector scheme.

In September 2021, National Mineral Development Corporation Ltd. (NMDC) R&D Centre collaborated with CSIR-IMMT (Institute of Minerals and Materials Technology) to pursue combined research projects on iron ore mining technologies. On September 29, 2021, NTPC Renewable Energy ltd (REL), a 100% subsidiary of NTPC ltd, signed its first green term loan agreement with Bank of India for Rs. 500 crore (US$ 67.28 million) at a competitive rate and a tenor of 15 years for its 470 MW solar projects in Rajasthan and 200 MW solar projects in Gujarat. In August 2021, Union Minister of Road Transport Highways, Mr. Nitin Gadkari announced to launch 1,080-km (road construction) projects worth Rs. 25,370 crore (US$ 3.4 billion) in Gujarat under the Bharatmala Pariyojana—the ambitious road and highways project that aims to build highways from Maharashtra, Gujarat, Rajasthan, Punjab, Haryana and then cover the entire string of Himalayan territories.

In August 2021, the Government of India, the Central Water Commission (CWC), government representatives from 10 participating states and the World Bank signed a US$ 250 million project to support the Indian government's long-term dam safety programme and improve safety and performance of existing dams across various states. The Second Dam Rehabilitation and Improvement Project (DRIP-2) will strengthen dam safety by building dam safety guidelines, bring in global experience and introduce innovative technologies. The project will be implemented in ~120 dams across Chhattisgarh, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Odisha, Rajasthan and Tamil Nadu, and at the national level through the CWC.

The Ministry of Commerce's Logistics Division presented its plans for 'Freight Smart Cities' in July 2021, with goal of improving the efficiency of urban freight and lowering logistics expenses. Over the next 10 years, demand for urban freight is predicted to increase by 140%. Last-mile freight transit in Indian cities accounts for 50% of the total logistics expenditures in the country's increasing e-commerce supply chains. According to ICRA ratings, the domestic road logistics sector is predicted to grow by 6-9% in FY22. According to the Department for Promotion of Industry and Internal Trade (DPIIT), FDIs in the construction development sector (townships, housing, built up infrastructure and construction development projects) and construction (infrastructure) activities stood at US$ 26.14 billion and US$ 25.38 billion, respectively, between April 2000 and June 2021. In FY21, infrastructure activities accounted for 13% share of the total FDI inflows of US$ 81.72 billion.

However, infrastructure development alone cannot solve the problems of our society. It is only when the infrastructure is complemented by a strong and vibrant social safety net that the benefits of infrastructure development can be realized.

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INDIA'S TAX CONUNDRUM: WHY INDIA NEEDS MORE TAX REFORMS

Tax reforms are always difficult. They involve the redistribution of wealth, which inevitably results in protests. However, if done correctly, they can significantly increase tax revenues, which in turn can fund better infrastructure, education, health care, etc.

Well-designed tax reform can generate significant public support. It can be presented as a way to achieve greater equality and justice, and thereby garner political support.

The most important thing to remember when designing a tax reform is to make sure that the new system is simple, fair, and transparent. A complicated tax system leads to high compliance costs, which can easily be circumvented by clever tax evaders.

This is why it is essential to start with a good design so that it is easy to understand, and the compliance costs are low.

Tax Structure in India:

The tax structure in India is a three-tier federal structure. The central government, state governments and local municipal bodies make up this structure. Taxes are classified under two categories namely direct taxes and indirect taxes. The largest difference between these taxes is their implementation. Direct taxes are paid by the assessee while indirect taxes are levied on goods and services.

a) Direct Taxes: Direct taxes are those which the taxpayer pays directly from his income/ wealth/estate etc. They are levied on individuals and corporate entities and cannot be transferred to others. These include Income Tax, Wealth Tax, Gift Tax, Corporate Tax, Estate Duty, Fringe Benefits Tax etc.

b) Indirect Taxes: Indirect taxes are taxes that are not directly paid by the assessee to the government authorities. These are levied on goods and services and collected by intermediaries (those who sell goods or offer services). These include Value Added Tax (VAT), Customs Duty, Excise Duty, Goods and Service Tax etc.

The Journey of India's Tax Reform

1974: Report of LK Jha Committee suggested introduction of VAT system.
1986: Introduction of restricted VAT called "MODVAT".
1991: Chelliah Committee report recommended "VAT/GST" and recommendations accepted by the Government.
1994: Service Tax introduction.
1999: Empowered Committee formation on State VAT.
2000: Introduction of Uniform Floor State Tax Rates and abolition of tax-related incentives granted by State Governments.
2003: Implementation of VAT system in Haryana.
2004: Strong progress towards introduction of CENVAT.
2005-06: Implementation of VAT based taxation system in 26+ states in India.
2007: First GST Stuffy released by Mr. P. Shome in January; Finance Minister speech carries the introduction of GST in Budget; CST phase out starts in April 2007; joint working group created and reports submitted.
2008: EC rolls out the GST Structure of Taxation System in April 2008.
2009: Date proposed for Implementation as April 1, 2010.
2010: Department of Revenue commented on GST discussion paper and finance minister suggested probable GST rate.
2011: Team was created to lay down the road map for GST and 115th Constitutional Amendment Bill for GST was laid down by the Parliament.
2012: Negative list regime for service tax was implemented.
2013: Parliamentary Standing committee submitted its report on the Bill.
2014: 115th Amendment Bill lapsed and was reintroduced in 122nd Constitutional Amendment Bill

How efficient is India's tax system

A country with a population of over 1.3 billion people, an economy the size of China's and a per capita income that puts it among the top ten wealthiest countries in the world cannot be expected to have a perfect tax system. Yet there are many who feel that India has one of the best systems in the world. This is not surprising since most other developing nations do not even have a system at all.

But how efficient is India's tax system? A recent report by the World Bank, based on its own study and data from various international organisations such as the Organisation for Economic Co-operation and Development (OECD), suggests that the Indian system is far from perfect. The report says that despite the fact that tax revenues account for almost half of the government's budget, the collection rate remains abysmally low—just 13 per cent. In contrast, tax revenue in developed economies like Germany or Japan is about 60 per cent.

The poor performance of the Indian tax system is partly due to the fact that the country does not have a uniform tax structure. It has no sales tax, and only two indirect taxes: excise duty and customs duties. All other taxes are levied directly by states and local bodies.

However, the situation is even worse than what the report suggests. Tax evasion is rampant. Many Indians evade taxes through underreporting of income, fraud, smuggling and bribery. In fact, it is estimated that more than 90 per cent of India's total tax revenues are lost to corruption. For example, the Customs Department is supposed to collect Rs 700 billion in annual revenue, but it is believed that at least Rs 400 billion is siphoned off each year.
Income tax is the worst offender. The Income Tax Act was amended in 1976 to introduce the concept of "income without production". This meant that income from unearned sources such as interest, dividends and rents were taxed at a lower rate than earned incomes. But this led to widespread evasion. In fact, between 1991 and 1996, the income tax department collected less than 50 per cent of its targeted revenue.

Since 1994, the government has tried to solve the problem of under-reporting of tax by introducing a parallel system called the Goods and Services Tax (GST). Under GST, all goods sold in India will be taxed uniformly. This should help reduce tax evasion since every transaction will now become subject to tax. However, the implementation of GST has been plagued with problems.

India's GST tax reform

The Indian government announced a new Goods and Services Tax (GST) to replace the existing value-added tax. The new system was implemented from July 1, 2017. The aim of GST is to help bring down prices of consumer goods by making them cheaper as it removes the burden of multiple taxes on each product. It also seeks to reduce the cost of doing business in India. Let us look at the journey of tax reform in India.

