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# INVEST WITHOUT TAX BIAS

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# INVEST WITHOUT TAX BIAS

After the recent budgetary changes, you can build your investment portfolio without being dictated by tax gains.



By Sanket Dhanorkar

**T**he overhaul of the capital gains tax framework in the recent Budget has upset many. Equity investors are fretting that they must now shell out more tax on their gains. Real estate owners are livid that indexation benefits will be taken away. Taxpayers still holding on to the older tax regime feel ignored. Some of these tax changes may seem harsh now, but there's a silver lining in this upheaval. For the first time, different assets are set to be brought on an even footing for taxation. This parity in taxes presents an opportunity for investors to finally let go of tax-led asset biases. It could allow investment merit, not tax efficiency, to guide asset choice. The portfolio outcomes may fare better now. Let's understand how.

## Tax sops lead to bad choices

For the longest time, our investment choices have been distorted by tax considerations. Our innate obsession with tax avoidance, accentuated by the disparity in tax rates across asset classes, have been the culprits. Certain asset classes benefited from benign taxation compared to others. Indexation benefits were available for a select few assets. Further, taxes varied for products within a single asset class. For instance, domestic equities got preferential tax treatment over foreign equities. Debt funds were taxed favourably compared to bank fixed deposits, and so on.

It fed biases towards specific assets among investors, who often ignored the suitability of individual assets. Abhijit Bhawe, MD and CEO, Equirus Wealth, points out, "Investors have been swayed by tax-saving instruments and benefits, sometimes at the expense of the underlying investment merit." This is because it is easier for investors to visualise the tax impact than the returns on an asset class, asserts Sandeep Jethwani, Co-founder, Dezerv.

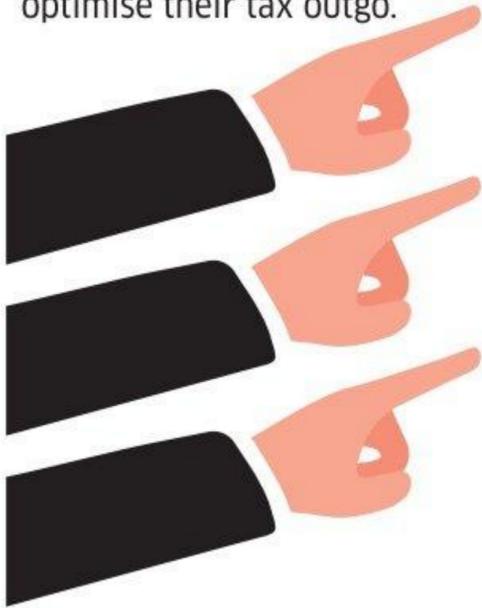
There are downsides to this tax jugglery though. Experts say tax-driven investment choices ultimately leave the investor vulnerable. Most end up with an asset mix that is out of sync with their own risk tolerance and doesn't suit their long-term goals. Bhawe argues, "Prioritising tax optimisation over investment merit can lead to suboptimal investment portfolios as investors might end up with over-concentration in certain asset classes that offer tax benefits, but do not align with their expectation of returns based on financial goals and risk tolerance." Jethwani points to 2009-10, when multiple issuances of tax-free bonds by public sector companies led to a very heavy allocation from investors to that asset class. "To a certain extent, this money got locked in tax-free bonds while the markets went up. Investors missed out on this opportunity," he recalls.

The removal of indexation benefit from debt funds last year also sent investors on a wayward path. Shantanu Bhargava, Managing Director, Head of Discretionary Investment Services, Waterfield Advisors, remarks, "We have observed that in the past 15 months, a large swathe of investors has made tax-driven portfolio allocations. They have allocated to riskier products due to changes in taxation of vanilla debt mutual funds, possibly without carefully assessing and understanding the risks (market/credit) they have assumed in their portfolios."

Besides, many tax-driven investments often suck out liquidity from the portfolio. "Prioritising tax savings can result in missed opportunities for higher returns, as well as a mismatch in cash flow due to products with longer lock-in periods," avers

## Now, parity in taxes for different assets

Investors can pick assets purely on merit rather than to optimise their tax outgo.



INSTRUMENT	EARLIER		NEW	
	LTCG TAX RATE	HOLDING PERIOD FOR LTCG	LTCG TAX RATE	HOLDING PERIOD FOR LTCG
Equity-oriented funds, listed stocks	10%	12 months	12.5%	12 months
Listed bonds, debentures	10%	12 months	12.5%	12 months
REIT/ InvIT	10%	36 months	12.5%	12 months
Unlisted equities	20% (with indexation)	24 months	12.5%	24 months
Real estate	20% (with indexation)	24 months	12.5%	24 months
Physical gold	At slab rate	36 months	12.5%	24 months
Other mutual funds (domestic FoF with more than 35% in equities, gold funds, overseas FoF)	At slab rate	No threshold	12.5%	24 months
Debt-oriented funds, conservative hybrid funds	At slab rate	No threshold	At slab rate	No threshold

Exemption on capital gains in equities increased from ₹1 lakh to ₹1.25 lakh. LTCG is long-term capital gain.

Bhave. Every year, individuals are lured into buying high-premium traditional insurance plans, convinced that it is a good way to save tax and build assets. Only later do they realise that they have been locked into paying hefty premiums for several years, for a payoff that cannot even beat inflation. The utility of traditional insurance policies, beyond the tax savings these offer, is dubious. Escaping this money pit is not possible without surrendering the policy at a substantial loss.

Similarly, many continue to accumulate real estate, encouraged by the tax concessions on buying as well as the favourable taxation on selling. Often, however, these burden the savings, leaving one with an illiquid asset when the need arises. Vipul Bhowar, Director, Listed Investments, Waterfield Advisors, says, "Focusing solely on tax optimisation can hinder an investor's ability to adapt to market changes, overlook high-potential investments, ultimately stunting portfolio growth and wealth accumulation."

### Tax parity has levelled the investing ground

"Tax optimisation" might soon become a thing of the past. Now, nearly all assets will be taxed at the same rate. Long-term capital gains across the listed and unlisted space will now be taxed at a standard rate of 12.5%, which will do away with the differential tax rates of 10% and 20% for various assets. So, domestic equities, gold and international funds, real estate and listed bonds will now attract 12.5% tax on long-term gains. The only differing factor remains the qualifying holding period as a long-term asset. This has also been narrowed to 12 months and 24 months for certain assets.

Experts insist that this paves

the way for simplifying investment choices. Varun Fatehpuria, Founder and CEO, Daulat Wealth Management, says, "The new tax regime has simplified the overall taxation structure across different asset classes. Going forward, investors should evaluate asset classes on their individual merit and decide how these fit into their overall portfolio." Bhowar adds, "Through the simplification of tax framework and establishment of uniformity across asset categories, the new regime affords investors the opportunity to direct their attention to the fundamental attributes of their investments."

Some of the tax tweaks have taken away previous anomalies. For instance, the Budget has brought LTCG tax rate on gold funds, international funds and domestic fund of funds (FoF) on a par with equities. After the change in last year's Budget, these funds were being treated as debt funds from the taxation perspective, where gains were taxed at the slab rate regardless of the investor's holding period. This unfavourable tax treatment discouraged many from taking this route. "In the move to bring taxation on debt funds on a par with bank FDs, collateral damage was suffered by other funds," says Juzer Gabajiwala, Director, Ventura Securities. Now, these will be taxed at 12.5% after being held for more than 24 months.

This tax rationalisation has not been restricted to the recent Budget. The government has gradually been ushering in an equitable tax system over the past few years. Bhargava remarks, "The government has clearly been moving towards simplifying the income tax system for some time, and the finance minister has made significant progress in this regard in this Budget." In 2018, it reintroduced long-term capital gains tax on equi-

## New regime has simplified tax filing

It has replaced deductions and exemptions with lower tax rates.

PARTICULARS	OLD TAX REGIME	NEW TAX REGIME (FROM 1 APRIL 2024)
Standard deduction	₹50,000	₹75,000
HRA exemption	✓	✗
Leave travel allowance (LTA)	✓	✗
Other allowances & professional tax	✓	✗
Perquisites for official purposes	✓	✓
Interest on home loan under Section 24b (on self-occupied or vacant property)	✓	✗
Interest on home loan under Section 24b (on let-out property)	✓	✓
Deduction under Section 80C (EPF/ LIC/ ELSS/ PPF/ term plan/ children's tuition fee)	✓	✗
Employee's (own) contribution to NPS	✓	✗
Employer's contribution to NPS	✓ (up to 10% of basic salary)	✓ (up to 14% of basic salary)
Medical insurance premium (Section 80D)	✓	✗
Interest on education loan (Section 80E)	✓	✗
Donation to political party/ trust (Section 80G)	✓	✗
Savings bank interest (Section 80TTA & 80TTB)	✓	✗



Nearly 72% of the 7.28 crore taxpayers who filed their returns for the assessment year 2024-25 have opted for the default new tax regime.

ties, which had enjoyed zero tax for many years. It provided small relief by allowing gains up to ₹1 lakh to be tax-exempt in a financial year. Last year, it made another big tax change in debt funds, which had enjoyed favourable taxation compared to bank fixed deposits. Any gains realised after three years were taxed at 20% after indexation, which helped reduce the tax liability. With debt funds now taxed at the investor's tax slab, the tax arbitrage has been taken out of the equation. The playing field has been levelled. Along similar lines, the introduction of the new, simplified tax regime has done away with the vexing web of deductions and exemptions that defines the old tax regime. It has already nudged investors to let go of certain suboptimal investments.

**Focus on portfolio, not tax**

It is never a good idea to base investing decisions on tax savings alone, say experts. Fatehpuria exhorts, "We continue to advocate focusing on asset allocation, not picking investments based on taxation structure. Tax is incidental." He suggests looking at tax optimisation within the same asset class (debt funds versus FDs) rather than switching to an asset class with a relatively favourable taxation. Bhargava says, "Everything is fine in moderation, and we are confident that innovative products have a role to play in well-diversified portfolios. However, we continue to believe that portfolios should be tax-informed, not tax-driven."

It's time investors aligned investments with their goals rather than tax incentives. Don't stash money in low-return, illiquid or risky assets just to save tax. "With a level playing field, investors can focus on the intrinsic risk-reward profile of investment options in alignment with their financial goals and risk-taking ability," asserts Bhawe. "They should focus on building robust portfolios aligned with their financial aspirations, rather than chasing tax deductions," exhorts Bhowar.

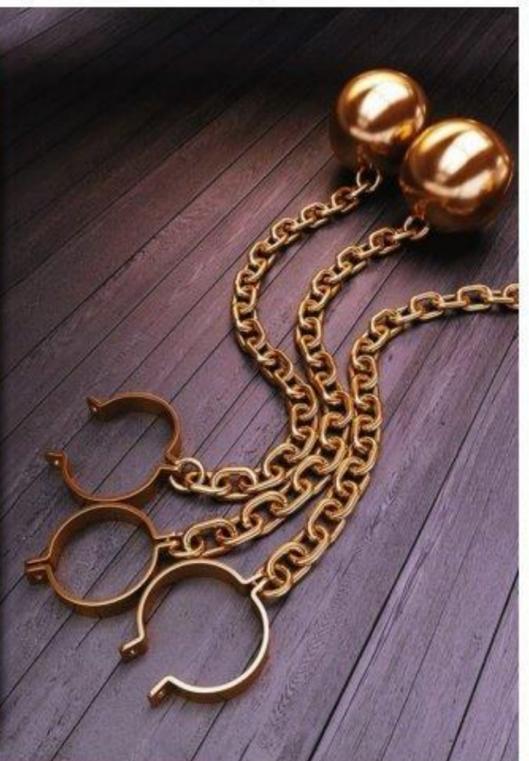
While the recent tax changes in certain assets may put off investors for now, these could prod them to assess a product more objectively. For instance, investors can now look at the investment proposition of debt funds on their own merit. "Investors in debt funds earlier missed out certain nuances, ending up taking credit risk and interest rate risk," points out Gabajiwala. Despite having their tax benefit taken away, debt funds retain some advantages. These will let you defer tax liability until redemption. Interest income accrued from a bank FD is taxable every year even if it is paid out at maturity. Losses, if any, from debt funds can be carried forward to be set off against gains in subsequent years.

Likewise, for property owners, the removal of indexation may seem unfair, which was evident from the backlash after the Budget. It was enough to force the government to offer a reprieve to owners who had bought property before 23 July this year—they now have the option to pay tax at the new lower rate of 12.5% or opt for 20% tax rate with indexation when they sell property. For those buying property after 23 July, the indexation option is gone and property sellers are no longer insu-

**Gold and international funds are no longer a tax drag**

Returns from these categories saw collateral damage after last year's tax changes.

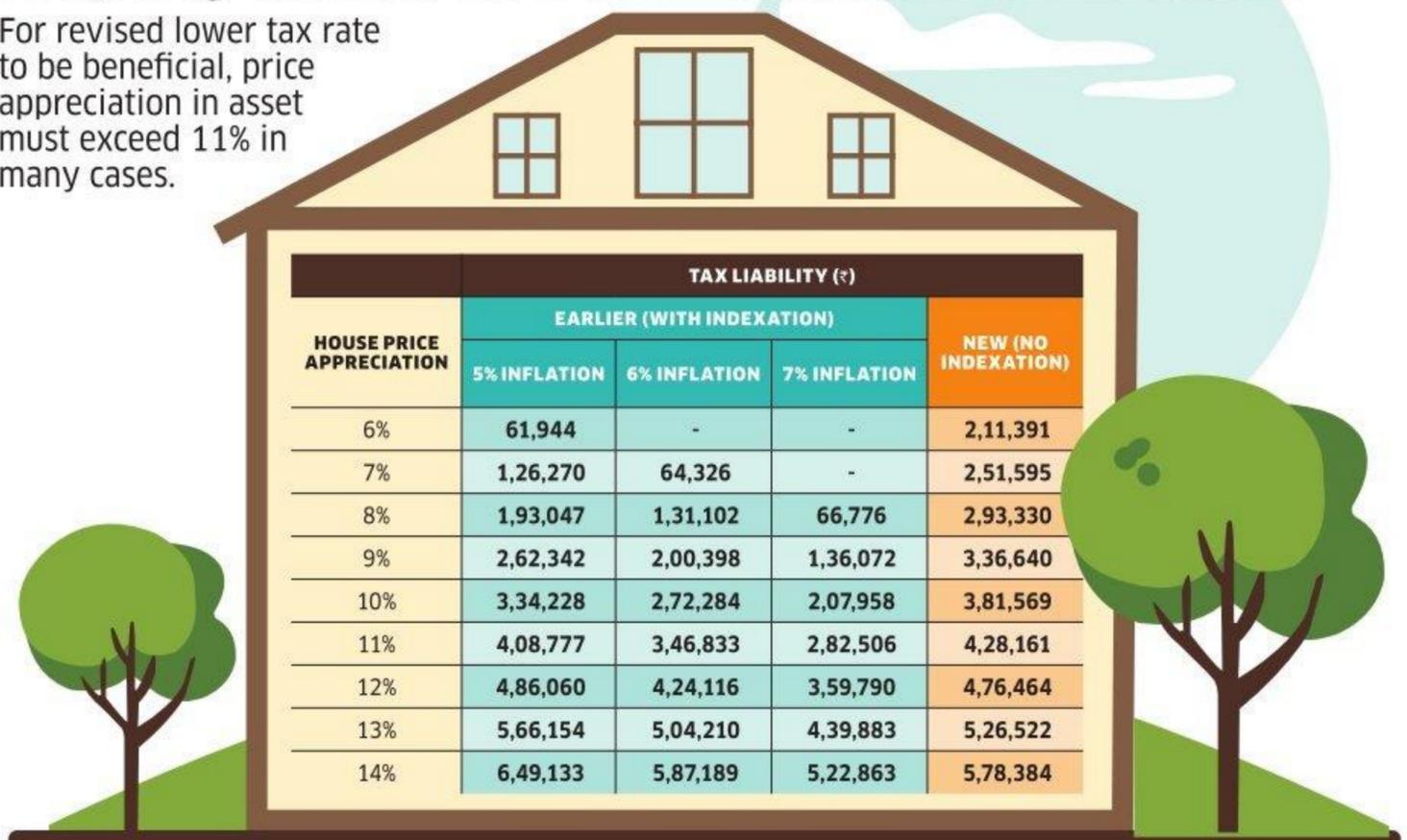
	RETURNS TILL 31 MAR 2023	RETURNS FROM 1 APR 2023 TO 22 JUL 2024*	RETURNS FROM 1 APR 2024**
Invested amount	₹1,00,000	₹1,00,000	₹1,00,000
Pre-tax return (hypothetical)	15%	15%	15%
Final value	₹1,15,000	₹1,15,000	₹1,15,000
Tax rate	20% after indexation	30%	12.5%
Indexed cost (assuming 5% inflation)	₹1,05,000	NA	NA
Effective capital gain	₹10,000	₹15,000	₹15,000
Tax payable	₹2,000	₹4,500	₹1,875
Taxation	2%	4.5%	1.88%
Post-tax return	13%	10.5%	13.1%



\* For investment made on or after 1 Apr 2023 and redemption before 23 Jul 2024. \*\* For investment made on or after 1 Apr 2023 and redemption on or after 23 Jul 2024.

**Property owners won't be insulated from inflation**

For revised lower tax rate to be beneficial, price appreciation in asset must exceed 11% in many cases.



The above illustration assumes original house cost as ₹50 lakh and sale after 5 years. For property bought before 23 July 2024, investors have the choice of paying lower of the two options: LTCG tax at 12.5% without indexation, or 20% with indexation.

lated from the impact of inflation. It could lead to higher taxable gains and liability. Experts reckon it is not such a bad thing over the long term. Property owners will now have to recalibrate. For the lower tax to be beneficial, the asset must earn a superior return. Our calculations suggest the property must fetch in excess of 11% return to incur lower tax liability under the new rate. Investors must now objectively assess if their purchase can deliver the requisite return. Confronted with the new reality, it may nudge speculators towards better asset choices. "Instead of making decisions

based solely on short-term tax benefits, focus on building a portfolio that can generate enduring wealth," contends Bhowar.

Some tax changes will make certain assets more appealing. For instance, investors can now reintegrate international funds and domestic FoFs as core investments without worrying about higher taxability. There are reasons that make foreign equity investments compelling regardless of tax considerations, insists Suresh Sadagopan, Founder, Ladder7 Financial Advisories. "You get an exposure to a different economy with characteristics

and market segments that are not available in the domestic market. It offers geographical as well as currency diversification benefits." Similarly, last year's tax hit on gold funds created a disconnect with SGBs, which are tax-exempt on maturity. With the tax rate revised to 12.5%, the tax gap is not as glaring, making gold funds competitive. Investors need not lock into SGBs for eight years simply for tax exemption.



