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THE MEGA INFRA PUSH

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Tushita Nigam
Editor

BOLSTERING THE ECONOMY

The Union Budget 2023-24 was announced earlier this month, and Finance Minister, Ms Nirmala Sitharaman, presented a slew of measures to boost the country's economic development. A total outlay of ₹ 10 lakh crore has been proposed for capital expenditure across sectors, with infrastructure being the prime focus. In our cover story this issue, we delve into the details of this allocation and analyze how it is likely to impact India, as well as the private and public sectors.

Keeping the Budget announcements in mind, we have featured several articles in this issue that explore their impact on various sectors. These articles cover a range of topics, including the agriculture sector and its impact on the rural economy, which saw increased capex budget but cuts in certain sections, lab-grown diamonds and their future prospects, the significance of ethanol 20 as a fuel and its increased usage, changes in the structure of market-linked debentures, and taxation changes for insurance policies.

This issue also features insightful articles on the current economic scenario in India, with an in-depth analysis of the Economic Survey for 2023-24. We have also highlighted certain sectors that are likely to outperform in the coming year, explained the difference between commonly used but misunderstood terms such as "time in the market" and "timing the market," and discussed investing in hybrid funds – a category of mutual funds that can prove advantageous to one and all.

Furthermore, in the Beyond Learning section of this issue, you will find timeless wisdom on retirement from financial and investment guru, Naval Ravikant, whose insights will positively transform your lif**E.**

> "The Indian stock markets look good with the Nifty Futures having support at the 17,430 level."

Nifty: 17,392.70
Sensex: 59,288.35
(As on 27th Feb '23)

Inflation numbers, and the recently released minutes from the Federal Reserve's meeting showed that the Fed was determined to continue tightening interest rates in the US.

The Q3 corporate earnings of India Inc fell short of the market's expectations, leading to a cut in EPS estimate for the Nifty Index and various companies listed on the stock exchanges.

In the coming fortnight, the Indian stock markets look good with the Nifty Futures having support at the 17,430 level. On the upper side, it is likely to cross 17,850 and 18,100, thereafter.

Market participants can look at companies from the metals sector from trading and investment perspectives.

Going forward, one should be mindful of inflation figures as well as the Fed's action in the US.

Furthermore, they should be on the lookout for any measures by the government to revive consumer demand in India, like cuts in goods and services tax (GST), etC.

Disclaimer
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UNEXPECTEDLY RESILIENT

Strong fundamentals will prop up the Indian economy, despite global headwinds

India's financial health is robust as compared to several other countries and it will be the fastest-growing major economy in the next fiscal (FY24), the International Monetary Fund (IMF) said in its latest World Economic Outlook, pegging India's GDP growth rate at 6.1%.

This healthy performance will be on the back of its oft-stated strong economic fundamentals and against the backdrop of global growth that is likely to decline from an estimated 3.4% in 2022 to below the 3%-mark at 2.9% in 2023.

With respect to a few other countries, it should be highlighted that Saudi Arabia, which is projected as the fastest-growing economy in 2022 at 8.7%, is expected to witness a slowdown to 2.6% this year.

The United Kingdom could come under the grip of recession. The IMF projects a 0.6% slide in its GDP in 2023 while for the United States, its growth is estimated to slow down to 1.4% this year from the 2% of 2022.

Significantly, however, the economy of India's neighbour China is expected to do well in 2023. Its growth is estimated to move northward to 5.2% this year from the moderate 3% number of last year - this should make China happy.

While the rapid spread of Covid-19 in China dampened growth in 2022, the recent re-opening has paved the way for a "faster-than-expected recovery", it said.

INDIA: ECO SURVEY 2022-23 ESTIMATES

The IMF has estimated India's economic growth in FY24 at just above 6% at 6.1%. But the Indian government feels otherwise - it expects India's GDP growth to be higher, at a very healthy 6.5%.

The Economic Survey 2022-23 tabled in India's Parliament by its Finance Minister, Nirmala Sitharaman, estimates India's GDP growth rate at 6.5% in FY24, which, if achieved, should be considered a creditable achievement indeed.

The Survey projected GDP in nominal terms to be 11% in the next financial year (FY24) while the real GDP growth is likely to be in the 6% to 6.8% range.

Much would, however, depend on the global economic and political developments, which, in turn, will influence global economic developments in the next fiscal.

"The economy has nearly recouped what was lost, renewed what had paused, re-energized what had slowed during the pandemic," the Economic Survey stated.

India's apex bank, the Reserve Bank of India (RBI) also said that high-frequency indicators suggest that economic activity has remained strong in both the third and fourth-quarter of this fiscal (year ending 31st Mar '23).

GST NUMBERS

Furthermore, the new year began on a happy note for the Indian economy as the country clocked the second highest-ever Goods and Services Tax (GST) collection in January at a robust ₹ 1.56 lakh crore. This marks an increase of 24% as compared to the year-ago period.

A point to be highlighted here is that this is only the third time that the GST revenue collection has breached the ₹ 1.5 lakh crore-mark. The highest-ever collection was in April '22 at ₹ 1.68 lakh crore.

The Central Goods and Services Tax (CGST) stood at ₹ 28,963 crore while the State GST (SGST) stood at ₹ 36,730 crore. The Integrated GST

(IGST), inclusive of ₹ 37,118 crore collected on import of goods, stood at ₹ 79,599 crore.

In the October to December quarter (Q3 FY23), a total of 2.42 crore GST returns were filed till the end of the next month as compared to 2.19 crore in the same quarter of last year.

"Over the last year, various efforts have been made to increase the tax-base and improve compliance. The percentage of filing of GST returns (GSTR-3B) and of the statement of invoices (GSTR-1) till the end of the month, has improved significantly over years," the Indian Finance Ministry said.

RBI ON THE INDIAN ECONOMY

High-frequency indicators suggest that economic activity has remained strong in Q3 and Q4 of this fiscal (FY23).

- In agriculture, rabi acreage exceeded last year's area by 3.3% as on 3rd Feb '23,
- industrial production increased by 7.1% in November '22,
- capacity utilization in manufacturing is now above its long period average,
- a buoyancy was witnessed in port freight traffic, e-way bills and toll collections in December of last year,
- a strong discretionary spending helped sustain domestic demand,
- urban demand was marked by resilience - healthy passenger vehicle sales and domestic air passenger traffic are testimony to this,
- rural demand has witnessed improvement while investment activity, which is a very crucial requirement of economic growth is also gaining ground,
- non-oil and non-gold imports expanded in December '22 while merchandise exports contracted on weak global demand.

ECO SURVEY: INFLATION NOT TOO HIGH

The Economic Survey said that retail inflation would not put a spoke in the wheel of private consumption nor would it discourage investment. It said that the Reserve Bank of India's projection of retail inflation at 6.8% was neither too high nor so low as to either deter private consumption or weaken inducement to invest.

The Survey, however, said that entrenched inflation may prolong the tightening cycle and, therefore, borrowing costs may stay "higher for longer".

In India, both wholesale and retail inflation were on the higher side for large parts of last year, primarily caused by supply-chain disruptions following the Russia-Ukraine war in Europe, which is now a year old.

Here it must be highlighted that both Russia and Ukraine are very important producers of agricultural commodities such as wheat, maize, sunflower seeds as well as inputs like fertilizers. Therefore, both these countries, along with other countries bordering the Black Sea are considered as the world's breadbasket.

The Survey pointed to two silver linings in the scenario of subdued global growth - low oil prices and better-than-projected Current Account Deficit (CAD). Overall, the external situation will remain manageable, the Survey said.

INFLATION UP, IIP DOWN

The Consumer Price Index (CPI)-based inflation or retail inflation reared its ugly head once again in January when it climbed to a three-month high of 6.52% after remaining benign in the preceding two months of November and December of last year.

From 6.77% in October last year, it slid to 5.88% in November. It then moved further southward to 5.72% in December, giving rise to the feeling that inflation would be bridled in the last quarter of this fiscal (FY23).

An important highlight here is that the country's retail inflation reduced to below 6% in November '22 after remaining above the Reserve Bank of India's upper tolerance level for 10 months since January '22.

It may be recalled that the RBI has been mandated by the government to keep inflation at 4% with a band of plus/minus 2%.

While CPI or retail inflation slid to a year low of 5.72% in December, the Wholesale Price Index (WPI)-based inflation or wholesale inflation was at a

22-month low of 4.95%.

However, retail inflation breached the 6%-mark again in January at 6.52% fuelling concerns that inflation numbers would continue to see-saw for at least some more time to come. This 6.52% number is a three-month high number.

The Reserve Bank has projected inflation to average 6.8% in the current fiscal (FY23) before reducing in the next fiscal (FY24), which will commence from 1st Apr '23.

Moving from inflation to the IIP (Index of Industrial Production) number for December, it was disappointing for it declined to 4.3%, the Ministry of Statistics and Programme Implementation (MoSPI) said.

This number is well below the November revised figure of 7.3% - in the year-ago period (December '21), India's industrial growth was just 1%.

While the manufacturing sector output expanded by a small 2.6%, two other sectors - electricity and mining - clocked healthy growth, at 10.4% and 9.8%, respectively. The electricity sector incidentally registered the highest production in December.

For the April to December '22 period, India's industrial output was up 5.4% on a year-on-year (y-o-y) basis, down from the 15.3% in the first eight-months of **FY22.**

INDIRECT THRUST

The Union Budget's focus on capex and agriculture will have a multiplier effect on the rural economy, offsetting cuts in some rural-focussed themes

Union Budget 2023-24 is being criticized by observers for not prioritizing the rural economy. The basis for this is the reduction in budgetary allocations for certain rural-focused schemes.

There is no denial that India's rural sector is experiencing various challenges, including high inflation, unfavourable weather conditions, increased costs of agricultural inputs, and the after-effects of the Covid-19 pandemic. As a result, some people anticipated that the Budget would be more populist in nature, with measures aimed at increasing rural consumption.

But it is also true that the Budget's focus on building infrastructure, while still adhering to the fiscal consolidation path, will have a multiplier effect on the rural economy too.

Simultaneously, the government has not shied away from allocating funds towards productive rural schemes such as drinking water, housing, and irrigation. Additionally, allocating sufficient funds to the agriculture sector will give a much-needed boost to the rural economy in the short term.

Many important provisions have been made in the Budget for the betterment of agriculture and farmers' welfare. These include increasing the agriculture credit to ₹ 20 lakh crore for FY23-24 and promoting millets and start-ups.

ALLOCATIONS

The Rural Development and Agriculture and Welfare ministries are nodal ministries that are responsible for implementing developmental and welfare programmes in rural areas through various schemes.

In the Budget, the allocation to the Rural Development Ministry was cut by 2.1%. But budgetary spending for the Agriculture and Farmers' Welfare ministry has been increased by 5.1% at ₹ 1,25,036 crore for FY23-24 as compared to the revised estimate for FY22-23.

The lion's share of allocation is taken up by several schemes, including the Mahatma Gandhi Rural Employment Guarantee Scheme (MGNREGA), which offers employment on demand, the Pradhan Mantri Awas Yojana (PMAY) for affordable rural housing, and the Pradhan Mantri Gram Sadak Yojana (PMGSY) for the construction of rural roads.

The allocation for MGNREGA has been slashed by 33% to ₹ 60,000 crore for FY23-24 as compared to the revised estimate of ₹ 89,400 crore for FY22-23. However, there has been a huge increase in the budgetary allocation for the PMAY-Rural scheme, which has been set at ₹ 54,487 crore for FY23-24, up from the revised estimate of ₹ 48,422 crore for FY22-23 (and from the ₹ 20,000 crore for budget estimates for FY22-23). The budgetary allocation for PMGSY has remained the same at ₹ 19,000 crore for FY 2023-24 as the previous year.

The total provisions for food and fertilizer subsidies also have been lowered in the Union Budget. The estimated allocation for food subsidy in 2023-24 is ₹ 1,97,350 crore, which is 31.3% lower than the revised estimate for FY2022-23. Similarly, the estimated expenditure on fertilizer subsidy in 2023-24 is ₹ 1,75,100 crore, a decrease of ₹ 50,120 crore (22.3%) from the revised estimate of the previous fiscal year.

CUT OR NORMALISATION!

Some argue that the reduction in allocation to rural development schemes represents a return to the pre-Covid era, rather than a deliberate cut in allocation of funds. The pandemic has caused the government's revenue expenditure to increase over the past two fiscal years, resulting in a higher welfare spending and a bloated subsidy bill.

Given this, the government's expenditure composition in this year's Union Budget has moved away from revenue (which is mostly non-asset generating) to capital (which is mostly asset generating).

As per data by ratings agency Crisil, the percentage of GDP allocated to the three key schemes - MGNREGA, PMAY-Rural, and PMGSY - has fallen from its peak of 0.8% of GDP in FY21 to 0.5% of GDP in FY24, which is similar to the ratio observed before Covid.

Another example is that of a higher level of food subsidy budgeted in FY21-22 and FY22-23 mainly on account of Pradhan Mantri Garib Kalyan Ann Yojana, which provided free additional food grains to the poor to help mitigate the impact of the Covid-19 pandemic. But the distribution of extra food grains has been ceased since December '22. The funds were reallocated to other areas, saving funds for the government.

Even the fertilizer subsidy was increased substantially by the government due to Covid-related logistics challenges and subsequent increase in international prices of raw materials. However, with prices now having decreased by one-third, the government is able to return fertilizer subsidies to pre-Covid levels.

THE THOUGHT PROCESS

What gives the confidence to the government that rural India will not need as much funds as before? Despite the current stress in rural areas as seen by lower consumption, there are indications that the situation has started to improve compared to the pandemic era.

