

Outlook

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The Health Insurance Claims Conundrum

Health insurance acts as a shield against medical expenses, but what if your claim gets rejected?



WEALTH
WIZARDS

Dan Ariely on
irrationality and
investment

RNI NO. DELENG/2002/08292



SPECIAL
STORY

Value Investing Lessons
From Benjamin Graham

THE DEVIL IS IN THE DETAILS

The good news is that the uptake of health insurance has increased in India. According to the *Economic Survey 2022-23*, households with “any usual member covered under a health insurance or financing scheme” has increased from 28.7 per cent in 2015-16 to 41 per cent in 2022-23, according to the findings of the National Family Health Survey. This can be largely attributed to the spread of government schemes, such as Ayushman Bharat, and the rise of awareness about the importance of health insurance after Covid.

The bad news is that there are still many people who do not understand what they are getting into. That’s primarily because insurance proposals are complicated documents and some of the clauses can have a large impact on how your claims experience plays out in the future. Though the regulator has now asked insurers to provide a customer information sheet (CIS) that includes all major policy clauses in an easy-to-understand language.

Health insurance can help you shoulder the financial burden that an illness or hospitalisation may entail, but it may not be your ticket to complete freedom from medical expenses. That’s because these products often come with certain limitations and restrictions.

I believe doing three things can help ensure that you do not struggle later. First, reading and understanding the information in the CIS is imperative, if you do not want to read the entire document. I emphasise on understanding because that is the only way to assess if the policy is suitable for you. If you do not understand a particular term or its ramifications, reach out to the agent or distributor you are dealing with, or research a bit on your own.

Second, even if the agent tries to convince you otherwise, do not hide facts regarding your medical history, existing ailments or habits, such as smoking and drinking. Hiding these can affect your claims later. Remember that insurers investigate each case thoroughly before releasing the claim amount. The worst that can happen if you come out clean is the addition of a few exclusions, or introduction of waiting periods for certain ailments, or topping of the premiums. But compared to these, a claim rejection when you need the money is worse.

Third, keeping your documents updated and handy at the time of making a claim can solve most of the problems, whether it is at the time of making a claim, or when you are forced to take legal recourse in case of a rejection. This problem can get largely sorted if you opt for a cashless policy and stick to a hospital in the insurer’s network, even though the regulator has now extended the net to all registered hospitals.

As for insurers, it is important to realise that it may take a long time to build trust, but a single negative experience will be enough to break it completely. Effective communication at the time of sale and claims, timely intervention in genuine cases, and a supportive and willing-to-listen customer interface are some of the aspects that can go a long way in reducing the number of complaints, which are still substantial.

If you look at the flurry of regulatory proposals aimed at reducing complaints about rejection of health insurance claims in the last six to eight months, it seems the Insurance Regulatory and Development Authority of India wants insurers to tighten their belts. But whether these will translate into positive practical experience will depend a lot on both the insurers and the policyholders. But how things pan out in the future is something that still remains to be seen. **► OM**



NIDHI SINHA

Editor, Outlook Money
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The insured need to follow a three-way approach. They should understand the information in the CIS, not hide facts while buying the policy, and keep all documents updated and handy while making a claim

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Investor Sentiments

I have been a regular reader of *Outlook Money* and was looking forward to the best funds issue (*India's Best Funds 2024*) in June issue with anticipation. The market was on a bull run, in the hope of the incumbent government making a clean sweep at the polls. However, after the announcement of the general election results on June 4, 2024, it was an absolute bloodbath. It will be worthwhile to notice, how many of the funds from this issue perform in this scenario and make it the next OLM 50 list (*Annual Report Card*, Pg 46). As many of these funds often invest in a few bellwether stocks (*Three Stocks MFs Went Bananas Over*, Pg 52), I feel it would be best to wait and watch than going for an immediate rejig of the portfolio.

Kamal Kant Sharma, email



JUNE | 2024

Travel Tips

The article on senior travel (*5 Tricky Travel Questions, And 1 Foolproof Travel Plan*, June 2024 issue) was well-written and very informative. I have been thinking of taking a break this summer, my first after my retirement a few months ago. Though, I feel it is better to spend money on travel while one is still physically fit, yet, at my age, now I plan to travel and take at least two vacations every year. I have seen my elder colleagues wither away as soon as they touch 70 and by the time they are 75 years old, the mobility is usually restricted to a few walks inside the house. In this context, I really liked a few points in the story, such as checking out nearby medical facilities, and accessibility, availability of lifts, etc, before making a booking.

Ranjan Singh, email



Mastering Money

Money is a personal emotion and cannot be "one size fits all". More than money management, behaviour management towards money is key. I really liked the way Larissa Fernand brought this out in her article, *Master Your Money Choices*, May 2024. It was very well explained.

Pankaj Rawat, email

Costly Surrender

All the insurance policies I was sold (mis-sold) early on in my career were more to the benefit of the insurance agent than to my benefit. The worst thing was that these endowment, money-back and unit-linked insurance plans (Ulips) came with exorbitant premiums and heavy surrender charges, and promised very little by way of returns (*3 Things To Check Before You Exit Your Policy*, May 2024). But sadly, even after so many years and instances of mis-selling and the fact that many Indians still treat life insurance products as investment products due to their advisors telling them so, it seems the regulator hasn't done anything for the benefit of the consumers.

Rakesh Goyal, email

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In the last 6-8 months, Irdai has introduced a set of regulatory changes that promise to resolve issues that previously often led to poor outcomes on health insurance claims

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Lay Claim On Your Rights

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Health insurance claims may often be rejected on legitimate grounds, such as the customer hiding key details on medical history or existing ailments, but there are cases in which claims have been denied even when policyholders are not at fault. Though the road is long-winding, there are redressal mechanisms in place to protect the policyholders. In short, there's nowhere to hide that Pinocchio nose either for the policyholders or insurers when it comes to claim settlement

By Meghna Maiti and Anuradha Mishra

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Illustration: Anjan Das

There is a buzz around rejection of health insurance claims. The Insurance Regulatory and Development Authority of India (Irdai) has come out with a flurry of announcements and proposals aimed at reducing customer complaints. At the same time, the percentage of such complaints has seen a sharp increase after Covid, from 0.80 per cent of total complaints in 2020-21 to above 18 per cent in 2022-23.

No wonder complaints of rejection of health insurance claims abound—a simple search on the social media will throw up numerous such cases.

The problem is that such cases have the potential to wreak financial havoc in the lives of people who may need to undergo expensive treatment for certain illnesses, and also erode the newly-earned trust in health insurance after Covid-19.

Data backs anecdotal experiences. A survey by LocalCircles released in May 2024, a community social media platform, says that 43 per cent of health insurance policyholders

surveyed struggled with getting their health insurance claims processed in the last three years. It surveyed 39,000 respondents from across 302 districts of India and was conducted to understand how people buy general insurance, the kind of policies they buy, and where they face the most issues.

According to the Irdai annual report 2022-23, a total of 45,082 health insurance claims were reported during the year, out of which 8,158 or above 18 per cent were repudiated or rejected.

The data during the Covid period told a different story, perhaps because the government and insurers were proactive then. In 2020-21, there were 21,836 claims due to the Covid-19 pandemic, out of which 21,304 were settled, 175 were repudiated, and 357 were outstanding. The rejection rate was only about 0.80 per cent. In 2021-22, however, out of 2,996,801 Covid-19 health insurance claims, 2,654,001 were approved, 7,223 claims were disallowed, 311,952 were repudiated and 30,848 were outstanding. The rejection rate shot up to more than 10 per cent during

this period.

It is important to note here that the numbers include a large portion of claims rejected because of the insured person's fault as well.

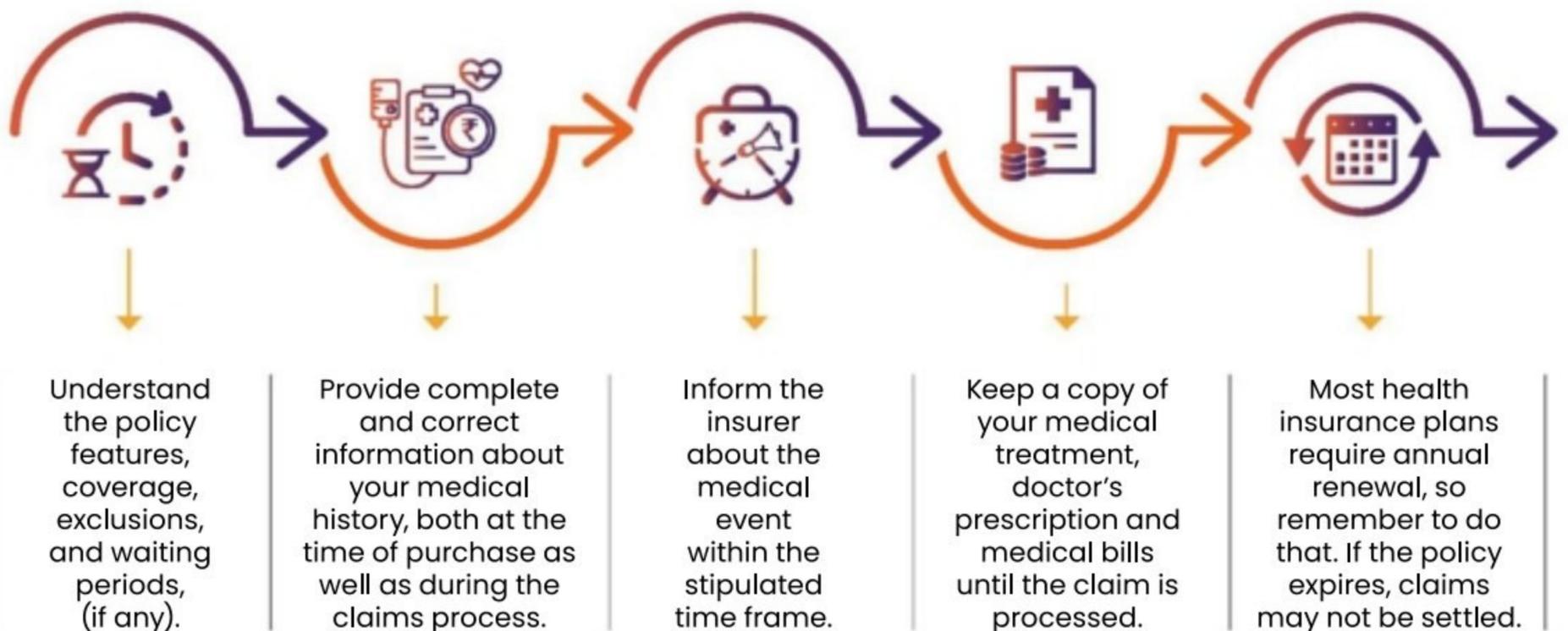
While the above data doesn't clearly specify the number of rejections and repudiations for all the years, it is important to understand the difference between the two terms. Claims rejected refers to claims that cannot be settled because they do not fully meet the policy terms and conditions, such as the waiting period, sub-limits, exclusions, lack of proper documentation, and so on. In the case of claim repudiation, the insurer studies the claims and discovers fraudulent documentation or submission of wrong data.

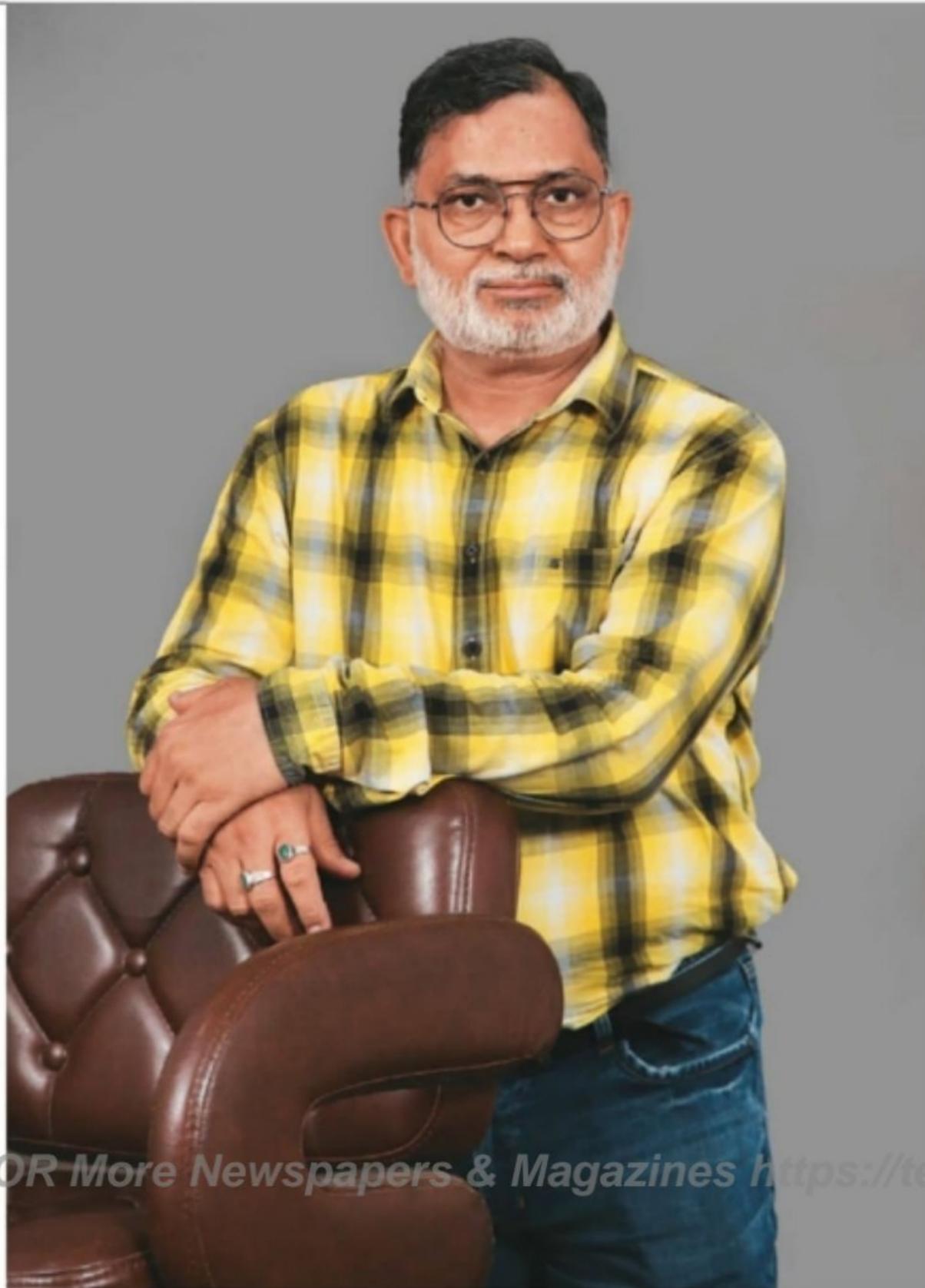
That's the theoretical difference. The practical difference can affect the final outcome of your claim dispute. When your claim is rejected, you have a chance to rectify any errors made during the submission and resubmit your claim. But when your claim is repudiated, you cannot resubmit the claim, and the only recourse is to take the legal route.

So what are the reasons for

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How To Ensure A Smooth Claims Journey





media to study the complaints and spoke to at least four people, and most of them became victims unwittingly.

There are cases of rejections due to online technical errors, overcharging by the hospitals, which is labelled as fraud by the insurers, and even for opting for a non-standard treatment for an illness that is not even excluded in the policy. It is common to opt for non-standard treatment for serious and life threatening illnesses, such as cancer.

Apart from rejection and repudiation, customers may also face the problem of getting only a part of the claim settled. "Issues faced by health insurance clients include outright rejection of claims and unwarranted deductions from hospital bills, including that from network hospitals," says R. Balasundaram, secretary general, Insurance Brokers Association of India (IBAI).

Non-disclosure: This is among the most common reasons for claim rejection, and in this case, the responsibility often lies with the complainant. This includes non-disclosure of pre-existing conditions or providing incorrect or incomplete information at the time of buying the insurance policy.

Says Parthanil Ghosh, director and chief business officer, HDFC ERGO General Insurance: "The customer should provide complete and correct information regarding their medical history, both at the time of purchase as well as during the claims process. Non-disclosure of pre-existing conditions or any misrepresentation can lead to the rejection of the claim."

In such cases, it is sometimes the customers who may willingly hide information, such as the family's medical history or the frequency of smoking consuming or alcohol, or other substance abuse, or, the seller may not ask the right questions at the time of filling the health insurance proposal at the time of buying,

such rejections, what can you do to minimise the chances of rejection, and what is the recourse if you become a victim, even if unwittingly? We try to answer all these questions to ensure you have a smooth health insurance claim experience.

Why Are Claims Rejected?

Though in some cases, lack of awareness on the part of customers in understanding the terms and conditions of the policy get highlighted, that's not always the case.

Customers often become victims for no fault of theirs. *Outlook Money* ran an extensive search on social



RAVINDER PRASAD SAHI UNIYAL

Age 59

Bhiwadi, Rajasthan

He faced trouble with his corporate health policy on the grounds that he had opted for non-standard treatment.

leading to a discrepancy created unintentionally.

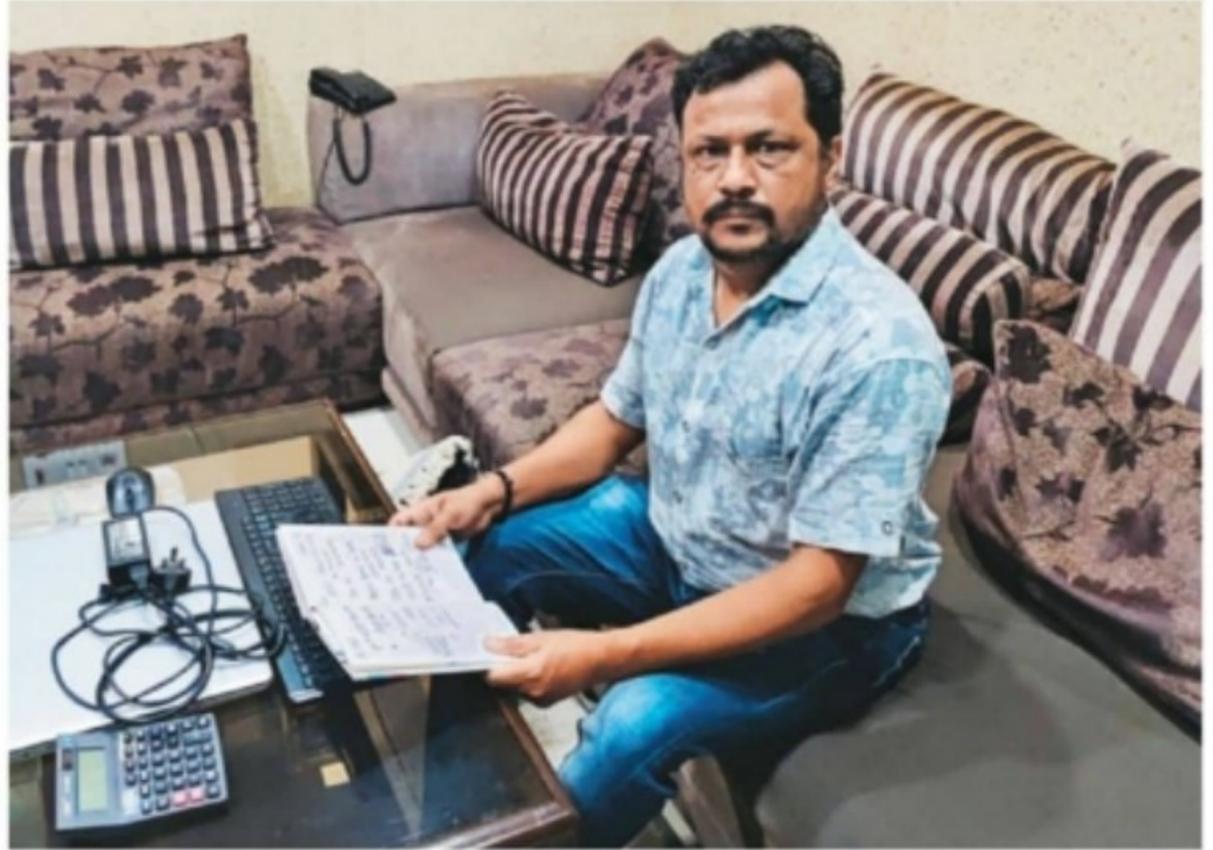
Lack Of Awareness: Claims can also get rejected because a customer may not be fully aware of, or misunderstand the policy's terms and conditions. These are often hidden in fine print. Says Suvigya Awasthy, partner, PSL Advocates & Solicitors, a Delhi-based law firm: "Insurance policies are often complex documents that are drafted with utmost precision to avoid frivolous claims. The provisions of any insurance policy are strict and narrow which ought to be read meticulously by the policyholder before agreeing to the same,"

Lack of awareness about termination of a policy due to non-compliance of some term, or the claim amount you are eligible for, or the services or treatment not offered by the policy as per the fine print, among others, can also lead to claim rejection.

The family of Bihar's west Champaran district-based Kunal Pratap Singh, 44, faced problems because they were misinformed regarding the period within which claims had to be filed after the discharge under their family floater plan. Kunal claims he was informed through the insurer's call centre in September 2023 that multiple claims could be individually filed within the policy year.

However, he got a financial setback because there were five hospitalisations in his family that year and claims for only two were settled.

In August 2023, Kunal's daughter was hospitalised in Kota, Rajasthan for high fever and symptoms of dengue. However, dengue was not confirmed in the final report in September. A month later, while in Noida, his wife needed an urgent ear surgery. Then, in October, his daughter was hospitalised due to high fever again. It so happened that in November, both Kunal and his wife were hospitalised for dengue and allergies, respectively,



B. PRIYESH KUMAR BRIJBHOVANDAS

Age: 47
Varanasi

His reimbursement claim was rejected on the grounds that the doctor consulted by him wasn't credible. It was later partially settled.

at the same hospital.

He filed all the four claims, separately, in April 2024. Though Kunal's claims regarding hospitalisation of himself and his wife were approved, his earlier claims for hospitalisations in August, September and October were rejected in May this year due to "late submission". His one-year family floater policy with a sum insured of ₹5 lakh expired in June 2024.

Kunal feels that being misinformed

is not his fault because several details are hidden in the fine print. Irdai has now directed all health insurance companies to provide a customer information sheet (CIS) to policyholders highlighting all key policy details in simple terms. This new CIS format has been made effective starting January 1, 2024, by which time Kunal's policy was ongoing.

Kunal says, "An insurer can't expect its customers to be thorough with the terms and conditions of the policy documents. They should know that many policyholders depend on customer care calls. They should at least maintain the credibility of passing on the right information." However, it is advisable for new policyholders to know the terms and conditions.

Documentation Issues: It's important to remember that making an insurance claim does involve paperwork, though it gets minimised in cashless policies. The "cashless everywhere" initiative introduced by the General Insurance Council (GIC) recently, gives policyholders the freedom to seek cashless treatment at any hospital, irrespective of its network status. Thanks to this,

policyholders can now get admitted to a hospital without paying any money, and the insurance company will pay the bill upon discharge. In a way, this reduces paperwork on the part of the policyholders, simplifies the claims process, while also mitigating fraud.

However, in the case of reimbursement policies, if you do not do the documentation properly, there are chances that your claim will get rejected.

