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REBOUNDING TALL & STRONG

India's real estate sector has shaken off its slump and is charging ahead

Beyond Market
it's simplified...
NIRMAL BANG
a relationship beyond broking
a financial magazine crossing horizons

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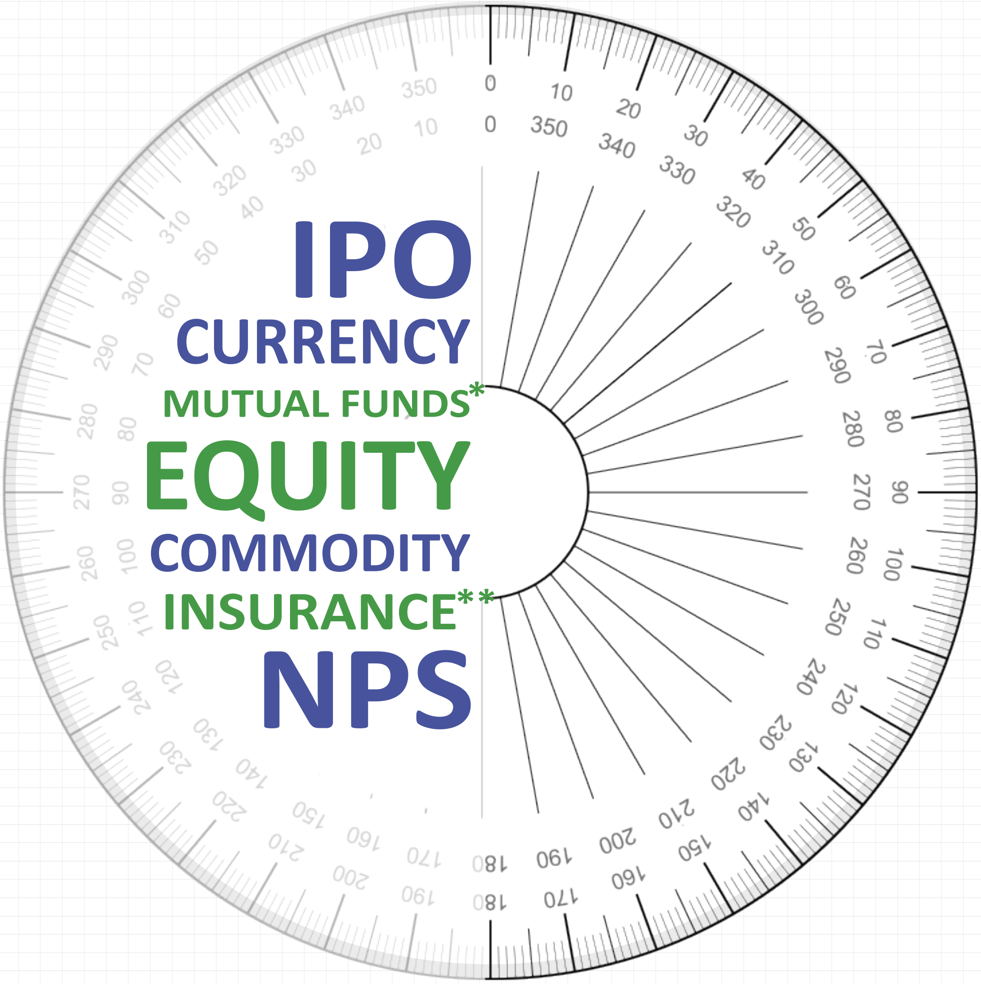

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Tushita Nigam
Editor

DEEP-ROOTED

The past few years have proven to be difficult for the real estate sector in India. What initially began as a phase persisted longer than expected.

Nevertheless, there has been a positive shift in the sector since the start of this year. Industry experts have seen a surge in the overall demand for residential and commercial properties, along with a corresponding boost to the ancillary sectors. Read our cover story to understand how this surge is likely to fuel the expansion of the sector in the years to come.

This issue of Beyond Market also features some captivating articles on a diverse range of topics, including: the necessary actions that leading global central banks are taking to bolster their respective economies and promote growth, the repercussions of Jio Financial Services' foray into the financial services sector on the existing players within this domain, the positive impact of the government's decision to allow Indian companies to list directly on foreign exchanges, and the subsequent benefits to the economy.

You will also find engaging reads on the growing use of artificial intelligence in cybersecurity attacks, and how real estate investment trusts (REITS) are proving to be a favourable investment option among investors.

The Beyond Basics section features two articles on insurance. While one article discusses the importance of loan protection insurance, the other focuses on calamity insurance policies that can safeguard against losses resulting from damage to property and valuables.

And finally, do refer to the Mutual Fund Blackboard to understand which mutual funds are offering favourable returns and can be considered from an investment perspectivE.

"The Indian stock markets are expected to remain range-bound."

Nifty Futures: 19,346
(Last Traded Price As On 29th Aug'23)

The US Federal Reserve (Fed) has indicated that it continues to have concerns about inflation and may raise interest rates further, if necessary.

An uptick in inflation in India last month, coupled with below-normal monsoon rains in the country, has raised worries about inflationary pressure.

However, the first-quarter earnings results of corporate India have been above average.

In the coming weeks, the Indian stock markets are expected to remain range-bound with the Nifty Futures between 19,000 and 19,500/ 19,750 levels.

Traders and investors must both watch out for the progress of monsoon in India, along with the action that the Fed is likely to take at its meeting next montH.

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TAILORED TO SPECIFIC NEEDS

The world's attention will be focused on central banks, including India, as they decide how to respond to various issues at hand

An interesting trend is underway in the actions undertaken by global central banks. While on one side central banks of many developed economies like the US Federal Reserve, Bank of England and European Central Bank have been hiking interest rates, the central banks of many developing economies like Brazil and China are trimming policy interest rates. This trend has been termed as monetary policy decoupling by many.

Currently, the US Federal Reserve, Bank of England and European Central Bank are busy focusing on hiking interest rates to tame inflation, which is reigning at multi-decade highs. Consequently, interest rates in these geographies are at levels not seen in years. However, this tightening of monetary policy is squeezing global economic growth. As a result, there is a lot of uncertainty about when the central banks of these developed economies will end their policy tightening cycle.

From emerging markets' standpoint an important question that arises is what will happen when policy rates in developed central banks pivot? When interest rates in developed economies fall, funds find their way into emerging markets. To remind you, policy rates in the developed markets have a bearing on developing economies on various fronts.

The primary impact is seen in the capital flows from developed markets to developing markets. Currently, interest rates in the US and Europe are high and foreign investors have preferred to invest in their domestic markets instead of diverting funds to emerging markets like China and India.

It is only in the last few months that foreign investors are hunting opportunities in hordes outside the US on hopes that the US Fed rate would reverse from high levels. This implies that when the trend changes, the expectation of returns from emerging markets including India will also change.

Back home, there is a general perception that domestic policy repo rate would remain on an extended pause before falling from early next calendar year. However, a lot will depend on the US Fed rates and the trajectory of domestic inflation.

The US Fed raised its policy rate by 25 basis points in its July review to 5.25% to 5.50%, the highest level since 2001. The minutes of the July policy meet further indicate that the US Fed is still concerned about high inflation and there could be some more hikes in subsequent policies.

At a theoretical level, measures by global central banks do not directly influence the decisions of the six-member Monetary Policy Committee (MPC) – the interest rate-setting body of the Reserve Bank of India (RBI). The RBI considers domestic factors, especially retail inflation while reviewing interest rates. But actions by global central banks are always on the back of the minds of the policymakers.

In its August review, the MPC has left the policy repo rate unchanged at 6.5% for the third time in a row. This was on expected lines as food inflation is at higher levels. The repo rate is the interest rate at which banks borrow from the RBI during times of tight liquidity in exchange for government securities as collateral. Repo rate influences all the other interest rates in the system like banks' lending and borrowing rates. It also influences yields on government and corporate bonds.

The MPC also decided by a majority of 5 out of 6 members to keep the stance of 'withdrawal of accommodation' to ensure that inflation aligns with the medium-term target for consumer price index (CPI) inflation of 4%. Policy stance gives some indication of the future direction of the upcoming reviews. The current

Why US Fed Is Important?

The US is the most important economy and the US Fed is the most important central bank in the world. Here are how its actions impact other economies:

- **Capital Flows:** Hunt for returns prompts American investors to invest all over the globe. A few basis points change in Fed rates can swing markets in developing economies on either side as these investors churn their portfolios viz-à-viz their returns expectations from the US markets, which are considered safer as compared to other markets.
- **External Debt:** Since the US Dollar is widely used for external trade, a hike or cut in US Fed rate can impact the cost of servicing external debt. This can lead to depreciation in local currency too.
- **Imported Inflation:** As currency depreciates, imports of items like crude oil become more expensive leading to import of inflation. Imported inflation can make all related things expensive.
- **Domestic Borrowing Costs:** As global liquidity tightens or increases due to actions by the US Fed, its impact is seen on domestic interest rates, which eventually influences domestic borrowing costs.

How Other Economies And Central Banks React To Moves By The US Fed?

- Adjust Domestic Interest Rates
- Diversifying Reserves
- Trim Down High Value Imports
- Develop Domestic Capital Markets

stance signals that MPC will focus on withdrawing the loose monetary policy that it had undertaken post-Covid breakout to boost the economy.

To remind, post the Covid breakout, the RBI had cut the repo rate multiple times to ensure the economy is not impacted due to the pandemic. However, a loose monetary policy, much like in other economies, led to a rise in inflation. The CPI inflation stayed above the 6% target level for many quarters, forcing the MPC to undertake continuous rate hikes.

In the current interest rate hike cycle, the MPC has hiked the repo rate from 4% in May '22 to 6.5%, a 250-basis points (bps) hike.

While CPI inflation has fallen from highs of 4.3% in May, it rose again in June and July, mostly because of a jump in food inflation. In July, CPI inflation rose to a 15-month high at 7.44% against 4.87% in June.

In its August review the RBI retained its fiscal year 2023-24 gross domestic product growth forecast at 6.5% while revising upwards its CPI inflation forecast by 30 basis points to 5.4% from 5.1% earlier.

Along with the US Fed rates, El Nino conditions are also closely watched by the RBI. It can turn out to be a spoiler for food inflation in India in the coming months. India has already seen a sharp increase in food inflation in last 2 months due to damage to a few crops and unseasonal weather patterns.

If El Nino gets stronger from August onwards, it may impact overall rainfall activity and water storage levels. Lower water reserve levels can impact winter crops and can lead to further push in food inflation.

The monetary policy typically impacts the real economy with a lag of 3-4 quarters. The central bank is currently evaluating the impact of past rate hikes on growth and inflation while remaining cautious of the upside risks of inflation. The RBI is poised to maintain vigilance over the evolving scenarios from global central banks and food inflation back homE.

REBOUNDING TALL & STRONG

India's real estate sector has shaken off its slump and is charging ahead

India's real estate is currently experiencing an upswing, marked by a notable recovery in residential property prices as well as an increase in rental yields. According to the recent data by real estate research and property consultancy firm ANAROCK, in the first half of 2023, the total sale of houses across top seven cities in India was close to 2.29 lakh units. This is the highest sale in the first half of a year in the past one decade.