The biggest problem is that the GST is complex and cumbersome. There are around 5,000 items that fall under the purview of GST. If any one of these is not properly defined as a taxable good or service, then it becomes difficult for the government to enforce the law. Moreover, since the government wants to tax everything except agricultural produce, the definition of what constitutes a taxable item has become extremely complicated. The result is that the process of registering new businesses and products under GST has slowed down drastically.

Another problem is that the GST Council, the body that decides the rates of taxation, is dominated by representatives of large industrialists and business groups. Since the council has no elected members, it is prone to be captured by vested interests.There is also the problem of the circular economy. The circular economy refers to the idea that goods and services can be reused instead of being thrown away after use.

The Goods and Services Tax is not the only problem. Another is the multiplicity of taxes levied by different states and local bodies. As a result, the government spends a lot of time collecting taxes from individuals and businesses. This is time-consuming and costly. Moreover, the government does not have enough trained manpower to manage the tax system.

Tax inspectors are required to inspect thousands of taxpayers every day, and there is a shortage of them. The number of inspectors is estimated to be just 10,000, which is barely one inspector for every 2 million people.

The tax system is riddled with loopholes. One of the main problems is that there are no uniform standards for assessing income and wealth. This means that a businessman in Delhi may not pay the same tax as a businessman in Mumbai.

Tax collection in India

The following figure shows that direct tax collection and indirect tax collection increased from Rs. 648966 crores and Rs. 1230177 crores in 2013-14 to Rs. 996185 crores and Rs. 2015743 crores in 2017-18. Direct tax and indirect tax collectively increased from Rs. 1879143 crores in 2013-14 to Rs. 1914207 crores in 2017-18.

Tax Revenue Collection In India (Rs. in Crore)

Year	Direct Tax	Indirect Tax	Total
2013-2014	648966	1230177	1879143
2014-2015	703508	1336518	2040026
2015-2016	752231	1583252	2335483
2016-2017	859481	1831969	2691450
2017-2018	996185	2015743	3011928

Contribution Of Direct and Indirect Taxes In Total Revenue

The following shows that direct taxes contributed 33.35% (on an average) in total tax collection,

whereas indirect taxes contributed 66.95% (on an average) in total tax collection. This shows that the amount received from indirect taxes is almost double than the amount received from direct taxes.

Percentage Share Of Direct And Indirect Taxes In Total Revenue

Year	Direct Tax	Indirect Tax	Total
2013-2014	34.54	65.46	100
2014-2015	34.49	65.51	100
2015-2016	32.21	67.79	100
2016-2017	31.93	68.07	100
2017-2018	33.07	66.93	100
Average	33.25	66.75	100

Where Does Money Come From?

The following table shows that general sales tax is the major contributor in indirect tax revenue collection followed by union excise duties, service tax, custom duty and state excise duty. While other taxes contributed Rs. 15008 crores in indirect tax revenue collection in 2017-18.

Indirect Tax Revenue Collection (Rs. in Crore)

Types	2013-14	2014-15	2015-16	2016-17	2017-18
Customs	172085	188016	210338	217000	245000
Union Excise Duties	169455	189038	287149	386415	405920
Service Tax	154780	167969	211414	247500	275000
State Excise Duty	85557	94178	106598	117925	134173
Stamp & Registration Fees	80528	87050	96203	96388	107804
General Sales Tax	475131	506106	550987	632474	710798
Taxes on Vehicle	37471	40927	46842	53581	62766
Entertainment Tax	2198	2385	2731	2905	3428
Taxes on Goods & Passengers	19578	19614	23373	26584	17023
Taxes & Duty on Electricity	22485	25733	31093	33112	36330
Taxes on Purchase of Sugarcane	163	1148	1532	3242	2493
Others	10745	14354	14990	14841	15008

Source: Indian Public Finance Statistics 2017-2018, Ministry of Finance.

Among various countries which have adopted GST, France was the first country to adopt GST in the year 1960. The following shows the GST models along with their applicability in different countries of the world.

GST Models Implemented By Various Countries Like Australia, China, USA, Brazil, Canada and India		
Name Of The Model	**Feature**	**Countries (Wherever Applicable)**
National GST	Tax imposed by Central government with provision for sharing revenue with states	Australia & China
State GST	Tax imposed by States	USA
Non - Concurrent Dual GST	GST on goods imposed by State & on services imposed by Central goovernment	
Concurrent Dual GST	Tax imposed by Central and State governments on both the goods and services.	Brazil, Canada and India
Quebec Model	Seperate taxation system for tax collection, administration and enforcements by provinces.	

List of GST Rates Applicable In Various Countries	
Name of Country	**GST Rates**
Netherlands	21%
United Kingdom	20%
France	20%
Germany	19%
India	0%, 5%, 12%, 18% and 28%
Russia	18%
China	17%
Pakistan	17%
Mexico	16%
New Zealand	15%
Australia, Brazil, Indonesia, Korea	10%
Japan, Switzerland	8%
Thailand, Singapore	7%
Malaysia	6%
Canada, Jersey	5%

Impact of GST on the Indian Economy: Advantages and Challenges of GST Implementation

(1) Impact of GST on the Indian Economy: GST will impact the overall taxation system of the Indian economy. It will improvise the country's GDP ratio and also control inflation to a certain extent. However, the reform will mainly be advantageous to the manufacturing industry but will make some things challenging for the service sector industry.

GST is expected to raise the GDP growth from 1% to 2%, but these figures can only be analyzed after successful implementation. Some countries have faced a mixed response in growth like New Zealand saw a higher GDP as compared to countries like China, Thailand, Australia, and Canada (Shokeen, Banwari, & Singh, 2017).

The GST rate is implemented in various slabs like 5%, 12%, 18%, and 28%, which will automatically provide great tax increments to the government and the manufacturing sector will face immense growth with a reduction in the tax rate. There is definitely something good for everyone. Various unorganized sectors enjoy the cost advantage equal to the tax rate which will be brought under GST. This will make various sectors like Hardware, Paint, Electronics etc. under the tax slab. GST requires everything to be planned meticulously for the organized rate of taxation. There are still lots of sectors that are to be discussed under GST and this requires proper planning. For the common man and different companies, the collection of Central and State taxes will be done at the point of time when sales originate, both components will be charged on manufacturing costs and price of the product will downgrade and consumption will thereby increase.

(2) Impact of GST on Various Sectors: Goods and Services Tax will unite the Indian economy into one common market under a single umbrella of taxation rates, leading to the easiness of starting and doing businesses, leading to an increase in savings and cost reduction among various sectors. Some industries will be empowered by GST because of the reduction in tax rates, while some will lose because of a higher rate of GST interests.

(3) In this section, we discuss various sectors and elaborate on the impact of GST on them: (i) IT Companies: GST will allow more implementation of digital systems and services. GST will increase the rate of tax from 14 -15% to 18%, which will increase the cost of electronic products like mobile phones, laptops, etc.

(ii) FMCG Industry: GST will have a significant impact on the FMCG sector. Some food items are exempted under GST like grains and cereals, milk, meat, fish, fruits and vegetables, candy etc. Before GST, FMCG companies paid 24-25% tax including Excise Duty etc. With GST, the rate of return would be 17-19% leading to a strong impact on production and consumption.

(iii) Online Shopping: With the introduction of GST, various Ecommerce companies will face much burden of work at the rate of filling taxes and costs will be increased.

(iv) Telecom Sector: With the current VAT charges of 15% being replaced by18% GST rate, the price of mobile calls, SMS, and broadband services would be impacted. This will have a negative impact on big telecom giants.

(v) Automobiles: GST will provide a reduction on the on-road price of vehicles to the max by 8% as per the latest report. Lower prices mean various automobile companies can boost up volumes and sales and have tremendous opportunities for expansion in India.