In some cases, a technical glitch can also create problems for you. That's what happened in the case of a 60-year-old resident of Kota in Rajasthan, who was suffering from cancer and did not want to be identified. His daughter has been following up to get the claim for a surgery he underwent in April 2024, but has been unsuccessful till date. The surgery was done to remove a cancerous ulcer. He was hospitalised in a network hospital for five days and the cost added to ₹2,69,657, including pre- and post-hospitalisation bills. The claim is not even 50 per cent of the policy's sum insured of ₹10 lakh for which they pay an annual premium of ₹16,331.

When his daughter filed for a claim on his behalf later in April this year, it was just the beginning of a tiresome ride. She tried submitting an online claim multiple times, but repeatedly faced technical glitches while uploading the documents. She has kept a video as proof that shows that even after all the documents were uploaded, she still received requests for uploading documents.

She reported the problem to the insurer's customer care, including how the website did not allow seeing the details of the claim after it was submitted. However, she received no active support for the technical glitches.

She finally emailed all the claims documents to the insurer. Her ordeal continued with another 10 rounds of communication via email with

the insurance company. During this phase, she was asked to submit the documents multiple times, and received a request for a house visit to provide further documentation, which was not previously mentioned in the email communications, and so on. *Outlook Money* has reviewed the documents and the communications between the claimant and the insurer.

"I am trying to settle the claim on behalf of my father, but imagine if someone of his age were to go through the process themselves. How would they handle such anxiety and harassment?" she asks.

According to Shilpa Arora, co-founder and chief operating officer, Insurance Samadhan, an insurance-



One of the reasons why claims may get rejected is because a customer may not be fully aware of the policy's terms and conditions, which are often in fine print

complaint redressal platform: "Irdai has issued specific guidelines on insurance claim settlement timelines. As per the regulation, insurance providers are mandated to settle health insurance claims within 30 days of the receipts of the last 'necessary' document."

Allegations Of Fraud: A lot of times, when hospitals overcharge or prescribe tests or treatments that are not required for the medical condition of the claimant, it can lead the insurer to label the claim as fraudulent.

"The rejection can be on the ground that a claim is genuine but exaggerated by hospitals by way of unwarranted procedures, tests, or inflated bills," says Balasundaram.

It is important to note here that when a claim is rejected, the onus is not always on the insured person. "While fraudulent claims are prevalent, it would be wrong on the part of the insurers to look at every claim with a jaundiced eye. As for exaggerated claims, the insured can do little about it, if hospitals milk them," says Balasundaram.

Something similar happened with Varanasi-based Babu Priyesh Kumar Brijbhovandas. His health insurance claim of ₹1,94,734 was rejected after being labelled fraudulent in May 2024, two months after he filed for it. It was a reimbursement-based claim because the hospital was not in the insurer's network. The 47-year-old was admitted to a hospital for observation and tests for around 12 days in March and had raised the claim after a few weeks of recovery.

"I had been feeling lethargic for a few days and felt feverish. I went to the hospital when the fever spiked and was hospitalised," he says. Doctors suspected that he had intestine tuberculosis germs, for which he underwent biopsy and colonoscopy tests during his hospitalisation.

Two months after Priyesh filed the claim, the insurer's third-party administrator (TPA) came for the claim investigation and checked the necessary documents and bills. In the coming weeks, Priyesh's claim was rejected as "fraud", backed by the TPA report, which cited that the doctor consulted by him was not credible and Priyesh was physically fit.

He rues the fact that the TPA investigation took place two months after his hospitalisation. "If you come to me almost two months later for investigation, would you still expect to find me on bed?" he asks.

Non-Standard Treatment: The inclusion of non-standard treatment



for any illness in the coverage also depends on the policy wordings. In India, usually, Ayush treatments were considered non-standard, but earlier this year, Irdai brought these under health insurance, subject to certain conditions.

The regulator allows modern treatments as well, but insurers have the elbow room to fix the terms and conditions. Says Gurpal Singh Dhingra, joint managing director, Prudent Insurance Brokers, “Irdai has instructed insurance companies to cover modern treatments, but has allowed them to incorporate internal ceilings on such products. Customers should know that there are no standard sub-limits; they vary depending on the insurer and the product. Variants include sub-limits on the sum insured, co-payment, or, covering only up to the cost of conventional treatment.”

Ravinder Prasad Sahi Uniyal, 59, a corporate employee based out of Bhiwadi, Rajasthan, faced trouble with his corporate health insurance policy with a sum insured of ₹4.5 lakh on the grounds that he opted for non-

KUNAL PRATAP SINGH, 44, WITH WIFE AMITA, 36

Bettiah

He faced problems due to misinformation regarding the period within which claims had to be filed after discharge. He says he was informed through the insurer's call centre that multiple claims could be filed within the policy year, however only two of his claims were settled out of the four he had submitted in the year

standard treatment. Ravinder has had blood cancer since 2007. Until July 2013, all the bills he submitted were approved, but after August 2023, all the bills were consistently rejected on the ground that the line of treatment was “experimental”.

The insurer wrote to him stating that as per a clause of his insurance policy, experimental, unproven, or non-standard treatment that is not consistent with or incidental to the usual diagnosis and the treatment of any illness or injury leads to permanent exclusion.

Sahi told *Outlook Money* that during one of the instances, he was stuck at the hospital because of the rejection. In fact, once the insurer pushed him to opt for a usual surgery which was not advised by his doctor due to certain co-morbidities that didn't allow it to happen, he claims. *Outlook Money* could not verify this claim independently.

Minimise The Damage

Provide Accurate And Complete Information:

Ensure that all the documents are correctly filled out, and all necessary information is provided to the insurer, treating doctor, and hospital authorities. “Missing or providing incorrect documents are a common reason for claim rejection. Generally, a list of the required documents is mentioned on the claim form. Also, ensure that the claim form is completed accurately with all the required details. Incorrect or incomplete information can lead to delays in claim approval,” says Bhaskar Nerurkar, head of health administration team, Bajaj Allianz General Insurance.

Fill The Proposal Form Yourself:

It's crucial to disclose any pre-existing ailments or conditions during the application process, such as high blood pressure, diabetic conditions, cardiovascular issues, or past surgeries. Sometimes, when the distributor fills it on your behalf, key

What Can Expedite Claim Settlement?

1

Inform the insurer about hospitalisation within 24 hours in case of emergency admissions. In case of a planned surgery, the insurer must be informed 48 hours before hospitalisation.

2

Submit or upload all medical bills within 30 days of discharge from the hospital, but read the fine print regarding the timeline of claim intimation, as the same may vary among individuals.

3

Go for a cashless claim, where the insurer settles the bill with the hospital. It is faster than reimbursement claims.

4

Track the progress of the claim with the insurance provider's grievance redressal system.

5

Choose a network hospital. These hospitals offer easy cashless treatment, quality care and seamless claim settlement processes.

Source: Insurance Samadhan

information may get ignored.

"Additionally, any new medical conditions acquired during the policy term should be disclosed at the time of renewal. Failure to disclose such information could result in claim rejections. Utmost care should also be taken by providing such declarations during the sum insured enhancement process," says Nerurkar.

Check The Waiting Period:

Health insurance policies often include a waiting period, during which claims cannot be raised for

specific ailments or conditions.

This waiting period begins with the inception of the policy and varies depending on the insurer and the ailment.

Meet Hospitalisation Criteria:

A minimum of 24 hours of hospitalisation is typically required for raising a claim. Daycare procedures or treatments are covered, depending on the policy.

Understand Your Policy: Be well-informed about your policy's details, including inclusions, exclusions,

and terms. This knowledge helps in reducing confusion when filing a claim. "For instance, if you raise a claim for an ailment which specifically comes under exclusions, then the claim will be rejected," says Nerurkar.

Adhere To Filing Deadlines:

For reimbursement claims, it is advisable to file the claim within 30 days from the day of discharge, which is the usual time for filing claims.

For cashless claims, it is advisable to notify the insurer within 24 hours in case of an emergency, and 24-48

hours before a planned admission.

Use Cashless Facility: Since a cashless facility is available for all, one should remember to opt for it. Says Nerurkar: “This will help them access the cashless facility even in non-network hospitals. Additionally, if the hospital is blacklisted, the insured will be informed of other possible preferred hospitals for a seamless customer experience.”

Keep Documentation In Place:

To streamline the process, verify all the details in medical bills to avoid discrepancies. Also, save them as proof during the claim settlement process. Adds Arora: “When submitting the reimbursement form and policy bond to one’s insurance provider, policyholders must submit the stamped and signed original hospital bills, cash memos, medical reports, diagnostic tests, prescriptions, hospital admission slips, and discharge summaries. In case of an accidental claim, they must submit an FIR copy along with the rest of the documents. Notably, individuals must give a serial number to all the bills along with an explanation note stating which one requires an early reimbursement.”

Some insurers may require individuals to submit their identity details, such as Aadhaar, the doctor’s recommendation for hospitalisation in writing, and other supporting documents justifying hospitalisation.

Says Ghosh: “It’s a good practice for policyholders to maintain records of their medical history, treatments, and communications with the insurers to resolve any issues quickly and to substantiate their claims.”

Road To Redressal

If you are not satisfied with the claim resolution, the first step you should take is to reach out to the grievance team of the insurance company. You will find the details on every insurance company’s website.

If you are not happy with the resolution that the company



What To Keep In Mind Before Taking Legal Recourse

-
- 1 — The policy for which the dispute is raised should be active.
 - 2 — The claim should be supported by documents, such as communication with the insurer.
 - 3 — Compensatory claims should be made under different heads.
 - 4 — Determine the correct forum on the basis of the jurisdiction of your claim.

Source: SKV Law Offices

provides, you have the option to approach the regulator. “The customer can also approach Irdai in case he or she finds the insurer’s response unsatisfactory, or if the response is delayed beyond 15 days. For such cases, Irdai facilitates re-examination of the complaint and offers resolution by the insurance company,” says Ghosh.

You can register a complaint on Irdai’s Bima Bharosa System or make use of the insurance ombudsman.

Bima Bharosa, also known as the Integrated Grievance Management System (IGMS), is an online consumer complaint portal where anyone can register a complaint.

The effectiveness of this platform is, however, questionable, according to some experts.

Says Balasundaram: “If a complaint is made to Bima Bharosa, it gets forwarded to the insurer who usually

reiterates its decision. Now, Irdai has made it mandatory that an internal product committee should be formed by the insurers and no claim can be declined, without reference to this committee. How this will play out in practice remains to be seen. The problem of unwarranted and customary deductions from claims would continue as there are no solutions or suggestions yet.”

Priyesh sought the help of Insurance Samadhan after multiple emails to the insurer elicited no response. He also registered complaints on Irdai’s Bima Bharosa System and went to the insurance ombudsman as well. After several rounds of communication, sent by Samadhan on his behalf, the insurer settled his claim only partly and paid him ₹69,960. He pays an annual premium of around ₹13,000 for a sum insured of ₹5 lakh.

Priyesh, however, is not satisfied with this resolution and plans to approach the consumer forum.

“Even though I have been a policyholder since 2011, this is the first time I applied for a claim. Initially, my sum insured was ₹5 lakh, which was upgraded due to the no-claim bonus on the policy over the years. When I bought it, I was paying an annual premium of ₹6,500, which has gradually increased to approximately ₹13,000,” he told *Outlook Money*.

An aggrieved can also approach the office of the insurance ombudsman if the insurer has failed to solve the complaint within a 30-day time period, or has not resolved it to the customer's satisfaction.

“The insurance ombudsman scheme was created by the Government of India for individual policyholders to have their complaints settled out of the court's system in a cost-effective, efficient, and impartial way,” says Singh.

The ombudsman acts as a mediator and provides a recommendation. “If the consumer accepts this as the full and final settlement, the ombudsman will inform the company which should comply with the terms within 30 days,” says Singh.

“Failing this, a penalty of ₹5,000 per day shall be payable to the complainant, as prescribed by Irdai. In addition, penal interest is also levied and payable to the policyholder,” says Ankur Mahindro, managing partner, Kred-Jure, boutique law firm.

It is important to note that a policyholder has the option to pursue multiple avenues either sequentially or in conjunction, depending on the specifics of the grievance and the desired outcome.

The last resort is seeking legal recourse. “Legal recourse can be taken if the processing of the claim is being unduly delayed by the insurer (say beyond four months) or action

How And When To Register A Complaint

With Irdai

On Irdai's Bima Bharosa Portal, <https://bimabharosa.irdai.gov.in/>

By sending an email to complaints@irdai.gov.in

By calling toll-free numbers 155255/1800-4254-732

By sending a physical complaint to: General Manager, Insurance Regulatory and Development Authority of India (IRDAI), Policyholder's Protection & Grievance Redressal Department – Grievance Redressal Cell. Sy.No.115/1, Financial District, Nanakramguda, Gachibowli, Hyderabad – 500 032.

When you are not satisfied by the insurer's resolution, you can write to the Insurance Ombudsman.

With Insurance Ombudsman

Submit a written complaint using the ombudsman's form, either in person, by letter, or by email (with a paper copy). The details will be available on the policy document.

Approach when your complaint to the insurer is rejected or you do not receive a response within 30 days, or when you are not satisfied by the insurer's response; or when your complaint involves claims up to ₹20 lakh.

Complaints must be filed within a year of the insurer's rejection and should not be under consideration by a court or consumer forum.

can be taken upon the receipt of the claim repudiation letter or partial settlement of the claim (partly paid, partly rejected),” says Jehangir Gai, a Mumbai-based consumer activist.

A policyholder aggrieved by the services provided by the insurance company can also seek compensation and other reliefs before the consumer courts/forum under the Consumer Protection Act, 2019 upon grounds of deficiency of service by the insurance company.

“The costs would be around ₹5,000 to ₹7,000 if one appears in person at the level of the district commission; else legal fees could go up to ₹1 lakh,” says Gai.

The claim may be filed before the district, state, or national commission depending on the value of the claim/compensation sought.

Says Mahindro: “The policyholder may also seek adjudication before the commercial court which recognises ‘insurance and reinsurance’ claims as a commercial dispute under Section 2(c)(xx) of the Commercial Courts Act, 2015.”

The commissions have ruled in the favour of the insured in several cases. “For instance, the National Consumer Disputes Redressal Commission in *Life Insurance Corporation of India v. Brijendra Kumar Tyagi*, F.A. No. 888 of 2021 has held that insurance policies should be interpreted broadly, keeping in mind the interests of the policyholder and the beneficiaries,” says Shri Venkatesh, managing partner, SKV Law Offices.

However, Gai warns that the wheels of justice grind slow, and a consumer must have the tenacity to continue with the litigation for several years to get justice. The best solution, therefore, is to do your due diligence at the time of buying the policy, in choosing the doctor and the hospital, and at the time of filing the claim. ►OM

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GEN AI LAB, ASPIRING ZERO-GLITCH TRADING APP, CUSTOM EXPERIENCES - UNSTOPPABLE BLINKX



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In a market dominated by a few discount brokers commanding over 60% of the share, India's fintech sector is experiencing a surge of new entrants. Among them, BlinkX, a fintech platform by JM Financial, stands out as a notable contender. Leveraging advanced AI technologies and customer-centric features, BlinkX aims to redefine the investment experience for its users. With its commitment to regulatory excellence, robust security measures, and personalised customer engagement, BlinkX is not just another player in the market but a transformative force poised to challenge the status quo and drive significant change in the industry.

GEN AI LAB: LEADING THE WAY IN AI-POWERED TRADING SOLUTIONS

This state-of-the-art lab is dedicated to enhancing customer experience and operational efficiency through cutting-edge AI technologies. The Hyper-

Personalised Nudge Engine, one of the lab's key innovations, offers tailored trading and risk management strategies by analysing individual client behaviour. It sends personalised prompts based on the customer's trading patterns and preferences, ensuring that they receive relevant and timely insights.

One of BlinkX's key differentiators is its deep commitment to adhering to regulatory protocols. As part of JM Financial, BlinkX benefits from 50 years of excellence in operations and compliance.

Another groundbreaking tool is BlinkX Insights, a GPT powered search engine for financial data. This advanced model excels in Natural Language Processing, including tasks such as generating insights from data and analysing semantics. It empowers users to make informed, AI-driven decisions by providing comprehensive and accurate financial information in an easily accessible format.

The lab's AI-driven projects extend further with the Customer-Activity Prediction Model, which helps in understanding and segmenting clients based on their trading patterns. This model allows BlinkX to offer precise and timely nudges,

proactively supporting clients with insights and recommendations tailored to their trading behaviour.

The lab is already working on more than 13 AI-driven projects and is committed to adding delight at every possible juncture of customer interaction.

THE ZERO-GLITCH PROMISE

BlinkX's visionary goal is to create the industry's first 'Zero Glitch App.' This ambitious objective reflects the company's dedication to ensuring that their apps operate flawlessly. Achieving a zero-glitch experience requires rigorous testing, robust development processes, and a relentless focus on quality. BlinkX is committed to this goal, knowing that even minor glitches can significantly impact user trust and satisfaction.

CUSTOMER EXPERIENCE AT THE CORE

What truly sets BlinkX apart is its unwavering commitment to customer experience. The company's partnership with Google Cloud further enhances its ability to deliver personalised experiences, reduce customer churn, and increase overall engagement. By leveraging Google Cloud's robust data and analytics capabilities, BlinkX gains deeper insights into customer behaviour, enabling it to provide highly customised and effective financial solutions.

PIONEERING EXCELLENCE IN REGULATORY STANDARDS

One of BlinkX's key differentiators is its deep commitment to adhering to regulatory protocols. As part of JM Financial, BlinkX benefits from 50 years of excellence in operations and compliance. This rich heritage of quality and precision is now extended to retail investors through BlinkX, ensuring they enjoy the same level of service as institutional clients.

BlinkX's pursuit of a zero-glitch trading app represents a significant leap forward in the low-cost brokerage market. By combining robust technology, rigorous testing, and a customer-centric approach,



By integrating customer feedback directly into the product pipeline, BlinkX ensures the platform evolves in alignment with user expectations and market demands.



BlinkX is poised to redefine the standards of digital broking in India, offering investors a seamless and reliable platform to achieve their financial goals.

ENSURING UNMATCHED CUSTOMER SECURITY

Customer security is the top priority at BlinkX. Adhering to ISO standards, all data is encrypted, and passwords are not stored as plain text. Even if SSL encryption is compromised, data remains indecipherable without the key. Security measures include authentication options like knowledge-based (date of birth/PAN), MPIN, and biometric verification.

BlinkX values client data, operating Security Observation Centres (SOC) and Network Observation Centers (NOC) to monitor data in transit, ensuring secure and seamless internet connections.

BlinkX's APIs undergo constant scrutiny to prevent unavailability, crucial for smooth operations. Daily API connections are rigorously monitored to maintain efficiency and reliability. Industry-leading Palo Alto

Networks firewall and GCP Cloud Armour protect the infrastructure, while API Gateway security ensures robust protection.

CATERING TO AN ALL INCLUSIVE CUSTOMER SEGMENT

Rather than targeting specific demographics like Gen Z or millennials, BlinkX adopts a market approach that encompasses all age groups. This inclusive strategy is driven by the belief that behavioural patterns in the market are more significant than age. By employing behavioural targeting strategies,

BlinkX aims to cater to the unique needs of its customers, ensuring that every user finds value in their offerings.

INDIA'S FINEST MINDS CONVERGE

BlinkX boasts a team of talented individuals from India's top educational institutions, including IITs, IIMs, ISB, MICA, XLRI, and SP Jain. The in-house capabilities in Tech, Product, Strategy, and Marketing are powered by these exceptional minds, all united by a shared commitment to putting the customer first. Almost all team members bring prolific experience from the broking industry, championing their field of work.

BlinkX is also honoured to be Great Place to Work certified, a recognition that underscores the company's dedication to fostering a positive and inclusive workplace culture. This certification positions BlinkX to attract top talent from the industry, further strengthening the team and enhancing capabilities. The dedication to customer satisfaction drives BlinkX to excel, making the team and culture dynamic and forward-thinking. □

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A LEAP INTO THE FUTURE OF STOCK BROKING

GAGAN SINGLA, Managing Director, BlinkX



BlinkX's Managing Director, Gagan Singla, discusses the company's mission to redefine financial services in India through innovation and reliability. In an exclusive interview with *Outlook Money*, Gagan, an IIT & IIM, alumnus, elaborates on BlinkX's ambitious plans to launch India's first zero-glitch trading app and outlines the strategic approach aimed at revolutionising the financial services industry.

HOW DOES BLINKX DIFFERENTIATE ITSELF FROM OTHER LOW-COST BROKERAGE FIRMS?

At BlinkX, we believe value goes beyond pricing. We are dedicated to transforming customer experience in our fast-evolving industry. Our vision is to establish BlinkX as the India's premier glitch-free trading app for diverse customers. Our strategy includes robust infrastructure, rigorous testing, proactive glitch management, and continuous innovation.

In collaboration with Google Cloud, we've introduced the "Clientech" framework focusing on Servicing, Pricing, Algorithms, and Research (S.P.A.R.) for ongoing innovation. This partnership enhances our digital customer experience through advanced data insights.

Our platform is adaptive, catering to various investment styles with a highly personalised approach. BlinkX Gen-

AI Lab develops proprietary AI models, including BlinkX Insights powered by GPT-powered search engine for financial data.

Our commitment to regulatory compliance, backed by 50 years of excellence at JM Financial, ensures institutional-grade service for retail clients. We prioritise customer satisfaction with initiatives like our "No Question Asked Refund Initiative" for unused subscriptions.

IN RECENT YEARS, MANY LOW-COST STOCK BROKING COMPANIES HAVE EMERGED. HOW CHALLENGING IS IT TO ONBOARD NEW INVESTORS IN THIS COMPETITIVE LANDSCAPE?

The current market presents significant growth opportunities for new customer acquisitions. Despite the

momentum, innovation in value propositions remains crucial as market penetration is low, leaving ample room for growth.

According to a SEBI report, majority of investors lose money, leading to dormant accounts.*

With our robust research and tailored support, we create a supportive environment for clients to navigate market complexities confidently. Our commitment to delivering value ensures active and thriving investment journeys for our customers.

This approach attracts serious investors and traders seeking a partnership, distinguishing us in a competitive market focused on customer satisfaction and excellence.

HOW IS BLINKX LEVERAGING ADVANCED TECHNOLOGIES SUCH AS AI/ML TO ENHANCE YOUR TRADING PLATFORM'S CAPABILITIES AND USER EXPERIENCE?

At BlinkX Gen-AI Lab, we have developed an advanced finance-aware language model to transform how investors access and interpret financial data. Trained on a wide range of financial data, including structured capital market information and unstructured financial reports, our proprietary AI model powers our platform.

Our innovative approach combines finance-specific and general-purpose datasets to create a unique knowledge graph, revealing new connections. This model supports various Natural Language Processing (NLP) tasks like Named Entity Recognition (NER), Retrieval-Augmented Generation (RAG), and Latent Semantic Analysis (LSA), providing valuable insights.

These models are integral to our offerings such as the Hyper-Personalised Nudge Engine (HPNE), BlinkX Insights, and in-app customisations. Users can ask specific questions and receive detailed, real-time responses, enabling data-driven, AI-led decision-making to enhance their investment strategies and outcomes.

In our user on-boarding process, we utilise AI/ML models like Liveliness AI, Signature AI, and Document AI to expedite account openings.

YOU ASPIRE TO BUILD A ZERO-GLITCH APP. HOW ARE YOU PLANNING TO ACHIEVE THIS?

We utilise Google Cloud's robust infrastructure for our platform, ensuring responsiveness and stability even during peak trading periods. This cloud-based solution efficiently manages large data volumes while maintaining high performance, with services replicated across multiple regions for fail-safes and scalability, ensuring uninterrupted service.

