BOMBAY STOCK EXCHANGE BROKERS' FORUM (BBF) | MUMBAI, INDIA
MARCH 2022 | VOLUME: 10 • ISSUE NO. 12 • ₹ 15/-

FORUM VIEWS

HAPPY INTERNATIONAL WOMEN'S DAY 8 MARCH

Bombay Stock Exchange Brokers' Forum (BBF) pays tribute to this global day for celebrating the social, economic, cultural and political achievements of women.

CONGRATULATIONS

Ms. MADHABI PURI BUCH

on appointment as the first woman Chairperson of the Securities and Exchange Board of India (SEBI)

Wishing a very happy International Women's Day to strong, intelligent, talented, and simply wonderful women of this world!

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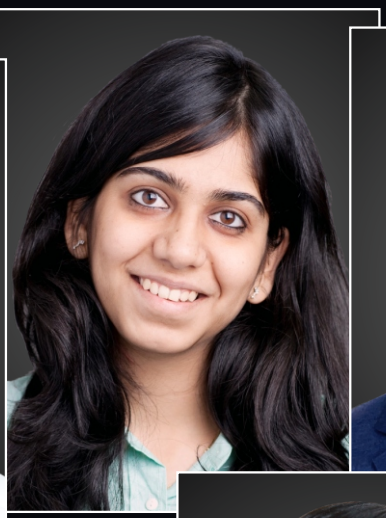
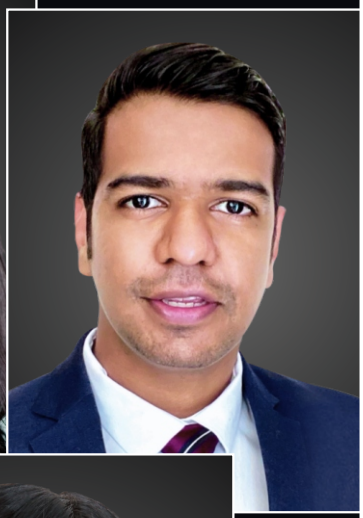



Romanian and Indian markets
Impact of range in investing

2022 Budget - India gearing for next gen economy
Key things to look while trading in stock market
International investing

Realty trends 2022
Indian pharma and speciality chemicals
Startup funding
Diversity and inclusion
Impact of 5G on financial services

Your image is your personal brand



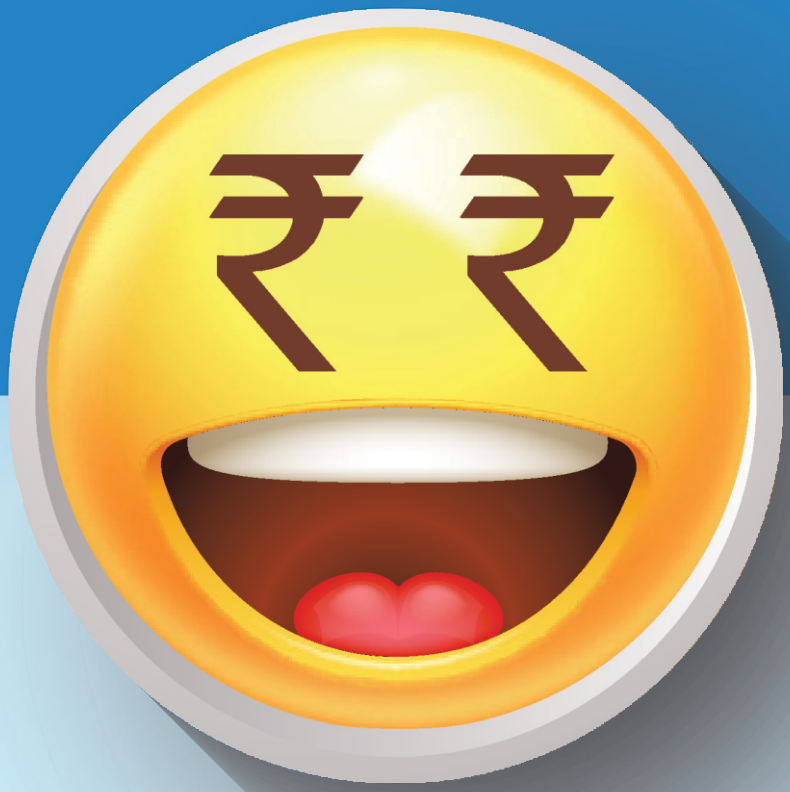


BSE
INVESTORS' PROTECTION FUND

HOW TO SAFEGUARD YOUR INVESTMENTS

Don't be tempted. Don't fall prey to promises of guaranteed returns or get swayed by assurances of high returns.

Such promises could be made to tempt you.
Trust SEBI-registered intermediaries only.



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BROKERS FORUM®

BOMBAY STOCK EXCHANGE BROKERS' FORUM (BBF)
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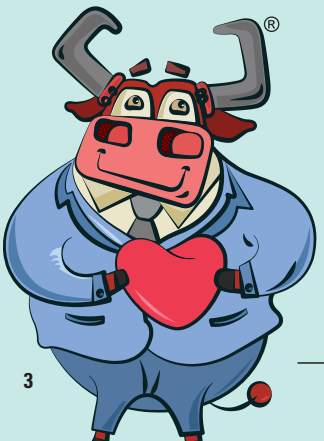

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Dr. Vispi Rusi Bhathena | PhD (h.c.)
Chief Executive Officer

Dr. V. Aditya Srinivas
Chief Operating Officer
and Chief Economist

FROM THE BBF SECRETARIAT

Welcome to the March 2022 edition.

The Indian economy is witnessing sound macroeconomic variable and is showing strong signs of recovery. The GDP data for the whole year came to - 6.6 % as compared to - 7.3 % earlier projection. The economy is projected to grow at 7.8 % in the current financial year.

GST collection has been good with Rs. 1,30,000 crores consecutive collections for the 4-months; this shows that the economy is recovering on a strong front.

The Forex reserves have been at $ 634 billion which is sufficient for 13 months of import. The fiscal deficit has been projected at 4.5 % by 2025 which shows that government is keen on getting fiscal prudence.

Globally, interest rates are likely to rise with USA Federal Reserves on the verge of rising the interest rates in the month of March. The Bank of England has already increased the interest rates to 0.50 %. The rise of inflation has been at 7 % in USA, and it has been 5.4 % in the UK.

The RBI has kept the interest rates same and decided to continue with an accommodative stand. This has made the cost of capital affordable for the larger section of the society and will boost the demand creation in the economy. The budget has provided CAPEX of Rs. 7.3 lakh crores and has been keen on fiscal deficit control.

On the BBF front:

Day/ Date	Interactive webinar(s) on
Wednesday, 9 February	Annual Return submission through Digital Portal at NSE
Thursday, 3 February	Income Tax issues related to Client-Code modifications

WISHING A VERY HAPPY INTERNATIONAL WOMEN'S DAY TO STRONG, INTELLIGENT, TALENTED, AND SIMPLY WONDERFUL WOMEN OF THIS WORLD!

BOMBAY STOCK EXCHANGE BROKERS' FORUM (BBF)

GLOBAL CONNECTS JAPAN 2022

India Investment Opportunity

BROKERS FORUM
JSDA Japan Securities Dealers Association
Embassy of India Tokyo, Japan

SPEAKERS


Mr. Lalit Mundra
Chairman, BBF


Mr. Mario Takeno
Vice-chairman, JSDA


H.E. Sanjay Kumar Verma
Indian Ambassador
to Japan


Mr. Amit Tandon
General Manager, SEBI


Mr. Dipesh Shah,
ED (Development), IFSCA


Mr. Shigeru Ariizumi,
Vice Commissioner,
FSA, Japan


Ms. Mona Kandhar
Minister E & C,
Indian Embassy, Tokyo


Mr. Prithviraj Srinivas
ED - Economist ,
Axis Capital


Mr. Manoj Purohit
Partner, BDO
India LLP


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Principal Economist,
JCER


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MoF, India


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Dy CIO (Equity),
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CEO, SMC Global
Securities


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President and CIO
(Debt), KMAMC


Mr. Toshihiko Kurihara
Chief Representative,
JBIC India


Mr. Devin Narang
Country Head - India,
Sindicatum


Mr. Chandrakanta Mitra
Deputy General Manager,
SEBI


Mr. Takagi Ryo
Japan Exchange Group, Inc


Mr. V. Balasubramaniam
MD & CEO, INDIAINX


Mr. Vineet Potnis
StockHolding


Mr. Anurag Bansal,
International Affairs, BBF

Program Flow

Day 1: Friday, 04 February 2022

Timings**	Particulars	Entities/ Persons	Venue
09:30 - 09:40 am	Welcome Remarks	Mr. Lalit Mundra, Chairman, BBF Mr. Mario Takeno, Vice Chairman & Senior Managing Director, Japan Securities Dealers Association (JSDA)	Virtual Meeting Platform - Zoom
09:40 - 09:50 am	Opening Remarks	H.E. Sanjay Kumar Verma, Ambassador of India to Japan	
09:50 - 10:00 am	Inaugural Address	Mr. A M Bajaj, Additional Secretary, Ministry of Finance, India	
10:00 - 10:35 am	Keynote Address	Mr. Amit Tandon, General Manager in charge of Division of FPI&C, Securities and Exchange Board of India (SEBI) Mr. Dipesh Shah, Executive Director, International Financial Services Centres Authority (IFSCA) Mr. Shigeru Ariizumi, Vice Commissioner for International Affairs, Financial Services Agency (FSA), Japan	
10:30 - 11:20 am	Discussion 1 Indian Economy, Markets and Budget 2022 (India post COVID 19)	Session Chair: Ms. Mona Khandhar, Minister E&C, Indian Embassy, Tokyo Mr. Prithviraj Srinivas, Executive Director - Economist, Axis Capital Ltd Mr. Manoj Purohit, Partner - FS tax Leader Tax and Regulatory Services, BDO India LLP Mr. Atsushi Tomiyama - Principal Economist, Japan Center for Economic Research	
11:20 - 01:35 pm	**Fire side chat series: Upcoming Investment Opportunities**		
11:20 - 12:05 pm	1. Equity - a great way to take exposure in Indian markets	Session Chair: Mr. Kapil Patidar, Deputy Secretary, Ministry of Finance, Government of India Mr. Shailesh Bhan, Deputy CIO - Equities, Nippon Asset Management India Mr. Chintan Haria, Head- Product Development and Strategy, ICICI Prudential Asset Management Company (IPAMC) Mr. Ajay Garg, Director & CEO, SMC Global Securities Ltd	
12:05 - 12:50 pm	2. Debt and Sustainable finance: trends, valuations and exposures	Session Chair: Ms. Prerna Soni, Vice President, Head-Financial Investors Initiative, Infrastructure, Real Estate & Energy, Invest India Mr. Bhushan Kedar, Director, Funds and Fixed Income Research, Crisil Limited Ms. Lakshmi Iyer, President and Chief Investment Officer (Debt) & Head Products, Kotak Mahindra Asset Management Company Mr. Toshihiko Kurihara, Chief Representative, JBIC India Mr. Devin Narang, Country Head, Sindicatum Renewable Energy India	
12:50 - 01:35 pm	3. Capital markets Infrastructure	Session Chair: Mr. Chandrakanta Mitra, Deputy General Manager, SEBI Mr. Takagi Ryo, Head, Global Strategy Department, Japan Exchange Group, Inc Mr. V Balasubramaniam, MD & CEO, India International Exchange (IFSC) Limited (INDIA INX) Mr. Vineet Potnis, Business Head - Custody & Securities Services, Stock Holding Corporation of India (StockHolding)	
01:35 - 01:40 pm	Way forward and Vote of Thanks	Mr. Anurag Bansal, International Affairs, BBF	

Day 2 and Day 3: 07-08 February 2022

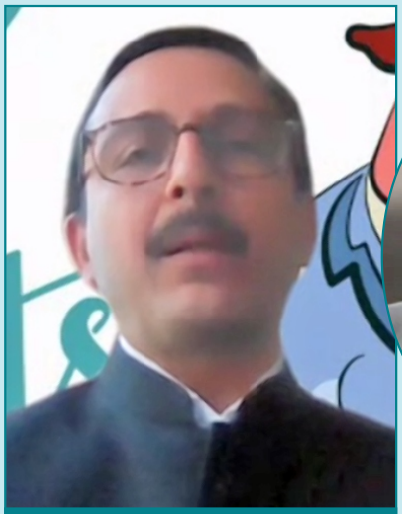
Timings**	Particulars	Entities/ Persons	Venue
10:00 - 12:00 pm	One-on-one Meetings (by appointment)	Indian Speakers/ Institutions	Virtual Meeting Platform - Zoom

**all timings are in Indian Standard time

FRIDAY, 04 FEBRUARY 2022

Welcome Remarks | 09:30 am - 09:40 am

Master of Ceremonies



Mr. Lalit Mundra

Mr. Ujwal Damini

Dr. Vispi R. Bhathena | PhD (h.c.)

Mr. Mario Takeno

Opening Remarks | 09:40 am - 09:50 am

H.E. Mr. Sanjay Kumar Verma

Inaugural Address | 09:50 am - 10:00 am

Hon. Mr. Anand Mohan Bajaj

Keynote Address | 10:00 am - 10:30 am

Mr. Amit Tandon

Mr. Ariizumi Shigeru

Mr. Dipesh Shah

Discussion: Indian Economy, Markets and Budget 2022 (India post COVID 19) | 10:30 am - 11:20 am

Ms. Mona Khandhar


Mr. Prithviraj Srinivas


Mr. Manoj Purohit


Mr. Atsushi Tomiyama

Fire side chat series: Upcoming Investment Opportunities

1. Equity - a great way to take exposure in Indian markets | 11:20 am - 12:05 pm

Mr. Kapil Patidar


Mr. Shailesh Bhan


Mr. Ajay Garg


Mr. Chintan Haria

2. Debt and Sustainable finance: trends, valuations and exposures | 12:05 pm - 12:50 pm

Session Chair

Ms. Prerna Soni

Mr. Toshihiko Kurihara

Ms. Lakshmi Iyer

Mr. Devin Narang

Mr. Bhushan Kedar

3. Capital Markets Infrastructure | 12:50 pm - 01:35 pm

Session Chair

Mr. Chandrakanta Mitra

Mr. Takagi Ryo

Mr. Vineet Potnis

Way forward and Vote of Thanks
01:35 pm - 01:40 pm

Mr. Anurag Bansal

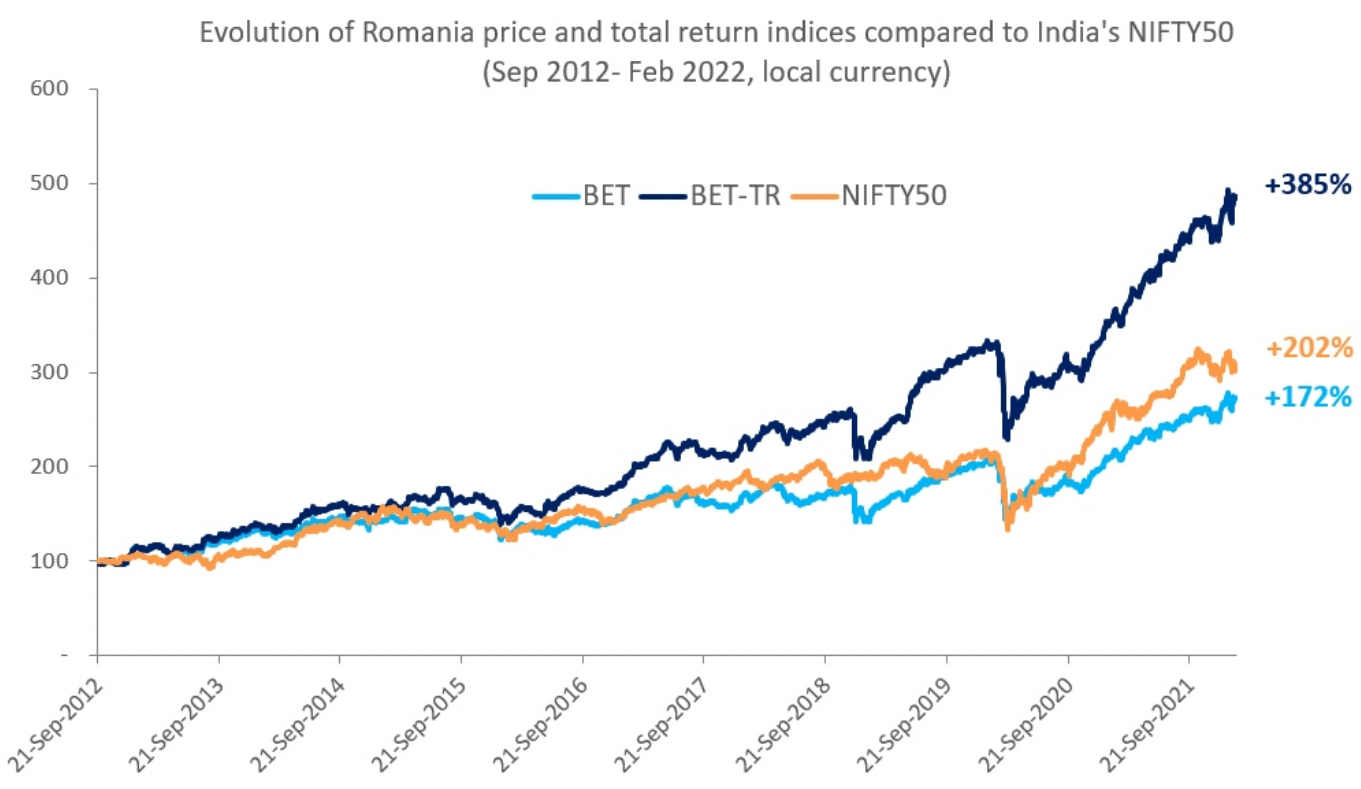
ROMANIAN AND INDIAN MARKETS, SO FAR AWAY BUT WITH SIMILAR YIELDS AND OPPORTUNITIES

Radu Hanga

President
Bucharest Stock Exchange

10 years on the Romanian and Indian capital markets translate in similar yields, +202% for NIFTY50, +172% for BET, Romania's blue chip index, or even +385% for BET-TR, the total return version of BET, which means it takes into account also the dividends payed by the included companies. Of course, the two markets have different microstructures in terms of volumes, turnover, population's openess towards the capital market, financial education and investors' behaviour. However, the data presented below seems to be eloquent to the both markets' outstanding performance and potential.

> **Romania's upgrade by FTSE Russell, on September 21st, 2020, among Emerging Markets opened the way for the capital market to a wider investment universe, and with the increase in the number of investors, the demand for assets listed on BVB is higher. We have right now a number of 5 companies included in FTSE Global All Cap indices, and 2 companies in FTSE Global Micro Cap indices.**



Source: Refinitiv data (starting with September 21, 2012, from the launch of BET-TR index, to February 8, 2022)

In 2021, Bucharest Stock Exchange (BVB) and the entire Romanian capital market delivered very impressive results. Here, in Romania, a South-Eastern European country, we are in a very good moment for the capital market, which recorded during the last year multiple all-time highs on different levels and we can say that the Romanian stock market had one of the best years in history. The 2021 results in terms of turnover as well as the returns of our main indices BET and BET-TR registered over the last 10 years confirm that our development efforts and projects are showing results and that the capital market is fulfilling its essential mission as an efficient financing platform for the Romanian economy.

Last year, the total turnover exceeded RON 21,6 billion for the first time in our history. Also, if we're taking into account also the dividends, the market went up by 40% to new all-time highs and more and more BVB listed companies have posted record high market capitalizations. In addition, we've witnessed an increased interest from the population towards investing as the number of retail investors on the stock exchange continued to grow reaching more than 74,000 direct investors and 540,000 investors through mutual funds, according to the most recent data.

Moving on to our role as a financing platform, BVB has further consolidated its position as, in 2021 alone, 23 Romanian companies went public on the exchange and attracted financing of EUR 234 million and on top of this, 45 corporate and treasury bonds issues got listed with a value exceeding EUR 1.8 billion. This has been by far the best year in terms of listings at BVB and we estimate that many of the trends reported last year will continue also over the medium term.

As I know this is the case also in India, Romania has a very strong IT sector and we are very proud to say that last year there were 8 tech companies that got listed on the AeRO market. Of course, these companies are still in the small-cap category, but should their growth rates remain high and their financing developments stay on the right path, then, I'm sure they'll achieve the blue-chip status.

Foreing investors on the Romanian capital market

Romania's upgrade by FTSE Russell, on September 21st, 2020, among Emerging Markets opened the way for the capital market to a wider investment universe, and with the increase in the number of investors, the demand for assets listed on BVB is higher. We have right now a number of 5 companies included in FTSE Global All Cap indices, and 2 companies in FTSE Global Micro Cap indices.

As this is the case for more and more countries, it is clear that we cannot talk about a strong economy without a robust and efficient capital market with a strong international investors base. For that reason, we do know that to attract international capital we need to be competitive at an international level, particularly as the markets have become more global and integrated with investors having access more easily to markets from different parts of the world and geographies.

Of course foreign investors are active in the region and in Romania too and we've seen their presence increasing over the previous years, but there is significant room for improvement. Currently we do have a lot of local projects, as we see significant growth potential locally, in Romania. It's definitely worth to mention the Central Counterparty (CCP) project that we've initiated, and which is now entering the authorization phase. Successfully finalising this project opens the door for us to launch the financial derivatives market having as underlying assets both equity instruments, such as shares and indices, as well as energy instruments. On top of bringing to our investors more complex and sophisiticated products, the CCP will enable us to offer clearing services for the spot market as well which mitigates the counterparty risk. It is a complex project, but it is a top priority for us as we believe this would add another important feature for the development of the Romanian capital market.

> **We also focus all our efforts on promoting our financing mechanisms among Romanian entrepreneurs through the Made in Romania program. The positioning of the Bucharest Stock Exchange as one of the main financing channels for Romanian companies is one of our goals, and the results from 2021 - in terms of new equities and bonds - confirm us that we are on the right track.**

This being said, we believe that if we manage to successfully implement our projects, to deliver on our promises and if the Romanian companies keep delivering strong results, foreign investor would take notice and their interest would pick up even more in the coming years.

Bucharest Stock Exchange unique trading system

Bucharest Stock Exchange is still a pretty unique example in the region as we still develop and operate our own trading system, which will also be used in the near future for our derivatives market.

In terms of technology, our developments went even further, with different versions of our platform being used by brokers and their clients in order to access the market. We believe that, over the medium term, there is definitely a scope for us to consider a more lucrative approach to enlarge our tech capabilities, but most likely this will become a higher priority topic once the CCP is up and running.

Latest achievements

Bucharest Stock Exchange is in its essence a tech company and we make efforts to ensure the most efficient functioning of the market, as well as we develop new projects for the benefit of all those present in the capital market, brokers, investors, listed companies. For investors, we have launched in April 2021 BVB Research Hub, a platform that we support and where teams of analysts of local or international intermediaries publish analysis reports for shares listed on the exchange. Recently, we've launched the first ESG (Environmental, Social, and Governance) scores on the local capital market that are available on the BVB Research Hub platform. The launch of the first ESG scores took place in a favorable global context, in which the total assets invested in funds that take into account the ESG criteria in the allocation of investments represent about a third of the total global assets, and investment funds dedicated to ESG strategies have assets of over USD 2,2 trillion. The initiation by the Bucharest Stock Exchange of the first project dedicated to ESG on the Romanian capital market, in 2020, and its continuous development acquires in this global context an even greater relevance, for sustaining the competitiveness of the Romanian market and maintaining the visibility of assets listed at BVB internationally.

Additionally, in the last two years we made steps towards developing the market for green financing products. In terms of results, we are happy with the first two green bonds issuances listed last year on the Main Market. At the end of 2021 a Romanian entrepreneurial company listed the first issue of corporate bonds in Romania related to sustainability objectives. These three green financial instruments listed in 2021 and their total value of almost EUR 400mn demonstrate the ability of investors to support companies' plans and, moreover, their orientation towards the sustainability component of any business.

We also focus all our efforts on promoting our financing mechanisms among Romanian entrepreneurs through the Made in Romania program. The positioning of the Bucharest Stock Exchange as one of the main financing channels for Romanian companies is one of our goals, and the results from 2021 - in terms of new equities and bonds - confirm us that we are on the right track.

Find out more data about the Romanian capital market on www.bvb.ro, www.bvbresearch.ro and www.investingromania.com.

Radu Hanga is the Chairman of the Board of Bucharest Stock Exchange (BVB) since 2020. Prior, between 2017 and 2020, he was member of BVBs' Board of Governors. As of 2020, he is as well member of the Executive Committee of the Association of Asset Managers in Romania (AAF). Before, between 2015 and 2020, Mr. Hanga was President of AAF. He has an extensive experience in the financial markets and followed the Strategy Execution Programme (INSEAD), the MBA Program (IDE), postgraduate studies in Business Administration (European Institute for Business Administration UBB), specialization in International Financial System (IBR in partnership with Chartered Institute of Bankers Scotland), Erasmus Program (University of East London).

He started his career in the financial markets in 1997, as analyst at the brokerage company SSIF Broker (BRK), and in 1999 he joined Banca Transilvania's team (TLV), as Capital market officer (1999 - 2002). He held more positions in Banca Transilvania group of companies, among which Vice-President of the Board of Directors of BT Securities (2001-2005), Head of Capital Market Department at Banca Transilvania (2002-2013), CEO of SAI BT Asset Management (2005-2013), Strategy Executive Officer-Group Coordination of Banca Transilvania (2013-2017) and Senior Advisor for the Board of Directors of Banca Transilvania (2017-2020). Mr. Hanga was member of the Board of Directors of other listed companies such as Boromir Prod (2013 - 2017), SIF Moldova (2013 - 2017) and SIF Oltenia (2017 - 2020).

ENOUGH IS NEVER ENOUGH ... BUT WHAT IS ENOUGH?

Sabu Varghese

Portfolio Manager
SV Wealth - Raymond James Ltd.

It may be hard to believe, but our collective net worth has increased by more than a quarter since the pandemic started, just two years ago. The massive gain was driven by extremely positive returns from the stock market and real estate. This was a pattern observed in many parts of the world. While Covid-19 had a devastating impact on many families and businesses, for those households able to work from home, Covid created newfound financial security.

In many ways, the pandemic changed our life and lifestyle. The biggest shift happened in our home: it became the office, school, boardroom, conference room, gym, dance studio, you name it. While adapting to these changes, many families welcomed new members to their household and created space for pets (for us, we welcomed Sammy, a labradoodle pup).

Research shows that Covid had a disproportionate impact on lower-income families. For families with stronger finances, they were better able to adapt by adding more space to their house, relocating, remodeling, or investing in technology that enhanced stability in their lives. The rich became wealthier, and their balance sheets improved dramatically.