(vi) Small Scale Enterprises: There are three categories:

(a) below the threshold, need not register for GST,

(b) between threshold and composition turnovers will have the option to pay a turnover based tax or opt to join the GST regime,

(c) above the threshold level, will be within the GST framework. Manufacturers and traders will pay less tax after GST Implementation.

(vii) Entertainment: With GST, taxes can do down by 2 - 4%, but the rate of tax for cinema lovers will be increased. GST will soon comprehend with demands and bring the best for boosting up the film industry's business.

Challenges of GST Implementation: The following are some of the major challenges for GST implementation in India:

(i) Nature of Taxes: In India, there are various taxes like Central Excise, VAT, CESS, and other state-level taxes which will all be removed and come under one tax, that is, GST, but still lots of states and union territories have other taxes out from GST which has to be worked upon.

(ii) Types of GST: As GST would be of two types: Central GST and State GST and further division is required on the basis of utmost necessity and property-based like need, location, geography, and resources which has to be worked upon.

(iii) Rates of Tax: Still the tax rate is not fully finalized and lots more have to be worked upon considering the standard of living of people, etc.

(iv) Tax Management and Technology Infrastructure: It is of utmost necessity that proper management of tax and infrastructure is required to implement proper policies and plans.

International comparison of tax-GDP ratios indicates that India does not fare so well, compared to ratios of OECD countries or BRICS countries or even similarly placed economies.

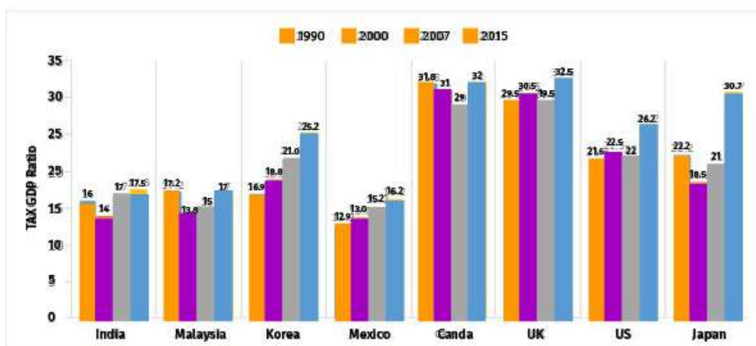
If we compare Indian figures with similarly placed global economies, we find that Canada and the UK have a tax-GDP ratio of about 37 per cent, while USA and Japan have a ratio of about 29 per cent, while Malaysia and Korea have a tax-GDP ratio of about 18 per cent, which is similar to that of India. Region-wise also, it can be seen that the OECD countries have a much higher tax-GDP ratio of about 31 per cent, while Europe and Central Asia have a ratio of about 27 per cent. At the same time, the ratio of the South Asian region, which includes India, and the African countries have a much lower ratio of about 17 per cent, indicating poor tax systems and insufficient penetration and that it requires a lot of catching up.

Therefore, it can be concluded that India is still a long way to go in reaching close to the ratio of developed countries. There is tremendous scope for improvement in India.
Tax reforms in policy and efficient tax administration can help to increase tax penetration in India. Even among BRICS countries, India has the lowest tax-GDP ratio. India still relies on Indirect taxes. Income Tax forms a major component of tax in developed countries whereas in India revenue from Income Tax is still low.

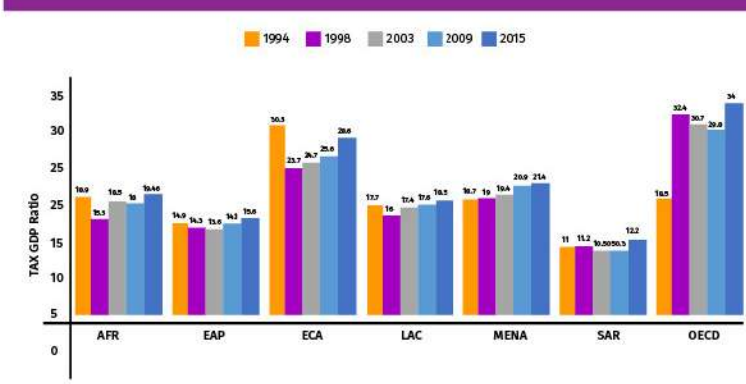
It is believed that the success of a tax administration depends upon broadening and deepening the tax base so that the incidence of tax is spread over a large population. However, in developing countries like India, it is always a challenge to broaden and deepen the tax base, especially because about 60 per cent of our population lives in villages that firstly depend on agriculture, income from which is not taxable and secondly have a very small income and therefore do not pay taxes. Also, even people living in urban areas have a large chunk of below taxable limit income. Besides, a very large population is below 18 years of age and therefore is not eligible to file tax returns. There is also a section of the populace who should be filing but do not file as they feel that they may not be caught.

Any tax administration needs to identify the potential taxpayers, persuade them to register and bring them under the tax net. Of course, it will require a lot of effort in terms of gathering data from various agencies and third parties, regarding transactions and income and identifying potential taxpayers, educating and helping them to meet their tax obligations. At the same time, habitual tax evaders will have to be dealt with strictly and suitable penalties and prosecution mechanisms will have to be evolved.

Tax-GDP Ratio of Different Countries



Tax-GDP Ratio - Region Wise



Comparison with BRICS Countries

Taxes as Percentage of Total Tax Revenue

Country	Tax GDP ratio (2015) %age	GDP Size in SD Trillion	GDP Growth % age
India	17.7	2.8	7.2%
China	20.1	11.80	6.5%
Brazil	34.4	2.14	0.2%
Russia	19.5	1.56	1.1%
South Africa	26.9	0.32	1%

Composition of Tax Revenues of Different Countries

Taxes as Percentage of Total Tax Revenue

	Individual Income Tax	Corporate Tax	Property Tax	Social Security Contributions	Payroll Tax	Total
India	12.4	20.9	0	0	65.9	0
Canada	37.4	11.0	9.9	14.4	23.6	1.9
USA	38.1	10.9	11	23.3	16.6	0
UK	30.1	9.4	12.6	18.4	29.2	0
Japan	19.5	16.8	8.9	36.4	17.9	0
Mexico	27	27	1.7	15.3	52	1.4
Korea	16.7	15.1	12.8	20.8	31.3	0
Malaysia	12.2	33.8	NA	0	27.1	0