In the backdrop of these facts, a key question which weighs high on investors' minds is: Will this momentum in sale of houses continue in the second half of 2023? A consensus has developed which points out that the momentum in sale of houses will continue in the second half of 2023.

Let us understand why there is a strong likelihood that real estate sales in the second half of 2023 will be equally good as in the first half:

Changing Ground Realities

In the first half of 2023, India's residential market recovered after a prolonged period of no or weak business in and post the pandemic. According to a report by property consultant Knight Frank India, India's residential market breached a nine-year high in terms of annual residential sales in 2022 in an inflationary environment that caused increasing concerns on economic growth across the world.

The report stated that the demand for houses remained consistently high in the first half of 2023. It noted that the industry continues to consolidate. It has been observed that big developers who have been able to withstand the challenges triggered by the pandemic have been acquiring and starting new residential projects. Developers share in the media that there is not only demand for readymade inventory of houses but also for under-construction inventory.

In fact, the first quarter of FY24 gives a clear picture of how the business situation in India's real estate industry has changed materially. According to recent sales shared by real estate companies and compiled by real estate research firms, despite global challenges, India's residential market continued to grow in the April-June '23 period.

According to Anarock, new launches in residential space in India grew at a notable pace. Close to 1,02,600 units were launched in top seven cities in the April-June '23 period. This amounted to growth of 25% when compared to the April to June period in 2022. What is noteworthy about this growth in new launches is that it came in a quarter, which is typically a lean season for the real estate sector.

The change in ground realities is more prominent if one takes into account the luxury and commercial segments in the sector.

In the luxury segment of India's real estate sector, the momentum in sale of houses continues to remain unabated. Factors such as changing preference for spacious and high-end housing projects due to hybrid work culture and increasing investments of Non-Resident Indians (NRIs) have boosted demand for luxury properties.

According to an analysis of real estate consulting firm CBRE South Asia, India's luxury housing segment in the top seven cities saw an impressive 130% growth in the first half of 2023 when compared to the first half of 2022. In fact, the trend has continued in the first quarter of FY24.

Luxury segment of India's real estate sector has seen a whopping 121% growth in sale of houses in the June '23 quarter when compared to the same quarter last year. The trend was pronounced in metropolitan cities such as

Mumbai, Delhi and Hyderabad.

Even the commercial segment of India's real estate sector has seen brisk sales. According to real estate research firm CBRE, due to "back-to-office" protocol followed by increasing number of companies in India, office leasing has surged 12% in the June '23 quarter on quarter on quarter basis. It is estimated that total of 13.9 million sq.ft of space was leased in prominent locations such as Bengaluru, Chennai, and Pune.

These three locations cumulatively accounted for close to 59% of the transactional engagements. Real estate research firms point out that the share of technology companies is 29%.

In addition to these developments, rental yields have improved in Delhi-NCR region, Mumbai, and Pune.

In The Remaining Half

Analysts are of the view that the momentum in sale in the real estate sector is likely to continue in the second half of 2023 also. A few key factors that can be attributed to this optimism are: pent-up demand, increasing number of companies strictly following back-to-office norm, improving affordability as interest rates have peaked, and the upcoming festive season.

Another key factor which has contributed to the optimistic sentiment of continued momentum in sale in real estate sector is the increasing preference of young people to buy houses not only as an investment but also as an alternative to investments in equities. An increasing number of young individuals are buying houses across major cities. Even the demand for houses among young individuals in tier-2 metros is high.

Analysts are of the view that the NRIs are quite clear about investing in India's real estate sector. They point out that post the pandemic NRIs have realized that mere investments in equities or gold does not help in capping the downside of their investment portfolio.

Owning a real estate property is a safe haven, especially for NRIs during their home visits. More so, real estate also serves as a good investment during periods of uncertainties. Also, due to increasing uncertainties in the global markets, the preference for investments in real estate sector has gone up.

According to various estimates, after the Covid-19 pandemic, the share of non-resident Indians (NRIs) in the Indian property market has doubled and is almost 20% of the sales for many real estate developers.

According to a recent survey by India Sotheby's International Realty, a large number of NRIs are expected to buy luxury real estate in India in the coming two years. The strengthening of the dollar against the Indian rupee has been a key driving force behind growing investments of NRIs in properties in India. NRIs have been buying condominiums, branded residences, luxury villas, and villaments.

Real research firms point out that the number of projects, which were stuck due to various challenges in execution are being completed. In fact, execution of stuck projects has increased. This not only includes government-backed projects but also those by private developers. This has upped the confidence of buyers across cities.

In addition to this, land deals in the past few months have been increasing. According to the latest data shared by Anarock, the Indian real estate recorded 59 land deals for more than 2,018 acres between January and August this year, compared with 50 deals for over 1,438 acres in the year-ago period.

Interestingly, Anarock states that only a few deals have large land parcels. A large number of deals are residential projects.

Analysts estimate that a large number of these residential projects will be mid and premium segments. They believe that buyers' interest in affordable housing segment will be low given the high interest rates. In fact, a large number of experts believe that the interest of buyers in mid and premium segments of housing is not just about the second half of 2023. They foresee that this trend may continue for at least the next three yearS.

THE DISRUPTOR STRIKES AGAIN

Jio Financial Services has deep pockets and huge retail and telecom customer base to tap, but it faces regulatory constraints, stiff competition and limited scope for deploying predatory pricing

It was truly a revolution when Mukesh Ambani came up with 'Monsoon Hungama' in 2003 offering mobile handsets for ₹ 501 and making telephony affordable for the masses in just one stroke.

13 years down the line in 2016, Ambani's re-entry into telecom with Reliance Jio ushered in a data revolution in the country. Over the years, Mukesh Ambani pivoted the oil-dependent conglomerate into the consumer-facing business of retail stores and e-commerce.

So, the excitement was palpable this monsoon when Ambani made another big splash by demerging the financial services unit out of Reliance Industries and announcing plans to disrupt yet another sector in the economy.

Jio Financial Services (JFS), the demerged unit, was listed on bourses on 22nd August. Earlier in the month in a special hour-long trading session, JFS, was valued at ₹ 1.66 lakh crore as its shares got priced at ₹ 261.85 apiece - higher than analysts' expectations of ₹ 134-224 per share.

At its current valuation, Jio Financial is India's 33rd most valuable company and the third-biggest non-banking financial company behind Bajaj Finance and Bajaj Finserv. In the banking pack, only five lenders are valued more than Jio Financial.

WHY THE DEMERGER?

In 2002, RIL merged its subsidiary, Reliance Petroleum, absorbing its shares and extending its own stake. Despite the potential disadvantages of holding shares in the same company, legal provisions at that time allowed RIL to retain these shares.

However, in March '22, the Ministry of Corporate Affairs proposed a transformative guideline against treasury shares, compelling companies to divest such shares within three years.

As RIL's significant stake in Reliance Petroleum held the potential to impact its stock price, the company strategically sold a portion of this stake over time, reducing it from 12% to 6.1%.

Seeking a solution, RIL transferred this 6.1% stake from its wholly-owned subsidiary to JFS. This move has relieved RIL of its treasury shares while augmenting JFSL's net worth. This enhancement equips Jio Financial Services with substantial resources and a prolonged runway for future funding needs.

THE STRENGTHS

JFS starts on a sound financial footing and with deep pockets. It holds a 6.1% stake in RIL, currently valued at ₹ 1.08 lakh crore, which gives huge firepower to expand its balance sheet.

Jio Financial Services will leverage the technological capabilities of Reliance and digitally deliver financial services, democratizing access to financial services offering for Indian citizens, according to the RIL annual report, which saw the unit leveraging the prowess of the group's digital and retail businesses.

"JFS is positioned uniquely to capture the growth opportunities in the financial services sector and play a crucial role in transforming the landscape of digital finance in India," it said.

With Reliance Retail's network of more than 18,000 stores across several formats (supermarket, digital stores etc) and a vast customer base of 400 million plus in telecom and 200 million plus in retail, JFS can leverage on network effects and be a formidable threat for incumbents, especially NBFCs and Fintechs.

Approximately 50% of RIL's mobile and retail customers presently seek credit, often from competing firms. RIL initiates the credit process, which is subsequently fulfilled by external financial service providers.

Entering financial services broadens RIL's services which currently involve collaborations rather than independent operations.

This wide reach forms the foundation for building an omnichannel distribution system that caters to consumers' financial service needs and supports cross-selling initiatives across diverse categories.

Analysts believe the demerger was a masterstroke from the group as it would help the new company attract different sets of investors, strategic partners, and lenders with specific interests in the financial services business.

It would also provide a new growth lever to India's biggest conglomerate, which is looking to replicate the success of the Ali Baba Group in China in financial services.

Given the Jio platform, the profile of the promoters, and the scope for backward and forward integration, there is tremendous scope for more value unlocking, according to analysts. "Jio Financial Services has the brand name, pan-Indian network, and deep pockets to make it big in the financial space."

If one excludes the treasury stock that the company owns, Jio Financial's value as a percentage of its net worth is far lower than what NBFC peers command.

The move is positive as RIL shareholders will have a direct play on India's fast-growing digital fintech market through an entity which would be able to leverage RIL's vast footprint across the telecom and retail arena.

JFS would likely focus on the "high ticket, low frequency" category and compete with traditional players like Bajaj Finance.

Unlike banks, Reliance Industries has an edge in tech play, which it can leverage in the fight with global tech players who are in the financial services business.

HOW JFS WILL WORK

JFS, which hit the ground running by forming a joint venture with BlackRock for AMC business, will acquire liquid assets to provide adequate regulatory capital for lending.

It will incubate financial services verticals such as insurance, payments, digital broking, and asset management for at least the next three years.

The regulatory licenses for key businesses are in place as per Reliance Industries Ltd.

Jio Financial Services and its subsidiaries plan to launch a consumer- and merchant-lending business based on proprietary data analytics to complement the traditional credit bureau-based underwriting.

While JFS will perhaps not be able to secure a banking license as the regulator is averse to allowing corporate groups, RIL already has a non-banking financial company (NBFC) license, so Jio Financial Services can leverage that for consumer and merchant lending.

With the insurance regulator being open to giving licenses, the company can get into manufacturing in insurance verticals. JFS could also explore the inorganic route to get scale and strength.

With RIL group as the main sponsoring entity, Jio Financial Services will also likely be AAA rated entity which can borrow at attractive rates like the rates at which LIC housing finance borrows.

Jio Financial Services can not only offer attractive rates in the merchant lending and digital unsecured lending market but could also be reasonably competitive in the secured lending market eventually.

Leveraging granular customer data acquired through these touchpoints, RIL plans to target financial services products and employ cross-selling tactics.

Furthermore, the collected data aids in evaluating consumers' creditworthiness, a critical aspect in minimizing the risk of accumulating bad loans.

RIL also aims to extend credit services to its extensive merchant network. Currently, comprising two million merchants on the Reliance

Retail platform, this number is projected to expand to 10 million within the next five years, as RIL's footprint reaches more towns and rural areas.

THE CHALLENGES

This isn't Reliance's inaugural foray into the financial services sector.

In April '18, Jio set up a payments bank through a collaboration with SBI; however, the official launch is still pending.

In 2019, the company aimed to engage merchants by entering the Point of Sale (PoS) space, but these efforts yielded limited progress.

