



## Knowledge Initiative

**Dear Patrons,**

**Happy Diwali!**

We are pleased to share our monthly newsletter “**Knowledge Initiative**” for October 2014.

We thank you for reading and acknowledging our newsletter month on month. Knowledge Initiative Team is committed to bring you more educative and informative articles in the Financial Year 2014-15.

We would very much appreciate your feedback which consistently helps us in improving and upgrading the contents.

Also send us your questions or queries related to any financial product.

### **The Issue includes:**

1. Investor Awareness Programs
2. Arbitrage Funds: Flavor of the Season
3. Importance of Contingency Funds
4. Health Insurance: A Necessity
5. Top News on Reality in India
6. Investment Opportunities in Real Estate



**Akhil Chugh**  
Director

**Warm Regards,**

**Akhil Chugh**



## Investor Awareness Programs

We have been conducting Investor Awareness Programs in Corporate in Delhi/NCR region for quite some time now. Some of the topics covered are: Saving and investing, delay in investing, time value of money, when to invest, etc.

During the presentation we came across different set of age groups, but the maximum were in the range of 25-35 years. There were people who had heard about systematic investment plans (SIP) offered by mutual funds, but were still in the thinking mode. Some of them were not aware about the concept at all. And then there were people with old school of thoughts of investing in Fixed Deposits.

A lot of emphasis was on how inflation eats up your returns in the long run. Currently the Consumer Price Inflation (CPI) stands at 6.46% and with Fixed Deposits at 9% p.a you can't even beat inflation. Post tax returns on FD with 20% and 30% tax slab stands at approx 7.2% and 6.3% respectively. In the fixed income space, one can consider income funds offered by mutual funds as they offer good alternatives to Bank FDs with better tax adjusted returns.

The main agenda of the Investor Awareness Program is to encourage people to invest in equity and debt schemes of mutual funds through systematic investment plans (SIP) to achieve their Financial Goals like Retirement, Children Future Planning, Buying a Home, etc. SIPs in Top Equity Mutual Funds have delivered returns close to 20% CAGR in last 10 years.

**One of the important illustrations we shared was on "Delay in Investing":**

**Monthly saving for a corpus of Rs. 1 crore at 60 years @12% p.a.**

Investment begins at	Monthly saving required Rs.
25 Years	1,555
30 Years	2,861
35 Years	5,322
35 Years	10,109
45 Years	20,107

\*For Illustrative purpose only

### **Every 5 year delay doubles the monthly saving needed to meet the corpus**

The main intention behind Investor Awareness programs is not only to generate good database, but to spread financial literacy among people on various financial products in the market and help them select the most suitable investment product.

**For more information on Investor Awareness Programs, contact us on [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)**



## Arbitrage Funds: Flavor of the Season

The change in tax provision of debt mutual funds has seen an overwhelming response of investors to Arbitrage Funds. Since budget, they have become Flavor of Season. The asset under management (AUM) of Arbitrage Funds has shot up in recent months and now stands approximately at Rs 16000 crore.

### How Arbitrage Funds Work:

An arbitrage fund is a type of equity mutual fund that tries to take advantage of the price differential (of the same asset) between two or more markets or market segments. They exploit the difference in the price of a stock between cash and derivatives markets or even different stock exchanges such as BSE and NSE. For example, the price of a stock quotes at Rs. 100 in cash market and Rs. 102 in futures market. The fund manager would buy in cash market and simultaneously sell in futures market to lock in a profit of Rs. 2 per share.

Arbitrage funds work well in volatile markets as fund managers are able to capitalize on differences in prices of a stock between the equity market and the futures market.

### Taxation:

Arbitrage funds are categorized as equity funds from a taxation perspective. While dividends and long term capital gains (if held for one year or more) will be tax-free in the hands of investors, short-term capital gains is applicable if you hold it for less than one year and will be taxed at a lower rate of 15%. In contrast, the government increased the long-term capital gains tax on debt-oriented mutual funds from 10 per cent to 20 per cent and changed the definition of 'long term' for debt mutual funds to 36 months from 12 months effective from July 10.