Pandemic measures caused shifts in our lifestyle. Lockdowns helped people increase their savings, since they couldn't travel, and entertainment options were limited. At the same time, the ability to borrow increased substantially as the value of collateral assets like stocks, real estate, and even used vehicles, increased significantly. More savings, reduced expenses and ultra-low interest rates are a very good recipe for lending and borrowing. The result is household balance sheets that are bigger and stronger than before the pandemic. The financial crisis of 2008 was the by-product of excessive leverage in the corporate world. While not definitive, it appears that households now carry the burden of excessive leverage that saddled corporations during the last crisis. If so, it could create an imbalance in personal finance, but only time will tell.

In the financial industry, the average rate of return is a powerful tool in many respects. While these numbers give us comfort about the long term, the market fluctuations of the short run are what makes investors nervous. To get that average return, we know we need to be part of the ups and downs, but it's the 'range' that will determine our comfort level in getting that return.

The question now is, how long and how far these trends can go. Once the pandemic is over (hopefully soon!), our lifestyles are likely to resume some form of pre-pandemic normal, and our spending and savings habit will shift accordingly. At that point, we can expect demand and supply to change, leading to market changes and changes in government policies and interest rates paid by borrowers. Then what? The resulting repricing in many asset classes can and likely will be painful.

Average Vs Range

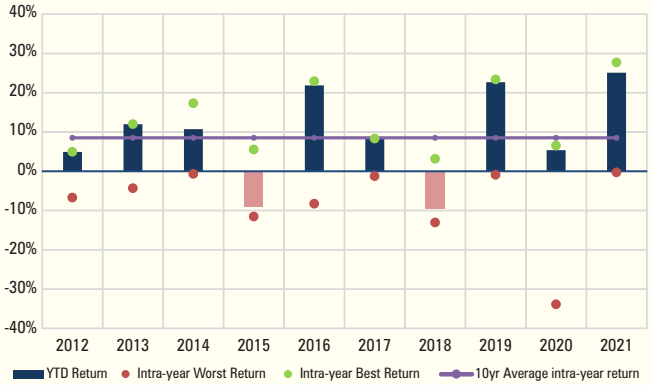
In the financial industry, the average rate of return is a powerful tool in many respects. While these numbers give us comfort about the long term, the market fluctuations of the short run are what makes investors nervous. To get that average return, we know we need to be part of the ups and downs, but it's the 'range' that will determine our comfort level in getting that return. 'Range' refers to the highest and lowest levels we saw the market move during the year. These 'range' numbers can be scary at times. An analogy my schoolteacher taught me best explains 'range': Never try to cross a river based on average depth; you need to know the "range" to survive. You

need to know when to walk, when to swim and when to float. In the financial market, a clear understanding of 'range' will help us navigate market fluctuations and downside risk.

Our memory can be short, so let's revisit what happened in 2020 as the pandemic provides a classic example of this concept in action. Imagine you invested $100,000 on January 1, 2020 in a Canadian S&P TSX 60 index portfolio. You were up 6% just before the market crash, meaning your portfolio was worth close to $106,000 by February 20, 2020. Barely a month later, the market dropped 35% from where it started the year. Your investments would have now dropped to $68,900. To recoup that loss, the portfolio must now make a 46% return. Fortunately, the market recovery was much faster than expected in 2020 and total return for the year was 5.5%. This means your portfolio would be worth $105,500 by year-end. The same index posted a gain of 21.7% for 2021, taking your portfolio up to $128,400, which is a remarkable accomplishment given that we just experienced the worst pandemic in a century. This example uses the Canadian market, but the numbers are even bigger in the US, the EU and emerging markets like China and India.

As we observe the second anniversary of COVID-19 and the attendant market saga, it helps to reflect on the range of market fluctuations we've seen over the last decade. The chart below does a great job summarizing the best, worst and actual yearly return for the last ten years. The straight line represents the average return for the same period.

Intra-year Best, Worst, Calendar Year return, and Average return for 10 years



Source: Raymond James Ltd, based on the S&P/TSX Composite Total Return Index.

If we visit the history books, we see that the S&P TSX 60 index average return was 9.2% over the last 10 years. But here is something you probably won't find in the sales pitch: the yearly high for 2020 was 6% and the worst was 35%, meaning the actual intra-year range was close to **41%** (from the high to low). We sometimes try to ignore this and focus too much on the average return. In reality, when the markets are falling, it's a painful and scary experience. Many times, investors may not be able to stomach the pain, emotionally or financially. The year 2021 was unique in that it had the least number of fluctuations in recent history.

Allocation of Capital

In wealth management, asset allocation and diversification matters. Investing in fixed income is a real challenge in an ultra-low interest environment like we're in right now, with 10-year bonds yielding less than 2%. On the other side, equity investments are generating close to 10% per year, on average, for each of the last 10 years. Limited opportunities in fixed income are forcing average investors to take more risk and invest in different asset classes like equity, real estate, digital currencies, and other alternatives. Finding the balance is a challenge in a world where we chase performance; return expectations for all classes are currently very high. Higher rates of return come with a price tag: market fluctuation. The stock market is truly a place where you can confidently say "no pain, no gain!"

Points to Ponder

Long-term investments in equities make sense but it may be difficult and painful to hold on during market selloffs in the short-term. If we can reduce the 'range' of our investments, we can take the emotional rollercoaster of investing to a more acceptable and manageable level. Y2K, September 11, the Gulf War, the financial crisis of 2008, this Coronavirus pandemic, they all remind us of one thing: 'range' is the scary part in investing. Through active management and proper asset allocation, we can help manage the 'range' we see in pursuit of our 'average return'. It is preparedness and confident decision-making during the difficult times that enables us to navigate those rough patches we meet along the way.

Talk about the yield curve, interest rates, and pent-up consumer demand are just talking points; history tends to repeat itself. While we don't know how far or how deep the next correction will be, predicting the future is not important. Preparing for the uncertainties ahead is what's relevant; it's time to dial down risk and focus on quality and discipline. Managing risk and ensuring proper planning helps us find the right balance, that point where enough risk is enough. Chasing the market is not a strategy since it leads us to a path where enough will never be enough.

Despite the troubles we're seeing in the market, equities remain the best asset class in which to invest. The key will be to rotate to those sectors poised to benefit from the changes ahead and maintain the right balance of risk through asset allocation and diversification.

Sabu Varghese, MBA, CIM, Portfolio Manager at SV Wealth of Raymond James Ltd.

He started his career in the financial services industry in 1996. With an MBA specializing in Security Analysis and Portfolio Management, he has a passion for helping his clients preserve and grow their wealth by providing financial solutions that take advantage of his deep knowledge and expertise. He is a Chartered Investment Manager (CIM) and Professional Financial Planner (PFP).

Before migrating to Canada in 2001, he has worked with well-known broking firms in India like, First Global, Suresh Rathi Securities and Praman Capital. In his spare time, he enjoys reading, playing soccer with his children, and walking his dog. www.svwealth.ca

BROKERS FORUM

your questions answered

S P TOSHNIWAL

Founder and CEO
www.prostocks.com

KEY THINGS TO LOOK WHILE TRADING IN STOCK MARKET

Trading in the stock market requires years of practice, discipline, right partners, emotional strength and understanding of market dynamics to maximize gains. The prospect of high returns has always brought people to stock markets but trading is risky and stressful by nature as real money is involved. A lot can be earned or loose in a very short span of time.

Below are a few key things traders should be aware of while trading to maximize profits.

1. Cost of Trading

Lot money goes to brokerage, government taxes and other fees while trading. While government taxes are fixed, a trader could reduce trading costs by choosing a broker with less charge. Savings in brokerage result in lower trading costs and higher profitability.

For frequent traders, the **monthly unlimited trading plan** offers huge brokerage savings. In this plan, customers pay a flat monthly fee for **unlimited brokerage-free trading** in a segment. These plans are far cheaper in comparison to flat rate brokers who charge per trade brokerage.

A trader with an average of 25 trades a day and Rs 20 per trade brokerage pays Rs 10,000 in brokerage in a month (25 trades * Rs 20 per trade brokerage * 20 days). The unlimited trading plans usually cost around Rs 899 a month and thus offer huge savings.

Broker specify charges list:

- Brokerage
- Clearing Fee (cannot be charged except Custodian Account)
- Exchange Transaction Charges
- Interest on Margin Funding
- Demat AMC
- Demat debit Charge
- Share Pledge/Un-pledge Fee
- Fund Transfer Fees

“TRADING IN THE STOCK MARKET REQUIRES YEARS OF PRACTICE, DISCIPLINE, RIGHT PARTNERS, EMOTIONAL STRENGTH AND UNDERSTANDING OF MARKET DYNAMICS TO MAXIMIZE GAINS. THE PROSPECT OF HIGH RETURNS HAS ALWAYS BROUGHT PEOPLE TO STOCK MARKETS BUT TRADING IS RISKY AND STRESSFUL BY NATURE AS REAL MONEY IS INVOLVED.”

2. Research and Analysis Tools

To remain profitable, a trader requires sophisticated trading tools for analysis. Tools like technical and fundamental analysis are critical for any trader. Advance charts, reports, and tax statements save time for customers.

There are many ways to research a script. This includes understanding the nature of the business and financial performance to derive at the fair price of the stock

Research reports play an important role in understanding the fundamentals of the company.

3. Mobile Trading App

Most traders now trade using trading apps on a mobile phone. A good and stable trading app is a must for any online trader. The customer requires a simple user interface that makes the trading faster, less confusing, and reduces errors.

In addition, simplified fund transfer, margin funding, pledging, IPO, mutual funds, online account opening, and modification are essential.

4. Risk Management

Traders should have a good understanding of risks in trading and market regulation. This helps them to mitigate the risk and maximize the profits.

- Diversification in investment is an important tool in managing the risk. Never keep all your eggs in the same basket.
- Use advance order types like Stop loss order, Cover Order, Bracket Order, One Cancel the Other (OCO) Order, After Market order (AMO), Good Till Triggered (GTT) as much as possible.
- Control your emotions while trading. Make strict rules for when to enter and exit based on your risk profile. Think logically by asking yourself if the decision you are making is emotionally driven or is backed by fundamentals.

5. Broker

Choosing the right broker is key for a comfortable trading experience. There are hundreds of retail brokers in India. Compare online, take recommendations from friends and choose what best suits your trading needs. Switch if you are not comfortable until you find an appropriate broker. Remember that there is no one broker which is good for all.

Few key points to note while choosing a broker:

- Customer service
- Brokerage and other transaction charges
- Advance order types (CO, BO, SL, GTT, AMO, OCO)
- Stable and easy online trading platform
- Fundamental and technical analysis tools
- Alerts and kill switches
- Investor education tools and programs
- Research and trading tips (if require)
- Easy fund transfer and withdrawal
- Add-on products like IPO, Mutual Funds, Stock SIP
- Margin and leverage facility

6. Helping hands from Broker

A broker should be accessible to the trader at all times via phone, email or even in-person. This helps in quick issue resolution, less headache and less number of lost opportunities. It is important to check the customer service options before selecting the right trading partner.

7. Have Patience

Stock markets are volatile by nature. They reward investors with patience. Keeping reasonable expectations from the market is the key. A 15% yearly return on investment in the market is a decent expectation.

CHOOSING THE RIGHT BROKER IS KEY FOR A COMFORTABLE TRADING EXPERIENCE. THERE ARE HUNDREDS OF RETAIL BROKERS IN INDIA. COMPARE ONLINE, TAKE RECOMMENDATIONS FROM FRIENDS AND CHOOSE WHAT BEST SUITS YOUR TRADING NEEDS. SWITCH IF YOU ARE NOT COMFORTABLE UNTIL YOU FIND AN APPROPRIATE BROKER. REMEMBER THAT THERE IS NO ONE BROKER WHICH IS GOOD FOR ALL.

8. Continues Learning

For a trader, learning never stops. The trading products, trading tools, analysis tools, regulations and risks are ever-changing. Try to learn new things and expand your knowledge to stay on the edge.

Conclusion:

Each trader, before making a decision, must carefully shortlist the right stocks and broker after understanding their expectations and exploring available options. The cost of trading, platform features, margin & leverage facility, customer service, research empowerment, etc., are some of the key factors that must be explored. In a nutshell, selecting the right investment instrument, coupled with an empowered broker or trading platform is the key to your trading goals.

The views expressed are personal.

S P Toshniwal, Chartered Accountant by qualification and passion for technology, founded ProStocks, India's one of the fastest growing online stock broking company. He was CEO of Mangal Keshav Securities Limited, India's first brokerage house to have foreign bank as partner, prior to starting www.prostocks.com

BROKERS FORUM

your questions answered

URVI M. JANANI

Kaytes Business Consultants LLP

SPECIAL SITUATION AIF

Background

The Indian financial system has been facing the challenges of stressed loans over the years, requiring significant capital infusion in Banks, Non-Banking Financial Companies (NBFCs), etc. Thus, it is imperative that the capital of these lenders locked in stressed loans be released and made available for lending to the desired sectors for contributing to economic development.

While Asset Reconstruction Companies (ARCs) have been in the business of buying stressed loans of Banks, NBFCs, etc. there is a possible option of Alternative Investment Funds (AIFs) supplementing the efforts of ARCs in buying these stressed loans.

AIFs are investment vehicles that manage privately pooled funds raised from sophisticated and well informed investors who are open to high-risk investments. The consistently increasing interest of sophisticated investors in AIFs is evident from the growth in the funds raised and investments made by AIFs over the years. The cumulative funds raised by AIFs from investors have increased from 40,955 crore rupees as on March 31, 2017 to 2,69,843 crore rupees as on September 30, 2021, with CAGR of 52.03%. Further, as on September 30, 2021, the AIF industry has unutilised commitments from the investors to the extent of 2,65,164 crore rupees, which can be invested in suitable investment opportunities. Thus, AIFs can serve as a source of risk capital to deal with the issue of stressed loans.

Scenario prior to introduction of Special Situation Funds

Under the extant regulatory framework, AIFs are permitted to invest in debt only by way of investment in debt securities and not by lending or buying loans. Thus, presently, AIFs invest in companies in distress through investment in securities of stressed companies and Security Receipts (SRs) issued by Asset Reconstruction Companies (ARCs).

> WHILE ARCS HAVE BEEN IN THE BUSINESS OF BUYING STRESSED LOANS OF BANKS, NBFCS, ETC. THERE IS A POSSIBLE OPTION OF AIFS SUPPLEMENTING THE EFFORTS OF ARCS IN BUYING THESE STRESSED LOANS.

Introduction of Special Situation Funds

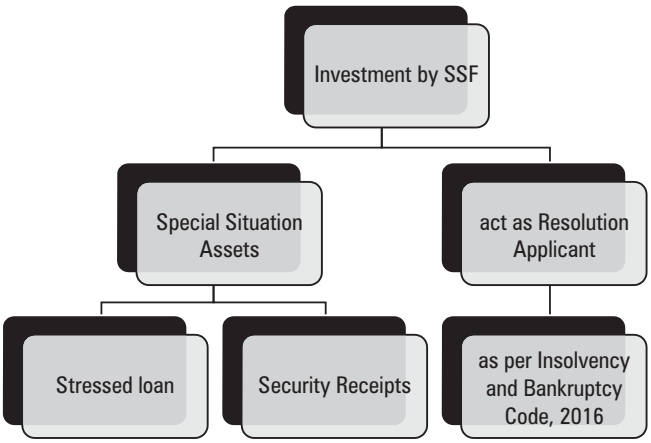
The Securities and Exchange Board of India ("SEBI") has approved the introduction of Special Situation Funds ("SSFs") vide its notification No. SEBI/LAD-NRO/GN/2022/68 dated January 24, 2022. SEBI vide its circular dated January 27, 2022, further prescribed the framework applicable to SSFs.

A sub-category called Special Situation Fund has been created under Category I AIF that invests in special situation assets in accordance with its investment objectives and may act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016.

Key Highlights for Investment in SSFs

Key Attributes	Particulars
Minimum Corpus to start and SSF	Each Scheme of SSF shall have a corpus of **at least INR 100 Crores**
Minimum Capital Commitment required by an Investor	• Minimum investment by **each investor** in SSF: at least **INR 10 Crores** • **Accredited investor** in SSF: **at least INR 5 Crores** • **Employees/directors** of SSF and/or employees/directors of the IM of the SSF: **at least INR 25 Lakhs**
Investment objective of an SSF	SSFs shall **invest only in special situation assets** and **may act as a resolution applicant** under the Insolvency and Bankruptcy Code, 2016.
Investment Restrictions for SSF	The Special Situation Funds shall not invest in: (i) Its associates; or (ii) the units of any other Alternative Investment Fund other than the units of a special situation fund; or (iii) units of special situation funds managed or sponsored by its manager, sponsor or associates of its manager or sponsor. SSF cannot invest in securities of companies outside India.
Relaxation on Investment Concentration/ limit	Concentration norms do not apply to SSF

Investment by Special Situation Funds



What are Special Situation Assets?

Types	Particulars
(a) Stressed loan	(i) Available for acquisition in terms of **Clause 58 of Master Direction - Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021** as amended from time to time; or (ii) **as part of a resolution plan** approved under the Insolvency and Bankruptcy Code, 2016; or (iii) **in** terms of any other policy of the Reserve Bank of India or Government of India issued in this regard from time to time
(b) Security Receipts	issued by an Asset Reconstruction Company registered with the Reserve Bank of India
(c) Securities of investee companies	(i) **whose stressed loans are available for acquisition in terms of Clause 58 of the Master Direction - Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021** as amended from time to time or as part of a resolution plan approved under the Insolvency and Bankruptcy Code, 2016 or in terms of any other policy of the Reserve Bank of India or Government of India issued in this regard from time to time; (ii) **against whose borrowings, security receipts** have been issued by an Asset Reconstruction Company registered with the Reserve Bank of India; (iii) **whose borrowings are subject to corporate insolvency resolution process** under Chapter II of the Insolvency and Bankruptcy Code, 2016; (iv) **who have disclosed all the defaults relating to the payment of interest/ repayment of principal amount on loans from banks / financial institutions/ Systemically Important Non-Deposit taking Non-Banking Financial Companies/ Deposit taking Non-Banking Financial Companies and /or listed or unlisted debt securities** in terms of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and such payment default is continuing for a period of at least ninety calendar days after the occurrence of such default: Provided that in case of sub-clauses (iii) and (iv), the credit rating of the financial instruments or credit instruments or borrowings of the company has been downgraded to "D" or equivalent;
(d) Any other asset as may be specified by the Board from time to time	Relevant notifications as may be issued by SEBI

Pre-requisites for acquiring stressed loan by SSF?

Conditions to be met on acquiring stressed loan [in terms of Clause 58 of the Master Direction - Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 ('RBI Master Direction')]

INCLUSION	LOCK IN	DUE DILIGENCE
Inclusion of SSF in the respective Annex of the RBI Master Direction	Lock in period - 6 months (not applicable in case of recovery of stressed loan from the borrower)	Comply with the same initial and continuous due diligence requirements for investors same as those mandated to investors of ARCs

Income tax Implications

SSF shall continue to be governed by Section 115UB of the Income-tax Act, 1961 ('the IT Act').

- Recognition of income from stressed assets has been a matter of debate and therefore, taxation of interest accrued but not due may create some tax uncertainties in relation to income to be credited to the investors of the SSF.

SSFS ARE INTROUDUCED AS A SUB-CATEGORY OF CATEGORY I AIF. SSFS SHALL INVEST ONLY IN SPECIAL SITUATION ASSETS AND MAY ACT AS A RESOLUTION APPLICANT UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016.

- Interest may be credited in the books on a yearly basis to align with timing principles, however, interest may or may not be received during the life of the SSF.
- Section 115UB of the IT Act, enforces deemed credit principles on a year basis.
- Taxes are required to be withheld on income credited even if not distributed.
- Taxation of income from ARC receipts could require further evaluation in relation to characterisation in the hands of non-resident investors.
- FPI Tax regime under Section 115AD of the IT Act shall be applicable to FPI investors in SSF.

Key Takeaways

- SSF may acquire stressed loan in terms of clause 58 of RBI Master Direction upon inclusion of SSF in the respective Annex of the RBI Master Direction
- Minimum ticket size of investment in SSF for an investor is higher compared to investment in all other categories of AIF
- SSF is announced by SEBI with an intent that AIFs can serve as a source of risk capital to deal with the issue of stressed loans
- The restriction on AIFs on investing/purchasing loan has been eliminated with the introduction of SSFs, provided investment is done only in stressed loans and in accordance with the investment objectives of the SSF
- Investment concentration norm of 25% investment in each investee company is not applicable to an SSF
- SSFs to abide by the norms specified under Clause 58 under RBI Master Direction, Insolvency and Bankruptcy Code, 2016 along with the SEBI AIF Regulations
- SSF cannot invest in associate or in units of other categories of AIFs other than SSF

The views provided herein are of the author's own.

Kaytes Business Consultants LLP serves Financial Services industry and caters to diverse needs of client, specializing in cross border transaction issues, regulatory and tax compliances, SEBI Regulatios, double tax treaty planning and FATCA.

Urvi is a Chartered Accountant and has a professional experience of eight years. She is associated with Kaytes Business Consultants LLP since past two years and serving the niche market of AIFs under the Financial Services sector. She has been involved in advising and structuring of AIFs (all categories), specialising mainly in Angel Funds and Category II AIFs. She works with a team of 14 members on several funds to serve Fund compliances, tax and regulatory services to take care of the entire lifecycle of the Fund.

BROKERS FORUM

I ♥ Stock Markets

your questions answered

ZERICK DASTUR

Founder

Zerick Dastur, Advocates and Solicitors

SPECIALIZED FORA FOR REDRESSAL OF SPECIALIZED DISPUTES

1. Can any person approach a civil court to file any suit or proceeding for any civil claims arising out of a violation that fall within the ambit of the Securities and Exchange Board of India (SEBI) Act, 1992?

In order to determine jurisdiction of civil courts, one has to first consider the provisions of the Code of Civil Procedure, 1908 (CPC). The rule prescribed by Section 9 of the Code of Civil Procedure is that the civil courts shall (subject to the provisions contained in the Code) have jurisdiction to try all suits of a civil nature excepting the suits of which their cognizance is either expressly or impliedly barred.

The SEBI Act is one such statute that expressly bars the jurisdiction of civil courts in certain cases. Section 15Y of the SEBI Act bars the jurisdiction of all the civil courts to entertain any suit or proceeding in respect of any matter which an adjudicating officer appointed under the SEBI Act or the Securities Appellate Tribunal is empowered under the SEBI Act to determine. Furthermore, Section 20A of the SEBI Act provides that no appeal shall lie to any civil court from the orders of SEBI or Securities Appellate tribunal unless provided in the Act.

Since SEBI is a specialised body formed for the purpose of regulating the securities market, the object behind the exclusion the jurisdiction of the civil courts under the SEBI Act is to ensure that an expert body like SEBI or a specialised appellate body i.e. the Securities Appellate Tribunal can provide speedy and effective rulings on their domain of expertise. Accordingly, cases relating securities law violations involving invocation of provisions of SEBI Act and Regulations like insider trading, violation of listing norms, fraudulent trade practices and other SEBI regulations lie within the exclusive domain of the securities market regulator viz. SEBI. The necessary check and balances on exercise of power is maintained by way of a specialized appellate tribunal viz the Securities Appellate Tribunal before whom orders passed by SEBI may be appealed against by persons aggrieved.

Thus, it is evident from the provisions of the SEBI Act that the jurisdiction of civil courts is ousted in situations where SEBI is specifically empowered to take action prescribed under the SEBI Act.

THE SEBI ACT IS ONE SUCH STATUTE THAT EXPRESSLY BARS THE JURISDICTION OF CIVIL COURTS IN CERTAIN CASES. SECTION 15Y OF THE SEBI ACT BARS THE JURISDICTION OF ALL THE CIVIL COURTS TO ENTERTAIN ANY SUIT OR PROCEEDING IN RESPECT OF ANY MATTER WHICH AN ADJUDICATING OFFICER APPOINTED UNDER THE SEBI ACT OR THE SECURITIES APPELLATE TRIBUNAL IS EMPOWERED UNDER THE SEBI ACT TO DETERMINE.

2. Discuss the judicial precedents on the jurisdiction of civil courts in relation to violations under provisions of the SEBI Act.

The judgement the Hon'ble Bombay High Court in the matter of *Kesha Appliances v. Royal Holdings Services Ltd (2005)* is an important judgement on the subject. The issue that arose for consideration in this case was whether civil courts could exercise jurisdiction to try matters that came within the regulatory purview of the SEBI. In the said case, the Plaintiff

sought for rectification of the share register for allotment of preference share allegedly allotted by one defendant to the other defendant, in violation of Regulation 12 of the SEBI Takeover Regulation. The Hon'ble Court after carefully examining the various provisions of CPC and the SEBI Act held that *"It is because the common law right of rectification which is sought to be enforced and exercised by the plaintiff in the present case arises out of the right conferred on the basis of Take Over Regulations and once the provisions of the Take Over Regulations are invoked then the entire jurisdiction by virtue of the provisions of Section 15Y and 20A is exclusively conferred on the SEBI authorities".*

Thus, the Hon'ble Court dismissed the suit while holding that the jurisdiction of the civil courts is barred because the right asserted by the Plaintiff was based on the sole ground of violation and/or breach of the Take Over Regulation and no other ground was invoked for rectification of the Share Register. It was held that in the said case, the remedy available with the Plaintiff's is to complain to the SEBI of the breach and seek the appropriate remedy.

However, the Hon'ble Court clarified that when the rectification of the share register is dehors the provisions of the Takeover Regulations or any other provisions of the SEBI Act and rules and regulations made thereunder, then the civil court would certainly have jurisdiction to entertain and try such a suit. This is because what is barred under section 15Y and 20A is only those acts which falls either under the SEBI Act or under the regulations framed thereunder.

3. Can any party claim damages against a third party before SEBI for the losses suffered by it in relation to the securities market?

There are rulings of the courts which make it clear that a claim for damages, even in relation to issues relating to securities market, will have to be tried by a civil court.

The judgment of the Hon'ble Bombay High Court in the matter of *Asha Anilkumar Kataria Vs. Ashokkumar Bafna (2007),* may be relevant in this regard. In the said matter, a suit before a civil court was instituted by the Plaintiff for recovery of dues towards the price of the shares purchased and sold by the Plaintiff on behalf of the Defendants. The Plaintiff in the said case had been dealing in the business of shares and securities since 1994 as an unregistered sub-broker.

The Hon'ble Court after hearing the parties, upheld the jurisdiction of the civil courts to try the matter. It was held that Sections 15-Y and 20A of the SEBI Act did not take away the ability of a civil court to hear a securities matter that did not involve rights created by the SEBI Act. In this case, the Bombay High Court directed the trial court to continue with the trial relating to transactions in the securities market stating that the jurisdiction of civil courts is not excluded and that common law rights indeed co-exist concurrently with statutory remedies that the regulator may pursue. Thus, even though the dispute relates to price of shares purchased and sold by the plaintiff on behalf of the defendants, the jurisdiction of the civil courts will not be excluded because none of the provisions require SEBI to resolve a dispute regarding non-payment between a client and sub-broker (much less unregistered sub-broker).