According to Crisil, there has been a notable improvement in rural livelihoods in recent months, led by broad-based economic recovery. The growth in rural wages has risen to 6% y-o-y during the October-November '22 period, up from 4.4% between April and June '22, and a low of 2.2% to 3% during the pandemic. This

FEW ANNOUNCEMENTS IN THE UNION BUDGET FOR AGRICULTURE SECTOR

• Agricultural credit target to be increased to ₹ 20 lakh crore
• An Agriculture Accelerator Fund will be set up to encourage agri start-ups in rural areas
• A sub-scheme of PM Matsya Sampada Yojana will be launched with an investment of ₹ 6,000 crore to support fishermen, fish vendors, and MSMEs
• Decentralized storage capacity will be set up for farmers to store their produce
• PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth (PM-PRANAM) will be launched to incentivize states/UTs to promote the balanced use of chemical fertilizers and alternative fertilizers
• Outlay of ₹ 2,200 crore towards Atmanirbhar Horticulture Clean Plant Program to boost the availability of quality planting material
- Digital public infrastructure for agriculture to be built to enable farmer-centric solutions for support and growth of the agri-tech industry and start-ups
• Critical infrastructure projects to be undertaken for improving supply chain logistics of fertilizers and food grains

positive trend has been attributed to the rural economy benefiting from higher agri exports driven by rising global prices and people returning to urban areas.

With migrant workers returning to cities and towns, the demand for schemes such as MGNREGA is expected to decrease compared to past years. This trend is also being supported by a recent fall in rural inflation, which is beginning to improve the purchasing power of rural India, aiding the government's thought process.

The government has taken the bold step of channelling these funds towards sectors such as infrastructure that require support. This initiative is vital in maintaining the country's economic growth rates, particularly during a time when global growth is facing huge challenges.

FINALLY - THE MULTIPLIER EFFECT

It is typical of the BJP-led government to prioritize the development of infrastructure (to give a supply-side boost to the economy) rather than offering cash and doles (to boost consumption in the economy and give a demand-side boost).

Thus, the Union Budget has allocated a significant sum of ₹10 trillion for capital expenditure (capex), which is a substantial 37% increase from the previous year's revised estimates and the highest in 15 years. This capex push will primarily benefit Railways and Roads. The increased capex in major infrastructure projects is expected to have a positive impact on job creation and economic growth over the next several years, benefiting both urban and rural areas.

Despite the limited direct consumption push in the budget, there is still reason to be optimistic about rural India. The newly introduced income tax changes, which provide a rebate to individuals with incomes up to ₹7 lakh and allow them to pay zero tax, will aid savings and boost consumption in rural areaS.

WHAT THE ECONOMIC SURVEY SAYS ABOUT THE RURAL ECONOMY?

India's agriculture sector has grown at an average annual rate of 4.6% in the last six years. In 2021-22, it grew by 3%, lower than 2020-21 (3.3%). India has also emerged as a net exporter of agricultural products with exports reaching an all-time high of US $50.2 billion in 2021-22. This was driven by promotion of farmer-producer organizations, crop diversification, and support provided for mechanization and the creation of the Agriculture Infrastructure Fund.

The Survey noted that the agriculture sector faces certain challenges in the form of climate change, fragmented land holdings, sub-optimal farm mechanization, and low productivity. The production of food grains and oil seeds has been increasing year-on-year. However, wheat production was adversely impacted in 2022 due to an early heat wave.

Allied sectors of Indian agriculture, including livestock, forestry and logging, and fishing, are becoming a potential source of better farm incomes. The Survey observed that there has been a consistent increase in institutional agricultural credit.

THE MEGA INFRA PUSH

The Union Budget 2023 has proposed a ₹10 lakh crore capex to kick start the private investment cycle. But it faces a Herculean task given weak external sectors, inflation and global recessionary clouds

In his book, 'The Audacity of Hope', former US President Barack Obama in 2006 outlined his vision for America and the world. One of the key themes of the book is investments in infrastructure such as roads, bridges, and public transportation to create jobs and boost economic activity.

Overall, his book provides a broad framework for thinking about economic policy, emphasizing the importance of infrastructure, progressive taxation, and support for small businesses and entrepreneurship.

The Union Budget FY23 presented by Finance Minister Nirmala Sitharaman echoes similar sentiments as it embarks on a record, unprecedented capital expenditure on infrastructure building to boost growth and bring India out of the middle-income country trap and make it a developed nation, which is not possible without over 8% GDP growth for a sustained period.

The larger theme of Union Budget 2023-24 is a big bet on capex to deliver trickle-down benefits, create jobs, boost incomes and lift economic growth, all while maintaining fiscal deficit targets.

HOW BIG IS THE GOVERNMENT'S CAPEX BET?

The central government plans to spend ₹ 10 lakh crore on capital expenditure in 2023-24, which is more than three times the spend five years ago and double from ₹ 4.26 lakh crore expenditure in 2020-21.

This is the third consecutive year of increase in capital investment outlay, which also includes an enhanced transfer to the tune of ₹ 1.3 lakh crore to states in the form of interest-free loans.

The 65 bps increase in capex-GDP is the biggest quantum of increase since FY08 (77bp). The FY24 capex would also account for the highest share of total expenditure, at 22%, in the last 15 years and a 10 percentage point increase compared to pre-pandemic levels in 2019-20.

Overall, the total capex by the union government and public enterprises is budgeted to rise to a six-year high of 4.9% of the GDP in FY24.

THE FUNDING

To fund this large increase, the Finance Minister has relied on a whopping 33% cut in the Mahatma Gandhi National Rural Employment Guarantee Scheme expenditure and an 11% tax revenue growth from last year.

Part of the reduction in the size of the revenue expenditure (106 bps) has been directed towards ramping up the capital expenditure.

This is the first time, based on Budget data from 2009-10 to 2023-24, that social sector expenditure as a share of the total expenditure has been lower than 20%. For financial year 2023-24, at ₹ 8.28 lakh crore, it is 18% of total government spending.

THE RATIONALE

The Union Budget 2023-24 strategized a structural shift in favour of capital expenditure to push growth.

According to industry experts tracking the Indian economy, the capital expenditure support was essential in a year when global shocks, rising domestic interest rates and waning of one-time lift in contact-based services are expected to bring down economic growth.

Government capital expenditure is known to generate higher multiplier effects. The RBI has estimated the central government capital expenditure multiplier at 2.4 in the first year and at an even higher level in the second year.

The capex with a focus on infrastructure assets, including roads, railways, airports and logistics augurs well for sectors, such as cement, steel and construction.

The government has largely stuck to its medium-term path of lifting the productive capacity of the economy through higher infrastructure spend rather than directly boosting consumption in a pre-election year.

"We believe that India will decouple from macroeconomic projections of the current vintage and also from the rest of the world. In our view, the instrument of decoupling will be the Union Budget by raising India's growth prospects over the period 2023-27; and raising India's potential growth," according to the country's apex bank, the Reserve Bank of India.

It said the Budget's tax, capex and fiscal consolidation proposals can take India's real GDP growth close to 7% in 2023-24 if they are effectively implemented.

"The Union Budget 2023-24's emphasis on capital expenditure is expected to crowd-in private investment, strengthen job creation and demand, and raise India's potential growth," the Reserve Bank said.

India Ratings expects the move to support and reinvigorate the investment demand in the economy which hopefully will crowd in the much-awaited private investment.

First, by continuing to push infrastructure capex, the Budget tries to indirectly support the consumption cycle through employment creation. This is complemented by direct tax changes, which will mildly support consumption demand from households.

The tax concession to the lower income brackets will leave more money in their hands providing some support to low-ticket consumption items, which are awaiting recovery.

Second, with one of the seven Saptarishi pillars dedicated to 'green growth', the Union Budget gives this year a bigger push to facilitate the green transition and reduce carbon intensity.

In addition to the recent allocation for the Green Hydrogen Mission, this Budget also facilitates investment and a shift towards greener fuel, energy, mobility, and methods of farming and efficient use of energy. A mix of fiscal support through capex and subsidies is being pursued.

THE CAPEX PROJECTS

The capex increase is primarily for three ministries - the Ministry of Railways, Ministry of Road Transport and Highways and capital outlay on Defence Services - which account for 66% of total capital expenditure.

In addition, the financial assistance to states in the form of a 50-year interest-free loan for capital investment projects has been raised by 71% over the current year's Budget to ₹ 1,30,000 crore.

Among the big ticket items in capex agenda are 100 critical transport infrastructure projects, for last and first-mile connectivity for ports, coal, steel, fertilizer, and food grains sectors with an investment of ₹ 75,000 crore, including ₹ 15,000 crore from private sources.

The other potential areas are 50 additional airports, heliports, water aerodromes and advanced landing grounds, which will be revived for improving regional air connectivity and allocation of ₹ 10,000 crore annually under the Urban Infrastructure Development Fund for urban infrastructure in Tier-2 and -3 cities.

The industry also hopes to leverage the government's boost to agriculture with a budget of ₹ 20 lakh crore for the upliftment of the sector.

The Atmanirbhar Clean Plant Programme, with an allocation of ₹ 2,200 crore, will promote the private sector to establish plants in line with the Make in India campaign.

There's also a boost of ₹ 35,000 crore for energy security, energy transition and net zero objectives, doubling of allocation for FAME 2 scheme for electric vehicles and for providing viability gap funding for Battery Energy Storage System.

The subsidy under the FAME scheme for fiscal 2024 is projected at ₹ 5,172 crore, compared with the revised estimate of ₹ 2,897 crore in the current fiscal, the highest allocation under the scheme since its launch in 2020.

The pharmaceuticals sector gets 12% increase in the Union Budget for healthcare in FY24 as an incentive to expand healthcare access to the masses and the domestic pharmaceutical market.

The big capex push will also help crowd in private sector investment in areas like electronics with production-linked incentives for large-scale electronic manufacturing receiving a whopping ₹ 4,499.04 crore estimate for this year's Budget.

In Defence, the budgetary allocation towards capital expenditure for procurement of new armaments is ₹ 1.62 lakh crore, which will draw in private capital for modernization and infrastructure development of the defence services.

RAILWAYS

The Union Budget has also offered the highest ever capital outlay for Railways at ₹ 2.4 lakh crore, the highest-ever and about 9 times the outlay made in 2013-14.

This is likely to incentivize private capital flow into areas such as hydrogen trains and Vande Metro, a mini version of the Vande Bharat Express trains, which is also being developed for intra-city travel.

The Railway Ministry has also invited participation from private players in passenger train services.

While internal and extra-budgetary resources (IEBR) for the Indian Railways was ₹ 86,000 crore in FY23, it is only ₹ 20,000 crore in FY24BE.

The government tried to bail out the Railways by substituting a large portion of IEBR funding with Budget funding for capex to keep the finances evenly balanced.

The curbs on borrowings by the Railways and NHAI indicate the government's intent to deploy its Budget capex in areas where the spending capacity is high.

Also, the cost of borrowings by the sovereign itself is seen to be lower than government-managed entities.

THE HITCH

Despite the government's numerous efforts to boost infrastructure investment, recent data from the National Statistical Office shows that fixed investments in fiscal year 2023 still remain 5% below the levels that were seen pre-Covid.

While central government capital expenditure has been strong and focused on the right areas, more support is needed from states and the private sector.

However, private sector investment has remained low owing to the reluctance of most firms to invest in new capacities, even though the companies have healthy balance sheets.

The increased government capex outlay, while beneficial in the short term, may not change the overall investment situation significantly.

Private sector capacity utilization remains at 75%, and most companies are still hesitant to invest in new projects.

Despite high sales growth, margins have plummeted and asset utilization ratios remain below pre-Covid levels.

It may be challenging for the government to boost growth through effective demand alone unless private investment takes off.

The government's final consumption expenditure and gross capital formation are estimated to be around 15% in 2022-23, which is a small component of the total domestic demand in the system.

Nevertheless, the government has adhered to its medium-term strategy of boosting the productive capacity of the economy through higher infrastructure spending, rather than directly increasing consumption in a pre-election year.

The government has demonstrated a strong commitment to spurring investment through its capital spending, which has seen aggressive growth for the fourth consecutive year.

However, it faces a Herculean task given the weak external sectors, inflation and global recessionary clouds.

SYNTHETIC SHINE

The government's focus on lab-grown diamonds will give rise to a sustainable and ethical alternative to mined diamonds

T

he enduring phrase "diamonds are forever" may take on a new meaning with the rise of lab-grown diamonds. These stones boast the same composition and quality as their natural counterparts but at a significantly reduced cost. The only difference is that they are created in a laboratory rather than being mined from the earth.

In this year's Budget speech, Finance Minister Nirmala Sitharaman announced that the Indian government would be focusing on the growth of lab-grown diamonds (LGDs).

"Customs duty on the seeds used in lab-grown diamond manufacturing will be reduced," Sitharaman said adding that grants would be provided to Indian Institutes of Technology (IITs) to aid in the growth of LGDs in India.

Sitharaman announced that the government had eliminated the 5% customs duty on the seeds utilized for creating rough LGDs. The decision has been taken with a view to bring down the cost of production of lab-grown diamonds.

LGD is a technology-and innovation-driven emerging sector with high employment potential, Sitharaman said during her speech.

Lab-grown diamonds, also known as synthetic diamonds, are man-made gems that possess the same chemical and physical properties as natural diamonds.

They are created in a laboratory setting using advanced technology that simulates the conditions necessary for diamond formation in the earth's mantle.

Lab-grown diamonds have been gaining popularity over the past few years as a more sustainable and ethical alternative to natural diamonds. This is because the mining of natural diamonds has been associated with a range of negative environmental and social impacts, including deforestation, water pollution, and human rights abuses.

GROWING POPULARITY OF LAB-GROWN DIAMONDS

According to experts, lab-grown diamonds outperform natural diamonds in every way, essentially because they can be cooked to be defect-free, whereas only 2% of natural diamonds are defect-free.