Conclusion

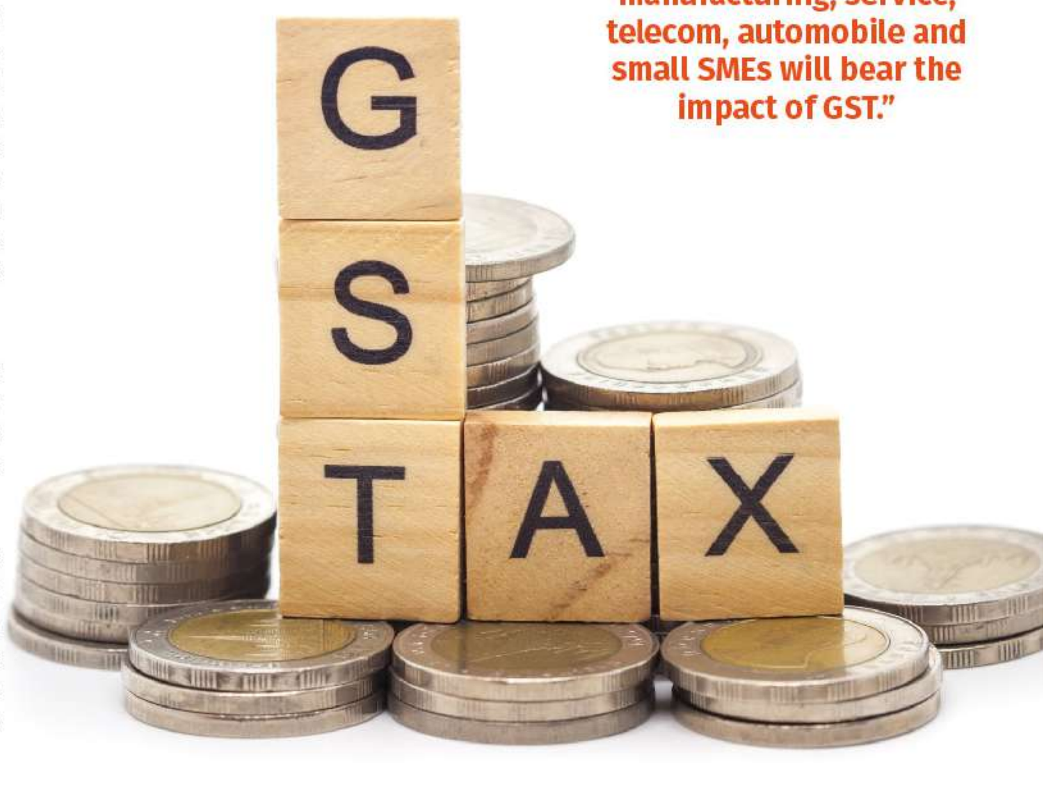
Primarily, the concept of GST was introduced and proposed in India a few years back, but implementation has been done by the current BJP government under the able leadership of Prime Minister Shri Narendra Modi on July 1, 2017. The new government was in strong favour of the implementation of GST in India by seeing many positive implications as discussed above in the paper. All sectors in India - manufacturing, service, telecom, automobile and small SMEs will bear the impact of GST.

One of the biggest taxation reforms- GST will bind the entire nation under a single taxation system rate. As forecasted by experts, GST will improvise tax collections and boost up India's economic development and break all tax barriers between Central and State Governments. No doubt, GST will give India a clear and transparent taxation system, but it is also surrounded by various challenges as discussed

Tax collection in India is dependent on indirect taxes. Corporation tax is the major contributor in direct tax revenue collection. General sales tax is the major contributor to indirect tax revenue collection.

The contribution of indirect tax in GDP is more than that of direct tax. Government should try to increase the share of direct tax in total tax revenue collection and for that structural reforms should be brought by the government. There is a high need to consolidate and simplify the tax laws.

"The new government was in strong favour of the implementation of GST in India by seeing many positive implications as discussed above in the paper. All sectors in India - manufacturing, service, telecom, automobile and small SMEs will bear the impact of GST."



ASSET PLANNING:

ITS IMPORTANCE AND HOW TO DO IT LIKE A PRO

How to do asset planning for an individual? How does one even begin? The answer is simple: you start with the end in mind. You have to know what you want to achieve before you can work out how best to get there. It's all about the end goal. And that, of course, is why I am here now, at this very moment.

You must have been thinking about your future. Your immediate future, that is. You are not sure how much longer you'll be able to hold out against the inevitable and retire. After all these years, you think you deserve a nice long retirement after a life well-lived. A house by the sea, maybe, somewhere warm and sunny. But right now, your immediate future involves you trying to save money or generate alternate streams of money that can help you to live many more years comfortably.

How to do asset planning?

The old saying about the value of a good plan is that it saves time in execution. This is especially true for any sort of military operation, where every hour spent preparing and planning can mean lives saved or lost later on. However, if you are not familiar with the basics of asset management, you might be spending your precious planning time on things that really don't matter.

A simple example would be an organization that has only one computer system running its entire business. If this computer crashes, there will be no way to recover the data. The company could lose everything—all their customer lists, all their invoices, all their sales records, and so on. Of course, this scenario is unlikely. It's more likely that the business will simply have to go back to doing things by hand until they get the computer up again. And while this may seem like a minor inconvenience, it's actually quite costly.

This is why we need asset management. Asset management is the process of keeping track of assets and making sure that these assets are being used properly and in the right ways. When you know what your assets are, how they're being used, and who is using them, you can make better decisions about how to use those assets to achieve your goals.

In short, asset management is about knowing what you have, where it is, and how to use it. In order to do that, you must first understand your assets and their potential uses.

Asset management is the process of identifying, classifying, tracking, controlling, managing, and maintaining all physical and intangible resources within an organization. It includes both people and equipment.

As a part of asset management, the following topics are important:
- Identify assets.
- Classify assets.
- Track assets.
- Control assets.
- Manage assets.
- Maintain assets.

Identify Assets

Assets are anything that has value. These can be tangible or intangible. For example, cash is a tangible asset. You can touch it, see it, feel it, and count it. Cash is therefore considered a tangible asset. Goodwill is an intangible asset. Brand reputation and recognition, as well as customer loyalty, are good examples. Coca-Cola, the brand name, is an intangible asset thanks to the recognition and customer loyalty it has gathered over its years of existence.

Tangible assets include things such as money, buildings, vehicles, land, and computers. Intangible assets include ideas, inventions, knowledge, skills, experience, and relationships.

Classify Assets

You can classify assets according to their usefulness. For example, you may have an active asset; this means that the asset is currently being used. An asset that is currently being used is easy to identify. For example, if you are using your car to drive from point A to point B, you can say that your car is an active asset.

B stands for backlogged. This means that the asset is waiting to be used. An asset that is in the process of being used is hard to identify. For example, if you have been investing in ELSS funds for tax saving purposes, then such investment can be called a backlog asset. Since ELSS funds have a lock-in period of three years.

C stands for critical. This means that the asset is needed immediately. An asset that is necessary now is very hard to identify. Usually, emergency funds are a classic example of critical assets. You never know when you will need it.

D stands for deferred. A deferred asset represents costs that have occurred, but because of certain circumstances, the costs can be reported as expenses at a later time. For example, if you have paid an insurance premium in advance, you can label it as a deferred asset. A deferred asset is an expenditure that is made in advance and has not yet been consumed.

"Assets are anything that has value. These can be tangible or intangible. For example, cash is a tangible asset. You can touch it, see it, feel it, and count it. Cash is therefore considered a tangible asset. Goodwill is an intangible asset."

Track Assets

Once you've identified an asset, you need to know how best to utilize it. Setting up a net worth statement is as easy as creating a simple checklist and doing some basic math.

1. List your assets (what you own), estimate the value of each, and add up the total. Include items such as:
- Money in your bank accounts
- Value of your investment accounts
- Your car
- The market value of your home
- Business interests
- Personal property, such as jewellery, art, and furniture
- Cash value of any insurance policies

2. List your liabilities (what you owe) and add up the outstanding balances. Include items such as:
- Mortgage
- Car loan
- Credit card balance
- Student loans

3. Subtract your liabilities from your assets to determine your personal net worth.

Manage Assets

Once you know where your assets are, how to control them, and who has access to them, you need to know how to manage them. Managing assets is the process of determining how the assets are used. For example, if you have decided that you will never use your car again, you can decide to sell it. That decision requires you to know who has the authority to make that decision, how much you can get for it, and when you should do it.

A successful asset management program will provide you with a clear picture of your net worth and its current status. By analyzing your assets, you can determine how to improve your overall finances.

The basic idea behind asset management is to have a system in place to help you find and control the assets and get your job done.

Asset Planning is not as easy as it seems. Seek the help of a qualified Financial Planner who can help you to utilize assets effectively, and ensure your retirement is worry-free.