In another instance, in the matter of *Mrs. Ramkishori Gupta vs. SEBI (Appeal No. 207 of 2012)* before the Hon'ble Securities Appellate Tribunal, the Appellants were seeking directions for compensation to the Appellants for losses suffered by them due to purchase of shares based on misleading advertisements by a company listed on the Bombay Stock Exchange.

The Hon'ble Securities Appellate Tribunal held that SEBI was not required to undertake the task of considering and granting compensation to an investor for the alleged losses he might have suffered due to certain misleading or fraudulent advertisements by a company. It was observed that, the Appellants' prayer for compensating him for the alleged loss is in the nature of a claim for damages on account of such alleged fraudulent and misleading representations by the (company) through various advertisements. This aspect of damages needs to be looked into by a civil court of competent jurisdiction in a trial and not by SEBI under the SEBI Act, 1992 for the simple reason that the law of damages/compensation is a complex area requiring a trial court to go into these issues in a civil trial.

(Advocate Zerick Dastur and Advocate Palak Agrawal)

Views expressed are personal and do not constitute legal advice.

Zerick Dastur is Proprietor of the Law Firm, practicing in the field of Court litigation, Dispute Resolution, Arbitration, Securities law and Competition Law. He is a triple Gold Medalist from Mumbai University having topped the Mumbai University in Law. His practice covers diverse areas of Corporate, Commercial, Securities law and Regulatory disputes. He is representing a number of clients in the Port Sector, Infrastructure and Mining Sectors. He has represented clients in domestic and international, commercial arbitration matters. He handles a number of cases relating to securities law litigation and SEBI. He was a former Partner at the Law Firm, J. Sagar Associates.

He has litigation experience before the Hon'ble Supreme Court, various State High Courts Statutory Tribunals and Regulators. He has been involved in a number of matters involving issues of Constitution Law. He has been involved in landmark matters involving defence of Auditors and Corporate clients before various Regulators/Civil/Criminal Courts and Tribunals in connection with Corporate frauds. He has also advised various clients in matters involving shareholder disputes and minority actions before the NCLT and CLB.

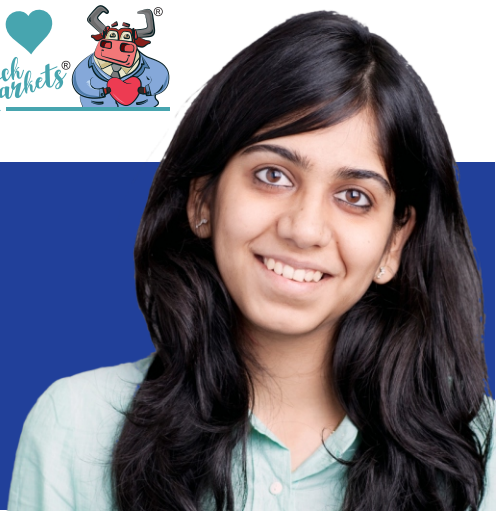
He also practices Securities Law and appears before the Securities Appellate Tribunal and the SEBI. He has advised clients in connection with Competition Law issues in everyday business operations including issues relating to anti-competitive agreements and abuse of dominance by enterprises.

He writes for various newspapers and publications on issues relating to Corporate law, Arbitration, Commercial and Competition Law. He regularly writes on securities law for the publication run by the Bombay Stock Exchange Brokers Forum. He is a regular speaker at events organised by Economic Times, VC Circle, Indian Merchant Chambers, Consumer Resources, Corporate Knowledge Foundation and the World Zoroastrian Chamber of Commerce.

He is a Member of the Law Committee of Indian Merchant Chambers and was involved in the drafting of the Rules for the IMC International Arbitration Centre.

INDIA'S GROWTH STORY: THE ROAD AHEAD

Swati Arora
Economist – Macroeconomics, Public Policy & Financial Markets, HDFC Bank



India was still recovering from the pandemic when the third wave of COVID hit. That said, the economic impact of the new wave is likely to be less disruptive as compared to the previous waves but it did lead to the revision of growth forecasts by a number of economist to the tune of 20-50 bps for FY22.

India's GDP is expected to grow by 9.2 per cent in FY22 as the first advance estimates released by the Central Statistics Office. This number however, should be taken with a "grain of salt" as it is calculated on a low base (-6.6 per cent YoY) from last year. As compared to the pre-pandemic levels, GDP is expected to grow by around 2 per cent (over FY20), with private consumption and contact-intensive service sectors still remaining below their pre-pandemic levels.

Heading into FY23, there are more risks than one for India's growth. For one, global economy is in a weaker position in 2022. Global growth is expected to slow down to 4.4 per cent in 2022 from 5.9 per cent in 2021 as per the International Monetary Fund's estimates. China and Hong Kong have strict restrictions in place, which are likely to play a key role in supply disruptions yet again. A slowdown in China and slower than expected recovery of private consumption is likely to have a bearing on global growth, which could weigh on domestic exports. Secondly, elevated commodity prices (including oil, metals etc) and global supply disruptions present risks to domestic growth. Crude oil prices are hovering above USD 90 per barrel litre as compared to USD 78 per barrel litre in December end, 2021. Lastly, the emergence of a new COVID-19 variant could lead to COVID related disruptions/localized lockdowns yet again and thereby dent economic recovery.

The Union Budget 2022 was presented amid a challenging environment (in the form of rising crude oil prices, high domestic inflation, an unequal economic recovery), with Indian economy still recovering from the pandemic and certain sectors (services) still reeling below pre-pandemic levels thereby making a case of policy support for growth recovery.

The Union Budget aimed to strike a balance between fiscal prudence and economic growth. Fiscal deficit is expected to moderate to 6.4 percentage of GDP in FY23 (Budget Estimate) as compared to 6.9 percentage of GDP in FY22 (Revised Estimate). Higher allocation on capital expenditure and measures announced for the MSME sector and startups were steps in the right direction to support India's growth.

THE UNION BUDGET 2022 WAS PRESENTED AMID A CHALLENGING ENVIRONMENT (IN THE FORM OF RISING CRUDE OIL PRICES, HIGH DOMESTIC INFLATION, AN UNEQUAL ECONOMIC RECOVERY), WITH INDIAN ECONOMY STILL RECOVERING FROM THE PANDEMIC AND CERTAIN SECTORS (SERVICES) STILL REELING BELOW PRE-PANDEMIC LEVELS THEREBY MAKING A CASE OF POLICY SUPPORT FOR GROWTH RECOVERY.

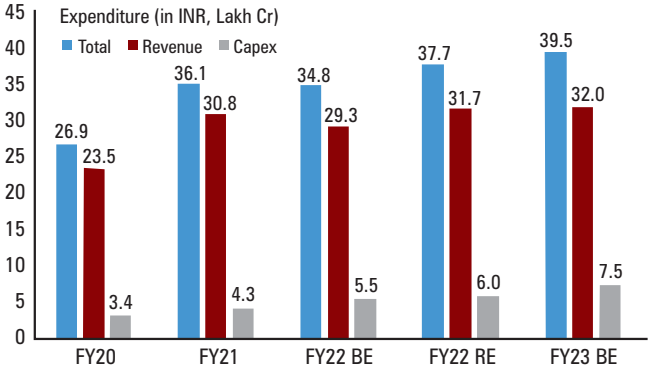
Focus on capex to boost economic growth

Investment led growth is clearly the government's economic mantra. Capital investments helps create jobs, thereby creating demand for goods and services. Allocation on capital expenditure rose by a whopping 25 percentage to INR 7.5 lakh crore as compared to FY22 Revised Estimates of INR 6.0 lakh crore. This includes higher spending on roads, railways, defence, telecom and housing. Besides, it also includes transfer of INR 1 lakh crore to states (50-year interest free loans). Capital expenditure has a higher multiplier on economic output. A higher allocation on capital expenditure and focus on infrastructure reflects the government's priority to push for a speedy and sustainable growth.

While the government managed to over-deliver on its FY22 capital expenditure target (at INR 6 lakh crore vs. BE of INR

5.5 lakh crore) due to the inclusion of equity infusion into Air India, allocating such a large capital expenditure program in FY23 remains challenging and requires effective implementation. In this regard, timely implementation/front loading of capital expenditure and capacity to absorb this large capex would be critical to support the economic recovery.

More than two-fold in capex as compared to pre-pandemic levels



Source: Budget documents, CEIC and HDFC Bank

Shift from relief measures to supporting durable growth recovery..

Focus of the budget shifted away from providing relief measures to supporting durable recovery as visible in revenue expenditure, allocation for which largely remained flattish at INR 31.9 lakh crore in FY23 (as compared to INR 31.7 lakh crore in FY22). The space made available by keeping revenue expenditure largely flattish has been used to step up capital expenditure. The budget has overlooked some key revenue expenditures. For instance, the allocation for food subsidy fell, suggesting that no free food grain program has been accounted for in FY23 and allocation to MNREGA also reduced by INR 25,000 crore in FY23 when demand for employment remains above pre-pandemic levels.

The fact that there was an improvement in quality of fiscal expenditure (lower ratio of revenue expenditure to capital expenditure in FY23 as compared to FY22) indicates that the budget is not likely to be inflationary and is growth supportive.

Providing support to MSMEs - the backbone of the Indian economic structure

MSME is a critical contributor to the country's employment and GDP. MSME's account for 30 per cent of the GDP and 49 per cent of exports. The sector has been hard hit by the pandemic. Support announced to support the MSME sector is a welcome step. The extension of the credit guarantee scheme (ECLGS-that gives government back-stop to bank loans to the medium and small-scale sector) by a year, an increase in the guaranteed amount earmarked for the hospitality sector by INR 50,000 crore is and an additional credit of INR 2 lakh crore through Credit Guarantee Trust for Micro and Small Enterprises scheme are steps in the right direction. Besides, the Raising and Accelerating MSME Performance (RAMP) program has been launched with an outlay of INR 6000 crore over five years. This is likely to improve the competitiveness and efficiency of MSMEs. Overall, the budget provided much-needed support to MSMEs.

Promoting Atmanirbhar Bharat: Steps to increase self-reliance and promote 'Make in India'

The budget announced measures aimed at increasing self-reliance. It has been proposed to phase out the concessional rate of custom duty on capital goods. Besides, custom duty exemptions on more than 350 items, including chemicals, fabrics, medical devices, drugs and medicines etc for which domestic capacity exists are proposed to get gradually phased out. Phasing out of exemption on items that can be manufactured domestically and providing concessional duties on inputs that go into intermediate goods are likely to give a boost to 'Make in India' and 'Atmanirbhar Bharat' initiatives.

However, no measures were announced to give a direct impetus to consumption

Share of private consumption in GDP is expected to moderate to an all-time low of 54.8 per cent in FY22, reflecting the adverse impact of the second wave of COVID and Omicron as compared to 56.9 per cent in FY20. No direct measures in terms of increasing disposable income (via increasing the slabs tax cuts, tax cuts or increasing standard deduction limit) were announced in the budget to bolster consumption in the near-term. Over the medium term, a higher allocation on capex, support to MSMEs, announcements to boost agriculture and rural sector are likely to support consumption indirectly.

To conclude, sector specific measures announced in the budget in addition to a higher capital expenditure allocation bode well for India's economic growth. In addition to the fiscal support, the RBI's focus is also on ensuring that the economy is on a path of durable and broad-based growth recovery. In its recent monetary policy (concluded on 10th February), the RBI showed a clear tilt towards growth, emphasizing that fiscal and monetary policies will have to move in perfect coordination. For FY23, India's GDP is expected to grow by 7.8 per cent as per the Reserve Bank of India.

Swati is currently working as an economist with HDFC Bank. She has over 6 years of experience in economic research with specialization in macro-economy, public policy and financial markets. Swati holds an MPA degree (Master of Public Administration, specialization in Public and Economic Policy) from the London School of Economics and Political Science and an undergraduate degree in economics from the University of Delhi.

WHY CONSUMPTION WEAKNESS MAY BECOME A BITING CONSTRAINT ON GROWTH

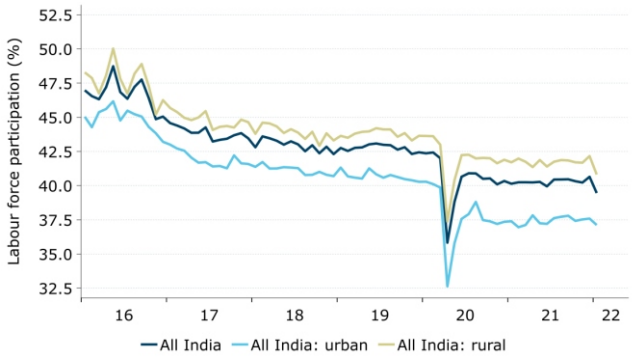
Dhiraj Nim
Economist/ Strategist, ANZ Research

India's swift economic recovery from the second pandemic wave has unfortunately been uneven and incomplete. Private consumption, the chunkiest component of GDP, is still below pre-pandemic levels. This large negative consumption gap is a legacy of the pandemic and, in ANZ Research's view, overcoming it will take considerable time. Further, while government support is needed, a changing policy environment means only a partial success can be hoped for. There are four telling reasons why.

Incomplete labour market recovery

The easing of the all-India unemployment rate to the pre-pandemic 7% is only partially reassuring. A roughly 2 percentage point decline in the labour force participation rate shows that the size of the job-seeking or earning population has fallen during the pandemic, which will be a drag on household income and therefore spending ability. Unfortunately, while overall activity has continued to recover well, it hasn't translated into a materially improved labour market situation. And if those who have stopped looking for work return to the job market, the unemployment rate could rise again.

Falling labour force participation rates



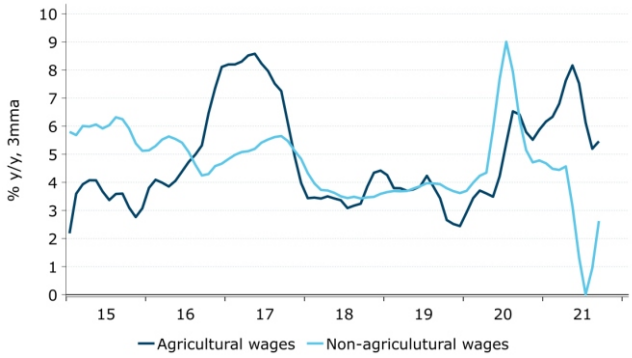
Source: CMIE, Bloomberg, Macrobond, ANZ Research

The slowdown in services has been harsher and the recovery more tepid. Consequently, urban jobs have been one noteworthy casualty of the pandemic, in terms of both employment and wages. CMIE surveys confirm that salaried workers experienced the largest job losses during the pandemic, and these roles are concentrated in urban areas.

The urban unemployment rate has been falling with the reopening of the economy, and is trending below its pre-pandemic level, but this may be masking lower earnings in those roles as well as lower labour force participation. A lot will depend upon how long it takes for the service sector output gap to close, but in the meanwhile, urban job markets will likely face continued headwinds.

Rural India may appear to have fared better at first glance. However, we note that even as farm employment has ticked up, rural labour force participation has fallen and hasn't recovered. Rural incomes and productivity likely suffered as well, since 'disguised' agricultural unemployment also increased. In the non-agricultural rural sector, poor wage growth is evidence of labour market stress. Strong increase in demand for employment under MGNREGA demonstrates the lack of employment alternatives in rural India. Overall, rural labour markets remain fragile both from jobs and earnings perspective.

Non-agricultural rural wage growth is weak



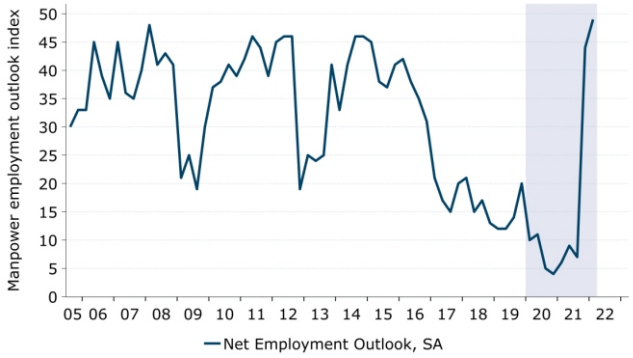
Source: Labour Bureau Government of India, MoS&PI, Macrobond, ANZ Research

Greater income inequality

Widening income and wealth inequalities will also constrain India's private consumption. The formalisation of the economy is affecting income distribution, particularly at the lower rungs of economic strata. Business closures and loss of market share among micro, small and medium enterprises (MSMEs) have dampened their demand for labour, especially in the informal sector, which employs roughly 80% of India's workforce.

In contrast, employment by larger corporates is expected to improve, not least because they gained market share during the pandemic. The most recent Manpower Employment Outlook Survey shows a continued rebound in hiring intentions among corporates. Other surveys also indicate healthy salary increases in 2022, suggesting that incomes may improve for formal sector employees.

Formal sector job outlook has improved



Source: Manpower Inc., Macrobond, ANZ Research

The pandemic has also widened the wealth gap in India, as it did elsewhere, largely as an outcome of the monetary policy response to the crisis. With interest rates hitting the floor amid conventional and unconventional monetary policy easing, household interest income from bank deposits has taken a significant hit, often earning negative interest when adjusted for high inflation. With roughly 55% of India's household financial assets held as bank deposits lower interest rates are significant. In contrast, less than 10% of household savings are put into stocks and mutual funds, which have accrued far higher returns during the pandemic. The ownership of these financial market assets is concentrated in the upper income strata of the population.

India's widening wealth inequality

Source: RBI, BSE, Bloomberg, Macrobond, ANZ Research

The savings surge has normalised

An initial surge in household savings to 21% of GDP in Q2 2020 was symptomatic of lockdown restrictions and a lack of access to physical retail and services. It also meant when the economy reopened there was considerable pent-up demand to quickly revive growth.

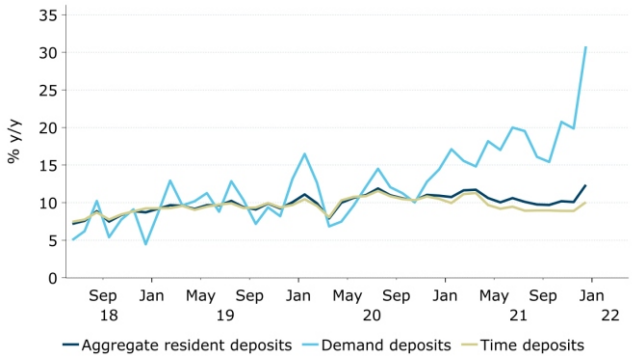
Over Q3 and Q4 2020, as restrictions eased, the household savings rate fell with household expenditure fuelling an impressive economic recovery until the second wave hit. By Q4 2020, household savings had reached 8.2% of GDP, lower than the long term average of 8.6%, and are likely to have fallen further in 2021. This reflects the deeper toll on household incomes by repeated waves of the pandemic.

> THE MOST RECENT MANPOWER EMPLOYMENT OUTLOOK SURVEY SHOWS A CONTINUED REBOUND IN HIRING INTENTIONS AMONG CORPORATES. OTHER SURVEYS ALSO INDICATE HEALTHY SALARY INCREASES IN 2022, SUGGESTING THAT INCOMES MAY IMPROVE FOR FORMAL SECTOR EMPLOYEES.

Although savings data beyond Q4 2020 are not yet available, it is conceivable that the drag on incomes led to a further decline in household savings. An indicator reflecting this is the rapid rise in personal loans against gold jewellery since the pandemic began. Gold is an important household asset for many Indians.

The softening of aggregate deposit growth is also an indicator of household income stress. The deceleration in term deposits is a marker of household stress and depleted saving potential, while accelerating demand deposit growth is likely an outcome of rising working capital requirements alongside business cycle normalisation. From the point of view of spending, this implies pent-up demand for goods is already fading and consumption growth will likely settle at a softer rate.

Softening aggregate deposit growth



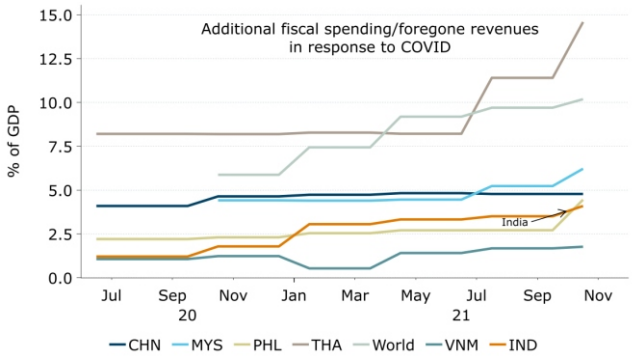
Source: RBI, Bloomberg, Macrobond, ANZ Research

However, there is still a ray of hope. Given repeated mobility restrictions, most recently due to Omicron, the pent-up demand for services remains to be fully spent, in our view. Services like tourism, dining out, and recreation are still running far below capacity or pre-COVID trend. As vaccination rates rise and restrictions ease, this pent-up demand will find its way into the economy, buoying consumption, all else equal. However, it will likely not last beyond two quarters. Thereafter, fundamental household consumption determinants like incomes, jobs and sentiment will take over, all of which signal weakness at this juncture.

Policy is constrained in its ability to lift consumption

A partial labour market recovery, increased economic inequality and the fading of pent-up demand suggest that India's private consumption growth in the coming quarters will be limited. With consumer confidence very weak, an equitable revival in income growth will be a necessary pre-condition for a more fully fledged recovery in private consumption. Given India's relatively weak policy response to the pandemic, especially in terms of direct support to households, fiscal impulse to private consumption is unlikely to be strong enough to fill the gap.

India's fiscal response to COVID-19 has been weak



Source: IMF, Bloomberg, Macrobond, ANZ Research

In this context, the evolving policy contours are important to note. The recent budget presentation marked a slow fiscal deficit consolidation for FY23, implying that public spending will likely remain supportive of growth. However, the fine print reveals that the boost is largely via capital spending whereas revenue and direct welfare spending have been scaled down as a share of GDP. In fact, revenue expenditure-to-GDP ratio is slated to fall by 130bps, including a reduction in spending related to rural development and jobs support scheme such as MGNREGA. The capex boost will have a multiplier effect on incomes, the multiplier itself being higher than that of revenue spending. However, the mix of spending is best optimised for requirements of the economy. While revenue spending is more for near-term demand management and consumption support, capex is for augmenting long-term production capacity, jobs and investment in the economy. To be fair, India needs both at the current juncture. But the stoking of inequalities due to the pandemic necessitates continued welfare support that, we think, was not quite forthcoming in the budget. Alongside less supportive fiscal policy, high inflation and the impending tightening of monetary policy via rate hikes will impact the household ability to spend, especially via leverage.

> **AN INITIAL SURGE IN HOUSEHOLD SAVINGS TO 21% OF GDP IN Q2 2020 WAS SYMPTOMATIC OF LOCKDOWN RESTRICTIONS AND A LACK OF ACCESS TO PHYSICAL RETAIL AND SERVICES. IT ALSO MEANT WHEN THE ECONOMY REOPENED THERE WAS CONSIDERABLE PENT-UP DEMAND TO QUICKLY REVIVE GROWTH.**

These factors highlight why the consumption recovery may remain weak overall, especially once the pent-up demand wanes and fundamentals come into play. Slower gains in consumption, as the largest component of GDP, will constrain growth in general.

Dhiraj Nim is an economist and strategist in Asia research team at Australia and New Zealand Banking Group. His primary focus is on India economics and markets, where he has prior work experience at other major banks like HSBC and Goldman Sachs. His research interests also include Vietnam and Asia economics, and themes related to policy, currency, growth, reforms, and trade. His views have been published in major financial dailies and are regularly cited by platforms like Bloomberg. He received formal training in economics at Delhi School of Economics, University of Delhi.

WORLDLY WISE
A CASE FOR INTERNATIONAL INVESTING

Shiv Gupta
Founder and Chief Executive Officer
Sanctum Wealth

In the age of the globe-trotting Indian, it would seem appropriate that Indian investment portfolios reflect this international character too. And, whilst this has not been the case historically, things do appear to be moving in this direction albeit it is still early in the game. In this article, we look at the evolution of international investing for Indian investors and the growing list of options available to them.

Indian investors have historically exhibited a strong home bias, which is the tendency for portfolios to be heavily, or even entirely, concentrated in home market investment instruments. This has been due to a range of factors including an inherent preference for what is familiar, and limitations of capital, opportunity, and awareness. In fact, investors across the world exhibit this bias in their portfolios too. This goes against one of the most elementary principles of risk management, which is diversification. According to Forbes[1], even in countries such as the US, only 15% of equity portfolios comprise international equities. In India, that number is much lower.

A small piece of a large pie

By restricting themselves to India, investors are missing an opportunity to invest in global leaders, diversify across geographies, improve return potential, and stabilize portfolio returns. International investing also includes themes and asset classes that are not available domestically. India makes up about 3% of the global equity market capitalisation and about 8% of global GDP (PPP adjusted). Only seven out of Fortune Global 500 companies are Indian and none is in the top twenty. Additionally, each country has different strengths and opportunities. The US is known for innovation, Germany for engineering, China for low-cost manufacturing and now, innovation. Having a global portfolio allows one to capture the strengths of each geography.

When it comes to diversification, which remains the bedrock of prudent risk management, it's useful to note that the correlation between the Nifty 50 and S&P 500 is less than 0.5 and lower still when compared to emerging markets.

If we were to expand this table to include other asset classes like fixed income and real estate, and add currencies to the mix, the results would be even more stark. Further, the Indian currency has been depreciating against the US dollar by about 3-4% annually due to a range of structural factors, and this could continue. Hence, aside from growth in the underlying asset's value, any foreign investment would automatically grow by 3-4% annually in rupee terms due to currency appreciation alone.

Coming back to home bias let us look at the underlying factors in more detail.

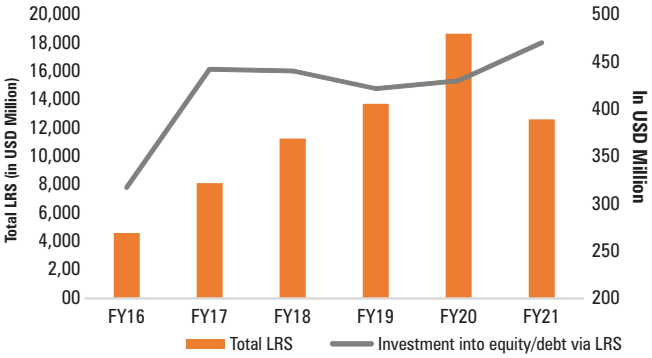
INTERNATIONAL INVESTING ALSO INCLUDES THEMES AND ASSET CLASSES THAT ARE NOT AVAILABLE DOMESTICALLY. INDIA MAKES UP ABOUT 3% OF THE GLOBAL EQUITY MARKET CAPITALISATION AND ABOUT 8% OF GLOBAL GDP (PPP ADJUSTED). ONLY SEVEN OUT OF FORTUNE GLOBAL 500 COMPANIES ARE INDIAN AND NONE IS IN THE TOP TWENTY. ADDITIONALLY, EACH COUNTRY HAS DIFFERENT STRENGTHS AND OPPORTUNITIES.

