Dear Patrons,

Greetings!

We are pleased to share our monthly newsletter "Knowledge Initiative" for July 2017.

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.

Akhil Chugh
Director - Net Brokers

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Sip Returns: Check the best performing funds in their respective categories.

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Good news or bad news for home-buyers, post GST: The article talks about how the real estate industry will move forward, post GST implementation. Is it pro consumer or an unfavourable move?

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Important advice for new investors: Listed are some key facts for a new investor, in order to have a good investment experience.

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Impact of GST: Here is an in-detail assortment of what GST looks like, for the overall economy. Read on it to get an insight.

IMPACT OF GST

The biggest economic reform in the history of India, GST or Goods and Services Tax is a reality now. Let's go through briefly how GST will impact the economy:

Ease of doing business

GST will improve the way of doing business in India because various entry barriers will eliminate. Integration of existing multiple taxes into single GST will significantly reduce cost of tax compliance and transaction cost. India is moving towards tax-compliant society where filing of returns will not just be easy but transparent too. This tax compliance will lead to higher revenue for both the central and state governments and enable them to fulfil their social objectives.

Equities remain positive

GST will have a strong positive impact on the equity markets in the long term. The markets will need some time to adjust to the GST implementation process, which could partially hurt corporate earnings in the short term but will boost earnings over the long term. Increase in indirect tax revenues will boost GDP by at least 2%. This will help attract more foreign investments which in turn would take India to greater heights and obviously stock markets will make new highs.

Overall efficiency

GST will remove corruption from the country as everyone has to pay a specific taxable amount while doing a transaction of any goods and service. It will remove paper burden because all system will go to convert digital. It will also improve work efficiency and performance of people. GST will bring uniformity as tax rate will be same in everywhere.

Low tax burden on goods

The biggest game changer in GST is input tax credit, where credits of input taxes paid at each stage of production or service delivery can be availed in the succeeding stages of value addition. This means that the end consumer will thus only bear the GST charged by the last point in supply chain, with set-off benefits at all the earlier stages. Also the inclusion of anti-profiteering clause in GST will ensure manufacturer and service providers pass on the benefit of tax reduction due to input tax credit to customers.

Low inflation

There may be some upside impact on inflation in near term. But in the long term, inflation will come down as overall tax burden will get lowered over time. Also a favorable inflation environment is expected with global crude prices remaining soft and forecast of normal monsoon.

CONCLUSION

The GST is a transformational structural reform which will have multiple benefits - the creation of a national market; enhanced ease of doing business; greater productivity and efficiency; and improved tax compliance. This reform will result in benefits for all participants in the Indian economy, including both businesses and consumers.

IMPORTANT ADVICE FOR NEW INVESTORS

The stock market is drawing new investors who did not have a good investment experience with gold and real estate. As markets are trading at all time high levels, first time investors are faced with dilemma whether this is a right time to invest or not. They are looking for a genuine advice as to how they should plan their investments, what should be the right asset allocation, etc For the benefit of new investors; we have some important advice to be followed:

Asset Allocation: Before you a take an investment plunge, it is very important to have a financial plan in place. The plan may include goals such as retirement, children future planning – education and marriage based on risk profile and investment horizon. This will help you to know what should be right asset allocation i.e equity and debt in the portfolio.

Selection of schemes: Large cap and balanced funds are ideal options for new investors. Large cap funds invest in top 100 companies of India. They are also known as blue chip companies. They have sound businesses with strong balance sheets and provide stable returns. They can withstand tough times. Balance funds have minimum 65% exposure in equities and rest in debt. First-time investors should consider investing in balanced funds or focused large-cap funds as they are less volatile as compared to mid-cap funds. Based on your financial plan, allocate amount to debt funds as well. Accrual fund or corporate bond fund is an ideal choice as they are less volatile in nature and provide stable returns.

SIP and STP: Systematic Investment Plan (SIP) is one of the best ways to invest into equity. Plan SIPs in such way that it is linked to your financial goals. SIP provides a disciplined approach to investing. You end with more units when the market is down and fewer when it is up. In this way, your cost of acquisition evens out. lumpsum investment should be avoided at this point of time. Take help of Systematic Transfer Plan (STP) where lumpsum is parked in liquid funds and from there STP is carried out on monthly basis into an equity fund over a period of 6-12 months. STP helps you to benefit from dual returns of both liquid fund (7-9% p.a) and equity.