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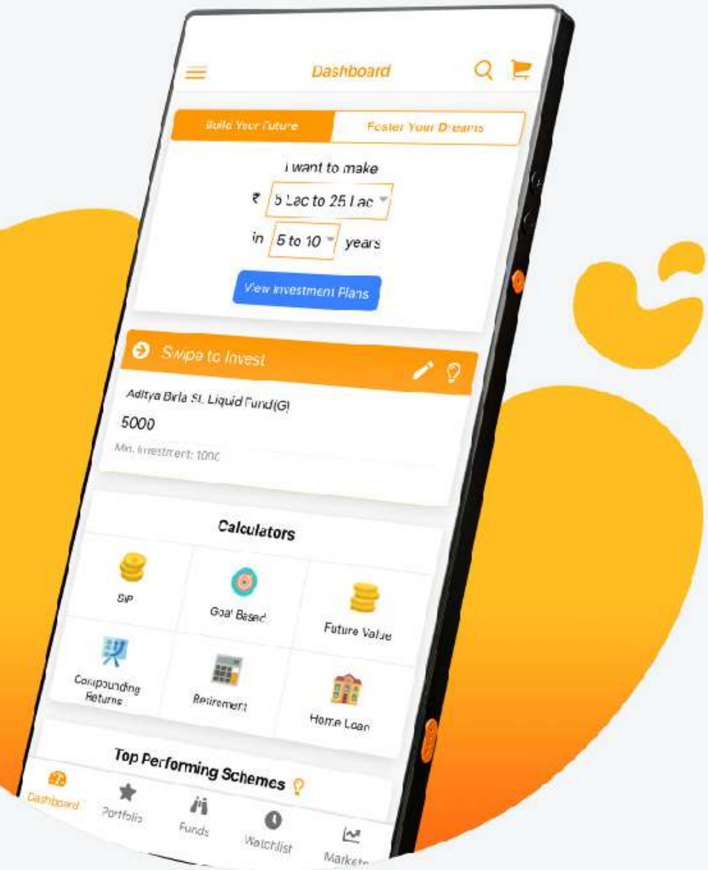

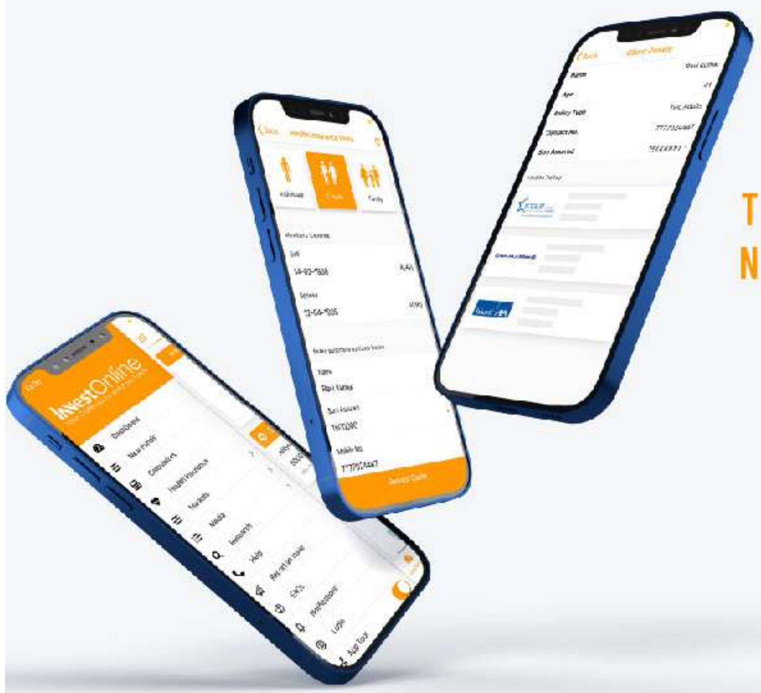

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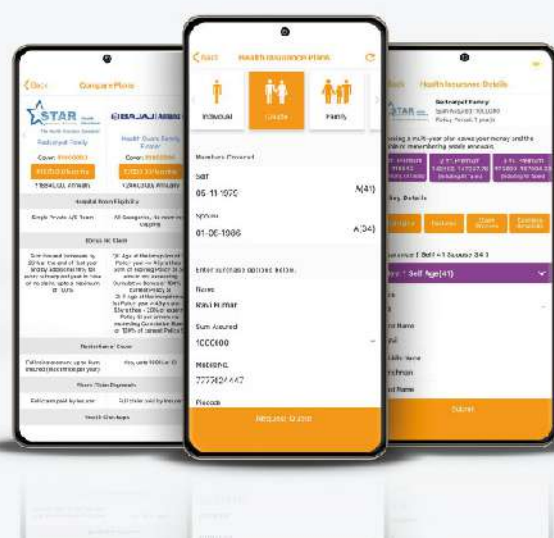

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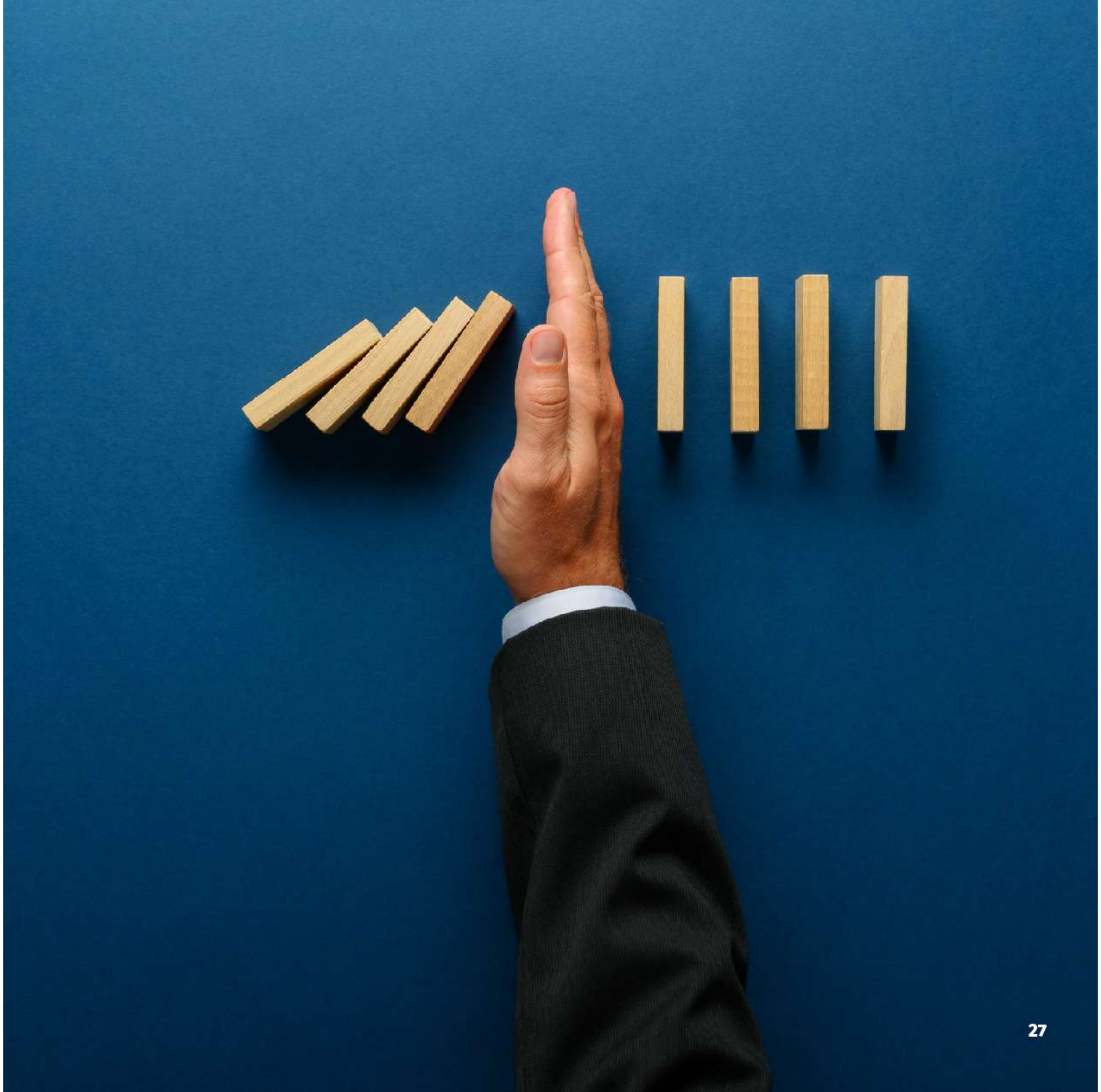
HOW TO PROTECT YOUR PORTFOLIO FROM VOLATILITY?