Security	NIFTY 50	US S&P 500	Developed Markets	Germany	China	Emerging Markets
NIFTY 50	1.00	0.43	0.48	0.53	0.42	0.28
US S&P 500	0.43	1.00	0.98	0.77	0.70	0.46
Developed Markets	0.48	0.98	1.00	0.86	0.76	0.49
Germany	0.53	0.77	0.86	1.00	0.71	0.39
China	0.42	0.70	0.76	0.71	1.00	0.41
Emerging Markets	0.28	0.46	0.49	0.39	0.41	1.00

Source: Bloomberg, Monthly correlation in INR over 5 years, as on 31st December 2021

Investors feel familiar and comfortable with investing in local markets. Many are not aware of the international options available to them or do not think they have the wherewithal to analyse foreign investments. Additionally, Indian equities have delivered strong returns historically and hence investors have not felt a need to look for other opportunities.

Other hurdles include a lack of full currency convertibility which has led to administrative complexity and size limitations. In 2004, the RBI had introduced the Liberalised Remittance Scheme (LRS) under which resident Indians could send money abroad, but the limit was set at USD 25,000 only. In 2015, this increased to USD 250,000. While this led to a rise in outward remittances, the bulk of them have been for studies aboard, travel, maintenance of close relatives, and gifts. According to RBI data, out of USD 12.7bn of outward remittances under the LRS in FY21, only USD 0.48bn was for equity and debt investments although this too has been growing over the last few years.



Source: RBI

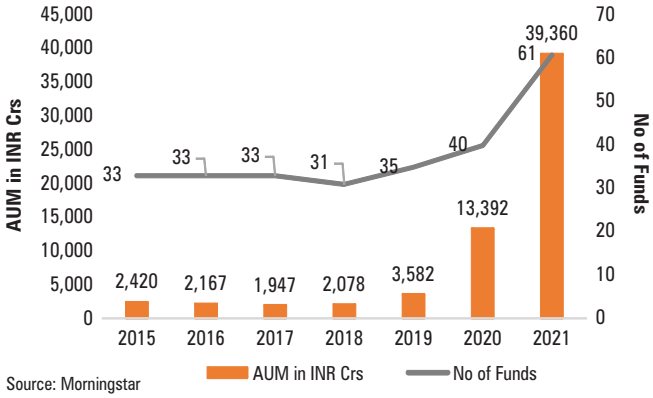
Tax treatment of foreign investments is another issue. For example, until 2018, local equities did not have any long-term capital gain (LTCG) tax, while global equities via feeder funds were taxed like debt funds - LTCG of 20% with indexation after 3 years - although this gap has reduced somewhat with the introduction of LTCG for domestic equities in 2018. Investments via the LRS are taxed as unlisted equity at 20% with indexation after 2 years.

Transferring money in and out of India can be an expensive affair too. Banks could charge 2-5% as a spread on the exchange rate, often with a commission on top. These costs have reduced over the years yet remain high and a deterrent to sending money abroad.

All things are difficult before they are easy

Notwithstanding the limitations, we have come a long way over the last few years. Today, there is a growing appetite and an expanding universe of options for domestic investors to invest abroad.

The simplest and most effective way is to invest in Indian domiciled international funds, feeder funds, and ETFs. Investors, especially high-net-worth individuals, have latched on to these over the last few years. The number of funds has almost doubled to more than 60 from 31 in 2018, and their AUM has increased 20 times to about INR 40,000 crores from about INR 2,000 crores in the same period. In fact, these funds have stopped taking fresh subscriptions as they are close to breaching the USD 7bn limit set by RBI back in 2008, another structural limitation that we expect policymakers to revise soon. We now have funds that cover a large investible universe with many country and region-specific, thematic, and sectoral funds that could help construct a well-balanced global portfolio.



Source: Morningstar

While feeder funds are the easiest way to invest globally, and do represent ultimate exposure to foreign currencies, they are denominated in INR from an investor's standpoint. Therefore, they do not serve the purpose of those who need USD balances and wish to build a portfolio in it directly. For them, the LRS route is the only way out, which can be cumbersome.

THE SIMPLEST AND MOST EFFECTIVE WAY IS TO INVEST IN INDIAN DOMICILED INTERNATIONAL FUNDS, FEEDER FUNDS, AND ETFS. INVESTORS, ESPECIALLY HIGH-NET-WORTH INDIVIDUALS, HAVE LATCHED ON TO THESE OVER THE LAST FEW YEARS. THE NUMBER OF FUNDS HAS ALMOST DOUBLED TO MORE THAN 60 FROM 31 IN 2018, AND THEIR AUM HAS INCREASED 20 TIMES TO ABOUT INR 40,000 CRORES FROM ABOUT INR 2,000 CRORES IN THE SAME PERIOD.

That said, in the last couple of years investing using LRS has also improved drastically. Many brokers have tied up with international platforms and now allow investors to buy global stocks. Also, new fintech platforms have made it extremely easy to invest globally in a cost-effective way.

THE GIFT CITY ALSO ALLOWS RESIDENT INDIVIDUALS WITH A MINIMUM NET WORTH OF USD 1 MILLION IN THE PREVIOUS FISCAL YEAR TO INVEST IN ALTERNATIVE INVESTMENT FUNDS (AIFs) IN GIFT CITY. THESE AIFs CAN POOL MONEY FROM RESIDENT INDIVIDUALS TO INVEST EXCLUSIVELY IN OVERSEAS INVESTMENTS. CURRENTLY, THERE ARE MORE THAN TEN SUCH AIFs AND MORE ARE EXPECTED OVER THE NEXT FEW MONTHS. OTHER NEW PRODUCTS ARE UNDER DEVELOPMENT IN GIFT CITY TOO.

Further, the Indian government has set up an international finance centre called the Gujarat International Finance Tec-City (GIFT City). GIFT City enables resident Indians to make offshore investments and non-resident Indians to make onshore investments. The National Stock Exchange (NSE) has set up NSE IFSC Limited as an international exchange in GIFT City. This will enable resident Indian investors to buy select US stocks with the intention of increasing the universe gradually. The NSE IFSC has tied up with certain preferred banks to reduce the conversion costs to as low as INR 50-150 and a spread of not more than 0.5% to remit money via the LRS route. Additionally, these stocks are fractionalised to reduce the minimum investment amount required to hold certain stocks. This will make foreign stocks accessible to average retail investors. Similarly, the BSE has setup up India INX for buying and selling international equities.

The GIFT city also allows resident individuals with a minimum net worth of USD 1 million in the previous fiscal year to invest in Alternative Investment Funds (AIFs) in GIFT City. These AIFs can pool money from resident individuals to invest exclusively in overseas investments. Currently, there are more than ten such AIFs and more are expected over the next few months. Other new products are under development in GIFT City too.

While we have seen a sharp growth in international investment in the last few years, we have barely scratched the surface. The overall AUM in locally domiciled funds that invests in global equities is only about 3% of overall equity MF assets-under-management. Similarly, of the overall outward remittances, less than 5% are for investments into equity and debt. Also, most Indian investors have concentrated on investing in the US, which has delivered strong returns over the last 10 years. While the US does make up close to half of the global market cap and hence deserves allocation, there is scope and opportunity for investing in many more markets to achieve optimal diversification.

Asset allocation - the secret sauce of successful investing

Opinions vary on the optimal level of international assets in a balanced portfolio with some suggesting an allocation as high as 40-50%. These opinions are based on the principle that most people are even more heavily concentrated in their home markets than is readily apparent once you include physical assets, businesses, and professional income sources. However, given the current stage of evolution, we believe, that 10-15% of the portfolio may be a more appropriate starting point. We also suggest diversifying this allocation across countries and asset classes and not focusing on just the US and equities.

As always, when constructing portfolios, we recommend that investors pay attention to the core principles of asset allocation and diversification. We also suggest they do in-depth research or seek assistance from advisors to help them navigate the growing multitude of options that are available to them.

1. https://www.forbes.com/sites/simonmoore/2018/08/05/how-most-investors-get-their-international-stock-exposure-wrong/?sh=6fe8df5f6aac

Shiv Gupta is the Founder and CEO of Sanctum Wealth, which was created through the acquisition of the Royal Bank of Scotland's Private Banking business in 2016.

Over a 25-year career, he has held several leadership positions in wealth management across Asia and the Middle East. His most recent position was as Head of India and Co-Head of the Middle East for the Royal Bank of Scotland's Private Banking Business.

He holds a Bachelor's degree in Economics from Hindu College, Delhi University. He is also a graduate of the Harvard Business School's General Management Program (GMP).

INVESTING IN A WORLD WHERE MONEY IS NO LONGER AVAILABLE FOR FREE

Rajeev Thakkar
Chief Investment Officer and Director
PPFAS Mutual Fund

Anyone who has taken a course in finance (and even those who have not) will tend to agree with the statement that money available today is worth more than the same amount of money say 10 years from now.

This basic understanding was turned on its head some time back in a world of zero and negative interest rates and in the year 2020 we saw 10 year German Government Bonds trade at yields as low as - 0.9% per annum. Yes that is right. If you bought the bonds then, you would be guaranteed a LOSS. This was not a one off freak trade. For years, trillions of dollars worth government bonds traded at negative yields. At peak, as much as 15 to 20 trillion dollars worth of bonds may have traded at negative yields.

In a world of zero and negative interest rates, a lot of things which otherwise would sound crazy started to make sense

- Huge capital expenditure where the returns on the capital expenditure were modest single digit returns.
- Spending money in large amounts to wrest market share from competitors even at the expense of reporting current losses.
- Funding startups where there was no prospect of positive cash flows for a decade or more.

The scenario has well and truly changed in 2022 in case you were not noticing. 10 year German Government bonds now yield north of 0.2% per annum (positive). While global interest rates are still near record lows, central banks have stopped cutting rates and are on the path to increase them given that inflation rates have been elevated for a while now.

Various reasons have been ascribed to the higher inflation rates. At the one end, COVID related lockdowns resulted in a loss of production. At the other end, fiscal and monetary stimulus measures announced by governments and central banks the world over resulted in demand remaining intact and in some cases increasing. Easy income support, health worries and general anxiety and other reasons have caused a lot of workers to not return to work and has resulted in labour shortages.

The earlier assumption that inflation is transitory and that once the supply chains normalise we will see lower inflation rates is giving way to a new evaluation where some amount of monetary tightening is required.

Key questions to inflation and interest rates remaining unanswered are:

a. How high will they go?
b. How quickly will they go up?
c. Till how long will they remain elevated?

While we do not have answers to these questions, what we do know is that rising rates will mean lower bond prices and that equity valuations that are prevailing above historical averages may trend to drift downwards.

THE IMPORTANCE OF ASSET ALLOCATION AND STICKING TO THE PLAN STILL HOLDS TRUE. A YOUNG PERSON WITH A STABLE INCOME SOURCE AND A LONG HORIZON SHOULD BE EQUITY HEAVY. A RETIREE WITH MONTHLY CASH FLOW NEEDS FROM INVESTMENTS SHOULD BE LARGELY IN DEBT INSTRUMENTS WITH SOME ADDITIONAL EQUITY AND HYBRID INVESTMENTS.

Governments so far have kept up their spending, however it remains to be seen whether they will be able to keep up the spending in a scenario where their interest costs go up in a rising interest rate environment.

What does all of this mean to investors?

In general, nothing. The importance of asset allocation and sticking to the plan still holds true. A young person with a stable income source and a long horizon should be equity heavy. A retiree with monthly cash flow needs from investments should be largely in debt instruments with some additional equity and hybrid investments.

However, beneath the surface of a broad asset allocation, a lot of tweaks may be required in terms of the kind of companies that one has invested in.

Start-up kind of companies which are continuously making losses and depend on raising fresh money for their survival will find that the investors do not have an endless appetite for fresh investments to meet their monthly expenses. In India we have already seen some high profile IPOs dipping below their issue price. In the US, some tech companies which are loss making have seen price cuts of more than 50% from the recent highs.

Capital efficiency will be rewarded and hobby projects of CEOs where esoteric ideas would be funded out of profits will get scrutinised in depth. Return On Capital Employed (ROCE) will be a key focus area for new projects and the hurdle rate for funding new projects will be higher. Leveraged companies which saw multiple lenders competing for funding them at attractive rates may find that money is hard to come by even at higher rates.

Investors will do well to look at their portfolios closely and weed out such investments if they are present in their portfolios.

Are there companies and sectors that will benefit from such an environment?

Sure. Cash rich companies that were getting miniscule returns on their surplus funds will start earning more. Cash rich companies will also be on the lookout for attractively priced distressed assets. Commodity based cyclical companies may have a few years of high earnings in the situation of limited supply. Banks and financial institutions with a stable low cost deposit base will start earning higher spreads on their advances.

Given the situation of tight labour market conditions, the emphasis on productivity will increase. There will be a greater push towards more automation and IT, hardware and robotics companies may benefit from this trend.

There may be a shift in production bases from countries with tight labour market conditions to countries with adequately trained human resources. India has the possibility of gaining from this trend if we execute well thought out policies.

Investors can look at their portfolio companies to see that they are positioned to benefit from these trends.

Will there be a reversion to pre COVID way of doing business or have we permanently shifted?

COVID has resulted in a lot of companies and sectors gaining (think video conferencing, ecommerce, electronics and hardware) while a lot of companies and sectors suffered (think airlines, multiplexes, physical stores). A question that most investors have is whether people will stick to the new habits or revert to the old ways of doing things. My view is that most of the winners of COVID only benefited from acceleration of pre existing trends. For example the shift towards digital ways of doing things was already happening in the pre COVID days and COVID just made the adoption of digital as a compulsory and urgent thing. Something like large television screens at home and Video On Demand and streaming services were already making multiplexes less attractive. Some of the trends seen during the last few years may remain with us.

HOWEVER, WHEN IT COMES TO INVESTING PRINCIPLES, AS TIME GOES BY, INVESTORS MAY COME TO SEE THE LAST FEW YEARS AS AN ABERRATION AND THE FUNDAMENTAL RULES OF INVESTING MAY MAKE A COMEBACK. THESE RULES SEEMED OLD FASHIONED IN A BRAVE NEW WORLD OF INNOVATION AND DISRUPTION HOWEVER "THIS TIME IT IS DIFFERENT" HAVE USUALLY BEEN DANGEROUS WORDS FOR INVESTORS.

However, when it comes to investing principles, as time goes by, investors may come to see the last few years as an aberration and the fundamental rules of investing may make a comeback. These rules seemed old fashioned in a brave new world of innovation and disruption however "This time it is different" have usually been dangerous words for investors.

Happy investing.

Rajeev Thakkar, possessing over two decades of experience in various segments of the Capital Markets such as investment banking, corporate finance, securities broking and fund management, he is currently the Chief Investment Officer and Director at PPFAS Mutual Fund

His association with PPFAS Limited (The Sponsor of PPFAS Asset Management Company Private Ltd.) began in 2001. He was appointed the Fund Manager for the erstwhile flagship scheme of the Portfolio Management Service, titled "Cognito" in 2003.

He is a strong believer in the school of "value-investing" and is heavily influenced by Warren Buffett and Charlie Munger's approach. Apart from his technical ability, what distinguishes him from many others is his ability to stand his ground and remain unflappable during difficult times.

He is a regular contributor to Mint newspaper and has also appeared on business channels such as Bloomberg India TV and ET Now.

He is a qualified Chartered Accountant, Cost Accountant and CFA Charterholder.

WHAT DOES BUDGET HOLD FOR DIFFERENT SECTORS IN THE COUNTRY?

Ayush Aggarwal
CIO (Chief Investment Officer) – SMC Private Wealth,
Director – SMC Group

The economic survey presented before the Union budget, for FY2022-23, estimated Indian GDP for FY22 to grow at 9.2%, in line with the recently announced advance estimates by NSO. The encouraging part is that in real terms the economy is expected to cross pre-pandemic levels of FY2019-20, although marginally by 1.5%. The private consumption is expected to lag while government expenditure and gross fixed capital formation emerged positive over the 2019-20 level.

The Union Budget for FY2022-23 was presented on the 1st of February and was well received by the majority of the economist and market participants. The budget focused on capital spending with allocation rising by 35% compared to last year budget estimates. The budget also outlined the themes for the next 25 years when India will be completing 100 years post Independence.

There was minor alteration on the taxation front signalling continuity and stability in the policy regime. Focus on digitalization during the next decades of the century was another big theme brought out in the budget. The transparency and credibility of the budget numbers were also well appreciated by everyone. As far as risks are concerned higher fiscal deficit requiring higher borrowing amid rising inflation remained the biggest risk.

The government is betting on growth and its capacity to manage fiscal risk. The RBI, which was till now playing along with the government with ultra-easy monetary policy in the pursuit of economic growth amid once in a century pandemic situation, may be forced to tighten the monetary policy with interest rate hikes amid higher inflation currently.

The RBI is not expected to rock the boat immediately and will act as the situation emerge on the pandemic front, action by major Central banks in the world specifically US Fed, inflation trajectory and global supply chain issues to name a few shall be monitored very closely.

The government is confident about the growth as most of the high-frequency economic indicators have crossed the pre-pandemic level in the last few months and some of these are like industrial production index, monthly E-way bills, higher railway freight, GST collections, mining and power consumption etc. The few sectors requiring interpersonal contacts like aviation, tourism, hospitality, trade and entertainment are still to catch up.

"THE BUDGET FOCUSED ON CAPITAL SPENDING WITH ALLOCATION RISING BY 35% COMPARED TO LAST YEAR BUDGET ESTIMATES. THE BUDGET ALSO OUTLINED THE THEMES FOR THE NEXT 25 YEARS WHEN INDIA WILL BE COMPLETING 100 YEARS POST INDEPENDENCE."

It indicates that economic activity is fast returning to normal as most of the states have lifted restrictions and the economy this year is less disrupted compared to last. The newly found virus variant Omicron has emerged as a fresh concern besides persisting supply chain issues and may slow down the economic activity in short term. The auto sector, consumer durable goods, other producers using semiconductor chips has been adversely impacted in the second half of CY2021.

The manufacturing sector, as expected, has shown good recovery post-second wave of the pandemic with decent expansion consecutively for the last seven months with January manufacturing PMI at 54, although at a slower pace as compared to 55.5 in December but still growing as anything above 50 reflects expansion zone on monthly basis. The services sector also continues the turnaround with January services PMI at 51.5, again with a slower pace compared to December PMI at 55.5 still within the expansion zone.

The Omicron impact on services was higher as compared to manufacturing which is understandable as it involves higher interpersonal contacts. The fear of the third wave due to the new variant is waning as the Omicron variant is turning out to be mild with low hospitalization and mortality rate and recoveries are also faster than earlier variant in the second wave.

The industrial output growth during November was at 1.4% and was lower compared to 3.2% in the previous month. The Industrial number shall be closely watched to understand the recovery strength in growth trajectory going forward. The improved liquidity with banks and substantially higher allocation on infra spending by the government are expected to improve the demand with corresponding higher lending by banks.

Although necessary catalysts are put in place, continuous waves of a pandemic may put further roadblocks to the Industrial recovery in short term and may take some more time to get back to higher single-digit growth depending on recovery in private consumption and investments. The government should focus on infrastructure, social and rural spending which may further push the overall demand in the economy and provide a further incentive to the private investments.

The consumer price inflation at 5.59% for December was higher compared to 4.91% in November with core inflation still high due to fuel and other raw material prices rising much faster compared to food prices. Inflation is expected to remain elevated but within the RBI range as it estimates 5.3% average inflation for the whole of the current fiscal year.

The concerns remain with rising core inflation on the back of higher crude and other raw material prices.

The rising pace of vaccination and post-Covid economic recovery continues to be positive for the market but the investors are still apprehensive about the ongoing third wave of pandemic and tightening monetary policy that would be negative for the markets in short term. The corporate earnings in the December quarter of FY22 are on expected lines however some pressures on operating margins has been seen in the manufacturing sector due to higher input prices.

The market is expected to continue with positive bias with the recently announced Union Budget for FY2023 expected to add further to these sentiments as being considered good by most of the economists and market observers. The budget focuses on higher capital spending and sustainable job creation which will be good in the medium to long term to sustain the better growth in the economy. The risk remains on inflation and interest rate hikes.

The banking sector is under consolidation and expected to do well in the medium to long term as asset quality now is turning out better than expected and should improve further as the economic recovery gains ground. However, concerns may emerge in short term in case further Covid waves continue. The corporate performance in the next 2-3 quarters will be watched closely for the sustainability of the economic recovery. The stimulus along with various structural reforms and new measures on capital spending announced recently by the government in Union Budget for FY2023 shall be positive for the economy in the mid to long term.

THE BUDGET FOCUSES ON HIGHER CAPITAL SPENDING AND SUSTAINABLE JOB CREATION WHICH WILL BE GOOD IN THE MEDIUM TO LONG TERM TO SUSTAIN THE BETTER GROWTH IN THE ECONOMY. THE RISK REMAINS ON INFLATION AND INTEREST RATE HIKES.

The market rally has broadened for some time with large as well as midcap and small-cap indices posting good run up since April 2020. The market currently is volatile and seemed reasonably priced, however investors need to be cautious and may invest in large caps but in the medium, to long term, the midcap and small-cap will continue to offer many opportunities to the investors sitting on cash with a risk appetite. The investors can continue to put money on dips keeping in mind the overall asset allocation and as the Covid-19 situation subsides the market may see further recovery. Hence only long-term money with a time horizon of more than 3-4 years can be invested in equities as opportunities are still available.

Ayush Aggarwal is a young dynamic business leader. He is an MBA (PGP-FMB) from SP Jain Institute of Management and Research, Mumbai, and a graduate from Delhi University. He has a great understanding and an in-depth knowledge of financial Market. He is the CIO (Chief Investment Officer) of SMC Private Wealth Vertical at SMC Global Securities ltd. managing and handling portfolio management activities. He has an excellent understanding of the various Macro & Micro factors driving the economy and financial markets. He has a knack of Identifying high growth potential as well as fundamentally strong companies. HNI clients at SMC have benefitted significantly from his practical and pragmatic views.

BUDGET 2022: SOME CRITICAL INSIGHTS

Professor Piya Mahtaney
Economist/ Author

Introductory Exposition

The recent budget may not be hailed as one laden with Big Bang announcements and catchy sops but in a long time this has been a budget that embodies a long-term focus and its initiatives are reflective of this underpinning. Some among the wide range of measures enunciated by this budget include those directed towards building a sustainable ecosystem- such as the allocations towards solar energy, the incentives granted for chemical free farming, agri forestry, the push given to start ups continues as does the impetus to capital expenditures which have been stepped up by 34.5 percent. In my view the most apt description of the budget is that it is one that does not tinker and blinker, instead it is one that is broad based and maintains continuity. Furthermore, it is among of the few budgets that I can cite that has refrained from populist measures and that at a time when assembly polls in 4 states were around the corner when the budget was announced. However, on the flip side reviving employment which has discernibly been a consideration of the budget is one aspect where more could have been done.

For an insight about some of the main aspects of budget 2022 from a broad-based standpoint I asked **Mr. Jairaj Purandare to share his perspective about the same. Jairaj (Jai) Purandare is the Founder Chairman of JMP Advisors Pvt Ltd, a leading advisory, accounting, tax and regulatory services firm, based in Mumbai.** Jai has over three and half decades of experience in accounting, tax and business advisory matters and is an authority on tax and regulation. JMP Advisors has been recognized as a leading Tax firm in India by International Tax Review (Euromoney) for all successive years since incorporation.

An enumeration of Purandare's insights (in Q&A format) follows:

1. Do you think that Budget 2022 is well aligned with present imperatives confronting the Indian economy? If so why?

JP: Budget 2022-23 contains the right steps towards making a strong commitment to growth and sustainable development with a focus on the seven engines of roads, railways, airports, ports, mass transport, waterways and logistics infrastructure. In line with this, the Finance Minister ('FM') has announced various policy measures relating to capacity building for infrastructure projects, contracts for implementation of multimodal projects, opening up defence R&D, affordable housing, increased use of technology in agriculture for delivery of hi-tech services to farmers and additional allocations under the Production Linked Incentive Scheme ('PLI') among others. Projects in all of these areas are expected to have a multiplier effect on increasing jobs and thereby spurring demand.

Extension of time for setting up manufacturing companies to avail a concessional tax rate will bolster domestic manufacturing. Further, extension of the time limit of Emergency Credit Linked Guarantee Scheme ('ECLGS') up to March 2023 and expansion of its guarantee cover with an earmarking for hospitality and related enterprises will give a boost to MSMEs.

"SOME AMONG THE WIDE RANGE OF MEASURES ENUNCIATED BY THIS BUDGET INCLUDE THOSE DIRECTED TOWARDS BUILDING A SUSTAINABLE ECOSYSTEM- SUCH AS THE ALLOCATIONS TOWARDS SOLAR ENERGY, THE INCENTIVES GRANTED FOR CHEMICAL FREE FARMING, AGRI FORESTRY, THE PUSH GIVEN TO START UPS CONTINUES AS DOES THE IMPETUS TO CAPITAL EXPENDITURES WHICH HAVE BEEN STEPPED UP BY 34.5 PERCENT."

The increase in Capex by 35% taking it up to INR 7.5 trillion is a commendable measure and is the first step to crowd in private investment.

The Budget is aimed at providing economic stimulus while ensuring fiscal prudence. In fact, the International Monetary Fund ('IMF) has also remarked that the Budget has a very thoughtful policy agenda for India.

2. Not much has happened in the ambit of taxation? In this context are there any important measures that should have been initiated but haven't.

JP: While there were very few tax proposals announced in the FM's speech, the fine print of the Finance Bill contains 100+

plus amendments in direct and indirect taxes. A new taxation scheme has been announced for virtual digital assets. There has been a simplification of the Customs tariff structure and rationalisation of various provisions relating to Customs duty, with a view to promoting greater reliance on domestic manufacturing. The Budget also shows a continuing trend of countering certain court rulings.

Budget 2022-23 was not a populist; pre-poll budget and we may see various tax sops in the 2023 and 2024 Budgets. Currently, there is no amendment proposed in the tax rates citing the reason of tax stability. However, tax stability does not merely imply that tax rates remain unchanged. The plethora of large and small amendments made every year and tinkering with procedural provisions are unlikely to go down well, particularly from the point of view of foreign investment in business.

No tax relief has been announced for the middle class or small taxpayers. The significant miss in the direct tax proposals is that no measures were announced to rationalise and simplify various provisions or to increase several age-old monetary thresholds. Simplification of the GST law is also a need of the hour.

3. Atmanirbhar is the fundamental underpinning of present politics. Do you think that the budget is well aligned with this, are there any critical areas where more should have been done?

JP: The Budget contains proposals for a gradual increase in Customs duty rates and phasing out of various concessions under the Project Import Scheme to provide an impetus to domestic sourcing and manufacturing particularly in sectors such as electronics, capital equipment and chemicals among others.

The Budget has however, not provided any direct stimulus to private consumption and investment. More could have been done to generate consumption and create employment.

