



Knowledge Initiative

Dear Patrons,

Happy New Year!

We are pleased to share our monthly newsletter “**Knowledge Initiative**” for January 2015.

We thank you for reading and acknowledging our newsletter every month. Knowledge Initiative Team is committed to bring you more educative and informative articles.

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. Are Lower Crude Prices Good for the Indian Economy?
2. The Power of Compounding
3. SIP Power
4. Important Points for Tax Saving
5. Exclusive: Indiabulls Real Estate Fund
6. Key Factors to Determine Demand for Real Estate in 2015
7. Investment Opportunities in Real Estate



Akhil Chugh

Warm Regards,

**Akhil Chugh
Director**



Are Lower Crude Prices Good for the Indian Economy?

Crude has witnessed a sharp fall and is about \$48 per barrel from its peak of \$110 per barrel. This is definitely good news for the Indian Economy. Crude oil accounts for 1/3rd of our import bill. A \$10 fall in crude could reduce the current account deficit by approximately 0.5% of GDP and the fiscal deficit by around 0.1% of GDP.

This means lower import bills, improved fiscal deficits, higher foreign exchange reserves, lower inflation and more savings for consumers in oil importing countries like India. Lower inflation will give comfort to the Reserve Bank of India in cutting interest rates and flexibilities in budget and fiscal management.

On the other hand, lower oil prices are not good for the world economy. Many oil producers both companies and countries depended upon high prices will see huge deficit in revenues which will drain out their forex reserves. As a result, there will be an increase in bankruptcies and sovereign defaults. Large oil consumers such as US, China, Japan and India will have substantial savings in oil spend.

Though India stands out to gain majorly, the exports may be impacted due to currency volatility and global economic slowdown. India to a great extent depends upon foreign institutional investor and foreign direct investment inflows, which might get impacted. Servicing high foreign debt also might be a concern as the rupee weakens.

India may face a temporary slowdown in flow of funds due to global uncertainty. But as when the situation improves, India will attract huge funds due to strong domestic indicators in its favour as compared to Brazil, Russia and China. The World Bank and International Monetary Fund (IMF) have already upgraded their GDP outlook for India for 2015 to 6.4%. According to a global survey, India has been considered as the most preferred investment destination in the world. Lot of countries and multinational companies across the globe are eyeing their stake in India's growth story.

This dramatic fall in oil prices has put India into a sweet spot. It will be saving, on an annualised basis, around \$50 billion, roughly, one-third of its annual gross oil imports of about \$160 billion. Also the new government is expected to push reforms in a big way resulting in investments in sectors like agriculture, renewable energy, health and many other sectors of the economy. This will spur demand and boost the economy. Overall, it is a win win situation for India.



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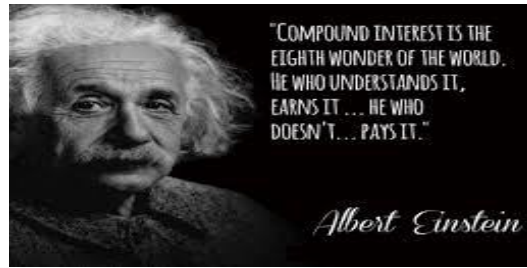


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The Power of Compounding

If you're patient and disciplined, your money can work for you and make a real difference in your investment returns over time.

The key is the power of compounding, the snowball effect that happens when your earnings generate even more earnings. You receive interest not only on your original investments, but also on any interest, dividends, and capital gains that accumulate—so your money can grow faster and faster as the years roll on.

The longer the period of your investment, the more you accumulate, because of the power of compounding... which is why it makes sense to start investing early.

Albert Einstein rightly said "Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it."

Let's take an example of Keshav and Dheeraj:

They are old friends who retired at 60 years. They meet and discuss their investments till retirement. Keshav invested Rs 1 Lac every year from age 30 to 60. Dheeraj started late and invested Rs 1 Lac every year from age 40 to 60. Both earned 10% p.a return on investment.

| | Keshav | Dheeraj |
|------------------------------|-----------------------------|----------------------------|
| Investment | Rs. 1 lacs per annum | Rs. 1 lac per annum |
| From age- To age | 30-60 | 40-60 |
| Rate of Return | 10% p.a. | 10% p.a. |
| No. of years invested | 30 | 20 |
| Total amount invested | Rs. 30 lacs | Rs. 20 lacs |
| Corpus at age 60 | Rs. 1.80 crore | Rs. 63 lacs |

Keshav has 3 times more corpus than Dheeraj only because he started early and benefited from the power of compounding.

Another example of power of compounding: The Cost of Delay in Investing.

The More The Delay, The More The Need To Make Up.