To uphold reliability and performance, we prioritise rigorous testing and continuous improvement of our

app's features. Our testing protocols include load, stress, endurance, spike, and volume testing to optimise performance and stability. Regression testing ensures updates do not impact existing features negatively.

We integrate customer feedback directly into our product pipeline, gathering insights through in-app surveys, support tickets, user forums, and direct communication. This feedback is analysed to refine and enhance our platform based on real user experiences and needs, aligning with market demands and fostering community trust.

HOW ARE YOU PLANNING TO ADDRESS THE NEEDS OF DIFFERENT CUSTOMER SEGMENTS?

We cater to diverse customer segments with tailored strategies. Whether Millennials, Gen Z, or seniors, we ensure a seamless experience for all.

For Gen Z investors preferring a DIY approach, our platform offers intuitive features empowering them to manage portfolios independently. The HPNE delivers real-time nudges and insights, aiding informed decision-making without constant human assistance.

Our app supports senior citizens with a dedicated customer experience team providing hands-on assistance. From setup to ongoing advice, we prioritise their comfort and support, ensuring a stress-free investment experience.

Behavioural nudges via the HPNE are central to our strategy across all-segments. By analysing behaviours, we offer personalised recommendations that foster positive investment habits, guiding clients through market complexities with confidence.

WHAT IS YOUR VISION FOR THE NEXT FIVE YEARS?

Our vision for the next five years is to become the preferred choice for investors and traders. We aim to ensure every customer finds value and support when they choose BlinkX, striving to be among the top five players in the industry in terms of customer acquisition and market standing within the next two years. Looking further ahead, our strategic focus includes leveraging Gen-AI and machine learning technologies to provide an unmatched trading experience. We plan to continually enhance our platform's capabilities, integrating real-time data analytics, personalised investment insights, and advanced risk management tools. □

Here is the link of source for reference - https://www.sebi.gov.in/reports-and-statistics/research/jan-2023/study-analysis-of-profit-and-loss-of-individual-traders-dealing-in-equity-fando-segment_67525.html

To uphold reliability and performance, we prioritise rigorous testing and continuous improvement of our app's features.

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By **ABHISHEK BONDIA**, Co-founder, SecureNow

3 Pillars Of Support On Claims

In the last 6-8 months, Irdai has introduced a set of regulatory changes that promise to resolve issues that previously often led to poor outcomes on health insurance claims

Recently, a senior executive of a health insurance company was lamenting about the fast pace of regulatory changes that they need to catch up with. While he complained about the increased work, he could not help but compliment the Insurance Regulatory and Development Authority of India (Irdai) for keeping the policyholder's interest at the heart of these changes. Ultimately in the long-term, the satisfaction of policyholders will drive the industry development, he said.

I totally agree. Health insurance is a complex service-oriented product with multiple layers. At the time of signing up, policyholders buy into a promise of future time-bound help. They count on the policy for support, when they are adversely affected financially as well as health-wise.

Both finance and health are sensitive areas. Nobody appreciates a surprise at the time of making a claim. At times, an adverse or delayed claim decision can impact the future line of treatment. With a solid appreciation of these factors, the regulator has taken cognisance of areas that typically cause service-

level dissonance.

The country already has a solid set of product regulations, such as life-time renewability, portability, and standardisation of exclusions. On top of that, a set of regulatory changes have been introduced in the last 6-8 months. These guidelines are specific, and targeted towards grassroot issues that lead to poor outcomes for the policyholder.

Each of the recent changes carry a powerful impact on a standalone basis. I see three large themes behind these new regulations—empowerment, standardisation, and pre-mitigation.

Empowerment

The regulator has taken several measures under the first theme of empowerment. On top of the list is increasing the free-look period to 30 days. This allows policyholders to cancel the policy within 30 days

of getting the policy copy, without giving any reasons. The free-look period helps to minimise mis-selling, as policyholders can cancel the policy if it is not in line with their expectations. Increasing the free-look period gives the policyholder more time to review the document.

Also, policyholders can now cancel the contract during the policy term without having to explain themselves, as well as get a pro-rata refund. Earlier, cancellation was cost-prohibitive for the policyholders, as they would get a refund on the short-period scale. This was a non-linear method of calculation of refund. Based on the time lapsed in the policy, policyholders would bear a penalty up to 25 per cent of the premium. This pushed them to continue with the policy, even if the insurer delivered poor service.

Further, the regulations require the insurer to publish a simplified Customer Information Sheet (CIS), carrying all the major policy clauses, including the claim process, in a simplified language. This has been done to make the insurance contract more transparent and accessible to a layman, who may otherwise find the legal language of policy wordings rather daunting to understand.

Each of the recent changes carry a powerful impact that benefits the policyholders in the long term



10 Regulatory Changes You Should Know About

The changes mentioned below have been proposed in the last 6-8 months

1 Increasing the free-look period to 30 days. Free-look allows policyholders to cancel the policy within 30 days of purchase.

2 Policyholders can cancel the contract during the policy term and get a pro-rata refund.

3 Insurers need to publish a simplified Customer Information Sheet (CIS) that carries all major policy clauses, including the claim process, in simplified language.

4 Cashless services are available everywhere and not just in network hospitals. Policyholders can take treatment through the cashless route in any registered hospital.

5 The cashless service is now time-bound. Insurers are expected to provide the initial approval for treatment within an hour.

6 Insurers have been encouraged to move towards 100 per cent cashless treatment.

7 The process of claim rejection is also defined. To reject a claim, insurers must get an approval from the Claim Review Committee.

6 Moratorium period has been reduced from 96 to 60 months. So, insurers cannot question claims due to non-disclosure after five years of continuous policy renewal.

9 The maximum waiting period for pre-existing conditions has been reduced from 48 to 36 months.

10 Definition of pre-existing conditions has been revised. Now, only conditions for which treatment was recommended or taken within 36 months before policy inception, would be classified as pre-existing.

which generally comprises senior executives of the insurer. Thus, any claim rejection would be thoroughly reviewed and have clear accountability. The scope of oversight, and overreach has been curtailed substantially.

Pre-Mitigation

The emphasis of the pre-mitigation theme is to prevent disputes.

Empirically, many health insurance claims have revolved around alleged non-disclosure at the time of purchase, and rejection attributed to pre-existing conditions. Though well-defined rules already exist to prevent disputes on these areas, recent regulations have taken them a step further.

For instance, the moratorium period has been reduced from 96 to 60 months. This means that the insurer cannot question the claims due to non-disclosure after five years of continuous policy renewal.

Regarding pre-existing conditions, the maximum waiting period has been reduced from 48 to 36 months. This is a substantial improvement.

Further, the definition of pre-existing conditions has been revised. Only conditions that were diagnosed, or for which treatment was recommended or taken within 36 months prior to policy inception, would be classified as pre-existing. Undiagnosed ailments remain outside the scope. Both these changes put the burden on the insurer to do thorough underwriting before policy inception, rather than initiate an investigation after a claim is reported.

The above measures are giant strides to make health products inclusive and policyholder-friendly, and reduce several elements of surprise. The regulator, in its recent circular, has also outlined a move toward "zero grievances". The above steps are in the right direction to achieve this goal. **►OM**

Standardisation

The second theme of standardisation focuses on service delivery. I anticipate that the changes in this category will push a few insurers to substantially improve their servicing capabilities.

Here, the big move has been about providing cashless services everywhere. The strength of hospital network varies substantially across insurers. Historically, policyholders were bound by the insurer's network and would have to resort to reimbursement of a claim, if their preferred hospital was not part of the network. Reimbursement requires upfront payment of cash and can cause financial strain. Now,

policyholders can take the cashless route in any registered hospital. Moreover, the regulations define a time-bound approach to deliver the cashless service. Insurers are expected to provide the initial approval for treatment within an hour. On top of it, insurers are encouraged to move towards 100 per cent cashless treatment and resort to reimbursement of claims only in exceptional circumstances.

The other big move has been to define the process of claim rejection. To reject a claim, insurers must get an approval from its Claim Review Committee (CRC). CRC is a sub-committee of the insurer's product management committee,

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‘Often Our Emotions Get The Best Of Us And Lead Us Astray’

Dan Ariely, author and professor of psychology and behavioural economics, at Duke University, North Carolina, the US, studies the irrational ways in which we all behave. In his own words, he “looks at people not from a rational perspective, but from the irrational perspective. We basically ask questions around what we are doing that is not in our long-term best interest”. In an interview with **Nidhi Sinha**, Editor, *Outlook Money*, as part of the *Wealth Wizards* series, he talks about himself, his signature half a beard, how people can deal with irrationality, and the role of emotions like misbelief, trust, and human motivation in how people behave or make decisions. Here are the edited excerpts from the interview.

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■ Tell us a bit about yourself and your half a beard.

My half a beard look is a little about my history, and a little bit about social science.

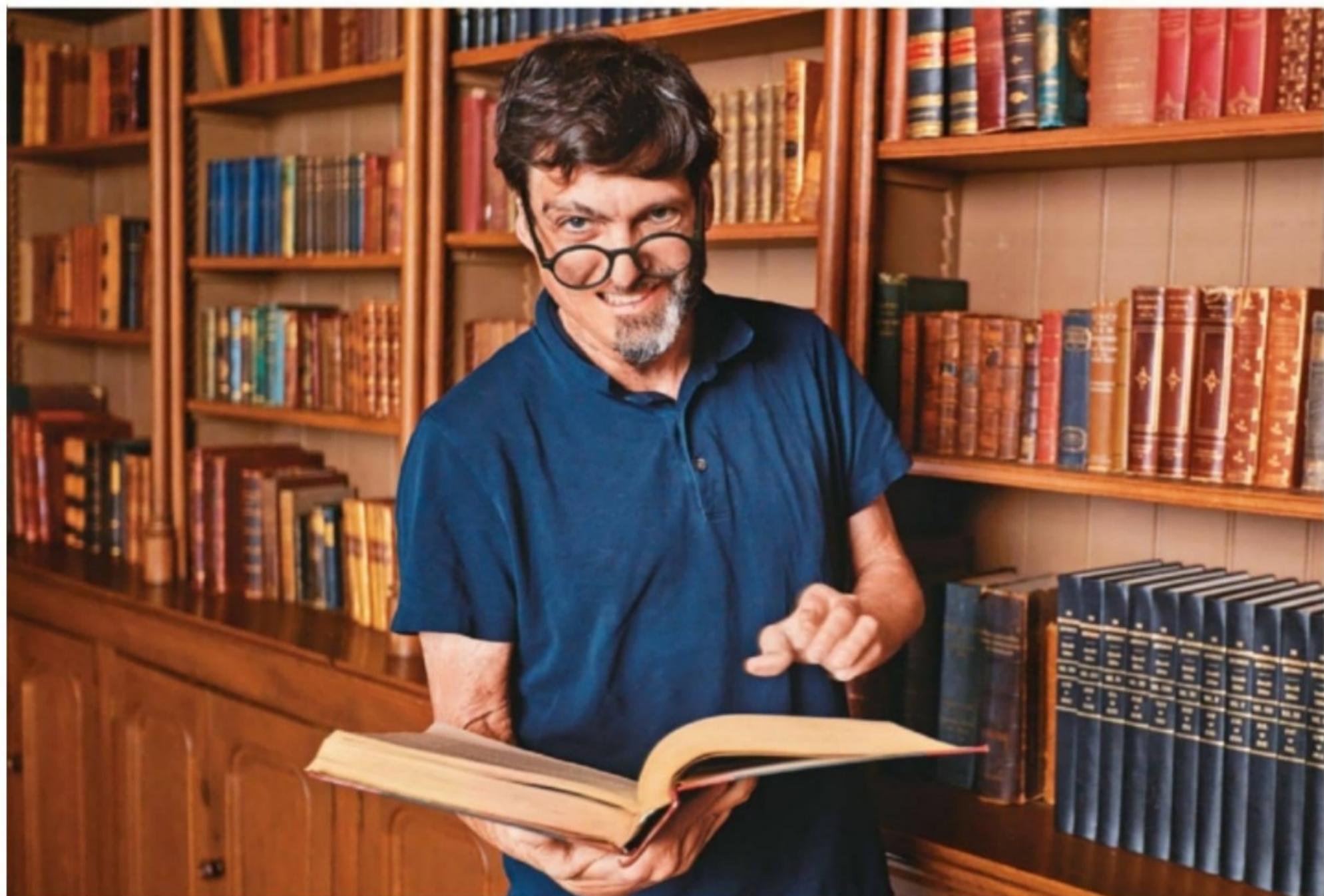
Many years ago, I was badly burned; about 70 per cent of my body was burnt. I spent about three years in hospital, and the right side of my face is all scars, and hair doesn't grow on that side. But of course, I could shave, which made me look less strange. So, for many years I shaved.

Then a few years ago, I went on a month-long hike during which I didn't shave. When the hike ended, I looked in the mirror and I didn't like my look. But I thought I'll keep this half a beard for a few weeks. I posted

When we invest, we employ bad strategies. We buy things that are expensive and sell things that are cheap. We are our worst enemies

a few things on social media, and to my surprise, I got some messages from people who thanked me for my half a beard. These were people struggling with their own injuries. I was out there with my injury, and that gave them a little strength. For example, there was a woman in her 50s, who had a car accident when she was 17, and she hadn't worn a skirt since then. She said she is going to try doing that now.

But the real interesting thing happened about four months down the line, when I felt that my relationship with my scars and injury has changed. The act of shaving, or the act of half shaving, for me, was also an act of hiding. Stopping



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Dan Ariely, author and professor of psychology and behavioural economics, at Duke University, North Carolina, the US

shaving was incredibly helpful for self-acceptance.

It was also about social science. I am a social scientist, and I did not predict that stopping shaving would help with self-acceptance.

If you had asked me, how would it feel like to not shave, I may have said, on the first day, people would ask questions, point at me, kids would laugh. But if you ask me, what would be the effect four months down the road, and how would it change your self-acceptance, I wouldn't have been able to tell you. And I think that's what social science is supposed to do.

➡ **I couldn't help but notice your email signature,**

"irrationally yours". Do you think irrationality is so inherent that people can't rid themselves of it?

Yes. There are two answers to this. The first is that I think about the human mind as a Swiss Army Knife (SAK). It is never the best tool but in a compact way, it does a lot of things. It's a little knife, it's a little can opener, it's a little tweezer, it has little scissors.

Our mind is like that. We're not perfect in anything, but we are quite good at a lot of things. Also, our SAK (mind) was not designed for the task of modern life. So we don't have a tool to deal with cryptocurrency, investments, and compound interest.

The second thing is that we

usually think of irrationality as bad. However, not all irrationality is bad. Love is irrational, but do we want to eradicate it? Of course, not. Many times our motivations at work are irrational. There are a lot of things that are irrational, but wonderful.

➡ **Taking a leaf from your latest book, *Misbelief: What Makes Rational People Believe Irrational Things*, could you help us understand how misbelief can lead to irrationality and affect investing decisions?**

The overall envelope for the book is that as a society, we're losing trust. The problem with misbelief is that it

leads us to trust less. And when we trust less, society loses, and this also lowers our ability to act in our long-term best interest.

I think investing inherently requires trust. If you ask whether people are willing to put their money in a bank, open a brokerage account, invest in stocks, or just keep cash under the mattress, buy gold or cryptocurrency, one of the big issues (in decision-making) is trust. And as trust gets lower, people are less willing to do things.

I was recently in South America, where the government is trying hard to get people to save, but hasn't been very successful. One of the blessings of modern lives is that we live much longer. But that's also a curse. If we all worked till 65 and died at 66, we would not need to save that much money for retirement. But if we work until 65 and then we live another 20 years, that's a substantial amount of time. That means that for every year that we work, we need to save for about half a year at retirement. That's an amazing amount, and it's hard to achieve that without starting early and saving in a way that gets us compound interest. So, in such a country, trust ends up being a huge barrier. The government is offering all kinds of paths for savings, but people aren't taking them.

When we invest, we have some very bad strategies. We buy things that are expensive, we sell things that are cheap, and we are our own worst enemies. The more people engage with the idea that we would outsmart the market—I know when to buy, when to sell, I can time the market—the more they end up losing money. The stock market is a good example of a place where often our emotions get the best of us and lead us astray, both when stocks go up and down.

❑ Cryptocurrencies are investments that are not trusted by the Indian



regulators and experts. Still people rushed to invest in cryptos in 2021 when they were at all-time high levels. There's movement in cryptos even recently. So, how does the trust factor play here?

First of all, crypto has the benefit that it's a trustless system. The system has sufficient things that you can trust it, but you don't need to trust anybody. And that's the reason I don't like it. You know, I think that we are in a crisis of trust, and I want to fix trust. And the economic system is one of the places to practice trust. Look, I wrote a cheque, and the same amount cleared. I used my credit card; it worked. If we used blockchain and cryptocurrency for everything and didn't practice trust, we would be worse off.

But in terms of people buying

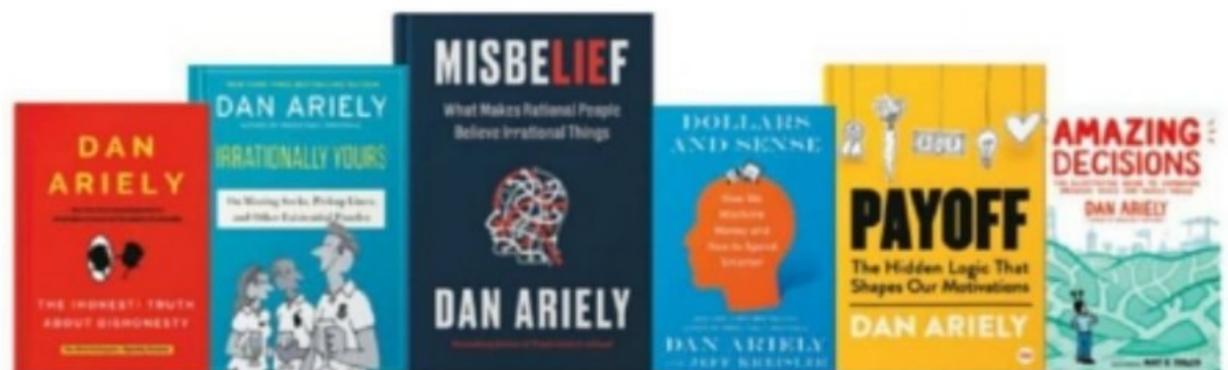
cryptocurrency, there's certainly a big notion of gambling, and as people, we are susceptible to gambling.

B.F. Skinner, the famous American psychologist, showed what he called random reinforcement. What's random reinforcement? Imagine a rat presses on a lever to get food. If every 100 times the rat presses, they get food. That's exciting. But if it's a random number between one and 200, the rat is more excited. The rat keeps on pressing for longer, even when the reward stops. And if you think about this metaphor of random reinforcement, it's of course how gambling works.

Crypto has huge variance, huge reward, and punishment. And because of that, it's very easy to get addicted. Now, it is true that if you look historically at Bitcoin, it has been doing very well. But will it continue to go up? I am not sure and I wouldn't take that risk, personally. I would just keep a tiny amount of money in crypto as an interesting topic, but I wouldn't keep any real stake in my future in it. I think it's just gambling.

❑ Human nature is inherently irrational, but you need to make rational decisions to succeed in the market. So how does one marry the two emotions?

In an overly simplistic way, we have two types of decisions that we make—it's about spending now



Books authored by professor Dan Ariely on various aspects of behavioural psychology and their impact on our investment decisions

versus spending later. The latter is also called savings. The reality is, for most people, saving is what we have after we finish spending. But that's not the right thing to do. If we basically say we'll save whatever we don't spend, we'll end up spending too much and not save enough. And then the sad thing is when we get to age 65, we'll wake up and say we made a mistake. I think the Indian culture still has a huge benefit, which is that kids still respect their parents. But if your retirement strategy is not about your kids taking care of you, start working on it.

The first thing we need to do is to curb our irrational needs. That's because 'the now' is very clear, but 'the later' is very abstract. Let me give you an example. Imagine I said, what would you rather have: a half a box of chocolates right now or a full box of chocolate in a week? And I would show you the chocolate. I would open the box, and you can smell it. Most people would say give me half a box of chocolates right now. But what if we push the choice to the future and say, what would you rather have: a half a box of chocolates in a year or a full box of chocolates in a year and a week? Most people would say, of course I can wait a week for another half a box of chocolates.

The two problems are equivalent. The difference is that the first one has emotions. When we have chocolates now, it is emotional. Chocolate in a week is not. Half a box of chocolates in a year is not emotional.

Our modern capitalistic society is a society of temptation. Every app wants you to spend your time, attention and money. Every store wants you to buy something. Now, we are walking in a world in which everybody wants something from us. Who is helping us to think about our long-term future? Maybe a spouse, maybe parents, maybe religion, maybe the government, but very little. We can say the first big failure

is to do too many things that are good for us now and sacrifice the future.

So, what can we do about it? The first thing is, of course, to realise this. The second is to create a rule for ourselves. For instance, recognising that we need much more money for retirement and then create a rule.

Say, I want to save 20 per cent, or 25 per cent or 18 per cent. We have to decide what's our rule. It's okay to say I want to save 20 per cent, but it will take me three years to get there. I'm going to start with 10, and every year I'll increase it by 3 per cent. Now things (monetary transactions) can

The first thing we need to do is to curb our irrational needs. That's because 'the now' is very clear, but 'the later' is very abstract

be done automatically, and that will be the next thing we need to do.

You've dealt with various emotions and themes in your work—misbelief, dishonesty, motivation, and so on. Another emotion, you've dealt with in your recent blog, is mistakes. Could you tell us about people's reaction to mistakes, such as in the stock market?

I think the stock market is a great metaphor for how we should think about mistakes. Every investor would tell you it's about diversification. You

would say I'm not smart enough to understand which stocks will go up and which will go down, and because of that I need to diversify. If I was very smart, I would just pick the best stock in the market but I'm not that smart. If you take the introductory course to finance, the first rule is don't think you're smarter than the market, think you're slightly smarter and diversify. And diversification basically means we'll make mistakes.

We live in a society where people are overly afraid of mistakes, and I think we need the wisdom from the markets, which is to basically say, let's admit that we don't know that much. Let's admit that we need to gamble more, let's try more, and let's develop a better attitude towards mistakes.

One philosophy of life I believe in is karma. For me, karma is the law of cause and effect and it basically says we are responsible to produce good things in the world. Will the world always take it and make something good with it? No, but it is our responsibility to produce good work.