### Schemes to consider:

- Kotak Equity Arbitrage Fund
- ICICI Prudential Equity Arbitrage Fund

### Our View:

Returns in arbitrage funds tend to be inconsistent sometimes due to lack of arbitrage opportunities in the market. Having said that, one can still consider parking short term money in arbitrage funds because of the tax advantage they offer as compared to debt funds. In case, you have an investment horizon of more than three years, income funds will be more suitable for you.

**For more information on Arbitrage Funds, contact us on [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)**





## Importance of Contingency Funds

Contingency fund is an important part of a Financial Plan as it takes care of unexpected expenses or unforeseen events. It is liquid and easily accessible for an emergency purpose. A contingency/emergency can be a medical emergency due to sudden illness, accident or a financial emergency due to loss of job or losses from business.

### NEED

The need for a contingency fund arises after doing a complete and a detailed analysis of the risk associated with the life of the bread winner and his/her family dependents. Even if both the husband and wife are working, a contingency fund is recommended. It is generally seen that those without a contingency fund are more likely to fall into debt traps than those who have a provision for the same. This is because those who do not have an emergency provision are likely to borrow money and don't mind paying high interest rates considering the emergency situation.

Further, an emergency fund will mean a softer impact on monthly savings and you need not revise your entire financial plan if such situations occur.

### HOW MUCH

Ideally, you can have 2-3 months' salary amount as a contingency reserve. A contingency reserve can also be built over a period of time if you don't have the entire amount required in your bank account - the shortfall can be added on a monthly basis to the contingency fund.

### WHERE TO PARK

Emergency funds need to be easily accessible and highly liquid. You can consider parking funds either in a Bank Savings Account or a Liquid Fund offered by mutual funds. Savings Account offers returns in the range of 4-7% p.a which differ from bank to bank whereas a Liquid Fund offers returns in the range of 7-10% depending upon the liquidity conditions prevailing in the market. In both the cases, short term capital gain is taxed as per slab.

Liquid funds or ultra short term debt funds invest into money market instruments like treasury bills, bank certificate of deposits and commercial papers. For contingency purposes, they are regarded as one of the best options due to their superior returns over bank savings account.

A Contingency fund is a very useful tool, considering factors such as the volatile employment market and the changing lifestyle habits that tend to have an impact on the health of individuals.



## TOP NEWS ON REALTY IN INDIA

### REALTY SECTOR TO PICK UP IN 6-8 MONTHS IN DELHI - NCR

The Union Budget 2014-15 has laid considerable emphasis on the realty sector and this has infused a positive sentiment for the future.

However, the report said the euphoria seen in the housing segment about sales and launches during the previous survey has been rationalised. The optimism about housing price rise continues to hold steady in this quarter.

The festival season has not really kept up to the expectations in terms of sales in the housing projects. Home buyers are on wait and watch mode hoping that interest rates will fall and economy will improve. We feel that in another 6-8 months, the actual transactions will start picking up.

### CANADA OFFERS TO PARTNER INDIA IN "HOUSING FOR ALL"

Canada today expressed interest in participating in India's ambitious programmes of 'Housing for All' and building 100 'smart cities' and offered its technology in this regard.

Prime Minister Narendra Modi has highlighted his government's intent to have housing for all by 2022.

In pursuance of this, a Sardar Patel Urban Housing Mission will be launched soon to construct houses through public-private partnership, interest subsidy and increased flow of resources to housing sector.

The housing shortage in India is estimated at 19 million units. Out of this, about 95.6 per cent is estimated to be from economically weaker sections and low-income group households.

The visiting minister also noted that Canada is impressed by the "new found sense of purpose and vigor" in India under the leadership of Prime Minister Narendra Modi and his country is keen to cooperate with New Delhi in all possible ways, a statement of the Ministry said.

### DLF FACES TOUGH CHOICES AFTER FUND RAISING BAN

DLF Ltd will be forced to sell assets, even unfinished projects, to meet debt obligations, say bankers, after India's biggest property firm was banned from the capital markets for three years - the market regulator's harshest penalty ever.

The Securities and Exchange Board of India (SEBI) ruling on Monday will cut off DLF's access to the Mumbai stock market, Asia's best-performing bourse this year. The company, shouldering \$3 billion

of debt, will also be barred from the bond market just as its free cash flow sinks to multi-year lows.