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# The Hindenburg gambit

With the research firm targeting Sebi, what once seemed like financial activism is now blatant interference in India's economic sovereignty, says **Dhirendra Kumar**.



**DHIRENDRA KUMAR**  
CEO, VALUE RESEARCH

## MONEY MYSTERIES

The Hindenburg saga is a stark reminder of the complex interplay between global finance, political interests, and national institutions. While short-selling and investigative financial research have their place in maintaining market integrity, this affair raises critical questions about the potential for abuse and manipulation. We are likely to see more such episodes and it's important for investors to be aware of this.

Anyone can take two distinct views on the Hindenburg Research's campaign. Hindenburg is an equity research outfit that specialises in negative research. It digs dirt on overvalued companies, shorts those stocks, makes its report public, and thus makes (a lot of) money. This also helps the markets in general because it's good for companies to be valued correctly, and bad for them to be overvalued. This was the nature of its report against the Adani group stocks in early 2023.

Hindenburg specifically targeted the Adani group as a part of a political campaign to tar India's biggest business groups and the government. In the process, it made a lot of money shorting these stocks.

Now, Hindenburg is trying to discredit the investigation by the Securities and Exchange Board of India (Sebi) by making allegations against its chairperson. In the process, it also tried to make money again by shorting the Indian markets.

Until 2023, many people thought that the first point mentioned above was mostly correct. There was a significant narrative in India that Hindenburg's primary role was that of a white knight trying to rescue Indian democracy, or some such nonsense. The fact that this outfit's entire business model was based on making money by crashing stocks was conveniently forgotten.

However, as time has passed and more information has come to light, the pendulum of public opinion has swung the other way. Now, we have Hindenburg's brazen attempt to refuse to respond to Sebi's show-cause notice. Topping that, this outfit has come up with another report that claims a 'link' between the Sebi chairperson, her husband, and the Adani group.

The people who have actually read the report say it has nothing and, by now, this is amply clear. However, the real question is, what



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did Hindenburg hope to achieve by making accusations that would not stand up to scrutiny? The answer is twofold.

Firstly, it's an 'attack is the best defence' move. Once it has made accusations against the regulator, it can dismiss any investigation and action by the regulator as being biased. It has dismissed the show-cause notice as 'nonsense' and refused to respond. Part of the bravado is an implicit racist and/or colonial attitude. Since Hindenburg is a western entity, how dare the regulator in a non-western country like India question it? We saw a lot of this sort of attitude during the Covid-19 vaccine episode.

Secondly, this attitude is readily accepted and amplified by a part of the political and media establishment. The speed with which the Hindenburg accusations were accepted as valid, and then repeated and amplified, made it pretty clear that this was an organised and coordinated effort. Apart from acting to bolster Hindenburg's own defence, there was clear hope that the markets would tank and that it would severely damage the regulator's reputation. Of course, there would also be a bonanza of anyone trying

to short the markets. As if on cue, we had the spectacle of a section of politicians and media rising in chorus to support Hindenburg.

Anyone else who has been observing this drama should understand that we have entered a somewhat dangerous phase of political discourse in India. Quite clearly, we have a powerful, domestic, political constituency that now equates inflicting institutional damage on the country and its economy with winning a political battle.

The Hindenburg saga is a stark reminder of the complex interplay between global finance, political interests, and national institutions. While short-selling and investigative financial research have their place in maintaining market integrity, this affair raises critical questions about the potential for abuse and manipulation. We are likely to see more such episodes, and it's important for investors and the public to be aware of this, and critically assess information from all sources, at every step.



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## Who is likely to get a quicker tax refund?

Many taxpayers who had filed their tax returns for 2023-24 by due date are yet to get their refunds. Tax experts say that the time taken to process the return depends on several factors, including the nature and amount of deductions and exemptions claimed by the taxpayer. If you used ITR 2 and ITR 3, you may have to wait longer than those who used the simpler form ITR 1. "Simpler forms like ITR 1 are processed more quickly compared to complex forms like ITR 3, which are used by individuals and Hindu undivided families (HUFs) with business or professional income," says

Chartered Accountant Muskan Kukreja.

Here's how much time different categories of taxpayers using these three forms will take.

**ITR 1:** This form can be used only by individuals who earn income from salary, one house property, and income from other sources. The total income should not exceed ₹50 lakh. The taxpayers who use ITR 1 usually get a refund within 10-15 days of filing the return.

**ITR 2:** This is used by those who also earn capital gains during the year. Processing takes time because the details of capital gains have to be verified. It typi-



cally takes 30-45 days, but could take even longer if the information is extensive.

**ITR 3:** This is for taxpayers with professional or business income and HUFs. The processing time can be typically 30-60 days because the data necessitates a detailed review.

According to the tax department, it usually takes 4-5 weeks for the refund to be credited to the account of the taxpayer. If a refund is not received in this duration, the taxpayer must check if there is an intimation from the tax department, pointing out discrepancies in the tax return.

Check your e-mail and SMS for any notification from the tax department regarding the refund.

Your refund may have also got stuck for the following reasons:

- Bank account is not pre-validated. It is now compulsory to pre-validate your bank account.
- Name mentioned in the bank account does not match that in the PAN card.
- Due to invalid IFSC code or incorrect bank details.
- If the bank account has been closed.
- PAN is inoperative.

—ET Online

## PRODUCT LAUNCHES

### :: MUTUAL FUNDS

**DSP Mutual Fund** has launched the DSP Nifty Top 10 Equal Weight ETF, an exchange-traded fund that will invest equally in 10 biggest Nifty stocks by market capitalisation. The benchmark of the fund is the Nifty Top 10 Equal Weight TRI. The minimum investment is ₹5,000. The fund house has also launched the DSP Nifty Top 10 Equal Weight Index Fund. The fund will invest in the DSP Nifty Top 10 Equal Weight ETF. The minimum investment is ₹100. **The NFO is open till 30 August.**

**Bank of India Mutual Fund** has launched the Bank of India Business Cycle Fund, a thematic equity fund that will follow a dynamic allocation strategy while investing in stocks and sectors at different stages of business cycles. The benchmark of the fund is the Nifty 500 TRI. The minimum investment is ₹5,000 and there is a 1% exit load on withdrawal of more than 10% of the investment within three months. **The NFO is open till 23 August.**

**Franklin Templeton Mutual Fund** has launched the Franklin India Ultra Short Duration Fund, a debt fund that will invest in a mix of short-term bonds and money market instruments. The benchmark of the fund is the Nifty Ultra Short Duration Debt Index A-I. The minimum investment is ₹5,000. **The NFO is open till 28 August.**

**Axis Mutual Fund** will launch the Axis Consumption Fund, a thematic equity fund that will invest in stocks of companies engaged in the consumption and allied sectors. The benchmark of the fund is the Nifty India Consumption TRI. The minimum investment is ₹100. **The NFO will be open from 23 August to 6 September.**

**Baroda BNP Paribas Mutual Fund** will launch the Baroda BNP Paribas Dividend Yield Fund, a diversified equity fund that will invest in stocks with high dividend yields. The benchmark of the fund is the Nifty 500 TRI. The minimum investment is ₹1,000 and there is a 1% exit load for withdrawal of units in excess of 10% of the investment within one year. **The NFO will be open from 22 August to 5 September.**

**Union Mutual Fund** will launch the Union Multi Asset Allocation Fund, a hybrid scheme that will invest in a mix of stocks, fixed income securities and gold and silver ETFs. The benchmarks of the fund are the Nifty 50 TRI (65%), Crisil Short-Term Bond Index (20%), and domestic price of gold (15%). The minimum investment is ₹1,000 and there is an exit load of 1% for redemption within 15 days. **The NFO will be open from 20 August to 3 September.**

### :: BANKING

**Axis Bank** has launched a super premium credit card, Primus, with luxury privileges in collaboration with Visa. Offered by invitation only to ultra high net-worth customers of Axis Bank, the Primus card will offer exceptional benefits and privileges to the cardholder. **It has a joining fee of ₹5 lakh and an annual fee of ₹3 lakh.**

**Punjab National Bank** has launched PNB Drishti Braille debit card for visually impaired customers. Available with current or savings accounts, it makes it easier for visually impaired customers to read the card details. **The cash withdrawal limit is ₹25,000 and combined e-commerce spending limit is ₹60,000 per day.**

### :: INSURANCE

**LIC of India** has introduced four term insurance plans. The Yuva Term and Digi Term are pure risk plans that offer financial protection if the insured person dies. The Yuva Credit Life and Digi Credit Life are designed to cover loan liabilities. The death benefit reduces over the policy term. The minimum cover is ₹50 lakh and the maximum is ₹5 crore. **The Yuva Term and Yuva Credit Life are available offline, while the Digi Term and Digi Credit Life can be purchased online.**

# SBI hikes consumer loan rates by 10 basis points

Borrowers should consider prepaying long-term loans.

**S**BI has increased the marginal cost of fund-based lending rate (MCLR) on loans by 10 basis points (bps) for certain durations. The one-year MCLR has been increased from 8.85% to 8.95%, while the two-year MCLR has gone up from 8.95% to 9.05%. Auto loans are linked to the one-year MCLR and personal loans are linked to the two-year rate.

However, the SBI external benchmark lending rate (EBLR) remains unchanged at 9.15%. Home loans are linked to the external benchmark lending rate. Even so, home loan rates are fairly high right now. SBI home loan rates vary between 8.5% and 9.65%, depending on the credit score of the borrower.

If you have a home loan running, use surplus cash to make partial prepayments. Experts say prepaying a home loan could be the best way to deploy surplus money right now, though some borrowers feel they can earn better returns by investing in stocks and equity funds. Noida-based Subhrodeep Mukherjee wants to pay off his ₹30 lakh home loan. However, instead of paying off the loan right away, he wants to invest in equity funds and build a sizeable corpus in the next five years. "He should increase the EMI of his home loan instead of SIPs in funds. The returns from equities are not assured, whereas prepayment of the home loan gives



assured savings of 9% interest," advises Raj Khosla, Managing Director of MyMoneyMantra (see page 23).

Increasing the EMI can bring down the tenure dramatically. Even a 5% increase in the EMI every year can reduce the tenure of a 20-year loan by more than eight years. Increasing it by 10% every year would end the loan in less than 10 years. It's also a good idea to redirect idle cash and lumpy incomes, such as bonuses and maturing investments, towards prepayment of loans.

Keep in mind that prepayment has a bigger impact on younger loans. If you prepay 10% of the outstanding amount of a 20-year loan in the second year itself, the loan tenure will be reduced by 42 months. In the fifteenth year, prepayment of 10% will

cut the tenure by only seven months.

### When to change lenders

Apart from the prepayment of your loan, there are other ways to reduce the impact of rising rates. As a first step, check if your loan is linked to the EBLR. Some old loans have not been linked to the EBLR, and borrowers are needlessly paying a higher rate. Shifting to the EBLR regime can lead to sizeable savings in interest.

If the lender is not very accommodative, consider shifting to another lender. Most home loans don't charge a penalty for pre-closure. The only cost is the processing fee charged by the new lender. If you get a competitive rate, a balance transfer may help bring down your home loan EMI.

## Consumer inflation at 5-year low

**C**onsumer price inflation (CPI) dropped to 3.54% in July 2024, its lowest in nearly five years, largely driven by a decline in vegetable prices. Despite this positive development, the path forward may be challenging, states an SBI research report.

The dramatic reduction in vegetable inflation, which plummeted from 29.3% in June to a mere 6.8% in July, played a crucial role in achieving this multi-year low. The weighted contribution of vegetables to the overall CPI also shrank from 1.77% in June to 0.55% in July, underscoring their impact on the headline inflation figure.

Additionally, the prices of fruits and fuel showed signs of moderation, contributing further to easing inflationary pressures. However, this broad-based relief was tempered by a slight uptick in core CPI



inflation, which excludes food and fuel prices.

This decline in CPI marks the first time in half a decade that CPI inflation has dipped below the RBI target of 4%, a development largely attributed to a steep fall in vegetable prices. Core CPI rose from 3.12% in June to 3.3% in July, driven primarily by an increase in mobile tariffs.

Notably, the transport and communication segment saw inflation rise sharply from 0.97% in June to

2.48% in July, indicating sector-specific pressures.

The moderation in food inflation, which stood at 5.06% year-on-year in July, was significantly influenced by a higher base effect. Despite this, concerns persist over the uneven distribution of monsoon rainfall, particularly in key foodgrain producing states experiencing deficient precipitation.

With La Nina conditions gaining strength, the possibility of excessive rainfall in August and September looms large, raising fears of crop damage that could reignite food price inflation. Looking ahead, inflationary pressures may persist, potentially exceeding the RBI's forecast of 4.5% for 2024-25. The domestic growth momentum remains robust, with GDP expected to surpass 7% in the April-June 2024 quarter. —ANI

# Use Freedom SIP to achieve financial independence

The structured product offered by some mutual fund houses combines the benefits of systematic investment and withdrawal plans.

by **Surbhi Khanna**

Millions of investors in mutual funds have benefitted immensely from systematic investment plans (SIPs). Many are also using systematic withdrawal plans (SWPs) for regular income from their investments. Now, several mutual fund houses have combined SIPs and SWPs into a single plan. The Freedom SIP is a structured investment product that allows investors to build wealth through regular SIP contributions and then receive a steady income through SWP withdrawals.

The SIP-SWP combo is designed to help investors build wealth and achieve financial independence. With SIPs, the investor builds a corpus over time. Once the target is reached, the SIPs stop and SWPs start giving regular income, similar to a pension. The Freedom SIP plan will be particularly appealing to those looking to secure their post-retirement years or achieve early financial independence.

Regular and disciplined investments are the cornerstones of the Freedom SIP during the accumulation phase. An early start allows your investments to grow through the power of compounding. As you approach the end of the accumulation phase, the plan uses an STP to gradually shift your corpus from equity-oriented funds to debt or hybrid funds. This reduces your exposure to market



### How Freedom SIP works

PHASE I	PHASE II	PHASE III
<b>Starts with SIPs in equity fund</b>	<b>Shifts from equity to debt funds</b>	<b>Starts withdrawals from debt funds</b>
The investment starts with SIPs in an equity fund. The key is to invest consistently.	As goal date comes close, the plan gradually shifts from equity to debt to safeguard corpus.	When corpus hits the target, the plan starts withdrawing monthly income for investor.

volatility and helps safeguard the corpus.

Once you achieve your desired corpus size or financial goal, the plan transitions into the withdrawal phase. This phase is designed to provide regular income, either as a fixed sum or a percentage of your corpus, allowing you to maintain your lifestyle without depleting your savings.

### Benefits of Freedom SIP

The Freedom SIP promotes disciplined investing, which is crucial for building a substantial corpus over time. SIPs let you benefit from rupee cost averaging, which helps mitigate the impact of market volatility. The Freedom SIP is also very flexible and can be customised to the needs of the investor. Whether you are planning for an early retirement, funding your children's educa-

tion, or saving for a dream vacation, the plan can be adjusted to meet your specific needs.

A unique feature is the seamless transition from accumulation to income generation. The systematic transfer and withdrawal plans ensure that your investments continue to work for you even as you begin withdrawing funds. Perhaps the biggest benefit is that it gives peace of mind to the investor that his future is secure. During the withdrawal phase, the regular income helps ensure that you don't outlive your savings.

Freedom SIP is an ideal plan for young professionals who want to start early and build a substantial corpus for their long-term goals. It also suits mid-career individuals aiming to secure their retirement or achieve specific financial milestones. Retirees seeking a regular income stream will also find it useful.

## Don't fall for tax refund scams

The Income-tax Department has cautioned individuals about falling prey to deceptive calls and pop-up notifications claiming they are eligible for a tax refund. Taxpayers have been advised to verify any communication from the tax department before acting on it. The fake message may tell the taxpayer that he is eligible for a tax refund and ask him to verify his bank details. The Income-tax Department does not ask for personal information through e-mail. It also does not ask for PIN numbers, passwords or similar access information for credit cards, banks or other financial accounts.

If you receive an e-mail or discover a website impersonating the tax department, forward the e-mail or website URL to [webmanager@incometax.gov.in](mailto:webmanager@incometax.gov.in). A copy can also be sent to [incident@certin.org.in](mailto:incident@certin.org.in).

Do not open any attachments that come with the e-mail. Attachments may contain malicious codes that will infect your computer. Also, do not click on any links. If you click on links in a suspicious e-mail or phishing website, then do not enter confidential information like bank account, credit card details, etc.

After you forward the e-mail or header information to the tax department, delete the message. If you receive a phishing mail not pertaining to the tax department, forward the same to [incident@certin.org.in](mailto:incident@certin.org.in).

Do not cut and paste the link from the message into your browsers, as phishers can make the link look like real, but it actually sends you to different websites. Some phishing e-mails contain software that can harm your computer or track your activities on the Internet without your knowledge. Use anti-virus software, anti-spyware, and a firewall, and keep these updated.

## How to use UPI Circle for delegated payments

by **Anulekha Ray**

The UPI Circle, which allows multiple individuals to use one UPI account, has been launched. The primary user can delegate another individual to make UPI transactions from his bank account. Up to five individuals can use the same bank account for making UPI payments. "These individuals can be family members, such as senior citizens, spouses or children, who may not have a bank account or where the family members use a single bank account," says Rahul Jain, CFO of NTT DATA Payment Services India.

This move aims to expand UPI usage, especially among those without bank accounts.



"If your child goes to school and spends money on transport, stationery or snacks, you can delegate a daily budget to the child," explains Ambuj Chandna, Head of Products, Consumer Bank,

Kotak Mahindra Bank.

Delegating payments through UPI is simple. The primary user has to scan the QR code, enter UPI ID and then select the contact numbers from his contact list. A primary user can delegate up to five secondary users, and secondary users can accept delegation from only one prime user.

The primary user can choose to delegate payments in full or partially, regardless of whether the customer is on the network. "With full delegation, the secondary user is granted authority to make payments directly up to the amount specified by the primary account holder. For partial delegation, the secondary user must send a pay request for each transaction,

which the primary user must approve with a UPI PIN before the payment can be processed, providing an additional layer of control and oversight," says Deepak Chand Thakur, CEO & Co-founder, NPST. "You can delegate your driver for filling fuel in your car at a petrol pump, but retain the approving rights," says Chandna.

The primary user can also set a transaction limit for the secondary user. For full delegation, the maximum transaction limit is ₹5,000, while the maximum monthly limit is ₹15,000. For partial delegation, the existing UPI limit will apply. "The transaction limit for the secondary user ensures effective control and safe access to their bank accounts," says Jain.