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 |
| 40 Years | 10,109 |
| 45 Years | 20,107 |

For Illustrative purpose only

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

Compounding with SIP

A systematic investment plan (SIP) is an effective means to beat market volatility and benefit from the enormous power of compounding over time. A SIP allows you to invest in any mutual fund by making smaller periodic investments instead of a lump sum one-time investment. Since this is small money flowing out at regular intervals, it doesn't affect your other financial commitments significantly.

Rupee cost average is another benefit investors can reap from a disciplined SIP. Investing a fixed amount in a fund at regular intervals over time gets you more units when the price is lower. In effect, your average cost per unit comes down.

The best way to take advantage of compounding is to start saving and investing wisely as early as possible. The earlier you start investing, the greater will be the power of compounding.



SIP Power

Timing the market is an exercise in futility. Why? Simply because you cannot. Everyone wants to buy low and sell high, but no one knows when it is “low enough” to buy and “high enough” to sell.

A **Systematic Investment Plan (SIP)** does help in providing you with a disciplined approach to investing. You end up with more units when the market is down and fewer when it is up. In this way, your cost of acquisition evens out.

SIP is also an effective way of achieving financial goals like Retirement, Children Future Planning – Education and Marriage, Buying a Home and various other goals.

A few interesting observation about return generation in equity markets are as follows:

Returns from BSE Sensex

| Returns | 01.01.2008 | 01.01.2015 | CAGR (%) |
|------------|------------|------------|----------|
| BSE Sensex | 20300 | 27499 | 4.44 |

During this period, BSE Sensex has generated a nominal return of 4.44% CAGR.

SIP Returns

Investments through “**Systematic Investment Plan**” in Top Equity Mutual Fund Schemes have generated higher returns i.e more than double digit return as shown below.

| Scheme Name | Invested Amount (Rs 10,000 per month) | Current Value | CAGR (%) |
|---|--|---------------|----------|
| HDFC Top 200 Fund (G) | 8,40,000 | 16,36,548 | 18.70 |
| UTI - Opportunities Fund (G) | 8,40,000 | 16,82,559 | 19.50 |
| Franklin India High Growth Companies Fund (G) | 8,40,000 | 20,95,077 | 25.70 |
| ICICI Prudential Value Discovery Fund (G) | 8,40,000 | 23,17,404 | 28.50 |
| HDFC Balanced Fund (G) | 8,40,000 | 18,30,199 | 21.80 |

SIP Start Date: 01.01.2008, SIP End Date: 01.01.2015, SIP Current Value as on 01.01.2015 and SIP Amount: Rs 10000 per month.

Conclusion: SIPs eliminate the human bias. It encourages investments at all times, irrespective of the market levels. Investors will pocket good gains if they invest in SIP of funds with a good track record.

For more information on Systematic Investment Plans, contact us on mail@netbrokers.co.in



Important Points for Tax Saving

As the last quarter of the financial year is here, 'Tax Saving Season' has started. We wonder why we call it 'Tax Saving Season'. In fact you should be doing Tax Saving at the start of the year. Here we are with important points to be noted before doing any Tax Saving.

Study the Various Investment Options

An individual should have complete knowledge of various tax saving instruments available in the market or should consult his financial advisor for the same. While doing tax planning, an individual should not only look at tax break, but see whether the particular instrument where he is about to invest is aligned with his financial goals or fits into an overall investment strategy. It is important to compare tax saving instruments and choose suitable ones that will help save tax and achieve goals.

Comparison Snapshot of Tax Saving Instruments under Sec 80C:

| Instrument under 80C | Lock In Period | Returns (p.a.) | Taxation Aspect |
|-----------------------------------|----------------|---|--|
| ELSS | 3 Years | Market- Linked | Dividend and Capital Gains are tax free |
| PPF | 15 Years | 8.7% for FY 2014-15 | Interest is tax free |
| Tax Savings Fixed Deposits | 5 Years | 8.5% | Interest is taxable as per IT slab of the individual |
| NSC | 5/10 Years | 8.50% (for 5 years deposit)/ 8.80% (for 10 years) for FY 2014-15 | Interest is taxable as per IT slab of the individual |
| ULIP | 5 Years | Market- Linked | Maturity/ claims proceed are tax free |

Source: PPF, NSC data from India Post, 5 year Fixed Deposit rate from SBI website (as on 29th Oct, 2014).

Don't Wait Till The End

Most individuals have the habit of waiting till the end. The result is investment in unnecessary insurance schemes like unit linked insurance plans (ULIP) and endowment plans. Tax saving does not mean that you invest in life insurance plans. The main purpose of life insurance is to protect your family in case of death. Instruments like equity linked saving schemes (ELSS), post office schemes, etc should be considered depending upon an individual's financial goal.