In the stock market, it means our responsibility is to put money in saving, in investing. Would it always go up? No. Our responsibility is to do the right thing and it's very important to say... that I want to make sure I'm doing my part. And then there's what the world is doing with it. Sometimes it's going to take something good with it and turn it into something bad. Sometimes the opposite. But we need to figure out about what are the things that we control. And in the domain we've been talking about, we control what we spend money on, we control how much we put in savings. We can control how much we get better at this over time. We can control that we don't spend on things that don't give us enough happiness and so on. But I would say, figure out the things you can control and try to get better at that. Don't wait for the world to do its thing. **►OM**

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VALUE INVESTING LESSONS FROM BENJAMIN GRAHAM

A poet, translator, mathematician and financial strategist, Benjamin Graham was all of this and more. But his most significant contribution has been to lay the foundations of an investing strategy that revolved around buying undervalued stocks with strong fundamentals and holding them for the long term. We have used a screening method based on his strategy to recommend a few stocks you may consider

Shoaib Zaman

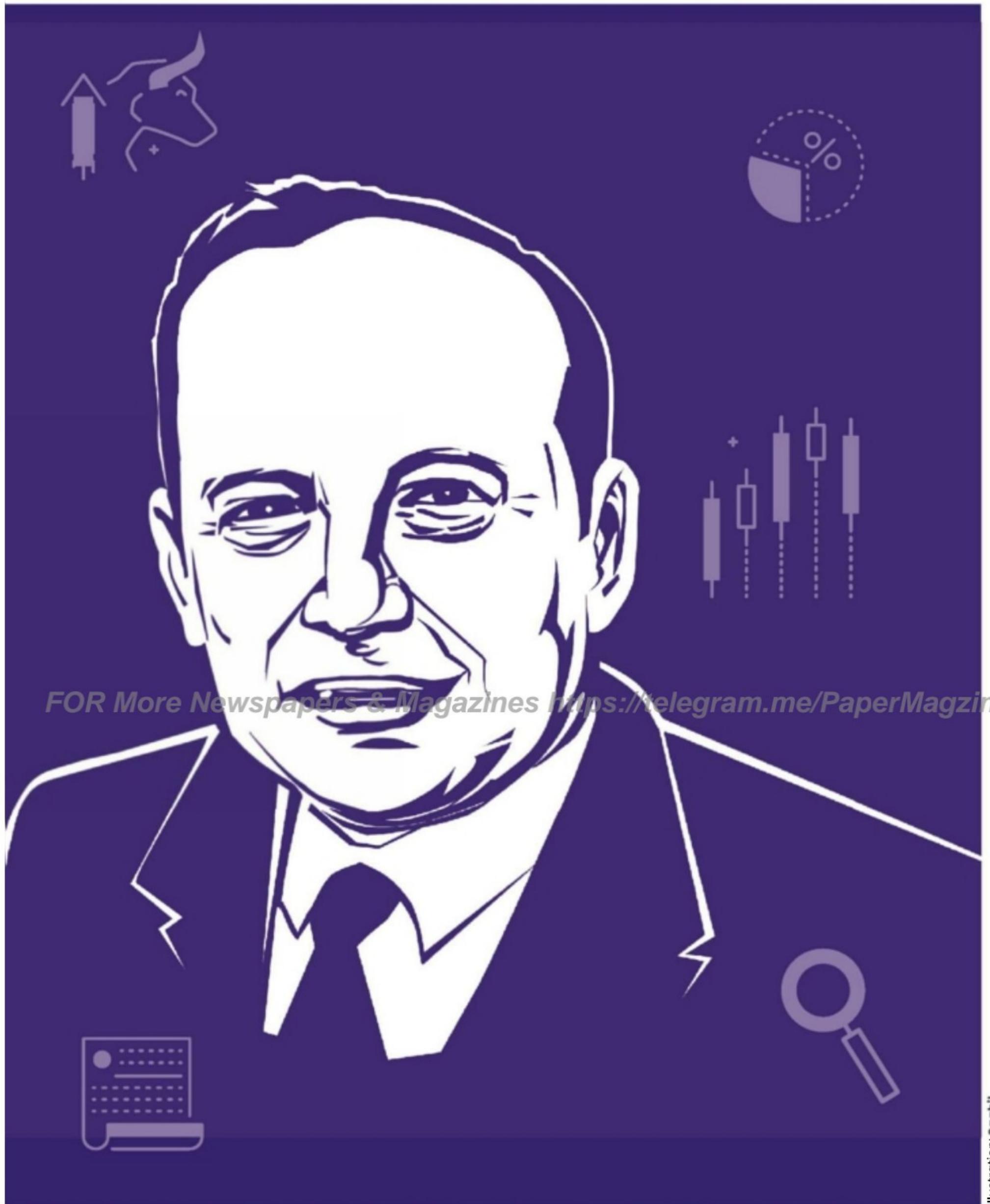
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enjamin Graham was a poet, translator, mathematician, and financial strategist, but his most significant contribution to finance was the development of the concept of value investing. This strategy involves buying undervalued securities with strong fundamentals and holding them for the long term.

His meticulous analysis and emphasis on the margin of safety became the cornerstones of value investing. This philosophy was formalised in his seminal work, *Security Analysis*, co-authored with David Dodd in 1934. He further distilled his philosophy in his book *The Intelligent Investor* (1949), making his investment strategies accessible to a wider audience.

The key pillar of value investing was his principle of “the margin of safety”. This principle advocates purchasing securities at prices significantly below their “intrinsic value”, thus providing a cushion against errors in judgement or market volatility. This helps in protecting investors from making substantial losses, while ensuring higher probability.



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Illustration: Saahil

Evolving Approach to Investing

To understand Graham's investing style, it is important to see how his approach to picking stocks evolved over the years

1920s FOCUS ON DEEP RESEARCH:



During this period, Graham's approach was characterised by meticulous research and detailed financial analysis. He scrutinised company reports and financial statements to uncover undervalued securities, laying the groundwork for his value investing philosophy. The market crash of 1929 impacted him gravely, and he started evolving his strategy.

1930s POST-DEPRESSION FOCUS ON LIQUIDATION VALUE:



The Great Depression profoundly impacted Graham's investment strategy. In the 1930s, he emphasised the importance of liquidation value and statistical focus, advocating for the purchase of securities trading below their liquidation value. This conservative approach aimed at minimising risk and protecting investors from market downturns. But in certain ways, it was an extension of his own deep research.

1940s AND 1950s BASKET BUYING AND SIMPLICITY:



In this period, Graham's strategy evolved to include basket buying and a simpler approach to investing. He suggested that defensive investors could benefit from purchasing a diversified portfolio of stocks without extensive research, while enterprising investors should continue to conduct a thorough analysis. This dual approach allowed investors to tailor their strategies based on their risk tolerance and time commitment.

1960s AND 1970s EMPHASIS ON BASKET BUYING:



In his last few interviews in the 1970s, Graham emphasised the importance of basket buying. He argued that investors could succeed by purchasing a broad basket of stocks, thereby reducing risk and increasing the likelihood of consistent returns. This approach simplified the investment process and made it accessible to a wider audience.

In his 1976 interview with *Medical Economics Journal*, he said, “The only thing you can be sure of is that there are times when a large number of stocks are priced too high and other times when they’re priced too low. My investigations have convinced me you can predetermine these logical ‘buy’ and ‘sell’ levels for a widely diversified portfolio without getting involved in weighing the fundamental factors affecting the prospects of specific companies or industries.”

He added, “What’s needed is, first, a definite rule for purchasing that indicates that you’re acquiring stocks for less than they’re worth. Second, you have to operate with a large enough number of stocks to make the approach effective. And, finally, you need a very definite guideline for selling.” With this single response, he highlighted intrinsic value, diversification, and a plan to book profits beforehand.

LEARNINGS FROM GRAHAM

In line with his evolving strategies (see *Evolving Approach To Investing*), Graham recommended many options to investors.

On Growth Investing: In the 1962 edition of *Security Analysis*, in a chapter titled *Newer Methods for Valuing Growth Stocks*, he talked about the different techniques to arrive at the valuation of growth stocks, the weaknesses of such valuations, and lessons learnt from past experience. He also highlighted that the earnings tend to reduce for most companies as time passes; hence, the experience of the initial investors is not replicable for the ones that come in later.

This chapter was omitted from all the subsequent editions. Perhaps that was due to his 1976 interview in *Medical Economics*, where he said, “To my mind, the so-called growth-stock investor—or the average security analyst for that matter—has no idea of how much to pay for a growth stock, how many stocks to buy to obtain the desired return, or how their prices will

behave. Yet these are basic questions. That’s why I feel the growth-stock philosophy can’t be applied with reasonably dependable results.”

On Picking Defensive Stocks:

In *Defensive Investor Strategy* (*The Intelligent Investor*, 4th revised edition), Graham recommended a conservative approach focusing on large, well-established companies with strong financial positions for defensive investors. The key criteria included:

- Adequate company size
- Strong financial condition (current ratio > 2)
- Earnings stability over last 10 years
- Consistent dividend record over 20 years
- Earnings growth of at least one-third over last 10 years
- Price-to-earnings (PE) ratio not exceeding 15
- Price-to-book (PB) ratio not exceeding 1.5
- Or instead of PE and PB separately, the product of PE and PB should not exceed 22.5

On Enterprising Investors:

In *Enterprising Investor Strategy* (*The Intelligent Investor*, 4th revised edition), for enterprising investors, Graham suggested a more active management with a focus on undervalued securities. The criteria included:

- Financial stability (current assets > 1.5x current liabilities)
- Debt not exceeding 110 per cent of the net current assets
- Earnings stability over last five years
- Some dividend record
- Earnings growth over last five years
- Price below 120 per cent of net tangible assets

On Portfolio Construction:

In *The Intelligent Investor*, 4th revised edition, Graham’s advice for portfolio construction included:

- Investing in a minimum of 10 and a maximum of 30 stocks
- Ensuring each company is large, prominent, and conservatively financed
- Focusing on companies with a

history of dividend payouts

- Limiting the price paid for stocks relative to their average earnings over the past seven years
- Maintaining a balanced equity and debt ratio of 50:50 if there is no specific market view

On Stock Picking: According to *Medical Economics*, 1976, he enumerated the following metrics:

- Look for a relatively low PE; in fact those with PE below 8
- Whose PE ratio is two times the average yield of AAA-rated corporate debt
- Stockholders equity*/total assets = 50 per cent or more (then financial condition is sound and the stock is investible); *Stockholders equity = Assets - Debt

On Portfolio Rules: According to *Medical Economics*, 1976, he advised:

- A portfolio of 30 stocks will be ideal.
- If a stock doesn’t reach the target in 2-3 years, then sell it regardless.
- At least 25 per cent of the portfolio should be in equity and debt at all times. The remaining 50 per cent should be invested based on the opportunities available.
- If many companies are available at lower PE, have 75 per cent in equity.
- If few companies are available for lower PE, have 25 per cent in equity and the rest in government bonds.
- Regarding expectations from the strategy, he said the strategy may not show the desired results if implemented for less than five years.

Graham’s legacy in the field of investment is profound. His rigorous approach to financial analysis and emphasis on a margin of safety has left an indelible mark on the world of investing. His teachings continue to be a guiding light for value investors around the globe, and his books remain essential reading for anyone seeking to understand the principles of sound investing. Graham’s main goal in writing for the public was to assist retail investors in making informed investment decisions and maintain a positive outlook.

The Shortlist

Here's a list of 25 companies that you may consider for investment based on Graham's approach. His approach involves a diversified portfolio, which makes it challenging to single out one company. If selecting all 25 stocks is a hassle, then you could choose 5-10 stocks from different sectors with an investment horizon of 3-5 years. Focusing on companies with a strong history of regular dividend payments can provide better downside protection.

Name	Industry	Market Cap (₹ cr)	Current Price (₹)	Dividend Count (out of 12 yrs)	P-B x P-E
HDFC Bank	Banks – Pvt	11,97,010	1,574	12	58.40
Karnataka Bank	Banks – Pvt	8,274	219	12	5.24
PNC Infratech	Construction	12,368	482	12	31.44
KNR Constructions	Construction	10,472	372	12	44.75
Nava	Diversified	9,350	644	12	14.55
Shriram Finance	NBFC	96,464	2,567	12	29.27
Bajaj Holdings	NBFC	92,949	8,352	12	21.61
Bengal & Assam	NBFC	9,591	8,490	12	6.61
Natco Pharma	Pharma	20,920	1,168	12	57.79
GES	Shipping	16,560	1,160	12	9.30
Maharashtra Seamless	Steel	9,229	689	12	15.60
Sarda Energy	Steel	8,070	229	12	33.90
Surya Roshni	Steel	6,727	618	12	64.42
IndusInd Bank	Banks – Pvt	1,15,478	1,483	11	27.84
Federal Bank	Banks – Pvt	42,432	174	11	18.35
Karur Vysya Bank	Banks – Pvt	16,810	209	11	20.36
LT Foods	FMCG	8,529	246	11	42.02
State Bank of India	Banks – PSU	7,48,864	839	9	20.09
Axis Bank	Banks – Pvt	3,66,984	1,188	9	38.72
Garware Hi Tech	Packaging	5,010	2,156	8	61.75
JK Paper	Paper	7,284	430	8	12.15
Godawari Power	Steel	14,278	1,050	6	51.12
CSB Bank	Banks – Pvt	6,100	352	2	19.53
CreditAccess Gramin	NBFC	23,565	1,479	1	58.21
Valor Estate	Construction	11,040	205	0	19.03

Data as on June 12, 2024

Source: Screener.in

Parameters

We explored various sources that investors can use for screening stocks, and developed a simplified method tailored to Indian conditions. This criteria is a derivative of the "Defensive Investor Strategy".

1. Adequate Company Size: With the advancement of technology, information discrepancies have decreased, allowing larger companies to trade closer to their intrinsic value most of the time. So, instead of focusing solely on large-cap stocks (the top 100 companies), we set a market cap cutoff at ₹5,000 crore and included 613 companies in our list.

2. Current ratio > 2: Graham believed that a strong current ratio, typically 2:1, indicated that a company had sufficient assets to cover its short-term liabilities, thus reducing the risk of financial distress.

3. EPS Growth Over 10 Years: Graham would have used year-on-year (y-o-y) earnings per share (EPS) growth for screening. However, since most available screening software does not offer this option, we ensured that EPS growth over 10, seven, five and three years is more than 12 per cent.

4. Consistent Dividend Record Over 20 Years: We have dropped the y-o-y EPS growth criteria from our screening. Instead, we examined the 12-year dividend history of the selected companies (see *The Shortlist*). The reasons for the drop were (a) that no software allows for y-o-y screening and (b) tax implications for investors and management influence many companies' dividend policies.

5. Earnings Growth Of At Least One-Third Over Last 10 Years: We dropped this criterion because a 12 per cent compounded annual growth rate (CAGR) over 10 years would result in EPS growth of three times, which exceeds the threshold set by Graham.

6. PE x PB Not Exceeding 22.5: We adjusted this criterion because India is a growing economy, unlike the US in the 1970s, which contributed approximately 40 per cent of the global GDP. We also examined the historical PE x PB ratio of the Nifty 50 since 2005, with the average for this period being 82 and the current value at 90. Therefore, we set the cut-off limit at 65 (80 per cent of 82).

STOCKS TO CONSIDER

If selecting all 25 stocks is a hassle, then you could consider these five stocks mentioned below.

Adjusting for Graham's portfolio rule, we believe that investing in them for 3-5 years is a reasonable timeframe. If the stock gives 100 per cent returns any time before five years, then you should consider selling it and booking your profits. Since all of these stocks have a history of regularly giving dividends, it reduces the risk for the investors to some extent.

Bajaj Holdings: If an investor wants to own a cluster of Bajaj companies along with multiple companies from the private space, this is like an alternative to a Bajaj-plus listed companies. The primary investment will always be towards the Bajaj Group of companies. According to its December 2023 press release for Q32024, "BHIL holds strategic stakes in Bajaj Auto, Bajaj Finserv, Maharashtra Scooters, and other group companies. It has financial investments of over ₹12,500 crore (at market value)."

Natco Pharma: The company focuses on three segments: oncology, specialty pharmaceuticals, cardiology, and diabetes. It has a global sales force of nearly 4,800 personnel and more than 450 scientists. The company is

trying to create a unique position by bringing niche products at affordable prices. On the valuation front, the company looks relatively cheaper compared to its historical level. Natco Pharma is available at a PE of 15.6 times compared to its historical average of 21 times.

Great Eastern Shipping (GES): GES is India's largest private sector shipping company, owning and operating 43 ships and 23 offshore assets. India accounts for 35 per cent of its revenues. In H1FY2025, for 12 vessels and one rig, GES has repriced its contracts at significantly higher day rates. The disruption in Suez and Panama canals is also favourable for the industry-demand cycle. From a valuation perspective, the company is favourably positioned at a PE of 6.7 times compared to its long-term average PE of 8 times.

Nava: Nava Bharat is a multinational company operating in India, South East Asia and Africa with businesses in metals, manufacturing, power, mining, agribusiness and healthcare. In Q42024, the company announced that it has reduced consolidated long-term debt by 99 per cent. Its subsidiaries, Maamba Collieries (MCL), have repaid debt of \$314.4 million during the year, thus

becoming debt-free, and enabling distribution of free cash flows to its sponsors. Similarly, NBEIL reduced its intra-group debt by ₹63.9 crore during the year and further aims to become debt-free by June 24. Also, about 75,000-plus trees have been planted on 225 hectares of avocado plantation, with another 20,000-plus trees ready for planting. All of this is likely to benefit the business in the next financial year. While the valuation looks steep at this point, there is still potential for growth due to debt reduction and the expected impact of the cash flow.

Maharashtra Seamless: The company has a market share of 55 per cent in the seamless pipes segment and an 18 per cent market share in the API-certified, high-frequency ERW pipes segment. Some big clients of the company include Indian Oil Corporation, BHEL, Reliance Industries, ISGEC, NTPC, Larsen & Toubro, among others. Infrastructure clients include Adani, DLF, GAAR, IGL, and Unitech, among others. The company has an order book of ₹1,753 crore (May 2024). The stock's current P-E stands at 9.7 times compared to the historical average of 10.2 times. ▶OM

*Investments in securities markets are subject to market risks, consult a Sebi-registered investment advisor before investing.

The author is a Sebi-registered research analyst and a financial writer

Our Picks

Here's are 5 stocks we have picked up based on Graham's approach

Name	Current Price (₹)	Return on Equity (%)	Operating Margin (%)	Earnings Per Share (EPS) in ₹			
				Mar-21	Mar-22	Mar-23	Mar-24
Bajaj Holdings	8,303	14.77	97	327.95	364.41	435.83	652.98
Natco Pharma	1,211	25.88	47	24.18	9.31	39.18	77.51
GES	1,216	23.06	58	62.50	44.09	180.36	183.11
Nava	643	13.39	45	27.06	35.68	63.93	65.04
Maharashtra Seamless	688	18.11	22	7.32	51.62	57.07	71.00

PEG - Price to Earnings/Growth; Data as on June 12, 2024; Source: Screener.in

Your Guide to Lasting Independence

Financial advisors can help steer your financial life and dreams in the right direction through various ups and downs

As you set sail on your personal and professional voyages, imagine having a compass that not only points you in the right direction but also helps you navigate through storms and avoid pirates. That's what financial advisors do when it comes to your financial journey.

They can guide you through the tumultuous sea of investments, unexpected expenses, economic downturns and other challenges. Financial advisors don't just help you chart the course, but also ensure you are on track by adjusting the sails whenever needed.

Their expertise is like a treasure map that can help unlock the chest of financial independence, which entails freedom from living from paycheque to paycheque, freedom to achieve your goals, mastering your destiny and so on. Let's explore how financial advisors help us.

By Customizing Your Financial Plan:

Just as no two travellers are the same, every individual's route to financial independence is unique. Therefore, the first step that a financial advisor usually takes is taking the time to know your personal goals, risk tolerance, and assessing your financial situation. They tailor a plan that fits your life, adjusting it as you grow, much like a skilled captain adjusts the sails to catch the wind just right.

By Helping Us Avoid Financial Pitfalls:

You must have heard the adage about learning from the mistakes of others. Financial advisors bring to the



K S RAO, Executive Vice President & Head – Investor Education & Distribution Development, Aditya Birla Sunlife AMC Ltd



A TOP-NOTCH FINANCIAL ADVISOR DOESN'T JUST GUIDE YOU THROUGH THE NUMBERS BUT ALSO INSPIRES THE CONFIDENCE TO ACHIEVE YOUR GOAL



table wisdom gleaned from years of experience and studying the financial market's ebbs and flows. They can spot potential hazards on your path to independence, from ill-advised investments to tax inefficiencies.

By Maximizing Opportunities: In the vast sea of financial opportunities, recognizing which waves to ride can be overwhelming. A financial advisor not only identifies the most promising opportunities for your specific situation but also helps you diversify your

portfolio to weather different market conditions. This proactive approach is akin to setting multiple courses to ensure you reach your destination, come what may.

By Providing Support And Encouragement:

Just as every great explorer had a trusted advisor to keep them focused on their goals, your financial advisor is your partner in keeping your financial dreams in sight. They're there to offer encouragement, and remind you of your objectives. They provide the moral support that often translates into the difference between giving up on a dream and pushing through to achieve it.

By Ensuring Your Peace of Mind:

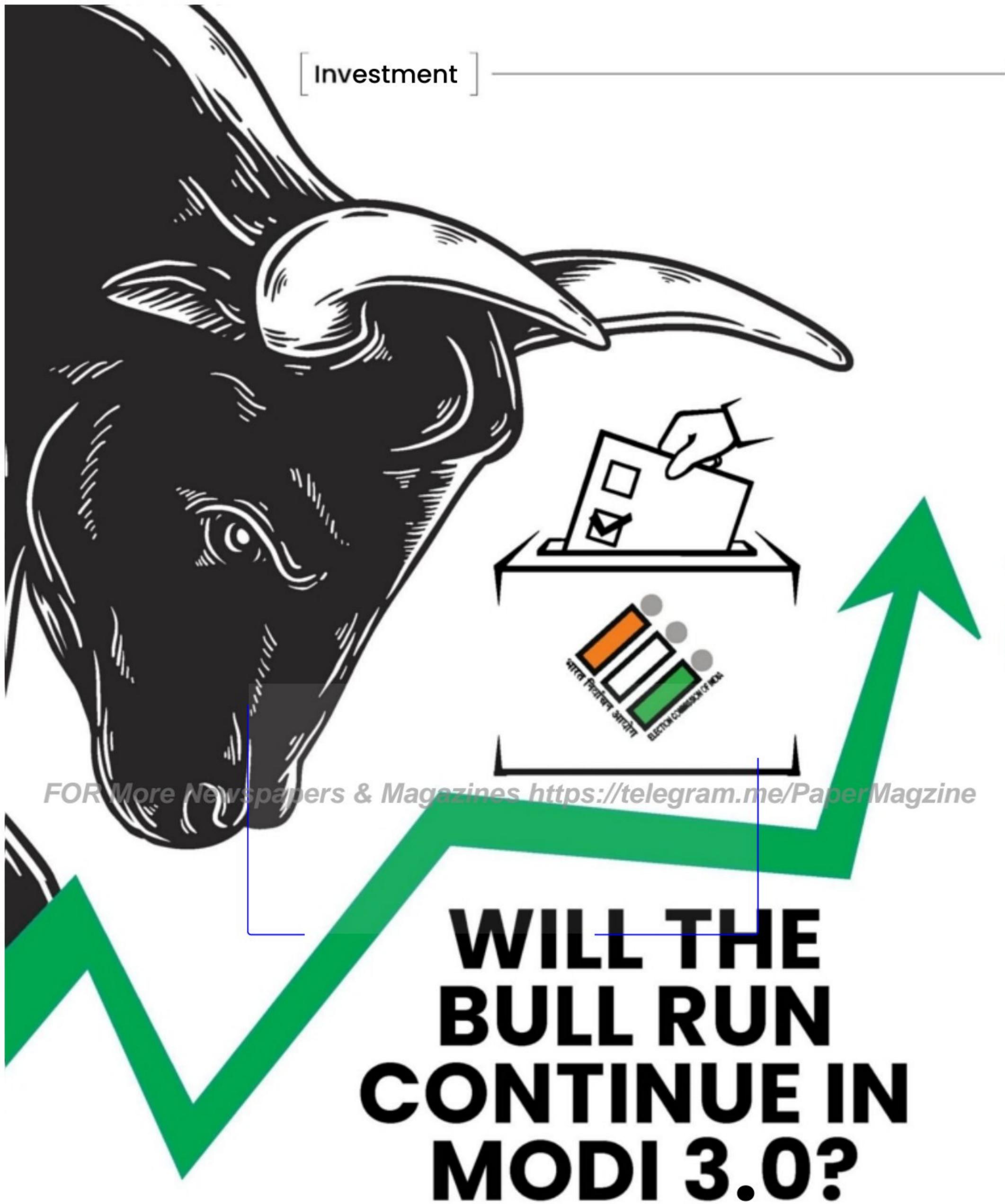
Perhaps the most understated yet profoundly impactful aspect of having a financial advisor is the peace of mind it brings. Knowing you have an expert who's steering you towards your goals allows you to focus on living your life to the fullest, enjoying today while secure in the knowledge that your financial future is in good hands.