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## Outward remittances above ₹6 lakh under tax scanner

The tax department is scrutinising cases where money sent overseas did not match the TCS or income reported by taxpayers in their tax returns.

by Anuradha Shukla

**T**he Central Board of Direct Taxes (CBDT) has launched a comprehensive scrutiny and verification of high-value foreign remittances of above ₹6 lakh to identify discrepancies in remittance data and likely tax evasion. The move follows detection of cases where foreign remittances and expenditures did not align with the income declared by individuals, and there were lapses in tax collected at source (TCS).

The Board has started the verification and scrutiny of Form 15CC, a quarterly disclosure statement of outward remittances filed by authorised dealers to the Income-tax Department, officials said. The Form 15CC data has been collected and segregated since 2016 and it will be available for analysis from this year onwards, they said. The move will help the government identify cases where the remittance was sent, but was not reported by taxpayers in their tax filing, the official said. "The whole exercise



will curb tax evasion and ensure that legitimate remittances are facilitated, while preventing abuse of relaxations in foreign remittance reporting," the official added.

The Board will prepare a list of high-risk

cases based on the scrutiny of data from 2020-21 onwards. The government has set a deadline of 31 December for sending first notices to those identified as having undeclared income. In one case, an individual

with a declared annual income of ₹5 lakh was found to have sent ₹15 lakh abroad in the past three years using three different dealers, so that it would not attract the mandatory TCS and escape the tax net.

The government gets 20% TCS on foreign remittances of above ₹7 lakh under the Liberalised Remittance Scheme (LRS), with some exceptions related to medical and education expenditure. Under the foreign remittance reporting through Form 15CC, if the remitter, or deductor, certifies that the remittance is not taxable, no further details are required. The exempt payments include those by importers, by companies to their subsidiaries, or loans to non-residents.

However, officials said that the department had detected some cases of potential misuse of this relaxation. "Monitoring these payments, where exemption is claimed, is crucial to prevent abuse of these relaxations," said the official.

The CBDT has already asked the banks to report the total forex spends as a distinct category, in addition to the total credit card spends, even when they are not collecting TCS. This data is being recorded in the annual income statement used to assess the income tax. The government had raised TCS on foreign remittances under LRS to 20% from 5%, starting 1 October 2023.

Last year's Budget had also brought in international credit card payments under the ambit of LRS and had implemented TCS on such transactions. However, it was later rolled back following widespread criticism.

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## New share buyback rules will hurt HNIs

by Bijal Ajinkya and Viraj Doshi

**T**he new buyback rules that will come into effect from 1 October 2024 aim to shift the income-tax liability from companies to shareholders. Under existing rules, domestic companies undertaking share buybacks are subject to 20% tax on net distributable income, while shareholders receive the buyback proceeds tax-free. The buyback tax is similar to the now withdrawn dividend distribution tax (DDT), which was applicable till March 2020. Since April 2020, dividends have been taxable in the hands of shareholders.

Going forward, the money received from buyback will be completely taxable in the hands of a shareholder. The entire amount received will be treated as dividend income and taxed at the slab rate. The company will deduct 10% TDS while paying resident individuals (provided the buyback proceeds are equal to or exceed ₹5,000), and 20% while paying NRIs (subject to tax treaty benefit, if any).

The buyback proceeds, which are now



taxed as 'dividend', will not be taxable as 'capital gains'. However, the cost of acquiring shares tendered in a buyback will be treated as a capital loss (either short term or long term) for shareholders, which can be offset against other capital gains or carried forward for up to eight years.

The changes in buyback taxation could have broader implications for the financial markets. The shift in income-tax liability may deter companies from using buybacks as a preferred method of returning capital to shareholders, particularly if the tax burden on sharehold-

ers outweighs the benefits.

### Who gains, who loses?

Treating buyback proceeds as dividend income brings enhanced clarity and uniformity to the tax landscape. Additionally, the new tax rules would encourage companies to undertake buybacks only when they believe their shares are genuinely undervalued and not merely to take advantage of a lower tax rate. This focus on long-term shareholder value creation could lead to more prudent and strategically sound buyback decisions.

Mutual funds, which pay no or minimal taxes on account of the exemptions available to them under the income-tax laws, stand to benefit from such a shift in buyback taxation. NRIs will also benefit from the changes. The ability to leverage lower tax rates under tax treaties for 'dividend income', typically ranging from 5% to 15%, along with the option to claim credits for Indian taxes in their home jurisdictions, provide a significant relief.

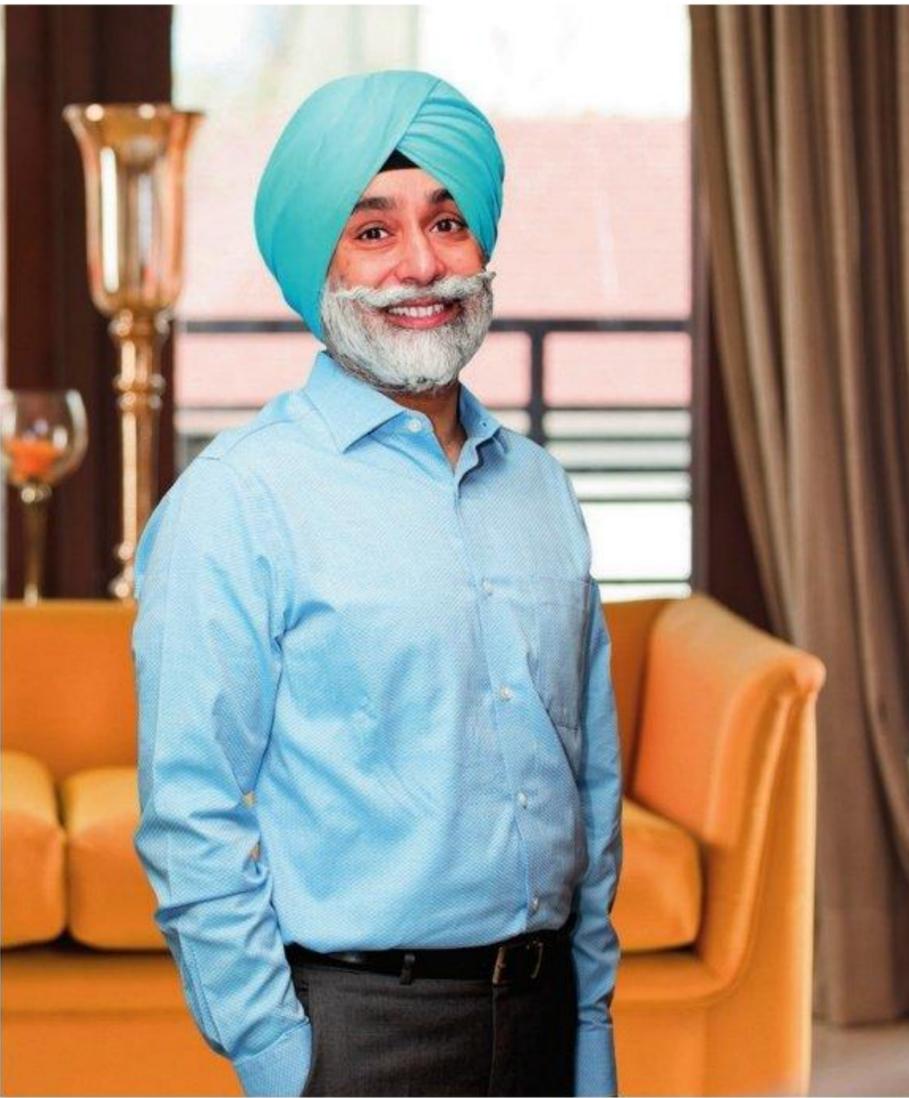
Despite these positive aspects, there are notable drawbacks to the new buyback tax rules. The most immediate concern is the increased tax burden on resident shareholders. By shifting the tax liability to shareholders, particularly those in higher tax brackets, the overall attraction of buybacks has been diminished. While the individuals taxable in a lower tax bracket stand to benefit from this proposal, high-net worth individuals could stare at a sizeable tax cost on such buybacks.

(Bijal Ajinkya is Partner and Viraj Doshi is Principal Associate at Khaitan & Co. The views expressed are personal.)

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# “In health claims data, there’s a bit of fog around the truth”

The regulator needs to talk more about claims, and if proper statistics on claims are distributed by a credible body like Irdai, it would give a lot of confidence to people, Sarbvir Singh tells **Riju Mehta**.



**Sarbvir Singh**  
Joint Group CEO,  
PB Fintech

## Were you looking for any changes in the Budget this year?

From our perspective, the status quo is helpful because it keeps everybody focused. The job is to increase awareness about the right kind of insurance, which is term and health. We are a developing country and need to focus on the bottom of the pyramid first. So, for the middle class, it is very important that they are protected against death, disease and disability. Countless reports show that the single biggest reason people fall back into poverty is either an illness in the family or death of the chief wage earner. This is the job that needs to be done, and this is what Policybazaar is focused on.

In the Budget, a big change that can help is the removal of 18% GST for term and health insurance. Another could be increasing the tax deduction limit of ₹25,000-50,000 for health insurance premium, especially for older parents. There should also be a separate section for term insurance premium because it needs its own nudge rather than being clubbed with other forms of investment.

## Do you think the struggle with selling term plans is real because people are still buying traditional plans?

Yes, absolutely. Probably only about 60 lakh Indians have term insurance, which is too low if you look at the number of taxpayers. This is at a time when term insurance is very attractively priced and is comparable with Singapore and Hong Kong, where the mortality rate is better. The product is very good and you can buy it for 40-45 years, while in other countries, you can only buy up to 60 and it gets very expensive after that. We have a very good product and prices, and a lot more people need to buy it. We spend a lot of money on TV and digital media talking about term insurance. However, we are not able to get through to them.

## Irdai has made a lot of customer-centric changes in the recent past. Is this pace overwhelming for insurers? What are the changes you’d like to see?

The regulator is looking at it in the right way and this is exactly what is required if you want to increase insurance penetration in the country. We are aligned with this. As far as the pace is concerned, whenever any change happens, there is a moment of panic when you’re not sure how it will be done, but eventually it happens. There’s no other way to do it, and I doubt things would have been smoother if we had taken one more year to do it. The industry is doing its best to cope and there will be some hiccups, but the good news is we are headed in the right direction.

As for changes, we look at it in a very simplistic manner. Customers pay premium expecting that when there is a claim, it will be paid. The technicalities of the policy are beyond their understanding. One of the practical things the regulator could do is talk more about claims. In health insurance, the claims data is a mix of corporate and retail, and it’s impossible to disaggregate it and understand what is happening. If we can focus on retail claims and give confidence to the customer, it would be good. Right now, there is a bit of fog around the truth. Some customers tell you the claim is never paid, but our recent survey on health claims found that 94% of claims were paid. If you have proper statistics and it is distributed by a credible body—if Irdai were to say that every month this is the ranking of claims—it would give a lot of confidence to people.

## Do you think hospitals need a regulator because a lot of issues lie at their end?

There needs to be better alignment between the patient, hospital and insurer. The word ‘claim’ is a challenge. From the patient’s perspective, the word should be ‘treatment’ and

‘prevention’. This is an indemnity policy and the patient is not going to get any money. So, from the patient’s perspective, the most important thing is proper and speedy treatment without the pressure and stress about documents or money. This should be the focus. There should be a symbiotic relationship between hospitals and insurers, where we focus on the health of the customer.

## Should there be mandatory contribution for health insurance, especially considering the issues senior citizens face?

I don’t want to go straight to the solution, but two things are true. The young have to pay for the old and there are only two ways this can happen. One is you yourself put in money when you are young and use it when you are older. Two, the younger section of the society can help pay for the older one. There’s no magic and after a certain age it’s impossible for someone to pay the high premium. The solution could be a mandatory contribution or a health savings account, which is tax-exempt and used only for healthcare benefits. In some countries, everybody needs to have a certain amount of health insurance, making sure that as an overall pool, the rates are ok for everybody. There are a variety of solutions that exist and the government is also thinking about it.

## Are people informed enough to make the right choices while buying insurance through online platforms?

They need a lot of hand-holding and we deploy a huge number of people for this. When a person is looking for health or term insurance, we have different modes of communication. On our website, we have videos that explain the features; we have buying guides that give a sense about the policy; you can speak to advisers on phone with the video calling facility. A sale takes about 50-60 minutes of conversation, and we offer home visits in over 100 cities to explain to buyers.

After they have bought the policy, there’s a verification process, wherein a person from a separate team calls and confirms what they have said. He ensures that it is the correct picture because there could be some chance of disclosure slipping through. We are trying to create awareness for the product, and once the person comes to us, we try to guide him through a step-by-step process in terms of the various options, and help them if they need to make a claim. It’s a full journey.



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## Financial planning must continue after retirement

Subir Malhotra retired last month from a corporate job. His dependants include his wife and two children. His long-term equity mutual fund investments have helped him build a decent retirement corpus. His PPF has matured, but he has continued to extend it in blocks of five years. He owns a house in his native town, and has both life and medical insurance. Given his current financial comfort, he wants to know if he should stop financial planning.

In the absence of a pension, Malhotra must ensure that he invests his retirement corpus in income-yielding financial products, such as bonds, bank deposits, monthly income plans (MIPs), etc. This, along with the rent from his second house, will ensure a steady income.

His revised asset allocation must reflect the change in his financial goals, which are likely to be short term in nature (children's weddings, holidays), and the change in his risk preference (risk-averse). Therefore, he must systematically move his funds from equity to short-term debt funds and MIPs. He may not want to invest too conservatively because the portfolio must still fight inflation, taxes and fees. Maintaining liquidity is important. Hence, Malhotra could redeem his PPF savings and opt for a debt fund, which provides a relatively higher liquidity.

Once his sources of regular income are in place, he can afford to spend on luxuries and holidays, having reached the milestone for which he and his wife have saved diligently. However, he must realise that the pre- and post-retirement expense pattern is different. It is very important to put in place a practical budget and strictly adhere to it. He will need sufficient insurance for any emergency expenses he might incur. He might also find it emotionally satisfying to move to the house in his native town, where the household expenses too will be lower.

Whether he wants to use all his savings in his lifetime, or leave his estate for his heirs, is a matter of personal choice. In the latter case, he must take up estate planning. As quality of life and options decline with age, he must preserve his corpus to ensure financial security in later years.

Content courtesy Centre for Investment Education and Learning (CIEL). Contributions by Girija Gadre, Arti Bhargava and Labdhi Mehta.

### PAPER WORK

#### ∴ Different types of NRI bank accounts

For non-resident Indians (NRIs), managing finances across borders can be a complex task. The Reserve Bank of India (RBI) has formulated specific guidelines and banking products to cater to the unique needs of NRIs, ensuring seamless financial operations. Here is an overview of the different bank accounts NRIs can open and their specific use cases.

#### NRE account



A non-resident external account is ideal for those who want to remit their foreign earnings to India. Both the principal and interest earned are fully repatriable. The interest earned in NRE accounts is tax-free in India, making it an attractive option for NRIs. Deposits in NRE accounts are made in foreign currency and converted to rupee, helping NRIs manage their Indian expenses.

#### NRO account



The non-resident ordinary account is best suited for NRIs who have income sources in India, such as rental income, pension, dividends, or any other earnings. This account is useful for managing day-to-day expenses and payments within India. Unlike NRE accounts, the interest earned in NRO accounts is subject to income tax in India.

#### FCNR account



The foreign currency non-resident accounts are designed to protect NRIs from foreign exchange risk. Deposits are maintained in foreign currency and there is no conversion to rupee. These accounts are available as fixed deposits in various foreign currencies, including USD, GBP, Euro, and others. The interest earned is tax-free in India and the funds are fully repatriable.

#### ∴ Points to note

- Opening any of these accounts requires submitting specific documents like proof of NRI status, passport, visa and overseas address proof.
- NRE and NRO accounts can be held jointly with other NRIs or with residents on a 'former or survivor' basis, while FCNR accounts are usually held individually or jointly with other NRIs.

### SMART THINGS TO KNOW

#### Compulsory convertible preference shares

**1** CCPS are a type of preference shares that must be converted into equity shares after a specific period or upon the occurrence of certain events.

**2** They provide a fixed income component, offering a steady income stream until conversion.

**3** Upon conversion, investors can benefit from the potential rise in the company's share price.

**4** Founders can retain control over the company by issuing CCPS, instead of equity shares, as CCPS do not entail voting rights until conversion.

**5** The terms of conversion, including the conversion ratio and timing, are predetermined and specified in the issuance agreement.

# Money tips for college students

The money management skills you acquire and the lessons you learn during these formative years will shape your financial personality and define your ability to handle money as an adult, says **Uma Shashikant**.



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**UMA SHASHIKANT**  
IS CHAIRPERSON,  
CENTRE FOR INVESTMENT  
EDUCATION AND LEARNING

**Try your hand at saving. You may not have long-term goals, but anything that needs a lump sum in future, requires advance planning. You might want to take a holiday with friends. From finding out where to cut back, to rearranging your spending to prioritise this goal, you will find yourself making tough financial decisions. Real life involves this exercise more often than not.**

**I**t is that time of the year when students start college and begin making routine financial decisions independently. Is there a set of rules for the youngsters? Let's make a list.

First, consider it a shame if parents give you a debit or credit card and tell you they will pay for whatever you swipe. Even if they choose to be super-indulgent parents, 18 years is an old enough age to give up instant gratification. If you believe you want a solid foundation on which you will make personal financial decisions all your life, begin by defining personal spending allowance. Knowing that money is not limitless is the first lesson to learn. Take the initiative to define your monthly allowance and tell yourself you will spend the next four years learning to live within this amount.

Second, however boring it is, keep accounts. Use any of the several apps that enable you to keep tabs. Many of the modern apps can also classify the expenses, tabulate and represent it pictorially. You are on a journey that identifies your money personality. You can't walk that path blindfolded. Whatever be the expense, track it. Take a look at how it all adds up. You can always make corrections as you go along. You need a record of expenses to do that. For instance, taking a cab instead of public transport after the weekly outing might have cost more than you thought, and mattered more than it should.

Third, apply yourself to what you see as your spending pattern. Face up to who you are as visible in your monthly spending. Add up the mandatory expenses on food, rent, utilities and subscriptions. That is where your allowance must primarily go. You should be left with surplus to spend on discretionary items after these heads of expenses. If you have a bank loan, it represents what an average stu-

dent's mandatory spend must be. Learn to stay within this. If you have indulgent funding, negotiate with your parents for a better allowance if it falls short. This process will ground you; give it a shot.

Fourth, sum up your discretionary spending on outings, entertainment, recreation, and other activities. Hold back the urge to feel entitled about these. Think of yourself as the one funding these expenses, rather than merely spending them. Where would you cut back? Find alternatives that cost less. Trekking with friends with a sandwich and water can also be fun, rather than a movie and eating out as a default plan for the weekend. You don't have to label it as cutting costs and feel small about it. Push yourself to genuinely explore how you can spend less and also have a good time.

