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Knowledge Initiative

Dear Patrons,

Greetings!

We are pleased to share our monthly newsletter "**Knowledge Initiative**" for March 2016.

We thank you for reading and acknowledging our newsletter every month. Knowledge Initiative Team is committed to bring to 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. Budget Sets the Momentum
2. Union Budget 2016-17 – Highlights
3. Dynamic Equity Funds – A Conservative Approach
4. Big Cheer for Home Buyers
5. Investment Opportunities in Real Estate
6. SIP Returns in Top Equity Mutual Funds



Akhil Chugh

Warm Regards,

Akhil Chugh
Director



Budget Sets the Momentum

The Budget 2016 has set the momentum with major thrust on infrastructure, agriculture and rural sector development. Fiscal deficit targets maintained at 3.9% for FY16 and 3.5% for FY 2017 has led to 7% jump in the benchmark indices in a week led by a revival in foreign institutional inflows. The foreign institutional investors have invested close to Rs 7850 crores in Indian equities so far in the month of March as compared to January and February where they were net sellers.

The optimism created by fiscal deficit has given room to Reserve Bank of India (RBI) to cut interest rates in the range of 25 – 50 basis points in FY 2016-17. This will lead to improvement in corporate earnings and in overall growth of the economy.

As far as Indian economy is concerned, the worst is behind us. We do not see much downside from here. The market seems to have bottomed out and these are good levels to invest. But, there is a word of caution as global concerns are not ruled out. Any hint of rate hike by US Federal reserve or news from China of sharper decline in growth can result in foreign investors exiting equities.

We believe equity markets will go through phases of high volatility throughout the year due to global concerns. But, at the same time Indian micro factors are strongly in place and the corporate earnings are expected to grow in the range of 10-15% in FY 2016 -17.

India remains a long term investment story. Despite all the domestic and global challenges in last 5-7 years, the markets have been able to deliver 15-20% compounded returns. Things will only get better from here with government putting lot of efforts to pass key reforms like goods and services tax (GST), land acquisition, bankruptcy code, etc.

As far as the investment strategy is concerned, we keep on repeating month on month in every newsletter that Systematic Investment Plan (SIP) of mutual funds is the best way to invest into equities. You invest in lows and highs of the market over a period of time. This helps to bring down the average cost of investment as you invest in all phases of market, bull or bear. People looking to invest lump sum can invest in Ultra Short Term Funds (Liquid Funds) and can stagger their investment over a period of six to twelve months with the help of Systematic Transfer Plans (STP).



Union Budget 2016-17 – Highlights

Key Highlights

Gross Domestic Product (GDP)

- Nominal GDP for financial year 2016-17 (FY17) is projected to grow at 11% year-on-year (YoY) vs 7.2% for FY16
- GDP deflator expected to turn positive with uptick in Wholesale Price Inflation
- Real GDP growth for FY16 accelerated to 7.6%

Revenue and Expenditure

- Gross tax revenues are budgeted to grow 11.7% in FY17 vs 17.2% in FY16 - buoyancy in Excise duty expected to continue
- Seventh Pay Commission - Under provisioning in the budget; referred to committee for implementation
- Defence One Rank One Pension (OROP) - expenditure towards pension to increase
- Receipt from telecom and communications budgeted higher @ INR 990 billion
- Reduction on dependence on market debt; Gross market borrowing stable at INR 6.0 trillion and Net market borrowing reduced marginally to INR 4.25 trillion
- Divestment target maintained at elevated levels at INR 565 billion notwithstanding the under-achievement previously

Fiscal Consolidation

- Fiscal deficit target maintained at 3.5% for FY17, primarily to provide credibility to Government's commitment.
- Provisional estimate of the FY16 fiscal deficit is 3.9% of GDP, in line with the budget
- Fiscal consolidation to continue in the medium term; target deficit 3.0% in FY18 and FY19

Subsidies

- Budgeted at INR 2.5 trillion – food subsidy to form bulk of it
 - Lower petroleum subsidy given the expectation of lower crude prices
 - Government to implement 'direct transfer benefits' for fertilizers as well

Other

- Goods and Service Tax (GST) bill to be introduced in the second half of current budget session
- General Anti Avoidance Rule (GAAR) - prospective applicability from FY18
- Increased focus on agriculture, rural sector and social sector namely health, education and skill development
- Introduction of 10% tax on dividend income if total dividend income crosses INR 1 million
- Bank capitalization budgeted at INR 250 billion for FY17