Achieving financial independence is as much about the mindset as it is about money. It's about making informed choices, understanding the value of your hard-earned cash, and investing in your future. A top-notch financial advisor doesn't just guide you through the numbers but also inspires the confidence to achieve your goal. So, just as you wouldn't set off to climb Everest without a seasoned guide, embarking on the quest for financial independence is best done with a financial advisor. □

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[Investment]



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WILL THE BULL RUN CONTINUE IN MODI 3.0?

After a decade, a coalition government is back in power. What does that mean for stock market investors?

Kundan Kishore

Every five years, the politics of India sways the stock market of the country, as the nation goes to the polls. Investors usually take this opportunity to evaluate how the outcome will have a bearing on their portfolios. In that respect, the most anticipated event of recent months is now firmly behind us as the election results are out.

The people have given their mandate in favour of the Bharatiya Janata Party (BJP)-led National Democratic Alliance (NDA) for the third consecutive term. However, unlike the past two terms, where the BJP had secured a majority on its own, this time the situation is different.

BJP could not reach the majority mark of 272 seats in Lok Sabha on its own. The NDA secured a total of 291 seats, with the BJP winning just 240 seats against 303 in the previous election. The fall in the number of seats that BJP secured was against market expectations.

The Initial Jolt

On June 1, 2024, most pollsters had predicted a strong win for the BJP-led NDA in the 2024 general elections. On the back of this prediction, on June 3, the major Indian stock market indices, the BSE Sensex and Nifty, scaled new highs. The Sensex touched 76,468 points, while the Nifty was at 23,263, up by 3.30 per cent and 3.25 per cent, respectively. That day, the Sensex closed above the 76,000-mark for the first time in its history.

The very next day, though, on June 4, the day the results were announced, the situation changed dramatically.

As the result trends began to trickle in, the stock market started to crumble, and by the end of the day,

both the Sensex and the Nifty had fallen by around 6 per cent.

The fall was much sharper in the mid- and small-cap indices, which fell by as much as 8-9 per cent. The sectoral indices, such as Nifty PSU Bank and Nifty Oil & Gas shaved off 15 and 12 per cent, respectively.

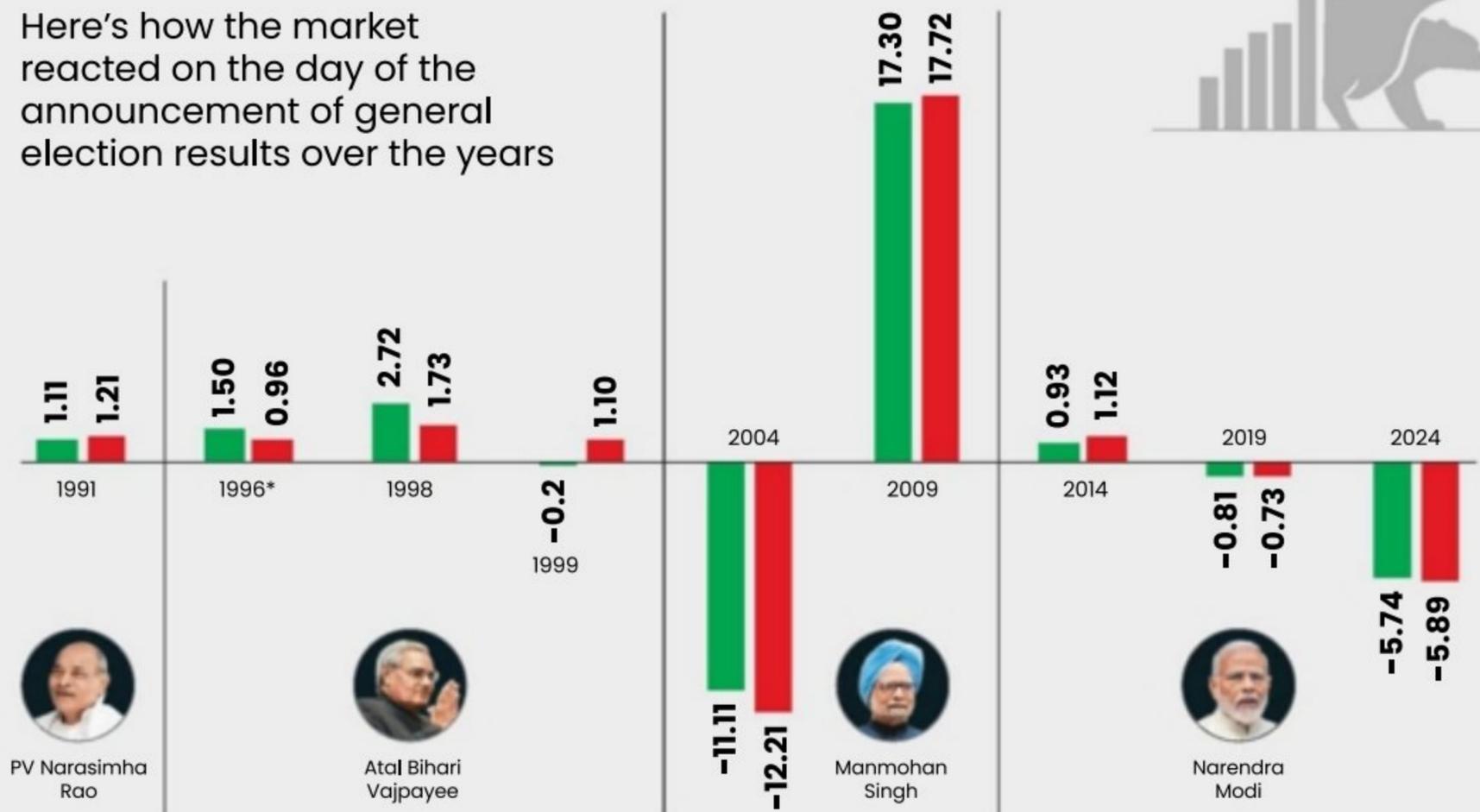
The stock market reacted unfavorably to this mandate. It initially anticipated the BJP would not be able to form a stable government and will be constrained by the dynamics of coalition politics when it came to implementing key reforms and policy decisions; in this case, the demands of its two major regional allies, the Telugu Desam Party (TDP) and the Janata Dal (United).

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MARKET REACTION ON ELECTION RESULTS

Here's how the market reacted on the day of the announcement of general election results over the years



*Two other coalition governments were formed between 1996 and 1998 after the Atal Bihari Vajpayee government failed to prove its majority in Parliament

■ Sensex ■ Nifty

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Coalition Vs Continuity

Things started improving after the NDA meeting on June 5, when the alliance elected Narendra Modi as its leader. This boosted market sentiments, initiating an upward trend.

Further, portfolio allocation reassured the market of policy continuity, as 61 out of the 72 ministers were from the BJP and 11 were from the NDA allies. This clearly reflected the dominance of the BJP in the alliance. Moreover, some key ministries retained previous cabinet ministers, including finance, indicating continuity. Says Pankaj Pandey, head-research, ICICI Securities: "While this is a coalition government, it is a stronger coalition unlike in the past. Also, the fact that the government is retaining most of the key portfolios, gives a clear indication of policy continuity."

Other analysts agree. "We believe that the distribution of portfolios displays continuity at its best and equitable treatment of allies, which is a big plus," writes an analyst at Philip Capital in its recent report titled *Modi 3.0 Continuity And Balance*.

The election of 2024 has been viewed largely as one of the most important in the history of India. After a long gap of 10 years, a coalition government is back in power. Before 2014, India has had a history of coalition governments for 30 years.

But this time, the coalition structure is different, given the fewer number of allies, and the major party, the BJP, short of just 32 seats. This means the government may be able to ensure continuity with the help of independent candidates even if few of the allies decide to withdraw their support later.

Just like the markets, which have resumed the bull run, experts see this majority mandate towards the NDA coalition led by Narendra Modi in an extremely positive light.

Says Gautam Duggad, head of research, Motilal Oswal Institutional Equities: "Despite the reduced majority, we expect the policy agenda of Modi 2.0 (investment-led growth, capex, creation of infrastructure, manufacturing, and so on) to continue, though with some tweaks. We also expect some populist measures to address rural stress and lift sentiments at the margins."

The new government is expected to bring back the focus on economic growth. However, clarity will emerge only after the new government presents its first Budget in July 2024.

"After the election verdict, we believe that the market would be

driven by clarity over the economic agenda in the third term. The earliest indicator could be from the first Budget that is likely to lay down the five-year road map of the government," says Krishna Sanghvi, chief investment officer-equity, Mahindra Manulife Mutual Fund.

Will The Bull Run Continue?

Many investors are now wondering if the market will continue its exceptional performance. However, the answer to this question is a bit complex.

While electoral verdicts can influence market sentiments in the short term, the long-term market direction depends on fundamentals and policies. Therefore, investors should focus on economic indicators, corporate earnings, and policy continuity rather than short-term political outcomes. Ultimately, sound governance and robust economic policies will play a crucial role in sustaining market growth and stability over a period of time. Thus, while political changes matter, the underlying economic and policy environment is what truly drives market performance in the long run.

India's coalition governments have their own success and failure stories but the long-term performance has been positive. During 1996-1999, a fragmented coalition with differing economic ideologies was widely considered as the key reason behind the economic malaise. At the same time, major reforms have happened under coalition governments. For instance, in 1991, the mother of all reforms—globalisation and liberalisation of the Indian economy—happened during the tenure of Prime Minister P.V. Narasimha Rao. It was a coalition government, and the major party, Congress, held only 232 seats.

Experts believe that the new government will be in a position to take some tough decisions that will boost the market sentiment.

"The most important aspect of the

BJP-led NDA retaining its majority is policy predictability—something equities tend to thrive on," writes Ridham Desai, chief equity strategist, Morgan Stanley, in his report, *Modi 3.0: This Remains India's Decade*. He further writes that share prices have yet to take in a number of positives, such as India's new-found macro stability, a likely fall in the primary deficit, a growing domestic equity savings pool, improving social equity, a fast-evolving deep tech sector, an impending loan boom, and shifts in external dynamics.

The Indian equity market has also acknowledged this sentiment. The BSE Sensex touched a new high of 77,478 on June 20, 2024. The indices are scaling with each passing day. The

bank and cement will offer a good risk-reward."

The one sector on which most analysts have put their bets on is consumption, as they believe that the government may make some major announcements to boost demand. Morgan Stanley is positive on consumption, financials, energy transition and industrials.

"The next five years are likely to bring a major rise in corporate capex, leading to strong order books for industrial companies. New investment areas, such as energy, mobility, defense, railways, electronics, and semiconductors are indeed attractive," Desai writes.

Some analysts believe that IT would attract inflows from investors as it is

The Budget will give a roadmap on the new government's strategy on borrowing, investment and Reserve Bank of India's future rate action

BSE Sensex is up by 8.28 per cent in the last 14 trading session after the declaration of results. As we go to press, the Sensex is at a historical high of 78,053.52 on June 25, 2024.

Windows Of Opportunity

At present, the market valuation is on the higher side, but experts believe areas of opportunity will open up.

Experts say that the new government is likely to place higher thrust on capex-driven sectors. "The prospects for the India capex cycle led-economic growth in manufacturing activities is one of the aims for policymakers via product-linked incentives and the Atmanirbhar Bharat Initiative," says Sanghvi.

Pandey agrees: "In the long term, the capex-oriented theme will continue to do well. However, my sense is that in the medium term,

largely insulated from the domestic uncertainties, and can also offer diversification to their portfolios.

What To Look Out For?

The new government will present the Budget in another 15-20 days.

"As the Budget will give a policy roadmap of the new government, the market will watch out for it," says Pandey. In effect, the Budget will give a roadmap of the new government's strategy on managing fiscal deficit, borrowing, and disinvestments, among others. It will also be important from the interest rate point of view, as the Budget announcements will have an impact on the interest rate direction that the Reserve Bank of India will take, which in turn may affect the short-term market direction. **►OM**

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Undefeated Mid-Cap Champion

Kundan Kishore

Many investors like the stability of large-cap stocks, while some prefer the high-risk, high-return potential of small companies. In between are the mid-cap stocks, the “Goldilocks” of investing. While numerous studies have shown that small-cap stocks outperform the large-caps over the long run, data reveals that mid-caps are the winners.

In the last 10 years, mid-cap indices have outshined small-cap indices. The BSE 150 Midcap-TRI index has outperformed the BSE Small cap-TRI index by 2.13 per cent at 21.32 per cent compounded annual returns compared to 19.18 per cent, respectively.

If you are a Goldilocks investor looking for better returns with higher stability, Motilal Oswal Midcap Fund could be a decent choice. It is a new entrant in OLM50, Outlook Money’s list of recommended mutual funds.

Portfolio

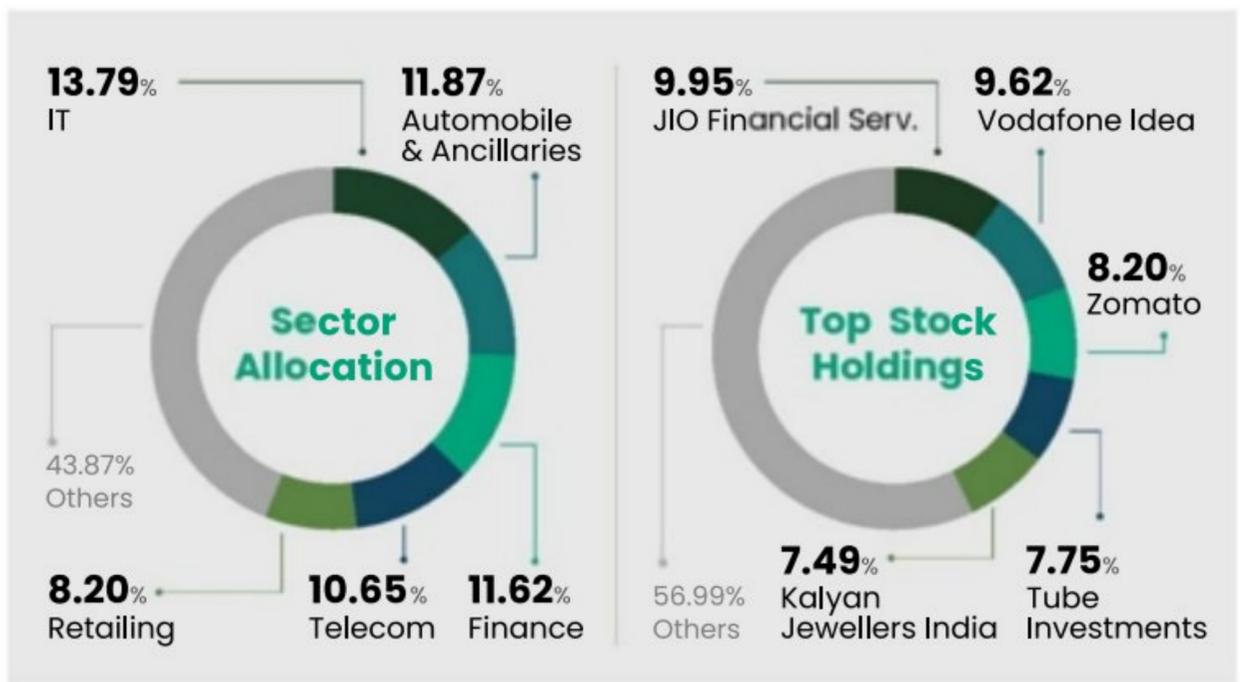
The fund follows an in-house quality, growth, longevity, and price framework to identify winning stocks in the mid-cap space. This approach entails investing in high-quality companies with strong growth potential, acquired at reasonable valuations. The fund targets companies with significant market opportunities.

“Our focus is on companies exhibiting significant growth, characterised by a return on capital employed and return on equity exceeding 20 per cent, strong free cash flow generation, and rigorous corporate governance standards,” says Niket Shah, fund manager, Motilal Oswal Mutual Fund. He

Fund Details

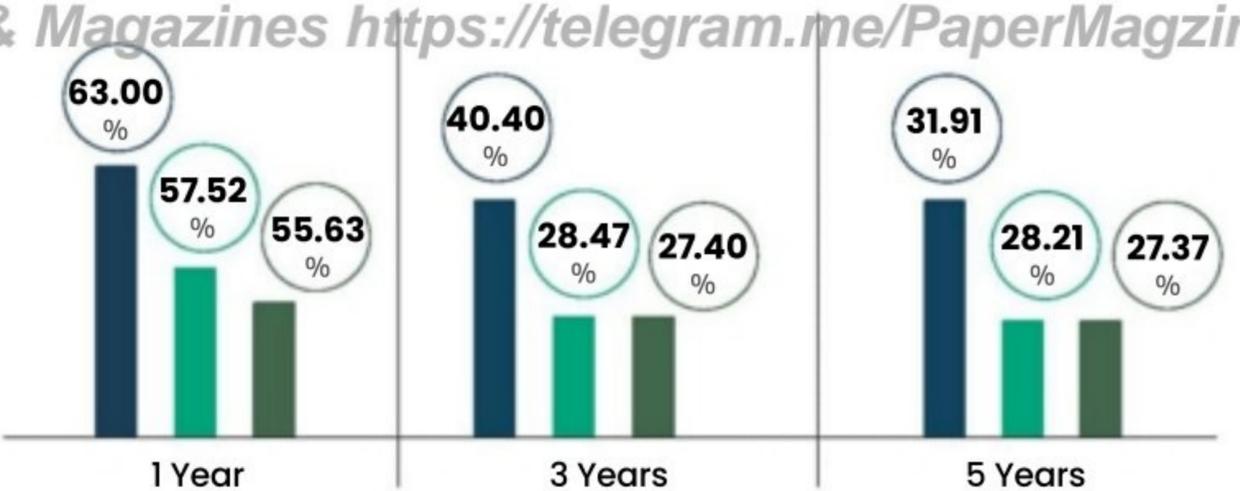
Name	Motilal Oswal Midcap Fund
Category	Equity-Midcap
NAV	₹105.78
Fund Manager	Niket Shah

Launch Date	February 24, 2014
Min Investment	₹500
Expense Ratio	0.65
Exit Load	1% on or before 1 Year
AUM	₹10,378.16 crore



Performance

■ Fund Return ■ Benchmark Return ■ Category Average Return



Return as on June 21, 2024

Source: Accordfintech

says the “coming five years in India will present numerous emerging investment themes”, such as mobile component manufacturing, electric vehicle, and renewable energy, which will benefit the fund.

Performance

The fund has given 63 per cent returns in one year. It has beaten both

the benchmark and the category average returns in one-year, three-year and five-year periods.

OLM Take

As the fund has been a steady performer in the mid-cap space over the years, you may consider including it in your portfolio. ►OM

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Always Have A Backup Health Cover

SRIRAM IYER, BENGALURU

I have included my wife, son, and mother as dependents in the health insurance provided by my employer. I have been with the same company for around 18 years and never felt the need to buy a separate health policy. But, now at 42, I plan to switch jobs and realise that I may not have health coverage for some time. Is there a way I can turn my existing health policy into a personal policy, or do I need to buy another policy?

Yes, it is always better to have a standalone policy, so that during job transitions or retirement, this policy remains in continuity and your health risk is managed. Given your age and current lifestyle, if you are healthy right now, buying health insurance should be a priority. That's because if you develop any ailment,

you may face a long waiting period and the existing diseases then might not get coverage. Always have basic health insurance with a sum insured that is at least equal to your annual earnings, and ensure that each family member has coverage equal to half of your annual income. For example, if your annual income is X, your basic health insurance should be at least X, and assuming there are three other family members, it should be $X/2 +$

$X/2 + X/2$, and so on. You can buy individual and/or a floater or umbrella cover along with top-up options from the same health insurance company. Also, check your family's medical history and consider taking higher coverage for any disease that might be inherited. The cost of a surgery usually starts from ₹5 lakh, so get a good cover against this burden.

HINA SHAH, CFP®,
Financial Coach



BISWANATH SAHU, BHUBANESWAR

I worked in a company from 2004-05. It deducted Employees' Provident Fund (EPF) from my salary, but when I left, I didn't withdraw it. The company no longer exists. Is it possible to find out whether the funds are still there so that I can either transfer or withdraw it?

The revised Form 13 is the primary form for transferring your EPF from one employer to another. You must fill this form with details of your old and new employer and your EPF account details. The form is available on the official Employees' Provident Fund Organisation (EPFO) website. You need to check your PF number from your previous employer's salary slip and approach the EPFO office for assistance. They can

provide a list of documents required for transferring the old EPF.

SUHEL CHANDER, CFP®,
Handholding Financials

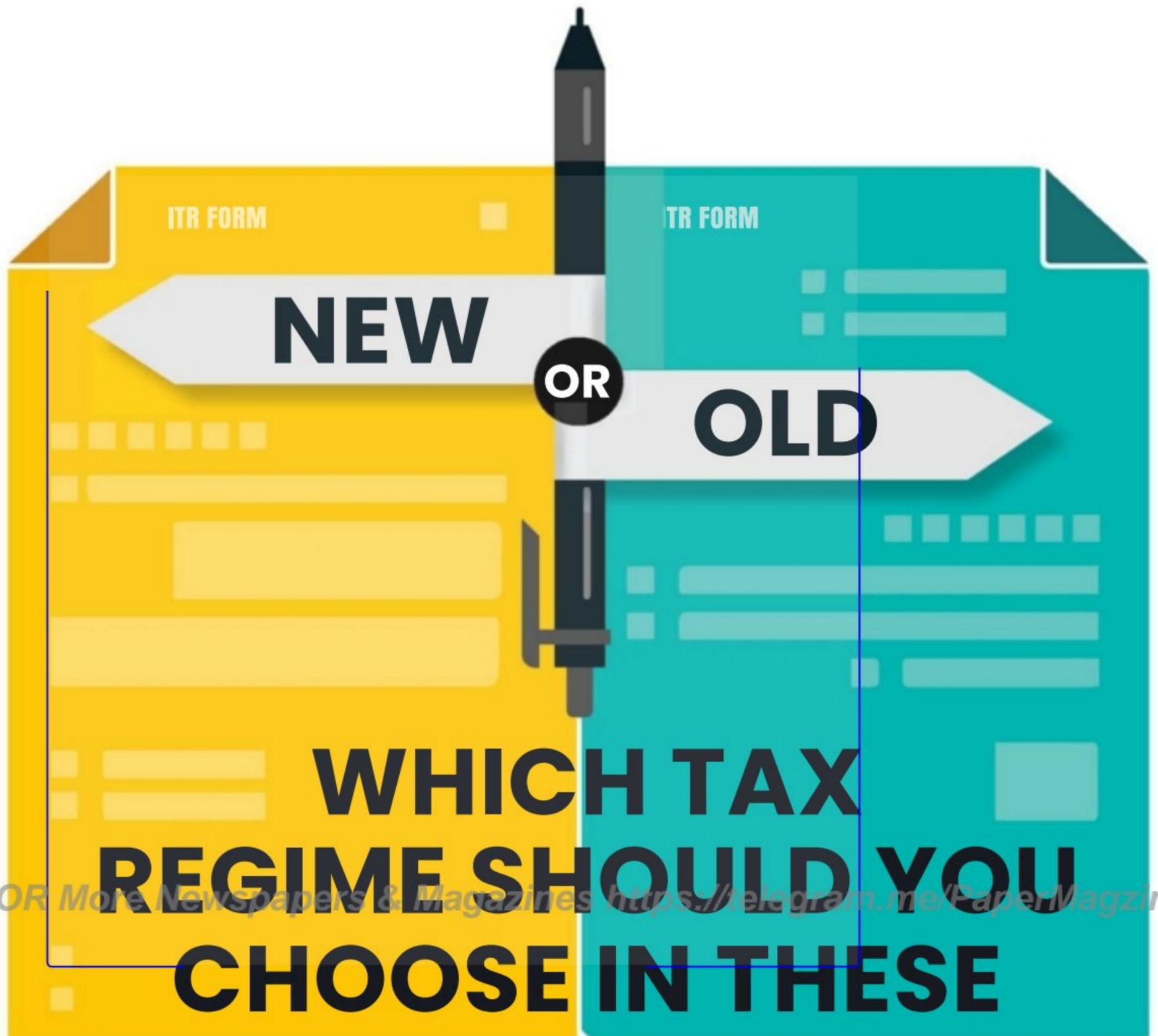
DIYA BHATT, MUMBAI

I recently found some papers from my grandfather's library and realised that they are a renowned company's shares. There are 700 shares worth roughly ₹10 lakh now. Does my father, who is the nominee, need to complete all the formalities for getting these dematerialised and transferred to his account, or can I get these transferred to my demat account? My father does not have a demat account, so he wants me to get them transferred in my name.