Fifth, evaluate your expenses to see if there are items that result in regret or resentment. Did you pay for a friend you think is systematically leaching off you? Did you go out with people who are out of your league and spend too much, but don't feel good about it? Is there an expense you know to be too much, but you want to complain that it's out of pocket for you? Is there an expense you thought was a good choice, but ended up being less worthy? Learning personal finance involves developing this ability to face up to your money decisions and being ruthless about it. Many adults live in denial and vanity because they have never carried out this exercise in their lives.

Sixth, is there an opportunity for some part-time work? Are you pushing it aside thinking that it pays too little and that you couldn't care less? Think about it again. Taking up a job enables so much of implicit learning and a measure of personality development that's not taught in schools. You will witness how organisations function, how roles are defined,

how people perform, and how there is a mix of roles, skills, behaviours and attitudes in play. Formal school teaches you to compete; real life requires you to collaborate. Taking up a job will also challenge you to manage your time better, make choices and assign priorities better, and feel more confident in your ability to communicate. The addition to your monthly allowance is also welcome.

Seventh, try your hand at saving. You may not have long-term goals, but anything that needs a lump sum in future requires advance planning. You might want to take a holiday with friends during a break. From finding out where to cut back, to rearranging your spending so that you prioritise this goal, you will find yourself making tough financial decisions. Real life involves this exercise more often than not. You will enjoy the sense of accomplishment when your decisions—cooking at home rather than eating out, buying fewer clothes, resisting the temptation to spend your part-time earning—translate into an indulgence you have funded with your money management skills. Saving is not boring. The earlier you learn it, the better your life will be.

Eighth, try your hand at investing. What is college without some money set aside for trading on stocks, futures and options? Make sure you haven't staked too much, but give it a shot. Find friends who also trade and exchange notes on what works. Enjoy the high of winning and having some money to spend; suffer the unexpected meltdown. You become a sensible and hardy long-term investor when you have experienced first hand the perils and prizes of speculation. Just don't do it secretly and become an addict. Be aware that speculation can take a toll if indulged in obsessively. Most students give up after one or two losses that wipes off their capital. Many I know have grown into serious investors, who analyse stocks thoroughly as life-long investors.

Ninth, consider your student years as those that shape your money personality. How you treat your income, what you do to augment it, how you allocate it, whether you stick to plans, whether you face up to the consequences of your own actions, how truthful you are to your own personality as revealed by your actions, how well you learn and how you adapt are all foundations for how you will manage your money in your lifetime. Student years offer a low-risk platform to hone these traits. Don't pass it up and remain a lazy spender who leans on his parents.

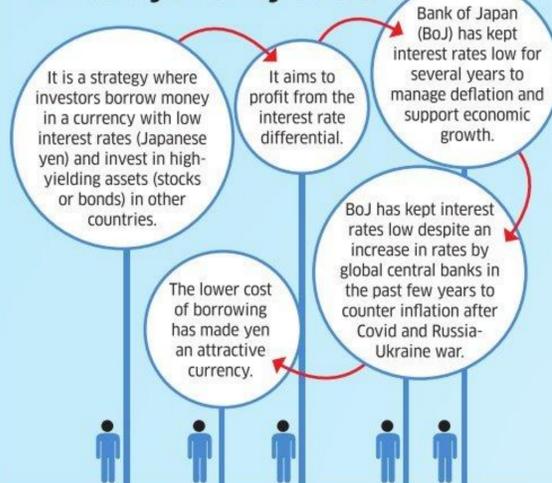


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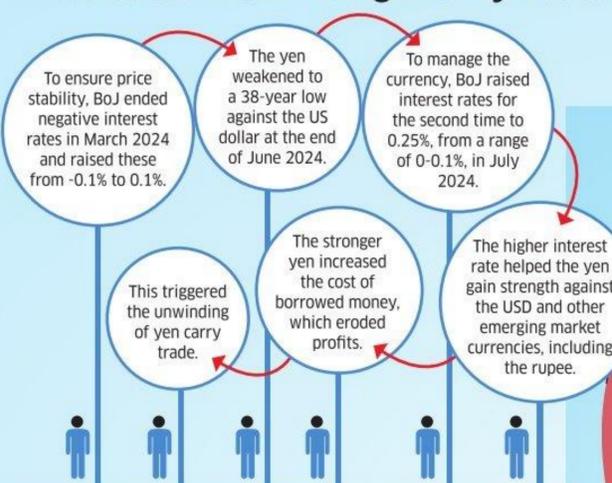
# What fuelled the market volatility?

After a historic high on the first trading day of August, the Nifty 50 index turned volatile due to various factors, including the unwinding of yen carry trade. Sameer Bhardwaj analyses the factor that led to the recent instability.

## What is yen carry trade?



## What led to the unwinding of carry trade?



## How does yen carry trade work?



Amount borrowed by institutional investor:  
**1 million yen** (at 0.5% per annum)

Exchange rate assumed to be: **1\$= 158 JPY**

Amount is converted to: **\$6,329.1**

Amount invested in the US bond market for one year at 3.5% (10-year yield): **\$6,329**

After one year, amount received from the US market: **\$6,550.6**



### SCENARIO 1: Stable exchange rate

Exchange rate assumed to be: **1\$=158 JPY**

After one year, investment value will be: **1.035 million yen**

Interest cost on borrowed amount: **5,000 JPY**

After repaying interest and principal, profit is: **0.03 million yen or 30,000 yen**

After conversion to USD, profit is: **\$189.9**

### SCENARIO 2: Yen appreciates sharply

At the time of repayment, exchange rate assumed to be: **1\$=142 yen**

Amount in USD to repay 1 million and interest of 5,000 JPY at appreciated yen: **\$7077.5** (1.005 million divided by 142)

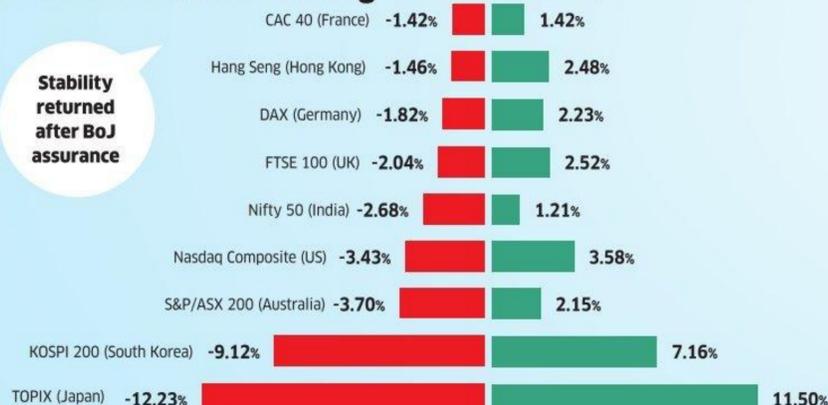
Loss due to yen appreciation: **\$748.35** (\$6,329.1 minus \$7,077.5)

Interest earned in the US market: **\$221.59** (\$6,550.6 minus \$6,329.1)

Net loss due to yen appreciation: **\$526.83**

## Most major markets fell due to the unwinding

Stability returned after BoJ assurance



- Global markets crashed on 5 August.
- Nearly all major world markets fell, with Japan, South Korea and Australia registering the most decline.
- Markets in Europe, the USA and South America also tumbled.
- Indian equity benchmarks, Nifty 50 and BSE Sensex, lost 2.7%.
- Markets stabilised after BoJ ruled out further rate hikes in the near term.

## India's yen assets have grown the fastest in 18 months

- Yen-denominated assets in global equity funds (ex-Japan) stood at \$350 billion in August 2024, a growth of 75% since January 2023, according to an Elara Securities report.
- India's yen-denominated assets have grown from \$6 billion to \$21 billion between January 2023 and August 2024.
- \$45 billion has flowed into global equities since January 2023.
- 45% of these flows were in global funds, 33% in USA and 23% in India.
- In India, a significant portion (25%) of yen flows were in mid-cap funds between April and September 2023. Since then, flows have shifted to large-cap funds.

### Growth in yen-denominated assets



## Has the risk of unwinding settled down?

Analysts fear there are possibilities of further unwinding in the short term.

A Reuters news article quoting UBS says that only 50% of the carry trade is liquidated.

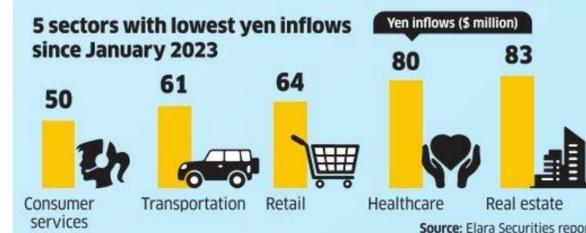
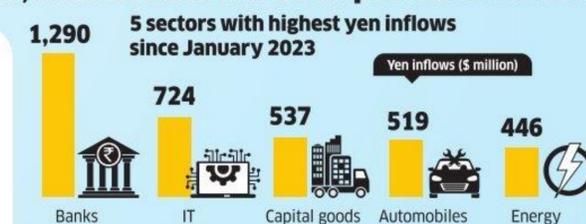
## Sharp rise in yen could make Indian markets volatile

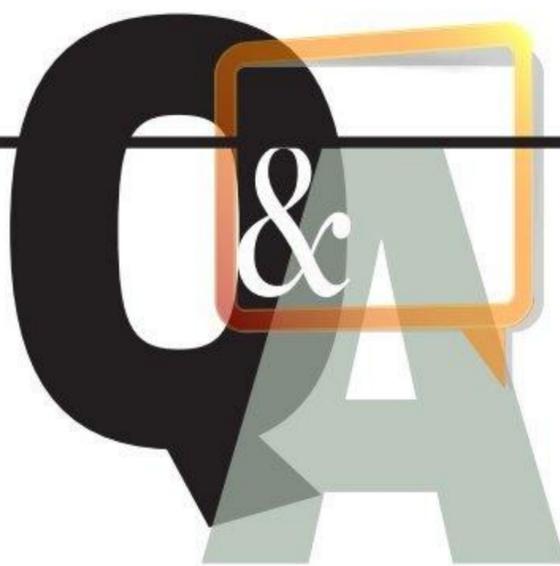
- The Elara Securities report states that the yen unwinding is a real threat for India as it had caused significant damage to the market breadth (in mid- and small-cap segments) in a similar unwinding in 2018-20.
- Strong JPY appreciation against the rupee in the last three unwinding periods (2011-12, 2015-16 and 2018-20) led to a significant market correction.
- If the unwinding triggers again, the impact on Indian markets will depend on the ability of domestic investors to absorb supply.
- Tighter regulations by the RBI, substantial forex reserves and strong macro fundamentals are expected to provide support, states an AnandRathi report.



## Capital goods, auto sectors will be impacted the most

- Infrastructure investments (roads, power, steel) may be negatively impacted.
- Companies have raised low-cost yen loans to fund their capital expenditure.
- A strong yen could increase the debt servicing cost of such companies.
- A strong yen can also increase the cost of imports from Japan and will affect India's trade balance.
- Capital goods and automobile sectors will see the most impact due to the unwinding.





My father took a 20-year home loan of ₹29.6 lakh in November 2017, with an insurance plan costing ₹1.8 lakh. The initial home loan EMI was ₹34,000, including ₹2,700 for insurance. After his retirement, he made a partial prepayment of ₹5 lakh towards the loan. This helped in bringing down the EMI to ₹24,000, with the same insurance component. He now receives a monthly pension of ₹28,105, ₹9,250 a month from an LIC scheme and ₹11,655 every quarter from an SBI scheme. The remaining loan amount is ₹14.51 lakh, with ₹73,000 as insurance component, and 150 EMIs. Should we continue with the EMIs or break the LIC investment to repay the loan?

Before deciding on whether you should continue with the home loan EMIs or break an investment to repay the home loan, several factors need to be considered. If the effective interest rate on the remaining loan is higher than the returns on your investment, it might be wiser to pay off the loan.

Your father's combined pension and investment income is ₹41,240. After the EMI payment of ₹24,000, he has ₹17,240 left for his monthly household expenses. Since the home loan EMIs and interest component offer tax benefits, you need to consider the impact of losing these if the loan is paid off early.

If breaking the entire LIC investment isn't preferable, you might consider making additional partial payments to further bring down the loan principal, which could lower the EMIs. It's recommended that you consult a financial adviser for personalised advice based on the exact interest rates, financial goals and other details.



**Raj Khosla**  
Founder and Managing Director,  
MyMoneyMantra.com

I am 43 years old. My monthly household expenses are ₹30,000 and I have a medical insurance of ₹10 lakh. I want to invest ₹45 lakh. My goal is to get ₹75 lakh for my son's education in the next two years. Please advise.

Since your goal is just two years away, investing in equity may not be suitable for you as equities are a volatile asset class that require an investing time horizon of at least 5-7 years. I suggest you focus on debt or fixed income products for your investments during this period.

Consider options like corporate bonds, banking and PSU funds, or short-duration debt funds that invest in high credit quality instruments with an average maturity of around three years. Currently, AAA bond yields are in the range of 7-8%, which means your investment corpus of ₹45 lakh could grow to approximately ₹51-52 lakh by the end of two years.

Unfortunately, you may not reach your target of ₹75 lakh for your son's education within this time frame. To achieve your goal, you will need to extend your investment horizon or consider revising your goal value.



**Rushabh Desai**  
Founder, Rupee With  
Rushabh Investment Services

Our panel of experts will answer questions related to any aspect of personal finance. If you have a query, mail it to us right away.

## QUESTION OF THE WEEK

I would like to know if I will be eligible for tax relief on the income I have earned from equities. I have no income from any other source. My income from short-term capital gains has been ₹3.5 lakh. Since annual income up to ₹7 lakh is exempt from tax under the new tax regime, will I be eligible for tax relief on this amount?

We understand that the only income you have earned is through the transfer of equity shares amounting to ₹3.5 lakh, and have no income from any other source. This income is classified as short-term capital gain and is taxable under Section 111A of the Income-tax Act, 1961.

Following the amendment in the Budget this year, the applicable tax rate will be 15% if the shares were sold on or before 23 July 2024, and 20% if these were sold after this date. According to Section 87A of the Act, individuals opting for the new tax regime under Section 115BAC and having a total income not exceeding ₹7 lakh are eligible for a rebate on their total tax liability, which is capped at ₹25,000. This rebate also applies to special rates of income, including STCG, under Section 111A.

However, as of 5 July 2024, the Income-tax return (ITR) filing utilities no longer allows the Section 87A rebate for various special rates of income, including the short-term capital gain on equity shares or equity-oriented mutual funds. Consequently, no rebate shall be granted on STCG even if the total income from such gains is up to ₹7 lakh. Despite this change, the tax department has not issued any clarifications, indicating a possible technical glitch in the utility that prevents the Section 87A rebate on such income.

Moreover, the taxpayers who had filed their returns before 5 July this year, may face issues during processing, potentially leading to a notice or tax demand which may require some justification on their part.



**Amit Maheshwari**  
Tax Partner, AKM Global

I have taken a home loan of ₹41 lakh for a 25-year term. I am planning to repay this loan in the next 10 years. Meanwhile, I also want to invest ₹20 lakh in shares for 10 years. My current home loan EMI is ₹34,000. Could you help estimate the corpus I can accumulate by investing ₹20 lakh in 10 years and whether it will be enough to help me repay my home loan?

Based on the figures that you have provided, your home loan interest rate should be around 9%. If your investments grow at a rate of 10% or more, this strategy could be effective, assuming that your income remains secure and you remain invested during the short-term market downturns.

With an annual return of around 12%, your ₹20 lakh investment could grow to ₹62 lakh in 10 years. If you consider a return of 10% per annum, the corpus could grow to ₹52 lakh. After 10 years, your outstanding loan amount will be approximately ₹34 lakh. This means that you would not only be able to pay off your entire home loan but also have a leftover corpus to allocate to other financial goals.

Instead of investing the entire ₹20 lakh directly in shares, you should consider spreading your investment across three or four flexi-cap equity mutual funds. These funds are managed by experts who can navigate different market cycles. To further reduce your risk, you could consider spreading your ₹20 lakh investment over a year through mutual fund systematic investment plans (SIPs), which will help to average out your purchase price.



**Sumit Duseja**  
Co-Founder & CEO, Truemind  
Capital (Sebi-registered  
Investment Adviser)

We had purchased 15,000 shares of Uniply at about ₹82 per share in February 2018. Since then, the stock has lost all its value and we have been unable to carry out any trading. Is there any way to avoid the imminent losses?

Uniply Industries is going through a liquidation process being conducted by the court and other authorities. In this case, equity shareholders will be the last priority when it comes to discharging payments and are unlikely to receive any consideration for their stock holding. Since equity shareholders are part owners of the company, they will have to bear the loss incurred due to liquidation or closure of the company. Hence, in your case, you are unlikely to realise any amount from your shares.



**Vikash Jain**  
Co-founder, Share  
Samadhan

## Ask our experts

Have a question for the experts?  
etwealth@timesgroup.com

# SMART STATS

## ET WEALTH TOP 50 STOCKS

The Economic Times Wealth  
August 19-25, 2024

In This Section

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LOANS AND DEPOSITS - P18

ALTERNATIVE INVESTMENTS - P19

Every week we put about 3,000 stocks through four key filters and rate them on a mix of factors. The end result of this is the listing of the top 50 stocks based on the composite rating to help ease your fortune hunt.