Avoid ULIPs and Endowment Plans

The basic rule of investing is not to mix up insurance and investments. Both ULIPs and Endowment Plans should be completely avoided as they include high charges. The insurer deducts charges towards life insurance, administration expenses and fund management fees. So only the balance amount is invested. ULIPs and Endowment Plans have high first year charges (including agents commissions). The high costs, difficulty in evaluation, lack of transparency and low liquidity don't make ULIPs and Endowment Plans a suitable avenue to put one's money.

From insurance perspective, an individual should buy only term insurance which provides good life cover at low premium cost. Term insurance provides financial coverage to the family in case of any miss happening. There is no survival benefit in this case.

Consider ELSS

Individuals have a tendency to invest in 5-year Bank Fixed Deposits, National Saving Certificate (NSC) and Public Provident Fund (PPF) for tax-saving investments. But you can also invest in an equity linked savings scheme, or ELSS.

ELSS is an ideal way of investing in tax saving instruments. It has the lowest lock in period of 3 years in the industry. Being 100% Equity, it tends to outperform all other tax saving instruments in the long run in term of returns. Moreover, the returns are tax free.

The best way to invest in ELSS is through systematic investment plan (SIP). You should just start an SIP in a carefully-chosen ELSS fund and let it run for a long duration. A fixed amount of Rs 12500 gets invested every month in ELSS totalling to Rs 1.5 lacs a year. In case, you are investing in other instruments like post office schemes, you can have a lower SIP amount in ELSS.

Conclusion:

Out of all the tax saving instruments, ELSS stands out to be best provided you invest with a long term horizon. Conservative investors can invest in PPF or a combination of PPF and ELSS.

For more information on Tax Saving, contact us on mail@netbrokers.co.in

INDIABULLS REAL ESTATE FUND

Executive Summary

- ▶ Indiabulls Group is one of India's largest groups in the financial services business and real estate space. The Group has demonstrated consistent growth and value for the investors since inception
- ▶ Indiabulls AIF is a new initiative by Indiabulls Group in the Alternate Investment space. The Indiabulls AIF proposes to launch its first scheme **Indiabulls Real Estate Fund**, to be managed by Indiabulls Asset Management Company Limited (the 'Investment Manager')

Salient Features of Indiabulls Real Estate Fund

| | |
|---|---|
| Regular Income and Upside | <ul style="list-style-type: none"> • Regular payouts • Back-ended upside for investors in the form of premium on NCD redemption |
| Significant Sponsor's Commitment | <ul style="list-style-type: none"> • Sponsor will commit 20% of the fund corpus subject to a maximum of Rs. 100 Crore • Significantly higher than regulatory requirement of minimum of 2.5% of the corpus or Rs. 5 Crore |
| Shorter Tenure | <ul style="list-style-type: none"> • Fund tenure of 3 years (extendable by 1+1 years) |
| Efficient Fee Structure | <ul style="list-style-type: none"> • Hurdle rate of return of 12.0% p.a. (pre-tax) for the calculation of carried interest • Yearly management fee will be charged on the invested capital amount |
| Independent Investment Committee | <ul style="list-style-type: none"> • To ensure compliance & adherence to investment objective/fund strategy and investment process • Guidance of highly experienced industry professionals to facilitate the investment decision making process |
| Investment Team | <ul style="list-style-type: none"> • Experienced professionals with expertise in real estate, structuring, investment advisory field • Specialised Credit and Risk team to facilitate comprehensive due diligence and perform active post-investment monitoring |

Terms/features of Indiabulls Real Estate Fund

| Particulars | Description |
|-------------------------------------|--|
| Sponsor | Indiabulls Housing Finance Limited |
| Manager | Indiabulls Asset Management Company Limited |
| Target fund-size | Rs.500 Crore with a green-shoe option of Rs.500 Crore |
| Minimum Investment | Rs.1 Crore |
| Fund life | 3 years from final closing (extendable by 1+1 years) |
| Investment Structure | Secured NCDs |
| Investment Coverage | National Capital Region {NCR}-Delhi, Mumbai Metropolitan Region {MMR}, Chennai, Bengaluru and Pune |
| Target Return (Gross IRR) | 21% to 22% (with a hurdle rate of return of 12%) - Periodic payouts |
| Indicative Investment Rights | <ul style="list-style-type: none"> • Structures to mitigate project risk including cost-overflow, project delays etc. • Remedies to include step in rights |

For more information on Indiabulls Real Estate Fund, contact us on mail@netbrokers.co.in



Key Factors to Determine Demand for Real Estate in 2015

The Indian Real Estate Sector is going through a difficult period facing lack of demand from past several years. The new government has taken important initiatives such as announcing Housing for All by 2022, keeping a provision of Rs 7600 crore for establishing 100 smart cities, setting up of Real Estate Investment Trust (REIT) and other flexible measures to boost Real Estate demand in the country.