Any shares to be transferred should be in dematerialised form. For that, you

need to provide the death certificate, original security certificates, other required documents, like know your customer (KYC), Form ISR1, ISR2, ISR3, etc., with bank attestation, to the depository participant (DP). Also, documents like probate, if required, to transfer the shares to your father's name. Then, he needs to open a demat account to get these dematerialised. Next, he can transfer them to your account through a gift deed on stamp paper mentioning the ISIN number, name, quantity of the security, and submit the transfer form or delivery instruction slip (DIS) and other required KYC documents to the DP. Few DPs provide this facility online with minimum or no paperwork once securities are dematerialised. You may connect with a good lawyer to find out all legal formalities related to gifting.

HINA SHAH, CFP®,
Financial Coach



5

SCENARIOS?

The government made the new tax regime the default one from FY2023-24. However, you can still choose between the old and the new tax regime while filing your income tax return. But that would depend on your income slab and the deductions you wish to claim. We help you choose the most suitable tax regime in these five common scenarios

Meghna Maiti

The new tax regime became the default one from financial year 2023-24. So, most likely, if you didn't assess which tax regime is better for you, you would be on the new tax regime automatically. The good news is you can still opt for the tax regime that is the most beneficial for you before you file your income tax return (ITR) for FY24.

The new tax regime offers concessional tax rates, but doesn't allow individuals to claim deductions under Section 80C, 80D and others, except standard deduction of ₹50,000. But it also offers a tax rebate of ₹7 lakh, making income up to that level tax-free. The old tax regime continues to reduce taxable income using deductions and exemptions.

If you haven't already done so, this is the right time to choose your tax regime, as time is running short as you need to file your ITR by July

31, failing which you will have to pay a penalty on any pending tax. Do remember that while earlier, the income tax department typically used to extend the last date of filing returns, that didn't happen last year.

We have chosen five common scenarios in which people end up asking the same question: should I go for the old tax regime or the new? We hope the analysis of these scenarios will answer the question.

Scenario 1: I maximise all my Section 80C deductions and have a home loan too. I also get a part of my salary as reimbursement.

There are two aspects that you will need to consider in this scenario to decide whether you should stay in the old regime.

One, you will need to assess the amount of deduction you can avail of and the income level you have. Says Mousami Nagarsenkar, partner,

Deloitte Touche Tohmatsu India: "For instance, if your gross total income (without any deductions/exemptions) is more than ₹15 lakh but less than ₹50 lakh and if your deductions and exemptions—which you stand to lose if you opt for the new tax regime—are more than ₹3.75 lakh, the old tax regime will be more beneficial in your case." (see *You Should Opt For Old Regime When...*).

You can also use the calculator available on the income tax website (<https://incometaxindia.gov.in/>) to compare the tax liability under both regimes and then decide accordingly.

Two, you should consider the reimbursement allowed under the new tax regime. Says Nagarsenkar, "Some of the deductions available under the new tax regime are a standard deduction from salary income under Section 16(ia), a deduction for employer contribution to the National Pension System (NPS) under Section 80CCD(2) of the Act, and allowances notified under Section 10(14) like transport allowance granted to a handicapped employee to meet the expenditure to commute between the place of residence and place of work, conveyance allowance granted to meet the expenditure on conveyance for the performance of duties of an office, and so on."

Scenario 2: I have a home loan and I avail of deductions on the principal and interest components, but my income is ₹7 lakh.

As you have mentioned, you may be claiming a deduction up to ₹2 lakh under income from house property under Section 24B of the Act for interest paid on the self-occupied house property, and deduction under Section 80C for the principal repayment as well.

"After availing the above, the net taxable income shall be ₹3.5 lakh. After availing rebate under Section

YOU SHOULD OPT OLD REGIME WHEN...

Your deductions are more than the threshold mentioned

 Total Adjusted Gross Income* (₹)	 Total Deductions Threshold** (₹)
9,00,000	2,37,500
11,00,000	2,87,500
15,00,000	3,75,000
60,00,000	3,75,000

*After mandatory deductions and benefits under respective regimes.

** Does not include standard deduction or any other deductions and exemptions common to both regimes.

Source: Deloitte Touche Tomatsu India

87A of the Act, there shall be no tax liability. In the new tax regime, income up to ₹3 lakh is exempted and additionally, you will get a tax rebate of up to ₹25,000 which is available to resident individuals whose total taxable income is up to ₹7 lakh, which is the present case. Accordingly, under the new regime as well there will be no tax liability," says Nagarsenkar.

At the same time, one shouldn't forget to factor in any additional income sources, such as rent, interest from investments, freelance work, among others. Says Abhishek Soni, CEO, Tax2Win, an income tax portal: "Calculate the total amount earned from each source over the tax period. Include these amounts in the relevant sections of your tax return or financial statement. Ensure that all the income is accurately reported to avoid penalties or audits."

Also, add these to your total income before calculating tax payable under the two regimes. If tax under both regimes works out to be nil, it might be better to opt for the new regime to avoid the hassle of maintaining documents and paperwork, says Nagarsenkar.

Scenario 3: I am a consultant with an income of ₹15 lakh. What will be different for me?

The decision to opt for the tax regime will depend on the amount of exemptions and deductions you are availing. "If an individual is claiming deductions like Section 80C and Section 80D and the interest on a home loan under Section 24, it is recommended that taxes be calculated under both regimes to

CHOOSE THE RIGHT ITR FORM



ITR Form	Who Is It Meant For?
ITR-1	Residents with income less than ₹50 lakh from salary, one house property, pension, other sources and/or agriculture income up to ₹5,000
ITR-2	Residents with more than one house property, income from investments/capital gains, income from foreign sources, agriculture income exceeding ₹5,000, whose income exceeds ₹50 lakh and/or who hold unlisted equity shares <ul style="list-style-type: none"> Residents who fulfil all the criteria of ITR-1, along with one of the above
ITR-3	Partner in firms, individuals and Hindu Undivided Families (HUFs) having income from business or profession and/or who have total income of more than ₹50 lakh
ITR-4	For residents with presumptive income and having total income that does not exceed ₹50 lakh and who fulfil the criteria in ITR-1

Forms meant for individuals are mentioned here; ITR-6 and ITR-7 are meant for companies, firms and others

Source: Tax2Win

determine which is more beneficial," says Rahul Singh, senior manager, Taxmann, tax and corporate advisor.

But freelancers or consultants need to first decide whether they are opting for the presumptive tax scheme (PTS) or not. "The Income-tax Act, 1961 provides PTS for professionals under Section 44ADA. It applies to a resident individual or partnership firm (other than LLP) engaged in a specified profession. The specified profession includes 11 professions," says Singh. Some of them are legal, medical, engineering, architectural, and technical consultancy.

Under PTS, 50 per cent of the profession's gross receipts is deemed

as the presumptive income of the taxpayer. This means that 50 per cent of the income is not subject to tax.

For instance, if you are earning ₹10 lakh, only ₹5 lakh will be considered as taxable income.

"However, this scheme can be opted only if the gross receipts from the profession do not exceed ₹50 lakh. The limit of ₹50 lakh shall be increased to ₹75 lakh if the aggregate amount of cash received during the previous year does not exceed 5 per cent of the total gross receipts during such year," says Singh.

If you opt for PTS, you shall also be exempted from maintaining books of account and getting them audited as required under Section 44AB. Further, you can pay the entire advance tax due in a single instalment on or before March 15.

"Thus, if your profession is covered in the list of the notified professions, you can declare 50 per cent of your total receipts as presumptive income," says Singh.

The new tax regime doesn't allow deductions under Section 80C, 80D, except standard deduction of ₹50,000. But income up to ₹7 lakh is tax-free

DO'S AND DON'TS OF ITR FILING

Do's



Don'ts

Be careful about the ITR form

Reconcile your income with AIS

Ensure the TDS amount matches with what is reflected in Form 26AS

Verify or send a signed copy of ITR-V within 30 days

Pre-validate your bank account on the e-filing portal to get refund



Don't choose the wrong form

Don't miss the deadline to file ITR

Don't file your ITR without payment of pending tax, if any

Don't miss out reporting exempt income

Don't provide incorrect information in ITR



extra deductions compared to those up to the age of 60, one should ideally assess one's taxable income. Typically, since the expenses, barring health, go down in one's senior years, the income may not be taxable under the new regime.

Scenario 5: I am a retired individual with a rental income of around ₹10 lakh from multiple properties.

It is important to note that while the deductions mentioned in the earlier scenarios are available under the old tax regime, individuals, including senior and super senior citizens, can also claim additional deduction—apart from the standard deduction—on rental income from house property under both the tax regimes.

If you want to opt for the old tax regime, you can claim a rebate under Section 87A when your total income is below ₹5 lakh. To reach ₹5 lakh, you should invest ₹2 lakh in various options under chapter VIA, such as NPS, equity-linked savings scheme (ELSS), Public Provident Fund (PPF), and so on. The break-even point of the deduction is ₹2 lakh (see *You Should Opt Old Regime When...*).

Besides this, municipal taxes levied by the local authority in respect of the house property are allowed to be deducted if such taxes are paid during the year. This deduction is available under both the new and the old regimes for all individuals.

Says Singh: "While computing income from house property, the standard deduction is allowed at the rate of 30 per cent, irrespective of the amount of expenditure incurred on maintenance or other specified things. This deduction is available under both the new and old regimes."

Once you have taken these deductions into consideration, compare your saving versus the tax payable under the two tax regimes and decide accordingly. ►OM

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Scenario 4: I am a super senior citizen aged 85 years, and I have a pension income of ₹15 lakh with medical expenditure of around ₹1 lakh per annum on my spouse.

While the decision to opt for the tax regime will depend on the amount of exemptions and deductions available to the assessee, you should know that the quantum of deductions for super senior citizens is higher than what is available for younger individuals. Here are some examples.

Section 80D: This deduction is available in respect of health insurance premium. In the case of super senior citizens, the maximum deduction is ₹50,000 for premiums paid (non-cash) for self, spouse, and dependent children, double of what is available to individuals under 60 years of age. You also get a deduction up to ₹5,000 for preventive health check-ups for self, spouse, dependent children, or parents.

Deduction up to ₹50,000 is also

available for medical expenses for self, spouse, dependent children, and parents (paid non-cash) if the person is a senior citizen and has no medical insurance.

Section 80DDB: This deduction is available for the medical treatment of specified diseases. Says Singh: "A senior citizen can claim deduction under this Section if they incur expenditure on the medical treatment of a prescribed disease or ailment (as specified in Rule 11DD) for himself or any dependent, including spouse, children, parents, brother and sister of a senior citizen."

The maximum amount of deduction is ₹1 lakh or the actual amount incurred, whichever is lower.

Section 80TTB: A senior citizen can also claim a deduction of up to ₹50,000 for interest earned from any deposits (including fixed deposits) from a banking company, cooperative society engaged in the banking business, or post office, says Singh.

Since senior citizens get some

Here's How To Buy A Plot Of Land

Aaron Varghese Charly

Buying a plot of land is a complicated process and varies across states. But the overall process is the same, and typically starts with verifying the legal ownership of the land, preparing the sale deed, paying the sale value and getting the land registered at the sub-registrar's office after the purchase.

To ensure there are no complications in ownership, the buyer should scrutinise the title deed, parent deed and other supporting documents. Here's how to go about it.

- **Title Deed:** This will verify the ownership details of the land. Use the services of a lawyer to verify the title deed, including the property's location, area, boundaries, survey number, and registration details.
- **Parent Deed:** This document describes how the seller originally got the property from the previous seller. You need to check for any discrepancies between details in the title and the parent deed to avoid any future complications.
- **Supporting Documents:** These could include the Will, legal heir certificate and death certificate of the previous owner.

1 Obtain Latest Land Tax Receipt And Record of Rights (RoR): In states where vacant land is taxed, check if the seller has been paying land tax regularly. One can check online for the RoR with the revenue department.

2 Obtain Encumbrance Certificate (EC) From Sub-Registrar's Office:

The EC confirms the property's free title and reveals if the land has been mortgaged to any lender, whether there are any legal dues, such as land tax pending against it, or if the land is on lease. If the EC shows a mortgage against the land, ask the seller to produce a release certificate from the bank before considering a purchase.

3 Additional Verifications and Documents: These could include a possession and non-attachment certificate from the local revenue administration. If you are buying the land on a bank loan, ask for a location sketch or a location certificate from the local revenue administration.

4 Check The Rules Of Land Zoning:

Different states have varying rules regarding land use and zoning regulations, such as residential, commercial, or agricultural use.

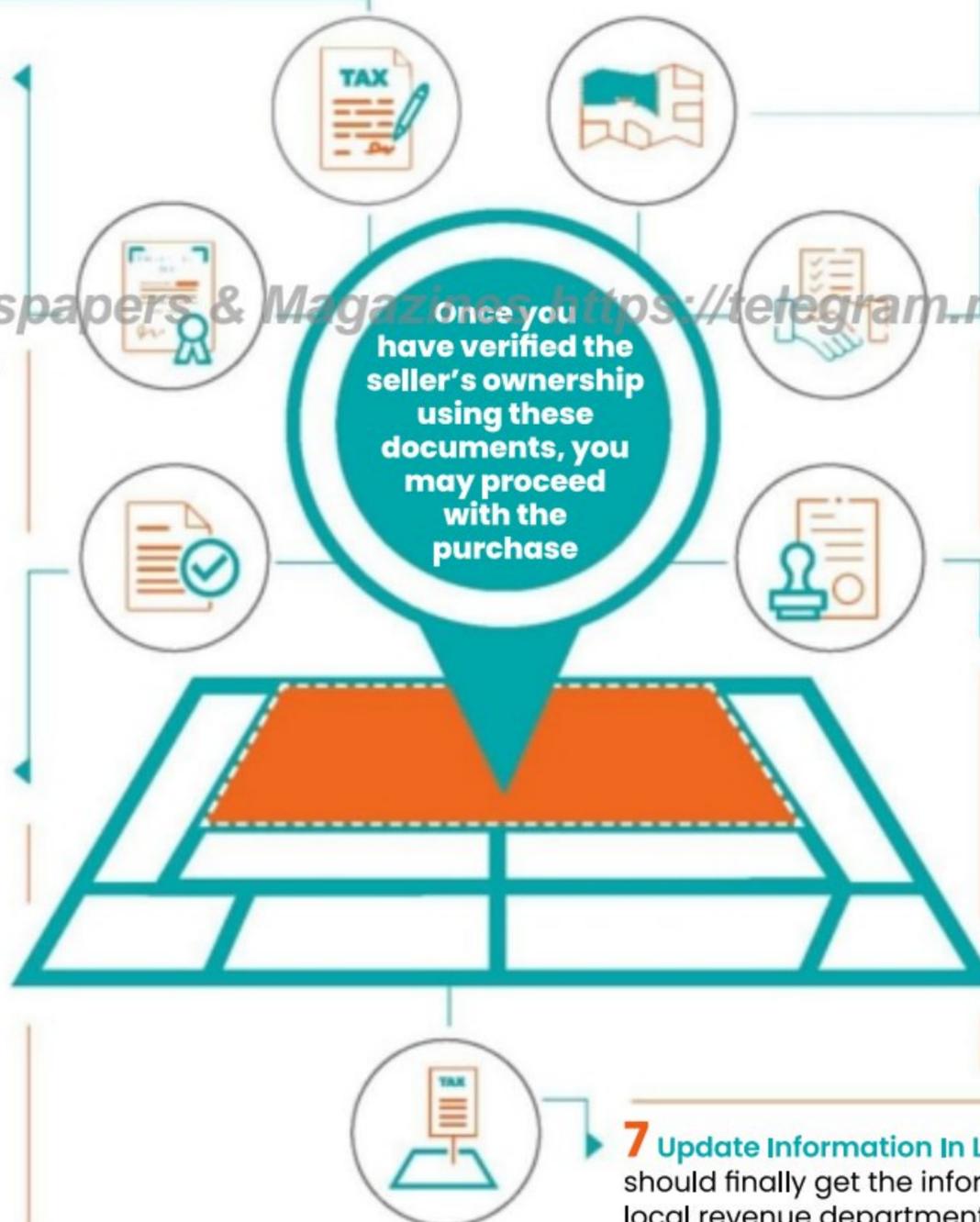
5 Prepare Sale Deed:

A sale deed records the transfer of ownership from the seller to the buyer. Hire a lawyer to draft the sale deed and fix an appointment with the sub-registrar under whose jurisdiction the property is situated.

6 Registration And Transfer:

The buyer has to visit the sub-registrar's office with seller and the witnesses need to sign the document and pay the stamp duty fee (3-6 per cent of the plot's saleable value and registration charges (0.5 per cent of the value of the land).

7 Update Information In Local Records: The buyer should finally get the information updated at the local revenue department records and pay land tax, if required, to complete the buying process.



What To Consider When Investing: A Guide To Smart Choices

Higher risk-taking ability doesn't always translate into more returns, so it is vital to understand the principle of risk-reward ratio and the suitable investment vehicles to drive your portfolio.

In the world of investment and wealth management, chasing returns can often lead to risky decisions. Understanding the risk-reward ratio is crucial. High risks do not guarantee high returns. For example, if an investment of Rs 100 drops to Rs 80, a 20% loss, it would need a 25% gain just to recover. This highlights the importance of sticking to well-regulated investment options like mutual funds and avoiding schemes lacking SEBI oversight.

- **Diversification:** Diversifying investments across various asset classes—stocks, bonds, real estate, and commodities—helps mitigate risk and optimize returns.
- **Long-term Perspective:** A long-term investment mindset is essential. Instead of seeking short-term gains or trying to time the market, focus on the power of compounding to achieve consistent portfolio growth.
- **Risk Assessment:** Assessing your risk tolerance is key. Consider factors such as age, financial obligations, and investment goals to align strategies with your comfort level.
- **Balanced Approach:** Balance risk and reward by avoiding overly conservative options



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JUST AS WE TRUST SURGEONS FOR SURGERIES, ARCHITECTS FOR DESIGNING BUILDINGS, AND HAIR STYLISTS FOR CUTTING HAIR, SEEKING INVESTMENT ADVICE FROM FINANCIAL EXPERTS IS CRUCIAL FOR MAKING INFORMED DECISIONS.



like fixed deposits and overly aggressive strategies like independent stock trading. Opt for a mix of equity and hybrid mutual funds, which offer decent

returns with lower volatility over a 5 to 7-year horizon.

- **Consulting Financial Experts:** Relying on online videos for investment advice can be misleading. Just as you trust professionals for specialized tasks, seek advice from financial experts or advisors for informed investment decisions. Their expertise and personalized guidance can significantly enhance your strategies and mitigate risks.
- **Regular Monitoring and Rebalancing:** Consistently monitor and rebalance your investment portfolio. Regular reviews and adjustments ensure alignment with financial goals and risk tolerance levels.
- **Tax Efficiency:** Maximize after-tax returns by leveraging tax advantages from short-term and long-term capital gains. Consider tax-efficient options like arbitrage funds and equity savings funds.

Avoid herd mentality and short-term thinking. Cultivate a disciplined investment strategy rooted in personal financial goals. Consulting with financial experts or advisors provides invaluable guidance in navigating investment complexities, tailoring strategies to individual goals and risk appetites, and leading to superior long-term outcomes. ▣

Disclaimer

The views are personal and are not part of the Outlook Money editorial feature.

A few regulatory changes in June 2024, and how they will impact you

REGULATORY ROUNDUP

customer nominations. It has, however, asked them to encourage people to provide choice of nomination.

Impact: This decision will allow security holders to receive dividend, interest, and redemption payments, lodge grievances, or avail of any service from an RTA, even without nomination.

Change: Sebi asks intermediaries to continue updating the know-your-customer (KYC) data on the KYC Registration Agencies (KRA) systems. Then, KRAs must upload the details on the Central KYC Records Registry within seven days and complete the process in six months starting August 1, 2024.

Impact: It will ensure the latest verified information is in official records, ensure safe transactions and reduce KYC-related issues.

CAPITAL MARKETS

Change: The Securities and Exchange Board of India (Sebi) proposes changes to the Basic Services Demat Account (BSDA) rules, such as increasing the limit from ₹2 lakh to ₹10 lakh for combined value of securities, one account for depositories, and lower fees.

Impact: It will allow more retail investors to trade while enjoying the benefits of a BSDA account, such as no annual fee for portfolio values up to ₹4 lakh, and ₹100 for those between ₹4 lakh and ₹10 lakh.



Change: Sebi asks stock brokers to credit securities for payouts directly into clients' demat accounts and asks clearing corporations to provide a mechanism for trading, and clearing members to identify unpaid and funded stocks under the margin trading facility.

Impact: It will enhance operational efficiency, protect clients' securities, and ensure that stock brokers segregate securities so they are not vulnerable to misuse. Till now, brokers pooled securities for payouts before crediting them to the clients' demat accounts.

Change: Sebi asks stock exchanges, depositories, asset management companies, and registrar and transfer agents (RTAs) to amend their bylaws to implement its decision to revoke the freezing of demat accounts and mutual fund folios for not submitting

PENSION

Change: The Pension Fund Regulatory and Development Authority (PFRDA) will provide details of new functions introduced in the National Pension System (NPS) and the Atal Pension Yojana (APY) by the central recordkeeping agencies (CRAs) in the last two quarters of FY 2023-24.

Impact: It will allow NPS and APY members to check all the changes introduced in one place and take advantage of the benefits offered, such as withdrawal module, penny drop verification, payment receipt download facility, and CRA portability, among others.