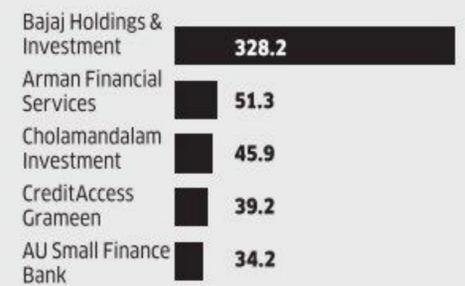
	RANK		PRICE ₹	GROWTH%*		VALUATION RATIOS				RATING	
	Current Rank	Previous Rank		Revenue	Net Profit	PE	PB	PEG (5-year)	Div Yield (%)	No. of funds	Value Research Stock Rating
Manappuram Finance	1	4	201	29	31	7.5	1.4	1.0	1.7	17	*****
Bajaj Finance	2	1	6,554	32	19	27.0	5.1	1.2	0.6	101	*****
Kotak Mahindra Bank	3	2	1,780	29	32	16.3	2.6	1.1	0.1	137	*****
Can Fin Homes	4	3	833	23	19	14.3	2.4	0.8	0.7	42	*****
CreditAccess Grameen	5	6	1,195	39	44	12.4	2.7	0.4	0.9	56	*****
Petronet LNG	6	19	370	-5	17	14.0	3.0	1.2	2.7	41	*****
Aavas Financiers	7	8	1,688	22	12	26.2	3.5	1.4	0.0	31	*****
PI Industries	8	7	4,403	11	35	37.9	7.2	1.2	0.3	69	*****
Indus Towers	9	108	411	1	127	16.7	3.8	0.9	0.0	110	*****
KNR Constructions	10	--	343	7	2	11.8	2.6	1.8	0.1	29	*****
Maruti Suzuki India	11	9	12,201	17	47	26.1	4.3	1.8	1.0	170	*****
The Great Eastern Shipping Co.	12	10	1,383	-2	6	6.8	1.5	0.1	2.7	25	*****
Birlasoft	13	11	596	9	82	26.0	5.3	0.9	1.1	44	*****
AU Small Finance Bank	14	226	613	34	3	27.4	3.5	0.8	0.2	37	****
Hero MotoCorp	15	15	5,106	14	37	24.7	5.4	4.6	2.8	107	*****
Chambal Fertilisers and Chem.	16	329	495	-34	27	14.3	2.6	1.2	1.5	11	*****
HCL Technologies	17	13	1,663	7	9	27.4	6.3	2.7	3.1	118	*****
Hawkins Cookers	18	335	8,525	4	23	39.2	12.5	2.7	1.4	5	*****
Gujarat Pipavav Port	19	359	231	10	31	29.4	4.7	1.9	3.1	12	*****
IndiaMART InterMESH	20	14	2,739	19	16	44.5	8.9	1.3	0.7	26	*****
State Bank of India	21	21	814	21	2	10.7	1.8	0.8	1.7	219	****
Abbott India	22	22	27,750	7	20	47.2	14.7	2.3	1.5	50	*****
Coal India	23	25	510	3	14	8.8	3.3	0.6	5.1	106	*****
Shriram Finance	24	24	2,961	21	20	14.4	2.2	1.4	1.5	108	*****
ICICI Bank	25	23	1,191	26	21	18.4	3.1	0.9	0.8	268	****
Infosys	26	20	1,851	3	9	28.8	8.2	2.6	2.5	225	*****
Reeco Home Finance	27	194	480	15	30	6.8	1.0	2.3	0.6	10	*****
Narayana Hrudayalaya	28	12	1,184	9	19	30.0	7.8	0.6	0.3	19	*****
Eicher Motors	29	26	4,790	13	30	31.3	6.9	2.2	1.1	64	*****
Bajaj Holdings & Investment	30	223	9,550	328	41	14.3	2.0	0.5	1.4	7	*****
City Union Bank	31	33	164	10	12	11.5	1.4	2.2	0.9	27	*****
LG Balakrishnan & Bros	32	27	1,276	7	13	14.3	2.4	0.6	1.4	9	*****
DCB Bank	33	29	121	25	9	7.0	0.8	0.6	1.0	15	*****
Sun Pharmaceutical Industries	34	28	1,732	9	23	40.0	6.3	0.2	0.8	174	****
Tata Motors	35	30	1,089	18	218	10.7	4.0	0.2	0.6	128	****
Bandhan Bank	36	37	192	21	27	12.0	1.4	0.8	0.8	21	****
Just Dial	37	447	1,273	19	42	25.5	2.6	2.1	0.0	5	*****
Cipla	38	31	1,575	10	38	29.4	4.5	1.3	0.8	112	****
Axis Bank	39	34	1,169	24	122	13.4	2.2	0.7	0.1	208	****
Karur Vysya Bank	40	32	217	24	38	10.2	1.7	1.0	1.1	48	****
Zydus Lifesciences	41	56	1,182	12	66	28.2	5.5	1.6	0.3	77	*****
Arman Financial Services	42	290	1,705	51	68	10.2	2.2	0.5	0.0	6	*****
Godawari Power And Ispat	43	393	994	1	46	13.4	3.0	0.5	0.4	6	*****
Jamna Auto Industries	44	458	128	4	22	24.7	5.6	3.5	1.9	11	*****
The Federal Bank	45	18	204	29	4	12.3	1.6	0.8	0.6	98	****
REC	46	38	573	21	25	10.2	2.1	0.6	2.8	113	****
Cholamandalam Investment	47	42	1,360	46	28	30.9	5.5	1.4	0.1	119	****
Gulf Oil Lubricants India	48	16	1,330	8	33	20.1	4.7	2.4	2.7	14	*****
Zensar Technologies	49	40	802	2	63	26.8	4.9	1.5	1.1	31	*****
JK Lakshmi Cement	50	43	790	0	66	20.2	2.9	0.6	0.8	22	****

\*REVENUE AND EPS FIGURES BASED ON ONE-YEAR GROWTH. DATA AS ON 15 AUG 2024.

SOURCE: VALUE RESEARCH

### 1 Fast growing stocks

Top 5 stocks with the highest revenue (1-year) growth (%)



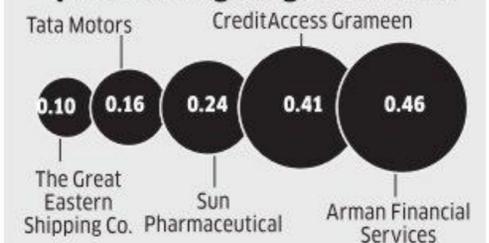
### 2 Least expensive stocks

Top 5 stocks with the lowest price to earnings ratio



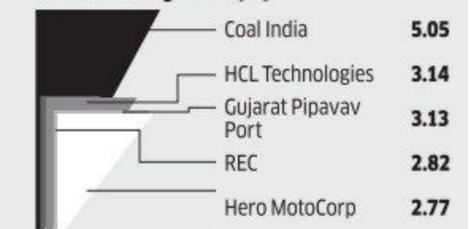
### 3 Best PEGs

Top 5 stocks with the least price earnings to growth ratio



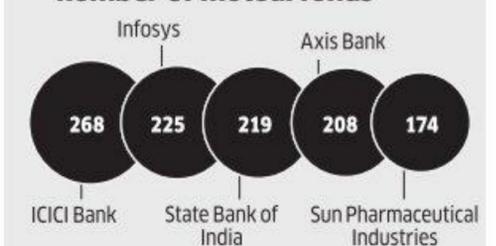
### 4 Income generators

Top 5 stocks with the highest dividend yield (%)



### 5 Most widely held

Top 5 stocks held by most number of mutual funds



SEE NUMBER OF MUTUAL FUNDS HOLDING THE STOCKS IN THE ADJACENT TABLE.

# ETW FUNDS 100

BEST FUNDS TO BUILD YOUR PORTFOLIO

ET Wealth collaborates with Value Research to identify the top-performing funds across categories. Equity funds and equity-oriented hybrid funds are ranked on 3-year returns while debt-oriented hybrid and income funds are ranked on 1-year returns.

	Value Research Fund Rating	Net Assets (₹ Cr)	RETURNS (%)					Expense Ratio (%)
			3-Month	6-Month	1-Year	3-Year	5-Year	
<b>EQUITY: LARGE CAP</b>								
Nippon India Large Cap Fund	*****	31,800.96	8.61	14.63	34.87	22.55	21.88	1.58
JM Large Cap Fund	*****	331.31	9.67	14.71	43.38	20.32	19.77	2.41
HDFC Top 100 Fund	****	37,080.92	9.74	12.42	33.41	20.21	19.26	1.60
Quant Focused Fund	*****	1,115.99	6.39	10.21	41.39	19.75	24.66	2.16
ICICI Prudential Bluechip Fund	*****	62,717.11	8.95	13.32	36.65	19.56	21.17	1.45
DSP Nifty 50 Equal Weight Index Fund - Regular Plan	****	1,683.73	9.60	11.56	35.14	19.02	21.96	1.00
Baroda BNP Paribas Large Cap Fund	****	2,284.71	10.01	16.78	39.45	18.37	20.14	2.03
Edelweiss Large Cap Fund - Regular Plan	****	1,043.39	9.56	14.08	31.94	16.41	19.13	2.19
Kotak Bluechip Fund - Regular Plan	****	9,292.36	10.26	15.39	31.97	15.41	19.76	1.74
Canara Robeco Bluechip Equity Fund - Regular Plan	****	14,528.68	10.19	14.97	31.19	14.47	19.97	1.66
<b>EQUITY: LARGE &amp; MIDCAP</b>								
ICICI Prudential Large & Mid Cap Fund	*****	15,746.10	9.32	16.42	42.02	24.74	25.28	1.71
HDFC Large and Mid Cap Fund - Regular Plan	****	23,046.87	11.10	16.06	41.40	24.37	25.69	1.67
Motilal Oswal Large and Midcap Fund - Regular Plan	*****	5,335.94	15.82	25.83	54.49	24.33	-	1.79
UTI Large & Mid Cap Fund - Regular Plan	****	3,748.61	14.63	22.53	45.71	22.24	24.76	1.97
Kotak Equity Opportunities Fund - Regular Plan	****	25,074.70	8.60	19.84	40.79	21.00	23.69	1.58
SBI Large & Midcap Fund	****	27,382.12	10.26	14.35	32.19	19.43	23.12	1.62
<b>EQUITY: FLEXI CAP</b>								
JM Flexicap Fund	*****	3,855.23	12.75	23.76	58.18	29.59	27.30	1.83
HDFC Focused 30 Fund	*****	13,794.80	9.57	16.22	39.19	26.77	23.89	1.68
HDFC Flexi Cap Fund	****	61,571.57	10.80	16.19	39.97	25.74	23.68	1.45
ICICI Prudential Retirement Fund - Pure Equity Plan	*****	944.04	5.85	15.08	45.12	25.18	24.11	2.19
Bank of India Flexi Cap Fund - Regular Plan	****	1,700.33	10.02	20.18	58.65	24.45	-	2.04
Mahindra Manulife Focused Fund - Regular Plan	****	1,690.84	9.24	16.60	46.50	22.63	-	2.02
ICICI Prudential Focused Equity Fund	****	9,745.36	11.77	20.97	44.49	22.26	24.82	1.74
HDFC Retirement Savings Fund Equity Plan	*****	5,851.58	10.66	15.00	33.61	21.51	25.20	1.78
Franklin India Flexi Cap Fund	****	17,417.27	11.29	16.20	40.43	21.36	23.92	1.72
Franklin India Focused Equity Fund	****	12,545.87	10.40	17.38	35.93	19.99	22.42	1.76
360 ONE Focused Equity Fund - Regular Plan	****	7,986.59	11.38	17.94	38.61	18.50	24.43	1.79
Parag Parikh Flexi Cap Fund - Regular Plan	*****	75,956.22	7.21	11.21	35.02	18.29	25.61	1.33
Union Flexi Cap Fund	****	2,276.38	7.98	10.50	30.17	15.67	21.43	2.02
<b>EQUITY: MID CAP</b>								
Motilal Oswal Midcap Fund - Regular Plan	*****	14,445.55	19.85	31.94	64.71	36.73	33.26	1.66
Quant Mid Cap Fund	*****	9,282.92	4.68	16.13	54.69	30.42	36.61	1.73
HDFC Mid-Cap Opportunities Fund	****	75,382.30	12.53	16.82	46.04	28.58	29.70	1.39
Nippon India Growth Fund	****	32,970.78	13.62	20.98	50.88	27.44	30.26	1.59
Edelweiss Mid Cap Fund - Regular Plan	****	6,994.17	17.25	23.20	55.73	25.69	30.93	1.75
Kotak Emerging Equity Fund - Regular Plan	****	50,601.84	16.56	27.33	46.07	23.96	28.95	1.42
SBI Magnum Midcap Fund	****	21,127.45	11.14	18.20	37.15	22.81	28.72	1.66
<b>EQUITY: SMALL CAP</b>								
Nippon India Small Cap Fund	*****	60,372.55	12.42	21.24	47.27	30.51	37.12	1.42
Edelweiss Small Cap Fund - Regular Plan	****	3,986.11	13.42	17.55	41.45	25.16	33.68	1.85
Tata Small Cap Fund - Regular Plan	****	8,448.91	12.53	22.10	42.95	24.72	32.74	1.70
Axis Small Cap Fund - Regular Plan	****	23,399.15	12.75	14.64	36.21	22.35	29.16	1.61
<b>EQUITY: VALUE ORIENTED</b>								
JM Value Fund	****	985.91	14.27	21.13	57.91	29.32	28.72	2.21
SBI Contra Fund	*****	37,845.69	10.00	15.89	43.25	28.03	31.52	1.54
Templeton India Value Fund	****	2,246.77	10.75	15.98	41.86	25.53	26.49	2.03
ICICI Prudential Value Discovery Fund	*****	48,805.97	11.76	15.62	40.90	25.30	27.05	1.54
<b>EQUITY: ELSS</b>								
SBI Long Term Equity Fund - Regular Plan	*****	27,527.24	12.41	19.73	53.45	27.04	26.67	1.61
HDFC ELSS Tax Saver Fund	****	16,145.24	10.96	16.55	43.23	24.63	22.56	1.71
Quant ELSS Tax Saver Fund	*****	11,065.42	5.91	13.52	48.82	24.13	35.20	1.73
Motilal Oswal ELSS Tax Saver Fund - Regular Plan	****	3,835.43	14.76	26.67	59.49	23.73	25.04	1.83
Bank of India ELSS Tax Saver Fund - Regular Plan	*****	1,484.56	7.58	15.96	48.51	20.48	28.25	2.08
Parag Parikh ELSS Tax Saver Fund - Regular Plan	*****	4,016.58	9.33	10.89	33.73	19.90	24.12	1.72
DSP ELSS Tax Saver Fund	****	17,267.83	14.25	19.87	44.13	19.58	23.63	1.63
Kotak ELSS Tax Saver - Regular Plan	****	6,334.74	7.53	17.46	36.57	19.19	22.02	1.74
Bandhan ELSS Tax Saver Fund - Regular Plan	****	7,178.74	8.78	11.97	30.20	18.99	24.14	1.74
Union ELSS Tax Saver Fund	****	960.42	9.20	12.42	31.07	16.94	21.94	2.23

## LAGGARDS & LEADERS

Taking a long-term view of fund returns, here is a list of 10 funds in each category—five leaders (worth investing) and five laggards (that may be a drag on your portfolio).