Since they are lab grown, they can be made to be flawless or given a colour of choice, even colours that do not exist in natural diamonds, such as green and pink.

Apart from their use in the making of ornaments, high-purity diamonds are needed for an assortment of emerging technologies, such as high-power electronics, 5G/6G base station electronics, sensors, magnetometry and quantum computing.

Furthermore, lab-grown diamond crystals of sizes between 1 and 3 carats are at least three times cheaper than natural diamonds of the same size.

However, lab-grown diamonds may be purchased for less than $1,000 (about ₹ 82,500), making them a beautiful and economical gift.

"The demand for lab-grown diamond solitaires has doubled in a year. Due to price drop, LGD has become further affordable for customers even as profits have dropped for the manufacturers," according to Lab Grown Diamond Association President Babu Vaghani.

The US is the largest market for diamond jewellery, and as a result, natural diamond consumers there are switching to lab-grown diamond choices due to inflation and globally the trend is picking up, including in India.

As a result, the production of Chemical Vapour Deposition (CVD), which was just 2. 5 lakh carats last year, has reached 5 lakh carats.

High Pressure High Temperature (HPHT) and CVD technologies are used to manufacture lab-grown diamonds (LGD), with CVD being the favoured method for solitaires.

WHAT ARE LAB-GROWN DIAMONDS

The process of creating lab-grown diamonds involves two main methods: High Pressure High Temperature (HPHT) and Chemical Vapor Deposition (CVD).

Both methods involve the use of specialized equipment and a controlled environment to grow a diamond seed into a larger, fully formed diamond.

The HPHT method involves placing a small diamond seed in a high-pressure press and heating it to very high temperatures (up to 2,200°C) while subjecting it to intense pressure. This causes carbon atoms in the seed to bond together, forming a larger diamond crystal.

The CVD method involves placing a diamond seed in a vacuum chamber and using a mixture of gases to deposit carbon atoms onto the seed, causing it to grow into a larger diamond.

One of the advantages of lab-grown diamonds is that they are indistinguishable from natural diamonds to the naked eye. They have the same brilliance, clarity, and durability as natural diamonds, and can be cut and polished using the same techniques. They are also available in a range of colors, just like natural diamonds.

Another advantage of lab-grown diamonds is that they are typically less expensive than natural diamonds, making them a more affordable option for consumers who want the look and feel of a diamond without the high price tag.

This is because the cost of producing lab-grown diamonds is lower than the cost of mining and processing natural diamonds.

Lab-grown diamonds also have a smaller environmental footprint than natural diamonds. The mining of natural diamonds requires the removal of large amounts of soil and rock, which can cause erosion and habitat destruction.

In addition to this, the energy required to mine, process, and transport natural diamonds contributes to greenhouse gas emissions and other forms of pollution.

Lab-grown diamonds, on the other hand, can be produced using renewable energy sources and with minimal environmental impact.

Finally, lab-grown diamonds offer a more ethical option for consumers who are concerned about human rights abuses associated with the mining of natural diamonds. In some countries, diamond mining has been linked to forced labour, child labour, and other forms of exploitation.

By choosing lab-grown diamonds, consumers can be confident that their purchase is not supporting these practices.

RESEARCH ON LAB-GROWN DIAMONDS

Budget 2023-24 has provided ₹ 242 crore to IIT-Madras to develop this technology. The institute plans to set up a National Centre for Lab-Grown Diamond for this purpose.

Today, there is no indigenous technology to make high-quality mother seeds, but in a few years, there could be.

Unlike in the cases of solar modules and electrochemical batteries, the Centre appears determined not to miss the bus.

While the development of indigenous technology is a long-term solution, for the short-term, the Budget has also done away with the 5% customs duty on imported seeds, to make India's lab-grown diamonds competitive.

There is a lot of research going on around it and the focus is on India becoming one of the largest manufacturers and exporters of lab-grown diamonds.

During the Budget Sitharaman said, "Lab-grown Diamonds is a technology and innovation-driven emerging sector with high employment potential. These environment-friendly diamonds have optically and chemically the same properties as natural diamonds. To encourage indigenous production of LGD seeds and machines and to reduce import dependency, a research and development grant will be provided to one of the IITs for five years."

Indian Institute of Technology Madras (IIT Madras) will be provided a grant of ₹ 242 crore over a period of five years to undertake research on Lab-Grown Diamonds (LGD). This research will be focused on driving indigenization of the LGD manufacturing process.

The research grants will go towards various departments and research groups of the Institute that are involved in this field. IIT Madras has a history of undertaking cutting-edge and translational research with significant applications in industry and society.

The global diamond market demands bigger and higher pure lab-grown diamond crystals for commercial and electronic applications.

There is a need for research and development to conduct systematic studies to optimize the process parameters to grow high pure large-volume and scalable diamond crystals, which will help India to become the world leader in lab-grown diamonds.

The core faculty from Physics, Mechanical Engineering and Electrical Engineering departments of IIT Madras also have a good number of core researchers with expertise in various requirements listed above; the upcoming centre will also recruit a good number of additional man-power to run the research on LGD that would be established at the IIT Madras Research Park and IIT Madras laboratories.

IMPORTS AND EXPORTS OF DIAMONDS

India introduced diamonds to the world and for centuries, until its mines in Madhya Pradesh and Andhra Pradesh went dry, it had a near-monopoly in the production and supply of the stones.

However, as production declined, India became an importer of rough diamonds, but managed to retain its position as the top cutter and polisher of the stones.

In April–December '22, the country exported $16.62 billion (₹ 1.32 lakh crore) worth cut and polished diamonds.

However, this handsome export figure piggy rides on imports of rough diamonds, worth $13.2 billion.

The forecasted decline in the global supply of rough diamonds is an opportunity for India to regain its position as the leader in supply of diamonds.

This is because natural diamonds are yielding to their synthetic counterparts, which are lab-grown.

India exported $1.3 billion worth of lab-grown diamonds in April-December '22, and has an opportunity to do more.

Only, it depends upon other countries for the supply of 'seeds' - crystals that have no nitrogen or boron impurities, which are the raw material for producing synthetic diamonds.

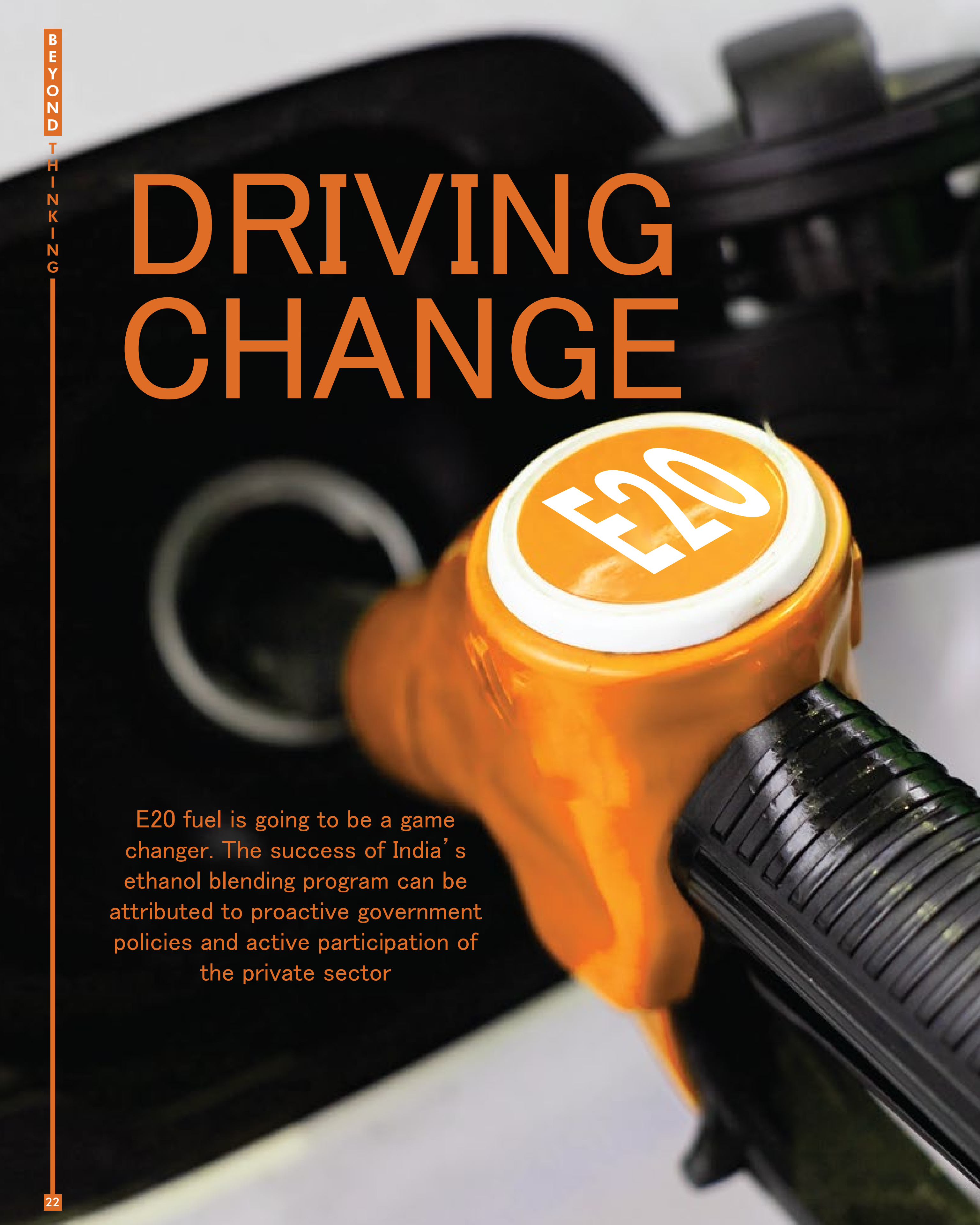
By the looks of it, the future of the diamond industry is lab-grown diamonds and if India can produce the seeds by itself, then it can seize the throne.

It is, therefore, imperative that India develops its own, indigenous technology for producing the seeds, so that this major export-earning, employment-generating industry is not condemned into a permanent dependence on imports for raw materials to make lab-grown diamonds.

Both mined and lab-grown diamonds are genuine. They have actual diamond certification, just as they do with mined diamonds.

In conclusion, lab-grown diamonds are a sustainable, affordable, and an ethical alternative to natural diamonds. They offer all the beauty and durability of natural diamonds, without the negative environmental and social impacts.

As consumers become more aware of the benefits of lab-grown diamonds, it is likely that their popularity will continue to grow, and they will become a more mainstream option for those in the market for a diamon**D.**



DRIVING CHANGE

E20 fuel is going to be a game changer. The success of India's ethanol blending program can be attributed to proactive government policies and active participation of the private sector

The Union Budget for fiscal year 2023-24 had a couple of announcements for the ethanol industry. Also, within a few days of presenting the Budget, Prime Minister Narendra Modi, at an industry event, launched Ethanol-20 (E-20) fuel. E20 is a blend of 20% ethanol with petrol. The blended fuel will be initially available at fuel pumps in 15 cities, and across India within two years.

The rollout of the E20 fuel is a watershed moment for the country. Government policy initiatives and private sector participation are aiding India's bio-energy market.

Biofuels like ethanol have multiple benefits: blending ethanol with fossil-based fuel reduces vehicular emissions, strengthens the country's energy security, helps reduce oil imports and conserves forex reserves, and most importantly helps control excess sugar supply in the country.

The launch of E20 and the Union Budget announcements are to be read contextually. About 85% of India's fuel needs are met by imports. India is pursuing a fourfold strategy to cut import bill and also stay environmentally prudent.

These include, first, increasing domestic exploration and production; second, diversifying the supply source of fuels; third, de-carbonisation by using electric vehicles and hydrogen as fuel. And fourth, expanding biofuels like ethanol and compressed biogas.

India is aiming to have 50% non-fossil fuel power capacity by the end of this decade and becoming energy sufficient by 2047. For this transition, the government is adopting several initiatives to build renewable power capacity and is providing incentives to the private sector.

Accordingly, the government has announced an allocation of around ₹ 35,000 crore in the Union Budget to the sector.

BUDGETARY PROVISIONS

Duty Cut On Denatured Ethyl Alcohol

The basic custom duty on denatured ethyl alcohol has been reduced from 5% to zero in the Union Budget. Denatured ethyl alcohol is typically used in chemical industries like pharmaceuticals, chemicals, and paints. The move will allow the import of denatured ethyl alcohol at lower costs into the country.

Previously, a portion of ethanol production capacity was allocated to industries other than petrol blending. As a result, it is now possible to use the entire quantity of sugarcane molasses to produce ethanol.

This aims to address shortfall in the supply of ethanol from sugar mills to oil marketing companies (OMCs), thus indirectly providing a significant boost to India's Ethanol Blending Programme (EBP).

5% Compressed Bio Gas Mandate

The Union Budget has proposed that any supply of natural gas in India must include a mandatory 5% substitute of compressed biogas (CBG).

Simply put, marketing companies like OMCs and Gas Authority of India (GAIL) will have to substitute 5% of natural gas with CBG. This will give a huge thrust to the production of CBG in the country. This is yet another way of showing the government's commitment to the green energy transition.

Tax Benefit To Sugar Co-operatives

The Union Budget has allowed

sugar mills in the co-operative sector to claim sugarcane payments to farmers prior to financial year 2015-16 as an expenditure. This move is likely to provide relief of around ₹ 10,000 crore to co-operatives. While this will not directly benefit the private sector, the move is sentimentally positive for the sugar sector.