4. The announcement about private sector participation in the defence sector is of particular significance. Do you envision that this can have a game changing impact on India's manufacturing sector?

JP: Yes, private sector participation in the defence sector will certainly have a positive impact. This, coupled with the amendments in Customs duty in the Project Import Scheme, extension of the PLI Scheme and expansion of the allocation thereunder, are expected to boost domestic manufacturing. The new SEZ law should also promote manufacturing for exports as well as the domestic sector.

However, there are other sectors which also need attention to have a significant impact on India's manufacturing. For instance, India is heavily dependent on oil imports. While the measures announced relating to renewable energy are encouraging, these will take time to fructify and till then fuel imports will need to continue.

5. India requires a robust and dynamic trade policy. Would you agree that in this context the budget could have done more and is so please enumerate?

JP: The Foreign Trade Policy comes under the ambit of the Ministry of Commerce and is generally announced in April. Therefore, the Budget does not have any proposals in this regard.

6. Given the loss of employment in the formal and informal segments in both the manufacturing and services sector has the budget been inadequate in its `booster dose' to employment creation

JP: The Capex of INR 7.5 trillion in various projects is expected to create employment. Further, extension of the Emergency Credit Linked Guarantee Scheme ('ECLGS') up to March 2023 will have an impact on jobs in the informal sector and MSMEs. In additional, digital ecosystems are proposed to be launched for skill development and livelihood. It is proposed to undertake upskilling through online training and to provide API based skill credentials, payment and discovery layers to find relevant jobs and entrepreneurial opportunities.

Setting up an Expert Committee to suggest measures relating to Venture capital and Private equity investment in the Start-up eco system and extension of time limit for setting up Start-ups to avail a tax holiday are also welcome measures.

India's GDP target is for it to become a 5 trillion-dollar economy by 2024-25. This may sound an ambitious objective but achieving it is tenable. Fundamentally this would require a real annual growth rate in GDP of 8 per cent which would need an increase in the growth rate of all three sectors. This budget is a step in this direction and as always expedient implementation holds the key to attaining specified policy objectives.

For India and the global economy in any case the nub of the problem is creating the mechanisms that will facilitate the diffusion of development once economic growth begins to increase.

Piya Mahtaney completed her second Master's in Development Economics from Leicester University in England I embarked on a career in journalism with the Times of India. I was assistant editor in Metropolis on Saturday, subsequent to which I joined as senior feature writer In Economic Times. As an economist that reported, analyzed and wrote on a wide range of socio-economic issues, writing a book about economic development and the emerging trends of globalisation seemed almost inevitable.

The books that I have authored are as follows:

- Structural Transformation: Understanding the New Drivers of Investment, Innovation and Institutions, Palgrave Macmillan, Singapore, April 2021
- Globalization and Sustainable Economic Development, Palgrave Macmillan (U.S), August 1st 2013
- India China and Globalisation* was published by Palgrave Macmillan (England, 2007)
- Globalisation Con Game or Reality was published by Alchemy Publishers, India (2004) 2004.
- The first book titled Economic Con Game, Development fact or Fiction was published by Pelanduk Publications (Malaysia) in 2002.
- India China and Globalization, (paperback, Palgrave Macmillan, England December 2014)

Besides authorship I am a visiting lecturer with St Xavier's Institute of Communications and St Xavier's College, Department of Economics. I am also a council member of the Forum of Free Enterprise ad I write a monthly column for Forum Views which is a magazine brought out by the BSE.

My interest is classical Western Ballet in which I have received training for many years since I was a child.

REALTY TRENDS TO TRANSFORM REAL ESTATE SECTOR IN 2022

Manju Yagnik
Vice Chairperson, Nahar Group
Senior Vice President of NAREDCO – Maharashtra

With Covid-19 being accepted as a part of the new normal, 2022 is expected to see less volatility than previous years. Pent-up demand and low interest rates could drive up residential sales - mostly mid-range and luxury home sales; in the immediate quarters. With support from the government and prominent industry bodies, NAREDCO and other real estate industry associations successfully handled effects of the Covid-19 outbreak with an objective to create and sustain an environment conducive to the growth of the real estate sector in India.

The year 2022 will ride high on some of the important trends that will get the entire real estate ecosystem back on track supporting 250 plus ancillary industries. The year 2022 will see new housing stock, commercial real estate, upcoming retail, newer employment opportunities with more jobs, increased trade and commerce, and happy home buyers.

So, let's take a look at what's projected for real estate in 2022 that will attract buyers, investors to invest in the real estate asset class.

Inventory To Hit A Record High

With the Real estate sector inventory having hit the lowest and supply almost drying up, the biggest hurdle due to lockdown in 2020, the year 2022 will be a turnaround on the inventory front. With newer launches lined up by almost all developers, buyers can breathe a sigh of relief as added inventory becomes available. Secondly, buyers will see varied options suiting their budget. The market inventory will be a mix of 1, 2, 3 BHK compact homes, to larger 2 & 3 BHKs and luxury / uber-luxe apartments. We will see a demand to supply ratio gap further reducing with increased newer project launches. So, the year 2022 will see buyers spoilt for choice.

Commercial Real Estate & Co-working Spaces

Supported by strong economic growth, the Indian Real Estate sector quickly picked up momentum to register new highs in residential sales. The resurgence of the economy has reopened the commercial real estate prospects with companies, offices, corporates going back to pre-pandemic work mode. The increased demand for office spaces for physical and hybrid office space, data centers, IT/ITes, Co-working spaces, back office, Business Center, Commercial and Business Parks, industrial properties, warehouses, etc., are expected to see robust demand with workforce moving back to office work culture. With the Indian economy showing faster recovery the demand for commercial real estate will see a good uptake in 2022.

With the resumption of office work for most industries, employers and employees are wary of working from home and are making a comeback. A comeback as part of an emerging hybrid work model is here to stay for some time and hence flexible and coworking office spaces will be an attractive proposition for the year 2022. This is one such segment with ample benefits for companies, these being smaller lease terms, tailored operational cost along safety and wellness amenities. As the workforce evolves the market will see increased demand for coworking spaces considering the dynamics of the businesses in the short and long term.

THE YEAR 2022 WILL RIDE HIGH ON SOME OF THE IMPORTANT TRENDS THAT WILL GET THE ENTIRE REAL ESTATE ECOSYSTEM BACK ON TRACK SUPPORTING 250 PLUS ANCILLARY INDUSTRIES. THE YEAR 2022 WILL SEE NEW HOUSING STOCK, COMMERCIAL REAL ESTATE, UPCOMING RETAIL, NEWER EMPLOYMENT OPPORTUNITIES WITH MORE JOBS, INCREASED TRADE AND COMMERCE, AND HAPPY HOME BUYERS.

Smart Homes Smart Living

The home automation market has developed at a rapid rate in recent years, a trend which has been partially accelerated by Covid-19 and the fact that people have been forced to spend more time in their homes due to lockdown measures. Publicly available data shows that the Indian smart home automation market is estimated to grow at a CAGR of 29.8 percent during the period 2019-2026 to reach a size as high as 13.5 billion dollars. And here lies an opportunity for the Indian real estate industry to garner a significant pie of this market.

Firstly, it offers real estate developers an avenue to attract premiums attributed to the enhanced value proposition to buyers. Again, publicly available data suggests that buyers are willing to pay about a 5 per cent premium for smart homes as compared to general rates prevailing in the neighborhood under consideration. For buyers, it works in their favor as either they can make the most of the smart home lifestyle or if bought as an investment option, they can rent it out at a higher premium thereby materializing a higher return on investment (ROI).

Since last year, the world has witnessed many industries at the crossroads of an inflection point. Those with a futuristic mindset have been able to navigate the tide well. Smart Home Automation is one such inflection point invoking accelerated growth avenues for the real estate industry in India. Early adopters who align it well to their overall brand promise to home buyers should go a long way to expand their market premium and thereby overall valuation.

Connectivity and Micro markets

Infrastructure and connectivity will be key when it comes to purchasing real estate in upcoming micro-markets in 2022. Any property location with ready infrastructure and good connectivity will score over all the other parameters when it comes to purchasing a home. So, projects which are strategically located and, connect all the important dots for convenient living will drive sales in 2022. Micro-markets with increased impetus on providing living options closer to their workplaces will see increased demand for homes. Realty firms are also zeroing in on new areas like Vikhroli, Chandivali, Mulund, Bhandup, Goregaon, and so forth which are also small business districts and offer good work-life balance. So, the year 2022 will be for projects that too at micro-markets offering impeccable proximity to all the essentials in life, thereby increasing the valuation of the property over a period of time

Township & Sustainable Living Spaces

The COVID-19 pandemic has highlighted the importance of township living as they have proven to offer smart living solutions to numerous urban living challenges. These tough times have changed how we approach life and these changes will have a long-lasting effect. But amidst this crisis, our homes became the only sanctuary against the virus. After spending months cooped up within the four walls, the need for a home that could make our lives easier, smoother and enriched, and become whatever we want it to be is realised by many.

The need of a self-sustainable ecosystem has become a necessity today and will serve to only benefit in the post-COVID world or during any future crisis. A safe, well-designed and self-sufficient home in a gated community that delivers peace, comfort, privilege and community living is a growing preference. Called as a 'city within a city', townships intelligently combine technical infrastructures and processes to serve the ultimate 'Live-Work-Play' concept. The concept assists customers by making everyday facilities easily available, offering a hassle-free work commute and enriching leisure time to maintain the work-life balance.

Electric Vehicle Charging Parking Lots

With the world moving towards a sustainable lifestyle, home appellants seek EV charging parking lots. The government has already started encouraging automobile manufacturers to ramp up local production of electric vehicles to increase the number of zero-emission vehicles plying on Indian roads, reduce the country's dependence on crude oil imports and curb vehicular pollution. With residential communities shifting their focus to electric vehicles projects that offer or have installed EV charging lots will see robust demand has already begun and seems to grow in 2022.

Budget 2022 Takeaways

The Union Budget 2022 presented by FM Shrimati Nirmala Sitharaman was a growth-oriented one. The FM majorly focussed on India's push for infrastructure project wheeling out the development plan for Railways, roads, airports, ports, mass transport, waterways and logistics. Under the master plan, the government plans to roll out big infrastructure projects including - the expansion of highways by 25,000 kilometres spread throughout the country, allocating Rs 60,000 crore to the Nal Se Jal scheme, the commencement of five river link projects across many states.

The push towards the infrastructure industry is optimistically anticipated to largely benefit the real estate sector as well. These projects will definitely be beneficial for the real estate sector with regards to better connectivity, enhanced productivity, property as well as rental price appreciation and increased employment rates. With the allocation of an additional Rs 48,000 crore to the Pradhan Mantri Awas Yojana and the identification of 80 lakh households for the affordable housing scheme, the consumer could definitely spark a sharp boost in residential demand.

The pandemic amplified a continuous shift away from costly midtown markets and toward more modest, more reasonable ones. The major trends seem affordable housing, safe living options, increased convenient living spaces, townships or community living, good connectivity and infrastructure, budget homes, real estate investments, co-working and yes sustainable living will be the focus for the entire 2022. All these factors are primed for growth with residential and commercial markets to see elevated demand.

Nahar Group is synonymic with its driving force Vice-Chairperson **Manju Yagnik**, the energetic, passionate, and compassionate leader who built the brand Nahar. Her untiring vision, thorough planning, and over three decades of countless hours at work was acknowledged by The Times Group with the, 'Business Women of the Year Award.'

As early as 1990, Manju, entered the real estate industry by joining the Nahar Group immediately after completing her graduation from Kurukshetra University. Known for her diligent work ethics, energetic and dynamic nature, ever approachable attitude and her dedication towards work. She plays a leading role in envisioning and formulating the Group's strategies.

She is also Sr. Vice President for National Real Estate Development Council (NAREDCO)-Maharashtra. Her leadership role and business acumen has given her the recognition as an industry icon empowering women leadership with her active involvement in prominent industry associations and chambers, which are the voices of the industry. These being

1. Confederation of Real Estate Developers Association of India (CREDAI)
2. The Maharashtra Chamber of Housing Industry (MCHI)
3. The Federation of Indian Chambers of Commerce & Industry (FICCI)
4. The Royal Institution of Chartered Surveyors (RICS).

Awards & Accolades

- Woman Entrepreneur of the year award' in 2007 by Accommodation Times
- Corporate Governance and Business Excellence Award' in 2009 by Star Report
- Female Real Estate Professional' of the year 2011 by Realty Plus
- National Achievement Award for Construction Excellence' by Lokmat
- UdaanSanman - Business Woman of the Year 2012 Award" by Times Group
- Female Real Estate Professional of the year –Dec 2012 by Estate Awards
- Real Estate Icon of India 2013 by Star Group
- Women Of the Year Award 2015 Construction Times Builders Award
- Women Super Achiever In Real Estate by ABP News Real Estate Awards 2015
- Most Admired Business Leader 2016 by White Page International
- World Women Leadership Awards 2018 by Femina ET Now
- Woman Super Achiever Award for the year 2018-19 by 5th World Women Congress

THE GIGANTIC OUTSOURCING OPPORTUNITY FOR INDIAN PHARMA AND SPECIALITY CHEMICALS

Rajesh Pherwani
Founder, Valcreate Investment Managers LLP

The current decade is very fruitful for Indian Pharma and Specialty chemical space. For the simple reason that most of the variables as well as the environment are collaborating to benefit companies in India. What we are witnessing is an once in a lifetime opportunity for Indian companies to push the pedal and increase market share across the global industry. The Chinese cost increases and the focus of the Chinese government on pollution control is a blessing in disguise for Indian companies across these sectors. And therefore, the export opportunity could form a significant fulcrum for the growth of Indian companies in the pharmaceuticals and chemicals segments. The Indian Pharma industry has multiple legs to it, and it has hitherto been more focused on the generics segment. Whether it is in India or outside India, or whether it is branded or non-branded, most of the products manufactured by Indian companies are off patent. And that is where costs play a particularly key role. Not only costs, but also efficiencies, quality and delivery of products. This is where Indian companies have excelled, and taken, huge global shares.

In the US markets, if one looks at the whole supply chain of manufacturing for pharmaceuticals, the API segment forms an integral part of the chain, and this segment is the most competitive segment of all. Herein China has always been highly competitive and has played a noticeably key role in cutting down costs. But as of today, with power costs and labour costs going up in China, the Indian API segment has benefited multi-fold. Not only because of this factor, but also because of the shortage of supply that has come about due to the once in a hundred-year pandemic that we have seen. And resurgence in demand for Pharma products that we are seeing across the globe not only in the API space but across formulations has also been a noticeably big upside for the Indian companies.

Opportunity for the contract manufacturing players could be the centrepiece of our exuberance here. And Indian companies have over a period developed strong relations with global innovators and consistently supplied products under patent and as well as off patent, to companies that have partnered with them. They supply to global innovators right from the research stage to the manufacturing stage and this has benefited the industry manifold in terms of establishing India as a major supplier under such contracts. There is obviously a strong affinity that innovators have for the ones which are not competing with them on their own turf i.e., they are neither selling generics in developed markets nor are challenging patents. Such companies are thriving and growing at higher-than-average industry growth rates. The global contract manufacturing market in pharma is likely to reach around 9% of the total prescription market of more than a trillion USD by 2022. The contract manufacturing market is growing at >6% while the global prescription pharma market is growing at 4.5%. The opportunity in contract manufacturing is so huge that an average Indian contract manufacturing company is not even a fraction of the size that exists in terms of opportunity. And therefore, efficient Indian companies with strong global repute are going to be beneficiaries, given their current advantages in terms of costs as well as the quality of output, timely delivery, and healthy relationships with innovators.

> **THE CURRENT DECADE IS VERY FRUITFUL FOR INDIAN PHARMA AND SPECIALTY CHEMICAL SPACE. FOR THE SIMPLE REASON THAT MOST OF THE VARIABLES AS WELL AS THE ENVIRONMENT ARE COLLABORATING TO BENEFIT COMPANIES IN INDIA. WHAT WE ARE WITNESSING IS A ONCE IN A LIFETIME OPPORTUNITY FOR INDIAN COMPANIES TO PUSH THE PEDAL AND INCREASE MARKET SHARE ACROSS THE GLOBAL INDUSTRY.**

Indian contract manufacturing companies are promoted by sound technocrats, who have a significant understanding about the quality and processes of the products being manufactured as well that of the innovation space. Therefore, these companies are ahead of the curve in terms of identifying (or being identified by) innovators/partners, even when the product is in the early research stages. As quantities scale up at the innovator end, the sales of the Indian suppliers also scale-up and once the product is in the market, they tend to benefit from a significant jump in the overall sales opportunity. Given the lower cost that we see for companies in the contract manufacturing space, Indian manufacturers make margins of upwards of 35 to 50 percent. And that is humongous compared to a generics manufacturer, which makes a margin on the operating level of around 20%. So, the contract manufacturing opportunity for Indian companies becomes highly attractive with paybacks of 3-4 years (assuming 1.5X asset turnovers and a generous working capital). The same is growing and it will keep multiplying for India as more products

are launched by innovators in developed markets. Even for simple products in the generics segment, Indian companies have become long term suppliers to multiple companies. Some of these products have seen high competition, but many of them have seen Indian companies achieve 40-50 percent market share. At those levels of market share, Indian companies benefit from huge economies of scale and operate at healthy margins. So, if one looks at the entire value chain, not only is contract manufacturing for innovators an attractive opportunity, but even the manufacturing of API where the scale is large and the company has a high market share, is remarkably interesting.

The second vast area that is very enticing for Indian companies and which benefits tangibly from the Chinese cost increases, is the speciality chemical space. The story here is like pharmaceuticals but has lesser regulatory risks. Here too, India is benefiting from its own influx of orders from global companies. The Indian speciality chemical space operates in multiple segments, including intermediates for pharmaceuticals, textiles, consumer products, automobiles, paints, pigments, aerospace, construction as well as agrochemicals used as intermediates for crop protection chemicals. However, a sizeable portion of the speciality chemicals segment goes towards the Pharmaceuticals and Pesticides segment. Here, one needs to make a distinction between basic chemicals and speciality chemicals as the characteristics of the two are different with more competition and cyclicality in the basic chemicals space. Speciality chemicals have more entry barriers, multiple manufacturing steps and that is where a fully integrated chain from basic chemicals to Specialty Chemicals or Pharma/ Agrochemicals is a natural advantage for Indian companies. This entire chain of Indian companies has inherent advantages of high entry barriers in terms of being low cost and pollution complaint thus, benefiting due to Chinese cost increases and supply constraints. As mentioned about the Pharma API, similarly, there are many contract manufacturing opportunities for specialty chemical companies today and the similar variables and opportunity in terms of tie-ups with larger companies across the value chain. Indian speciality chemicals companies are also qualified to tie up with global MNC players for the fact that other than being low cost, pollution compliant, they have complex high-quality multi-stage processes and are also promoted by technocrats, who have significant knowledge of the products and processes.

Some of the companies do have a lot of focus on research & development and actively develop new combinations at low cost. Cost efficiency benefits of Indian companies have led to many of the global players in the developed markets having to shut facilities and outsource the same products from Indian companies. Like the Indian API players, Indian speciality chemical manufacturers also have access to an enormous potential market out there for the next 5 to 10 years. Many of these companies operate on a cost-plus fixed margin basis and many new contracts have a payback level of 4-5 years. With highly integrated and complex plants, their ability to bag new contracts with bargaining power in pricing is high. In terms of numbers, the Indian specialty chemical space is almost doubling every 5 years and could touch fifty bn USD by 2022. Many of their products are likely to be outsourced by not only global companies but also by Indian companies which are looking to replace imports with low-cost suppliers with logistic benefits.

On the crop protection chemicals front, Indian companies not only have cost benefits but also, they are able to file for those products in Europe and US, and have the expertise to file and partner with companies as distribution companies outside India to sell their partners' products. They also partner with international companies, innovators to launch products in the Indian agriculture markets as Indian companies have an efficient distribution network. The global chemicals crop protection industry is a 62bn$ industry, with a high proportion which is generic, and in the hands of the innovators. Indian companies are still only touching the surface here.

For all these industries, be it Pharma, Specialty Chemicals or Crop Protection Chemicals, risks do exist. The most important being related to environment. Indian pollution norms have always been relatively stringent for effluent and chemical waste management. Further, many Indian plants have been approved by global agencies such as USFDA, EDQM, MHRA and are high quality facilities. Some of the other key risks that Indian companies could safeguard against are 1. Non-compliance with regulatory requirements 2. Inability to manage cost-plus pricing contracts in the face of increasing basic chemicals prices and higher oil prices 3. No promoter succession planning. 4. Not able to maintain a non-compete status with the clients. 5. Not maintaining high standards of secrecy about client products.

In conclusion, if one looks at the entire chain of manufacturing intermediates, from pharmaceuticals to speciality and crop protection chemicals, there is a burgeoning growth opportunity due to Chinese cost increases, upgrading of Indian technology skills and a huge export market in developed markets where larger companies are willing to focus on innovation and leave the rest to efficient low cost suppliers from countries such as India. Indian companies in all these sectors gain substantial benefits from the Government's incentive mechanism such as the Production Linked Incentive scheme launched a couple of years back. Although there exists healthy competition from other emerging market companies, Indian companies continue to thrive and gain overall market share in areas which require technology and intellectual capital. Given the many positives that exist for India, I am very hopeful that over the next decade, we will see many of these Indian companies, multiply in size and profits. Thereby benefiting Indian investors at large.

Rajesh Pherwani began his investment career in 1996 with HDFC Ltd. He worked with reputed institutions such as HDFC Ltd., HDFC Mutual Fund and L&T Mutual Fund, as an integral part of their investment teams. He was an investment analyst during his initial years and Head of Research and Fund Manager with top quartile performance in the later years. During his career, he has seen multiple market cycles and identified many multibagger stock ideas. In 2018, Rajesh Pherwani set up his own Portfolio Management firm and has successfully run his investment strategies, including a strategy focused on Pharma and Speciality Chemicals sector. In 2020, his performance was ranked top in India for many months as per recognised PMS performance aggregator portals. He is also a winner of the Man of Excellence Award by the Indian Achievers Forum. Today, he has a rich experience of over 25 years having seen multiple market and economic cycles, which has given a strong foundation to the overall investment processes.

STARTUP FUNDING: IS FUNDING THE END GAME, OR JUST THE BEGINNING?

Hemanth Gorur
Founder, HerMoneyTalks.com

Startups, it is said, are the engine of the new economy. And rightly so. They fuel capital markets activity as they mature, generate employment, and solve market problems that otherwise would not have been solved. Startups are the torchbearers of innovation in a new world beset by rapidly advancing technology and even sharper consumer expectations. Entrepreneurship has become a career, so much so that youngsters passing out of colleges eschew the campus placements process itself, something unheard of even a decade ago. The intoxication of entrepreneurship that originated in the Bay area in the US now has a populous country like India firmly in its trance.

Role of startups in the capital markets from idea to IPO

Early-stage startups perform the function of aggregating investible surplus at the micro-economic level and channeling it into creation of solutions that solve some consumer problem in the market. What starts with seed and angel funding in the early stages of a startup's growth soon graduates to more formal rounds including venture capital and other forms of PE funds. As the startup matures and grows in size, it attracts more and more institutional investors and institutional funds. Finally, it may invite funds from the public by going for an Initial Public Offer (IPO), thus completing a fund-raising journey that mopped up increasingly larger sums of money from investors in each round.

According to a NASSCOM report, Indian startups raised over USD 7 billion in the fourth quarter of 2021. This translates to 52,500 crores in Indian rupees - a mindboggling amount by any stretch of imagination. To put this in perspective, if taken on an annualized basis, this amount raised is higher than the GDP of countries like Iceland or Cambodia. The IPO scenario has been equally stellar. 63 companies went public in 2021, raising USD 15.4 billion in the process. To understand what kind of blazing growth IPOs witnessed last year, one only needs to look at the previous years' performance. Funds raised through IPOs in 2021 were 62 per cent more than the total funds raised through IPOs in the preceding three years from 2018 to 2020.

These large tranches of money are being funneled through the capital markets, effectively catalyzing the capital markets and driving demand for gross capital formation, which in turn aids the overall economy. Such fund raising also drives investment culture among retail investors, leading to an expansion in the user base of not only stock markets and transaction platforms but also the debt markets. The other side of the coin, of course, is the utilization of the funds so raised. Given the phenomenal levels of money being raised, it begets the question of responsible use of the money being pumped into startups.

> **EARLY-STAGE STARTUPS PERFORM THE FUNCTION OF AGGREGATING INVESTIBLE SURPLUS AT THE MICRO-ECONOMIC LEVEL AND CHANNELING IT INTO CREATION OF SOLUTIONS THAT SOLVE SOME CONSUMER PROBLEM IN THE MARKET. WHAT STARTS WITH SEED AND ANGEL FUNDING IN THE EARLY STAGES OF A STARTUP'S GROWTH SOON GRADUATES TO MORE FORMAL ROUNDS INCLUDING VENTURE CAPITAL AND OTHER FORMS OF PE FUNDS.**

Ease with which startups are getting funded

Twenty years ago, if one were to have declared ambitions of founding a startup as a student, not only would said student have been severely reprimanded by doting parents but he or she would have been seen as having "lost interest in academics" or not being "serious about career". Today, the situation could not have been more different. An aspiring student entrepreneur is seen someone with enterprise and ambition. So much so that most colleges of any repute invariably have Entrepreneurship Cells that have become handy launch pads for students to dive into the world of entrepreneurship.

While student entrepreneurs have access to college grants or government grants, the choice of sources of funds for full time entrepreneurs is much broader. On the one hand, you have Central Government initiatives like Startup India and various government schemes under the Department of Science and Technology (DST) and the Ministry of Electronics and

Information Technology (MeitY), as well as Technology and Business Incubators (TBIs) and various state government initiatives including loans and grants. On the other hand, private sector funding ranges from F&F rounds, seed money, angel funding, and venture capital rounds, to debt financing, revenue-based financing, and the good old bank loans.

The modes of equity participation too have gotten a complete makeover over the years. While common equity and preference equity were the predominant instruments of choice in the early 2000's, today equity participation can be in the form of CCD, CCPS, equity dilution, sweat equity, SAFE instruments, and the like. All this has made it so much easier to found a startup and get funding. In 2021 alone, over 1400 ventures were launched and 71 startups among those raised more than USD 879 million, according to an Inc42 report. The number of new startups grew by 15 per cent compared to that in 2020, the first time in the last 6 years that this number has seen an increase. USD 24.1 billion was pumped into startups in the same year, an increase of 300 per cent over the previous year.

Goalpost has moved from creating value to becoming unicorns

In the mid 2000's when startup mania began to sweep across corporate India, employees leaving companies to start their own venture typically fell into one of two categories: those who were stressed with their daily grind at office and wanted to "become their own boss", and those who actually wanted to solve a user problem in the market. Stories abound of aspiring entrepreneurs who quit their jobs not because entrepreneurship was glitzy and glamorous, but because they wanted to make a real difference somewhere in society.