This year, Reliance Payment Solutions secured an in-principle approval from the RBI, alongside 31 other firms, to function as online payment aggregators.

Doubts persist regarding the sustainability of JFS' stock price after its listing, and whether the assigned high valuations are premature, especially in the absence of a substantial existing financial services business.

As per its most recent financial reports, Jio Financial Services held no loans on its balance sheet as of March '23, attributed to a write-down of its legacy book ahead of the demerger.

The company's bank balances stood at ₹ 5,000 crore, and its investment portfolio amounted to ₹ 19,401 crore. On the liabilities side, total borrowings were noted at ₹ 743 crore.

As of 31st Mar '22, the financial services segment contributed ₹ 1,387 crore in turnover, accounting for just 0.3% of Reliance's total turnover.

Some analysts say that Reliance is essentially entering an entirely new domain, one that is heavily consumer-focused.

A parallel has been drawn to Reliance's retail business, which took around 14 to 15 years to turn profitable. In this new financial services venture, the company is targeting the retail market and small businesses.

While the platform is expected to be markedly different, relying on digital transformation to reach India's vast population of 1.4 billion, experts feel that this venture is a long-haul road.

Analysts underline the potential pitfalls of rapid expansion, underscoring the necessity for a well-defined capital allocation strategy to mitigate growth-related uncertainties and ensure sustainable profitability.

Unlike its telecom venture that employed a predatory pricing strategy for success, RIL faces limitations in the financial services sector, where lending below borrowing costs is not feasible.

Growing through acquisitions also presents challenges in the financial services sector due to intricate integration processes and associated costs.

Given the current scenario, financial experts argue that this business's contribution to RIL's consolidated revenue is minimal, implying that substantial benefits are unlikely to materialize in the immediate future.

CAN IT DISRUPT?

Jio Financial Services is poised to disrupt the lending and fintech sectors, leveraging RIL's proven history of market capture.

Much like its telecom venture, which transformed the telecom landscape by offering competitive pricing, Jio Financial Services is expected to prioritize lower costs to gain market share.

This approach could potentially challenge established players like Bajaj Finance and fintech giants like PayTm, potentially leading to market consolidation as smaller entities become acquisition targets.

Jio Financial Services Ltd's initial focus might be on lending, creating formidable competition for existing players. RIL's strong capital base and expansive distribution networks are assets that position JFSL well for success.

To effectively leverage Jio Financial Services Ltd's ecosystem, substantial effort is required to build teams and platforms for technology, analytics, payments, recoveries, compliance, and seamless integration across the entire ecosystem for cross-selling opportunitieS.

A LANDMARK DECISION

The decision to allow domestic companies to directly list on foreign exchanges is a bold move that will help India attract more foreign investment and boost its economy

In a historic and groundbreaking development, India's Finance Minister, Nirmala Sitharaman, recently announced the government's decision to allow the domestic or Indian companies to directly list on foreign stock exchanges.

This move comes as part of the government's efforts to boost investment opportunities, enhance capital flows, and position India as an attractive destination for global investors. By removing the barriers and complexities associated with the traditional Initial Public Offering (IPO) process, this new policy aims to revolutionize the Indian capital market landscape.

Currently, Indian companies can only list on foreign exchanges through American Depository Receipts (ADRs) or Global Depository Receipts (GDRs). ADRs and GDRs are securities that represent ownership of shares in a foreign company. They are traded on foreign exchanges, but they are backed by the underlying shares in the foreign company.

The new rules will allow Indian companies to list their shares directly on foreign exchanges. This means that they will not need to issue ADRs or GDRs, making it easier for Indian companies to raise capital from foreign investors.

INDIA'S GROWTH DILEMMA

India is at the centre of attraction in the world, which is troubled, particularly by China's decreasing influence both from the economic and geopolitical point of views.

Everyone is eying India and its growth prospects in the long run. The political stability, strong reforms, stable currency, and huge benefit of its demographic dividends are now playing a key role.

However, present government has an equally hard task to sustain and facilitate this growth. Growth requires capital that too at the front end of the cycle. India is still nascent with aspirations to be a big and developed market in the world.

India Needs More Foreign Investment And Capital For A Number Of Reasons

To Boost Economic Growth: Foreign investment and capital can help boost economic growth by providing much-needed resources for investment in infrastructure, manufacturing, and other sectors. Higher investments mean higher demand, which will eventually lift the economy and its growth.

To Improve Incomes: Foreign investment and capital can help improve per capita income in India by providing jobs, improving education, and providing access to other productive avenues that help people earn better. This can help improve the lives of millions of Indians and make the country more prosperous, thus supporting India's consumption cycle.

To Improve Technology And Innovation: Foreign investment and capital can help improve technology and innovation in India by bringing in modern technologies and expertise from other countries.

Funding of projects that require heavy amount of know how would be facilitated and this will improve viability and competitiveness of the Indian companies.

Moreover, the new age industries and start-ups such as internet, biosimilars and many others not only need capital to grow and sustain but they also need a different kind of appetite and an investor who can understand the business model and the associated risks. India still does not have enough depth, appetite, and risk capital to fund these new age industries.

To Create Jobs: Foreign

investment and capital can help to create jobs in India by setting up new businesses and expanding existing businesses. This can help absorb the country's large and growing labour force and reduce unemployment.

To Improve Infrastructure: Foreign investment and capital can help improve infrastructure in India by funding the construction of roads, bridges, airports, and other essential infrastructure. That apart, funding capital intensive industries such as space, engineering, railways, solar, power, nuclear, defence will require huge amount of capital, particularly long-term capital. The depth of the Indian market may not support this need and thus risk domestic growth.

GLOBAL MARKETS: A POOL OF ABUNDANCE

Globally, funding is not a big challenge both in terms of size and appetite. For instance, in terms of market capitalization, which is the total value of all listed companies' shares, the Indian equity market is significant but still smaller compared to the global equity market.

As of August '23, the total market capitalization of the Indian equity market is around $3 trillion. In contrast, the global equity market's total market capitalization is estimated to be around $100 trillion.

The Indian equity market has experienced substantial growth in recent years, driven by factors such as economic reforms, increased foreign investment, and a growing middle class. However, it still represents a smaller portion of the global equity market.

Developed markets typically attract significantly more money compared to India due to their higher levels of economic development, infrastructure, and stability. Developed markets, such as the United States, countries from the European Union, Japan, and other nations, have well-established financial systems, robust regulatory frameworks, and advanced infrastructure that make them attractive investment destinations.

In 2022, foreign institutional investors (FIIs) invested a total of $25.3 billion in India's stock market. In contrast to India, developed markets like the United States and Europe attracted a record $1.1 trillion in FII investments in 2022.

The US attracted $974.9 billion in FII investments in 2022, which was more than 88% of the total FII investment in developed markets. This was the highest level of FII investment in the US since 2000.

INDIAN COMPANIES: A WIN-WIN SITUATION

Overseas listing, earlier, by domestic listed companies, was permitted only through the route of depository receipts. However, with the new policy announcement, Indian companies would now be able to get access to a large pool of money and plenty of investors in the international markets.

While making the announcement the government suggested that this move will help "attract foreign investment, improve liquidity and valuation of Indian companies, and facilitate internationalization of Indian companies."

With this India would be able to raise capital for critical and larger projects. Not only this, Indian companies can also expand their businesses overseas.

Many domestic companies intend to become international corporations and this comes as a welcome initiative because then they can raise funds in the local markets and expand their business in the respective geographies like the way many MNCs operate in India and how they have captured the market in the respective fields.

This provides an opportunity for Indian companies to display their ability and services in the world without being worried about funding. And that will create more opportunities for exports as well as earn foreign exchange.

WHY IS THERE GROWING APPETITE FOR INDIA?

Large And Growing Economy: India is the world's third- largest economy by nominal GDP and the world's second-largest economy by purchasing power parity. The Indian economy is growing at a rapid pace and is expected to continue to grow in the coming years.

Young And Growing Population: India has a young and growing population, which is a major source of potential labour and consumers. The median age in India is 28 years old, and the population is expected to reach 1.6 billion by 2030.

Open Economy: India has an open economy, which makes it attractive for foreign investors. The government has made significant reforms in recent years to make it easier for foreign investors to do business in India.

Strong Fundamentals: India has strong fundamentals, including a stable political environment, a sound financial system, and a growing middle class. These factors make India an attractive investment destination for global investors.

Promising Sectors: India has a number of promising sectors, including technology, e-commerce, defence, space, bio technology, green energy, solar, mobility and manufacturing. These sectors are expected to grow rapidly in the coming years and offer attractive investment opportunities for global investors.

Competitive Advantage: Indian companies have a number of competitive advantages, including low labour costs, a strong engineering and technology base, and a deep understanding of the Indian market. These advantages have made them increasingly attractive to global investors.

The Large And Growing Indian Market: India is the world's second-largest internet market, with over 700 million internet users. This large and growing market is attractive to global technology companies looking to expand their reach.

Overall, foreign listing opens a new and more important avenue for the Indian economy and companies, which could be a foundation stone for the growth and sustainability. Moreover, this would provide liquidity to discover right valuations and prices for the companies that have differentiated business models and growtH.

PRECISION WARFARE

The growing use of AI in cybersecurity attacks is undeniable

Gone are the days when the image of a lone hacker dominated the cybersecurity threat landscape. Today, cyber hacking has evolved into a thriving multibillion-dollar enterprise, complete with structured hierarchies and substantial research and development budgets. Attackers wield sophisticated tools, including artificial intelligence, machine learning, and automation.

The rise of other technologies and capabilities is contributing to the increased prevalence of well-known attack methods like ransomware and phishing. The advent of ransomware-as-a-service and the widespread adoption of cryptocurrencies has significantly reduced the barriers to entry for launching ransomware attacks. Consequently, there has been a twofold increase in the frequency of these attacks annually since 2019.

Interestingly, disruptions in various forms often act as catalysts for a surge in ransomware attacks. A notable instance occurred during the initial wave of the Covid-19 pandemic, between February '20 and March '20, when the global count of ransomware attacks increased by 148%. In a similar vein, phishing attacks spiked astonishingly by 510% from January '20 to February '20.

Soon, attackers will be able to accelerate the end-to-end attack life cycle, spanning from reconnaissance to exploitation from weeks to mere days or even hours. A notable example is Emotet, an advanced malware variant that specifically targets financial institutions. Emotet has demonstrated its ability to dynamically adapt its attack methods.

In 2020, it leveraged advanced AI and machine-learning techniques to increase its effectiveness. Employing an automated approach, Emotet sent out contextually customized phishing emails, integrating other email threats into its campaign. This even included exploiting topics related to Covid-19 communications.

Suffice it to say that the idea of AI-fuelled attacks is not a distant science fiction scenario. It is an actual, tangible challenge that security teams confront daily. This is underscored by a recent study undertaken by cybersecurity firm Beyond Identity, which engaged 1,010 cybersecurity specialists. Remarkably, 75% of the respondents confirmed the rising occurrence of AI-supported cyberattacks. Surprisingly, one out of every six participants confessed to having directly experienced a cyberattack that harnessed AI technology.