INSURANCE

Change: The Insurance Regulatory Development Authority of India (Irdai) has instructed insurers to engage surveyors, loss adjustors and investigators, and appoint district claims service heads in the aftermath of Cyclone Remal in West Bengal and the north eastern states.

Impact: It will facilitate mobilisation of resources for quick settlement of claims and financial relief to people affected by the cyclone.

Change: Irdai issues master circulars related to life and general insurance businesses as reckoners for various customer-



centric policy features and governance measures.

Impact: It will allow customers to find all relevant information concerning products and regulations, such as add-ons, customer information sheet, no-claims, claims settlement, pricing, benefit illustration, riders, free look period, nomination, grace period and splitting

of policies, etc., at a single place, and ensure insurers' ease of operations.

BANKING

Change: The Reserve Bank of India (RBI) plans to establish a digital payment intelligence platform to combat cyber crimes, mainly online debt and credit card fraud.

Impact: The platform will share real-time data and intelligence across the digital payments ecosystem to prevent payment fraud risks and boost the safety of digital public infrastructure. These steps are expected to raise consumer awareness and confidence.

*List is not exhaustive | Compiled by Sanjeeb Baruah

PORT, BUY TOP-UPS TO TACKLE RISING HEALTH PREMIUMS IN OLD AGE

Healthcare costs can eat into your retirement corpus, so buying health insurance makes sense. If rising premiums are holding you back from buying a cover, here are some tips to reduce the outgo

Versha Jain

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Healthcare cost should be one of the major factors you should take into consideration when planning for your retirement.

It is now a well-known fact that healthcare costs are rising at a much higher rate than retail inflation. Compared to retail inflation, which is around 4-5 per cent, medical inflation is more than double at 14 per cent, according to a report by the insurer Plum. In other words, a commodity that costs ₹1,000 today may cost ₹1,628.89 in 10 years. In contrast, a treatment will cost ₹3,707.22 in the same period.

So, if you are not prepared, healthcare costs can eat into your corpus and make life difficult.

According to the *Health Insurance For India's Missing Middle* report released by Niti Aayog in 2021, *Analysis from Brookings India*, based on NSSO surveys, shows that over 7 per cent of India's population is pushed into poverty every year due to healthcare costs.

In such cases, health insurance can come to the rescue.

According to a research titled *Health Insurance In India*, in the *International Journal of Engineering, Management, Humanities And Social Sciences Paradigms (IJEMHS)*, "In India, people are not very aware of health insurance, and only a small part of the population takes advantage of it. Even well-educated people ignore the necessity of having proper health insurance coverage."

However, low awareness and rising premiums often pose a hurdle. Senior citizens could find the cost even more prohibitive, as premiums rise with age.

So what does one do to bring down the cost of mediclaim? Says Parthanil Ghosh, director and chief business officer at HDFC ERGO, "Keeping health insurance premium costs low is essential to manage healthcare expenses." He suggests

that maintaining a healthy lifestyle, and availing of discounts, such as loyalty and long-term renewal discounts, among others, can make insurance affordable.

BUY A TOP-UP COVER

One of the most effective ways to reduce the overall premium outgo is to buy a top-up policy along with the base policy. Here, the base policy can offer a smaller coverage, and the top-up coverage can be of a larger amount, to ensure adequate coverage.

Seniors often do not have sufficient coverage because of high premiums; it may also be possible that insurers are unwilling to provide them higher

Healthcare costs are rising at a much higher rate than retail inflation. Besides, seniors often do not have sufficient coverage because of high premiums

coverage due to underwriting issues.

Says Rupinderjit Singh, senior vice president, retail health, Acko General Insurance, "There is a higher possibility that if seniors have health insurance, they may only have a coverage of ₹3-10 lakh. This is not sufficient, and they may already have existing health conditions. They may find it difficult for insurers to accept them for a higher coverage amount for a base cover. Hence, they can complement the coverage with a top-up product and get sufficient coverage. The top-up plan may cost only a fraction of their base cover."

Top-up policies come with a deductible—the amount the policy will not pay for, and which has to be borne by the policyholder. This is also the reason why they charge

much lower premiums. The sum insured of the base policy should ideally be equal to the deductible to cover that gap. Both policies can be used together for expensive treatments. Ghosh says the higher the deductible, the lower will be the premiums.

Says Santosh Puri, senior vice-president, health product and process, TATA AIG General Insurance: "One should prefer buying one base policy to avoid any overlapping covers and/or benefits which the customer will be utilising under any one policy, such as annual health check-ups, vaccinations, and so on. One should also consider buying a super top-up policy where the top-up acts as a supplementary cover. This will avoid overlapping coverage and ensure protection against large catastrophic claims."

However, it is important to choose the combination carefully. Says Singh, "Some insurance companies offer base plans with comprehensive coverage, while the top-up plan comes with restrictions on room rent, co-pays, and so on, thus making the combination of a base and top-up plan relatively cheaper than a comprehensive base plan. One should understand the difference in the terms and conditions so that they don't end up making a wrong choice."

A lot of experts also recommend buying the base policy and the top-up or super top-up policy from the same insurer to ensure that the claim settlement process is smooth later.

CONSIDER PORTING

It is important to compare costs between different insurance policies. If you think you already have a high-cost policy, you could consider porting to a cheaper one.

Apaar Kasliwal, executive director of PolicyBoss.com, an insurance aggregator, was earlier quoted as saying by *Outlook Money*, "In case you are dissatisfied with your current

insurance cover, or, the insurer is not willing to offer new-age covers that are available with other insurers, or you are dissatisfied with the hospital network offered by your existing insurer, you may consider porting your health insurance policy.”

However, when doing this, it is important to look at the features of the new policy. It's possible that the new policy is cheaper because it has higher deductibles, sub-limits, restrictions on the treatment of some diseases, and so on. Also, the network of hospitals of the new insurer may be different, and you may need to check accessibility.

Also, the new insurer might require the policyholder to undergo medical tests afresh. In such a situation, if tests reveal new medical conditions, fresh waiting period or exclusions may be included in the new policy. “Should the new insurer classify the policyholder as a ‘high-risk individual’, they may even reject the application,” said Rakesh Goyal, director, Probusinsurance.com, an insurance brokerage firm to *Outlook Money* earlier.

ASSESS FAMILY FLOATER

Family floater policies, which are typically bought for the entire family, including younger members and parents, may not be advisable. This is because sometimes the premiums are calculated based on the age of the eldest member.

However, in some cases, it may make sense. Says Puri: “If the premium is calculated based on the age of the eldest member, one should buy a separate policy for parents and one for the husband, wife, and the child. However, if the premium is calculated based on individual insured persons, then one must opt for a family floater policy. This will provide an added benefit of a higher family floater discount on the total premium.”

In general, it makes sense to take

KNOW WHAT TOP-UP ENTAILS

Top-up policies cover a claim after a certain threshold, which is known as deductible.

Deductible is the amount the top-up policy will not pay, and cover the claim amount only beyond that threshold limit.

This deductible is to be borne either by out of pocket expenses or the base policy.

Thus, it is advisable that the sum insured of the base policy should be equal to the deductible amount.

For instance, if the sum insured of the base policy is ₹5 lakh, the deductible in the top-up policy is the same, and the claim amount is ₹10 lakh, you may invoke the base policy to cover the first ₹5 lakh of the claim amount, and use the top-up to raise a claim for the remaining ₹5 lakh.

A super top-up policy works like a top-up plan, but there's a slight difference. In case of multiple claims during the policy period, super top-up considers the deductible only for the first and not the subsequent claims. Top-ups consider the deductible each time a claim is raised.

a separate policy. Says Siddharth Singhal, business head, health insurance, Policybazaar.com: “It is advisable to have a separate comprehensive health insurance plan for aged parents or senior citizens, which can ensure that they get relentless and high-quality treatment, if need be.”

TAKE PREVENTIVE CARE

Taking preventive healthcare measures can also help in reducing costs, as insurers look at a healthy lifestyle favourably.

Tapan Singhal, chief executive officer and managing director of Bajaj Allianz General Insurance, in a recent interview with *Outlook Money*, talked about how it benefits the industry: “If people are healthier, the claims should be lower. So, it's benefiting the insurance companies. What we don't realise is the basics of the insurance business. You collect money from many to pay to a few... So, if the claim outgo reduces, the overall premium reduces.”

Even policyholders benefit as the overall premium reduces. He added: “If you are taking care of yourself or have joined a gym, it would reduce the premium. However, the premium is not very expensive in India. So, the reduction would be insignificant from that perspective. The benefit you get by using the ecosystem the insurance industry has created is huge because the healthier you are, the happier you are, and the better your life is.”

Old age is a time when the body starts ageing and slowing down, and diseases and illnesses start rearing up their head. This is also the time when seniors are likely to spend the major part of their monthly expenses on healthcare needs. Therefore, taking adequate health insurance can go a long way in ensuring a stress-free life, without medical costs eating into one's retirement kitty. ►OM

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HDFC ERGO & IIT Bombay Combat Mumbai Flooding



TECH, TEAMWORK, AND TENACITY: A NEW ERA OF URBAN FLOOD INSURANCE

On May 10, 2024, Outlook Money hosted an insightful webinar featuring Mr. Parthanil Ghosh, Director and Chief Business Officer of HDFC ERGO General Insurance, and Professor Subimal Ghosh from IIT Bombay. Moderated by Meghna Maiti, Assistant Editor of Outlook Money, the discussion delved into a critical initiative to tackle urban flooding in Mumbai through a collaboration between HDFC ERGO and IIT Bombay.

A Crucial Collaboration

Mr. Parthanil Ghosh began by highlighting the significant objectives of the collaboration, established in 2021, which aims to mitigate urban flooding risks in Mumbai. The partnership leverages cutting-edge research, technology, and expertise to address the pressing issue of urban flooding, which has profound implications for public health, infrastructure, and the economy. "Our goal is to assess damage, identify suitable insurance outcomes, and empower authorities with preemptive measures to safeguard lives and assets," stated Ghosh.

Innovative Approaches to Risk Assessment

Professor Subimal Ghosh elaborated on the methodologies employed in the project. He emphasized the importance of understanding the intensification of extreme precipitation due to climate change, particularly in urban areas like Mumbai, which faces unique challenges due to its coastal location and monsoon gateway status. Ghosh explained, "We rely on crowd-sourced information and advanced forecasting systems to provide real-time flood information and forecasts. This citizen science approach is crucial for effective urban flood management."

The Role of Insurance

Mr. Ghosh discussed the role of insurance companies in addressing urban flooding. He emphasized the use of technologies such as AI, machine learning, and predictive modeling to assess evolving risks and tailor insurance products accordingly. "Better underwriting and pricing, prevention measures, and long-term sustainability are key areas where insurance can make a significant impact," he noted. Ghosh highlighted the importance of collaboration with local authorities to implement effective

urban planning strategies and disaster preparedness initiatives.

Advanced Technologies in Flood Management

Professor Ghosh detailed the integration of remote sensing, GIS, and machine learning in developing geomap advisories for urban flooding. He acknowledged the challenges of obtaining high-resolution data and the need for continuous model updates. "By merging urban flood models with crowd-sourced data, we aim to provide accurate real-time flood monitoring and forecasting," he explained. This approach ensures that the system is reliable and effective in informing citizens and authorities.

Contributing to Disaster Preparedness

The collaboration's outcomes are expected to influence policy frameworks and regulatory approaches to disaster risk reduction and resilience building in urban settings. Professor Ghosh emphasized the need for an improved early warning system and the development of high-resolution vulnerability maps. "Identifying high-risk zones and issuing timely advisories can significantly enhance urban resilience," he concluded.

Conclusion

The webinar underscored the importance of collaboration between academia, industry, and local authorities in addressing urban flooding. The initiative by HDFC ERGO and IIT Bombay is a commendable step towards building a safer, more resilient Mumbai. As Mr. Ghosh aptly put it, "Prevention is better than cure. By predicting and preventing the damage, we can protect lives and properties effectively." □

Disclaimer

Insurance is a subject matter of solicitation. The information provided in this webinar cannot substitute for the advice of a licensed professional. The information and data provided on this webinar is of a general nature and strictly for informational purposes.



By **JOYDEEP SEN**, Corporate Trainer (Financial Markets) and Author

PLAN WITH FIXED-INCOME FUNDS

Fixed-income funds lend stability to your portfolio, have better cash flow visibility, and help preserve capital. They can be used in various stages of planning

Financial planning for retirement can be broadly divided into two phases: the accumulation phase when you are earning, saving and investing, and the decumulation phase, when you are drawing from your investment kitty. There are also sub-parts to this: during the accumulation phase, there are multiple financial goals on which you spend money, and for which you need to plan. But between these two phases, there is also the consolidation phase. Here, say from age 55 to 60, you gradually move from riskier assets, which are more volatile, to the defensive assets to de-risk your portfolio in your golden years after retirement.

Let's see how fixed-income funds can help you in the financial planning process in this stage.

WHAT THEY OFFER

Stability: Returns from fixed-income funds are relatively more stable than equity funds. The reason is that fixed-income instruments, such as bonds or bank deposits have a known rate of interest, which is taken into account in the daily net asset value (NAV) computation. This is, however, not the case with equity

funds, where dividend is taken in the NAV only when it is paid. Price volatility in the equity market is also relatively higher, which makes the NAVs of equity funds fluctuate more. Hence, you should invest a part of your portfolio in fixed-income funds for stability.

Visibility: Fixed income assets give better clarity on the amount and timing of cash inflows. For instance, bonds have a defined maturity date and amount, while in case of mutual funds, target maturity funds (TMFs) have a defined maturity date and an estimate of the returns, which is somewhere around the initial portfolio yield-to-maturity (YTM). YTM data for funds are available in the monthly factsheet.

For the usual open-ended fixed-income funds, provided you hold them for an adequate period of

time, you will get decent returns with reasonable visibility. You can also take the portfolio maturity of the fund as the adequate holding period. This is available in the funds' monthly factsheet.

Your expectation on returns would be somewhere around the portfolio YTM over a reasonable horizon. Just to clarify, the portfolio YTM is not a commitment on returns from the mutual fund, but only a ballpark indicator.

Parking: There are certain short-horizon investments in your portfolio. There is an emergency cash component of say 5-10 per cent of your portfolio. You should keep this in fixed-income funds, and within that, in conservative avenues like liquid funds. You may have short-horizon financial goals, say for six months or a year. These short-horizon sums have to be parked in appropriate fixed-income funds.

Capital Preservation: Investment avenues that are more volatile, such as equity, may lead to a temporary loss, on paper. When prices in the market come down to a level lower than your purchase price, it is regarded as a "paper loss"—it will become a real loss if you sell it at that price. This is temporary because

RETURNS FROM FIXED INCOME FUNDS ARE RELATIVELY MORE STABLE THAN EQUITY FUNDS BECAUSE OF A KNOWN RATE OF INTEREST

it is expected that prices will recover going forward. However, at times, preservation of capital is a primary objective, and for retired people, senior citizens, even a paper loss may be difficult to digest. Fixed-income funds, on the other hand, provide preservation of capital.

Within fixed-income also, there are multiple fund categories. The more defensive ones with shorter portfolio maturity, such as money-market funds provide better preservation. The long-duration bond funds may go through a temporary paper loss for some time,

then the allocation to equity should be 60 per cent. Herein comes the role of fixed-income: if you want 40 per cent of your portfolio to be in a relatively stable component, your portfolio should be 60:40 in equity and debt. If you want a more diversified portfolio, then a little less than 60 per cent would be in equity, little less than 40 per cent would be in fixed-income, and the balance in gold or any other asset you prefer.

Fixed-income builds your wealth over a long period, though at a slower pace than equity. The rationale for having a diversified

running an allocation of 55 per cent in equity, 35 per cent in fixed-income and 10 per cent in gold, in the consolidation phase, you have to change it gradually.

At age 60, since you do not have any active income and will draw from your investment kitty, this would become, say 40 per cent (or lower) in equity, 50 per cent (or higher) in fixed-income and 10 per cent (or lower) in gold.

Decumulation: It is in this phase that fixed-income plays a crucial role. Preservation of capital and stability of returns is a priority at this stage. Growth of capital is relevant, but secondary.

The ideal way to manage your cash flows in this phase is to sign up for a systematic withdrawal plan (SWP) from your mutual fund holdings. Your fixed-income holdings should gradually increase in this phase. For example, if at age 60 you had 50 per cent in fixed-income, then at age 70, it should be 60 per cent or higher.

TAXATION

There was indexation benefit available on investments in fixed-income mutual fund investments made till March 31, 2023. So, after retirement, when you do an SWP from investment made till March 31, 2023, you will get the benefit of indexation, as the gains will be treated as long-term capital gains after the 3-year holding period is over. So, you should hold on to these investments until your retirement, and then avail of efficient taxation.

CONCLUSION

Every asset category, whether it is equity, fixed-income, or gold, has its own features. You have to dovetail your investments to your financial plan and avail of the benefits.

Fixed-income is the optimum asset category in the retirement phase, but, it comes handy in the accumulation phase, too. ►OM



but are more certain to recover than equity funds.

PLANNING PHASE

Accumulation: In the accumulation phase of your career, since you are younger, have a higher risk appetite, and time on your side, you can have a higher allocation to riskier assets, such as equity. History shows that over a long horizon, say 10-15 years, equity always gives positive returns.

Do note that your allocation is a function of your horizon and risk appetite. The thumb rule to equity allocation is 100 minus your age. For instance, if you are 40 years old,

portfolio and not a 100-per cent-equity one, is that a properly allocated portfolio balances out the fluctuations of one asset with another, making your wealth accumulation journey smooth.

Consolidation: When you are nearing retirement, you have to gradually de-risk your portfolio. You have to move away from riskier assets, such as equity to stable assets like fixed-income. There is no definition as such for the consolidation phase; it may be taken as age 55-60, assuming you would retire at age 60. Assuming that in your accumulation phase you were

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CHECK EARNING POTENTIAL AND RETURNS BEFORE EXITING STOCKS

Queries



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After the recent demise of my father, I found out that he had some stock certificates in physical format. How do I go about dematerialising them?

You need to connect with the registrar and transfer agency (RTA) to update the name in the company records to dematerialise physical shares inherited from a deceased person.

Once the details get updated at the RTA, you (the client) can get in touch with the demat desk of the respective depository participant (DP) to find

out about the process and documentation needed for dematerialisation.

My money has doubled in the stock market over the last few years. Should I withdraw the money now or wait for further gains? I do not need the money now, and I think I can lock my gains into a guaranteed product. What should I do?

If you have invested in stocks, we would suggest to ascertain their earning potential and expected return before taking an exit call. In

case, you have invested in mutual funds, time spent in the market is more important than timing the market. For the past two to three decades, markets have given around 12 per cent annualised returns. Since you do not need the money in the near term, I would suggest holding on to your portfolio. You can plan your exit six months to one year before any planned liquidity requirement and switch to arbitrage funds, which are tax-efficient products with near similar return expectations like a fixed-income instrument.

Answers by: **Bharat Pareek**, Head - Product & Segment, Private Wealth Management of ICICI Direct

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Mistakes to Avoid in the Retirement Planning Stage

Not starting early, not looking at retirement planning holistically and not consulting a financial advisor are among the top mistakes one should avoid



planning isn't just for those approaching 55; it should begin as soon as one starts earning," he said. Highlighting common pitfalls, he warned against underestimating post-retirement expenses and the impact of inflation, stressing the need for diversified investment strategies.

Roongta added a broader perspective, stressing the need for a holistic approach. "Retirement isn't just about wealth. It's about health, purpose, and maintaining strong social ties. Neglecting any of these aspects can derail even the best financial plans," he noted. He urged viewers to treat exercise and adequate sleep as essential as financial SIPs (Systematic Investment Plans).

Subramanyam highlighted the importance of seeking professional advice. "The biggest mistake is thinking you can do it all yourself. A financial planner can provide crucial guidance on asset allocation, taxation, and withdrawal strategies," he explained. He also pointed out the necessity of having contingency plans for unforeseen medical expenses and market volatility.

The session concluded with a reminder from Sinha about the significance of a well-rounded approach to retirement planning.

The full webinar is available on www.outlookmoney.com. Watch it to avoid these common mistakes and pave the way for a financially secure and fulfilling retirement. 

The latest episode of Outlook Money's "Retire Right" series featured insights from top

experts on "Mistakes To Avoid In The Retirement Planning Phase". This session, moderated by Nidhi Sinha, Editor at Outlook Money, is part of the investor education and awareness initiative by Aditya Birla Sun Life Mutual Fund in association with Outlook Money.

The esteemed panel included K S Rao, Head of Investor Education and Distribution Development at Aditya Birla Sun Life AMC; Harsh Roongta, Personal Finance and Tax Expert; and PV Subramanyam, Author and Personal Finance Trainer. Each shared valuable insights on the importance of careful planning and the role of investments, particularly mutual

**RETIREMENT
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JUST FOR THOSE
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STARTS EARNING FOR
IT TO BE EFFECTIVE**

funds, in securing a comfortable retirement.

Rao emphasised the significance of starting retirement planning early. "The earlier you start, even with small savings, the more powerful the compounding effect on your investments. Retirement



BY LARISSA FERNAND, Behavioural Finance Expert

What Makes You Splurge On Food

With increased earnings, people tend to spend more on gourmet experiences. However, spending within your means is essential to stay healthy, both physically and financially

believe that there are three relationships which guide almost every facet of our life.

These are:

- Our relationship with God.
- Our relationship with Food.
- Our relationship with Money.

(Not in any particular order).

And because the influence is only sometimes overt, if at all, and often subconscious, we tend to underplay its impact.

Before I elaborate, a clarification. I use the word “god” in its broadest sense. It could be religious where we adhere to certain guidelines. But it could stretch way beyond just the supernatural, the divine, the mystical, the magical or the mythological. It could be any altar you worship at—be it the altar of money, power, fame, pleasure, narcissism, and so on. We all worship something or someone. And worship transforms, hence the influence could be all the more insidious.

So when I came across a comment by Chirag Barjatya, I was intrigued.

Chirag identifies himself as a fitness entrepreneur and is the founder of PFC Club. Since I am a big fan of his practical fitness suggestions, I was very fascinated by

his observation: “Your fitness largely depends upon your mindset towards money.” He then elaborated and I think he meant physical wellbeing and not fitness in the narrowest sense of the word. So I took the gist of what he said, paraphrased it slightly, and split it up.

- As you earn more money, your expenditure on expensive food, gourmet experiences and gastronomic delights tend to increase. Hence, you see a lot of the nouveau rich individuals getting unhealthy faster.
- You can see it in how people flaunt expensive liquor and premium wines in their luxury home bar.
- It is also evident when people go to a 5-star hotel buffet and try to eat as much as possible from the numerous dishes available. They keep eating even after they feel stuffed. The underlying attitude is:

As you earn more money, expenditure on expensive food and gourmet experiences tend to increase

“Well, I am paying for it so I want my money’s worth.”

When Past Scarcity Drives Current Consumption

Author and financial expert Ramit Sethi often says that as he grew wealthy, he loved the idea of being able to afford appetisers at a restaurant. When growing up, his family could not afford it when they went out to eat.

He also cited a conversation with a young man in Washington DC who wistfully told him that if his money quadrupled, he has a list of every Michelin starred restaurant in town that he would love to visit along with his family. Because they cannot afford a meal at any of those venues.

I so resonate with both the above confessions. My family almost never ate out when I was growing up. And when I began to earn, I loved the idea of going out to various restaurants and experimenting with various cuisines. When eating out is a luxury, the financial ability to do so feels like freedom. The empowerment and the accomplishment that one feels cannot be ignored.