The ban follows what SEBI said was DLF's failure to provide key information on subsidiaries and pending legal cases at the time of its record-breaking 2007 initial public offering.

### **DDA Housing Schemes Submission for Year 2014**

DDA received a total of 7.5 lacs forms for its flats on offer this year. With 25,034 flats on offer, this was DDA's biggest scheme ever with flats located mainly in Rohini, Dwarka and Narela, apart from some other areas.

Of the total 25,034 flats, 22,627 will be two-room sets having one bedroom and a drawing room with a price tag of between Rs 14 to 22 lacs. The scheme will include 700 EWS flats, constructed by private developer. For maintenance of these flats post allotment, the DDA has set up Rs 362 crore corpus.

DDA tried to invite more interest in its housing scheme for this year by extending the last date of form submission from October 9 to 15. The scheme was introduced on September 1. DDA sold 17 lac forms sold for this year's housing scheme, which means about 55% of the people who bought forms did not apply.

### **DWARKA, NEW DELHI – WELL SUITED FOR END USERS**

Dwarka, one of Asia's largest suburbs, is situated in southwest Delhi. This suburban area was developed to decongest the capital city. End users are likely to find Dwarka a desirable residential destination owing to its immaculate planning, sound infrastructure, reasonable (though not low) prices, and proximity to employment hubs.

Dwarka enjoys good connectivity with Indira Gandhi International Airport, which is approximately 10km from this sub-city. Gurgaon, a key corporate hub, is about 15 kilometres away. The major roads that connect Dwarka include NH-8, Outer Ring Road, Najafgarh Road and Pankha Road. The 18-km-long Dwarka Expressway, currently under construction, will touch Delhi near Dwarka Phase II. Once it is ready, it will boost connectivity between Gurgaon and Dwarka.

Dwarka has been planned as a zero-tolerance zone, which means that any encroachment or excessive construction is not tolerated. These rules are observed strictly in this area. For young families one of the prime attractions is the presence of good schools: Delhi Public School, Nirmal Bhartia, and many more. The Metro enables residents of Dwarka to travel quickly to Central Delhi and other parts.

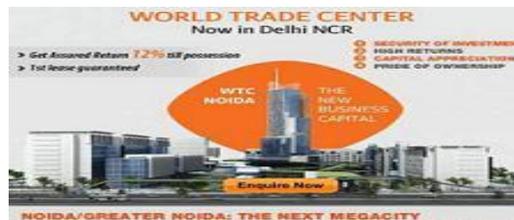
Over the last three years prices in Dwarka have appreciated by almost 100%. Currently rates range from Rs 12,000-15,000 per square foot in group housing societies. There is scope for further appreciation because these rates are still not very high when compared to the rates in West Delhi. Besides, the infrastructure here is much better. That is why a number of people who earlier lived in Gurgaon and West Delhi, especially in the crowded parts, have shifted here.

## Investment Opportunities in Real Estate

The budget 2014 has been quite favourable for the real estate sector. We believe that the new government will be able to formulate and revive the real estate sector growth in the coming years. We anticipate the real estate demand to increase by another 10 percent to 15 percent in the medium term and this will also give a boost to the other related industries.

Net Brokers presents to you lucrative options in the real estate division for October 2014.

Project	Type	BSP/sqft	Cost
<b>Mahagun Mantra - 2, Sector 10, Noida Extension</b>	Residential	2725	23 Lacs onwards
<b>Sunworld Vedanta, Sector 22 D Yamuna Expressway - Assured Returns @ 12% p.a</b>	Residential	2990	27 Lacs onwards
<b>Sunworld Arista, Sector 168, Noida Expressway - Assured Buyback, Returns @ 35% p.a</b>	Residential	-	43.50 Lacs onwards
<b>Mahagun Medows, Sector 150, Noida Expressway</b>	Residential	4270	60.84 Lacs onwards
<b>ATS Pristine , Sector 150, Noida</b>	Residential	6200	1.08 Cr onwards
<b>Countywalk - Plots , Dharuhera - Assured Buyback, Returns @ 15% p.a</b>	Residential	22000 per sq.yard	50 Lacs onwards
<b>Raheja Revanta, Sector 78, Gurgaon</b>	Residential	7675	1.20 Cr onwards
<b>Cyberwalk, Manesar, Gurgaon - Assured Returns @ 12% p.a</b>	Commercial	6000	30 Lacs onwards
<b>WTC Spire One, Noida - Assured Returns @ 12% p.a</b>	Commercial	6800	30 Lacs onwards
<b>Vatika Mindscape, Delhi - Assured Returns @ 9.5% p.a</b>	Commercial	8210	41 Lacs onwards