In cybersecurity, the concept of "speed kills" rules supreme. The integration of AI into cyberattacks offers hackers a significant speed advantage, allowing them to infiltrate networks and pinpoint essential data assets before security analysts can catch wind of their moves. Even though AI algorithms might not always be conspicuous in the online realm, their influence on the cybersecurity landscape is on the rise.

As a result, AI-driven cyberattacks have emerged as significant security threats that impact not only prominent government agencies but also ordinary individuals.

Hackers, who have posed a persistent challenge since the inception of the internet, have expanded their reach, and amplified their capability to extract extensive volumes of data.

Recent notable incidents involving AI-enabled cyber-attack are the ones on WordPress, which revealed a sequence of extensive botnet brute-force assaults on self-hosted WordPress websites, leading to over 20,000 infected sites.

These botnet-style attacks could grant hackers unauthorized access to the personal information and credit card numbers of users. This eroded user confidence in WordPress, impacting even those who employed reputable hosting services.

In the course of 2019 alone, the prominent social media platform Instagram encountered two separate cyberattacks. Starting in August, a subset of Instagram users found themselves victims of hackers who shared their account details, effectively locking them out of their profiles.

In November, a glitch in Instagram's code triggered a data breach, exposing users' passwords through their browser URLs, creating a significant security risk.

Although Instagram has yet to offer comprehensive insights into these breaches, speculations suggest that hackers may be leveraging AI systems to meticulously sift through user data on the platform, systematically seeking out potential vulnerabilities.

AI-driven attacks have intensified as it allows attackers to automate processes, refine strategies, and sidestep traditional security measures with heightened precision.

For instance, AI-driven bots can autonomously scan networks, identify vulnerabilities, and execute attacks without human intervention. This automation lets hackers target multiple potential victims at the same time, magnifying the reach of their attacks.

Attackers can now use AI-powered chatbots and deepfake technology to convincingly impersonate trusted figures. This advanced deception makes phishing and social engineering attacks far more challenging to detect.

AI can also increase the impact of malware by allowing it to dynamically adjust its behaviour according to the host environment, circumventing detection methods reliant on signatures.

Also, AI algorithms accelerate the identification and exploitation of previously undiscovered software vulnerabilities, commonly referred to as zero-day exploits. These AI-powered tools meticulously sift through extensive code repositories to pinpoint potential weaknesses that attackers can capitalize on prior to the development of remedies.

Governments all over the world are at high risk of AI-powered attacks. Attackers are using AI to infiltrate and undermine targets in service of espionage, sabotage, or geopolitical manipulation. Nation-states deftly leverage the capabilities of AI to choreograph multifaceted assaults, breach crucial infrastructure, and amass classified data.

The dangerous aspect of AI-powered attacks is that they mirror human behaviour and adjust according to learned interactions, making it challenging to distinguish between malicious and genuine activities. This tests security mechanisms that often rely on anomaly detection as the line between the two blurs.

The swiftness AI affords also presents a challenge. Attackers can launch extensive assaults at an unparalleled pace, outmatching conventional security measures that often rely on manual oversight.

What is more, AI-equipped attackers adeptly modify tactics in response to security protocol changes, easily evading static defences that struggle to counter their dynamic strategies. With AI tools becoming more accessible, even cyber criminals with limited technical prowess can orchestrate sophisticated attacks, reshaping the landscape of cybersecurity.

While adhering to fundamental internet security practices, such as deploying firewalls, conducting routine malware scans, utilizing secure content management systems, and sustaining a skilled cybersecurity team, could provide a degree of defence, it is important to recognize that hackers armed with advanced technology and know-how are prepared to capitalize on pre-existing vulnerabilities.

The good news is that while AI poses new challenges, it also arms defenders with the means to counter AI-driven attacks effectively. AI-powered behavioural analysis can discern anomalies in user and system behaviour, even when attackers employ AI to mimic human actions.

Security solutions driven by AI excel in identifying patterns within network traffic, unearthing potential threats and vulnerabilities that conventional systems might overlook.

Through AI, organizations gain the ability to anticipate potential attack vectors by analyzing historical attack data and emerging threat trends. This proactive approach empowers them to bolster their defences ahead of time. Additionally, AI-driven security systems exhibit real-time autonomous response to threats, curtailing human response time and mitigating the impact of attacks promptly.

The synergy of human expertise and AI capabilities elevates threat detection and response. Security experts collaborate with AI systems, guiding them to comprehend context and intent, thereby enhancing the precision of outcomes. In this collaboration, AI becomes a potent ally in the ongoing battle to safeguard digital landscapes.

As the cybersecurity landscape continues to evolve, it is important to adopt innovative approaches to address the escalating array of threats.

With both attackers and defenders embracing AI techniques, a new chapter in cyber warfare unfolds. Malicious actors exploit AI for sophisticated attacks, while defenders can harness its potential to strengthen security measures and effectively counter these dangers.

As AI technology advances, the battle between cyber criminals and defenders underscores the significance of ongoing research, collaboration, and adaptable security strategies to safeguard our digital futur**E.**

AN IDEAL CHOICE

Listed REITs are a great investment choice for risk-averse investors seeking fixed income

Post-Covid, listed Real Estate Investment Trusts (REITs) have become an attractive option for investors seeking a combination of fixed income and participation in India's real estate growth.

The Covid-19 pandemic had a significant impact on various sectors, including real estate. Lockdowns and restrictions temporarily disrupted the real estate industry, leading to uncertainties and challenges for traditional real estate investments.

However, as the economy gradually recovers and adapts to the new normal, real estate is once again gaining momentum. The demand for commercial spaces, residential properties, and infrastructure projects is on the rise, creating opportunities for growth.

Traditionally, fixed income investors have sought stable returns with minimal risk. However, with the emergence of REITs, investors now have the opportunity to participate in India's real estate growth story while enjoying relatively better returns.

How Does It Work?

Before investing in REITs, it's important to understand how they work. REITs pool money from multiple investors to invest in a diversified portfolio of income-generating properties, such as commercial buildings, residential complexes, or retail spaces. Investors can buy shares of REITs on stock exchanges, much like buying stocks.

Listed REITs allow investors to participate in the real estate market without the need to directly own properties. REITs own, operate, or finance income-generating real estate assets, and they are required to distribute a significant portion of their rental income to shareholders in the form of dividends.

This income component that they distribute to their unit holders acts as yield. For instance, the listed Embassy Office REIT is currently quoting at ₹309 a unit. The company is expected to distribute close to ₹22.3 in the current fiscal. This means that if someone buys its unit today, he or she is getting a yield of close to 7.2%. Generally, the distribution is designed in such a manner that 80%-90% of this is tax free in the hands of the investors.

REITS are treated like any debt instrument because of the lack of growth (like in the case of equity) and a fixed component of distribution.

Another listed company, Mindspace Business Parks REIT distributed ₹19.1 per unit in fiscal 2023 and it is currently quoting at ₹309 per unit, resulting in a yield of close to 6.2%. In this case 90% of the income in the hands of unit holders is tax-free.

Steady Income Generation

For fixed income investors, a primary concern is stable cash flow. REITs offer just that. By leasing out properties to tenants, REITs generate rental income, 90% of which is distributed to investors regularly in the form of dividends. This predictable income stream can supplement the fixed income portfolio and provide a buffer against market volatility.

Growth Kicker

Since the nature and payment of the income is fixed, these are treated at par with debt instruments and thus the quote in the market is based on expected yields. But there could be some gains or capital appreciation. The Indian real estate market is expected to grow at a CAGR of 8% - 10% over the next few years.

This growth is being driven by factors such as rising urbanization, increasing disposable incomes, and a growing middle class. REITs that invest in high-growth sectors of the real estate market can offer investors the potential for capital appreciation.

REITs generate returns through rental income, capital appreciation of properties, and potential value-add strategies. Historically, they have offered attractive dividend yields compared to traditional fixed income investments like bonds and bank deposits.

However, it's essential to note that returns are subject to market conditions and the performance of the underlying real estate portfolio.

For instance, the sale or purchase of a property at a very attractive price could result in higher income, and, thus, higher payments.

Similarly, things like increase in rentals, utilization of properties, under construction projects, other ancillary income from hotels, advertising, consultancy, mark to market profits and growth through acquisition of new assets could act as kicker for which the investor has to dig deeper to find more value, which is beyond the yields that are being offered.

Professional Management

REITs are managed by experienced professionals who handle property management, tenant relationships, and other operational aspects, relieving individual investors of the responsibilities that come with owning physical properties. Management and their experience is the key.

The ability, knowledge, risk assessment capabilities of the people who are running the trust is important. The management not only plays a key role in protecting the interest but in providing certainty, consistency and rewarding their unit holders in a timely manner.

Liquidity And Diversification

Listed REITs also offer liquidity and transparency, as they are traded on the stock exchanges. This provides investors with the flexibility to buy or sell their shares at market prices, enhancing the ease of their investments.

Additionally, REITs are regulated entities, subject to stringent reporting and disclosure requirements, which ensures transparency and accountability for investors.

Investing in listed REITs also offers diversification benefits. REITs typically hold a portfolio of properties across different sectors and locations, reducing risks associated with investing in a single property. This diversification helps mitigate the impact of any adverse events on a specific property or sector, providing investors with a more stable investment option.

Here are also some risks associated with investing in REITs. These risks include:

Interest Rate Risk

REITs are sensitive to interest rate changes. When interest rates rise, the cost of borrowing for REITs also rises, which can lead to lower profits and dividends. On the other hand, when interest rates go up the expectations of yields goes up and as a result the quoted value of units could drop. A company which pay ₹ 6 per unit, if the asked yield is 6%, its unit will quote at ₹ 100. However, if the asked yield is 7% the quoted unit price will drop to ₹ 85. So with the interest rates change and perception about inflation, the unit prices could fluctuate.

Property Risk

REITs are exposed to the risk of property damage or obsolescence. If a property is damaged by a natural disaster or becomes obsolete, it can lead to losses for the REIT. Property market conditions and rentals in the commercial and residential space could have a huge bearing.

During Covid-19, rentals particularly in the commercial space had dropped and that had hit the incomes of the listed REITs. Besides, the occupancies and concentration of customers in these properties also plays a good role.

Most REITs have 80%-85% occupancies currently which is good. Moreover, most of them are fairly diversified in terms of not having large exposure to industry like IT and hospitality, etc. Exposure to particularly market and industry could lead to boom and doom cycle and the trust could suffer certainty of cash flows.

Management Risk

REITs are dependent on the quality of their management team. If the management team is not competent or experienced, it can lead to poor performance for the REIT.

In A Nutshell

In conclusion, post-Covid, listed REITs have emerged as an attractive choice for investors seeking fixed income and exposure to India's real estate growth. With the potential for regular income, liquidity, transparency, and diversification benefits, REITs offer a compelling investment option. However, investors should exercise caution and conduct thorough research before investing in any specific instrument. Analyze the financial health of the REIT by reviewing its financial statements and debt levels. A strong balance sheet and healthy cash flow generation are indicators of a well-managed REIT.

India has several REITs listed on stock exchanges, each with its own investment strategy and portfolio. Research different REITs to understand their investment focus, property types, geographical locations, and financial performance of REIT. Examine the properties held by the REIT and assess their quality, location, occupancy rates, and potential for rental income growth. A well-diversified portfolio across different property types and locations can help mitigate riskS.