Warren Buffett, arguably the greatest investor in the world, says that there is only one rule of investing in markets: "Don't lose money." Fortunately, you don't need to have Buffett's financial knowhow to hedge against this recession. For those who have their life's savings or retirement funds invested in the market, there are a variety of steps you could take to keep yourself safe from volatility. Times of market volatility can often trigger emotional responses in investors, responses that can impact judgement and potentially affect long-term plans. Too often, investor emotion follows the ups and downs of the market. While market volatility is largely out of our hands, understanding how it occurs and the role of your longterm financial plan can help you weather the storm. Though often stressful, periods of volatility are an opportunity to connect with your advisor, enabling them to act as a sounding board for the concerns you may have. By talking about current events in light of your overall financial plan, your advisor can provide reassuring perspective to help you stay the course or readjust if your plan no longer aligns with your goals. Above all, maintaining perspective and investing intelligently are critical.

While most investors have faced the brunt of volatility, those with well-diversified portfolios have managed to minimize their losses.

Diversification

If you ever had any doubts about the benefits of portfolio diversification, then it is time to put them to rest.

The year 2020 was the year of market volatility and market recovery. Stock prices were responding to various developments on COVID-19 and also the announcement of economic packages by governments and RBI.

When you diversify your investments, you must try to invest in securities that have no correlation with each other. That means even if one security falls, it does not impact the returns of other investments in your portfolio.Many investors confuse diversification with hedging. While hedging is beneficial too, but at a time when the economy is under stress due to pandemic, hedging can be risky. This is because securities tend to become more correlated than normal. So, in a normal market if two securities have a negative correlation, then they might become positively correlated during such times. This could disrupt your hedging strategy. Hence, to reduce risks, ensure that you diversify by investing in securities with no correlation.

Change the Composition of Your Portfolio

Whether it's a boom or recession, institutional investors and the top 1% always seem to be making huge profits. Well, here is their secret: Portfolio Composition. Most (99%) investors have a very basic portfolio, comprising 70% stocks and 30% bonds. But this traditional portfolio composition doesn't work in times of recession. And that is why the top 1% have opted for a foolproof and marginally different strategy: investing 50% of their capital in stocks, 20% in bonds, and 30% in private market real estate. Real estate investment is suitable even for those who don't have very deep pockets.

Through Real Estate Investment Trusts (REITs), you can invest in real estate with low capital. This also helps to hedge the risk in the market by ensuring that you don't put all your eggs in one basket.

Keep Sufficient Cash for Emergencies

According to financial experts, quite possibly the worst thing you can do when the markets are falling is to sell your investments. Not only will you have to settle for pennies on the dollar, but it will also mean that you will miss the eventual market rebound.

Unfortunately, for those who do not have adequate cash in hand for emergencies, it might not be optional. Therefore, in addition to investing in dividend based securities, you must always have some cash stored separately for a rainy day, to help you survive the recession.

Why is balancing and rebalancing a portfolio so important?

The purpose of balancing a portfolio is to achieve your desired proportions of risk and return potential in your investment portfolio.When you first design and commit funds to an investment strategy, that is known allocating your assets. As a simplified example, you may want to have 70% of your portfolio in stocks and 30% in bonds. When you initially fund your portfolio in this manner, it would be what you consider a balanced portfolio.

The problem is that, over time, these allocations in your portfolio don't stay the same. Let's say the stock market's value doubles in five years while the value of the bond market grows but not nearly as much. The value of the stocks in your portfolio would become much greater than the value of the bonds, which puts your investment portfolio significantly out of balance.

You can and should rebalance your investment account to maintain a balanced portfolio over time. If your original risk tolerance spurred you to invest 70% of your money in stocks, then your rebalanced portfolio should be 70% stocks once again.

Remember, a good financial advisor is like a friend. Always seek the advice of a qualified financial planner. Many people think that investing is a DIY thing, but it is not. You need a good financial advisor to maintain personal finance. Many people due to their busy schedule don’t have the time to maintain their own finance due to lack of time & their other professional tasks, as financial planning requires time & attention, to meet the future needs. As many verities of asset classes are available a person needs to understand them first as per the future objective.

WHAT DOES US FEDERAL RESERVE'S TAPERING MEAN FOR INDIA?

The US Federal Reserve's announcement of tapering its massive asset purchase programme has sent markets in a frenzy. The emerging markets are seen as most vulnerable due to US FED's decision to abandon its accommodative policy that it has been pursuing since the financial crisis of 2008.

In India, the Foreign Institutional Investors (FIIs) have turned heavy sellers for the past two months. India's Sensex has plunged almost 6% from its high hit in October 2021.

Beginning from November, the US FED will be removing the first pillar of emergency monetary policy accommodation that was introduced in March 2020 as a stimulus for the Covid-19 pandemic.

What Does Tapering Mean For Emerging Markets?

Back in 2013, when the US FED opted for tapering, it created a rush of the fund out of emerging markets. India did witness a sharp currency depreciation in the past taper period of around 27% over the 2012 to 2018 period from 55 to ~70. However, our bond yields spiked only briefly and came back into control and dropped from 8.05% in 2012 to 7.37% in 2018. The currency has been very stable between 2018 and the present, depreciating by a total of around 4-5% as currency reserves have spiked by $250 bn. This should imply better stability of currency this time.

Moreover, with inflation converging with the west, there is a chance that our yields also converge more, as they have over the past 10 years by around 1.5%, over the next few years. It is feared that there will be a considerable outflow from the emerging economies that can hit their economies. Thankfully for India, the economic conditions are quite strong. Could this mean the Indian economy is resilient to global volatility? Probably. Experts feel that the present situation is quite different from the one that prevailed in 2008.

What Is Tapering?

Tapering refers to the policy of gradually withdrawing the monetary stimulus by the US Federal Reserve.

The Fed purchased massive Treasuries and mortgage-backed securities since the outbreak of Covid, to help the economy deal with its impact.

It had been buying $120 billion worth of treasury bonds and securities every month since March 2020. This totals to over $4 trillion and is also known as quantitative easing.

How Does US Fed Plan To Do So?

First, the US central bank will reduce the purchase of treasury by $10 billion a month. It had purchased $80 billion worth of treasuries in October.

In the same manner, it plans to reduce the purchase of mortgage-backed securities by $5 billion per month from $40 billion earlier.

The Fed said it may change the pace of the drawdown, if it continues at this pace it'll stop buying new assets by mid-2022.

How Will It Affect Consumers?

Benchmark interest rates have remained at near-zero levels for the better part of the last 13 years.

However, with Fed cutting back on its purchases, there are expectations that interest rates might go up -- even if marginally. The Fed also changed its timetable for interest rate increases to 2022 from 2023. So, the hike may happen sooner than expected.

Eventually, it may become costlier to buy a car, home or even to start a business as the cost of borrowing for mortgages and loans will go up.

What Does It Mean For The Bond Market?

India along with Indonesia is better placed to weather the impact of US FED's tapering programme due to the wider rate differential over Treasuries. This has resulted in the gain of 3%-5% returns for dollar-based investors. In comparison, lower-yielding bonds from Thailand and South Korea have handed losses of between 4.5-5%.