E20 ROLLOUT - A WATERSHED MOMENT

India runs an ethanol blending program (EBP). In the last eight years, blending ethanol with petrol has resulted in a host of benefits including reduction of 318 lakh metric tonnes of carbon dioxide emissions and foreign exchange savings of around ₹ 54,000 crore. As a result, there has been a payment of around ₹ 81,800 crore towards ethanol supplies between 2014 and 2022, and a transfer of more than ₹ 49,000 crore to farmers.

India achieved a 10% ethanol blend (from around 1.5% a decade back) with petrol in 2022, five months ahead of schedule. The government now aims to achieve 20% blending of ethanol by 2025 (The government has advanced its target by setting a deadline earlier than the previously planned year of 2030).

While OMCs are setting up ethanol plants that will facilitate the progress, sugar and grains companies are keeping their distilleries busy to meet the increasing demand. Even the launch of E20 fuel has been brought forward from the originally scheduled timeline.

By launching E20 fuel, the government aims to achieve multiple objectives such as reducing India's oil import costs, enhancing energy security, lowering carbon emissions, improving air quality, promoting self-reliance, utilizing damaged food grains, increasing farmers' income, and generating employment opportunities.

Ethanol production capacity has increased six times since 2014. India's current ethanol production capacity is around 697 crore litres (both from sugar cane and grains). It has been estimated that the Indian government would require around 1,016 crore litres of ethanol to achieve the target of a 20% ethanol blend in fuel by the year 2025.

While the task is daunting, the sugar industry in India has committed to diverting 100 lakh tonnes of sugar annually towards the production of ethanol, with the aim of producing 1,000 crore litres of ethanol per year. For the current sugar season (October-September), the sugar industry is expected to divert about 45 lakh tonnes of sugar to achieve the target of 12% ethanol blending in fuel.

IN A NUTSHELL – POLICY PUSH FOR FLEXI FUEL VEHICLES

India's plan to switch to 20% ethanol blending within the next three years appears to be an ambitious goal. Is the target achievable? Yes, if appropriate measures are taken to overcome the challenges faced by the ethanol industry.

Currently, two-thirds of the ethanol in India is supplied by the sugar industry, with the remaining one-third being supplied by the grains industry. This distribution highlights the dependence on a single industry and the need for diversification to ensure a stable and sustainable supply of ethanol.

The readiness of the grains industry to meet the ethanol demand from OMCs will be a crucial factor to achieve the target of 20% ethanol blending. Further, given that ethanol production is currently concentrated in select states such as Uttar Pradesh, Karnataka, and Maharashtra (owing to feedstock availability there), logistics of ethanol pan-India is likely to be a challenge for the OMCs. But with adequate storage facilities in depots, this issue can be fixed.

From the perspective of automakers, the shift to E20 blending will not require any major design changes in vehicle's engines. The ethanol industry is lobbying for the launch of flexi fuel vehicles (FFV) with engines that can run on even 100% ethanol, like in Brazil.

A government policy for FFV can be expected in the future, which will ensure a steady demand for ethanol from the industry. India has potential to be the third largest ethanol market in the world after Brazil and the US. Thus, E20 is only the beginning for Indi**A.**

A BIT OF GOOD CHEER

Some sectors are likely to perform better than others this year

The Indian stock market had an excellent year in 2022, with the Sensex and other indices such as mid-caps and small-caps performing particularly well compared to their global counter-parts.

As the markets are currently trading at all-time highs, year 2023 is expected to be a noteworthy year due to factors such as a strong economic recovery, increased government spending, a rise in global commodity prices, and a strong improvement in corporate earnings.

POTENTIAL THEMES

Some sectors and investment themes that may be worth consid-ering in light of recent developments are listed below.

INSURANCE

Insurance has regained attention recently as regulatory risks have lessened following amendments by the regulator. The sector, especially health insurance, has experienced significant ups and downs over the past three years.

However, the year 2020 brought a change in fortune for the sector as the health insurance market saw significant growth due to increased awareness and the ongoing threat of covid-19. Additionally, recent spikes in covid-19 cases in China and Japan have raised new concerns that could keep the insurance sector in the spotlight in 2023.

Recent spikes in coronavirus cases in some countries have caused concerns, and governments have taken steps to mitigate the impact. Government announcements and new guidelines for precautions are likely to improve sentiments.

Authorities are working to prevent and protect their countries from a repetition of the pandemic, which could bring the sector back into focus in the current year.

There are now many listed companies in this space, and most have corrected recently, making valuations more reasonable. With expected earnings boosts and structural growth in demand due to low market penetration, the industry and key players are likely to continue trading at high multiples.

MANUFACTURING

Driven by government spend-ing, strong demand growth, and lower interest rates, India's capex cycle is experi-encing a revival. Both govern-ment and private capex saw a strong recovery in 2022, which is expected to continue in 2023.

Factors such as strong credit growth, exports, government incentive-linked production programs, tax benefits, and initiatives such as "Make in India" have contributed to strong growth in manufactur-ing.

The share of manufacturing in overall GDP is expected to be higher this year after the dip seen during the covid-19 period. In the last two years, India's manufacturing sector has been impacted by shortag-es of resources, labour, equip-ment, manufacturing chips, and logistic issues.

These issues are now easing, leading to a strong growth in manufacturing. In fact, indus-try capacity utilization is now approaching pre-covid-19 levels, which could potentially signal the start of a new capex cycle and benefit companies serving India's manufacturers. In addition to this, lower commodity prices and the ability to achieve higher scale this year are expected to result in strong earnings growth for companies.

DEFENCE

Geopolitical risks are expected

to continue causing volatility in 2023, including in India due to tensions at the border. The government has significantly increased its defence capital budget in the last two years, which will keep many companies in focus.

These companies already have a large number of orders that will last for the next three to four years, and as covid-related issues ease, they are well-positioned to accelerate execution. The public sector companies in the defence sector have not yet been rerated, but if execution remains strong and orders continue to come in, these companies should deliver good returns.

This is already evident from the strong revenue and earnings growth reported by these companies in the last two quarters. The order pipeline remains strong as well. Many major defence projects were delayed due to covid-19 and are now back for bidding and finalization.

Given that there will be a general election in India in year 2024, it is likely that many of these large projects will be awarded by the government in the current year, that is, 2023.

Additionally, the government has recently published a list of imported articles or products that are now restricted from import. It is estimated that this will create a market worth between ₹2.50 lakh crore and ₹4 lakh crore. Domestic companies will now have a larger role in defence procurement. And, hence, their prospects for 2023 are positive.

HOTELS

Hotels experienced a significant decline due to covid-19 and the lockdowns, but have seen a strong recovery due to increased demand after the pandemic in 2021-22. Regular travellers, as well as leisure and business travellers, have contributed to the growth seen in occupancy and room rates in the hotel industry, which are now at pre-covid-19 levels.

The good news is that hotels are entering a new earnings cycle, with higher occupancies and room rates leading to higher margins and significant earnings growth. Hotels have a high operating leverage, and with strong demand and room rates, they tend to earn much higher margins, resulting in strong earnings growth and rerating.

During an uptick in the market, both higher earnings and high multiples can reward investors, which is what is expected for the hotel industry this year.

TRAVEL

The past two years have been difficult for the travel industry due to the pandemic and lockdowns, but the holiday season of 2023 looks promising. India's young population is a major advantage for the tours and travel industry.

For example, although flight prices have increased, the number of booked tickets has not decreased. Improving job markets and higher disposable income among consumers have contributed to a strong revival of the sector.

As more people are planning to travel, there is a good chance that the sector will do well in 2023. The number of tickets booked for the coming months is encouraging. A recent survey suggests that nearly three out of four people interviewed have travel plans for the first half of 2023.

RENEWABLE ENERGY

India has taken huge steps to develop green energy resources to reduce emissions and import costs, and the renewable industry is experiencing high demand and growth in areas such as solar energy, ethanol, and e-mobility.

The last two budgets have included allocations and incentives for the sector, including production-linked incentives and tax rebates, to support the development of renewable resources.

Public sector companies with cash on hand are being directed to invest in green energy, and many companies have planned capex for the next 4-5 years to install or develop renewable resources, particularly solar energy for captive use and supply to the grid. This is driving demand.

Also, the availability and prices of key inputs and parts like solar panels have become more favourable, allowing for faster and more cost-effective production. Firms will continue to benefit from these changes in 2023 as they bring more business and push growtH.

THE RHYTHM OF TIME

'Timing the market' and 'time in the market' are distinct investment strategies and must be used sagaciously by investors

As an asset class, equity markets offer a much-needed diversification that is essential for the creation of sustainable wealth over the long-term. Investment guru Warren Buffett has created wealth by successfully investing in the stock markets, adhering to a long-term perspective and weathering market fluctuations.

Equities are influenced by a complex interplay of both domestic and global factors, encompassing the economic conditions and performance of industries, both domestically and internationally, as well as geopolitical developments and global events. The dynamic nature of these multiple, ever-evolving factors make equity investing exciting, but also overwhelming when market fluctuations are not always rational in nature.

To build wealth through equities, it is important to understand the two contrasting strategies: timing the market versus staying invested in the market for a long period of time. Both approaches have their own set of advantages and disadvantages, and it is essential to understand both strategies to choose the most suitable method for oneself.

TIMING THE MARKET

'Timing the market' is an investment strategy that involves buying stocks, futures and options (F&O) in anticipation of a rise in stock prices and then selling before prices drop. Alternatively, this can also be achieved by short selling, where an investor sells stocks when prices are high and buys them back when prices fall, resulting in a trading profit.

To surmise, timing the market involves making investment decisions by forecasting stock or market price movements. This strategy attracts investors as it offers the potential for rapid wealth creation, compared to a long-term investment in the equity market.

Timing the market can be accomplished through the use of both fundamental and technical analysis. Fundamental analysis involves predicting a company's performance just before the release of earnings reports, allowing traders to make informed decisions on whether to take a long or short position in the stock. On the other hand, technical analysis involves examining historical stock performance, technical parameters, patterns, and investor behaviour to predict future price movements. This can result in short-term or intra-day trading opportunities that aim to time the market. These could be intra-day trading bets or short-term bets that essentially time the market.

This investment strategy of timing the market by entering and exiting investments at the right time may seem straightforward, but the reality is far from it. A recent study conducted by the Securities and Exchange Board of India (SEBI), titled 'Analysis of Profit and Loss of Individual Traders dealing in Equity F&O Segment,' released in January '23, precisely proves the difficulty of market timing.

The study analyzed data from FY19 and FY22 and included the top 10 brokers, which accounted for 67% of the overall individual investors' turnover in the equity F&O segment. The results of this analysis provide insight into the challenges of timing the market and highlight some key findings.

The number of individual traders in the equity Futures & Options (F&O) segment increased by 500% between FY19 and FY22. As of FY22, there were 4.52 million traders, with 88% deemed as active traders. Out of these, 98% traded in Options and 11% traded in Futures.

As many as 9 out of 10 individual traders in the equity futures & options (F&O) segment incurred losses in FY22. Among the traders who experienced losses in FY22, the average loss was ₹ 0.11 million. Among the traders who generated profits, the top 1% accounted for 51% of the total net profit. The average profit among these profit-making traders was ₹ 0.15 million in FY22.

This shows how difficult it is to accumulate wealth through market timing. Investors often struggle to generate consistent profits with this strategy due to the influence of emotions, which can interfere with making tough decisions, such as executing stop losses or avoiding the temptation of buying a falling stock.

For instance, the Adani group's stocks recently faced a negative reaction following the release of a scathing report by the US-based research firm, Hindenburg. Despite the uncertainty surrounding the validity of the allegations, some retail investors bought the stock with the hope of making quick profits by timing their purchase at a discounted or beaten down price.

This approach fails to consider the risks involved and is driven by emotions instead of rational decision-making. In a market filled with noise and volatility, it can be easy to make emotional decisions that may not be prudent and can lead to losses.

For traders who are glued to their trading screens day in and day out, market timing may be a profitable approach. However, for the average investor, monitoring market movements on a daily basis and making investment decisions based on them is rather inconvenient.

Even for long-term investors, timing the market by holding back their investment decisions in the hope of a fall (such as a potential recession in the US that could impact India) can result in missed opportunities on two fronts – firstly, it requires constant market tracking, which may not be feasible for an average investor who also has a job to keep, and secondly, it can be difficult to accurately predict the right time to invest as the market may price in events before they actually occur.

As a result, the correction may have passed by the time the investor realizes it.

TIME IN THE MARKET

The 'time in the market,' which is also known as the 'buy and hold' strategy refers to an investment approach where the investor does not try to guess market movements. This strategy emphasizes on a long-term perspective.

Unlike the market timing approach, which involves attempting to predict market movements, the focus of this strategy is on the fundamentals of the investment and achieving a desired long-term objective. This means that an investor who follows this strategy will remain invested for an extended period, despite short-term market fluctuations, until he/she reaches his/her desired outcomes.

For example, the investor may be saving for a child's education. Although the portfolio may be reallocated or managed actively to meet the investment goals, the strategy remains passive in the sense that the investment decisions are not made to profit from short-term price movements.

The 'time in the market' strategy is widely used by wealth creators and long-term investors. By staying passive in the market they ride the various investment cycles and have been able to successfully create wealth over the long term. This strategy works well for long-term investors who are not looking to make quick bucks but have clearly defined goals and the patience to stay the course.

IN A NUTSHELL

Timing the market is for those who can forecast price movements and at the same time can avoid emotions interfering with trading decisions as this investment style is an emotional roller-coaster ride. It is also advisable to invest only as much as one can afford to lose if he/she is timing the market.

Many investors prefer the 'time in the market' strategy as it does not require constant tracking of the markets. Also, it shields investors from the emotional upheaval that market volatility can cause.