IMPENETRABLE

Secure your family's future from unexpected events by opting for loan protection insurance

T

o fulfil needs and aspirations that require spending beyond one's savings, borrowing in the form of a loan is a viable option. Interestingly, loans have gained significant popularity, especially among the younger generation, which no longer views debt negatively, in contrast to older generations. Moreover, the accessibility of loans has increased, with numerous banks and financial institutions competing to attract customers.

Loans can be categorized based on the borrower's requirements, either as short-term or long-term, and as secured or unsecured. Some examples of these include personal loans, housing loans, and car loans, among others.

Repayment of loans usually involves Equated Monthly Instalments (EMIs) following a predefined schedule. However, unforeseen circumstances may arise, leading to an inability to meet these payments and placing the burden of repayment on the borrower's family, resulting in financial strain.

The stress is particularly heightened when dealing with significant loans, such as housing loans with extended repayment tenures. Tragic events like the borrower's passing or incapacitation due to accidents or illnesses can pass the burden of repayment on to the family.

If the family is unable to service the housing loan, the financial institution may take possession of the collateral, typically the house, leading to its liquidation and requiring the family members to vacate their home. Such a situation can be deeply distressing for the family dealing with emotional upheaval. To safeguard oneself and the family from being subjected to such financial constraints, a financial product known as 'loan protection insurance' is available.

WHAT IS LOAN PROTECTION INSURANCE?

Loan protection insurance is a contract under which the insurance company will directly repay the outstanding loan amount to the bank or financial institution on behalf of the policyholder in case of an event outlined in the terms and conditions of the insurance contract. Thus, having a loan protection product will provide peace of mind to the borrower and the family.

Similar to a life insurance policy that provides financial security to families in the face of unexpected tragedies, loan insurance serves a parallel purpose. It safeguards the family's interests if the policyholder becomes unable to make loan payments due to reasons such as illness, job loss, accidents, or loss of life.

By having loan insurance in place, the family's financial security is assured, and they can navigate through challenging times without the burden of loan repayment adding to their worries.

Loan insurance applies to various types of loans, including home loans, personal loans, and others taken individually or jointly. In the case of home loans, it is commonly known as the 'Home Loan Protection Plan' (HLPP), which will be the focus of this article.

Financial institutions and banks often provide the option of bundling the loan protection product to borrowers' loans, making it easier for the borrowers to decide whether to opt for it or not. This insurance is entirely voluntary, giving borrowers the flexibility to choose the level of protection they desire.

Like any other insurance policy, the HLPP will require the timely payment of premiums, which will depend on several factors, such as age, the quantum of the loan, the tenure of the loan, and the policyholder's health. The older the policyholder, the higher the premium will be. Similarly, if the policyholder has health issues, the insurance premium will also be higher. Long-tenure loans and a higher quantum of loans will also attract higher premiums.

HLPP works on the same principle as a term insurance policy. The insurer will cover the policyholder's home loan until the home loan is outstanding. Once the home loan is paid off, the HLPP ceases to exist. It is important to note that the HLPP is a voluntary product, and the borrower can choose not to opt for it.

TYPES OF HLPPs

Level Cover Plan: The insurance coverage remains the same throughout the tenure of the loan.

Hybrid Cover Plan: The insurance coverage keeps reducing from the second year onwards, with a decrease in the home loan outstanding as EMIs get paid.

Reducing Cover Plan: Under this plan, the insurance coverage amount reduces along with the outstanding home loan balance.

FEATURES

Flexible Payment Options: The premium amount for the HLPP can be paid in one go, that is, as a single premium or it can be clubbed with the total loan and paid through EMIs. The policyholder is given the flexibility to select either of the options based on the cash flow situation.

Comprehensive Protection: While the standard HLPP covers the policyholder's death, additional riders can be selected by paying extra premiums. These riders can extend the coverage to include disabilities, job loss, critical illness, and other such events, ensuring comprehensive protection tailored to the individual's needs.

Co-ownership Coverage: For joint loans, a single home loan insurance product can efficiently cover all borrowers, streamlining the insurance process for multiple owners.

LOAN FORECLOSURE CONSIDERATIONS

Borrowers who prepay their loans before the tenure ends should be mindful of the loan insurance's refund policy. If the borrower refinances the loan, it is crucial to check with the insurance provider whether the existing protection coverage remains valid. If not, it is essential to factor in the cost of acquiring another loan insurance coverage during the refinancing process.

EXCLUSIONS

While HLPP offers extensive coverage, it is essential to be aware of specific exclusions. Instances such as suicide, death due to natural calamities, or war are not covered by the insurance policy.

TAX BENEFITS

Borrowers can avail of tax relief under Section 80C of the Income Tax Act, 1961, on the premium paid for home loan insurance. However, it's important to note that the tax benefit may not be applicable if the premium amount is included in the loan and paid through EMIs.

BENEFITS OF HLPP

Preventing Defaults: Timely loan repayment plays a vital role in maintaining a favourable credit score. By choosing a loan insurance product, borrowers can safeguard their repayment history, even in the face of unexpected challenges like job loss, accidents, or medical conditions affecting their income. This protection becomes effective when comprehensive insurance coverage is selected.

In the event of a claim, the insurance company will thoroughly assess it against the terms and conditions of the loan contract. If the claim is valid, the outstanding loan will be directly repaid by the insurance company, alleviating any financial stress for the borrower's family.

This ensures peace of mind and safeguards the borrower's repayment history from being tarnished, which could have significant implications on their credit score and future borrowing opportunities.

Safeguarding The Family: In the unfortunate event of the policyholder's untimely demise, the insurance company will conduct a thorough verification, and if the cause is covered under the plan, they will directly make the home loan payment to the lending bank or financial institution. Similarly, if the policyholder faces a situation where they are unable to service the loan due to covered reasons, the insurance company will step in to repay the loan.

This vital protection relieves the family of any liability and concern that might arise from the borrower's inability to repay the loan.

Having an HLPP in place will shield the family from the financial distress of shouldering the burden of loan repayment or facing the possibility of property liquidation. It ensures that the family's well-being and financial security are upheld during difficult times, providing them with much-needed peace of mind.

Protection Of The Family: In case of an untimely death of the policyholder, the cause will be verified, and the insurance company will directly make the home loan payment to the bank/financial institution that was the lender.

Furthermore, if the policyholder is not in a situation to service the loan and the cause is covered under the insurance plan, the insurance company will repay the loan. In the absence of such protection, the inability of the borrower to repay the loan becomes the liability and concern of the family.

Thus, HLPP plays an important role in ensuring the family is not subject to the pains of taking over the financial burden or facing the situation of property liquidation.

Enhanced Access To Housing Loans: By choosing the HLPP, borrowers provide a safety net for the lending institution against the risk of default arising from unforeseen events. This risk mitigation makes borrowers opting for HLPP more favourable to lending institutions, as it lowers their exposure to potential losses. Thus, lenders may be more inclined to approve housing loan applications from customers who are willing to opt for HLPP.

IN A NUTSHELL

Pursuing the dream of owning a house involves a significant financial commitment, often necessitating a home loan for many individuals. The HLPP is an optional yet invaluable product, which entails an additional expense for the borrower, but the protection and the sense of security it offers to both the borrower's family and the lender are immeasurable.

Thus, opting for a HLPP becomes important as it acts as a vital safety net, safeguarding the family's future and peace of mind during uncertain times. In essence, choosing the HLPP signifies a commitment to preserving the family's well-being while making the dream of owning a house a realitY.

NATURALLY SECURE, IF YOU'RE INSURED

Through a calamity insurance policy, purchasers can ensure the protection of their property and other valuable belongings

The diverse and unpredictable, ranging from earthquakes and floods to hurricanes and wildfires, underscores the importance of having a comprehensive insurance coverage in India. Safeguarding your property, belongings, and loved ones from the devastating financial impact of these events is not just wise but essential.

We will explore when and which individuals should consider purchasing insurance for natural calamities in India.

Geographic Vulnerability: Individuals residing in regions that are prone to specific types of natural disasters should prioritize purchasing insurance tailored to those risks. Coastal areas facing cyclones and flooding, earthquake-prone zones, and regions susceptible to landslides should be particularly proactive in obtaining the appropriate coverage.

High-Risk Zones: Areas with a history of frequent or severe natural calamities should prompt residents to seriously consider buying insurance. States such as Kerala, Maharashtra, Odisha, and Gujarat, which are vulnerable to various types of disasters, require residents to be well-prepared.

Home And Property Owners: Homeowners and property owners are strongly advised to invest in insurance for natural calamities. The financial investment tied to a property warrants protection against potential damage, making insurance crucial for preserving your assets.

Renters And Personal Belongings: Even renters should contemplate insurance to protect their personal belongings within rented premises. Renter's insurance covers possessions and provides financial stability in the event of a disaster.

Families And Dependents: Families with dependents or elderly members should prioritize insurance coverage. Natural disasters can disrupt routines and require substantial resources for recovery. Insurance offers the financial support necessary during these trying times.

Financial Preparedness: Individuals with the financial capacity to afford insurance premiums should consider this investment. While the value of insurance is undeniable, it's important to ensure that premiums fit within your budget without causing strain.

Forward-Thinking Planning: Individuals who prioritize proactive risk management and financial planning should prioritize insurance for natural disasters. This approach prepares you for the uncertainties that come with living in disaster-prone areas.

Changing Circumstances: Life circumstances change over time. Relocation to a different area or changes in risk exposure due to urban development should trigger a reassessment of insurance needs.

Government Guidelines: In some cases, government authorities may encourage or mandate specific insurance types. For instance, the National Disaster Management Authority (NDMA) is promoting disaster preparedness and insurance awareness.

In India, various insurance providers offer policies tailored to natural disasters, such as earthquakes, floods, cyclones, and more. Researching and comparing policies from different providers ensures you find the coverage that suits your needs, budget, and risk exposure.

Remember, insurance indeed serves as an investment in your financial security and peace of mind, providing a safety net during uncertain and challenging times.

Regardless of whether you find yourself in a high-risk zone or not, insurance offers benefits that extend beyond monetary value, delivering reassurance and a sense of security in the face of the unknown or unpredictable.

LOSS TO BE INCURRED BY INSURANCE COMPANIES

Considering recent events, like the intense rainfall in Northern India, including Himachal Pradesh, as well as cyclone Biparjoy's impact on Gujarat and parts of Rajasthan in June, it is anticipated that the industry's loss ratio will likely remain high at 75.2% in 2023.

This prevailing trend is expected to continue from 2023 to 2027, with an even higher average loss ratio of 76.8%, as forecasted by GlobalData, a leading data and analytics company.

Frequent extreme weather events will challenge the profitability of India's property insurance industry. "The profitability of insurers is expected to remain challenging due to rising inflation and high claims payout due to the increased frequency of natural catastrophic events," said Aarti Sharma, Insurance Analyst at GlobalData in a statement.

Further, she indicated that the recent floods would prompt re-insurers to reassess their risk and increase property insurance premium rates.

Preliminary official data estimated the losses from the floods due to heavy damage to public and private properties at around ₹ 15,000 crore while cyclone Biparjoy caused damages to the tune of around ₹ 10,100 crore. As a result, the claims payout from both calamities is expected to be high.