The Equity Markets Perspective

- Fiscal Discipline - roadmap retained at 3.9% for FY16, 3.5% for FY17
- Rural and social sectors - Increase in outlay (highest ever allocation for MNREGA and ~INR 150 billion for interest subvention to farmers)
- Road development - Budgetary outlay of ~INR 550 billion
- NHAI to raise ~INR150 billion
- Centre and State outlay of ~INR190 billion and ~INR 80 billion for PMGSY
- Relaxation in FDI policy in Infrastructure, Pension, ARCs, Exchanges
- Introduction of comprehensive Bankruptcy Code
- Expansion of Direct Benefit Transfer and usage of Aadhaar

The Debt Markets Perspective

- Commitment to fiscal deficit target is positive - over estimation of telecom receipt and under provision for Seventh Pay Commission may create roadblock
- Greater discipline required to meet dis-investment targets
- Increase in centrally funded planned expenditure and more funds to the states
- Sticking to fiscal roadmap could provide the much needed room for monetary easing by the Reserve Bank of India (RBI) over a period of time
- Expect government securities (G-sec) yields to remain range bound

To Summarize

- Lack of Major Negatives is the biggest Positive, despite challenging macro environment
- The focus areas of the budget seems to be on Agriculture & Farmer welfare, Rural sector development and Social sector
- Underpinnings of the policy document seem to be execution rather than grandeur announcements. Eg: DBT extension to fertilizer sector, expanding the scope of Aadhaar, highest ever allocation to MGNREGA, PMGSY, etc
- Fiscal prudence, adherence to FRBM targets & lack of unpleasant taxation proposals would be well received by the markets
- Risks – Revenue mobilization through non-tax measures is welcome though the targets for telecom spectrum auction & disinvestments appear stiff. Another risk emanates from legal sanctity of the domestic black money disclosure scheme
- Overall, Budget 2016-17 is a departure from the past as thought & resources are being put where the heart is i.e., Rural, Social, Agriculture, Bottom of the pyramid, job creation



Dynamic Equity Funds – A Conservative Approach

Dynamic Equity Funds are meant for conservative investors looking at valuations or trading metrics to alter their equity exposure. The fund manager makes investing easy and less stressful, by allocating between different investment options as per changing market conditions. Basically, you need not worry when to enter and exit the market.

Investment Objective:

- The fund generates low volatility by taking exposure in equities, equity derivatives and debt markets. Equity derivative is used to hedge the portfolio against downside risks. This helps in generating better returns than typical debt instruments and lower volatility in comparison to equity.

Key Benefits:

- Exposure in mix of equities, equity derivatives and debt markets results in lower volatility.
- Long term capital gains after one year and dividends are tax free.
- Gives fund manager lot of flexibility to invest

Popular Funds:

- **ICICI Prudential Balanced Advantage Fund** - The Scheme uses an in-house model, based on a long-term historical mean Price to Book Value (P/BV), with a view to limit the downside risk during a falling market, while aiming to capture the upside in a rising market. Portfolio is a blend of large and mid cap stocks and also includes equity derivatives for the purpose of hedging and portfolio re-balancing.
- **IDFC Dynamic Equity Fund** - The Fund invests in equities, equity derivatives and debt, taking into account two key factors – the Nifty's price earnings valuation and the 200-day daily moving average of the Nifty. The fund seeks to use both long-term and short-term indicators (P/E valuation and daily moving average) – which are fundamental, as well as trading indicators – to alter exposure to equities. This allows it to also take advantage of short-term market movements. It also uses derivatives and not just debt to provide the hedge and maintain the fund's 'equity' status.

This type of product is suitable for Investors who have been long-term investors in debt products and are seeking some exposure to long term equity with lower volatility / downside risks.

For more information on Dynamic Equity Funds, contact us on mail@netbrokers.co.in



Big Cheer for Home Buyers

The much awaited Real Estate Regulator Bill has been passed by parliament to bring in transparency and help protect consumer interests. Let us go through the important features of the Real Estate Regulator Bill:

- The bill will establish state level authorities called Real Estate Regulator Authorities (RERAs as the governing body) to regulate the transactions of residential and commercial projects. The consumers can approach this governing body to lodge any complaint against the builder. The governing body will grade the projects, thereby helping buyers to make better decisions.
- The bill states that the developer will now have to park 70% of the project funds in Escrow account to cover cost of construction and land. The funds collected from one project cannot be diverted by developer in other new/ ongoing projects. This will ensure timely completion and hand over of property to buyers.
- The law makes it mandatory for developers to register all projects with regulatory authorities and disclose all information related to project plan, layout, approval status, land status, contractors, schedule and completion of project with consumers as well as RERA.
- No pre-launch will be allowed without getting all approvals from the local authorities and without obtaining registration from the regulator. All incomplete projects are to come under the regulation.
- The real estate projects were earlier sold as per the super built up area. The new law has termed this illegal and has defined carpet area to be followed in all future transactions.
- As per the bill, any delay in project completion will make the developer liable to pay the same interest which he is charging from the buyer on delay in payment. If the developer violates the orders of appellate tribunal of RERA, then he/she can get a jail term of up to three years.
- If the buyer finds any structural deficiency in the property, then he/she can contact the developer for after-sales service within one year of possession. The promoters or developers cannot make any changes to the plan without consent of the buyer.
- The bill covers any project that is more than 500 square meters or more than eight apartments.