Moreover, this approach is less time-consuming and also does not require a constant watchful eye on market movements. Long-term investors who have achieved success in creating wealth are strong advocates of staying in the market over extended periods of time to create wealtH.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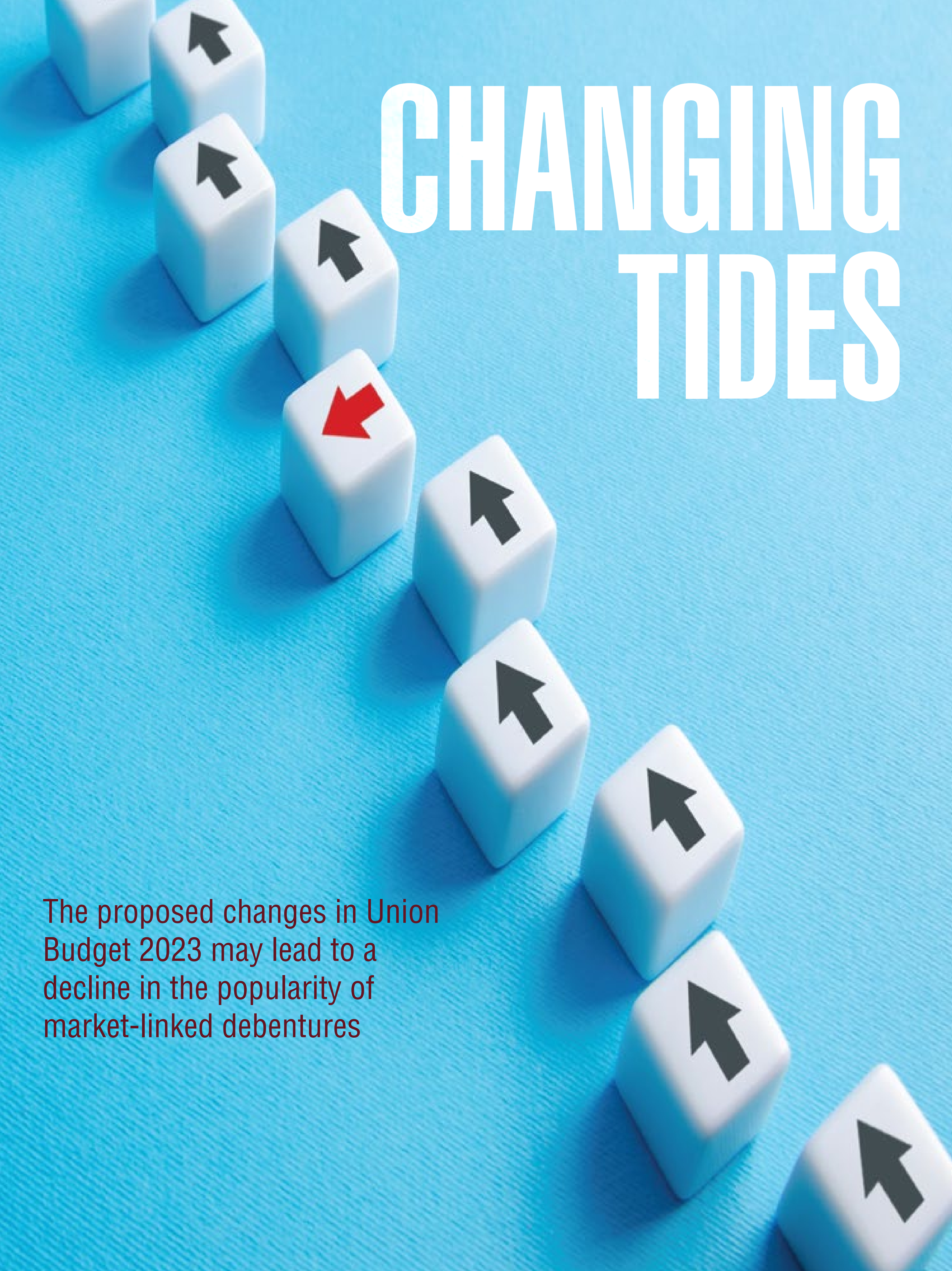
CHANGING TIDES



The proposed changes in Union Budget 2023 may lead to a decline in the popularity of market-linked debentures

A

s a structured investment product, market-linked debentures (MLDs) have been a popular investment product for high net worth individuals (HNIs) seeking higher returns and tax efficiency.

However, a proposal in Union Budget 2023 to tax income from MLDs as short-term capital gains (STCG) is likely to reduce the appeal of this product among investors. Therefore, the demand for this product is expected to be low in the future.

A key question that may weigh high on investors' minds is: What is it in the Union Budget that will make this product slightly less attractive? To comprehend this, we must examine the product's workings and analyze how the Budget proposal will impact its returns and attractiveness.

WHAT IS AN MLD?

To understand why HNIs might avoid investing in MLDs, let's first explore what MLDs are and how they operate. MLDs are akin to debt securities, where an investor invests a fixed amount for a specific period of time, typically between 13 and 60 months. The issuer of the MLD may have a credit rating, and ratings below AA are typically viewed as relatively high risk. Generally, MLDs have a face value of ₹ 10 lakh.

Market-linked debentures can either be principal protected or not, and they differ from traditional bonds in how they pay returns to investors.

While traditional bonds provide a fixed sum of interest, MLDs offer market-linked returns only at the time of maturity, which may be connected to various market factors such as the price of gold, 10-year bond yields, or movement in a stock index.

For example, an MLD could promise to pay 90% of the movement in Nifty at the time of maturity at the end of three years from the date of issue. If the Nifty goes up by 60% in absolute terms over these three years, then the investor will receive a return of 54% (which is 90% of 60%) at the time of maturity, along with the principal.

It is also possible for an MLD to be less aggressive. For example, an MLD could have a 15-month maturity period and its payout could be linked to the yield of a 10-year benchmark government bond. Say, the MLD offers to pay 4% rate of return if the 10-year benchmark bond yield closes below 4% on the date of maturity; else, the MLD pays 12% rate of interest.

While the Nifty-linked MLD leaves investors uncertain about the ultimate results, it also presents the possibility of benefiting from the upside potential in equities. On the other hand, the government bond yield-linked MLD provides a reasonable level of predictability in potential returns, given that the likelihood of a 10-year bond yield dropping below 4% within the next 15 months is minimal.

WHY ARE MLDs ATTRACTIVE?

Up until now, MLDs have been treated as listed debt securities, and have been subject to the same taxation rules. This means that if an investor held an MLD for over a year and then sold it, any capital gain he/she made would be taxed as long-term capital gain at a 10% rate, without indexation.

As MLDs approach their maturity date, the expected payoff becomes clearer, and investors can sell them on the stock exchange for a slightly lower price than the expected value, booking a long-term capital gain.

This has been particularly attractive to high net worth individuals, who would have otherwise faced a tax rate of 30% (and the higher up at 39%). In some cases, the issuer of the MLD or another market participant would facilitate this profitable exit for investors by buying the MLDs on the exchange.

Another reason for the popularity of MLDs is the extensive range of options they provide. These MLDs offer payoffs that are associated with various underlying assets.

For example, an investor who is optimistic about the performance of gold or the bank Nifty index may search for an MLD that offers a payoff linked to those assets. This approach allows the investor to safeguard his/her principal (in the case of a principal-protected MLD) while also gaining exposure to the asset class he/she prefers.

WHAT ARE THE RISKS ASSOCIATED WITH MLDs?

Although an MLD may seem like an appealing investment opportunity, it carries two significant risks. The first is credit risk, which means that if the issuer fails to repay the capital and the payoff as per agreed terms of the issuance of MLD, then the investor would suffer. In this sense, an MLD can be thought of as a debt security.

The second risk that investors in MLDs face is the uncertainty of potential returns linked to the movement of the underlying (asset). To fulfill the commitment, issuers typically purchase long-term options, which are derivatives on the underlying asset. Such arrangements or forward agreements are usually conducted with a private party, creating a counterparty risk. However, if these arrangements are executed on a stock exchange, then the counterparty risk is eliminated. As an investor, it is important to determine how the issuer has secured to pay the future payoff associated with the MLD at maturity.

MLDs have a serious limitation where their payoff depends on two critical factors - the maturity date and the direction of the underlying asset. Even if an investor has a positive outlook on the underlying asset and accurately predicts its direction, he/she may not receive a return if his/her timing is off.

Unlike an equity mutual fund, where an investor can wait out temporary market fluctuations and sell later when the market recovers, MLDs do not offer this flexibility. If the underlying asset experiences a decline at the maturity date, the returns on the MLD will be reduced.

WHAT CHANGES AFTER UNION BUDGET 2023?

MLDs have been extremely popular among both investors and issuers. HNIs were not keen on investing in bonds offering interest income because the interest was subject to tax at the applicable slab rate, making traditional bonds and debentures unattractive to them.

As a result, MLD issuances have been increasing over the past decade and have particularly gained momentum in the digital era that emerged after the Covid-19 pandemic.

The government was experiencing a substantial loss of tax revenue due to the fact that interest was being taxed at a much lower rate than it should have been, as it was being treated as capital gains.

Hence, the government has emphasized the need to place a cap on the deductions and tax-shelters available to individuals. Typically, HNIs make use of MLDs, and during the budget presentation, Finance Minister Nirmala Sitharaman made it clear that the taxation of MLDs is being modified.

The government recognized that the gains made from investing in MLDs were similar to those generated from derivatives transactions, and therefore, should be taxed based on the applicable income tax slab rate.

Also, since the 'return' on MLDs is linked to market variables, the government decided to treat the gains on these as short-term capital gains, regardless of the holding period.

Therefore, investors are required to pay tax on the gains realized from MLDs based on their income tax slab rate, which makes MLDs less attractive. Simply put the taxation treatment of gains on MLDs and interest earned on traditional bonds is the same.

Although principal-protected MLDs offering payoffs with high participation in equity indices with a capped downside may still attract some investors, they will need to consider the adverse taxation involved. If an investor holds units of an index fund for more than a year and realizes long-term capital gains that exceed ₹ 1 lakh in a year, the tax payable on such gains is 10%. On the other hand, if an investor holds MLDs, the tax payable on the 'return' will be based on the applicable tax slab rate.

It is anticipated that the majority of investors will shift from market-linked debentures to mutual funds. This is because debt mutual fund schemes offer the advantage of indexation, which enables high net worth individuals to reduce their tax liability by 20% on the capital gains realized from units held for a period of three years.

Investors should take this situation as a lesson that investment products with artificially-created arrangements promising higher yields may not sustain long-term wealth creation.

If the government chooses to close such loopholes, investors may face losses. Therefore, it's more prudent to focus on long-term financial goals while crafting investment planS.

BEST OF ALL POSSIBLE WORLDS

Investors can enjoy the benefits of both equity and debt by opting for hybrid funds

It is vital for investors to possess an understanding of the concept of investing in hybrid funds. Simply put, hybrid funds are mutual fund schemes that invest in multiple asset classes with the goal of diversifying a portfolio and minimizing risks.

By investing in a mix of different assets, hybrid funds aim to offer a balance between growth and income to investors. In many ways, hybrid funds are considered a compromise between debt funds and equity funds, as they provide a mix of both.

These funds generally offer relatively lower risks compared to pure equity funds, but higher risks compared to debt funds. They can be a good option for investors who are seeking to balance risks and returns. Hybrid funds can also be a good option for new investors or those who are hesitant to invest directly in the equity market.

The debt component of hybrid funds provides stability to the portfolio and reduces the impact of market volatility. This allows investors to potentially benefit from equity market returns while also reducing their overall risks.

Hybrid funds come in different varieties based on their asset allocation, with some having a greater allocation towards equities, and others towards fixed-income assets.

It is important for investors to consider their risk tolerance, investment goals, and time horizon when choosing a hybrid fund that is appropriate for them.

An investor with a higher risk tolerance may be more suited to a hybrid fund with a higher allocation to equities, while an investor with a lower risk tolerance may prefer a hybrid fund with a higher allocation to fixed-income assets.

TYPES OF HYBRID FUNDS

Aggressive Hybrid Fund

Aggressive hybrid funds are a category of mutual funds that are open-ended and have a higher allocation to equities and equity-related instruments, that is usually between 65% and 80%.

This higher exposure to equities can result in greater potential returns compared to conservative hybrid funds, as well as increase the level of risks involved. These funds are suitable for investors who have a higher risk tolerance and a longer investment horizon.

Conservative Hybrid Fund

Conservative hybrid funds are open-ended mutual funds that have a higher allocation to fixed income securities such as bonds and money market instruments, usually between 75% and 90%.

These funds have a lower level of risk compared to aggressive hybrid funds as they have less exposure to equities.

The returns generated by these funds may not be as high as those generated by aggressive hybrid funds, but are more stable. Conservative hybrid funds are suitable for investors who have low risk tolerance and prefer stability over potential high returns.

Dynamic Asset Allocation Fund

These are open-ended mutual funds that adjust their asset allocation between equity and debt based on market conditions, using an internal investment model. This allows the fund to dynamically respond to changes in the market, with the goal of achieving better risk-adjusted returns over the long term.

These funds are suitable for investors who are looking for a more flexible investment strategy that can adapt to changing market conditions and are seeking to balance potential returns with risks.

Multi-Asset Allocation Fund

Multi-asset allocation funds are open-ended mutual funds that invest in at least three asset classes, with a minimum allocation of 10% in each. These funds adjust their asset allocation according to market conditions, with the goal of diversifying the portfolio and maximizing returns while minimizing risks.

The asset classes that the fund invests in may include equities, debt instruments, gold, ETFs, and other asset classes as permitted by SEBI. These funds are suitable for investors who are looking for a diversified investment portfolio and want to benefit from potential returns of multiple asset classes.

Arbitrage Fund

Arbitrage funds are open-ended mutual funds that aim to generate returns by taking advantage of price differences between the cash market and the derivatives market. The fund manager buys stocks in the cash market and simultaneously sells equivalent futures contracts, profiting from the difference in price.