Today, the goalpost has shifted, and in no small measure. Startup founders get into the entrepreneurial mold today in the hopes of becoming the next big unicorn. Unicorns are privately held startup companies having a market valuation of USD 1 billion or more. This seed of thought, of becoming the next unicorn, is propagated by many sources including startup coaches, startup platforms, accelerators, and many a time by entrepreneurs themselves. Gone are the days when becoming a unicorn was a byproduct of good entrepreneurial practices and mass acceptance of the startup's products or services. Today, it has become the be-all and end-all of entrepreneurship achieved by a formulaic process wherein entrepreneurs are "coached" into building a unicorn out of their business.

As per the NASSCOM report mentioned earlier, the year 2021 saw 42 unicorns emerge from the foundries of the Indian entrepreneurial ecosystem. This represents an increase of 350 per cent over the previous year. The BFSI sector alone accounted for 13 of these unicorns, apart from 35 other potential unicorns. As many as 14 unicorns were added in Q4 of 2021 alone. When these statistics reverberate incessantly at all entrepreneurial fora and drum up undue hype, it is not surprising that the sole objective of diving into the startup world for many fledgling starry-eyed entrepreneurs is to found the next unicorn. This is not unlike starry-eyed kids in the nineties making a beeline to Bollywood in the hope of instant fame and stardom.

"WHILE ONE COULD ARGUE THAT THESE TWO ASPECTS ALONE SUFFICE TO BUILD A BUSINESS AND HENCE AN ENTREPRENEUR NEED NOT FOCUS ON ANYTHING ELSE, THINK ABOUT IT FOR A MOMENT. OF TWELVE MONTHS IN A YEAR, AN ENTREPRENEUR SPENDS ALMOST SIX MONTHS RAISING FUNDS, CHASING INVESTORS, CHASING AFTER MONEY."

The changed nature of founders: From value creators to fund raisers

As mentioned earlier in this article, the first wave of entrepreneurs in the new economy focused on identifying and creating value in the market. There was something tangible that the entrepreneur would gun for. The prime objective was to build a company around a product or service, and fund-raising was just a means of achieving that. The startup world has come a long way from those early years of business ideation. Currently, fund-raising is the most important, if not the only, prerogative of most startup founders.

In startup circles, what is bandied about today in the garb of entrepreneurial wisdom is usually startup hacks designed to impress, much less substantiate. One such gem is: Entrepreneurs should spend 40 per cent of their time raising funds, and 40 per cent of their time hiring people. While one could argue that these two aspects alone suffice to build a business and hence an entrepreneur need not focus on anything else, think about it for a moment. Of twelve months in a year, an entrepreneur spends almost six months raising funds, chasing investors, chasing after money.

When this kind of fund-raising delirium gets equated to true blue entrepreneurship, that is when all problems begin. Consider the message that gets sent out to other startup founders or aspiring entrepreneurs. Getting funded comes to the forefront of entrepreneurship, to the exclusion of more basic role of building a solution. Getting funded becomes a badge of honor to be gloated over with fellow entrepreneurs, which in turn sets off a vicious cycle of fund-raising mania

among peers. This is only exacerbated by the role media plays when they resort to incessant reporting of only funding deals to the exclusion of other aspects of entrepreneurial stories.

The changed nature of investors: From enablers to lenders

The nature and expectations of investors has undergone a sea change in the last two decades. Earlier, investors came in with a clear vision in mind - build value by contributing financial resources and allow founders to make their play before demanding exits. This has changed. Today, investors come charging in with templated term sheets and a zillion terms and conditions, expecting founders to cave in with nary a murmur. Their tone and tenor of negotiation is designed to brook no argument. The idea is simple - invest, negotiate an exit, sit back, and let the magic happen.

This straight jacketed approach of many investors today to treasure unilateral terms to the exclusion of all else is accompanied by another curious phenomenon. Expectations from venture capital funds have skyrocketed over the years. Ten years back, a 3X return on venture capital funds was deemed to be par for the course. Today, that 3X has become 10X, or even more. Expected Internal Rate of Return (IRR) for venture capital portfolios used to be in the low twenties. According to the National Bureau of Economic Research, the average returns on a venture capital investment in the US was 25 per cent. Current expectations in terms of IRR are anywhere between the high thirties for older funds to well over a hundred for newer funds. This could well be the case in India as well.

To complicate things further, drivers of investment have also changed radically. Many investors today invest not because they want to help an entrepreneur but because of the FOMO (Fear Of Missing Out) factor. Too, the concept of angel investing has seen a surreal transformation, with softer terms of engagement giving way to VC-like term sheets that leave no scope for bargaining by founders, effectively spawning a new tribe of "angel capitalists". Many first-generation entrepreneurs who have got million dollar exits from their startups now flock to become investors, only to be consumed by the FOMO phenomenon and the angel capitalist bug.

With investors behaving more like lenders, founders see their entrepreneurial motivations muted by aggressive term sheets and just look to cash out at the nearest exit. This is worsened by the fact that investors today demand a clear and quick exit irrespective of the business model, the idea-to-income gestation period, the industry the startup operates in, or its cash flow requirements. So much so that, discussions of exit often precede other more fundamental discussions between investors and founders.

The repercussions, the way forward

Ultimately, in this race for profitable exits from a startup which becomes a game of musical chairs between investors coming in at successive rounds of funding, solving the user problem profitably takes a back seat in many cases, and in fact engenders quite the opposite - sustained negative profitability on the books that gets passed on from investor to investor. This could have debilitating downstream effects including investor-founder clashes and toxic sales culture for employees as a means of upping profitability levels.

"TODAY, INVESTORS COME CHARGING IN WITH TEMPLATED TERM SHEETS AND A ZILLION TERMS AND CONDITIONS, EXPECTING FOUNDERS TO CAVE IN WITH NARY A MURMUR. THEIR TONE AND TENOR OF NEGOTIATION IS DESIGNED TO BROOK NO ARGUMENT. THE IDEA IS SIMPLE - INVEST, NEGOTIATE AN EXIT, SIT BACK, AND LET THE MAGIC HAPPEN."

Thus, the question that presents itself is: what approach should startups take in order to efficiently utilize the proceeds of private equity investments and capital market infusions? No less than 25,000 tech startups have been founded in the last ten years. India is already home to 88 unicorns, with 2022 already having given birth to 7 unicorns valuated at USD 9.1 billion as per an Invest India report.

With this deluge of startups and startup funding, entrepreneurs need to lean back and think hard: is it really entrepreneurship to chase money for the sake of chasing money and aiming to be a unicorn even before the first employee is hired, or is entrepreneurship defined by the change you create in the economy? The answer to this question as determined by existing as well as hordes of wannabe startup founders will determine the DNA of the next wave of startups in India and the quality of the market solutions, they create in the years to come.

Hemanth Gorur is an IIM Calcutta alumnus, a strategy, finance, and marketing professional with over 23 years of industry experience, and a published author of business biographies with Penguin Randomhouse and Westland Publishers (now Amazon). Formerly the Head of Business Planning for IBM India and Head of Strategy at Genpact Analytics, he is also a startup mentor and panel judge for University of Delaware and Indian Institute of Technology Bombay (IIT Bombay).

He is the author of business books and corporate histories of HCG, CRISIL, IIMB, Great Lakes Institute, and also a finance columnist for frontline publications like Financial Express and Hindu BusinessLine. A holder of Advanced Certification in Finance from AIMA and NISM Certification in Mutual Funds, he is currently Founder and Director - Finance and Legal at HerMoneyTalks.

LET'S GO BEYOND TOKENISM ON DIVERSITY & INCLUSION

Neera Sharma
Director, Chief Executive Officer and General Counsel
Sistema India Entities

A growing diversity and inclusion trend in 2022 will be for companies to set transparent targets, goals, and D&I initiatives. Doing so will increase accountability of people in leadership positions, encourage honest conversations between employees and their bosses, and inspire them to share ideas and solutions.

Diversity and inclusion have been brought to the forefront of workplace dialogue. Recognizing that diversity and inclusion are very different things is the first step in the journey toward creating a uniquely diverse and inclusive workplace culture. There is little attention paid to the nuances of the two and the implications each has on people-related strategies and practices.

Diversity in the workplace refers to a workforce that's made up of people from, among other things, different ages, cultural backgrounds, geographies, physical abilities and disabilities, religions, genders, and sexual orientation. True workforce diversity, however, goes beyond these (social) categories. It includes all the elements that make individual employees unique from one another; their perspectives, preferences, characteristics, even their biases.

Inclusion can be defined as the achievement of a work environment in which all individuals are treated fairly and respectfully, have equal access to opportunities and resources, and contribute fully to the organization's success.

Diversity and inclusion is much more than hiring a person of color or including one woman in a panel full of men. Diversity just for the sake of diversity, or political correctness, will not make the cut anymore. It is a time to be more mindful, and intentional about diversity and inclusion goals and strategies.

Diversity and inclusion has become the need of the hour for organizations and the world is hungry for a radical change. It is time that organizations realize this and mould their company culture in all the right ways. It's the elephant in the room that needs to be dealt with and it's the conversation that might be long overdue!

Truly diverse and inclusive organizations tend to have better financial results, be more innovative and agile, attract a more diverse pool of candidates, have happier employees who are less likely to leave, and show better organizational performance and productivity. Organizations with inclusive cultures see more angles on potential problems, imagine smarter and multi-faceted solutions and spot the biases in what they're creating. Also, in an inclusive workplace, all employees can find senior people in the organization who will endorse their ideas and convince those in charge of budgets to use resources in order to develop those ideas.

> **"TRUE WORKFORCE DIVERSITY, HOWEVER, GOES BEYOND THESE (SOCIAL) CATEGORIES. IT INCLUDES ALL THE ELEMENTS THAT MAKE INDIVIDUAL EMPLOYEES UNIQUE FROM ONE ANOTHER; THEIR PERSPECTIVES, PREFERENCES, CHARACTERISTICS, EVEN THEIR BIASES."**

The message of importance of gender diversity in the corporate sector was made clear by the installation of "fearless girl" bronze sculpture facing the charging bull statue in New York City. The statue was installed to promote the message of work force diversity and to promote corporations to employ more women in their board rooms. For the effective management of the company it is well accepted that there must be directors belonging to different age groups, different functional expertise and different educational backgrounds but the benefits of gender diversity are generally ignored.

In the board rooms we see the two types of diversity: Demographic Diversity & Cognitive Diversity. Cognitive diversity includes diversity in education, values,

knowledge, affection, perception and personality whereas demographic diversity means diversity in age, gender etc.
Any Competent Board in any Company requires a mix of skills, expertise and experience to ensure it can provide necessary strategic guidance and act in the best interests of investors. The Board recognises the value of inclusion and diversity and endorses the principle that it should have a diverse range of skills, experience, and perspectives supporting its capacity to discharge its duties Many Companies across the globe are now focusing more workforce diversification in their board room to send the message to their investors that it is a progressive company and recognizes merit.

If we see purely from Indian prospective and history mandate of women Director, the first reference of the introduction of gender quotas under the Companies Act, 1956 can be traced back to 2003, in the companies (Amendment) Bill 2003, that followed the Naresh Chandra Committee under which section 252 of the 1956 Act was proposed to be amended. This amendment Bill received a lot of criticism by Chamber of Commerce, industry groups and moreover certain anomalies were also pointed out by certain experts and has been withdrawn by the government for its review and rectification by MCA (Ministry of Corporate Affairs).Thereafter there was no reference made for gender diversity in boards under companies Act 2009. Under Chapter XI, Section 149(1) of the companies act 2013, a new provision was included where in every listed Company and every other public company having paid up share capital of one hundred crore rupees or more or turnover of three hundred crore rupees or more shall appoint atleast one women director.

The Standing Committee on finance in its 57th Report on Companies Bill, 2011 mentioned that the provision relating to woman director under Section 149(1) is "such indicative provisions which will make the companies more alive to giving salience to the female gender in the realm of corporate governance. Neither the act nor the rules provide any specific criteria or qualifications for the candidature as Women Director of any corporations. Clause 49 of Equity Listing Agreement between a company and the stock exchange also provides for mandating the requirement of appointment of one woman director and through the circular issued by SEBI dated Sept 15, 2014 this provision of women director was to be made applicable with effect from April 01, 2015. Regulation 14 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 also provides the same one woman director mandate.

In the year 2017 Kotak Committee or Securities Exchange Board of India (SEBI) Committee on Corporate Governance was formed under the chairmanship of Mr. Uday Kotak, with main objective of "improving standards of corporate governance of listed companies in India." The committee also addressed the issue of Gender Diversity on Board and accepted the importance & beneficial impact of gender diverse boards in the process of decision making. It also addressed the fact that with introduction of Section 149 of Companies Act, 2013 and SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 the under representation of women directors in India has improved to an extent i.e. (Total percentage of women directors in NIFTY 500 companies was 5% on 31st March 2012 that improved to 13% as on 31st March, 2017) but it is still not comparable to the international standards that India wants to achieve.

In lieu of its objective the Committee recommended that "every listed company to have at least one independent woman director on its Board of Director". In perusal to the recommendation of the Kotak Committee, SEBI introduced SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulation, 2018 on 9th May 2018 whereby under Regulation 17 of SEBI (LODR), 2015 an explanation was introduced. The explanation made it mandatory for all the top 500 and top 1000 listed entities to have at least one independent woman director by April 1, 2019 and April 1, 2020 respectively. The basis for determining the top 500 and 1000 listed companies was on the basis of "market capitalisation" at the end of previous financial year. A significant efforts needs to be made by the companies as on 11th October 2017 only 38% companies will have to appoint one independent women directors.

From various data collations it has been concluded that out of the total of 1,716 listed companies the total number of directors are 10,792 and out of this only 1,654 directors were female amounting to an total approximate of 15%.

In my view the biggest issue is Tokenism, the first precondition for the quota system to work is that the concept of gender diversity on Board must be accepted in spirit and not just as a matter of law. The companies should not only comply with requirements just on the basis of the mandatory check the box requirement.

One beneficial step taken to reduce the problem of tokenism is the inclusion of one women independent director but this requirement should be over and above the existing one woman director mandate and also the requirement of 1/3 Independent Directors. This might have a significant impact over the existing position in India.

If we see internationally, there are More more stringent quota for women directors like 40% in case of Norway, 30% in case Netherland, 40% in case Iceland and Spain ,.

In the UK, the 30% Club launched in 2010 has set a goal to achieve a minimum of 30% women on the FTSE-100 boards

- currently that figure stands at 27%, up from 12.5%. The 30% Club has now extended its original target - it has set a goal of 30% women on FTSE-350 boards (currently at 23.2%)."

WE CAN SEE THE DIVERSE BOARDS BUT NEXT BIG QUESTION IS ARE THEY INCLUSIVE, INCLUSION IS A MINDSET WHICH STARTS FROM YOUR OWN BELIEF AND CORE, NOBODY CAN TEACH YOU HOW TO DEVELOP THE INCLUSIVE MINDSET, ONE NEED TO BE MINDFUL, OPEN MINDED AND COMPASSIONATE. WE HAVE TO GO MANY MILES BEFORE WE ACHIEVE TRUE DIVERSE & INCLUSIVE SPACE WHICH WILL START FROM EACH HOME.

India has adopted a much lenient approach of fixing quota to a mandate of only one women director. Although it can be argued that such high percentage of quotas cannot be fixed like that of Norway because of lack of such expertise women in India. But keeping in mind such an existing problem still a quota percentage should be fixed as per the number of directors in a company just like the Norwegian approach adopted to have a gender diverse boards. To utilize the full benefits of gender diverse board a critical mass of women director is required to be in the Board. Various research have also pointed out that companies who had more than 3 women directors performed much better financially as compared to those companies who had less.

Company on the basis of their "market capitalisation" or any other variable must be asked to adopt a diversity policy which deals with how and through which methods the company should tries to achieve this diversity. Moreover the term Diversity must be defined in the legislation so that company do not interpret diversity as per their standards. The Policy should mention various measurable objective to assess the company's growth. Measurable objectives refers to objectives that can be quantitatively described or measured. Measurable objective will help the shareholders to analyse the efforts done by the company towards achieving gender diversity and also its effect. Furthermore, Companies should file a disclosure report containing the measurable objectives and progress in achieving such goal. SEBI (LODR) Regulations, 2018 contains provisions relating to the nomination committee. Regulation 4(f)(ii)(5) lays down the functions of Board of Directors: "Ensuring a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender in the board of directors." As per the current regulations the Nomination Committee need to have three directors, all directors of company shall be non-executive directors and atleast 50% directors shall be independent directors.

I strongly believe that the Regulation 19 needs to be amended and the Nomination and Remuneration Committee should mandatorily have at least one women independent director, as a much better effort may be made by the company towards the formulation of policy on diversity by BOD if there is an independent women director already in the committee.

We can see the diverse boards but next big question is are they inclusive, Inclusion is a mindset which starts from your own belief and core, Nobody can teach you how to develop the inclusive mindset, One need to be mindful, open minded and compassionate. We have to go many miles before we achieve true Diverse & Inclusive space which will start from each home.

Diversity is a fact and inclusion is a behaviour.

Neera Sharma is a UCLA Alumni and Director, Chief Executive Officer and General Counsel for Sistema India Entities and is based at Gurgaon, India. She has over 24 years of experience as a General Counsel and has worked with DCM Limited, HCL, Idea Cellular Limited, Emaar MGF Land Private Limited, HFCL Infotel and Dishnet Wireless Limited (Aircel).

She has been recognised as a top General Counsel by Forbes India and has been awarded as a Most Promising Woman Leader 2021 by Economic Times powered by Femina. She was conferred with the prestigious General Counsel of the Year Award in 2016 by Legal Era and Femina Women Leadership excellence Award by Times Ascent and is a part of several other prestigious lists of most dynamic General Counsels such as those of Legal 500, Indian Corporate Counsel Association.

She chairs the CII National Committee on ESG and Climate Change amd Member of CII National Committee on IT Laws.

She is also Founder of Sukh Setu Foundation - a step to spread awareness about Autism and work towards the acceptance of differently abled kids & adults with respect, advocating their rights & inclusion in schools and corporates.

She is one of the Founder Members of the GCAI and is a firm advocate of due recognition being given to in-house counsels. She is playing a key role in helping the association realize its collective purpose of securing recognition of the GC community.

2022 INDIAN BUDGET, AIMING FOR PRAGATISHIL AND GATIMAN (PROGRESSIVE AND FORWARD LOOKING) INDIA GEARING FOR NEXT GEN ECONOMY

CA Shailendra Sharma
Associate Director, Products (Advisory),
Asset Services Advisory, Edelweiss Group

The commitment of vaccination program in India during pandemic has left global leaders spell bound on the planning capability of the Indian leadership to deal meticulously with the unexpected crisis and convert them into an opportunity for the Indian growth story. The Indian GDP is poised to rise at a stronger pace between 8.7% and 9.2% in FY 22 surpassing its previous year's record as projected by the Reserve Bank of India (RBI) given the confidence and overwhelming demand as the world inches towards endemic of the health concerns.

The pace of recovery in India is broad based creating hope for a positive turnaround this year in the few stressed sectors that readily adapted to the use of digitisation causing a paradigm shift in the job market and growth prospects. India is likely to continue its growth trajectory with the possibility of exponential economic revival given the stable demand and consistent support of investment in capital expenditure. The Indian Finance Minister tracking the positive outlook presented the 2022 Indian Union Budget on 1 February 2022.

The Budget proposals deserves applaud that will be remembered as choosing the path of bold steps than populist measure traditionally used for political mileage. On a positive note, the government's approach was broadly constructed towards the allocation for public capital expenditure, creation of increased fiscal space for the state governments, devising a roadmap for GatiShakti (for infrastructure connectivity projects), constructively dealing with digital assets, introducing climate change initiatives and so on.

The column briefly articulates key aspects of the 2022 India Budget and the proposed policies influencing and affecting the financial services sector by introducing the concept of digital economy, dealing with virtual digital assets (VDA) from tax and regulatory perspective, depicting a farsighted approach to build efficiency through coordinated committee for private equity (PE) investments, overhaul of the special economic zone and so on.

The year gone by, rewinding to review 2021

The primary focus of the new India government is to always create a strong ecosystem around job creation, income, financial inclusion by capitalising on India's self-generated demand driven economy to generate a strong recovery pattern is likely to boost sustainable growth. The government has consistently made concerted efforts to identify the bottlenecks for small businesses pillar of new economy by devising a solution through 'Atmanirbhar Bharat' scheme to endorse swift recovery. The financial regulator under the banner of Indian leadership promoted easy access of credit to provide targeted credit support for small enterprises to revive opportunities bolstering growth.

"THE PACE OF RECOVERY IN INDIA IS BROAD BASED CREATING HOPE FOR A POSITIVE TURNAROUND THIS YEAR IN THE FEW STRESSED SECTORS THAT READILY ADAPTED TO THE USE OF DIGITISATION CAUSING A PARADIGM SHIFT IN THE JOB MARKET AND GROWTH PROSPECTS. INDIA IS LIKELY TO CONTINUE ITS GROWTH TRAJECTORY WITH THE POSSIBILITY OF EXPONENTIAL ECONOMIC REVIVAL GIVEN THE STABLE DEMAND AND CONSISTENT SUPPORT OF INVESTMENT IN CAPITAL EXPENDITURE."

In the last year Indian Government had introduced several policy measures and tax certainty for the investors and businesses to encourage consistent investment opportunity few being enlisted are:

- reduction in corporate tax rates to 15% for manufacturing sector, abolishment of dividend distribution tax, retracting "retrospective" capital gains tax on indirect transfer, dispensation from tax filings in select cases, etc.
- minimal withholding tax rates, providing exemption of ex-gratia payments to families of employees on death, etc., to

alleviate economic hardship and provide respite to the taxpayers affected by the pandemic

- introduce Production Linked Incentives (PLI) edition across sectors like for IT hardware, mobile phones, drugs and medical devices attracted investments of over US$30 billion
- garner India-UK FTA talks to promote Indian exporters increase trade with the UK followed by negotiations with GCC countries, Canada is expected to kick-off sometime in March next year that will boost manufacturing and offset some of the impact that the pandemic has caused

Amidst global challenges owing to geo political risk, the spread of Omicron variant now subsiding, rising inflation due to high fuel prices, supply chain concerns, the upcoming budget was vital for a directive approach in subsequent years where Indian government attempted to shield the economy from the unanticipated volatility.

The government was bestowed with a daunting task to support the sectors that were disproportionately affected by the pandemic and create gradual recovery as uncertainties linger. The PM's initiative to meet PE and venture capital players ahead of the Budget to seek their suggestions on making India an attractive investment destination followed by adopting an out-of-the-box approach with few initiatives implemented in some parts of the world was a turning point in this year's Budget.

A glimpse of dynamic macro-economics

The Indian Finance Minister presented its 4th Budget amidst global uncertainty and potential interest rate tapering hike that continued to partially harm the Indian capital markets. Overall as the Budget managed to satisfy the economic expectations, India's fundamental have shown signs of tenacity largely supported by the FS sector. The financial recovery in vital industrial nations with strong trade ties supported export growth that ranked India amongst few nations witnessing steady foreign investment since 2020 where the momentum continued in 2021 with foreign investment reaching US$ 24.7 billion from April-November 2021. The robust foreign investment inflows also position Indian capital market at the 6th position amongst world leaders.

The revenue receipts during April-November 2021 grew by 67.2% (YoY), against an estimated growth of 9.6% in 2021-22 budget estimates. The tax collections also indicated multifold growth both under direct and indirect taxes with gross monthly GST collections exceeding INR 1 trillion consistently rising since July 2021. The fiscal deficit for April-November 2021 was maintained at 46.2% of the budget estimates, nearly 1/3rd of the proportion in the same period of the previous 2 years. The primary deficit in April—November 2021 was up at nearly ½ of the level it had reached during April—November 2019 implying government's fiscal capability to maintain, support and increases the capital expenditure.

The RBI in its recent monetary policy since the 2022 Budget continued with the accommodative position maintaining the repo and reverse repo rates at 4.0% and 3.35%. The RBI aims to closely monitor credit growth and inflation to calibrate the rate hikes in future by maintaining easy credit and debt restructuring facilities for the economy's vulnerable sectors. It is anticipated that increase in capital expenditure will augur capacity creation thus, improving the prospects for growth and building credibility around the quality of expenditure.

The RBI expects inflation to remain moderate in H1 2022-23 and move closer to the target rate, providing sufficient room to remain buoyant as the pace of domestic recovery breaches the pre-pandemic trends, but requires boost in private consumption. The RBI tools factor health uncertainty to tame the future outlook concurs with the sufficient measures initiated in the 2022 Union Budget to boost the aggregate demand. Accordingly, RBI also projects that the ongoing domestic recovery though incomplete requires continued policy support given the initiatives of enhanced VRR limit, permitting OIS has promoted diversity in participation and reduced the segmentation between the onshore and offshore markets and e-RUPI scheme presently used for COVID-19 vaccination can offer extended impetus to the Indian economy.

Indian 2022 Budget, A spotlight on the Financial Services Sector

The Indian economy according to the Budget is fast recovering since the impact of heath restrictions and is better equipped to deal with uncertain and volatile environment, caused by numerous factors. The Indian capital markets have scaled new highs in 2021, buoyed by consolidating signs of recovery in economic activity and supported by revival of demand. Typically, the financial services sector in any country can inherently drive the economy, by playing a pivotal role for strength and stability while operating in the dynamic world.

Restoring policy framework

Interestingly, banking and capital markets, insurances, investment management, commercial real estate, and financial services prioritised digital transformation as a disruptor to lead the industry. The 2022 Union Budget aimed to aid development and enhances the financial services ecosystem within India to augment economic progress, introduced slew of regulatory and tax theories to boost spending on innovation and propel growth in the financial services sector. Key highlights of the policy framework proposed in the financial services sector in 2022 Budget are:

- The government is likely to work with the financial sector regulators to expand access to capital along with reduction in cost of intermediation IFSC-GIFT City (International Financial Services Centre)
- In order to facilitate availability of high-end human resources for financial services and technology, foreign universities and institutions in the IFSC-GIFT City is permitted to introduce Financial Management - FinTech - Science - Technology - Engineering - Mathematics courses
- Establish International Arbitration Centre in IFSC-GIFT City for timely settlement of disputes under international jurisprudence
- Introduction of Central Bank Digital Currency (CBDC) by RBI through Digital Rupee where the RBI Rules will be amended

to include definition of "bank notes" to comprise of physical and digital form of currency to facilitate issuance of digital rupee in the form of CBDC by FY23

- Setting-up of 75 Digital Banking Units (DBUs) in 75 districts of the country by Scheduled Commercial Banks
- Establish an expert committee to examine and address regulatory and other challenges faced by VCFs and PE funds likely to give a boost to the industry and project India as an attractive investment destination
- Enable post offices to introduce core banking system for financial inclusion and access accounts through net banking, mobile banking, and so on
- Extend the Emergency Credit Line Guarantee Scheme (ECLGS) till March 2023 for business growth to MSME-focused banks and NBFCs. ECLGS cover proposed to be expanded by INR 500 billion to a total cover of INR 5 trillion with additional amount being earmarked exclusively for hospitality and related enterprises
- Raising and accelerating MSME Performance programme with an overall outlay of INR 60 billion over 5 years to be rolled out to help the MSME sector become more resilient, competitive, and efficient
- Overhaul of the existing Special Economic Zone Act, 2005 with a new legislation to enable states to become partners in "Development of Enterprise and Service Hubs"

The proposal to integrate MSME portals like Udyam, e-Shram, NCS, and Aseem will also enable efficient credit facility, skilling, and recruitment to formalise the economy and enhance entrepreneurial opportunities for all Green bonds issuance. The 2022 Budget also proposes to mobilise resources for green infrastructure and reduce the carbon intensity of the economy by issuing green bonds.