"Despite these challenges, the property insurance industry in India is forecasted to grow over the next five years, supported by new product launches and favourable regulatory developments," Sharma added.

The industry is expected to grow at a compound annual growth rate (CAGR) of 10.9%, from ₹ 710,400 crore in 2023 to ₹ 107,500 crore in 2027 in terms of gross written premiums, she said, adding that In India, agriculture insurance is the biggest contributor to property insurance premiums. In 2023, it's anticipated to represent 49.3% of property insurance premiums.

The launch of Saral Krishi Bima, a parametric insurance product, in May '23 by the Agriculture Insurance Company of India (AIC) will broaden the coverage of agriculture insurance.

AIC received a license to launch products that cover livestock, aquaculture, and the sericulture industry in April '23. This will support agriculture insurance growth, which is expected to record a CAGR of 11.5% over 2023–27, Sharma of GlobalData added.

"Extreme weather events are expected to remain a major pain point for property insurers, prompting them to increase prices to maintain profitability. Insurers are likely to engage in alternate propositions such as parametric insurance and risk-based premium pricing to offset their exposure," Sharma added.

INSURANCE COST FOR CUSTOMERS

A basic cover against disasters, both natural and man-made, does not cost the earth. A 1,500 sq ft house can be covered for ₹ 50 lakh against fire and other perils for less than ₹ 1,700 a year. If contents worth ₹ 10 lakh are also included, the cost will go up by a mere ₹ 400.

Industry experts said that you don't need to take a cover for the market value of the property but only for reconstructing it. Construction costs vary from ₹ 1,000 per sq ft for a no-frills structure to almost ₹ 3,000 per sq ft for a premium construction. The cover should be based on the current cost of construction of the property.

Some companies offer discounts if you buy a comprehensive policy with additional coverage. A basic cover of ₹ 50 lakh for the building and ₹ 10 lakh for the contents can be as cheap as ₹ 2,100 a year, experts said.

As mentioned, a person needs to cover the cost of reconstructing a house damaged by a disaster. But the cost of reconstruction keeps rising, so you might have to increase the insured amount every few years.

Some insurers offer discounts if you take a multi-year policy.

If the premium for a ₹ 50 lakh cover is ₹ 3,800 a year, it will be 18% lower at ₹ 15,590 if you buy a five-year policy.

WHAT GETS COVERED

It's important to know what a home insurance policy will cover. While all home insurance policies offer coverage against earthquakes, some insurers have a compulsory 5% deductible in case of damage due to an "act of God".

An act of God is any event, especially a natural disaster, for which no individual can be held responsible. The deductible means that if your house is insured for ₹ 50 lakh, and it suffers damage worth ₹ 20 lakh, the first 5% of the claimed amount (or ₹ 1 lakh) will be borne by you before the insurer chips in with the rest.

The policy on deductibles varies across insurers.

Some insurers don't even have such deductibles. Policies covering individual residences or dwellings with individual owners do not have compulsory deductibles. However, policies covering housing societies are subject to policy deductibles depending on the sum insured, industry experts said.

In some policies, this deductible can be customized. If you raise the deductible, the risk for the insurance company decreases and the premium goes down significantly.

A policyholder will not file claims for minor damages like a window pane shattered by a storm or a wall damaged by a fallen tree.

WHAT IS NOT COVERED

While you can cover the contents of the house against damage and theft, some valuables are not covered. Cash, documents, share certificates, and debit or credit cards are not included in the coverage. Jewellery and other valuables are covered, but the coverage is subject to ceilings.

Some policies specify that the cover for jewellery and ornaments will not exceed 25% of the total contents insurance cover sum insured or ₹ 1 lakh, whichever is lower. The individual responsible for the theft is also critical to the claim getting passed.

When covering appliances and gadgets, ascertain the cost of replacing the item. An item is insured for its market value after depreciation. The insurance company will pay the amount required to restore an item to the condition it was in before the damage.

For example, a refrigerator or an air-conditioner might have cost you ₹ 30,000 about five years ago, but its depreciated value will now only be ₹ 18,000 - ₹ 20,000.

Some companies have fixed the age of properties that are eligible for insurance. The online home insurance plan of HDFC Ergo, for instance, does not cover houses more than 30 years old.

Usually, insurers have a cap of 50 years. If the customer opts for home insurance before the property reaches the upper age limit, it can be renewed, even if the house is older.

CONSIDER A GROUP COVER

Insuring your house can be easier and cheaper if you live in a group housing society. Insurers offer group discounts of 20% to 25% if the entire complex is insured.

The building can be covered in a single policy by the housing society, considering that the structure is identical and similar for all the units. However, protection for contents (own goods) would need to be opted by individual owners as per their specific requirements, experts say.

COVERING YOUR LIFE

A coverage against disasters is incomplete if you haven't taken life and health insurance. While a plain vanilla term plan is the best way to cover life, such a policy won't help too much if the individual is injured or gets disabled by an accident.

A personal accident cover is an effective shield against medical expenses and loss of income due to disability.

So, what are you waiting for?

Take the initiative to assess your vulnerability to natural calamities and proactively choose an insurance policy.

By doing so, you'll not only secure your financial interests but also those of your family, providing a protective shield well in advancE.

MUTUAL FUND BLACKBOARD

Large Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Invesco India Largecap Fund - Growth	49.2	12.7	18.8	10.9	11.7	14.9	806
UTI Mastershare Unit Scheme - Growth	210.1	9.0	18.7	10.9	12.0	14.8	11,508
Canara Robeco Bluechip Equity Fund - Growth	45.9	12.0	18.3	12.8	13.8	15.2	10,202
Kotak Bluechip Fund - Reg - Growth	419.4	11.7	19.8	11.9	12.3	15.5	6,325
Nifty 100 TRI	25,990.0	9.3	20.0	11.5	13.2	15.1	--

Mid Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Tata Mid Cap Growth Fund - Reg - Growth	305.6	25.1	27.6	17.2	15.9	22.3	2,315
Edelweiss Mid Cap Fund - Growth	61.9	19.7	29.5	16.8	16.6	23.0	3,449
Mirae Asset Midcap Fund - Reg - Growth	25.6	19.7	30.4	--	--	--	11,360
Nippon India Growth Fund - Reg - Growth	2,649.4	26.1	30.8	18.5	17.1	20.8	17,350
Kotak Emerging Equity Fund - Reg - Growth	89.3	18.4	29.4	17.6	16.4	24.3	31,389
Nifty Midcap 150 TRI	18,221.0	25.9	31.8	17.0	17.6	22.5	--

Small Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Kotak Small Cap Fund - Reg - Growth	194.6	18.6	35.6	20.8	17.9	24.1	11,597
Edelweiss Small Cap Fund - Reg - Growth	31.2	26.7	36.1	--	--	--	2,146
Nippon India Small Cap Fund - Reg - Growth	118.4	35.5	41.3	21.9	22.5	29.8	34,469
ICICI Prudential Smallcap Fund - Growth	65.2	24.9	35.9	20.1	16.7	18.9	6,511
Union Small Cap Fund - Reg - Growth	36.9	25.1	32.9	19.0	16.0	--	974
Nifty Smallcap 250 TRI	14,532.3	29.0	33.6	15.0	14.3	20.8	--

Large & Mid Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Tata Large & Mid Cap Fund - Reg - Growth	406.2	18.9	23.5	15.5	13.9	17.2	4,985
Canara Robeco Emerging Equities - Growth	180.2	11.4	21.5	12.8	15.0	23.4	17,931
Edelweiss Large & Mid Cap Fund - Growth	61.1	15.1	23.1	13.6	14.2	16.8	2,137
Kotak Equity Opportunities Fund - Reg - Growth	239.4	19.2	23.7	15.0	14.8	18.0	14,655
Mahindra Manulife Large & Mid Cap Fund	19.8	17.2	25.8	--	--	--	1,341
NIFTY Large Midcap 250 TRI	14,722.3	17.5	25.9	14.3	15.5	18.9	--

Multicap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Mahindra Manulife Multi Cap Fund - Reg - Growth	24.8	22.6	28.8	17.5	--	--	1,988
HDFC Multi Cap Fund - Reg - Growth	13.5	28.7	--	--	--	--	7,676
Kotak Multicap Fund - Reg - Growth	12.6	25.3	--	--	--	--	5,585
Nippon India Multi Cap Fund - Reg - Growth	207.4	31.5	35.1	16.7	15.6	18.8	18,974
S&P BSE 500 TRI	33,775.1	13.2	22.9	12.9	14.2	16.4	--

FlexiCap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Canara Robeco Flexi Cap Fund - Growth	246.7	11.1	19.2	12.9	14.3	15.7	10,218
Mirae Asset Flexi Cap Fund - Reg - Growth	11.6	--	--	--	--	--	1,069
UTI Flexi Cap Fund - Growth	252.6	4.9	17.6	10.8	12.6	16.0	25,822
Union Flexi Cap Fund - Growth	38.3	15.6	22.2	14.0	13.2	14.5	1,595
Parag Parikh Flexi Cap Fund - Reg - Growth	56.5	17.4	22.0	17.3	17.6	19.2	39,848
S&P BSE 500 TRI	33,775.1	13.2	22.9	12.9	14.2	16.4	--

Focused Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Focused 30 Fund - Growth	151.4	21.4	29.4	13.9	13.1	17.3	5,828
Nippon India Focused Equity Fund - Reg - Growth	91.7	14.1	26.5	13.8	13.6	20.6	6,877
ICICI Prudential Focused Equity Fund - Ret - Growth	59.4	18.3	23.6	13.6	13.3	15.8	4,840
Mahindra Manulife Focused Fund - Reg - Growth	18.2	18.1	--	--	--	--	825
S&P BSE 500 TRI	33,775.1	13.2	22.9	12.9	14.2	16.4	--

Dividend Yield Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
ICICI Prudential Dividend Yield Equity Fund	33.9	21.8	29.5	13.8	14.0	--	2,104
Sundaram Dividend Yield Fund - Growth	98.7	15.7	20.9	12.2	14.4	16.8	553
UTI Dividend Yield Fund - Growth	119.9	16.8	20.7	12.4	13.2	14.9	3,132
S&P BSE 500 TRI	33,775.1	13.2	22.9	12.9	14.2	16.4	--

Contra/Value Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Bandhan Sterling Value Fund - Reg - Growth	109.9	22.7	34.6	14.9	16.4	19.6	6,543
SBI Contra Fund - Growth	268.9	26.0	36.0	18.9	16.0	18.3	13,461
Nippon India Value Fund - Reg - Growth	148.2	20.1	26.5	14.4	14.5	18.7	5,563
S&P BSE 500 TRI	33,775.1	13.2	22.9	12.9	14.2	16.4	--

ELSS Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
UTI Long Term Equity Fund (Tax Saving) - Growth	155.5	9.6	19.6	11.7	12.1	15.0	3,159
Canara Robeco Equity Tax Saver Fund - Growth	128.5	11.0	21.6	14.1	15.1	17.0	5,979
Kotak Tax Saver Fund - Reg - Growth	85.7	17.6	24.0	14.4	14.4	18.1	4,051
Mahindra Manulife ELSS Fund - Reg - Growth	21.8	15.5	24.5	12.8	--	--	649
Parag Parikh Tax Saver Fund - Reg - Growth	22.1	16.5	22.9	--	--	--	1,849
Tata India Tax Savings Fund - Reg - Growth	33.1	16.2	22.5	12.9	13.4	--	3,557
S&P BSE 200 TRI	10,673.6	11.8	22.0	12.7	14.0	16.1	--