**22.55%**  
THE 3-YEAR RETURN OF NIPPON INDIA LARGE CAP FUND IS THE HIGHEST IN ITS CATEGORY.

**29.59%**  
THE 3-YEAR RETURN OF JM FLEXI-CAP FUND IS THE HIGHEST IN ITS CATEGORY.

**36.73%**  
THE 3-YEAR RETURN OF MOTILAL OSWAL MIDCAP FUND IS THE HIGHEST IN ITS CATEGORY.

**29.32%**  
THE 3-YEAR RETURN OF JM VALUE FUND IS THE HIGHEST IN ITS CATEGORY.

# ETW FUNDS 100

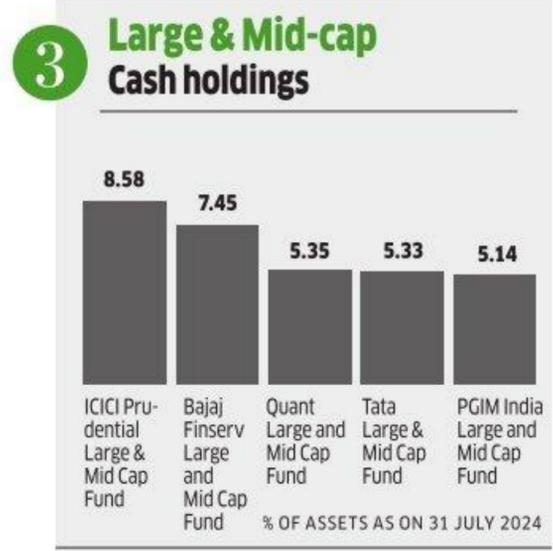
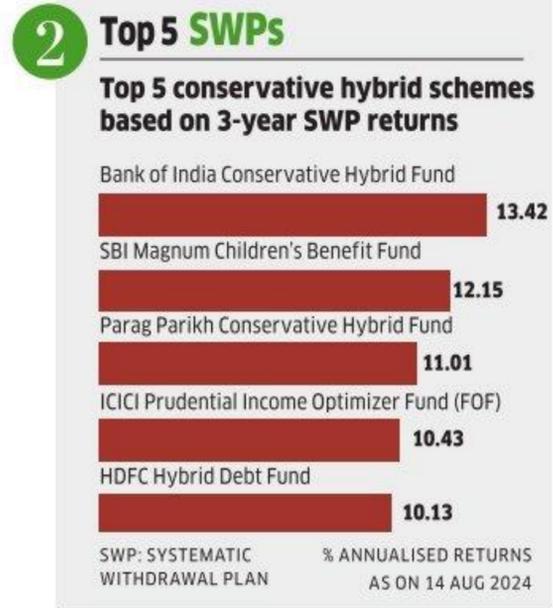
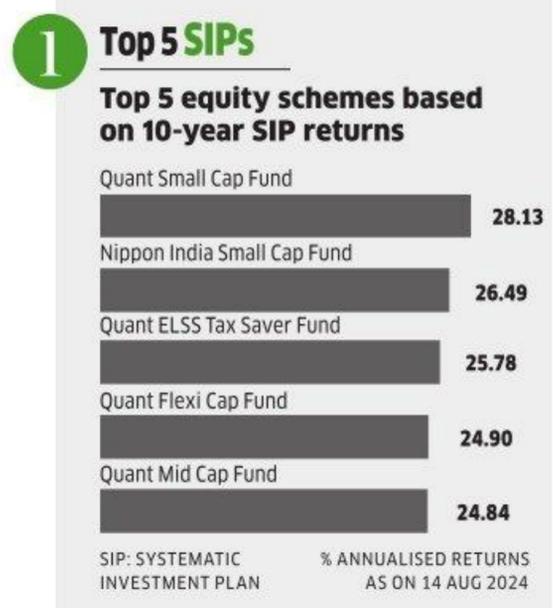
	Value Research Fund Rating	Net Assets (₹ Cr)	RETURNS (%)					Expense Ratio
			3-Month	6-Month	1-Year	3-Year	5-Year	
<b>HYBRID: EQUITY SAVINGS</b>								
HSBC Equity Savings Fund	*****	406.54	7.76	14.12	25.43	12.72	13.40	1.51
Kotak Equity Savings Fund - Regular Plan	*****	6,540.74	5.29	7.46	19.11	12.30	11.91	1.80
UTI Equity Savings Fund - Regular Plan	****	441.64	4.26	7.05	15.66	10.93	11.52	1.66
SBI Equity Savings Fund - Regular Plan	****	5,044.06	4.67	6.81	16.11	10.29	11.89	1.19
ICICI Prudential Equity Savings Fund	****	10,938.68	3.88	5.23	9.65	8.49	8.74	0.97
<b>HYBRID: AGGRESSIVE (EQUITY-ORIENTED)</b>								
SBI Magnum Children's Benefit Fund - Investment Plan	*****	2,571.71	16.25	24.36	40.92	26.28	-	1.96
JM Aggressive Hybrid Fund	*****	486.95	9.64	18.12	47.89	23.56	25.83	2.35
ICICI Prudential Equity & Debt Fund	*****	39,090.93	7.90	13.14	35.64	22.80	23.46	1.59
Bank of India Mid & Small Cap Equity & Debt Fund	*****	921.20	10.89	18.47	43.75	20.82	27.81	2.30
Edelweiss Aggressive Hybrid Fund - Regular Plan	*****	1,951.63	9.90	14.21	33.19	18.56	19.70	2.00
Quant Absolute Fund	*****	2,295.21	5.38	10.78	33.60	17.97	26.55	2.00
UTI Aggressive Hybrid Fund - Regular Plan	****	6,063.77	10.81	16.09	31.74	17.63	19.53	1.88
Kotak Equity Hybrid Fund - Regular Plan	****	6,355.01	11.48	17.28	31.28	16.85	19.88	1.78
HDFC Children's Gift Fund	*****	9,779.92	8.18	12.67	25.35	16.84	19.49	1.74
HDFC Retirement Savings Fund - Hybrid Equity Plan	****	1,555.90	7.76	10.44	24.00	14.94	18.32	2.09
Franklin India Equity Hybrid Fund	****	1,985.36	8.52	12.47	29.66	14.81	17.66	2.11
Baroda BNP Paribas Aggressive Hybrid Fund - Regular Plan	****	1,143.87	7.67	13.38	30.10	14.78	18.18	2.12
<b>HYBRID: CONSERVATIVE (DEBT-ORIENTED)</b>								
SBI Magnum Children's Benefit Fund - Savings Plan	*****	116.81	8.26	11.08	21.80	12.63	13.66	1.21
Kotak Debt Hybrid Fund - Regular Plan	****	2,677.08	5.07	6.61	17.07	10.58	12.16	1.69
HDFC Hybrid Debt Fund	****	3,316.82	4.38	6.53	15.63	10.64	11.32	1.76
ICICI Prudential Regular Savings Fund	****	3,368.03	4.63	7.65	14.66	9.80	10.40	1.66
SBI Conservative Hybrid Fund	*****	10,106.55	4.96	7.58	14.33	10.58	11.67	1.12
Canara Robeco Conservative Hybrid Fund - Regular Plan	****	966.11	4.52	6.48	12.46	7.38	9.74	1.82
<b>HYBRID: DYNAMIC ASSET ALLOCATION</b>								
HDFC Balanced Advantage Fund	*****	94,048.24	7.77	11.77	36.65	23.79	21.43	1.36
Edelweiss Balanced Advantage Fund - Regular Plan	****	12,117.03	6.23	10.27	24.12	12.41	16.21	1.69
ICICI Prudential Balanced Advantage Fund	****	60,135.00	6.43	9.80	22.22	13.46	14.48	1.46
Tata Balanced Advantage Fund - Regular Plan	****	10,051.50	5.15	8.25	20.15	12.17	14.19	1.68
<b>DEBT: FLOATER</b>								
SBI Floating Rate Debt Fund - Regular Plan	****	1,126.76	2.31	4.48	8.37	6.18	-	0.46
Aditya Birla Sun Life Floating Rate Fund - Regular Plan	*****	12,634.50	1.97	4.06	7.66	6.09	6.47	0.44
<b>DEBT: BANKING AND PSU</b>								
ICICI Prudential Banking & PSU Debt Fund	*****	9,213.52	2.13	4.03	7.63	6.15	6.69	0.74
Aditya Birla Sun Life Banking & PSU Debt Fund	****	9,424.24	2.27	4.01	7.52	5.59	6.58	0.73
HDFC Banking and PSU Debt Fund - Regular Plan	****	5,963.48	2.19	3.96	7.47	5.54	6.56	0.79
ITI Banking and PSU Fund - Regular Plan	*****	30.63	2.03	3.63	7.35	5.54	-	0.70
Bandhan Banking & PSU Debt Fund - Regular Plan	****	14,211.17	2.12	3.90	7.24	5.37	6.57	0.63
<b>DEBT: SHORT TERM</b>								
HDFC Short Term Debt Fund	****	13,653.76	2.28	4.23	7.92	5.80	6.84	0.69
ICICI Prudential Short Term Fund	****	18,403.28	2.17	4.07	7.75	6.19	6.97	1.05
Axis Short Term Fund	****	8,413.57	2.20	4.04	7.56	5.58	6.46	0.88
UTI Short Duration Fund - Regular Plan	*****	2,745.43	1.99	3.78	7.55	7.21	7.53	0.84
Aditya Birla Sun Life Short Term Fund - Regular Plan	****	8,019.38	2.21	3.98	7.53	5.77	6.68	1.01
Sundaram Short Duration Fund	*****	192.76	2.16	3.94	7.30	7.84	6.91	0.84
<b>DEBT: CORPORATE BOND</b>								
Aditya Birla Sun Life Corporate Bond Fund	****	20,993.53	2.46	4.35	8.10	6.03	7.12	0.52
HDFC Corporate Bond Fund	****	29,726.31	2.35	4.34	8.01	5.83	6.87	0.61
Nippon India Corporate Bond Fund	*****	3,287.78	2.37	4.24	7.89	6.10	6.74	0.70
Kotak Corporate Bond Fund - Standard Plan	****	13,275.17	2.37	4.22	7.85	5.74	6.47	0.67
ICICI Prudential Corporate Bond Fund	*****	27,056.37	2.18	4.14	7.77	6.28	6.99	0.58
Axis Corporate Debt Fund - Regular Plan	****	5,511.39	2.33	4.12	7.59	5.62	6.79	0.91

**12.72%**  
THE 3-YEAR RETURN OF HSBC EQUITY SAVINGS FUND IS THE HIGHEST IN ITS CATEGORY.

**21.80%**  
THE 1-YEAR RETURN OF SBI MAGNUM CHILDREN'S BENEFIT FUND IS THE HIGHEST IN ITS CATEGORY.

**7.63%**  
THE 1-YEAR RETURN OF ICICI PRU BANKING & PSU DEBT FUND IS THE HIGHEST IN ITS CATEGORY.

Expense as on 31 July 2024  
Returns as on 14 August 2024  
Assets as on 31 July 2024  
Rating as on 31 July 2024



**Did not find your fund here?**  
Log on to [www.wealth.economictimes.com](http://www.wealth.economictimes.com) for an exhaustive list.

**Methodology**  
The Top 100 includes only those funds that have a 5- or 4-star rating from Value Research. The rating of a fund vis-à-vis other funds in its category is determined by subtracting a fund's risk score from its return score. The resulting number is assigned stars according to the following distribution:

- \*\*\*\*\* Top 10% (Not covered in ETW Funds 100 listing)
- \*\*\*\* Next 22.5%
- \*\*\* Middle 35%
- \*\* Next 22.5%
- \* Bottom 10%

Debt funds with less than 18-months performance history and equity and hybrid funds with less than three-years performance track record are not rated. This ensures that all the funds have existed long enough to be tracked for consistency of performance. Given the focus on long-term investing, we have considered only the 'growth' plan of funds as it reinvests interim gains unlike 'IDCW' plan which offers periodic payouts to investors, thereby reducing NAV. The fund categories are:

**Categories**

- Equity: Large-cap:** Funds investing at least 80% in large cap stocks.
- Equity: Large & MidCap:** Funds investing at least 35% each in large and mid caps.
- Equity: Flexi Cap:** Funds investing at least 65% in equity with no particular cap on large, mid or small.
- Equity: Mid Cap:** Funds investing at least 65% in mid caps.
- Equity: Small Cap:** Funds investing at least 65% in small caps.
- Equity: Value Oriented:** Funds following value/contrarian investment strategy and grouped under 'Value' or 'Contra' categories as per SEBI.
- ELSS: Equity:** With a lock-in of three years and tax benefit under Section 80C.
- Hybrid: Aggressive:** Funds investing 65-80% in equity, and the rest in debt.
- Hybrid: Conservative:** Funds investing 10-25% in equity, and the rest in debt.
- Hybrid: Equity Savings:** Funds investing at least 65% in equity and equity related instruments, and at least 10% in debt.
- Hybrid: Dynamic Asset Allocation:** Funds which dynamically manage the asset allocation between equity and debt.
- Debt: Short Duration:** Funds with Macaulay duration between 1 and 3 years at the portfolio level.
- Debt: Corporate Bond:** Funds investing at least 72% in AA+ and above-rated corporate bonds.
- Debt: Banking and PSU:** Funds investing at least 72% in the debt instruments of banks, PSUs, public financial institutions and municipal bonds.
- Debt: Floater:** Funds investing at least 58.5% in floating-rate instruments.

**FUND RAISER**

**24%**  
of retail investors had invested through the direct channel in July 2024, compared to 21% in July 2023.

SOURCE: AMFI

# LOANS & DEPOSITS

ET WEALTH collaborates with ETIG to provide a comprehensive ready reckoner of loans and fixed-income instruments. Don't miss the information on investments for senior citizens and a simplified EMI calculator.

## Top five bank FDs

TENURE: 1 YEAR	Interest rate (%) compounded qtrly	What ₹10,000 will grow to
IndusInd Bank	7.75	10,798
RBL Bank	7.50	10,771
Bandhan Bank	7.25	10,745
YES Bank	7.25	10,745
Indian Overseas Bank	7.10	10,729
<b>TENURE: 2 YEARS</b>		
RBL Bank	8.00	11,717
IndusInd Bank	7.75	11,659
DCB Bank	7.50	11,602
IDFC First Bank	7.50	11,602
ICICI Bank	7.25	11,545
<b>TENURE: 3 YEARS</b>		
DCB Bank	7.55	12,516
RBL Bank	7.50	12,497
YES Bank	7.25	12,405
IDFC First Bank	7.25	12,405
IndusInd Bank	7.25	12,405
<b>TENURE: 5 YEARS</b>		
DCB Bank	7.40	14,428
Dhanlaxmi Bank	7.25	14,323
IndusInd Bank	7.25	14,323
YES Bank	7.25	14,323
RBL Bank	7.10	14,217

## Top five senior citizen bank FDs

TENURE: 1 YEAR	Interest rate (%) compounded qtrly	What ₹10,000 will grow to
IndusInd Bank	8.25	10,851
RBL Bank	8.00	10,824
Bandhan Bank	7.75	10,798
YES Bank	7.75	10,798
Kotak Mahindra Bank	7.60	10,782
<b>TENURE: 2 YEARS</b>		
RBL Bank	8.50	11,832
IndusInd Bank	8.25	11,774
DCB Bank	8.00	11,717
IDFC First Bank	8.00	11,717
YES Bank	7.75	11,659
<b>TENURE: 3 YEARS</b>		
DCB Bank	8.05	12,701
RBL Bank	8.00	12,682
YES Bank	8.00	12,682
Bandhan Bank	7.75	12,589
IDFC First Bank	7.75	12,589
<b>TENURE: 5 YEARS</b>		
YES Bank	8.00	14,859
DCB Bank	7.90	14,787
Axis Bank	7.75	14,678
Dhanlaxmi Bank	7.75	14,678
IndusInd Bank	7.75	14,678

## Top five tax-saving bank FDs

TENURE: 5 YEARS AND ABOVE	Interest rate (%)	What ₹10,000 will grow to
DCB Bank	7.40	14,428
Dhanlaxmi Bank	7.25	14,323
IndusInd Bank	7.25	14,323
YES Bank	7.25	14,323
RBL Bank	7.10	14,217



## HOME LOAN RATES

With effect from October 2019, all banks have made the transition to external benchmarks for pricing new home loans. Most banks have picked the RBI repo rate as the external benchmark.

**REPO RATE: 6.50%**

BANK	RLLR (%)	FOR SALARIED		FOR SELF-EMPLOYED (%)		WEF
		FROM (%)	TO (%)	FROM (%)	TO (%)	
City Union Bank	9.70	8.25	10.50	8.25	10.50	23 May 2024
IndusInd Bank	--	8.35	9.45	8.35	9.45	Not Given
UCO Bank	9.30	8.35	10.00	8.35	10.00	15 Mar 2023
Bank of Maharashtra	9.30	8.35	10.40	8.45	10.90	9 Feb 2024
Union Bank of India	9.25	8.35	10.75	8.35	10.75	11 Apr 2024
Indian Bank	9.20	8.40	9.80	8.85	10.35	3 Apr 2024
Indian Overseas Bank	9.35	8.40	10.50	8.50	10.60	13 Oct 2023
Bank of Baroda	9.15	8.40	10.60	8.40	10.60	14 Feb 2023
Bank of India	9.35	8.40	10.70	8.40	10.85	1 Jun 2024
IDBI Bank	9.10	8.45	10.75	8.55	12.25	12 Feb 2023
Canara Bank	9.25	8.50	11.20	8.55	11.25	12 Jun 2024
Punjab & Sind Bank	8.45	8.55	10.00	8.55	10.00	16 Feb 2024
Karnataka Bank	--	8.60	10.62	8.60	10.62	1 Apr 2024
Kotak Mahindra Bank	--	8.70	8.95	8.75	8.95	Not Given
South Indian Bank	9.85	8.70	11.20	8.75	11.70	Not Given
HDFC Bank	--	8.75	9.95	8.75	9.95	Not Given
Federal Bank	--	8.80	10.25	10.20	10.30	16 Feb 2024
Karur Vysya Bank	10.00	9.00	11.05	9.00	11.05	12 Feb 2024
J & K Bank	9.10	9.10	9.45	9.10	9.45	10 Apr 2024
SBI Term Loan	9.15	9.15	9.65	9.15	9.65	1 Feb 2024
Bandhan Bank	--	9.16	13.33	9.16	13.33	Not Given
ICICI Bank	--	9.25	9.90	9.40	10.05	Not Given
Dhanlaxmi Bank	8.50	9.35	10.00	9.85	10.50	1 Jun 2024

## Your EMI for a loan of ₹1 lakh

TENURE	5 YEARS	10 YEARS	15 YEARS	20 YEARS	25 YEARS
@ 7%	1,980	1,161	899	775	707
@ 8%	2,028	1,213	956	836	772
@ 9%	2,076	1,267	1,014	900	839
@ 10%	2,125	1,322	1,075	965	909

FIGURES ARE IN ₹. USE THIS CALCULATOR TO CHECK YOUR LOAN AFFORDABILITY. FOR EXAMPLE, A ₹5 LAKH LOAN AT 10% FOR 15 YEARS WILL TRANSLATE INTO AN EMI OF ₹1,075 X 5 = ₹5,375

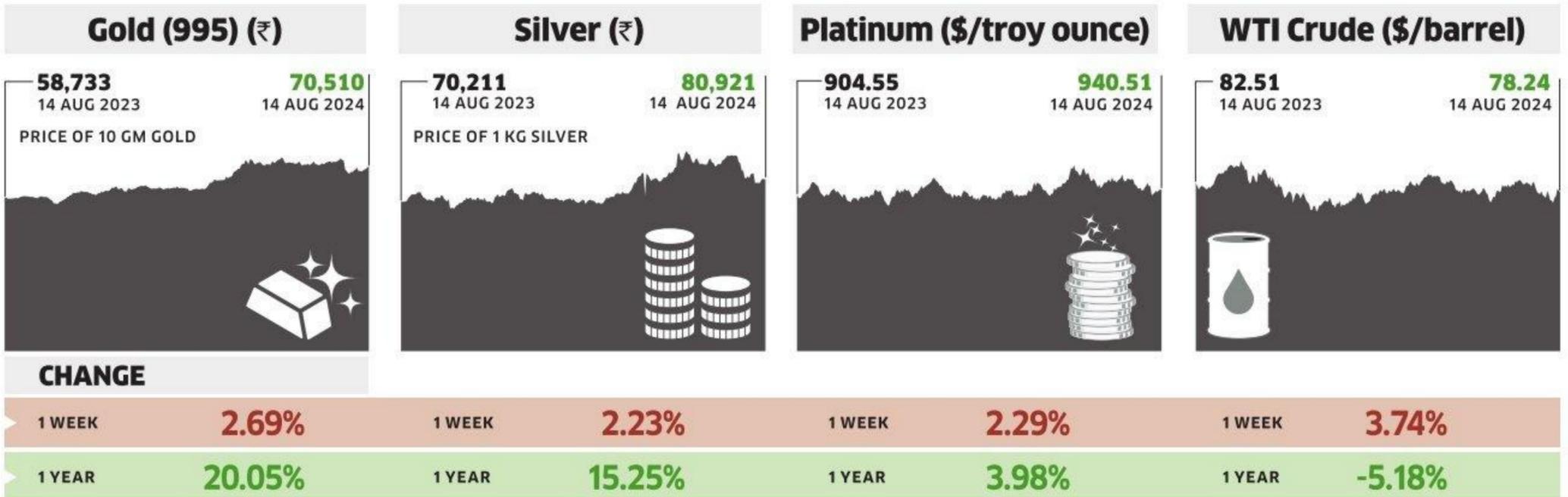
## Post office deposits



	Interest (%)	Minimum investment (₹)	Maximum investment (₹)	Features	Tax benefits
Sukanya Samridhi Yojana	8.20	250	₹1.5 lakh p.a.	One account per girl child	80C
Senior Citizens' Savings Scheme	8.20	1,000	₹30 lakh	5-year tenure, minimum age 60 yrs	80C
Public Provident Fund	7.10	500	₹1.5 lakh p.a.	15-year tenure, tax-free returns	80C
Kisan Vikas Patra	7.50	1,000	No limit	Can be encashed after 2.5 years	Nil
5-year NSC VIII Issue	7.70	1,000	No limit	No TDS	80C
Time deposit#	6.9-7.50	1,000	No limit	Available in 1, 2, 3, 5 year tenures	80C*
Post Office Monthly Income Scheme	7.40	1,000	Single ₹9 lakh	5-year tenure, monthly returns	Nil
			Joint ₹15 lakh	5-year tenure, monthly returns	Nil
Recurring deposits	6.70	100	No limit	5-year tenure	Nil
Savings account	4.00	500	No limit	₹10,000 interest tax-free	Nil

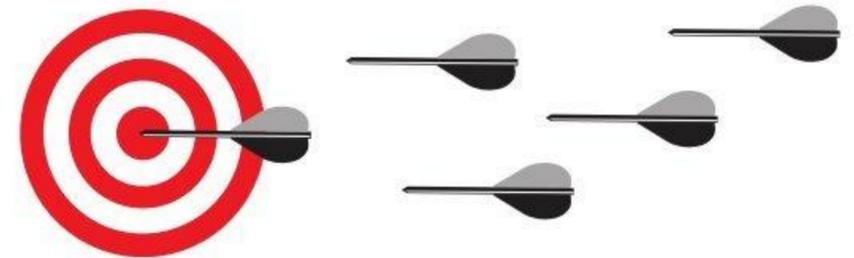
# ALTERNATIVE INVESTMENT RETURNS MONITOR

The scope and attractiveness of alternative investments is increasing. Here's a weekly tracker of returns from such investments. But don't compare these with returns from traditional investments since the proportion and purpose of alternative investments is vastly different.