While all this sounds very normal, there is a dark side to it if the

deprivation or poverty was a little more extreme.

Sarah Hill, a professor of psychology at Texas Christian University, along with her research team, found that people who grew up poor would unconsciously overeat even after attaining financial security. She concluded from her studies that when individuals grow up in an environment of monetary unpredictability and uncertainty, it often includes access to food.

Economic depravity when growing up would lead people to continue eating even when they were not

flying to London for a week, let me pick the ingredients and then will call you all over," was how she framed the invitation.

This not only happens in conversations, but is blatantly flaunted on various platforms. The social media food phenomenon is something we all have to grapple with even if we don't subscribe to it. When Magnolia Bakery opened in Mumbai, I was stunned at the number of individuals inside who were more occupied with Instagram reels. And wherever you are, it seems obligatory to check if anyone on the

There is nothing wrong about spending on food and experiences. The issue is, don't go overboard when you cannot afford it

their parents to Italy. They hired a chef to take them to a farmer's market to pick fresh ingredients, and then they cooked it all together.

I think it is lovely that one uses money to enable others' participation in such indulgences, bring so much happiness to each other and create memories.

There is absolutely nothing wrong about spending on food and related experiences. The issue is, don't go overboard when you cannot afford it.

- If you feel that the driver is social acceptance into your peer circle, then it is a much deeper issue.
- If it is to post photographs on social media, then maybe it is validation that you are seeking.
- If you are eating out of an emotional need, it may help to seek therapy or counselling. In most cases, you can work around it.

Let's say you want to take your family out to good restaurants but really can't afford to do that every week. Well, then set a restaurant date every fortnight, or once in three weeks (whatever fits your wallet). All through the week, stop ordering on Zomato or Swiggy. You have to give up something to get something else.

This way, you get to take your family out to enjoy different types of food, it is a lovely experience that you all look forward to, and you create wonderful memories. Moreover, by being disciplined about it, you teach your children about living within one's means. Also, eating at home the rest of the time is a very healthy alternative for the entire family.

In all aspects, you win. ►OM

hungry, and even if they were financially stable.

When It Is A Status Symbol

A lot of our expenditure falls under this category, even if you choose not to admit it to yourself.

Some seek social validation with their wardrobe, or their car, or even their residential address. But often it morphs into the culinary world too. They will brag about the lovely bar in their house and the bottles of imported liquor, the expensive ingredients in their salads, and the restaurants they frequent. My friend used to visit a very upmarket gym in South Mumbai. One day one of the ladies wanted to invite the girls over for home-made pizza. "I will be

table is whipping out their phone for a click before you start digging in (Imagine how impolite it would be if you just started serving yourself and the original plating was not documented).

I don't know if it is fun, but once posted on social media, it certainly makes the person look cool and trendy (and rich).

What Is The Takeaway?

- Food is pleasure.
 - Food is entertainment.
 - A lot of bonding, connections and celebrations happen over food.
- Sethi cited another "food experience" that money permitted him to splurge on. For the first part of his honeymoon, both spouses invited



Opportunities Beckon As India's Energy Sector Takes Flight

With rapid economic growth, per capita income, and supportive government policies, India's energy sector offers many opportunities for investors in the long term.

In today's lifestyle, energy is crucial for operating electrical appliances like laptops, air conditioners, refrigerators, and more. Energy usage extends beyond households to industries such as oil and gas, power, healthcare, and others. Investing in India's energy sector offers opportunities to capitalize on the growing energy demand and commitment to renewable energy. Government policies promoting energy efficiency, sustainability, and technological innovation drive substantial growth in this sector.

Key Points to Consider:

- **Growing Energy Demand:** Urbanization, industrialization, and increasing consumer demand are expected to significantly raise India's energy consumption, including electricity, oil, natural gas, and renewables.
- **Government Initiatives:** Initiatives include a unified tariff for gas consumption, abolition of auto fuel subsidies, and substantial investments in gas transmission lines, LNG terminals, and city gas distribution networks.
- **Renewable Energy Potential:** India has abundant solar and wind resources. Ambitious targets for renewable energy capacity expansion offer investment opportunities in solar parks, wind farms, and biomass projects.
- **Policy Support and Incentives:** Investors benefit from subsidies, tax benefits, and tariff regulations supporting renewable energy projects,



R VENKATESH

Founder, Gururam Financial Services Pvt Ltd.



WITH STRATEGIC PLANNING AND A LONG-TERM PERSPECTIVE, THE INDIAN ENERGY SECTOR PRESENTS PROMISING PROSPECTS FOR INVESTORS SEEKING TO PARTICIPATE IN THE GLOBAL TRANSITION TOWARDS SUSTAINABLE ENERGY SYSTEMS.



providing a stable environment for long-term investment.

- **Infrastructure Development:** There is a significant need for transmission and distribution networks. Investment in grid infrastructure and smart grid technologies is crucial for integrating renewable energy sources.
- **Private Sector Participation:** The Indian government encourages private sector participation through Public-Private Partnerships (PPPs) in energy infrastructure projects, offering opportunities with reduced regulatory barriers.

• Technological Innovation:

Investments in energy storage, smart grid solutions, and digital energy management systems are crucial for optimizing energy use and enhancing grid reliability. India is a fertile ground for technological innovation in these areas.

- **Market Liberalization:** Reforms, such as competitive bidding for solar and wind projects, have led to increased transparency and efficiency, attracting private investments and fostering healthy competition.

• Electrification and Rural Energy

Access: Significant focus on electrification and improving energy access in rural areas presents investment opportunities in off-grid renewable energy solutions, micro-grids, and decentralized energy systems.

Investing in the Indian energy sector offers diverse opportunities driven by economic growth, climate change, urbanization, increasing per capita income, manufacturing focus, supportive government policies, abundant renewable resources, and technological advancements. However, investors must navigate regulatory frameworks, market risks, and sector-specific challenges to capitalize effectively. With strategic planning and a long-term perspective, the Indian energy sector presents promising prospects for investors seeking to participate in the global transition towards sustainable energy systems and contribute to India's dynamic economic landscape. ▣

Disclaimer

Mutual Fund Investments are subject to market risks, read all scheme documents carefully. This article provides general information and should not be considered financial advice. Consulting with a qualified professional is recommended to assess your individual circumstances and make appropriate financial decisions

Mutual Funds Can Be The Best Ally In Wealth Building

Mutual funds are efficient tools to generate inflation- and risk-adjusted returns, allowing you to meet your financial goals in the short, medium and long term.

Wealth creation is increasingly becoming a necessity given the rising inflation, changing lifestyle and increasing life span. So, it is not surprising to see a visible shift from traditional investment avenues like bank deposits, gold and real estate, to modern and more efficient investment tools such as mutual funds. Historical data shows that mutual funds over the long term are efficient investment vehicles for wealth creation.

What are Mutual Funds?

Mutual Funds are market-oriented investment instruments which invest across the asset classes, be it equity, debt, commodities or real estate instruments. It is like pooled investments from various investors and the collected sum is professionally managed by experienced fund managers backed by strong research-based teams. The main objective of mutual fund schemes is to generate inflation-adjusted and risk-adjusted returns and thereby be beneficial for investors by creating long-term wealth. By far, mutual funds, regulated by Sebi, are the most transparent investment vehicles which are flexible and offer liquidity to investors at any given point in time.

Systematic Wealth Creation

Wealth creation is a long-term process guided by goal-oriented investment strategies tailored to an investor's risk appetite. Without clear goals, wealth creation can become ineffective.



SANDEEP CHHAJER
Founder/ Managing Director,
SubhShanti Wealth Pvt. Ltd



THE KEY TO SUCCESSFUL INVESTMENT IS PATIENCE. IF ONE DOES NOT UNNECESSARILY PANIC AND REMAINS FOCUSED ON GOALS, MUTUAL FUNDS COULD BE THE MOST SUITABLE VEHICLE FOR RESULT-ORIENTED INVESTMENTS.



Mutual funds offer built-in solutions for this. Markets are dynamic and have cycles. The key to successful investment is patience. If one does not unnecessarily panic and remains focused on goals, mutual funds could be the most suitable vehicle for result-oriented investments. In fact, any goal -- be it an expensive international vacation, buying a car, owning a house, children's education, their marriages, retirement planning or the ultimate goal of financial independence, all of it can be achieved through mutual funds. In fact, mutual funds are more

like financial solutions and possess the capability to benefit each and every kind of investor. Investors who are young, mid-aged, salaried, retired or owners of small or large businesses -- all can invest through mutual funds for wealth creation.

One can either choose systematic investment plans (SIPs) for monthly investments or opt for lump sum investments. A combination of SIP and lump sum investments is also possible, allowing investors to add units with surplus money. By investing systematically, investors get the benefit of averaging costs. On the other hand, a lump sum investment when the market is facing a sharp correction will help an investor accumulate more units at an attractive price. This augurs quite well for long-term wealth creation.

Investors with a high-risk appetite may consider equity-oriented mutual fund schemes, which can create substantial wealth over five years or more. Those with moderate risk appetite may prefer a combination of debt and hybrid schemes to achieve their goals. However, all investments carry risks, especially in the short to medium term, and mutual funds are no exception. It is advisable for investors to consult certified financial advisors or planners and invest with a long-term perspective.

Thus, this simple strategy of adhering to systematic investment with discipline, regularity and focus on goals can do wonders in one's long-term wealth creation journey with mutual funds. ■

Disclaimer

Mutual Fund Investments are subject to market risks, read all scheme documents carefully. This article provides general information and should not be considered financial advice. Consulting with a qualified professional is recommended to assess your individual circumstances and make appropriate financial decisions

Why PMSes, AIFs Are The Apples Of Skilled Investors' Eyes

PMSes and AIFs owe their growing popularity to their ability to generate high double-digit growth rates and the vast, untapped potential they offer for investors.

In recent times, sophisticated investors have increasingly turned to Portfolio Management Services (PMS) and Alternative Investment Funds (AIFs) for wealth creation, since these investment avenues offer tailored strategies and the potential for enhanced risk-adjusted returns. In January alone, at least 22 PMS schemes delivered double-digit returns, with some reaching up to 17%. Similarly, long-only AIFs provided returns as high as 84.65% in 2023, underscoring the immense potential within the expanding domestic alternative investment landscape.

Defining PMS and AIF

PMS and AIFs cater to sophisticated investors with distinct strategies. PMS manages portfolios of publicly traded securities, requiring a minimum investment of INR 50 lakhs, and offering flexible redemption. Conversely, AIFs, with a higher entry point of INR 1 crore, provide access to unconventional assets like private equity and venture debt, typically being closed-ended with preset lock-in periods, highlighting their contrasting investment approaches.

Why consider alternative investments?

Investing in PMS and AIFs offers several advantages. Incorporating alternative assets enhances diversification, reducing portfolio volatility by including assets with low correlation to traditional markets.



RAJENDRA MUKUND MAHAJANI

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THESE INVESTMENT OPTIONS ARE IDEAL FOR SOPHISTICATED INVESTORS WHO HAVE ALREADY EXPLORED TRADITIONAL AVENUES AND SEEK PERSONALISED OPTIONS TAILORED TO THEIR SPECIFIC NEEDS.



These investments often promise higher returns than conventional ones by operating in niche markets or using innovative strategies, suiting informed investors' risk tolerance and goals. Despite higher risks, the potential for significant returns makes them attractive. Additionally, alternative assets typically show non-correlation with stock market performance, providing value during downturns. Some also offer tax benefits, like expense deductions or deferred taxes, optimising tax strategies

and potentially enhancing after-tax earnings. These avenues offer significant wealth creation potential for sophisticated investors.

Challenges to consider

Despite their benefits, alternative investments come with certain challenges, with one significant drawback being limited liquidity. Unlike traditional assets, alternative investments often feature longer lock-in periods or restricted selling options, making it harder to access funds quickly. Further, the specialised knowledge required to navigate these investments and the higher risk tolerance needed makes them unsuitable for every investor.

The best way forward

Deciding whether to invest in PMS and AIFs depends on the investor's profile. These options suit sophisticated investors seeking personalised investment strategies after exploring traditional avenues. They provide seasoned wealth managers capable of generating market-beating returns and preserving long-term wealth. However, aligning these strategies with one's risk tolerance, return expectations, and financial goals is crucial. Experience with traditional assets helps understand the broader investment landscape and avoid miscalculations. PMS and AIFs offer robust returns and diversification, allowing experienced investors to amplify portfolios and build sustainable wealth. □

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The Promising Future of Indian Manufacturing Industry

As India's manufacturing sector looks poised for robust growth, mutual funds focussed on this sector could be the next big investment opportunity.

Traditionally, agriculture and services have been the mainstays of the Indian economy. But now, India aims to become a global manufacturing leader, driven by the "Make in India" initiative launched in 2015.

India boasts a young and vibrant population, with the working-age demographic projected to reach 68.9% by 2030, according to an EY report. This translates to a potential talent pool of millions, a critical resource for any thriving manufacturing sector.

Furthermore, India's domestic consumption story is impressive. Private consumption expenditure topped ₹177 lakh crore by FY24 and is poised to grow, presenting a massive opportunity for domestic manufacturers.

The global landscape also presents India with an advantage. With increasing focus on decarbonization and import substitution, India is strategically positioned to attract investments and become a hub for sustainable and efficient manufacturing. Fuelled by the China Plus One strategy, India's manufacturing sector looks poised for significant growth.

The Government of India supports this transformation through policies and incentives. Initiatives like Production Linked Incentive (PLI) schemes provide targeted financial and operational support to specific industries. The Pharma PLI scheme, launched in 2021, has already attracted investments exceeding ₹16,000 crore.



BHAVESH GARG
Director, VSN Financial Services



WITH A YOUNG WORKFORCE, RISING DOMESTIC CONSUMPTION, SUPPORTIVE GOVERNMENT POLICIES, AND A GROWING FOCUS ON INNOVATION, MANUFACTURING APPEARS POISED FOR SIGNIFICANT GROWTH.



Another important factor is the infra support planned by the Government. The ambitious Sagarmala project, aimed at port modernization and coastal connectivity, is expected to reduce logistics costs for EXIM and domestic cargo by ₹35,000-40,000 crore. Simplified business regulations, including a single window clearance system, attract both domestic and foreign investors.

The current size of the Indian manufacturing sector is estimated

to be 17% of the GDP. Experts predict the sector could contribute ~25% of the GDP in a few years, translating to significant economic growth and the creation of millions of new jobs.

With a young workforce, rising domestic consumption, supportive government policies, and a growing focus on innovation, manufacturing appears poised for significant growth. Emerging areas like electric vehicles, renewable energy, and medical devices hold immense potential to be the future drivers of manufacturing.

Manufacturing-Focused Mutual Funds

Investors can actively participate in India's manufacturing growth by either directly investing in manufacturing and allied companies or by opting for professionally managed manufacturing-focused thematic mutual funds. These thematic equity funds invest across a broad spectrum of industries within the manufacturing sector, providing opportunities to invest in both cyclical and defensive sectors. One caveat here is that the investment horizon should be at least five-plus years.

As India works towards transitioning into a manufacturing powerhouse, all the stakeholders have an important role to play in turning this ambition into a reality. By working together, India can truly transform itself into a global manufacturing leader, empowering millions and shaping a brighter future. ▣

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Market Rockets, Investor Pockets: Decoding The Gap in Returns

The mark of a successful investor is the one who makes sound decisions, from buying and selling in the market to diversification and cost management of the portfolio.

In the world of investing, the stock market surge often captivates attention, promising prosperity for all. Yet, beneath this lies a curious truth: while the market soars, individual investors may not reap equivalent rewards. As Warren Buffet said, "In the short term, the market is a voting machine, but in the long term, it is a weighing machine." Let's delve into this imbalance.

The phenomenon where market returns fail to translate to equivalent gains for investors can be attributed to various factors:

Market Timing

Many investors, especially retail ones, base their equity investment decisions on emotions or short-term trends rather than fundamental analysis. Exiting during downturns or entering at market peaks often leads to missed opportunities. For instance, during the March 2020 Covid crash, investors who panicked and exited equities missed out on subsequent superlative returns.

Diversification

Not all stocks move in tandem with indices like the Nifty or Sensex. This can result in divergent returns, especially during narrow market movements driven by select sectors. For example, sectors like PSUs and Realty delivered handsomely in recent times but were absent in many investor portfolios, thus not providing the returns boost.

Costs and fees for trading

Transaction costs, brokerage fees, and taxes eat into investor returns.



PANKAJ LADHA
Founder, Invest Aaj For Kal Edutech (P) Limited



PSYCHOLOGICAL BIASES, LIKE HERD MENTALITY AND FEAR OF MISSING OUT, LEAD TO IRRATIONAL DECISIONS. CHASING HOT STOCKS OR PANIC-SELLING DURING DOWNTURNS RESULTS IN SUBOPTIMAL RETURNS.



Frequent trading increases overall costs, reducing returns. These costs, coupled with taxes and exchange charges, significantly impact net gains, especially for frequent traders.

Leverage and risk management

Institutional investors may use leverage or derivatives to amplify returns, but retail investors often misuse them for intra-day trades. Such short-term focus overlooks quality companies with strong fundamentals. Instead, a long-term horizon can uncover gems; for

instance, most BSE 500 stocks have delivered substantial CAGR over a decade. The average 10-year returns of equity mutual funds range from 14 to 22% CAGR, showing disciplined investing delivers rich rewards.

Investor behaviour

Psychological biases, like herd mentality and fear of missing out, lead to irrational decisions. Chasing hot stocks or panic-selling during downturns results in suboptimal returns. For instance, during periods of high inflation and deficit, global equity exposure proved fruitful, yet few investors capitalised on it in 2012-13. In 2013-14, investing in infrastructure, banking, and small & midcap funds delivered robust returns but many investors were positioned differently. In 2018, when small and midcap stocks became over-valued, investors did not cut exposure and thus bore losses.

Information asymmetry

Retail investors lack the research capabilities of professional fund managers, limiting their ability to capitalize on opportunities. Investing through avenues like mutual funds, which employ professional teams, can mitigate this disparity.

Because of these factors, there is a wide difference between the returns markets have delivered and the ones investors have experienced. Building a diversified portfolio, being patient with one's investment, and adopting a long-term investment horizon are key strategies to ensure one's investment experience aligns with market outcomes. □

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Invest In Liquid MFs For Emergencies

Queries



Rudra Sindwani, Jaipur

I am planning to buy a house and need a loan of approximately ₹50 lakh. However, I have approached a few banks, but none is offering more than ₹40 lakh due to my existing car and education loans. These are scheduled to be paid off fully in the next 6 to 9 months. What options do I have to cover the shortfall? Can I obtain a personal loan or another type of loan to make up ₹50 lakh?

Given your current situation, where banks are offering a home loan of only ₹40 lakh due to your existing car and education loan, you have a few options to bridge this ₹10 lakh shortfall. One option is to wait until your existing loans are fully repaid in the next 6 to 9 months. This will improve your debt-to-income ratio, and will likely increase your eligibility for a larger home loan.

If waiting is not feasible, you can consider taking a personal loan to cover the shortfall. However, remember that personal loans

typically come with higher interest rates and may be harder to obtain given your existing debt. Another alternative is to look into a loan against property (LAP) if you own another property. LAPs generally offer higher loan amounts at lower interest compared to personal loans. Additionally, you could arrange funds from family or friends, a more flexible and interest-free solution depending on your personal relationships and agreements. Alternatively, consider using your savings to reduce the amount you need to borrow. It can help lower the overall interest burden and make the home loan more manageable.

Each option has its pros and cons, so evaluate your financial situation to choose the best path. Consulting a financial advisor may also help in making an informed decision.

RAOUL KAPOOR, Co-CEO,
Andromeda Sales & Distribution Ltd

Ishpreet Singh, Gwalior

I have bought some Sovereign Gold Bonds (SGBs) recently, and want to invest more in gold.

Should I buy gold exchange-traded funds (ETFs) instead of SGBs, as the latter have a maturity period of eight years?

Gold ETFs are a good option as they offer liquidity and ease of trading and have no maturity period. On the other hand, SGBs are attractive due to their additional interest benefit apart from being linked to the gold price, and if you hold till maturity, the entire capital gains (profits) are tax-free. Also, SGBs are tradeable on exchanges and it is not very difficult to buy them from the secondary market with some patience.

So, you can consider diversifying your gold investment through both SGBs and ETFs to take advantage of the different benefits each offers.

COL. SANJEEV GOVILA (RETD), CFP,
CEO, Hum Fauji Initiatives

Ravi Prakash, Indore

If I create an emergency corpus for easy liquidity, should I go for liquid mutual funds, debt funds, or bank recurring deposits?

Liquid mutual funds offer high liquidity, generally better returns than bank savings, and are suitable for quick access to funds without any penalty. You may also look at the ultra short-term category which I refer to as unfixed bank fixed deposits (FDs). If you do not require your emergency fund in a tearing hurry and can wait for up to four working days, you can go in for slightly longer-term debt funds with negligible credit or duration risks. Recurring deposits would not be a suitable option as early withdrawal may incur penalties, though you would get fixed returns.

COL. SANJEEV GOVILA (RETD), CFP,
CEO, Hum Fauji Initiatives

TDS: Tax Deducted At Source

Tarun Bhardwaj

Every taxpayer in India has heard about tax deducted at source (TDS). It is one of the main revenue sources for the government. Under the Income-tax Act, 1961, certain individuals or entities are required to deduct TDS for payment made towards salary, professional fees, contract payments, commission, rent and royalty, among others. TDS is also applicable on investments, such as interest earned on fixed deposits, post office deposits, and so on. The rates of TDS are fixed under the Act. The entity deducting TDS is called the deductor, while the company or person from whom it is deducted is called the deductee.



KNOW THE BASICS

- TDS is applicable on salary, interest income, brokerage, professional fees, commission, purchase of goods, rent, and investment, among others.
- Form 16 and Form 16A are varieties of TDS certifications.
- TDS rates vary widely. For example, a TDS of 0.1 per cent has to be paid on purchases and sales of assets more than ₹50 lakh, and on salary, it ranges from nil to 30 per cent depending on the tax regime chosen. On fixed and recurring deposits interest income, TDS rate is 10 per cent.
- For non-salaried class, the deductee gets Form 16A from the deductor. It includes informations like tax computation, TDS deduction, and payments.

WHEN SHOULD YOU FILE?

- TDS is deducted on the due date of payment or at the time of payment, whichever is earlier.
- Under Section 271H, a minimum penalty of ₹10,000 is levied if the deductor/collector fails to deduct TDS or files an incorrect return. Under Section 201(1A), an interest of 1.5 per cent per month is levied for late deposit of TDS after deduction.
- If your income is not in the taxable category, you may avoid TDS by submitting Form 15G. Senior citizens can submit Form 15H to the deductor in April to avoid TDS.
- Under Section 272A(2) of the Act, a penalty of ₹100 is imposed per day for late filing of TDS, up to the TDS amount.



DEDUCTION OF EXCESS TDS

- If extra TDS is deducted, you are entitled to a refund based on Form 26AS or the TDS certificate issued by the deductor. For this, you need to check the TDS amount in Form 26AS or request a TDS certificate from the deductor.
- If you file your income tax return (ITR) on time, you may receive a quick refund of the excess tax deducted. The income tax department verifies the ITR and refund claim.
- Low tax liability makes one eligible for excess TDS refund.
- Login to your e-filing account to check the status of your TDS refund claims. It can be viewed under the relevant assessment year in the 'view details' section.