Thematic / Sector Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Mirae Asset Great Consumer Fund - Growth	68.9	19.2	23.9	14.1	16.3	18.4	2,553
ICICI Prudential Banking and Financial Services Fund	98.3	15.8	23.7	9.0	12.0	18.8	7,062
Nippon India Pharma Fund - Reg - Growth	349.5	26.7	16.2	17.3	13.9	17.5	5,392
Quant Quantamental Fund - Reg - Growth	16.2	30.6	--	--	--	--	914
Tata Digital India Fund - Reg - Growth	35	9.9	26.1	18	20.2	--	7574
S&P BSE 500 TRI	33,775.1	13.2	22.9	12.9	14.2	16.4	--

Arbitrage Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	2 Years	3 Years	
Bandhan Arbitrage Fund - Reg - Growth	28.5	6.9	7.2	6.7	4.9	4.5	3,494
Kotak Equity Arbitrage Fund - Reg - Growth	32.8	7.4	7.4	6.9	5.2	4.9	23,738
Tata Arbitrage Fund - Reg - Growth	12.6	6.8	7.1	6.6	4.8	4.6	6,955
Invesco India Arbitrage Fund - Growth	28.0	7.2	7.3	7.1	5.4	4.9	5,894
Edelweiss Arbitrage Fund - Reg - Growth	17.0	7.3	7.2	6.7	5.1	4.7	5,881

Equity Savings Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Edelweiss Equity Savings Fund - Reg - Growth	20.2	9.0	9.7	8.1	8.5	--	281
HDFC Equity Savings Fund - Growth	54.1	9.8	12.9	8.6	9.0	9.9	2,844
Kotak Equity Savings Fund - Reg - Growth	21.0	11.0	11.1	8.6	8.9	--	2,730
NIFTY 50 Hybrid Composite Debt 65:35 Index	16366.8	10.2	15.5	11.2	11.8	12.9	--

Dynamic Asset Allocation Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Kotak Balanced Advantage Fund - Reg - Growth	16.2	10.0	11.5	10.0	--	--	15,046
Nippon India Balanced Advantage Fund - Reg	136.5	9.3	13.0	9.1	10.1	13.0	7,031
Tata Balanced Advantage Fund - Reg - Growth	16.7	11.4	13.7	--	--	--	7,412
Edelweiss Balanced Advantage Fund - Growth	39.9	10.7	14.4	10.6	11.1	12.0	9,458
Union Balanced Advantage Fund - Reg - Growth	16.4	8.1	10.5	9.8	--	--	1,654
NIFTY 50 Hybrid Composite Debt 65:35 Index	16,366.8	10.2	15.5	11.2	11.8	12.9	--

Hybrid Aggressive Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Canara Robeco Equity Hybrid Fund - Growth	272.1	11.0	15.8	11.7	12.1	15.4	9,055
Kotak Equity Hybrid Fund - Growth	46.0	12.8	21.0	13.3	12.2	--	4,050
Mirae Asset Hybrid - Equity Fund - Reg - Growth	24.8	12.4	16.9	11.5	12.3	--	7,778
NIFTY 50 Hybrid Composite Debt 65:35 Index	16,366.8	10.2	15.5	11.2	11.8	12.9	--

Multi Asset Allocation Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Multi - Asset Fund - Growth	54.2	12.0	14.6	11.1	10.2	11.1	1,913
Nippon India Multi Asset Fund - Reg - Growth	15.1	13.5	--	--	--	--	1,413
Tata Multi Asset Opportunities Fund - Reg - Growth	17.8	13.3	17.4	--	--	--	1,757
NIFTY 50 Hybrid Composite Debt 65:35 Index	16,366.8	10.2	15.5	11.2	11.8	12.9	--

Gold Funds Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Gold Fund - Growth	18.1	13.0	2.7	13.2	8.0	5.2	1,563
Kotak Gold Fund - Reg - Growth	23.3	12.3	2.7	13.5	8.3	5.1	1,521
Nippon India Gold Savings Fund - Reg - Growth	23.2	12.4	2.7	13.1	7.8	5.0	1,529
Prices of Gold	58,263.0	13.8	3.9	14.5	9.3	6.4	--

Overnight Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year	YTM	
Bandhan Overnight Fund - Reg - Growth	1,220.2	6.4	6.3	6.3	6.2	6.40	1,160
Tata Overnight Fund - Reg - Growth	1,207.5	6.5	6.3	6.3	6.2	6.48	2,203
Nippon India Overnight Fund - Reg - Growth	122.9	6.5	6.3	6.4	6.3	6.48	7,415

Liquid Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year	YTM	
Aditya Birla Sun Life Liquid Fund - Reg - Growth	369.6	6.4	6.5	6.7	6.7	7.00	46,406
Mirae Asset Cash Management Fund - Growth	2,405.3	6.5	6.5	6.7	6.7	6.87	9,816
Kotak Liquid Fund - Reg - Growth	4,638.9	6.4	6.4	6.6	6.6	6.88	35,458
Nippon India Liquid Fund - Reg - Growth	5,599.9	6.4	6.4	6.6	6.6	6.90	32,768
Mahindra Manulife Liquid Fund - Reg - Growth	1,492.5	6.6	6.6	6.7	6.7	6.96	672

Ultra Short Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Ultra Short Term Fund - Reg - Growth	13.3	6.6	7.2	6.6	4.7	7.25	13,734
ICICI Prudential Ultra Short Term Fund - Growth	24.3	6.5	7.2	6.6	5.0	7.37	13,815
Kotak Savings Fund - Reg - Growth	37.7	6.5	7.2	6.5	4.5	7.29	13,066

Money Market Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Money Market Fund - Growth	4,984.8	6.8	7.6	6.9	4.9	7.25	18,870
Tata Money Market Fund - Reg - Growth	4,113.0	6.8	7.7	7.0	5.0	7.29	12,928

Low Duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Low Duration Fund - Growth	50.6	7.0	7.7	6.8	5.0	7.66	15,908
ICICI Prudential Savings Fund - Reg - Growth	472.4	8.0	8.3	7.7	5.4	7.64	21,607
Kotak Low Duration Fund - Std - Growth	2,934.9	6.3	7.2	6.5	4.7	7.57	10,952

Floater Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Kotak Floating Rate Fund - Reg - Growth	1,305.4	7.1	8.0	6.8	5.4	7.71	4,988
Tata Floating Rate Fund - Reg - Growth	11.1	6.5	7.6	6.5	--	7.81	255

Short Term Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Short Term Debt Fund - Growth	27.6	5.6	7.9	6.6	5.2	7.67	12,412
HSBC Short Duration Fund - Reg - Growth	23.0	4.4	7.1	5.8	4.2	7.46	3,395
ICICI Prudential Short Term Fund - Growth	52.1	6.4	8.1	7.3	5.6	7.89	18,245

Corporate Bond Fund

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Corporate Bond Fund - Reg - Growth	25.8	7.2	8.4	7.6	5.7	7.84	22,656
HDFC Corporate Bond Fund - Growth	28.1	5.9	8.3	6.8	5.3	7.67	26,407
Kotak Corporate Bond Fund - Std - Growth	3,254.7	5.2	7.7	6.4	5.0	7.69	10,534

Dynamic Bond Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential All Seasons Bond Fund - Growth	31.8	5.7	8.2	7.4	6.0	7.96	10,902
Nippon India Dynamic Bond Fund - Reg - Growth	32.0	2.5	8.5	6.7	4.5	7.53	4,514
Kotak Dynamic Bond Fund - Reg - Growth	32.2	4.5	8.7	5.8	4.9	7.56	2,545

Medium Duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Medium Term Bond Fund - Growth	38.7	4.9	7.7	6.6	6.3	8.15	6,531
HDFC Medium Term Debt Fund - Growth	48.8	4.4	7.8	6.3	5.7	7.94	4,324
SBI Magnum Medium Duration Fund - Growth	44.3	4.7	8.4	7.0	5.7	7.85	7,107

Long duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Nippon India Nivesh Lakshya Fund - Reg - Growth	15.2	-1.4	8	8.8	4.5	7.42	6280

Gilt Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Kotak Gilt Fund - Growth	84.1	4.4	8.5	7.1	5.0	7.59	2,388

Gilt Fund with 10 year constant duration

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Constant Maturity Gilt Fund - Reg	21.0	1.9	9.3	7.3	4.6	7.30	2,196

Credit Risk Fund

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Credit Risk Fund - Growth	27.2	6.5	8.0	6.5	6.6	8.39	7,654
HDFC Credit Risk Debt Fund - Reg - Growth	20.8	5.1	7.4	6.2	6.8	8.47	8,492
SBI Credit Risk Fund - Growth	39.5	5.5	10.3	7.9	6.4	8.10	2,761

Banking & PSU Bond Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Edelweiss Banking & PSU Debt Fund - Reg - Growth	21.3	1.6	7.7	5.8	5.2	7.41	356
HSBC Banking and PSU Debt Fund - Growth	21.2	4.1	7.4	5.4	3.9	7.43	4612

TECHNICAL OUTLOOK

The Bears led the rally in August; the Nifty faced strong resistance at the 19,800-19,990 mark on a closing basis throughout the month. The Nifty is witnessing volatile trading sessions.

During this time, there may be some minor downfalls towards the 19,000/18,800 support level. Although the sentiment on D-Street was positive, as mid-cap stocks are performing well, one should remain cautious as we may witness profit booking at higher levels.

The Nifty is currently facing strong resistance between 19,430 and 19,540 on a closing basis. Any move above the 19,430 mark would signal a positive rally towards 19,670/ 19,840 levels. On the other hand, the Nifty is trading below the Golden Ratio i.e. 61.8% of Extension (Low - 15,183.40, High - 18,887.60, Low - 16,828.35), which is at 19,370 levels, giving a cautious sign.

As long as the Nifty trades below the 19,370 mark on a closing basis, positive momentum may not be seen. Looking at the technical setup, the immediate support lies at 19,200. If it fails to hold this support, i.e. 19,200 on a closing basis, then we may see further sell-off, potentially taking the Nifty towards 19,000/18,800.

The daily momentum indicator is showing negative crossover, indicating a potential correction or consolidation in the index.

The overall market outlook remains cautious as profit booking is seen at higher levels, and some volatility can still be expected. Traders should consider taking profits during rallies and look for opportunities to buy on dips. Any dip towards 18,800 will contribute to strengthening the Nifty.

Technically, the Bank Nifty has immediate resistance at 44,800. A close above 44,800 may extend the fall towards 45,600/46,200. On the flip side, resistance is positioned at 43,600 levels. Beyond that, the Bank Nifty may witness a selling pressure towards 42,800-42,400 levels.

On the Nifty Options front for the July series, the highest Open Interest (OI) build up is witnessed near 19500 and 20000 Call strikes, whereas on the Put side, it is observed at the 19000 and 18500 strikes.

India VIX, which measures the immediate 30-day volatility in the market, has remained sideways in the range of 10-12.5 for the August series.

Going forward, we expect the index to remain sideways in the first part of September.