## PENNY STOCKS UPDATE

Penny stocks as a recommended non-traditional investment? Not exactly. **ET WEALTH** neither has the expertise nor does it recommend investing in such stocks. But since the relatively 'low' cost of investment attracts some investors to penny stocks, we provide a weekly snapshot of this most volatile and uncertain type of stock investing.



### Top price gainers

STOCK	MARKET PRICE (₹)	1-WEEK (%) CHANGE	1-MTH (%) CHANGE	1-MONTH AVG VOL (LAKH)	1-MONTH AVG VOL CHG (%)	MKT CAP (₹ CR)
Filmcity Media	3.53	26.52	<b>177.95</b>	0.45	-100.00	10.80
Sumeet Industries	4.34	-9.21	<b>73.60</b>	3.62	31.55	44.98
Diligent Media Corp.	7.94	15.24	<b>57.23</b>	0.91	-8.32	93.45
Luharuka Media & Infra	5.20	-10.03	<b>55.69</b>	8.50	519.26	97.45
Venlon Enterprises	9.00	35.95	<b>54.37</b>	0.11	37.72	47.02
BITS	7.76	10.07	<b>53.66</b>	1.14	48.07	86.83
Perfect-Octave Media	4.00	-3.85	<b>50.38</b>	0.92	1,768.02	13.88
LCC Infotech	7.20	10.09	<b>49.07</b>	1.01	-32.52	91.15
Sakuma Exports	8.95	43.66	<b>44.12</b>	15.66	-38.94	1,449.45
Shekhawati Industries	8.05	9.97	<b>43.49</b>	5.12	35.66	277.48

### Top volume gainers

STOCK	MARKET PRICE (₹)	1-WEEK (%) CHANGE	1-MTH (%) CHANGE	1-MTH AVG VOL (LAKH)	1-MONTH AVG VOL CHANGE (%)	MKT CAP (₹ CR)
Perfect-Octave Media	4.00	-3.85	50.38	0.92	<b>1,768.02</b>	13.88
Sanwaria Consumer	0.49	0.00	0.00	2.34	<b>1,209.64</b>	36.07
IFL Enterprises	1.17	-3.31	-5.65	289.88	<b>1,127.24</b>	87.21
Shah Metacorp	5.95	-11.19	31.93	30.59	<b>616.79</b>	249.36
Luharuka Media & Infra	5.20	-10.03	55.69	8.50	<b>519.26</b>	97.45
Akshar Spintex	1.95	-19.75	-20.08	17.91	<b>473.10</b>	58.50
Viji Finance	2.00	-9.50	-31.97	2.93	<b>438.34</b>	28.50
Pratik Panels	5.73	0.17	-1.21	1.73	<b>392.98</b>	36.61
GACM Technologies	1.40	19.66	17.65	17.79	<b>388.97</b>	95.28
Leading Leasing Finan.	3.93	1.81	33.22	6.21	<b>364.15</b>	41.93

### Top price losers

GVK Power & Infra.	4.80	-9.09	<b>-52.66</b>	7.26	-8.97	758.02
Rollatainers	2.48	-17.88	<b>-42.33</b>	1.87	-57.44	62.02
Remedium Lifecare	9.75	-21.94	<b>-40.73</b>	50.54	112.50	393.12
Viji Finance	2.00	-9.50	<b>-31.97</b>	2.93	438.34	28.50
Grandma Trading Agencies	1.79	-7.73	<b>-30.89</b>	3.10	17.87	23.38
Rolta India	3.38	-15.71	<b>-28.84</b>	1.32	3.81	56.07
Vama Industries	7.96	-9.34	<b>-28.55</b>	1.39	-67.47	41.83
Saianand Commercial	0.60	-9.09	<b>-26.83</b>	27.07	15.59	13.63
Sun Retail	0.81	-4.71	<b>-25.69</b>	11.15	-54.85	12.57
Bridge Securities	3.74	-9.00	<b>-23.36</b>	1.69	-11.37	12.57

### Top volume losers

KBC Global	1.73	-4.95	-12.18	13.41	<b>-84.85</b>	258.34
Ashirwad Capital	4.68	-0.64	-7.51	2.09	<b>-76.24</b>	42.12
Sundaram Multi Paper	3.01	-4.75	-13.51	3.96	<b>-75.84</b>	142.64
RO Jewels	3.83	-5.90	-18.34	6.23	<b>-72.28</b>	19.32
Amraworld Agrico	1.11	-6.72	-2.63	5.46	<b>-71.62</b>	13.35
East West Freight Carriers	6.45	-0.77	-7.59	2.82	<b>-70.98</b>	82.27
Monotype India	0.92	12.20	-6.12	9.90	<b>-69.21</b>	64.69
Ashapuri Gold Ornament	6.98	-3.59	-10.51	12.80	<b>-69.13</b>	232.64
Visagar Financial Services	0.84	-2.33	-8.70	49.96	<b>-67.55</b>	49.05
Vama Industries	7.96	-9.34	-28.55	1.39	<b>-67.47</b>	41.83

STOCKS HAVE BEEN SELECTED USING THE FOLLOWING FILTERS: PRICE LESS THAN ₹10, ONE-MONTH AVERAGE VOLUME GREATER THAN OR EQUAL TO 1 LAKH, AND MARKET CAPITALISATION GREATER THAN OR EQUAL TO ₹10 CRORE. DATA AS ON 14 AUG 2024. SOURCE: ETIG DATABASE AND REUTERS-REFINITIV

## HDFC TOP 100

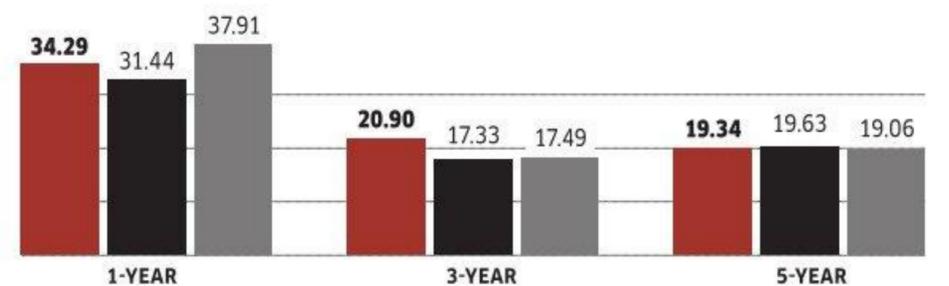
# Needs to sustain the turnaround

ET Wealth collaborates with Value Research to analyse top mutual funds. We examine the key fundamentals of the fund, its portfolio and performance to help you make an informed investment decision.

## HOW THE FUND HAS PERFORMED

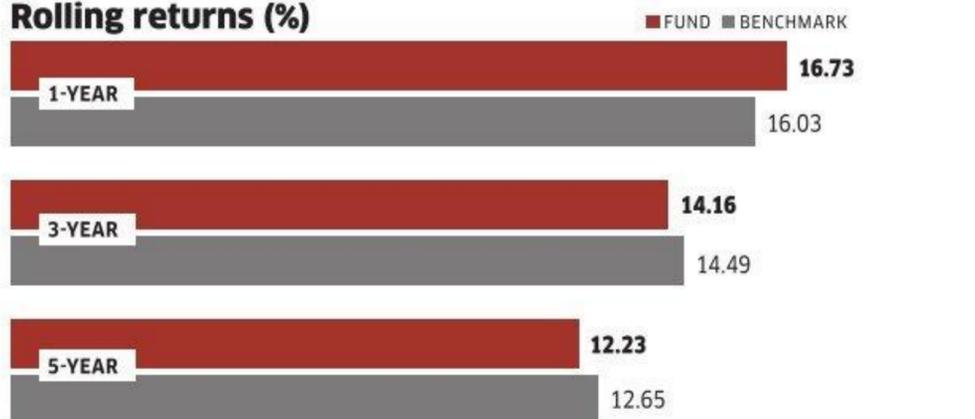
### Point-to-point returns (%)

FUND BENCHMARK CATEGORY AVERAGE



The fund has beaten the index but has lagged behind many of its peers over the past year. AS ON 12 AUG 2024

### Rolling returns (%)

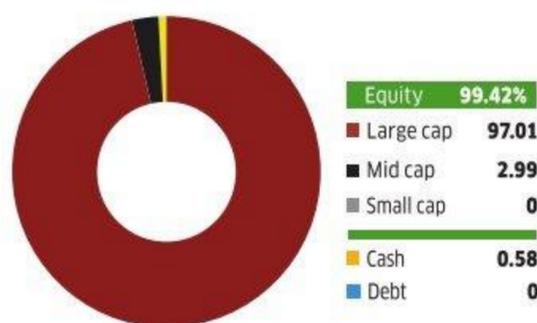


The fund's long-term track record indicates under-performance over 3- and 5-year time frames. AS ON 12 AUG 2024

Note: Different benchmark (BSE 100 TRI) has been used due to non-availability of stated benchmark data. Returns have been rolled daily over the past decade for relevant time frames.

## WHERE THE FUND INVESTS

### Portfolio asset allocation



The fund currently runs a near 100% large-cap tilt. AS ON 31 JUL 2024

### Fund style box



AS ON 31 JUL 2024

## BASIC FACTS

DATE OF LAUNCH

9 APRIL 1996

CATEGORY

EQUITY

TYPE

LARGE CAP

AUM\*

₹37,081 crore

BENCHMARK

NIFTY 100 TOTAL RETURN INDEX

## WHAT IT COSTS

NAV\*\*

GROWTH OPTION

₹1,136.07

IDCW

₹63.50

MINIMUM INVESTMENT

₹100

MINIMUM SIP AMOUNT

₹100

EXPENSE RATIO\* (%)

1.60

EXIT LOAD

1% for redemption within 365 days

\*AS ON 31 JUL 2024

\*\*AS ON 12 AUG 2024

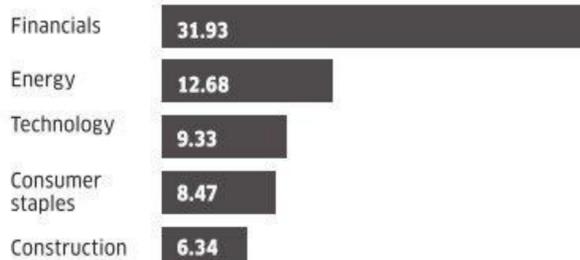
#AS ON 31 JUL 2024



**FUND MANAGER**  
RAHUL BAIJAL

2 YEARS

### Top 5 sectors in portfolio (%)



The fund portfolio is heavily tilted towards financials. AS ON 31 JUL 2024

### Top 5 stocks in portfolio (%)



The fund portfolio is reasonably diversified with large positions in its top bets. AS ON 31 JUL 2024

## Recent portfolio changes

### New entrants

Cummins India (May).

DLF, Zomato (Jun).

### Complete exits

Wipro (May).

## How risky is it?

	Fund	Category	Index
Standard Deviation	12.39	14.06	13.02
Sharpe Ratio	1.28	0.95	1.02
Mean Return	21.41	18.51	18.79

BASED ON 3-YEAR PERFORMANCE.

The fund retains a superior risk-return profile among its peers. AS ON 31 JUL 2024

Source: Value Research

Should You Buy



The fund has been going through a transition phase following the exit of its previous veteran fund manager, Prashant Jain. While the fund was then run with a distinct contrarian stance, the new fund manager adopts a blend of growth and

value. He prefers companies with strong moats, robust processes and systems, and a long track record of riding through business cycles, supplemented by demonstrated corporate governance. After a prolonged lean patch till 2020, the fund

has witnessed a turnaround in recent years as it has benefitted from the market's preference for value stocks. It has been able to beat the index comfortably, but investors should let the new captain build a track record of consistent delivery.

# Radico Khaitan: Decent prospects

Stability in raw material prices, strong product portfolio and industry tailwinds to drive performance.

The manufacturer and trader of alcoholic products reported a strong performance in the June quarter despite a challenging operating environment. Its revenue and PAT surpassed Reuters-Refinitiv estimates by 1.2% and 13%, respectively. Despite low consumption growth and volatile commodity prices, top line and bottom line registered a double-digit growth on a year-on-year basis.

The performance was driven by a robust volume growth in the P&A (Prestige and Above) segment and ramp-up in the non-IMFL (Indian Made Foreign Liquor) revenue aided by the start of the Sitapur plant. The company has an annual distillation capacity of 321 million litre and offers over 25 brands. It has over 1 lakh retail outlets in India and exports to over 100 countries. Moreover, it is a leading supplier of branded IMFL to the Canteen Stores Department (CSD), a segment with high entry barriers due to strict brand requirements.

The company is benefitting from the improving growth prospects of the spirits industry, driven by positive demographics, rising urbanisation, premiumisation, emerging spirits categories other than whisky, social acceptance and an aspirational consumer base. The evolving retail landscape through modern stores and digital integration is also making it easier to buy alcohol. The company's 2023-24 annual report cites Euromonitor International estimates, which predict IMFL sales volume to grow at a CAGR of 5.6% between 2024 and 2028.

While the raw material price inflation is creating challenges, mix improvement and price hikes have partially helped offset the effect. A good monsoon is also expected to moderate grain prices in the coming months. This, coupled with declining glass bottle prices, improving crop yields and backward

integration benefits (through Rampur and Sitapur units), are expected to support margins in the future. The management has guided 16-17% EBITDA margins in 2025-26.

The company has taken strategic steps to sustain growth momentum. Prudent marketing investments over existing core brands, successful product launches in the luxury space (Indian single malt and Indian craft gin), extensive distribution network, efficient supply chain management, technology-driven R&D, and emphasis on innovation and customer-centricity are some such initiatives.

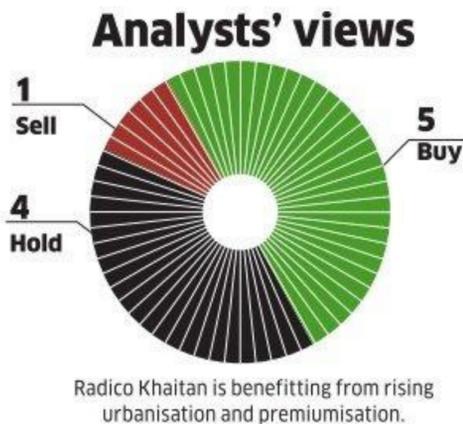
It is also aiming to strengthen its brand portfolio through targeted marketing and introduction of select new brands in the luxury and premium space. In the export market, the management is focusing on expanding its luxury portfolio in travel retail and on-trade placements.

The current net debt of ₹700 crore is manageable. The management aims to be debt-free by 2025-26 through effective management of working capital. Moreover, its major capital expenditure is over, which will also support debt reduction. The stock has outperformed the market benchmark in the past year, with

23.3% returns, compared to the BSE Sensex's 20.9% returns.

**Selection methodology:** We pick the stock that has shown the maximum increase in 'consensus analyst rating' during the past three months. The consensus rating is arrived at by averaging all analyst recommendations after attributing weights to each of them (1 for strong buy, 2 for buy, 3 for hold, 4 for sell, 5 for strong sell). An improvement in consensus analyst rating indicates that the analysts are getting bullish on the stock. Only stocks with more than five analysts covering them are considered. You can see similar consensus analyst rating changes during the past week in ETW 50 table.

—Sameer Bhardwaj



## Fundamentals

	ACTUAL		CONSENSUS ESTIMATE	
	2022-23	2023-24	2024-25	2025-26
Revenue (₹ cr)	3,142.82	4,118.52	4,940.28	5,524.39
EBITDA (₹ cr)	358.35	506.06	702.61	849.91
Net profit/loss (₹ cr)	220.35	262.17	394.10	517.14
EPS (₹)	16.48	19.61	29.51	38.71

## Valuations

	PBV	PE	DIVIDEND YIELD (%)
Radico Khaitan	9.04	81.32	0.18
United Spirits	14.37	72.29	0.64
United Breweries	11.98	111.93	0.53
Globus Spirits	2.56	33.99	0.40
Sula Vineyards	7.22	42.10	1.81

## Brokerage calls

RECO DATE	RESEARCH HOUSE	ADVICE	TARGET PRICE (₹)
9 Aug '24	Dolat Capital	Buy	2,020
9 Aug '24	Antique Stock Broking	Buy	1,996
9 Aug '24	HDFC Securities	Add	1,850
8 Aug '24	Sharekhan	Buy	1,995
8 Aug '24	Elara Capital	Buy	2,000

## Relative performance



Radico Khaitan is compared with ET 500 and BSE Sensex. Stock and index values normalised to a base of 100. Source: ETIG and Reuters-Refinitiv



## WHAT EXPERTS ADVISE

### BUY

STOCK	RESEARCH HOUSE	ADVICE	STOCK PRICE (₹)	1-YEAR TARGET PRICE (₹)	POTENTIAL UPSIDE (%)	COMMENT
Dynamatic Technologies	ICICI Securities	Buy	6,684	10,250	53.4	Maintain 'buy' due to stable performance in the June quarter, led by the aerospace division. Focus on industrialisation of large orders and emphasis on high-margin products in metallurgy will boost earnings in the future.
Tilaknagar Industries	Systematix	Buy	245	327	33.5	Reiterate 'buy' due to strong operating performance in the June quarter. Debt reduction, cost optimisation measures, continued premiumisation, improving state and brand mix are key positives.
La Opala	Centrum Broking	Buy	305	393	28.9	Retain 'buy' due to its strong brand recall, improved backward integration, leaner balance sheet and strong cash flows. The demand is expected to improve after the September quarter, led by strong gifting during the wedding season.
Samvardhana Motherson	Nuvama	Buy	181	220	21.5	Reiterate 'buy' as a large order book, strong management capabilities and inorganic efforts will drive growth. Also, content per vehicle is likely to improve due to premiumisation, electrification and hybridisation in both domestic and overseas markets.
Hindalco Industries	Motilal Oswal	Buy	621	750	20.8	Reiterate 'buy' due to decent performance in the June quarter, led by favourable pricing and lower input costs. Margins will also remain strong in the future due to controlled cost of production in aluminium business. Novelis, too, is expected to do well.
Jubilant Foodworks	Sharekhan	Buy	599	721	20.4	Maintain 'buy' due to better operating performance by Domino's India in the June quarter. Also, acquisition of DP Eurasia and strong growth prospects of emerging businesses will bode well for the company.