Let us go through the key factors which will determine demand for Real Estate in 2015.

Interest Rates: Interest rates from last several years have been on a higher side which is keeping buyers and the investors away from the market. Higher home loan interest rates and increase in property prices has resulted in buyers waiting for a correction to happen. With the inflation falling drastically in last 6 months and a strong improvement in domestic indicators, series of interest rate cuts are expected in 15-18 months.

Development in Infrastructure: Infrastructure development like Metro expansion and real estate corridors such as Sohna , Yamuna Expressway, Dwarka-Gurgaon Expressway, Kundli Manesar Palwal Expressway (KMP) and Delhi Mumbai Industrial Corridor (DMIC) are attracting good projects, buyers and investors due to planned infrastructure and speedy connectivity in these locations. More such infrastructure development is required across India to boost real estate demand.

Regulatory Bill: The real estate regulatory bill with minor modifications will pave the way for a more attractive and transparent real estate market. Customers would be able to track the status of every project as developers will be required to register all projects with the regulatory authority before commencing construction.

Affordable Housing: As the government has given some incentive for affordable housing in the last budget, new projects in this segment is expected to be launched in the years to come. This will help to increase demand in the lower middle class section of the society.

Foreign Direct Investment: Relaxation of FDI policy has been welcomed by the real estate industry. NRI and HNI investments are expected to increase in the time to come resulting in good flow of funds in this sector.

These are some of the important factors which will help push demand of real estate in the country. From an investment point of time, this may be a good time for investors as real estate is expected to deliver good returns provided you have a horizon of 4-5 years.

Investment Opportunities in Real Estate

The Indian real estate sector continues to be a favoured destination for investors. The urban population will surge in the coming years, which, coupled with growth in employment, education and health care, will push the demand for residential and commercial space.

Net Brokers presents to you lucrative options in the real estate division for January 2015.

| Project | Type | BSP/Sq.ft | Cost |
|--|-------------|-----------|--------------------|
| Godrej Premia Towers, Sector 104, Dwarka Expressway, Gurgaon | Residential | 7349 | 1.25 Cr onwards |
| Raheja Revanta, Sector 78, Gurgaon | Residential | 7675 | 1.20 Cr onwards |
| Emaar Gurgaon Greens - Sector 102, Dwarka Expressway, Gurgaon | Residential | 7250 | 1.20 Cr onwards |
| ATS Pristine, Sector 150, Noida Expressway | Residential | 6200 | 1.08 Cr onwards |
| Mahagun Meadows, Sector 150, Noida Expressway | Residential | 4270 | 60.84 Lacs onwards |
| Eros Sampoonam, Sector 2, Noida Extension, Greater Noida | Residential | 3350 | 48 Lacs onwards |
| Sunworld Arista, Sector 168, Noida Expressway - Assured Buyback, Returns @ 35% p.a | Residential | - | 43.50 Lacs onwards |
| Emaar MGF, Capital Towers, M. G. Road, Sector 26, Gurgaon | Commercial | 19500 | 2.65 Cr onwards |
| Vatika One India Next, Sector 82 A, Gurgaon – Assured Returns @ 10.5% p.a | Commercial | 8667 | 43 Lacs onwards |
| Cyberwalk, Manesar, Gurgaon - Assured Buyback, Returns @ 12% p.a | Commercial | 6000 | 15 Lacs onwards |



For more information on Real Estate Projects, contact us on mail@netbrokers.co.in

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|-------|---|------------|--------|--------|-------------------------|-------------------|-----------------|
| | | 1 Year | 2 Year | 3 Year | | (additional Rate) | (Yield in %) |
| 1 | Shriram Transport Finance Unnati Deposits | 9.25 | 9.75 | 10.50 | 11.64 | 0.25 | 11.95 |
| 2 | DHFL 14 Months/ 40 Months | 9.75/ 9.85 | | | 9.83/11.04 | 0.40 | 10.28/ 11.56 |
| 3 | Mahindra & Mahindra Finance Ltd | 9.00 | 9.50 | 9.75 | 10.73 | 0.25 | 11.03 |
| 4 | Bajaj Finance LTD | 9.25 | 9.40 | 9.65 | 10.61 | 0.25 | 11.52 |
| 5 | HDFC LTD | 9.25 | 9.25 | 9.30 | 10.19 | 0.25 | 10.49 |

* 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.



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