The Put Call Ratio-Open Interest (PCR-OI) for Nifty Options has been in the range of 0.7-1.2 in August. Going forward, it is expected to remain between 0.6 and 1.2 in September.

The markets are believed to remain sideways in the first half of September with supports placed at 19,000 and 18,500 levels; also, the markets will continue to witness some important resistances at 19,500 and 20,000 levels.

OPTIONS STRATEGY

Long Straddle

The strategy can be initiated by 'Buying 1 lot 07SEP 19300 CE (₹ 158) and Buying 1 lot 07SEP 19300 PE (₹ 95)'. The total outflow of premium comes to around 253 points, which is also your maximum loss.

One can maintain a stop loss of 150 points (103 point loss from total premium). The maximum gain is unlimited; one can set the target at 455 points (202 points gain from total premium).

Considering the current options' OI positions for NIFTY, it seems the index is likely to witness good buying, which could take NIFTY towards resistance levels, and generate good profits in this strategY.

FROM CLOUDS TO COMMERCE

Understanding the impact and significance of monsoon data as a key macro-economic variable

In the past few months, a key macro-economic variable that has grabbed headlines in business dailies is monsoon data. Notably, the coverage dedicated to reporting on monsoon data has been both consistent and comprehensive.

Unlike a few years ago, where this level of monthly reporting was absent, the present focus stems from the concerns that an inadequate monsoon could pose for both the economy and the private sector. In fact, a large section of commentators are of the view that the data about monsoon has become increasingly important given the evolving monsoon patterns in the past few years.

Given these facts, let us understand why monsoon data has acquired such significance in recent months. Here is the low-down on this:

THE RAIN STORY

Monsoon data heavily influences economic sentiments. In the Indian context, monsoon data provides a roadmap as to how corporate revenues may change when compared to previous fiscal periods. This is largely because monsoon data has a far-reaching effect on the agriculture sector. In fact, statistics shared by private sector companies and government in the first half of a fiscal year, pretty well sum up the way the second half of a fiscal year may shape up. These statistics attract a great deal of attention of analysts, economists and policy-makers.

Let us first understand the significance of monsoon data as a sentiment booster in the Indian economy.

India is an agrarian country. This makes India's dependence on monsoon high. It is estimated that the Southwest Monsoon (SWM) rains, which fall between June and September of a year, provides large amount of water to unirrigated lands in India. It is estimated that the Southwest Monsoon provides around 70% of India's total annual rains.

A report by The Reserve Bank of India (RBI) states, "Around 75% of India's annual rainfall is concentrated during the four months of the SWM season, which is vital for the agricultural output during the kharif cropping season, as almost half of the country's net sown area is still unirrigated."

To give a sense to a reader, kharif crops include rice, groundnut, maize, soybean, tur, masoor and cotton. A straight conclusion which can be drawn is that inadequate monsoon impacts the production of key food grain items.

According to various estimates, close to 50% of India's food output is generated through kharif crops. More so, fall or increase in food production impacts food prices, which in turn has a bearing on inflation.

An upshot of this is that a fall in the production of food grains will push prices upwards. This results in high inflation. And this, in turn, will impact the economy. The converse of this situation also holds true.

In addition to these facts, one must not ignore the inextricable link between the data about monsoon and equity markets. There is a co-relation. Sufficient monsoon means prices of important raw material items such as cotton, natural rubber, sugarcane and vegetable oils are not prohibitively high.

This means that companies can pass on the benefit of low raw material prices by keeping prices of goods competitively high. This improves the demand for goods and services in the economy, which, in turn, boosts the economy, creating a positive sentiment about earnings' visibility. When economic growth improves, share prices of listed companies rise. This provides a string of strong investment arguments to invest in the stock markets.

THE PRESENT IMPACT

Scientists are of the view that climate change is one of the key reasons as to why the pattern of monsoon in recent years in India has changed. A case in point that scientists highlight is the occurrence of extreme weather conditions in recent months, mainly April, May, June and July.

Scientists say that climate change has made monsoon in India more erratic. Extreme weather conditions include heat waves, and spells of torrential rains. Experts are expecting extreme weather events to increase in the coming years.

In interactions with various media houses, Mahesh Palawat, Vice President, Meteorology and Climate Change, Skymet Weather has shared that climate change has been increasing variability in monsoon by each passing year. He noted that there has been increase in spells of extremely heavy rains to dry spells. This is one of the key reasons why monsoon data has been frequently tracked in the media.

Now, let us delve into the recent pattern of monsoon. This will help us understand the underlying reasons behind the mounting pressure on prices of key commodities, mainly in the near term.

It has been observed that the rain pattern in recent months has seen fortnightly changes. According to official data, as of mid-June, there was a deficiency in rainfall, measuring an astounding 53% when compared to normative rainfall statistics. However, by the end of June, the deficiency had improved to 10%, and by mid-July, a surplus of 5% rainfall was recorded. Yet, by mid-August, there was a deficiency of 5% in rainfall.

As a result of these discrepancies in rainfall patterns, the sowing activity of important crops such as pulses, jute and mesta, cotton, and oilseeds has been impacted. Analysts point out that there has been lower sowing acreage so far. Official data shows that there is a huge deficit in paddy sowing.

Due to climate change, which has led to a deficit in rainfall, there have been diminished supplies and shortages of key crop items. This is one of the reasons why there is mounting price pressure on key commodities. A case in the point is the recent sharp increase in prices of tomatoes. Tomatoes, which had been trading below ₹ 100 per kg in the first week of August '23, shot up to ₹ 200 a kg.

According to ratings agency Crisil's Deficient Rainfall Irrigation Parameter (DRIP), between 1st June and 9th August, five major states saw low DRIP scores. These states include Bihar, Jharkhand, Karnataka, West Bengal, and Maharashtra. Rains in Karnataka, West Bengal and Maharashtra have only recently gained momentum. According to Crisil, in terms of crops, prices of rice, tur and jowar may come under pressure.

Recently, private weather forecaster Skymet said that rainfall is expected to make a marginal recovery, but it may not be enough to offset August's 40% deficit in regional rains. It said that except Northwest India, there has been rainfall deficiency as El Nino gathers strength.

The US National Oceanic and Atmospheric Administration recently announced that the chances of an El Nino event this season has increased to 95% and with greater confidence in a "strong" El Nino event. El Nino is a situation in the Pacific Ocean which results in weak monsoons and lower-than-average rainfall in India.

These developments will have a macro-economic impact. These developments will not only keep inflation at high level but also have a bearing on the outcome of India's monetary policy. Experts point out that due to lower crop production and high inflation, rural incomes may be impacted. This, in turn, will also impact the overall economy.

Given these facts, policy-thinkers will be closely monitoring monsoon data in the coming weeks. Economists believe that the Reserve Bank of India will continue to focus majorly on controlling inflation. And this focus will be clearly reflected in the outcome of the next monetary policy meeT.

IMPORTANT JARGON

NEW RULES FOR PENALTY ON LOAN ACCOUNTS

The Reserve Bank of India on 18th August tweaked the norms related to banks imposing penalties on default by the borrower on certain types of loans.

The rules follow a draft paper released in April. With the new rules the RBI wants to regulate penal charges. The new rules will come into effect from 1st January '24, for new loans.

Q. What Are The New Rules On Penalty?

So far, lenders used to levy penal rates of interest, over and above the applicable interest rates, in case of loan defaults by borrowers. Now, the RBI wants lenders to levy a penal charge (fees) instead of punishing the defaulter with penal interest, which is considered unfair. Penalty in terms of increase in interest rates increases the burden on the defaulter significantly. Now, the RBI has changed the rules for fair lending practice guidelines.

Q. Why The Change In Rules?

The RBI in its surveillance has observed that divergent practices amongst lenders with regard to levy of penalty led to customer grievances and disputes. The practice of levying penal interest lacked reasonableness and transparency in disclosures of penalty.

Q. What Strong Words Has The RBI Used In The Circular?

Using strong words, the RBI has said that the intent of levying penal interest/charges is essentially to inculcate a sense of credit discipline among borrowers and such charges should not be used by lenders as a revenue enhancement tool over and above the contracted rate of interest.

Q. How Will The New Rules Benefit Borrowers?

Clearly, the new rules will bring a lot of transparency and uniformity in the way penal charges are levied by lenders on loan default. The fee structure would be more predictable now. The new rules will bridge the trust gap between the lenders and borrowers. If the new rules are practised in spirit, the penal outgo for borrowers should also come down and will be less burdensome.

Q. How Will The New Rules Impact Lenders?

From the lender's perspective, application of penalty in the form of interest and not as a charge was actually to compensate banks for the opportunity loss (calculated as time value of money). Simply put, the money advanced could have been used to lend it to someone else to earn more money.

To that effect, lenders will face some losses here. In terms of back-office preparation, now banks will have to formulate a Board approved policy for levy of penal charges and carry out appropriate revision in their policy framework. But overall analysts don't see much financial impact on the banking industry because of the new rules.

Q. How Are The New Guidelines Pro-Borrowers?

Firstly, the RBI has levelled the ground for borrowers as the new guidelines are applicable to both retail and institutional borrowers equally. However, business loans are excluded in this as such loans have a different lending dynamic.

Secondly, penalty charges would be equal for similar loan products without being discriminatory to different borrowers.

Q. Which Types Of Loans Are Not Included In This?

The new rules will not be applicable to Credit Cards, External Commercial Borrowings, Trade Credits and Structured Obligations, which are covered under product specific directions.

Q. When Do The New Rules Kick In?

For new loans, these rules will come into effect from 1st January '24. For existing loans, the new rules will become effective within six months of the default.

SEBI HALVES IPO LISTING TO 3 DAYS

Recently, the capital markets regulator Securities and Exchange Board of India (SEBI) changed the rules for listing of shares on stock exchanges after the closure of Initial Public Offerings (IPOs). The decision to halve the number of days post IPOs was taken post SEBI's board meeting.

Q. What Is The Change Proposed For New Listing?

SEBI has halved the timeline for listing of shares on stock exchanges after the closing of IPO to three days from six days at present. To start with, the new listing timeframe will be voluntary for all public issues opening on or after 1st September. However, the rule will be mandatory for all the issues post 1st December '23.

Q. How Will The Move Benefit Investors?

Investors will benefit by having early credit of shares in their demat accounts. New rules will reduce the period for which investors' funds would be blocked and thereby aid liquidity for their investments. The move will also ensure that subscribers who were not allotted shares would receive their money back quickly.

Q. How Will The Move Help Issuer Companies?

The IPO bound company can start utilizing funds only after listing of shares on exchanges. Thus, issuers will have faster access to the capital raised, thereby enhancing the ease of doing business.

Q. Why Did SEBI Undertake Such A Move?

The move is seen as a progressive one for India's capital market. Resources of all stakeholders like investors, stock exchanges, banks, depositories, and brokers in the public issue process will now be deployed for a shorter period of time. This especially becomes a concern during times when lot of issues hit the market at the same time.

Q. Are The Stakeholders Ready For The Reduction In Timeframe?

SEBI was contemplating such a move since June. The decision to reduce the timeline for listing follows extensive consultation with stakeholders, including anchor investors, registrar and transfer agents, broker-distributors, banks, etc. Extensive stress testing has been done by intermediaries to confirm that the transition to T+3 from T+6 would be smootH.

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