The fund has a minimum of 65% gross exposure to equity, with the rest invested in debt and money market instruments. Arbitrage funds are suitable for investors who are looking for a low-risk investment option with the potential to generate returns higher than those of fixed-income securities.

Equity Savings Fund

Equity savings funds invest in a combination of equities, fixed-income securities, and arbitrage opportunities in cash and derivatives segments of the equity market.

The aim of these funds is to provide investors with a balanced portfolio that offers a combination of growth and income. They typically have a higher exposure to equities compared to traditional balanced funds and are suitable for investors who are looking for a higher risk-return profile.

BENEFITS OF HYBRID FUNDS

Hybrid mutual funds offer the benefits of asset allocation, which helps to balance risks and returns and can improve the overall performance of an investment portfolio.

By investing in a mix of asset classes, investors can reduce the impact of market volatility on their portfolios and potentially improve their long-term returns.

The equity component of hybrid funds can provide the potential for higher returns over the long term as equities have historically provided higher returns compared to fixed income securities.

On the other hand, the debt component provides stability and reduces volatility by offering a steady stream of income and limiting the impact of market fluctuations. By combining both equity and debt investments, hybrid funds aim to provide a balance of growth and stability in a single investment.

Hybrid funds typically provide automatic rebalancing of assets as per the fund's investment mandate. Rebalancing helps to maintain the targeted asset allocation and reduces the risk of investors deviating from the desired mix of investments due to market movements.

By periodically adjusting the mix of investments to align with the fund's target allocation, rebalancing helps to reduce overall portfolio risk and potentially improve risk-adjusted returns.

It also ensures that the portfolio stays aligned with the investor's investment goals and risk tolerance, despite changes in market conditions.

Hybrid funds tend to invest in low-volatility asset classes such as debt, gold, and other fixed-income securities in addition to equities. This helps to reduce the overall volatility of the portfolio compared to pure equity funds.

As a result, hybrid funds can be a suitable option for first-time investors or those who are risk-averse, as they provide a way to participate in the equity markets with lower level of volatility.

TAXATION

Hybrid funds enjoy certain tax benefits. As per current tax laws, funds that have more than 65% of their portfolio invested in equities are considered equity-oriented hybrid funds and are taxed as equity funds. On the other hand, funds with less than 65% equity exposure are considered debt-oriented hybrid funds and are taxed as debt funds.

Long-term capital gains (investments held for more than 1 year) from equity-oriented hybrid funds are tax-free up to ₹ 1 lakh in a financial year, while long-term capital gains exceeding ₹ 1 lakh are taxed at 10%.

Short-term capital gains (investments held for less than 1 year) from equity-oriented hybrid funds are taxed at 15%.

For debt-oriented hybrid funds, long-term capital gains (investments held for more than 3 years) are taxed at 20% after indexation. Short-term capital gains (investments held for less than 3 years) are clubbed with the investor's total income and taxed as per the applicable tax slab.

IN A NUTSHELL

Thus, hybrid funds offer a mix of advantages from different asset classes. For example, equity investments have the potential for long-term capital appreciation, while debt investments provide stability and lower volatility.

Gold is often considered a safe haven asset, and cash offers high liquidity. Depending on the type of hybrid fund, it may invest in these and other asset classes to provide a diversified portfolio that balances risks and returns.

By combining the advantages of different asset classes, hybrid funds offer investors a flexible and potentially more effective way to achieve their investment goals.

However, it's worth noting that even though hybrid funds are generally less volatile as compared to pure equity funds, there is still a degree of risk involved, as all investments carry some level of risk.

So, it's important for investors to understand their investment goals and risk tolerance before investing in hybrid fundS.

A HEAVY BLOW

The proposed changes announced in the Budget are likely to hurt the insurance sector

The Indian insurance industry had anticipated several concessions from Finance Minister (FM) in the Union Budget this year. However, the announcement made in the budget speech surprised the insurance industry.

The maturity proceeds of life insurance policies with premiums exceeding ₹ 5 lakh will be taxed beginning with the fiscal year 2023-24. Policyholders can currently claim tax breaks under Section 80C for investing in insurance products. Final proceeds are also tax-free under section 10, (D).

The Finance Ministry's decision announced in the Budget may have an impact on high-priced insurance policies that are commonly purchased by non-resident Indians (NRIs) and high net worth individuals (HNIs). Having said that, a number of policyholders continue to pay insurance premiums of more than ₹ 5 lakh per year.

In this article, we attempt to explain what the Union Budget announcement is, how it will affect policyholders, and what the future holds for the life insurance industry.

WHAT HAS CHANGED IN THE BUDGET?

Insurance companies in India were requesting a separate tax deduction for life insurance policies and a higher limit for health premiums from the government ahead of Union Budget 2023-24.

But in her budget speech, Finance Minister Nirmala Sitharaman said, "It is proposed to provide that where aggregate of premium for life insurance policies (other than ULIP) issued on or after 1st Apr '23 is above ₹ 5 lakh, income from only those policies with aggregate premium up to ₹ 5 lakh shall be exempt."

She further stated: "This will not affect the tax exemption provided to the amount received on the death of the person insured. It will also not affect insurance policies issued till 31st Mar '23."

The above announcement surprised the industry, and several publicly-traded companies saw their stock prices fall by 10% on budget day. The major impact would be on the insurance industry's guaranteed products.

In recent years, particularly after the year 2020, insurers have focused on selling guaranteed plans because they provide better ratings than bank fixed deposits (FDs) and the returns are guaranteed for insurers.

The government has already removed the tax exemption on maturity proceeds from unit linked insurance plans (ULIPs) for insurance policies with premiums exceeding ₹ 2.5 lakh.

As a result, there will be no indexation benefit, and the entire gain will be taxed at a marginal rate, regardless of policy tenure.

According to several industry reports, this move will reduce the attractiveness of non-par policies and, with the proposed tax treatment, will bring them on par with bank term deposits in the long run.

In the short term, insurers may seek to reduce their margins and offer competitive rates in the guaranteed segment in order to maintain the flow of funds from high net worth individuals.

HOW WILL INSURANCE BE AFFECTED?

The industry has estimated that some of the top life insurance companies' annual premium equivalent (APE) and value of new business (VNB) margins could be impacted by 2% to 10%.

APE is the sum of annualized first-year premiums on regular premium policies plus 10% of all single premiums written by an insurance company at any time from retail and group customers.

While VNB is the present value of expected future earnings from new policies written during a given period, it also reflects the additional value to shareholders that is expected to be generated by the activity of writing new policies during that period.

The VNB margin is the ratio of VNB to APE for any given period and is a measure of new business profitability.

To mitigate the impact of the announcements, insurers have begun making several representations to the government, requesting that the premium threshold be raised from ₹ 5 lakh to ₹ 10 lakh per year.

Various media reports have also suggested that instead of taxing the proceeds from high-value insurance policies as income from other sources, a long-term capital gains tax (LTCG) be imposed on them with indexation benefits, similar to how debt mutual funds are taxed by the government.

Insurers, on the other hand, will modify their products once the new regime goes into effect in the following fiscal year.

Some insurers may make ULIPs and term plans more competitive, and premiums may be reduced. Term plan premiums have risen significantly in the last two years as reinsurance rates have risen.

While some insurers may be looking to expand their annuities portfolio and target investors across the market segment, others may be slow to sell in order to manage their respective growth and margins.

According to some insurer companies, this move will have a negative impact on insurance penetration.

Some argue that incorporating a tax structure into insurance products will encourage insurers to sell more term plans, which is the most important policy for individuals.

If the focus remains on term plans, insurance penetration in India may improve in the future.

WHAT CAN INVESTORS DO?

Every adversity offers investors the opportunity to restructure their financial portfolios. Even this move will allow investors to alter their insurance portfolios.

In India, most investors invest in traditional plans such as endowments and money back plans, with little regard for term plans.

Term plans, on the other hand, are the best insurance product for policyholders.

If someone pays ₹ 50,000 in premiums every year, he/she may not have insurance coverage of more than ₹ 10 lakh to ₹ 15 lakh in traditional insurance plans.

However, if he/she purchases a term plan for one crore of coverage, the premiums would be ₹ 20,000 to ₹ 25,000 for someone in the 30-35 age range.

Term life insurance is one of the most important and first life insurance policies that people purchase, regardless of their occupation.

Because there will be no regular income to support the family if term insurance is not purchased, family members of the deceased may face financial hardships.

Many people are unaware that a term life insurance has lower premiums than other types of life insurance, and that it can provide flexibility, is simple to understand, and has multiple riders.

It is a time when a clear distinction should be made between an investment plan and a protection plan. There is no better or less expensive product for protecting lives with a higher sum insured than a term plan.

If, after purchasing term plans, investors believe that they require additional products from life insurers, they can do so.

However, the suggested changes in the budget changes have provided policyholders with an opportunity to improve their life coverage by purchasing term planS.

TECHNICAL OUTLOOK

In February, the Bears led the rally while the Nifty experienced a breakdown of cluster support at 17,570, indicating the possibility of a correction or profit booking unless it breaks the resistance level of 18,170-18,270.

During this time, there may be some minor pullbacks towards 17,970-18,170 levels, providing an opportunity to book profits at higher levels. Although the sentiment on D-Street was cautious, the stocks were performing well and a pullback rally was observed, driving the Nifty in an upward direction.

Currently, the Nifty is moving towards the 200-day moving average (DMA) level of 17,350, and it is possible to observe a pullback rally from that level. Nevertheless, there is a likelihood of an uptick in volatility in the future.

The Nifty is likely to experience a rise towards 17,700/18,170 if it finds support near the 200-DMA in the next couple of sessions. However, if the 200-DMA is breached, the correction may become more severe, and the Nifty could fall towards 17,170-16,940. If the Nifty manages to close above the 17,700 level, it will be a robust resistance level. As long as the Nifty fails to surpass this level, the bearish trend will persist, and the market is likely to continue to decline.

Market participants are advised to be stock-specific and stay light with major long positions.

In February, the Bank Nifty experienced a significant decline from 42,030 to 39,600 before rebounding. Despite reaching a peak of 42,000, the Bank Nifty is currently experiencing profit-taking in the December series.

Technically, the Bank Nifty has an immediate Support at 39,700/39,500. Any move below 39,500 on closing basis may extend its fall towards 39,000/38,700.

On the flip side, resistance is placed at the 40,500-40,800 level. From then on, the Bank Nifty may see some pullback rally towards 41,200-41,800 levels.

On the Nifty Options front for the March series, the highest Open Interest (OI) build up is witnessed near 18,500 and 18,000 Call strikes, whereas on the Put side, it is observed at 17,500 and 17,000 strikes.

India VIX, which measures the immediate 30-day volatility in the market, saw a good down tick in the first half of the February series. In the second half, India VIX was seen spiking from supportive levels of 12.5-13. Due to this, selling pressure is being seen in the market at higher levels. VIX is likely to see range-bound trade from the 13-18 level for the March series.

The Put Call Ratio-Open Interest (PCR-OI) for Nifty Options has been in the range of 0.7-1.2 February. Going forward, it is expected to remain between 0.6 and 1.2 in March.

The markets are believed to remain cautious in the first half of March with supports placed at 17,200 and 17000 levels; also, the markets will continue to witness some important resistances at 17,800 and 18,000 levels.

OPTIONS STRATEGY

Long Strangle

It can be initiated by 'Buying 1 lot 09MAR 17500 CE (₹ 140) and Buying 1 lot 09MAR 17400 PE (₹ 120).' The premium outflow comes to around 260 points, which is also your maximum loss.

One should, however, place a stop loss at 160 points (100 point loss). The maximum gain is unlimited and one should place the Target at 560 points (300 point gain).

With major volatility expected in the market in March, a movement of 300 points on either side of the market is likely to give decent profits in the strategY.