Since India and Indonesian Bonds offer a wider spread over Treasuries they are thought to be insulated from the bond sell-off, if it comes. India also has an advantage due to softer inflation print compared to other emerging markets. There are a lot of positive fiscal developments happening in India. India is expected to be the fourth largest private wealth market globally by 2028.

It must be noted that Foreign funds poured $3.3 billion into Indian bonds in the three months ending September, the most since the third quarter of 2017.

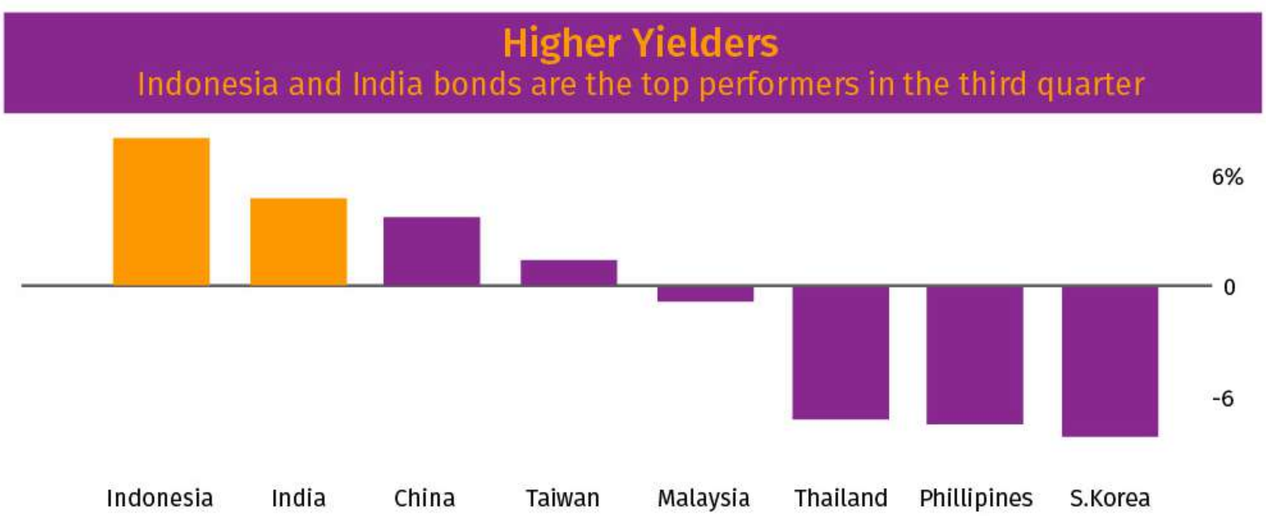
India is today one of the most vibrant global economies on the back of robust banking and insurance sectors. The relaxation of foreign investment rules has received a positive response from the insurance sector, with many companies announcing plans to increase their stakes in joint ventures with Indian companies. Over the coming quarters, there could be a series of joint venture deals between global insurance giants and local players.

Understanding Advantage India

India has emerged as the fastest-growing major economy in the world and is expected to be one of the top three economic powers in the world over the next 10-15 years, backed by its robust democracy and strong partnerships.

India's gross domestic product (GDP) at current prices stood at Rs. 51.23 lakh crore (US$ 694.93 billion) in the first quarter of FY22, as per the provisional estimates of gross domestic product for the first quarter of 2021-22.

The first Union Budget of the third decade of the 21st century was presented by Minister for Finance & Corporate Affairs, Ms Nirmala Sitharaman in the Parliament on February 1, 2020. The budget aimed at energising the Indian economy through a combination of short-term, medium-term and long-term measures. In the Union Budget 2021-22, capital expenditure for FY22 is likely to increase by 34.5% at Rs. 5.5 lakh crore (US$ 75.81 billion) over FY21 (BE) to boost the economy. Increased government expenditure is expected to attract private investments, with a production-linked incentive scheme providing excellent opportunities. Consistently proactive, graded and measured policy support is anticipated to boost the Indian economy.



The Indian bonds have a buffer of around 470 basis points over similar-maturity Treasuries. Even the Indonesian bonds are considered as vulnerable as the premium offered by won and baht bonds is around 70 basis points or lower on similar notes, thus making Indian bonds more attractive for dollar-based investors. There is a possibility of Indian bonds being included in the global bond indexes, and this could be a very positive trigger for Indian bonds.

In November 2020, the Government of India announced Rs. 2.65 lakh crore (US$ 36 billion) stimulus package to generate job opportunities and provide liquidity support to various sectors such as tourism, aviation, construction and housing. Also, India's cabinet approved the production-linked incentives (PLI) scheme to provide ~Rs. 2 trillion (US$ 27 billion) over five years to create jobs and boost production in the country.

Numerous foreign companies are setting up their facilities in India on account of various Government initiatives like Make in India and Digital India. Mr Narendra Modi, Prime Minister of India, launched the Make in India initiative with an aim to boost the country's manufacturing sector and increase the purchasing power of an average Indian consumer, which would further drive demand and spur development, thus benefiting investors. The Government of India, under its Make in India initiative, is trying to boost the contribution made by the manufacturing sector with an aim to take it to 25% of the GDP from the current 17%. Besides, the Government has also come up with the Digital India initiative, which focuses on three core components: the creation of digital infrastructure, delivering services digitally and increasing digital literacy.

India is expected to be the third-largest consumer economy as its consumption may triple to US$ 4 trillion by 2025, owing to a shift in consumer behaviour and expenditure pattern, according to a Boston Consulting Group (BCG) report. It is estimated to surpass the USA to become the second-largest economy in terms of purchasing power parity (PPP) by 2040.

As the US Federal Reserve gears up to taper its huge asset purchases, the impact on the Indian market is likely to be limited and there is unlikely to be a repeat of 2013 when it caused huge volatility across markets.

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Signs You Need To Plan For Retirement

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01

What makes retirement planning important is that you have to plan for it. You can't just decide one day, "I'm done with this shit." You have to plan ahead and make sure that you've got a financial cushion in place. If you're not careful, your life could end up like the characters from The Big Short, who lost their homes because they didn't have enough money saved. Or worse yet...

Equities Are Your Best Friend In Wealth Creation

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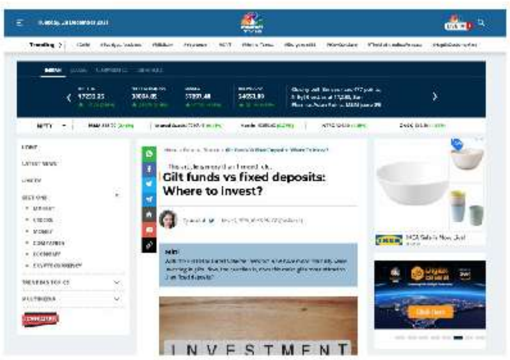
02

Equities are known to deliver inflation beating returns. At a time when the interest rates are low equities are one's best bet to shield one's wealth from destructive effects of inflation. Historically equities have delivered stellar returns ranging from 17 % to 22% per annum. The problem with equities...



Gilt funds vs fixed deposits: Where to invest?

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03

The Reserve Bank of India (RBI) has finally launched a scheme for retail investment in government securities called RBI Retail Direct. The scheme aims at greater retail participation in gilts. Before this move, retail investors could participate in the gilts through Debt Mutual Fund which required three years holding to qualify....

The Employees' Provident Fund Organisation (EPFO) has started crediting interest to provident fund accounts. The interest is being credited @8.5% for the financial year 2020-21. The interest rate was notified by EPFO vide their circular dated 30th October 2021......

Explained: How EPF Interest Is Calculated?