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

Investment Opportunities in Real Estate

The Real Estate Bill recently passes by parliament provides transparency and accountability in the realty sector. Its objective is to make known the status of building approvals, to enable customers to make accurate decisions. This apart, the bill aims to take steps to promote affordable housing for everyone.

Net Brokers presents to you lucrative options in Real Estate for March 2016:

Project	Type	BSP/Sq.ft /Sq.Yd	Cost
Godrej 101, Sector 79, Gurgaon	Residential	5255	75 Lacs onwards
Vatika Xpressions , Sector 88 B, Gurgaon	Residential	5365	72 Lacs onwards
Mahagun Meadows, Sector 150, Noida Expressway	Residential	4500	64 Lacs onwards
Civitech Sampriti, Sector 77, Noida – Ready to Move	Residential	5500	62 Lacs onwards
Countywalk, Dharuhera, Plots - Assured Buyback @ 15% p.a	Residential	22,000	25 Lacs onwards
Vatika INXT High Street, Sector-83, Gurgaon- Retail Shops - Assured Returns @ 10.50% p.a	Commercial	13,333	1 Cr onwards
Vatika Towers, Golf Course Road, Gurgaon – Assured Returns @ 10% p.a	Commercial	16000	80 Lacs onwards
Vatika One India Next, Sector 82 A, Gurgaon - Assured Returns @ 10.50% p.a	Commercial	8667	43 Lacs onwards
Cyberwalk, Manesar, Gurgaon – Assured Returns @ 15% p.a & Assured Buyback	Commercial	6000	15 Lacs onwards
DLF Prime Towers, Okhla Phase- 1, New Delhi	Commercial	14,500	1.27 Cr onwards
DLF Galleria, Mayur Vihar, New Delhi - Retail Shops	Commercial	12,000	1.16 Cr onwards



READY TO MOVE IN

Hurry! Few Flats remaining....
 don't miss the opportunity to own your dream home @Sec-77, Noida!!

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

SIP Returns in Top Equity Mutual Funds

* Returns as on 13th March, 2016

Current Value & Yield (XIRR) %							
Scheme Name Monthly Investment: Rs 10,000	Category	Value & Return (3 Yr)		Value & Return (5 Yr)		Value & Return (10 Yr)	
		360000	%	600000	%	1200000	%
Birla SL Frontline Equity Fund (G)	Large Cap	425,393	11.2	849,140	13.9	2,430,504	13.5
Religare Invesco Business Leaders Fund (G)	Large Cap	422,913	10.8	817,074	12.3	NA	NA
ICICI Prudential Value Discovery (G)	Multi Cap	475,437	19.0	988,499	20.1	3,213,453	18.7
Franklin India High Growth Companies Fund (G)	Multi Cap	464,668	17.4	974,158	19.5	NA	NA
IDFC Premier Equity Fund(G)	Mid Cap	463,399	17.2	942,276	18.1	3,235,234	18.9
Franklin India Prima Fund (G)	Mid Cap	492,792	21.6	1,040,843	22.2	2,941,410	17.1
Franklin India Smaller Companies Fund (G)	Small Cap	524,972	26.2	1,150,561	26.4	3,259,132	19.0
DSP BlackRock Micro Cap Fund (G)	Small Cap	582,566	34.0	1,193,929	28.0	NA	NA
HDFC Balanced Fund (G)	Hybrid Equity	443,625	14.1	868,803	14.8	2,630,777	15.0
Tata Balanced Fund Plan (G)	Hybrid Equity	447,355	14.7	893,456	16.0	2,583,705	14.7
Axis Long Term Equity (G)	ELSS	478,542	19.5	1,013,921	21.2	NA	NA
Religare Invesco Tax Plan (G)	ELSS	448,751	14.9	896,828	16.1	NA	NA

*Returns over 1 Year are compounded annualized



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Net Brokers Private Limited

Registered Office: A-35, Shivalik, New Delhi -110017

Head Office: 22, New Market, Malviya Nagar, New Delhi- 110017

Telephone: +91-11-41881002. **Mobile:** +91-9311999924. **FAX:** +91-11-26676419.

E-mail: mail@netbrokers.co.in

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