MUTUAL FUND BLACKBOARD

Large Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Invesco India Largecap Fund - Growth	43.0	-1.7	11.5	10.0	12.5	12.7	724
UTI Mastershare Unit Scheme - Growth	191.7	0.3	13.3	11.0	13.4	12.9	10,434
Canara Robeco Bluechip Equity Fund - Growth	41.6	1.8	13.5	13.3	15.3	13.6	8,642
Nifty 50 TRI	25,945.1	4.8	15.2	12.8	15.2	13.2	--

Mid Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Tata Mid Cap Growth Fund - Reg - Growth	244.0	5.3	16.7	12.1	15.7	18.3	1,748
Mahindra Manulife Mid Cap Unnati Yojana -	17.5	5.9	18.5	13.0	--	--	1,064
Edelweiss Mid Cap Fund - Growth	51.7	8.3	20.7	12.4	17.1	19.5	2,481
Axis Midcap Fund - Growth	66.4	2.2	15.8	15.2	17.2	17.7	18,756
Nippon India Growth Fund - Reg - Growth	2,135.5	8.6	19.7	13.7	17.4	16.5	13,492
Kotak Emerging Equity Fund - Reg - Growth	76.1	10.0	20.3	14.2	18.4	19.4	23,260
Nifty Midcap 150 TRI	14,480.0	8.3	20.8	12.5	17.9	17.8	--

Small Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Axis Small Cap Fund - Reg - Growth	63.1	7.5	21.3	17.9	19.6	--	11,500
Edelweiss Small Cap Fund - Reg - Growth	25.0	7.9	26.4	--	--	--	1,462
Nippon India Small Cap Fund - Reg - Growth	92.1	13.4	29.9	15.4	21.9	24.9	23,757
ICICI Prudential Smallcap Fund - Growth	53.0	9.9	24.1	12.8	16.9	15.9	4,625
Union Small Cap Fund - Reg - Growth	28.8	4.8	22.4	12.2	15.4	--	711
Nifty Smallcap 250 TRI	11,370.5	1.5	21.7	7.5	14.8	15.4	--

Large & Mid Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Axis Growth Opportunities Fund - Reg - Growth	19.5	-0.2	15.7	--	--	--	8,046
Canara Robeco Emerging Equities - Growth	158.8	0.9	14.6	11.3	17.0	19.9	15,205
Edelweiss Large & Mid Cap Fund - Growth	52.9	4.1	15.2	11.9	14.7	14.3	1,683
Kotak Equity Opportunities Fund - Reg - Growth	206.5	8.2	15.5	12.7	16.1	15.6	11,497
Mahindra Manulife Top 250 Nivesh Yojana -	16.8	2.0	18.0	--	--	--	1,058
NIFTY Large Midcap 250 TRI	12,453.3	5.4	17.6	12.2	16.5	15.6	--

Multicap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Mahindra Manulife Multi Cap Badhat Yojana -	20.4	2.8	19.0	13.8	--	--	1,510
HDFC Multi Cap Fund - Reg - Growth	11.0	12.6	--	--	--	--	5,812
Kotak Multicap Fund - Reg - Growth	10.4	10.6	--	--	--	--	4,054
S&P BSE 500 TRI	29,525.6	3.6	16.0	11.7	15.4	13.9	--

FlexiCap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Tata Flexi Cap Fund - Reg - Growth	15.3	0.3	10.1	--	--	--	2,116
Canara Robeco Flexi Cap Fund - Growth	222.6	0.1	13.7	12.9	15.7	13.7	8,609
PGIM India Flexi Cap Fund - Reg - Growth	25.0	-1.9	19.7	13.8	16.0	--	5,236
UTI Flexi Cap Fund - Growth	228.4	-6.1	12.2	12.5	14.1	14.1	24,170
Union Flexi Cap Fund - Growth	33.2	2.1	15.8	12.3	14.0	12.1	1,334
Parag Parikh Flexi Cap Fund - Reg - Growth	49.1	2.3	20.3	16.1	17.6	--	29,345
S&P BSE 500 TRI	29,525.6	3.6	16.0	11.7	15.4	13.9	--

Focused Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Focused 30 Fund - Growth	132.8	17.8	20.4	10.4	14.6	13.5	3,403
Nippon India Focused Equity Fund - Reg - Growth	78.6	2.9	17.5	10.5	15.3	17.5	6,134
ICICI Prudential Focused Equity Fund - Ret - Growth	51.4	6.4	21.0	12.4	14.4	13.2	3,939
SBI Focused Equity Fund - Growth	220.5	-4.6	10.7	10.9	14.6	14.3	27,008
S&P BSE 500 TRI	29,525.6	3.6	16.0	11.7	15.4	13.9	--

Dividend Yield Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
ICICI Prudential Dividend Yield Equity Fund	29.6	10.3	24.2	10.6	15.9	--	1,239
Sundaram Dividend Yield Fund - Growth	87.5	4.4	16.1	10.9	16.4	13.4	374
UTI Dividend Yield Fund - Growth	105.2	3.0	16.3	10.7	14.1	12.1	2,821
S&P BSE 500 TRI	29,525.6	3.6	16.0	11.7	15.4	13.9	--

Contra/Value Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
IDFC Sterling Value Fund - Reg - Growth	92.7	7.0	23.1	11.0	17.4	16.1	5,164
SBI Contra Fund - Growth	227.6	15.8	29.3	14.2	16.7	14.5	7,937
Nippon India Value Fund - Reg - Growth	124.3	3.9	17.4	11.4	15.3	14.7	4,749
S&P BSE 500 TRI	29,525.6	3.6	16.0	11.7	15.4	13.9	--

ELSS Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
UTI Long Term Equity Fund (Tax Saving) - Growth	138.8	-1.2	13.2	10.3	13.2	12.9	2,826
Canara Robeco Equity Tax Saver Fund - Growth	115.5	1.7	16.0	14.5	16.3	14.9	4,576
Kotak Tax Saver Fund - Reg - Growth	74.9	6.8	15.2	13.0	15.8	14.5	3,143
Mahindra Manulife ELSS Kar Bachat Yojana -	19.2	4.9	16.9	10.3	--	--	522
Parag Parikh Tax Saver Fund - Reg - Growth	20.0	7.9	21.9	--	--	--	1,046
Tata India Tax Savings Fund - Reg - Growth	29.0	5.4	14.1	10.9	15.0	--	3,112
S&P BSE 200 TRI	9,433.7	3.7	15.6	12.2	15.4	13.8	--

Thematic / Sector Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Mirae Asset Great Consumer Fund - Growth	57.3	8.1	8.1	8.1	17.0	16.1	2,012
ICICI Prudential Technology Fund - Growth	140.7	-8.2	-8.2	-8.2	20.0	20.8	9,092
Nippon India Pharma Fund - Reg - Growth	271.1	-2.3	-2.3	-2.3	10.4	15.2	4,422
Nippon India Banking & Financial Services Fund - Reg	387.0	8.2	8.2	8.2	15.3	13.0	3,868
S&P BSE 500 TRI	29,525.6	3.6	3.6	3.6	15.4	13.9	--

Arbitrage Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	2 Years	3 Years	
IDFC Arbitrage Fund - Reg - Growth	27.5	7.1	5.8	4.5	4.1	3.9	3,735
Kotak Equity Arbitrage Fund - Reg - Growth	31.6	7.3	6.0	4.8	4.5	4.3	21,822
Tata Arbitrage Fund - Reg - Growth	12.2	7.0	5.7	4.5	4.2	4.3	5,880
Nippon India Arbitrage Fund - Reg - Growth	22.6	6.8	5.6	4.4	4.2	4.1	9,088
Edelweiss Arbitrage Fund - Reg - Growth	16.4	7.0	5.8	4.7	4.4	4.3	5,341

Equity Savings Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
ICICI Prudential Equity Savings Fund - Reg - Growth	18.2	6.3	6.9	7.2	8.9	--	4,966
PGIM India Equity Savings Fund - Growth	41.1	3.7	7.1	6.8	7.3	8.2	148
NIFTY 50 Hybrid Composite Debt 65:35 Index	15,161.5	4.4	12.6	11.4	13.0	11.6	--

Dynamic Asset Allocation Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
PGIM India Balanced Advantage Fund - Reg - Growth	11.6	2.9	--	--	--	--	1,430
Nippon India Balanced Advantage Fund - Reg - Growth	126.1	5.5	9.4	8.2	11.9	11.3	6,710
Tata Balanced Advantage Fund - Reg - Growth	15.3	5.6	11.9	--	--	--	6,376
Edelweiss Balanced Advantage Fund - Growth	36.6	3.2	13.1	10.4	11.1	11.2	8,833
Union Balanced Advantage Fund - Reg - Growth	15.4	3.5	10.8	9.3	--	--	1,705
NIFTY 50 Hybrid Composite Debt 65:35 Index	15,161.5	4.4	12.6	11.4	13.0	11.6	--

Hybrid Aggressive Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Canara Robeco Equity Hybrid Fund - Growth	248.3	2.3	12.0	11.3	13.6	13.6	8,270
SBI Equity Hybrid Fund - Growth	202.0	1.4	10.3	10.2	12.3	13.6	55,611
Mirae Asset Hybrid - Equity Fund - Reg - Growth	22.2	3.0	12.3	10.6	13.5	--	7,087
NIFTY 50 Hybrid Composite Debt 65:35 Index	15,161.5	4.4	12.6	11.4	13.0	11.6	--

Multi Asset Allocation Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Multi - Asset Fund - Growth	49.9	6.3	12.8	9.9	10.2	10.1	1,651
Nippon India Multi Asset Fund - Reg - Growth	13.7	6.0	--	--	--	--	1,153
Tata Multi Asset Opportunities Fund - Reg - Growth	16.3	6.4	--	--	--	--	1,482
NIFTY 50 Hybrid Composite Debt 65:35 Index	15,161.5	4.4	12.6	11.4	13.0	11.6	--

Gold Funds Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Gold Fund - Growth	17.5	11.5	9.4	11.7	8.9	5.3	1,432
Kotak Gold Fund - Reg - Growth	22.6	11.4	9.4	12.1	9.2	5.2	1,431
Nippon India Gold Savings Fund - Reg - Growth	22.5	11.5	9.0	11.6	8.9	5.2	1,493
Prices of Gold	56,175.0	12.6	10.5	13.1	10.1	6.8	--

Overnight Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year	YTM	
Aditya Birla Sun Life Overnight Fund - Reg - Growth	1,198.1	6.3	6.2	6.0	5.0	6.5	11,095
IDFC Overnight Fund - Reg - Growth	1,182.2	6.3	6.2	6.1	5.0	6.4	3,014
Mahindra Manulife Overnight Fund - Reg - Growth	1,148.6	6.3	6.2	6.1	5.0	6.6	359
Tata Overnight Fund - Reg - Growth	1,169.8	6.3	6.2	6.0	5.0	6.5	2,941
Nippon India Overnight Fund - Reg - Growth	119.1	6.3	6.2	6.1	5.0	6.5	10,480

Liquid Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year	YTM	
Aditya Birla Sun Life Liquid Fund - Reg - Growth	356.9	6.3	6.4	6.5	5.3	7.1	35,226
ICICI Prudential Liquid Fund - Reg - Growth	328.1	6.3	6.3	6.5	5.2	6.8	47,483
Kotak Liquid Fund - Reg - Growth	4,483.3	6.2	6.3	6.4	5.2	6.9	30,455
Nippon India Liquid Fund - Reg - Growth	5,411.8	6.2	6.3	6.4	5.2	6.9	26,605
Mahindra Manulife Liquid Fund - Reg - Growth	1,441.8	6.4	6.4	6.5	5.3	7.0	520

Ultra Short Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Ultra Short Term Fund - Reg - Growth	12.8	6.2	5.7	4.8	4.8	7.3	13,163
ICICI Prudential Ultra Short Term Fund - Growth	23.4	6.3	5.8	4.9	4.9	7.5	12,890
UTI Ultra Short Term Fund - Growth	3,605.1	6.1	5.5	4.6	5.3	7.5	2,173
Aditya Birla Sun Life Savings Fund - Reg - Growth	460.5	6.5	5.9	5.1	5.2	7.6	14,991

Money Market Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Aditya Birla Sun Life Money Manager Fund -	310.2	6.7	6.2	5.2	5.1	7.4	13,580
SBI Savings Fund - Growth	35.1	6.3	5.7	4.7	4.4	7.5	18,694
HDFC Money Market Fund - Growth	4,802.4	6.6	6.0	5.1	5.0	7.3	14,821
Nippon India Money Market Fund - Reg - Growth	3,482.1	6.8	6.2	5.3	4.9	7.4	10,992
Tata Money Market Fund - Reg - Growth	3,961.5	6.7	6.1	5.2	5.0	7.4	9,576

Low Duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Low Duration Fund - Growth	48.7	6.0	5.7	4.5	5.2	7.8	14,807
ICICI Prudential Savings Fund - Reg - Growth	453.5	6.1	7.0	5.2	5.5	7.7	21,002
Nippon India Low Duration Fund - Reg - Growth	3,166.3	5.9	5.3	4.3	5.0	7.7	6,287
Mirae Asset Savings Fund - Regular Savings Plan -	1,914.2	5.8	5.2	4.3	4.5	7.6	634
Kotak Low Duration Fund - Std - Growth	2,832.8	5.7	5.5	4.3	4.9	8.1	7,531

Floater Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Aditya Birla Sun Life Floating Rate Fund - Reg -	290.4	6.4	6.0	5.2	5.5	7.6	12,488
Nippon India Floating Rate Fund - Reg - Growth	37.5	5.7	5.3	4.0	5.8	7.6	7,394

Short Term Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Aditya Birla Sun Life Short Term Fund - Reg - Growth	39.8	5.3	5.0	4.4	6.2	7.9	5,089
HDFC Short Term Debt Fund - Growth	26.6	5.8	5.2	3.8	5.6	7.8	10,774
Nippon India Short Term Fund - Reg - Growth	44.0	5.0	4.5	3.2	5.3	7.8	4,880
ICICI Prudential Short Term Fund - Growth	50.1	5.4	6.2	5.2	6.0	8.0	14,590
Kotak Bond Short Term Fund - Reg - Growth	43.7	4.0	4.4	3.0	4.9	7.8	12,465

Corporate Bond Fund

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Corporate Bond Fund - Reg - Growth	24.8	5.8	6.4	5.0	6.0	7.9	16,683
IDFC Corporate Bond Fund - Reg - Growth	16.1	5.7	4.6	2.7	5.5	7.5	15,341
HDFC Corporate Bond Fund - Growth	26.9	5.3	5.2	3.5	5.8	7.7	22,088
Kotak Corporate Bond Fund - Std - Growth	3,134.3	4.7	4.9	3.7	5.3	7.9	8,886

Dynamic Bond Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential All Seasons Bond Fund - Growth	30.6	5.6	6.4	5.1	6.2	8.2	6,444
Nippon India Dynamic Bond Fund - Reg - Growth	30.7	6.7	4.6	2.5	4.9	7.7	3,215
Kotak Dynamic Bond Fund - Reg - Growth	30.9	1.7	3.0	2.1	4.8	7.8	1,998

Medium Duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Medium Term Bond Fund - Growth	37.2	5.6	5.3	4.4	6.0	8.3	6,279
HDFC Medium Term Debt Fund - Growth	47.0	5.2	4.7	2.9	5.3	8.2	3,684
SBI Magnum Medium Duration Fund - Growth	42.6	5.7	5.5	3.6	5.8	8.0	7,138

Medium to Long duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Bond Fund - Growth	33.1	4.8	5.4	3.8	5.2	7.6	2,411
SBI Magnum Income Fund - Growth	58.8	5.5	5.6	3.4	5.3	7.7	1,512

Gilt Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Nippon India Gilt Securities Fund - Reg - Growth	31.7	4.1	5.1	2.4	4.2	7.5	1,147
Kotak Gilt Fund - Growth	80.7	4.1	5.7	3.1	5.2	7.8	1,594
IDFC G Sec Fund - Invt Plan - Reg - Growth	29.1	4.5	3.4	1.2	4.8	7.4	1,403

Credit Risk Fund

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Credit Risk Fund - Growth	26.2	5.4	4.9	4.6	6.5	8.8	7,741
HDFC Credit Risk Debt Fund - Reg - Growth	20.1	5.5	4.9	3.7	6.6	8.6	8,527
SBI Credit Risk Fund - Growth	37.6	5.6	5.4	4.3	5.8	8.1	2,816

Disclaimer : Mutual Fund Investments are subject to market risks. Please read the offer document carefully before investing. Past performance is no guarantee of future performance. Returns are of Growth option of Regular plans. Returns which are below 1 year period are Annualized Returns. Source: - ICRA MFI, NAV as on 21st Feb 2023

MANTRA FOR RETIREMENT

Naval's unique three-stage ideas will push investors to solve the puzzle of retirement

Achieving financial freedom and planning for retirement is a top priority for many people. Despite the abundance of material on the topic, Naval Ravikant's perspective is particularly noteworthy and worth considering.