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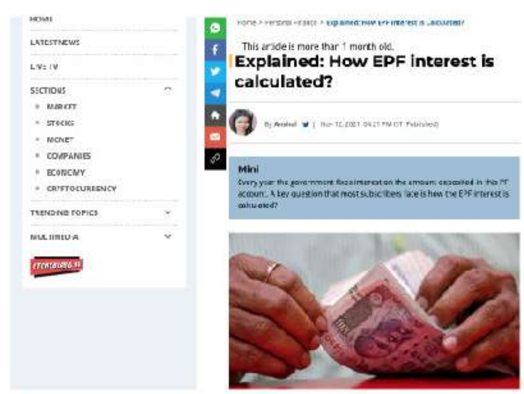
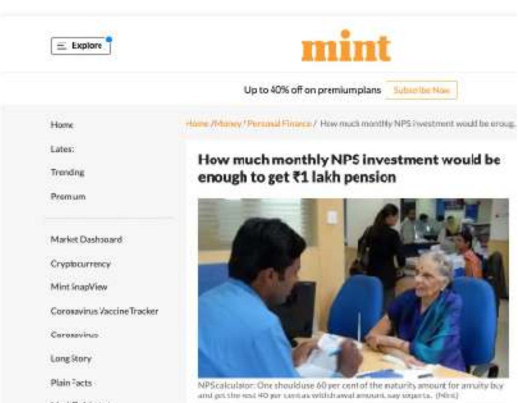
04





NPS Investment: How Much Should One Invest To Get Over 1 Lakh Pension Per Month?

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05

Many Indians rely on National Pension Scheme (NPS) for their retirement planning. NPS is a social security initiative undertaken by the Central Government whose aim is to provide a steady income for individuals after retirement.

It is common knowledge that the value of money gets eroded over the period of time. For example, if someone is 25 years now, and his monthly expenses .....

Fund Performance - Large Cap

Equity Diversified – Pure Large Cap	1yr	2yr	3yr	5yr	7yr	10yr
KOTAK BLUECHIP FUND (G)	27.74	21.92	19.29	16.51	12.59	15.44
PGIM INDIA LARGE CAP FUND REG (G)	20.97	17.09	16.23	14.17	10.66	14.56
CANARA ROBECO BLUECHIP EQUITY FUND (G)	26.75	21.99	18.07	16.16	11.18	14.19
BNP PARIBAS LARGE CAP FUND (G)	24.54	23.80	21.03	19.21	13.60	16.16

Fund Performance - Mid Cap

Equity Diversified - Mid Cap	1yr	2yr	3yr	5yr	7yr	10yr
PGIM INDIA MID CAP OPP FUND REG (G)	63.78	55.89	36.03	23.66	17.42	-
EDELWEISS MID CAP FUND REG (G)	50.26	37.83	25.94	20.72	16.28	23.33
BNP PARIBAS MID CAP FUND (G)	41.49	32.00	22.39	17.65	14.41	21.63
CANARA ROBECO EMERGING EQUITIES REG (G)	36.99	30.62	22.86	20.66	16.80	24.47

Fund Performance - Tax Saving

Equity Tax Saving	1yr	2yr	3yr	5yr	7yr	10yr
QUANT TAX PLAN (G)	59.83	53.24	34.22	25.83	21.66	21.46
CANARA ROBECO EQUITY TAXSAVER FUND REG (G)	35.13	31.19	23.98	20.89	14.60	17.84
BNP PARIBAS LONG TERM EQUITY FUND (G)	23.57	20.64	18.47	16.51	11.62	16.93
IDFC TAX ADVANTAGE REG (G)	49.20	33.08	21.77	20.19	15.20	19.62

SOME RECENTLY ANNOUNCED IPOs

Company Name	Listing Date	Issue Price	Lisiting Price	Listing Gains	Current Price	Current Gains
Supriya Lifesci	28-Dec-2021	274	425	55.11%	483.50	76.46%
HP Adhesives	27-Dec-2021	274	319	16.42%	407.00	48.54%
Data Patterns	24-Dec-2021	585	864	47.69%	759.75	29.87%
Metro Brands	22-Dec-2021	500	436	-12.80%	458.10	-8.38%

BEST PERFORMERS OF Oct to Dec 2021

A GROUP

Company Name	CMP 31-12-2021	Price On 01-10-2021	% Change
KPITTECH	612.9	338.30	81.17
MTARTECH	2,464.45	1,474.30	67.16
ESABINDIA	3,361.55	2,178.85	54.28
BSOFT	544.55	397.30	37.06
KENNAMET	1,850.15	1,357.05	36.34

BEST PERFORMERS OF Oct to Dec 2021

B GROUP

Company Name	CMP 31-Dec-21	Price On 1-Oct-21	% Change
ARL	267.20	86.00	210.70
BLBLIMITED	21.95	9.71	126.06
CELEBRITY	18.65	9.25	101.62
ADSL	138.30	76.10	81.73
CENTEXT	14.31	9.10	57.25

Some Recently Announced Dividends

Company Name	-Dividend- %	Ex-Dividend
GAIL	40	30-Dec-2021
Taparia Tools	700	30-Dec-2021
Can Fin Homes	75	23-Dec-2021
Brightcom Group	2.5	23-Dec-2021
Ram Informatics	5	23-Dec-2021

WORST PERFORMERS OF Oct to Dec 2021

A GROUP

Company Name	CMP 31-Dec-21	Price On 1-Oct-21	% Change
RBLBANK	127.05	193.55	-34.36

WORST PERFORMERS OF Oct to Dec 2021

B GROUP

Company Name	CMP 31-Dec-21	Price On 1-Oct-21	% Change
MASFIN	632.50	768.20	-17.66

Some Recently Announced Split

Company Name	Old FV	New FV	Split Date
SEACOAST SS	10	1	30-Dec-2021
Polo Queen Indu	10	2	30-Dec-2021
Andhra Sugar	10	2	30-Dec-2021
Sheetal Diamond	10	5	24-Dec-2021
HTal	10	5	23-Dec-2021
PTL Enterprises	2	1	23-Dec-2021
Algoquant Finte	10	2	23-Dec-2021

Some Recently Announced Bonus

Company Name	Bonus Ratio	Year : 2021 - DATE - Announcement	Record	Ex-Bonus
Vaxtex	2:3	13-Nov-2021	28-Dec-2021	27-Dec-2021
Rajnish Wellnes	5:4	13-Nov-2021	24-Dec-2021	23-Dec-2021
Kalpatarus	1:3	29-Oct-2021	17-Dec-2021	16-Dec-2021
Shankar Lal Ram	1:1	9-Nov-2021	17-Dec-2021	16-Dec-2021
Kewal Kiran	4:1	28-Oct-2021	17-Dec-2021	16-Dec-2021

INDICES PERFORMANCE OF Oct to Dec 2021

Company Name	Close 31-Dec-21	Prev. Close 1-Oct-21	% Change
BSE_Auto	24,817.60	23,814.74	4.21%
BSE_Metal	19,245.75	20,306.43	-5.22%
BSE_Midcap	24,970.08	25,224.20	-1.01%
BSE_Oil & Gas	17,508.03	18,368.71	-4.69%
BSE_SmallCap	29,457.76	28,215.62	4.40%

The Quarter That Was

Indices	31-Dec-21	1-Oct-21	Difference Points
Sensex	58,253.82	58,765.58	-511.76
Nifty	17354.05	17532.05	-178.00
Nifty-Junior	42217.9	42513.65	-295.75
CNX_Midcap	8410.75	8261.75	149.00
BSE_SMLCAP	29,457.76	25,224.20	4,233.56

Create New Financial Goals for 2022!
INVESTONLINE.IN wishes you'll a very Happy New Year!

Happy Investing!

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