### SELL

STOCK	RESEARCH HOUSE	ADVICE	STOCK PRICE (₹)	1-YEAR TARGET PRICE (₹)	POTENTIAL DOWNSIDE (%)	COMMENT
Deepak Nitrite	Prabhudas Lilladher	Reduce	3,055	2,780	-9.0	Retain 'reduce' as headwinds, such as pressure on realisations and inventory destocking from China, are expected to persist. It is likely to face cash constraints due to ongoing challenges in the agrochem sector.

# Opt for NPS benefit from employer

Sudhir Kaushik of TaxSpanner.com tells readers how they can optimise their tax by rejigging their incomes and investments.

Pune-based software professional Sanjay Saxena earns well, but also pays a very high tax. This is because his salary structure is not tax-friendly, he doesn't avail of all the deductions available to him, and invests in tax-inefficient fixed deposits. The leave travel allowance (LTA) is exempt from tax if claimed twice in a block of four years. However, Saxena is not able to claim it because the travel bills are far below the ₹1.5 lakh LTA in his salary. Even so, TaxSpanner estimates that Saxena can save more than ₹1 lakh in tax if he opts for the NPS benefit offered by his company and also invests in the pension scheme on his own.

Saxena should start by opting for the NPS benefit. Under Section 80CCD(2), up to 10% of the employee's basic salary put in the pension scheme is tax-free. If his company puts ₹11,233 (10% of his basic pay) in the NPS every month, his annual tax will reduce by about ₹42,000. Another ₹15,600 will be saved if he invests ₹50,000 in the pension scheme on his own under Section 80CCD(1b). At 47, he should ideally have a conservative allocation, but since he has no other equity exposure, he should put the maximum 75% of the corpus in equity funds.

Saxena is risk-averse and has about ₹18 lakh in fixed deposits. Last year, he earned ₹1.24 lakh in interest and paid a tax of almost ₹39,000 on this. If he shifts from fixed deposits to arbitrage funds, he will be able to earn tax-free returns of up to ₹1.25 lakh a year.

More tax can be saved if his company offers him newspaper and books allowance. If he gets newspaper allowance of ₹2,000 per month, his annual tax will reduce by around ₹7,500.

## INCOME FROM EMPLOYER

INCOME HEAD	CURRENT	SUGGESTED
Basic salary	13,48,000	13,48,000
House rent allowance	5,70,000	5,70,000
Special allowance	12,45,600	10,86,800
Other allowances	4,32,000	4,32,000
Conveyance & fuel reimbursements	1,50,000	1,50,000
Leave travel allowance	1,50,000	1,50,000
Food coupons	26,000	26,000
Newspaper allowance	0	24,000
Performance incentive	12,00,000	12,00,000
Employer's contribution to Provident Fund	1,61,760	1,61,760
Contribution to NPS under Sec 80CCD(2)	0	1,34,800
<b>TOTAL</b>	<b>52,83,360</b>	<b>52,83,360</b>

Reduce this taxable component of the salary package.

This is tax-free subject to reasonable limits and submission of genuine bills.

Up to 10% of basic pay put in the NPS is tax-free.

## + INCOME FROM OTHER SOURCES

Interest income	1,24,000	0
Capital gains	0	0
Rental income	0	0
<b>TOTAL</b>	<b>1,24,000</b>	<b>0</b>

Go for arbitrage funds to avoid tax on interest from fixed deposits.

All figures are in ₹

⬆ Denotes suggestion to increase ⬇ Denotes suggestion to reduce

## Tax-saving investments

INVESTMENT OPTION	CURRENT (₹)	SUGGESTED (₹)
Provident Fund	1,61,760	1,61,760
Life insurance	36,400	36,400
NPS under Sec 80CCD(1b)	0	50,000
<b>TOTAL ADMISSIBLE</b>	<b>1,50,000</b>	<b>2,00,000</b>

Invest in the NPS on your own as well.

## Other deductions

EXEMPTION OR DEDUCTION	CURRENT (₹)	SUGGESTED (₹)
Home loan interest	2,25,000	2,46,929
Medical insurance	42,747	42,747
<b>TOTAL ADMISSIBLE</b>	<b>2,42,747</b>	<b>2,50,000</b>

## Sanjay Saxena's tax

TAX ON SALARY	TAX ON INTEREST INCOME	TAX ON CAPITAL GAINS
<b>CURRENT</b>		
₹12,09,890	₹38,688	0
<b>₹12,48,578</b>		
<b>SUGGESTED</b>		
₹11,44,745	0	0
<b>₹11,44,745</b>		

**TOTAL TAX SAVED**  
₹1,03,833  
PER YEAR

**TAX RATIO**  
(Total tax as % of annual income)

EXISTING	SUGGESTED
23.1%	21.6%

**WRITE TO US FOR HELP**

Paying too much tax? Write to us at etwealth@timesgroup.com with 'Optimise my tax' as the subject. Our experts will tell you how to reduce your tax by rejigging your pay and investments.

# Use monthly surplus to pay off home loan

Subhrodeep Mukherjee is saving for multiple goals. Here's what the doctor has advised him.

## PORTFOLIO DOCTOR



Not many investors know whether they have invested in the right funds and if their fund portfolio is on track. The Portfolio Doctor assesses the health of the fund portfolio, examines the schemes and their suitability with regard to the goals and, if required, recommends corrective measures. The advice given is based on the performance of the funds, the risk profile of the investor as well as his financial goals.

### PORTFOLIO CHECK-UP

- Has been investing in equity funds for 7-8 years. Started with ELSS and added other funds later.
- Targets are ambitious and require higher investment per month.
- Ongoing SIPs will also have to be increased by 10% every year.
- Don't invest to build bigger corpus to pre-pay home loan. Start prepaying right away.
- Use monthly surplus to hike EMI. Windfall gain or extra cash should also be used to prepay home loan.

### Note from the doctor

- Open NPS account to save for retirement. Opt for balanced allocation to equity and debt funds.
- Buy term insurance plan of at least ₹1 crore to safeguard goals.
- Review investments and rebalance at least once in a year.
- Reduce risk when goal is near so that you don't miss the target.

GOALS	HOME LOAN REPAYMENT 5 years CURRENT LOAN: ₹30 lakh FUTURE OUTSTANDING: ₹15 lakh	CHILD'S EDUCATION 7 years PRESENT COST: ₹40 lakh FUTURE COST: ₹77.95 lakh	CHILD'S WEDDING 15 years PRESENT COST: ₹72 lakh FUTURE COST: ₹2 crore	RETIREMENT INCOME 21 years CURRENT NEED: ₹2 crore (₹80,000 a month) CORPUS NEEDED: ₹8.28 cr	
INVESTMENT	AMOUNT INVESTED (₹)	EXISTING SIP (₹)	RECOMMENDED ACTION	NEW SIP (₹)	
1	Axis ELSS Tax Saver	1,86,363	0	Exit from this consistent underperformer after lock-in period ends and use proceeds to pay off home loan.	0
2	HDFC Mid Cap Opportunities	3,90,672	10,000	Continue SIPs in this outstanding mid-cap fund. Hike amount by 10% every year.	10,000
	SBI Contra Fund	2,55,322	2,500	Increase SIPs to ₹5,000 in this outperforming value fund. Increase by 10% every year.	5,000
	Axis India Manufacturing	2,49,151	2,500	The new thematic fund launched this year is yet to prove its mettle. Consider moving to ICICI Pru Large & Midcap for stable returns.	0
	ICICI Pru Large & Midcap	0	0	Start SIPs of ₹5,000 in this stable large- and mid-cap fund. Hike amount by 10% every year.	5,000
	PPF	4,54,000	5,000	Reduce contribution to ₹500 per month. Use maturity proceeds for post-graduation expenses in nine years.	500
3	Nippon India Small Cap	60,282	10,000	Continue SIPs in this outstanding small-cap fund. Hike amount by 10% every year.	10,000
	Quant Mid Cap	48,687	10,000	Continue SIPs, but keep a close watch on this momentum-oriented mid-cap fund. Hike SIP amount by 10% every year.	10,000
4	JM Flexicap	23,301	10,000	This flexi-cap fund has done very well. Continue SIPs and increase amount by 10% every year.	10,000
	HDFC Retirement Savings Equity	0	0	Start SIPs of ₹8,000 in this outstanding flexi-cap fund. Hike amount by 10% every year.	8,000
	NPS	0	0	Start SIPs of ₹5,000 in this low-cost pension scheme. Hike amount by 10% every year.	5,000
	Employee Provident Fund	25,00,000	28,000	Keep contributing and do not withdraw before retirement.	28,000
<b>TOTAL</b>	<b>₹41,67,778</b>	<b>₹78,000</b>	The goals can be reached using the mutual funds marked in the same colour.	<b>₹91,500</b>	

### Assumptions used in the calculations

INFLATION	
Education expenses	For all other goals
<b>10%</b>	<b>7%</b>
RETURNS	
Equity funds	Debt options
<b>12%</b>	<b>8%</b>

# Invest regularly to reach target

Manoj Sharma wants to accumulate ₹1 crore in 12 years. Here's what the doctor has advised him.

GOAL
<b>WEALTH CREATION</b> TIME AVAILABLE: <b>12</b> years TARGETED AMOUNT: <b>₹1 crore</b>

### PORTFOLIO CHECK-UP

- Started investing in four equity schemes recently.
- Investing in a good mix of large-, mid- and small-cap funds.
- Target of ₹1 crore in 12 years reachable if he invests regularly and hikes SIPs by 10% every year.
- In 12 years, 6% inflation will reduce purchasing power of ₹1 crore to ₹47.6 lakh.

FUND NAME	AMOUNT INVESTED (₹)	EXISTING SIP (₹)	RECOMMENDED ACTION	
1	ICICI Pru Sensex Index	10,300	5,000	Continue SIPs in this index fund. Hike amount by 10% every year.
	DSP ELSS Tax Saver	10,600	5,000	This ELSS fund has turned around in recent months. Continue SIPs and hike amount by 10% every year.
	Kotak Emerging Equity	5,320	5,000	Keep investing in this stable mid-cap fund. Increase by 10% every year.
	Axis Small Cap	5,160	5,000	Continue SIPs in this outstanding small-cap fund. Hike amount by 10% every year.
<b>TOTAL</b>	<b>₹31,380</b>	<b>₹20,000</b>		



PORTFOLIOS ANALYSED BY  
**RAJ KHOSLA**,  
Managing Director  
and Founder,  
MyMoneyMantra



### WRITE TO US FOR HELP

If you want your portfolio examined, write to [etwealth@timesgroup.com](mailto:etwealth@timesgroup.com) with 'Portfolio Doctor' as the subject. Mention the following information:

- Names of the funds you hold.
- Current value of the investment.
- If you have SIPs running in any of them.
- The financial goals for which you invested.
- How much you need for each financial goal.
- How far away is each goal.

## Readers' response, online and in print, to ET Wealth stories has been enlightening. We pick some that add information and perspective to our articles from previous issues.

The cover story, 'Smart ways to invest for children', underscored the need for parents to engage a financial planner while investing their hard-earned money for their children's future. A professional adviser can help one navigate financial uncertainties with confidence and ease. Also, the government needs to keep inflation in control so that the value of savings doesn't get eroded over time. With the right administrative mechanisms in place, this will be achievable.

**S. Ramakrishnasayee**

The article, 'Has gold lost sheen after duty cut?', was well-written. It effectively analysed the government's move to go in for a duty cut, and its impact on gold prices and sovereign gold bonds (SGBs). The government cannot please all and some investors may experience a setback but, overall, the move will be beneficial. Any decision taken by the government is bound to be criticised. However, in the long run, the duty cut is aimed at preventing gold smuggling and will boost the export market.

**Haridas**

### Insurance is crucial

In the cover story, 'Smart ways to invest for children', I agree that insurance forms the cornerstone of any solid financial plan. However, as in any profession, insurance has its share of highly knowledgeable and less informed workers. Financial planning involves wealth creation, expansion, and protection. A competent insurance adviser plays a crucial role in wealth protection, which includes a financial pyramid, comprising medical insurance, life insurance, disability insurance, and personal accident coverage. The insurance advisory profession is inherently noble and there are a fair number of good people who give sound advice.

**Vivek G. Laghate**



The article on gold duty rollback was very timely. A nine percentage point cut in gold prices is set to rock the boat for those who are in the gold loan business. Most lenders offer high loan amounts against gold. The move by the government now puts pressure

on both the borrowers and lenders, who will need to keep a watch on gold prices. Perhaps the international gold prices will reach new highs and this will offset the impact of the steep import duty cut.

**Padamnoor Pradeep**

I read Dharendra Kumar's article, 'Mutual fund investors need higher tax awareness' with great interest. The government seems to harbour the notion that mutual fund investors are making big profits, so it should tax them. This approach is questionable, especially since the government is already collecting substantial revenue from GST, STT, and dividends from the Reserve Bank. I agree with the writer that mutual fund investors need to be fully aware of the tax implications of their investment choices. It's not something one can ignore any longer.

**Prabhakar Sunku**

In the example mentioned in Uma Shashikant's article 'Need for end-of-life planning', the husband should have made it clear in his will that his wife would inherit his properties if he predeceased her, and that upon her death, the properties would be sold and the proceeds distributed to charity as per the will. This clarity would have spared his wife the hassle of making her own will. I agree with the writer that the path to distribution of wealth after one's lifetime is strewn with obstacles.

**G. Sitaram**

## BACK TO BASICS

# Understanding asset allocation

If you are confused by personal finance terms, jargon and calculations, here's a new series to simplify and deconstruct these for you. In the 12th part of this series, **Riju Mehta** explains what asset allocation means.

### WHAT IS ASSET ALLOCATION?

People invest in a variety of instruments, including mutual funds, stocks, gold, real estate, among many others, to achieve their financial goals. These instruments are typically divided into four broad categories: equity, fixed income, cash or cash equivalents, and alternative investments.

While equity includes market-linked instruments such as stocks and equity mutual funds, fixed income comprises debt instruments like fixed deposits, debt-oriented funds, bonds, certificates of deposit and other government securities. Cash equivalents include bank savings accounts, money market funds, etc, and alternative investments include real estate, private equity, derivatives, arts, commodities, etc.

When you spread out your investments across any of these categories in varying proportions as per your need, you are allocating your assets, which is what asset allocation is all about.

### FACTORS AFFECTING ASSET ALLOCATION

Asset allocation is different for each individual, depending on his financial objectives, time horizon for his goals, as well as his age and risk tolerance.

**Goal value & time horizon:** An investor typically chooses assets depending on the amount he needs for his goals and the time available to invest. Suppose you have a long horizon and want to amass a large corpus for, say, retirement. You can pick for your core investment a high-risk, high-return asset like stocks and equity funds, and put in a smaller amount in debt instruments. This is because you have the time to ride out any market fluctuation while deriving a high return from your equity asset. On the other hand, if your goal horizon is short, say, 2-3 years, you can pick a safer fixed income option like fixed deposit or debt funds as the core asset because you need to preserve your capital.

**Age & risk appetite:** The investor's age and risk tolerance are also deciding factors because at a young age, one can afford to take risk and opt for market-linked assets, while older age demands safer instruments. Also, if one is risk-averse and not comfortable with market swings, the assets will tilt towards safer options like gold, real estate and bonds.

### WHY IS IT IMPORTANT?

Asset allocation helps manage and reduce risk in one's portfolio while optimising returns. This is because spreading investments in assets with varying risks means that in case of market fluctuation, if one asset falls, another could go up, as all assets do not move in the same direction. This offers stability to the portfolio.

### ASSET ALLOCATION STRATEGIES

**Strategic:** Also called 'fixed' or 'buy and hold' strategy, it involves sticking to a predecided asset allocation throughout your investment term. So, if you decide to invest 75% in equity and 25% in debt, you will retain this balance till you remain invested.

**Tactical:** As opposed to the rigidity of strategic allocation, here the asset allocation is altered in the

short term to benefit from market opportunities. So, if the market experiences swings, one can change the asset proportion to reap higher returns. However, this requires expertise in market movements and is not advisable for beginners.

**Dynamic:** In complete contrast to the strategic allocation, this strategy allows you to continuously change your asset allocation in tandem with the changes in the market situation.



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The Writer Publishers Weekly TLS  
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The New York Review of Books  
NYT Book Review Harper's Magazine The Critic Men's Health  
Mens Fitness Women's Health  
Womens Fitness Better Photography  
Architectural Digest Writing Magazine Pratiyogita Darpan

Sport

Cricket Today The Cricketer  
Wisden Cricket Monthly  
Sports Illustrated World Soccer Tennis Sportstar FourFourTwo  
Auto & Moto

Autocar India UK BBC TopGear  
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Tech

Wired PC Magazine Maximum PC  
PCWorld Techlife News T3 uk India  
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Popular Mechanics PC Gamer  
Macworld Linux Format  
MIT Technology Review

Fashion & Travel

Elle Vogue Cosmopolitan  
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Comics

Tinkle Indie Comics Image Comics  
DC (Assorted) Marvel (Assorted)  
Indie Comics Champak

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Real Simple Better Homes and Gardens Cosmopolitan Home  
Elle Decor Architectural Digest  
Vogue Living Good Housekeeping  
The Guardian feast The Observer Food Monthly Nat Geographic Traveller Food Food Network

Other Indian Magazines

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Mutual Fund Insight Wealth insight  
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Voice & Data

हन्दी मैगज़ीन

समय पत्रिका साधनापथग हलकषमी उदयइंडिया नरिगधाम मॉडर्न खेतीइंडिया टुडेदेवपुत्र  
कुरकिट टुडेग हथोभा अर्नखीहन्दिस्तानमुक्ता सरति चंपक परतयोगिता दरपण सक्सेसे मरि  
सामान्य ज्ञान दरपण फारम एवं फुड मनोहर कहानियां सत्यकथा सरस सललि स्वतंत्र वार्ता लाजवाब आउटलुकसचची शकिषावनति  
मायापुरी रूपायन उजाळा ऋषि पुरसाद जोश रोजगार समाचार जोश करंट अफेयर्स जोश सामान्य ज्ञान जोश बैकग और एएसएससी  
इंडिया बुक ऑफरकिरइसपरक् तमिल  
राजस्थान रोजगार संदेश राजस्थान सूजससखी जागरण अहा! जदिगी बाल भास्कर योजना कुरकषैन्  
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