An early investor and American entrepreneur of Indian origin, Naval Ravikant is known for his insights on the path to happiness and how to live a fulfilling life. His unique perspective, which is characterized by logical arguments and a rational point of view, is commonly referred to as "Navalism." Among his most popular teachings is his philosophy on happiness and finding peace.

Naval Ravikant is a successful investor. He has endorsed some of the most well-known tech companies, including unicorns such as Postmates, Twitter, and Uber. As an active voice on social media platforms, he shares his thoughts and insights on various topics including health, life, and investment. Naval's achievements clearly demonstrate his success in balancing work and personal life.

AN INSPIRATION AND A TRUE MENTOR

Naval Ravikant's rise to fame began with his active presence on social media platforms. He regularly posts on various online platforms, where he shares his philosophies and unique perspectives on the world. One of his standout qualities is his ability to explain complex ideas and concepts in a clear, practical, and logical manner. This is precisely why he has earned a massive following on Twitter, with more than 2 million followers, many of whom see him as a sage-like figure, providing them with the practical wisdom to navigate the world.

His unique perspectives on life and the way he presents them through unconventional theories and connections have had a profound impact on many of his followers and readers. His lessons have inspired and changed the lives of many people. His approach is seen as unconventional and refreshing, and it has helped many to gain new insights and perspectives on their own lives and the world around them.

Ravikant's ideas and insights cover a wide range of topics. However, we have chosen to focus specifically on his views regarding retirement.

INSPIRATION FROM BUDDHA

Ravikant has a unique approach to combining health, wealth, and happiness. He uses the teachings of Buddha to illustrate how one can find happiness and peace while also pursuing wealth. According to Naval, true happiness comes from understanding what we truly want and focusing on that, rather than constantly competing with others.

Ravikant says, "Be authentic to escape competition, find what you know how to do better than anybody because you love to do it and it feels like play, and get to 'retirement.'"

"The way to get out of the competition trap is actually to be authentic. The way to retire is actually to find the thing that you know how to do better than anybody. And, you know how to do that better than anybody because you love to do it," he adds.

HEALTHY, HAPPY, AND WEALTHY

Naval's ideas revolve around the belief that true happiness is closely tied to financial stability. His belief is that achieving peace and fulfillment in life should not be tied to accumulating wealth or material possessions, but rather to having enough resources to meet our basic needs.

According to him, if a person wants to live a happy and peaceful life, it's important to have enough money to afford it.

Therefore, the first step to happy retirement is financial stability or becoming reasonably wealthy.

Ravikant's approach is a bit different from most gurus. He believes that the first step towards true happiness is achieving financial stability, so that one has the means to afford their basic needs in life.

"Happiness can be bought by money" is not his preaching; rather, he shares a different perspective. "Happiness comes after becoming wealthy," he espouses.

The role of money is to meet basic necessities of life. Money alone cannot be a goal but a means to achieve financial freedom that contributes to happiness. He says, "Money doesn't buy happiness - it buys freedom."

And with freedom you are detached from the niggling worries that could otherwise disturb your inner peace. Thus, Naval reiterates that financial freedom is one of the important steps in achieving happiness.

NAVAL'S 3-STAGE FORMULA FOR RETIREMENT: "RETIREMENT IS FINANCIAL FREEDOM"

Stage 1: Create A Passive Income Source To Settle Your Burn Rate.

Stage 2: Target Burn Rate To 0; It Is The Monk Level.

Stage 3: Finding A Way To Do What You Love To Do.

STAGE 1: CREATE A PASSIVE INCOME SOURCE TO SETTLE YOUR BURN RATE.

Discipline with finance and savings is hard. People tend to increase their rate of expenses as their disposable income grows.

Naval suggests reducing daily expenses to a minimum and keeping them only to the level where you can live your life happily.

Cutting down on expenses and controlling unnecessary desires could help speed up savings and investments. As we grow our savings and investments little by little daily, the effect of compounding starts to produce results in the long run.

One of the key tasks in achieving financial stability, according to Naval, is to generate passive income. To do this, he suggests focusing on increasing savings and investments.

This can include earning passive income from sources such as dividends, capital gains, and interest.

The idea is "To have so much money saved that your passive income (without you lifting a finger) covers your burn rate." What this means is that your passive income should be enough to cover all your expenses, allowing you to live a comfortable life without having to rely on active income from a job or a business. This allows one to have more freedom and flexibility.

STAGE 2: TARGET BURN RATE TO 0; IT IS THE MONK LEVEL

Achieving Buddha's stage means having a burn rate of 0. He agrees that this may be impractical or unrealistic for many people, but suggests that it is possible to find inspiration and strive towards a similar level of peace and contentment.

He advises individuals to find a mentor or a role model who can inspire and guide them on this journey. He points out that one should not be misguided by those who may live like a monk but haven't reached enlightenment; rather look for a mentor who can guide and show the path to ultimate peace. He believes that by letting go of materialistic aspirations and possessions, one can achieve eternal happiness, but it requires planning and effort.

Constantly striving to meet daily needs and having an insatiable hunger for more, can lead to a very high burn rate. To lower or eliminate this burn rate, one must work on silencing these desires through financial and other means. Reaching the stage of low or zero burn rate is an important step in achieving the ultimate goal of retirement.

STAGE 3: FINDING A WAY TO DO WHAT YOU LOVE TO DO

People must turn their passions into a way of living by finding ways to monetize their skills. In today's world, it is possible to earn an income doing something you are truly passionate about.

He suggests starting a business, starting a project, or sharing your skills in any way you can. He believes that now is the best time to take action, to pursue what you're passionate about and convert it into a way of earning a living.

He says, "I don't care how rich you are. I don't care whether you're a top Wall Street banker. If somebody has to tell you when to be at work, what to wear and how to behave, you're not free. You're not rich."

In current times, many people are caught up in the pursuit of fame and material possessions. Naval says that one should take a different approach to life, by searching for their true passions and finding ways to turn them into a source of income. This means breaking free from the traditional 9-5 job culture, and finding ways to earn a living doing what they love.

Ultimately, we all should strive for financial independence by doing something of our own, he says emphatically. Good health, wealth, and ultimate happiness will follow.

Moreover, achieving retirement at a particular time, age or stage of life is often an illusion. The best way to reach that stage is to work from today and to reach that stage as early as possible irrespective of ag**E.**

IMPORTANT JARGON

SEBI ALLOWS OFS FOR NON-PROMOTERS

Capital markets regulator, the Securities and Exchange of India (SEBI) has allowed non-promoter shareholders to sell their equity shares in a company through the Offer for Sale (OFS) route. The fresh framework will come into action from 9th February.

Q. What Is An Offer For Sale (OFS) Of Shares?
An Offer for Sale is a way of offloading shares by existing shareholders in a publicly-listed company. The money doesn't go to the company, but it exchanges hands between a buyer and a seller. These transactions are done through the stock exchange platform in a transparent manner. Till now only promoters of publicly-listed companies were allowed to use the OFS window. They used to reduce their holdings using the OFA route, especially to meet SEBI's minimum public shareholding norms.

Q. What Does The New Framework Proposed By SEBI Entail?
While earlier only promoters were allowed to sell shares through the OFS window, SEBI has now revised the OFS framework to allow even non-promoters to use the platform. Any non-promoter shareholder who wants to sell a stake valuing more than ₹ 25 crore, can use the OFS window of the stock exchange. To start with, SEBI has allowed companies with a market capitalization of ₹ 1,000 crore and above only.

Q. What Is Interesting About The Revised Framework?
The promoters or promoter group entities are allowed to participate in the OFS to purchase shares. Promoters may now increase their holdings through this window when a non-promoter is on the selling side.

Q. How Will The Move Help Non-Promoters?
Earlier, in the absence of such a route for offloading stakes, non-promoters (mostly large institutional investors like mutual funds, insurance companies, etc) had to rush to undertake large block deals with the help of stockbrokers, where they had to take deep discounts in selling price. With the revised framework, non-promoters would enjoy better price discovery while selling shares.

Q. How Will The Move Help Retail Investors?
The new framework will also help retail investors in a big way. Earlier, when non-promoters (mostly institutional investors) would sell through a highly secretive bulk / block route via stockbrokers, there was no way for retail investors to participate in it. Now, the field has been levelled and

retail investors who wish to participate in such OFS deals can participate. SEBI has also directed sellers to offer a discount to retail investors.

Q. How Would One Know About Such OFS?

Under the new guidelines, the seller is required to announce the intention of the OFS latest by 5 pm on the day prior to the transaction (T-1 day). Other details like floor price will also have to be announced a day prior.

MINIMUM FLOAT RULES EASED FOR PRIVATIZED STATE-RUN COMPANIES

Recently, the government came out with a notification exempting listed state-run companies, including banks, from the 25% minimum public shareholding norms even after companies' privatisation.

Q. What Are MPS Norms?

Markets regulator, the Securities and Exchange Board of India (SEBI) mandates a company to have a minimum public shareholding of 25% in a company after a few years of its listing. The intention behind MPS is to discourage promoters from stock manipulation by ensuring that adequate liquidity is there in the open market.

Q. How Have MPS Norms Evolved?

MPS was raised to 25% from 10% in FY10. There was some relaxation for state-run entities earlier. Listed state-run companies were initially given the deadline of 2017 to comply with the norms, but the deadline was later repeatedly extended till 2021. With the current notification, there is no fresh deadline for complying with the norms for PSUs.

Q. Can The Government Change The Rules?

Yes. In the public interest, the central government has been given powers to exempt any listed entity in which it has a stake, directly or indirectly, from meeting MPS rules. The centre in the past has relaxed norms for state-run companies to meet MPS norms on a couple of occasions.

In July '21, ahead of the initial public offering of Life Insurance Corporation (LIC), the government notified that all listed public sector units would be exempted from minimum public shareholding rules.

Q. How Should One Look At This Leeway Given Only To The Public Sector Entities?

The norms in a way are biased towards state-run entities. According to the latest data available, around 45 public sector listed entities have not yet met the minimum shareholding rules. In some companies, sheer lethargy on the part of the government has led them to fail to meet the MPS rules as these companies were listed decades ago.

Q. What Is The Relevance Of Giving Leeway In MPS Rules Even To Companies' Post-Privatization?

Companies need to adhere to the MPS norms within 3 years of listing or from new promoters coming in. This is an huge task as in many companies the government has a huge stake, directly or indirectly. Potential investors in the government's strategic sale initiatives were getting discouraged because of these norms.

Q. How Will The Move Help Potential Investors?

The amendments will provide greater certainty and flexibility for complying with the MPS rule post-disinvestment. The amendment will reduce one regulatory step needed by potential investors that of approaching SEBI to seek an extension to comply with the MPS requirement post-disinvestment.

Q. How Will The Move Help The Government?

Currently, the government is eyeing to sell its stake in a host of firms including IDBI Bank, Shipping Corporation of India, and Container Corporation of India. The move is expected to make strategic sales by the government more attractive to potential investors. This will help the government meet the disinvestment targets.

Q. Will This Leeway Help The IDBI Stake Sale?

The immediate beneficiary of the leeway is likely to be IDBI Bank, where the government has started the privatization process. The amendment in MPS norms has come just ahead of the deadline to submit preliminary bids by potential investors for IDBI Bank privatization.

In the case of IDBI Bank, LIC and the government hold 49.24% and 45.48%, respectively and the public shareholding is 5.28%. Things can now start moving faster for the government and potential investors for the IDBI bank stake sal**E.**


GDP
IN CLEAR VIEW
SUNSHINE: A RAY OF HOPE
2022: YEAR OF RESILIENCE
Inflation, supply chain bottlenecks may continue to plague in the new year but the nation will march towards a sustainable future
A TOWERING PRESENCE
LIC
RAISING THE STAKES
Increased Capex On Infrastructure Is Likely To Boost Growth, While Also Creating Jobs
CONFLICT OF INTEREST
THE ALCHEMY OF PARTNERSHIPS
INDIA UNPLUGGED
A GLOBAL PLIGHT
food crisis
FREEDOM OF CHOICE
THE WIZARD OF DALAL STREET
SWEEPING CHANGES
MANUFACTURING SUCCESS STORIES
Policy reforms and key announcements by the government have turned the tide for the manufacturing sector in India
WEIGHED DOWN BY WOES
BANK
CATALYSTS FOR IMPROVEMENT
CHASING DREAMS

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