Avoid sector and thematic funds: New investors have a tendency to invest in funds which are giving highest returns. For example, banking & FMCG have given close to 12% return in last 3 months. This may encourage first time investors to invest without understanding the risk involved. Sector funds are cyclical in nature and involve high risk. It is better to go for equity diversified funds which have exposure to 22-25 sectors rather than taking a bet on a particular sector or theme.

We strongly advice first time investors to invest in large cap or balanced funds with the help of systematic investment plan or systematic transfer plan. Invest in these funds only if you have an investment period of minimum five years. Ideally, investment period will depend upon your financial plan.

GOOD NEWS OR BAD NEWS FOR HOME-BUYERS, POST GST

A CATASTROPHE - TRANSACTION FOR DEVELOPERS AND CONSUMERS

The developers are confounded in how to transact with real estate consumers. The ITC, input tax credit calculations, has left them bemused.

UNREGISTERED DEALERS

GST has warped the payment of taxes not on the dealer, but on the recipient of the service/goods. Unlike earlier, the liability of payment of tax would stay with the dealer (registered). Any form of transaction with an unregistered dealer would attract a reverse charge on the recipient along with the compliance cost.

TAX @ 18%

The GST has been revised to 18% as ordered by the government recently. This includes 9% SGST and 9% CGST. However, the government has allowed deduction in the land value equivalent to one-third of the total amount charged, reducing the effective rate to 12%. This is a logical move, otherwise, the implementation of GST would not satiate the practice of affordable housing facilities.

The developers/ dealers reckon that ready-to-move in properties would be preferred by home-buyers now as that segment remains out of the GST ambit. However, such properties are likely to cost a bit more now as these properties won't get any benefit of input tax credit.

TEETHING ISSUES

Short term effects and inflationary issues may ply in the real estate segment for the next 12 - 18 months, with the GST enforcement. These are simple teething troubles, and would subside with the long term benefit of the tax coming into play.

The question haunting the mind of a real estate buyer as of now, is how would resale of an under-construction apartment by an investor be treated under GST. Also, if any reimbursement or future payment adjustments would be possible from developers' input tax credit.

CONCLUSION

Hence, GST would bring in a transparent and favourable system for home-buyers in the long run. Teething issues will prevail, but sound real estate implementation should be witnessed in our way forward.

SIP RETURNS IN TOP MUTUAL FUNDS

INVESTMENT		*VALUE (3 Year)*		*VALUE (5 Year)*		*VALUE (10 Year)*	
Monthly Investment @Rs 10,000		360000		600000		1200000	
SCHEME NAME	***CATEGORY***	***RETURN***	***%***	RETURN	***%***	RETURN	***%***
SBI Blue Chip Fund (G)	***Large Cap***	451,743	15.3	963,185	19.0	2,712,155	15.6
Mirae Asset India Opportunities Fund (G)	***Large Cap***	475,397	18.9	1,026,974	21.6	NA	NA
Motilal Oswal Most Focused Multicap 35 Fund (G)	***Multi Cap***	508,612	23.8	NA	NA	NA	NA
Franklin High Growth Companies(G)	***Multi Cap***	456,063	16.0	1,060,466	23.0	3,257,444	19.0
Mirae Asset Emerg-ing Bluechip Fund (G)	***Mid Cap***	536,503	27.7	1,345,429	33.0	NA	NA
L&T India Value Fund (G)	***Mid Cap***	504,823	23.2	1,192,773	27.9	NA	NA
Franklin India Smaller Companies Fund (G)	***Small Cap***	498,508	22.3	1,267,795	30.5	4,247,441	23.9
L&T EMERGNG BUSINESSES Fund (G)	***Small Cap***	569,054	32..1	NA	NA	NA	NA
HDFC Balanced Fund (G)	***Hybrid Equity***	461,529	16.8	983,980	19.9	3,056,657	17.8
L&T India Pru-denceFund (G)	***Hybrid Equity***	504,823	23.2	1,192,773	27.9	NA	NA
L&T Tax Saver Fund (G)	***ELSS***	493,739	21.6	1,048,935	22.5	2,714,710	15.6
Axis Long Term Equity Fund (G)	***ELSS***	444,566	14.2	1,019,871	21.4	NA	NA

PLEASE NOTE: *Returns over 1 Year are compounded annualised

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