Direct Tax

The policy change remains incomplete till we have seen vital updates, concession and clarifications from the tax regime. Significant changes affecting the financial services sector is narrated as under:

The operations in the IFSC-GIFT City proposed income-tax exemption to foreign investors transacting in Offshore Direct Investments (ODI) and Over the Counter (OTC) derivatives, written by a Banking Unit located in IFSC-GIFT City aiming to bring such businesses on-shore to India. However, the proposed tax law is likely to benefit only such ODI and OTC derivative structures that involve direct issuances of such financial products from a banking unit located in the IFSC-GIFT City.

The government initiated several measures to extend the income-tax exemption benefits last year for the aircraft leasing industry in IFSC-GIFT City, 2022 Budget continuing the trend proposed to extend such benefit to the ship leasing industry that will assist foreign leasing companies keen to establish operations in IFSC-GIFT City.

The investments in crypto currencies witnessed an exponential growth in India however; a specific regulatory framework dealing with crypto currencies is under active deliberation. Budget proposed that a dedicated regime for taxation of virtual assets be introduced for VDAs. The Budget propose to tax gains arising from digital assets at 30% offering no ambiguity on the governments intent to tax income earned through transactions in VDAs. The special taxing regime for VDA besides levying a withholding tax of 1% is devised stringently to deny the right to claim loss, set-off benefits, and carry forward benefits on transfer of VDAs given the volatile nature of such assets thus resulting in the VDA tax framework to potentially discourage small investors from dealing in such assets.

"THE GOVERNMENT WAS BESTOWED WITH A DAUNTING TASK TO SUPPORT THE SECTORS THAT WERE DISPROPORTIONATELY AFFECTED BY THE PANDEMIC AND CREATE GRADUAL RECOVERY AS UNCERTAINTIES LINGER. THE PM'S INITIATIVE TO MEET PE AND VENTURE CAPITAL PLAYERS AHEAD OF THE BUDGET TO SEEK THEIR SUGGESTIONS ON MAKING INDIA AN ATTRACTIVE INVESTMENT DESTINATION FOLLOWED BY ADOPTING AN OUT-OF-THE-BOX APPROACH WITH FEW INITIATIVES IMPLEMENTED IN SOME PARTS OF THE WORLD WAS A TURNING POINT IN THIS YEAR'S BUDGET."

The Finance Act, 2020 had introduced a super-rich tax through surcharge for individuals for certain categories resulting in high effective tax rate between 38-42%. Though, the Finance Act, 2020 clarified that on transfer of listed shares of a company or a unit of an equity-oriented fund except shares of private companies is subject to maximum surcharge on income tax at 15%. The 2022 Budget proposes to offer a level playing field decided to cap such surcharge on long term capital gains tax arising on transfer of any type of assets at 15%. It is worth noting that surcharge on long term gains tax rate is now capped for all types of capital assets including real estate and not limited to shares of Indian companies.

Ideally, anti-abuse provisions include dividend stripping and bonus stripping concepts used by taxpayers to minimise their tax liability investing in securities and units, within a specified time before the record date and receiving tax free dividend / income / additional units. In effect the dividend and bonus

stripping rule restricts taxpayer's ability to claim such structured losses for computing their tax liability. The Budget proposes to broaden the scope of stripping rules to include:

- Unit of a business trust, i.e. Real Estate Investment Trust and Infrastructure Investment Trust;
- Units of a mutual fund or Unit Trust of India;
- Beneficial interest of an investor in an AIF including shares or partnership interests.

The present tax provisions provide for deduction of interest payable on loan or borrowing received from specified institutions/ NBFCs/ scheduled or co-operative banks allowed as a deduction on payment basis. The regulations offer flexibility to convert interest liability into loan or advance that characterise such interest tax non-deductible absent actually paid. The possibility of exploring such structure compelled the Budget to expand the disallowance to conversion of interest payable into a debenture or any other instrument by which liability to pay is deferred to a future date as deemed to be not actually paid and accordingly, will not be tax deductible.

Indirect Tax

The statutory time limit for availing Input Tax Credit (ITC) is extended to 30 November from the current time limit of due date of September return including the statutory time limit for issuing credit notes extended to 30 November.

Self-assessed ITC availed in return to be reversed, along with interest where tax is not paid by the supplier; re-availment permissible in cases where a supplier is paying tax.

Transfer of amount available in electronic cash ledger under CGST or IGST of a 'distinct person' (GST registrations within the same PAN) is allowed.

Issues for consideration

The Budget specifically appears to pay no heed or make any reference to the roadmap for implementation of the OECD Base Erosion Profit Shifting on dealing with innovative concept of digital economy being presently discussed and finalised through Pillar I and II approach or deal with Equalisation Levy form of Google tax imposed on specific digital transactions absence taxable presence of international multinationals in India including introduction of any framework for the overseas listing by Indian multinational.

IFSC-GIFT City is fast catching up attention of various stakeholders hence, to promote IFSC-GIFT City the Budget could have explored attractive proposition by introducing innovative tax and regulatory framework like:

- Passporting rights for India-domiciled IFSC Funds in offshore jurisdictions to increase marketability and investment appeal of such funds to a global investor base
- Complete exemption from Minimum Alternate Tax liability
- Immediate commitment of a stable and predictable tax regime to investors with extension of such tax holidays
- Relax the applicability of domestic transfer pricing requirements and applicability of GAAR to transactions with IFSC units
- Incentivise companies/individuals through fiscal incentives for enabling smooth movement of skilled personnel to IFSC - GIFT City, etc.

All-in-all a well balanced approach to introduce tax concessions in the capital markets by marginalising the effect of capital gains tax, offering a tax pass through status to the Indian domestic hedge funds would pave the way for the next gen conducive environment for the Indian capital markets.

Key takeaways

The 2022 Budget adopted a well balanced approach best suited for a resilient recovery of Indian economy given the global challenges. By and large the Indian Budget after health crisis sets a benchmark to focus on the growth and recovery trajectory due to slow impact on the economy that proposes to pair bouquet of fiscal inclusion measures of Growth Expenditure, Economic Development and Innovative India aimed to achieve the USD 5 trillion economy goal by reviewing the financial architecture to help the sectors move from strength to strength.

The proposals to review fiscal deficit target and enhance allocation in planned expenditure by over 30% could spur growth impulses in the economy post pandemic which had led to a decline in global trade, lower commodity prices and tighter external financing conditions with implications for current account balances and currencies of different countries. The Government's flexible and multi-layered tactic is based on an "Agile" framework approach used of eighty High Frequency Indicators in an environment of extreme uncertainty.

The Budget provisions for tax aims to continue the momentum of stability by keeping individual and corporate tax rates unchanged. Perhaps other important proposals like enabling filing of 'updated returns', extension of tax benefits to start-ups established on or before 31 March 2023, etc. is likely to support the short-term revival plans as well as building long-term pillar for structural growth as a contingency plans to deal with future uncertainties.

A combination of high foreign exchange reserves sustained foreign direct investment, and rising export earnings will continue to provide adequate buffer against possible global liquidity tapering in 2022-23. Considering the present economic situation, the proactive approach of the Government to provide tax rationalisation is an ideal step given the present global environment to garner a resilient Indian economy. Infact, the availability of fiscal space to ramp up capital spending, easing supply-chain constraints, and synchronised global growth with strong exports will further bolster the growth momentum mirrored in the Indian capital markets.

Shailendra Sharma is a Chartered Accountant associated with a multinational financial services firm, India. The view expressed in the document are personal based on my professional experience and does not in any case represent or express the views or opinion of the organisation, group, firm or other bodies I am associated with.

IMPORT OF GOLD BY QUALIFIED JEWELLERS THROUGH INDIA INTERNATIONAL BULLION EXCHANGE

Niraj Kumar Harodia
Director, JPNR Corporate Consultants Pvt. Ltd.

This is our forty forth release in the series of awareness articles on IFSC

1.0 Synopsis of the previous release

In our last release, we had given a brief synopsis on International Financial Services Centres Authority (Capital Market Intermediaries) Regulations, 2021.

2.0 Coverage in the current release

The International Financial Services Authority (IFSCA) vide notification dated January 19, 2021 has permitted import of gold by Qualified Jewellers through India International Bullion Exchange (IIBX).

3.0 Benefits of this facility

The Authority through this circular has allowed 'Qualified Jewellers' to import gold through IIBX, which was earlier permitted only to nominated agencies specified by RBI and DGFT. This initiative may be beneficial to the market intermediaries in the following manner:

i. With gold being sourced from varied countries, traders would be able to provide competitive prices to customers.
ii. Increased Inflow of gold in the country, may lead to dropping off gold prices attracting more customers and eventually benefitting the Brokers.
iii. It will provide a boost to Bullion Trading in India thus creating more opportunities for Bullion Brokers.

4.0 Qualified Jewellers

The Authority has decided that in order to become eligible for import of gold under ITC(HS) Codes 71081200 and 71189000, the entities are required to fulfill certain conditions. The entities fulfilling the following conditions shall be termed as **'Qualified Jewellers'** and shall be permitted to transact as trading members / clients of trading members, on IIBX, for the purpose of import of gold under the above-mentioned ITC(HS) codes:

a. The entity shall be engaged in the business of goods falling under ITS(HS) codes 7108, 7113, 7114 and 7118 under Chapter 71 of ITC(HS) ;
b. The entity must have filed due GST returns up to the preceding month prior to making an application to the IIBX. Further, a certificate should be submitted by the entity, duly attested by a practising chartered accountant or a practising cost accountant or a practising company secretary, stating that 90% of the average annual turnover in the last 3 financial years are through dealing in goods under precious metals; and
c. The entity shall have a minimum net worth of Rs. 25 crore as per its latest audited financial statement.

> THE AUTHORITY THROUGH THIS CIRCULAR HAS ALLOWED 'QUALIFIED JEWELLERS' TO IMPORT GOLD THROUGH IIBX, WHICH WAS EARLIER PERMITTED ONLY TO NOMINATED AGENCIES SPECIFIED BY RBI AND DGFT.

5.0 Net Worth Requirements

The entities desirous of trading on IIBX as 'Qualified Jewellers' are also comply with the net worth requirements of Rs. 25 Crores at all times. For this purpose, the net worth shall be determined as follows:

"Net Worth" means the aggregate value of the paid-up share capital (or capital contribution) and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

The entity shall provide the net worth certificate from a practising chartered accountant or a practising cost accountant or a practising company secretary.

6.0 Fit and Proper criteria

The Qualified Jewellers are also required to comply with the 'fit and proper criteria' specified under regulation 52(2) of the International Financial Services Centres Authority (Bullion Exchange) Regulations, 2020, at all times.

> THE ELIGIBLE QUALIFIED JEWELLERS SHALL APPROACH THE EXCHANGE FOR OBTAINING AUTHORIZATION FROM THE EXCHANGE FOR TRANSACTING ON IIBX AS A TRADING MEMBER OR AS A CLIENT OF A TRADING MEMBER. THE EXCHANGE SHALL VERIFY THE "DEALING IN GOODS AND SERVICES" DETAILS OF THE ENTITY AS PER THE ELIGIBILITY NORMS SPECIFIED IN THIS CIRCULAR, THROUGH THE GST PORTAL, PRIOR TO ON BOARDING THE ENTITIES AS 'QUALIFIED JEWELLER', WHICH WILL INCLUDE KYC PROCEDURES.

7.0 Trading Member/ Client of a Trading Member

The eligible Qualified Jewellers shall approach the exchange for obtaining authorization from the exchange for transacting on IIBX as a trading member or as a client of a trading member. The exchange shall verify the "Dealing in Goods and Services" details of the entity as per the eligibility norms specified in this Circular, through the GST portal, prior to on boarding the entities as 'Qualified Jeweller', which will include KYC procedures. The exchange shall devise the Standard Operating Procedures (SOP) for onboarding the entities as trading members/clients, which shall include KYC procedures.

A Qualified Jeweller on boarded by IIBX may transact on the exchange platform in the following manner:

a. **Client:** Pursuant to on boarding by the exchange as a Qualified Jeweller, the entity may register as a client with a registered bullion trading member in accordance with the applicable norms.

b. **Trading member:** A Qualified Jeweller may establish a branch or a subsidiary in IFSC and apply for becoming a trading member of IIBX in accordance with the IFSCA (Bullion Exchange) Regulations, 2020, Operating Guidelines specified by IFSCA on August 25, 2021 and regulatory requirements as may be specified by IFSCA and IIBX from time to time.

c. **Limited purpose trading membership:** A Qualified Jeweller based in India and not having a physical presence in IFSC, may apply for a limited purpose trading membership, wherein the entity can only trade on its own account (proprietary trading). No client on boarding shall be permitted for such a trading member. Along with this, the entity is also required to comply with all the other applicable norms specified in IFSCA (Bullion Exchange) Regulations, 2020, Operating Guidelines specified by IFSCA on August 25, 2021 and regulatory requirements as may be specified by IFSCA and IIBX from time to time.

8.0 Periodic Reporting

IIBX shall submit a report to IFSCA, on a monthly basis, providing details relating to transaction in bullion by Qualified Jewellers, including details of products traded, quantity, value, quantity of gold imported, etc.

9.0 Conclusion

- The IFSCA through this circular has allowed entities fulfilling the required conditions and eligibility criteria of 'Qualified Jewellers' to import gold through IIBX in India, which has earlier been allowed to only nominated agencies specified by RBI and DGFT. This facility will increase the import of gold in the country, thus creating more opportunities for Bullion Brokers.
- This step of the Authority will increase the scope of Bullion Trading in GIFT IFSC and will help enhance India's position in the bullion market.

Niraj Kumar Harodia (FCA, ACS, B. Com)

He is a Director in JPNR Corporate Consultants Private Limited which is a business advisory and Consultancy Company, incorporated under Companies Act, 2013. The company is engaged in providing services related to Goods and Services Tax, advisory services to International Financial Service Center [Gujarat International Finance Tec-City (GIFT)]. During his association with Deloitte earlier, he has gained expertise in Banking and Real Estate Industries.

He is proficient in Direct and Indirect Taxation and he has been rendering advisory services in GST Impact Assessment in various industries namely Hotel, Construction, Real Estate, Coal, Agro Chemicals etc.

He is also a visiting faculty of GMCS, ICAI and is also the Chairman of Editorial Board of Direct Taxes Professional Association.

The article is co-authored by **CS Jyoti Sinha Banerjee**

FUTURE IMPACT OF 5G TECHNOLOGIES ON FINANCIAL SERVICES

Dr. Vivek Pandey
Sr Vice President, Silverline Technologies Ltd.

1. Preliminaries

In the mobile era, more and more financial institutions are beginning to cooperate with financial technology companies to enhance services and attract customers. The emergence of 5G technology has provided new choices for financial institutions, and the impact of the 5G ecosystem on financial companies and mobile banking is self-evident. With its strong security and speed, 5G technology will greatly shorten the trading cycle and transaction delay, and the capital market will also usher in a revolution. 5G technology will bring more customers and market share to financial institutions and financial technology. In terms of financial technology innovation and application services, 5G will increase productivity and customer satisfaction. The financial services industry hopes that 5G will improve real-time mobile trading and high-frequency trading. Safety is the most critical of the financial sector, 84 percent of financial services executives' pay more attention to the potential of 5G provides a more secure transactions. The global 5G technology market is $5.53 billion in 2020, and is projected to reach $667.90 billion by 2026, registering a CAGR of 122.3% from 2021 to 2026. The global 5G security market size is USD 580 million in 2020 and expected to be at USD 5,226 million by 2026, at a CAGR of 44.3% during the forecast period.[1 2]

2. How 5G Works

5G is one of the latest technology evolutions in cellular technology. 5G New Radio is a new air interface standard being developed by 3GPP a coalition of telecommunications organizations that creates technical standards for wireless technologies. Engineered to greatly increase the speed and responsiveness of wireless networks, 5G has a host of features such as the following that could significantly benefit businesses and customers alike:[3]

- Maximum theoretical speeds of up to 20Gbps - several times faster than the current networks'
- Very low latency - as low as one millisecond
- High reliability, with 99.999% network availability for mission-critical communications
- Vastly improved capacity

Most operators will initially integrate 5G networks with existing 4G networks to provide a continuous connection. 5G network architecture illustrating 5G and 4G working together, with central and local servers providing faster content to users and low latency applications. A mobile network has two main components, the 'Radio Access Network' and the 'Core Network'.

Radio Access Network consists of various facilities including small cells, towers, masts and dedicated in-building and home systems that connect mobile users and wireless devices to the main core network. Small cells is a major feature of 5G networks particularly at the new millimeter wave frequencies where the connection range is very short. To provide a continuous connection, small cells will be distributed in clusters depending on where users require connection which will complement the macro network that provides wide-area coverage. 5G Macro Cells use MIMO (multiple input, multiple output) antennas that have multiple connections to send and receive more data simultaneously. The benefit to users is that more people can simultaneously connect to the network and maintain high throughput.

Core Network is the mobile exchange and data network that manages all of the mobile voice, data and internet connections. For 5G, the 'core network' is being redesigned to better integrate with the internet and cloud based services and also includes distributed servers across the network improving response times (reducing latency). The advanced features of 5G including network function virtualization and network slicing for different applications and services, will be managed in the core.

- Network Slicing enables a smart way to segment the network for a particular industry, business or application. For example, emergency services could operate on a network slice independently from other users.
- Network Function Virtualization (NFV) is the ability to instantiate network functions in real time at any desired location within the operator's cloud platform. NFV is crucial to enable the speed efficiency and agility to support new business applications. When a 5G connection is established, the User device will connect to both the 4G network to provide the control signaling and to the 5G network to help provide the fast data connection by adding to the existing 4G capacity.

3. Impact of 5G Technologies on Financial Services

With its enhanced network capabilities, 5G will open up new horizons for developers of finance-related applications, enabling them to bring to life projects previously shelved, as well as several new ones. The following are some of the prominent 5G use cases being looked at:

Multi-layered Authentication with Wearable Devices: Wearables are becoming an important channel for mobile payments. Earlier, wearable devices have relied on local authentication using biometric data to enroll fingerprints and then validate them against a new scan each time. These biometric checks are moving from fingerprints to faces, to voice recognition and to behavioral analysis, in which the service checks the user's typing patterns for user authentication. By connecting to the cloud using 5G technology, these devices could share that data with financial services and with each other with more reliability and much lower latency. By using real-time, 5G connectivity to aggregate biometric data from a user's different devices, financial organizations could provide multi-layered authentication for extra account protection. High transmission speeds will support functions such as advanced AI algorithms, real-time translation, and IoT-based asset management. All this will also come with improved security, as it will be possible to perform multiple validations, such as behavioral and biometric ones, seamlessly and simultaneously. 5G could also be an enabler for blockchain-based services such as smart contracts and drive improved digital identities, simplified trade cycles and cross-border payments.

Improved Customer Service with AR / VR - With increased bandwidth and ultra-low latency, 5G would extend augmented reality (AR) and virtual reality (VR) experience on smartphones and takes

customer experience to the next level. Firms would be able to deploy in-branch 5G-enabled sophisticated robots capable of conversing with customers and assisting them with financial transactions. Banks and credit unions will improve their customer service - from video calls with clients to better understanding their needs in real-time, to providing mobile apps and website with augmented and virtual reality (VR) experience. Machine learning technology with faster network speed enables financial institutions to collect more information about each consumer and their daily routines to generate a unique customer experience. Financial institutions could also incorporate AR and VR technologies on their websites to better communicate features of products or services such as P2P payments or remote check deposit.

Real-time Financial Recommendations: 5G's ability to collect a steady stream of data from customers will help enable banks to do more than just protect their accounts. Low latency bandwidth offers real-time information gathering and delivery of data ranging from location to payment information, paving the way for new artificial intelligence-based personal banking services. These services could aggregate a user's behavioral data in real time to create context-aware financial recommendations. Using high-speed, low-latency services, these services could offer more accurate advice where it matters most. Seamless video connectivity could help relationship managers quickly and conveniently address customer queries and requests. It would also improve productivity for firms by connecting all areas – such as branches, call centers, headquarters, and field agents – using reliable video-based services.

Efficient Buy & Settlement Management: Financial professionals will also be able to use 5G to create more efficient back-end processes. The speed increase brought about by 5G networks will be of great service to financial institutions, allowing them to perform more complex processes much faster. If a consumer wants to buy an expensive asset, for instance, the application for a credit check and related processes will be much faster and smoother for them. Needless to say, money transfers and investment trading will become a lot speedier, as well. In insurance, damage appraisers could use 5G-enabled high-speed connectivity to send dozens of photos back to the head office quickly, without having to wait to reach their office or home network. As 5G enhancements create more reliable, responsive networks, it can help banks and other financial institutions ensure that this future is more productive, efficient and protected.

Wealth Management - The coronavirus pandemic has made traditional financial institutions realize that going digital is inevitable. 5G technology allows institutions to create more efficient banking apps and websites, where most of the data will be stored in the cloud, enabling a faster and more seamless usage. The spread of IoT will contribute to additional customer interactions, and money operations won't be slowed down in densely populated areas thanks to the high connectivity. Relationship managers remotely managing customers' wealth can utilize AR to walk the customers through their investments and wealth management lifecycle with usage of immersive data presentations. The ultra-low latency of 5G connections will transform high-frequency and automated trading operations, which could be vital for capital market firms.[4]

Increased Financial Mobility - 5G could help firms create mini financial centers that offer all the services that a brick-and-mortar branch could but with increased mobility. These centers could easily move to locations where customers are, e.g., shopping centers, town centers, transport hubs, and entertainment venues. 5G will also help create mobile ATMs able to move across locations or even be mounted on vehicles. Overall, these measures will encourage digital and financial inclusion for the unbanked population. This could be significant, since it will have a ripple effect and create a well-connected end-to-end financial supply chain ecosystem. 5G could also help bring together a multitude of data from a variety of sources and process it faster for enhanced risk prevention and regulatory compliance.[5]

Fraud Prevention - With more data coming through, fraud prevention systems will be able to detect fraudulent transactions more quickly due to faster network, and protect financial institutions and consumers from losses. It will accelerate 3D Secure [3DS2] authentication processes, in which a customer needs to provide biometric data in real-time. In the near future 5G will enable many possibilities for financial institutions as well as fin-techs and third-party providers.

Customer Value Propositions: Financial transactions of the future will be one-touch solutions. There will be a paradigm shift from products to services, which are hyper-personalized, on-demand, flexible, and data-driven. Some indicative examples include: real-time, contactless payments/POS transactions (reduced transaction processing time), biometric facial recognition for authentication (leveraging enhanced mobile broadband - eMBB), immersive m-commerce/customer service (using VR and geo-location services), preventive care in insurance (real-time data for better risk control), behavioral savings, pay-per-use insurance, faster claims processing (with AR and faster CDP) and larger financial inclusion.

4. Conclusion

5G will accelerate digital operations and automation powered by high-speed connectivity and modernization of IT architecture. 5G and edge will allow financial services firms to accelerate data and digital transformation initiatives, include: smart branches (automated branches offering unmanned services), mobile branches and ATMs (ease of deployment for pop-up branches/ATMs), wireless workplaces, cloud-based and API-based services (leveraging high bandwidth and low latency for data-heavy operations), fraud detection (using real-time data analytics and geolocation), seamless policy administration for insurance (integration between different systems), and straight-through processing. On the technology front, the coverage area of 5G networks is currently very low, radio frequencies cannot penetrate buildings, and constructing the network will be very expensive. On the adoption front, there are costs, and security- and complexity-related apprehensions, apart from the need for the mass adoption of devices capable of supporting 5G. Issues related to standardization and regulation also need to be sorted out before a mass rollout. By 2023, only 20% of the world's population will have access to 5G, with the US, South Korea, China, Canada, Australia and Japan being the first movers.

1. 5G Security Market by Component and Services, Network Component Security, Architecture, Deployment Type, End User, Vertical, and Region - Global Forecast to 2026, https://www.marketsandmarkets.com/Market-Reports/5g-security-market-261636732.html
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4. Artem Tymoshenko, Four Big Ways 5G Technology Will Change Banking, July 2020, https://thefinancialbrand.com/98296/5g-mobile-network-technology-banking-digital-customer-service/
5. Artem Tymoshenko, Four Big Ways 5G Technology Will Change Banking, July 2020, https://thefinancialbrand.com/98296/5g-mobile-network-technology-banking-digital-customer-service/

Dr Vivek Pandey is hands-on digital transformation leader with over 28 years of experience in delivering innovative, diversified technologies and solutions. As Sr VP , he is leading company's strategy to acquire and help global customers improve their digital experience by leveraging Silverline's expertise in SAP, Salesforce, MS, Analytics, Blockchain, AI/ML, Cloud and Open Technologies across industries. Currently, he is responsible for Strategy, Global Delivery, Business Development, Strategic Alliances and HR. Prior to his tenure at Silverline, he had been instrumental in building AG Technologies as CEO from startup to a global delivery organization in 18 years of association, achieved CMMI Level 5 capabilities, served the customers across India, USA, Canada, UK, Germany, UAE and Thailand. Vivek has Bachelor's Degree in Electronics Engineering, Masters in Financial Management from Mumbai University, Ph.D. in Business Administration from Pune University.

GLIMPSE OF THE RENT CONTROL ACT

Neha Ahuja, LLM
Advocate

There are various benefits of investing in real estate, such as generating passive income to qualifying for tax advantages.

In India, the first rent law was passed during the Bombay Presidency in 1915, and afterwards in 1939. This was later replaced by the Bombay Rents, Hotel, and Lodging House Rates Control Act, 1947. The Maharashtra Rent Control Act, 1999, is the final Act which has replaced all the former Acts

> **THERE ARE VARIOUS BENEFITS OF INVESTING IN REAL ESTATE, SUCH AS GENERATING PASSIVE INCOME TO QUALIFYING FOR TAX ADVANTAGES.**

As per S. 11 of MRCA the landlord retains the right to decide the rent and is also entitled to ask for a raise in the rent at the rate of 4% per annum from the date of the commencing of the MRCA. The landlord can similarly increase the rent at the rate of 15% per annum for developments, modifications, and alterations if 70% of the tenants give written consent. The additional 25% per annum rise in rent is for particular structural maintenance and repairs specifically carried out under the MHADA.