For more information on Real Estate Projects, contact us on [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)

## New Investment Offers

- **Mutual Funds**

### New Funds Offers

Fund	Category	Type	Open	Close	Asset Allocation (Debt: Equity)
ICICI Prudential Growth Fund - Series 4	Equity	Closed-end	13- Oct	27-Oct	100 % Equity
ICICI Prudential Multiple Yield Fund - Series 8 - 1338 Days - Plan B	Hybrid- Debt	Closed-end	15- Oct	29-Oct	80:20
ICICI Prudential Multiple Yield Fund - Series 8 - 1824 Days - Plan A	Hybrid- Debt	Closed-end	20- Oct	03- Nov	80:20
SBI Inflation Indexed Bond Fund	Debt Income	Open-end	17- Oct	31-Oct	100% Debt
Sundaram Hybrid Fund - Series L	Hybrid- Debt	Closed-end	17- Oct	31-Oct	80:20
Sundaram Select Micro Cap Fund - Series VII	Equity	Closed-end	08- Oct	22-Oct	100% Equity

### Fixed Maturity Plans

Fund	Tenure (Days)	Opening	Closing	Asset Allocation
Birla Sun Life Fixed Term Plan - Series MC (1099 Days)	1099	21- Oct	28-Oct	100% Debt
ICICI Prudential Fixed Maturity Plan - Series 75 - 1100 Days - Plan N	1100	21- Oct	29-Oct	100% Debt
IDFC Fixed Term Plan - Series 104	1098	21- Oct	27-Oct	100% Debt
IDFC Fixed Term Plan - Series 105	1097	27- Oct	29-Oct	100% Debt
Reliance Fixed Horizon Fund - XXVII - Series 9	1106	17- Oct	31-Oct	100% Debt
Reliance Fixed Horizon Fund - XXVII - Series 10	1105	27- Oct	28-Oct	100% Debt
UTI Fixed Term Income Fund - Series XX - VI (1100 Days)	1100	15- Oct	27-Oct	100% Debt

- **Non-Convertible Debentures**

Issue Name	Interest Rate	Opening	Closing	Face Value Per Bond	Minimum Bonds
IFCI Limited NCD	10.00% p.a.	20- Oct	21- Nov	Rs.1,000	10 Bonds and in multiples of 1 Bond thereafter
SREI Infrastructure Finance Limited NCD	11.75 % p.a.	29-Sep	31-Oct	Rs.1,000	10 Bonds and in multiples of 1 Bond thereafter

For more information on New Investment Offers, contact us on mail@netbrokers.co.in

## FIXED DEPOSITS

**Earn Assured Returns up to 11.95 % p.a.**

**Offered By Renowned Companies**

S.No.	Company Name	Period			3 Years Yield (In %)	Senior Citizen	
		1 Year	2 Year	3 Year		(additional Rate)	(Yield in %)
1	DHFL 14 Months/ 40 Months	9.75/ 9.80			9.83/10.04	0.40	10.51
2	Shriram Transport Finance Unnati Deposits	9.25	9.75	10.50	11.65	0.25	11.95
3	Mahindra & Mahindra Finance Ltd	9.25	9.75	10.00	11.03	0.25	11.34
4	Bajaj Finance LTD	9.25	9.40	9.65	10.61	0.25	11.52
5	HDFC LTD Regular Deposit	9.40	9.40	9.40	10.31	0.25	10.61

\* The rates of interest are applicable as on the data mentioned herein above. The rate may be revised at the sole discretion of the respective companies inviting the Fixed Deposits without Further Notice.



**net brokers**  
 Private Wealth Management  
 we know your investment needs

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