Further, under Section 12 of the MRCA, the landlord is also within his/her right to hike the annual rent if the government-imposed taxes increase in the course of the duration. In that event, the increase in rent cannot exceed the amount of the increase in tax.

The rules of the MRCA are however also applicable in areas where excessive rent is charged by the landlord. Such an offence is punishable with imprisonment not exceeding 3 months, or fine not exceeding Rs.5,000/-, or both.

Section 16 of the MRCA, provides for the landlord to recover possession of the rented premises subject to the requirements under the same section. Section 16 (1) of the MRCA provides that a landlord is authorised to recover possession of any premises by satisfying the court that the cause for initiating recovery of possession is reasonable and genuine.

The landlords have to meet several conditions for rebuilding purposes. They need to carry out certain activities, as stated in Section 16 (6) of the MRCA, which are -

1. Acquiring adequate capital to carry out the work.
2. Planning for the recommended building should be structured and sanctioned by the concerned municipal authorities.
3. The new building should not contain less number of residential units than the units in the original old building.
4. The old building's demolition work requires it to be finished within 3 months/90 days and subsequently, the new building must be completed within 15 months.
5. The carpet area of premises in the new building must remain same as was in the old building.
6. The landlord can offer an undertaking that if the carpet area of premises permitted in the new building is equal as was in the old one, and then the premises will be offered to old tenants in the new building.

According to Section 14 of the MRCA, every landlord must preserve and keep the premises in a good state. If the landlord is careless in the maintenance of the premises, then the tenant can serve the landlord with a 15 days' notice. If the landlord fails to abide by the notice, the tenant is authorised to make the repairs and carry out the maintenance themselves and deduct the expenditures paid on the upkeeps from the rental or recover the amount otherwise. The recoverable sum should not surpass 1/4th of the rent to be paid by the tenant for that year.

Neha Ahuja, Advocate

Working as an Advocate in the field of Tax, Intellectual Property, Capital Markets & Securities, Anti-Corruption, Investigation, Manufacturing, Consumer Products, Industrial Products & Durables, Communications (Telecom & Broadcasting), Energy (Power, Coal, Oil & Gas), Mining, Civil and Criminal litigation. Specialized in Criminal Litigation. Consulting various law firms in India.

Visiting faculty at Jai Hind College of Commerce and Science for the subject of Law. Lectures given on the following Acts and Bills: Contract Law, 1872, Companies Act, 2013, Reserve Bank of India Act, 1934, Banking Regulation Act 1949, Negotiable Instruments Act 1881, Indian Insurance Act 1938, IRDA Act 1999, Consumer Protection Act, 1986, Ombudsmen Act 1975, Indian Stamp Act 1899, Indian Registration Act 1908, Lokpal and Lokayukta Bill.

Worked as a Constitutional expert on several books published by Lexis Nexis namely "India Needs GST" 3rd Edition. Also, written textbooks at college level on the subject of IPR & Cyber Law published by Vipul Prakashan.

Editor for Law Textbooks on the subject of Contract Law, 1872 and Negotiable Instrument Act 1881 published by Reliable Publication.

Completed her Bachelors in Banking and Insurance (BBI). There after obtained a Masters degree in Commerce (Mcom) and then completed Legum Baccalaureus (LLB) and LLM.

COMPLIANCE REQUIREMENT FOR THE MONTH OF MARCH – 2022

Compiled by CA Kamlesh P. Mehta
(B.Com, FCA, DISA)
M/s. Kamlesh P. Mehta Associates

Authorities	Particulars	Due Date
All Exchanges	Contingency Drill / Mock Trading Session (Subject to circular to be issued by respective exchanges)	05.03.2022
PMS	PMS- Uploading of Activity Report- through SEBI portal for the month of February, 2022	07.03.2022
Income Tax	TDS Payment for the Month of February 2022 for Corporate and Individual	07.03.2022
Depositary	Investor Grievances (Report) • CDSL & • NSDL	10.03.2022
Income Tax	Advance payment of Income Tax	15.03.2022
All exchanges	Members to close client bank accounts and/or own bank account with other than clearing banks or scheduled banks	15.03.2022
All exchanges	Submission of Audited Networth Certificate, Auditor's Report & Audited Annual Accounts for the financial year ended on 31/03/2021	15.03.2022
All exchanges & Depositories	Nomination for eligible trading and demat accounts	31.03.2022
NSE	To operate the trading terminals from designated alternate locations, subject to the conditions specified in the Exchange circular NSE/INSP/43920 dated March 20, 2020	31.03.2022
All exchanges & Depositories	Mandatory updation of certain attributes of KYC of clients- Extension	31.03.2022
BSE	No. of STR filed with FIU-IND for the month of February 2022. (Including NIL STR)	Before 31.03.2022
NSE/ BSE	Uploading of clients mapped with Authorised Persons (AP) before the next 2 trading days of subsequent week	Weekly basis
NSE/ BSE	Reporting of client level cash and Cash Equivalent Balances by trading members to the clearing members on weekly basis (within next four trading days of subsequent week)	Weekly basis
All Exchanges	Submission of Bank statement to exchange on weekly basis (within next four trading days of subsequent week)	Weekly basis
All Exchanges	Requirement of sending a complete 'Statement of Accounts' for funds, securities and commodities in respect of each of its clients (within next four trading days of subsequent week)	Weekly basis
All Exchanges	Reporting of client level Cash and Cash Equivalent Balances and Bank account balances (within next four trading days of subsequent week)	Weekly basis
All Exchanges	Uploading of Clients' Funds, collateral and other details lying with the member broker. (Enhanced Supervision within three trading days of subsequent week)	Weekly basis
All Exchanges	Uploading of day-wise Holding statement in the specified standard format to exchange (within four trading days of subsequent week)	Weekly basis

***Note:** The Compliance Calendar is indicative in nature. For realtime updates, kindly refer respective Market Infrastructure Insitution's latest circulars.

Kamlesh P. Mehta, B.Com. FCA, DISA (Post qualification course in information system audit from ICAI) is a practicing Chartered Accountant by profession having an experience of 26 years in the field of capital market compliance consultancy, depository services audit, management consultancy, system audit and Commodity market compliance consultancy.

He is a Proprietor of CA firm M/s. KAMLESH P. MEHTA ASSOCIATES & Partner of MEHTA SANGHVI & ASSOCIATES located at Borivali, Mumbai.

He is also providing compliance calendar to BSE brokers forum and ANMI regularly and same is published in their journal. Recently he and his team had drafted compliance manual for commodity brokers published by BSE brokers forum.

He is a regular speaker of the various seminars for broking and DP compliances organized by WIRC (Western India Regional Council of ICAI) and study circle group. **For further assistance, kindly contact at: kamleshmehtaca@gmail.com**

BECOME FEARLESS

Jaya Row
Founder, Vedanta Vision &
Managing Trustee, Vedanta Trust

Fear has two meanings - Fear Everything and Run or Face Everything And Rise! The choice is yours. Fear is a natural, powerful, and primitive human emotion. It is instilled from childhood. Parents tell their children - "Eat your food or the bogeyman will come and get you. Do your homework or I'll tell your teacher. Do good or you'll go to hell"! Fear involves a universal biochemical reaction, fight or flight response, as well as an individual emotional response.

Fear can be your friend in the right doses as it alerts you to danger. But too much of it can be harmful. Sometimes fear stems from real hazards, but it can also originate from imagined threats. People suffer from all kinds of phobias - fear of heights, of being alone, of crowded spaces, water and even fear of spiders! Fear can be a symptom of some mental health conditions too.

Have you wondered why scary movies are fun? This is because fear induces the same chemical reactions in our brains that positive emotions like happiness do. Some people are adrenaline-seekers, thriving on extreme sports and other high-risk ventures. Others have a negative reaction to fear, and avoid fearful situations at all costs.

At times fear enables concentration and helps shed distractions, resulting in extraordinary performance. Weightlifters can lift an additional 12% in critical situations. People are known to perform heroic acts in fearful situations like hostage crises and terrorist attacks.

Fear prevents you from taking risks. Being risk-averse can also lead to a joy-averse existence. Fear of commitment can deprive you of wonderful relationships! Overcoming fear can bring great opportunities your way. The choices you make and the risks you take are the factors that contribute to happiness.

Fear is one of the nine rasas or basic emotions listed in the Vedas, the oldest source of knowledge. Vedanta, the science of self-management, the philosophy that appears in the last portion of each of the Vedas, gives us the pathway to overcome fear.

There are 5 main causes of fear - wrongdoing, selfishness, desire, ignorance and otherness.

1. Wrongdoing. When you are upright and straightforward you are fearless. In the Mahabharata war the army of the Kauravas was 1.5 times stronger than that of the Pandavas. Yet the Kauravas were afraid!

2. Selfishness. A selfish person cares only about himself so everyone else becomes an opponent! Selfish people are afraid of competitors, they imagine enemies everywhere and mistake benefactors for adversaries.

"FEAR PREVENTS YOU FROM TAKING RISKS. BEING RISK-AVERSE CAN ALSO LEAD TO A JOY-AVERSE EXISTENCE. FEAR OF COMMITMENT CAN DEPRIVE YOU OF WONDERFUL RELATIONSHIPS! OVERCOMING FEAR CAN BRING GREAT OPPORTUNITIES YOUR WAY. THE CHOICES YOU MAKE AND THE RISKS YOU TAKE ARE THE FACTORS THAT CONTRIBUTE TO HAPPINESS."

3. Fear is a modification of desire. When desire is fulfilled, there is fear of losing the object gained. The wealthy are afraid someone will steal their money. A beautiful lady fears old age and ugliness. The famous are afraid of loss of reputation and so on.

4. Ignorance causes fear. Everybody is afraid of death because it is unknown. If we knew what would happen after death perhaps, we would not fear it.

5. Otherness makes one afraid too. You have no fear of an Indian cop but when you get caught for speeding in the US you panic! This is why Indians who blatantly break laws in India meticulously follow them abroad!

Fearlessness is a sign of spiritual development. As you grow spiritually and enrich yourself from within you overcome fear and become strong, resilient and independent.

The first step to dealing with fear is to use the intellect, the discriminating faculty in you to assess, analyse, and overcome fear. Face your fears. When Swami Vivekananda was walking along a street in Benares a group of monkeys chased after him. He started running. A monk told him to turn and face them. When he did that, the monkeys ran away.

Develop the intellect. The intellect is fortified the same way the body is, by exercise. You exercise the intellect by thinking. Thinking has become a rare commodity these days. People follow the herd instinct, do things because everybody else does it. Think. Independently. Originally. Uninfluenced by others. Question, enquire, reflect. As you think the intellect gains power and is able to control the whims and fancies of the wayward mind. The mind is the realm of emotion, feeling, like and dislike. It lacks the ability to decipher what is in your interest and what is not. There is no reason for either love or hatred. Most fears are irrational too. When your teenage daughter falls in love and you ask what she found in the guy she says 'just'! No reason. Why do you hate your mother-in-law? Also, no reason. Why are you afraid of the dark, or of crowded spaces? No reason. Nowadays the overwhelming fear is - What if I get Covid? Chances are you may never get it but you have suffered for it needlessly! So do not meet misfortune half way!

When the intellect is weak the mind and its emotions run riot and devastate your personality. Any emotion unchecked wreaks havoc. A Naval Officer killed his wife's lover. Fear makes cowards of the best of people! You are held captive by your own mind!

The spiritual path gets to the root of the problem. It consists of three simple practices that every single human being can follow. It does not require a change in lifestyle, wardrobe or profession. All it takes is a slight shift in thinking. And the results are magical. They are ACTION, EMOTION and THOUGHT.

1. ACTION. When you act, do so with the attitude of giving, not taking. Shift from profiteering to offering, grabbing to serving. Fear vanishes when you want to give. In the 'Tale of Two Cities', Sidney Carton changed places with a prisoner who was to be guillotined the following day. He was fearless. As he was being carted to the guillotine he said - 'It's a far far better thing I do than I've ever done'.

The law is - Give you gain, grab you lose. Physics corroborates this. An object is red in colour because it absorbs all the other colours except red. Yet it appears red! Amazingly it gains the one colour it gives and loses the six colours it takes! So is it in life.

All givers are happy. Have you seen kids in kindergarten? One shares her chocolate with her friends. She has a broad smile on her face. Another child says," No it's mine". She is frowning.

2. EMOTION. Embrace the world with love, oneness and compassion rather than hatred, disgust and aversion. Vasudhaiva kutumbakam. The entire universe is one family. Reach out to people with affection and they return the courtesy. You build strong teams and achieve success. Fear vanishes. You do not fear your own people.

Oneness makes for happiness. You buy a luxury car, you are happy. When your neighbour buys one you are positively unhappy. But if you feel one with the neighbour, he buys it, he has to maintain it, and you celebrate as if the car was yours. If you feel one with the country your happiness multiplies 1.3 billion times! Feel one with the whole world and your happiness increases by 8 billion times.

3. THOUGHT. Knowledge. Not of physics or economics. Nitya anitya viveka vicharam. Reflection on the distinction between permanent and impermanent. As you develop merit the good things of life will naturally gravitate towards you. Prosperity, name, fame and friends will be yours. Acquire the best that the world has to offer, possess all you want, but remember that everything in the world is passing, ephemeral, impermanent. With the right understanding there is no fear of loss.

With these practices not only do you become fearless and confident; you grow into a towering personality. You take calculated risks, are unfazed even if failure comes your way and you gain power over the world. You achieve effortless excellence. You are happy irrespective of what the world offers, pandemic or no pandemic! You discover the fountainhead of bliss and magnificence within.

Become fearless at the Bhagavad Gita webinars by Jaya Row every Saturday from 6 to 7 pm IST on Zoom, YouTube and Facebook. Register for free at vedantavision.org/gita

Jaya Row is one of the world's most influential speakers on Indian philosophy, Vedanta. She's a well-loved spiritual leader whose expositions on Vedanta touch the mind and uplift the intellect.

Blessed with a global vision and unparalleled knowledge of the scriptures, she has the incredible ability to reach out to individuals of all nationalities, sects and faiths.

Backed by her corporate experience and 40 years of research on Vedanta, she motivates her audiences to live successful and happy lives. Clarity, wit and zeal are the hallmarks of her presentations.

Her seminars for corporate executives deal with the holistic development of people. She helps create the most valued corporate assets - fulfilled, dynamic human beings.

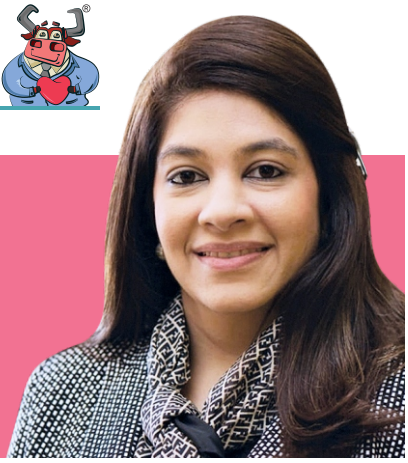
She has gained international recognition, having spoken at prestigious forums such as the World Economic Forum Davos, World Bank, Young Presidents' Organization, Princeton University, Purdue University, Washington University and others.

Since the outbreak of the pandemic and through subsequent lockdowns, she has continued to spread the message of Vedanta online. She hosts webinars on the Bhagavad Gita every Saturday on Zoom.

She engages a younger audience through her podcast, Gita for the Young & Restless, on Spotify. In each episode, she provides simple solutions to the everyday problems that Millennials and Zoomers face.

YOUR IMAGE IS YOUR PERSONAL BRAND

Niraalee Shah
Founder, Image Building and Etiquette Mapping



What Does Your Image Say About Your Personal Brand?

Your personal image is how people perceive you at a glance. Thus, it's the way you dress, the way you look, the way you behave, the way you communicate, etc. Finally, people only look at your appearance to get a first impression of whether they like you or not. That is your personal image. Therefore, a personal image is not a personal brand, because without a strategy, all you have is a personal image.

YOUR IMAGE IS THE FIRST STEP TOWARDS BUILDING YOUR PERSONAL BRAND. DOES YOUR PERSONAL AND PROFESSIONAL IMAGE DELIVER THE RIGHT MESSAGE?

Personal branding is all about developing your persona, which can then be used to relay what you communicate, from your personality to your core values and principles. Personal Branding is all about how being authentic. This is the most important thing about building a personal brand.

Your IMAGE needs to:

- Instantly define who you are, what you stand for and what you can offer
- Instil confidence in your brand to each person you meet
- Set you apart from your competition
- Reflect your lifestyle and personality in the correct styles
- Inspire confidence in your own self to communicate effortlessly your unique values

I'll be revealing the 6 key ways that you can consider to create a powerful Image of Brand You and create your niche Personal Brand.

1. WRITE DOWN THE IMAGE THAT YOU THINK YOU CURRENTLY HAVE AND WHAT YOU THINK YOUR STYLE SAYS ABOUT YOU

Do you put effort into how you look? Are you trying to set yourself apart in your choice of wardrobe, or are you focused on dressing like everyone else at work?

2. WRITE DOWN THE IMAGE YOU'D LIKE TO HAVE AND HOW YOU WOULD LIKE TO BE PERCEIVED BY THE WORLD

When you look at magazines or Pinterest and see outfits you like or feel would look good on you, consider what you believe those outfits would say about you. Could a new suit make you feel more confident? Would high heels make you feel in control? If you switched out jeans for khaki slacks, would you feel more present at work?

3. Use your three C's. Clarity, Consistency, and Constancy.

Ensure your message is clear and consistent across all mediums, and shared constantly.

> **"PERSONAL BRANDING IS ALL ABOUT DEVELOPING YOUR PERSONA, WHICH CAN THEN BE USED TO RELAY WHAT YOU COMMUNICATE, FROM YOUR PERSONALITY TO YOUR CORE VALUES AND PRINCIPLES. PERSONAL BRANDING IS ALL ABOUT HOW BEING AUTHENTIC. THIS IS THE MOST IMPORTANT THING ABOUT BUILDING A PERSONAL BRAND."**

You are the CEO of your personal brand. Determine your objectives and align your actions and communications to those objectives. Be creative and original while remaining clear and consistent. Own your narrative. Don't be shy about promoting yourself - you need to remind people of your value. Your personal brand is working for you when others see and hear you.

4. LOOK AT PHOTOGRAPHS OF YOURSELF IN YOUR WARDROBE

Analyse whether you're sending the right message with the way you're dressing and presenting yourself. Does your clothing look outdated though your business is very cool and modern? Does your clothing make you look old, while you're trying to network with a younger target market? Is your clothing oversized and sloppy, so that you appear larger than you are?

5. TAKE CONTROL OF YOUR IMAGE AND WARDROBE

If you decide you need to purge your wardrobe, eliminate items which really don't "feel like you." Maybe you bought them because they were on sale or someone else told you look great wearing them, but you feel like someone else when you wear them. By donating

> **AN OUTFIT IS ONLY HALF OF YOUR WHOLE IMAGE, SO BY BUILDING YOUR CONFIDENCE AND WORKING OUT WHAT SUITS YOUR BRAND IDENTITY, WE AT IMAGE BUILDING AND ETIQUETTE MAPPING CAN HELP YOU REACH NEW LEVELS OF SUCCESS TO DEFINE AND CEMENT YOUR PERSONAL BRANDING.**

6. SOLO STRATEGY

A well-presented professional image will play a critical role in allowing you to stand out, be recognised and make an impact on your life. Whether you are representing a wider brand or focusing on 'brand you', it is important that when you are flying solo your message is conveyed.

It is impossible to ignore the importance of your personal brand on a professional platform, with a strong and smart online presence vital in attracting the correct audience and helping others inspire trust in you based on what they see. Strategically creating a persona that is on-brand with your coveted personal image will help to improve communication on both a corporate and creative level, instilling confidence in yourself offline too.

Ultimately, when you look good, you feel good, and when you feel good, it shows. An outfit is only half of your whole image, so by building your confidence and working out what suits your brand identity, we at Image Building and Etiquette Mapping can help you reach new levels of success to define and cement your personal branding.

Niraalee Shah founded Image Building and Etiquette Mapping to helping entrepreneurs create profitable businesses and brands that attract their ideal clients. Her expertise helps brands showcase their expertise and command premium pricing through brand experience, and added value of customer experience. A Corporate Trainer, Image Consultant, and Personality Development Coach, Niraalee Shah works alongside entrepreneurs, corporate houses and professionals to achieve striking innovation and development at all fronts.

She is an Image Consultant, International Corporate Trainer, Author, Corporate Grooming Expert, Personality Development Coach, Hospitality Trainer, Personal Branding Consultant, Branding Strategist, and International Etiquette Coach. She is certified from The Indian School of Image Management (Mumbai) and The International Image Counselled (Canada). She is an internationally recognized and certified etiquette trainer from The British School of Etiquette United Kingdom, with CPD (Continuing Professional Development) and ILM (Leadership and Management) certifications.

Image Building and Etiquette Mapping has procured through ISO certifications, making her one of the few BSCIC ISO trainers, an industry pioneer and visionary professional in India.

She is the author of the book "INDIAN ETIQUETTE - A Glimpse into India's Culture"

THALASSEMIA – A GENETIC DISORDER

Priti K Shroff
Founder & Managing Director
PRISIM – The Healing Temple

Thalassemia is an inherited blood disorder in which the body makes an abnormal form of haemoglobin. Haemoglobin is the protein molecule in red blood cells that carries oxygen. If any one parent has carried and passed on the Thalassemia gene, the child can be born with this disorder. But not every thalassemia patient has visible symptoms when they are born. Signs of the disorder also tend to show up later in childhood or during adolescence.

The symptoms of thalassemia can vary. Some of the most common ones include:

- Yellow or pale skin
- Bone deformities, especially in the face
- Dark urine
- Delayed growth and development
- Excessive tiredness and fatigue

This disorder results in excessive destruction of red blood cells, which can quickly lead to anaemia. Anaemia is a condition in which your body doesn't have enough normal, healthy red blood cells. This condition is marked by a lack of oxygen being transported to tissues and organs. Since red blood cells are responsible for delivering oxygen, a reduced number of these cells means you don't have enough oxygen in the body either.

Your anemia may be mild to severe. Symptoms of anemia include:

- Fatigue
- Dizziness
- Irritability
- Shortness of breath
- Weakness

Since thalassemia is a genetic disorder, there's no way to prevent it. However, there are ways you can manage the disease to help prevent complications.

There's no one diet that can cure thalassemia, but making sure you eat the right foods can help. It has been seen that a plant-based diet is rich in nutrition and is beneficial to everyone, including thalassemia patients. Thalassemia can cause folic acid (folate) deficiencies. Naturally found in foods such as dark leafy greens and legumes, this B vitamin is essential for warding off the effects of high iron levels and protecting red blood cells. If you're not getting enough folic acid in your diet, your doctor may recommend a daily supplement.

"IN ADDITION TO A HEALTHY DIET, REGULAR EXERCISE CAN HELP MANAGE YOUR SYMPTOMS AND LEAD TO A MORE POSITIVE PROGNOSIS. MODERATE-INTENSITY WORKOUTS ARE USUALLY RECOMMENDED, SINCE HEAVY EXERCISE CAN MAKE YOUR SYMPTOMS WORSE"

In addition to a healthy diet, regular exercise can help manage your symptoms and lead to a more positive prognosis. Moderate-intensity workouts are usually recommended, since heavy exercise can make your symptoms worse.

Walking and bike riding are examples of moderate-intensity workouts. Swimming and yoga are other options, and they're also good for your joints. The key is to find something you enjoy and keep moving.

The sooner that Thalassemia is diagnosed, and treatment started, the more chances there are of success in managing the symptoms and treating them through Bone marrow transplant. One such camp to conduct DNA testing of Bone Marrow donors for Thalassemia patients was recently held at Prisim Healing Institute by the Inner Wheel Club of Bombay Pier.

Inner Wheel Club of Bombay Pier supports the battle against Thalassemia

The camp's fantastic success (175 samples collected in under 4 hours) was largely attributable to the fabulous work done by the willing 22-member.

Rotaract team led by Secretary Lekha Poojary. President Sunishi Gabhawala was accompanied by VP Nishrin Shums, EC members PP Munira Kathawala & Bhavana Doshi, Parul Chhadva and Nipam Unadkat.

On December 6th 2021, Prisim Healing Centre generously offered space to Inner Wheel Club of Bombay Pier to conduct a Human Leukocyte Antigen testing (DNA matching for bone marrow transplants) camp for Thalassemia patients and their families.

22 volunteers from Rotaract Club of SIES College collated records and collected cheek swabs from 175 people. Young children aged 6 months to 12 years (all diagnosed as thalassemia major) started queuing up by 7 am - they had travelled from distant parts of rural Maharashtra. Fighting the fear of Covid, hungry and tired, they still came as the camp represented a glimmer of hope to overcome this terrible illness.

The camp was facilitated by Delhi based Globally Integrated Foundation for Thalessemia. A leading paediatric haematologist, Dr Vikas Dua, volunteered to address the families of the patients about the disease and steps to manage it better. He followed this up with an examination of patients' current blood reports and status. As host of the camp, IWC Bombay Pier was happy to play a role in battling this deadly disease.

People who suffer from Thalassemia need medication, constant monitoring, transfusions; any negligence could be fatal. A bone marrow transplant is the only long term hope for a thalassemia patient; matches for transplants are challenging even with siblings / parents. If we are able to find even a match for even one of the 40 patients who attended the camp, it would be a victory. At prisim we believe in having a wholistic approach for all disease or disorders. Together with bone marrow transplant and other medical procedures, alternate therapies like yoga and a plant based diet can play a very important part in their complete recovery.

> WALKING AND BIKE RIDING ARE EXAMPLES OF MODERATE-INTENSITY WORKOUTS. SWIMMING AND YOGA ARE OTHER OPTIONS, AND THEY'RE ALSO GOOD FOR YOUR JOINTS. THE KEY IS TO FIND SOMETHING YOU ENJOY AND KEEP MOVING.

Prisim Healing Institute is an alternative health center that believes in healing one individual at a time.

We have various complementary therapies that help an individual to reach to their optimal health.

- 10 Day Detox Programme
- Brahma Satya Energy Healing
- Aura Scan & Analysis
- Aura Cleanse & Chakra Alignment
- Crystal Healing Workshops & Crystal Grid
- Yoga & Zumba
- Sujok & Acupuncture
- Sound Therapy
- Art Therapy & Zentangle
- Emotional Catharsis
- Fairy / Angel Card Reading
- Healing Meditations - Chakra Meditation, Naadabrahma etc.
- Numerology
- Hypnotherapy / Past Life Regression
- Clearing of Spaces
- Reconnective Healing & The Reconnection
- Heartlight Ascension
- Raw & Vegan Foods by Prana Kitchen

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INVESTORS' PROTECTION FUND

HOW TO SAFEGUARD YOUR INVESTMENTS

Pay good attention to details. Please check the credentials of the companies before investing.

Don't invest in a company just because the stock price is doing well. Please study the company fundamentals carefully before making investment decisions.

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D-MAT	Solutions for DP Back Office	CDSL and NSDL
eSigner™	Solutions for sending and tracking of Digitally Signed Document	All Entities
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