

# I-CAN COMMUNIQUÉ



I-CAN FINANCIAL SOLUTIONS

## MARCH 2019



## MONTHLY NEWSLETTER – MARCH 2019

<b>Sensex : Down 1.1%</b>	
<b>Nifty : Down 0.4%</b>	
Best performing sector: Media (14.4%)	Worst performing sector: PSU Bank (-8.8%)
Best performing Global index: Shanghai Composite (13.8%)	Worst performing Global index: Argentina's MerVal (-5.1%)
Indian Rupee: 0.5%	Gold (India):0.7%

The Indian stock market indices fell slightly in the month of February. Sensex and Nifty were down by 1.1% and 0.4% respectively. The S&P BSE Midcap and Smallcap indices fell by 1.7% each. However, there was a strong recovery trend that emerged in the mid and small cap segment by the end of the previous month and in early March.

The 10-year government bond yield inched up by 13 basis points to 7.41%.

Foreign institutional investors (FII) turned buyers and invested a net amount of Rs 17,219.6 crore in equity. However, they pulled out a net amount of Rs 6,037.2 crore from debt markets in February.

**Tensions between India and Pakistan:**

Heightened tensions emanated between India and Pakistan after 14<sup>th</sup> February – the date on which a terrorist attack was carried out on a convoy of vehicles carrying security personnel in Pulwama. Jaish-e-Mohammed (JeM) took responsibility for this ghastly attack. This led to 40 CRPF jawans getting martyred and several getting injured. After 12 days, Indian Air Force

retaliated by carrying out strikes in Pakistan at JeM's Balakot terror training camp. During this period the equity markets were edgy on fears of a war-like situation between the neighbouring countries. However, some comfort was drawn from the Indian government's statement that the Balakot attack was non-military and preemptive in nature and India was not trying to wage a war against Pakistan. India also clarified that the attack was carried out on a terror outfit and no civilians or army people were harmed. On 27<sup>th</sup> February Pakistan Air Force staged an incursion into India. However, the Indian Air Force shot down the F-16 aircraft. One of India's MiG-21 fighters was shot down across the LoC and the pilot landed in Pakistan. Pakistan later released the pilot the next day. During this period India and Pakistan attracted a lot of international attention on the military escalations. For now, the tensions seem to have receded.

**Interim Budget:**

The government unveiled its Interim Budget on February 1. Benefits were rolled out for the farmers, middle class families and real estate developers. Major highlights from the Budget are:

- PM Kisan Samman Nidhi Yojana (PM-Kisan) was announced. Under this scheme, farmers would receive a total of Rs. 6,000 in three instalments starting December 2018. On 24<sup>th</sup> February, PM Narendra Modi launched the ambitious Rs 75,000 crore scheme in Uttar Pradesh by digitally transferring the first instalment of Rs 2,000 to the accounts of over 1 crore small and marginal farmers. 12 crore farmers who

have less than 2 hectares of land would be the beneficiaries of this scheme.

- 2% interest subvention for farmers affected by natural calamities.
- Income tax rebate for individuals earning upto Rs 5 lakh was also announced. This is likely to benefit around 3 crore taxpayers.
- Section 54 exemption will be available on the second house property, provided the capital gains in less than or equal to Rs 2 crore – to be availed only once in a lifetime.
- Rs 60,000 crore has been allocated for MNREGA
- Standard deduction for the salaried class has been increased from Rs 40,000 to Rs 50,000
- TDS limit has been increased from Rs 10,000 to Rs 40,000 on Post Office Savings and Bank Deposits.
- TDS threshold on rent increased from Rs 1.8 lakh to 2.4 lakh.
- Second self-occupied house not to be subject to tax on notional basis

#### Indian Economy:

Inflation based on WPI (Wholesale Price Index) fell to a 10-month low of 2.76% in January. Consumer Price Index (CPI) based inflation stood at a 19-month low of 2.05% in January. In its first Policy after Shaktikanta Das took charge as the Governor, RBI slashed the repo rate by 25 basis points to 6.25%. This was a pleasant surprise for the markets.

Industrial output measured by Index of Industrial Production (IIP) grew by 2.4% in December'18 – higher than 0.3% growth seen in the previous month. The figure was 7.3% a year ago. The Purchasing Managers Index (PMI) for Manufacturing came in at a 14-month high of 54.3 in February. The Services PMI reading for February was 52.5, marginally higher than 52.2 in January. (A reading above 50 indicates expansion)

According to the latest report by Oxford Economics, India will remain the fastest growing major economy, much ahead of China in the next decade 2019-28. The average growth rate for India will be 6.5%.

Government data shows that India's fiscal deficit touched 121.5% of the full-year revised target of Rs 6.34 lakh crore at the end of January on account of lower revenue collections. Against the targeted Rs. 80,000 crore the government has been able to garner Rs 53,558 crore of disinvestment proceeds in the current financial year.

Private equity investments in India grew by 36% in value terms from the year-ago period in January 2019 and touched \$1,325 million due to increased follow-on investment rounds.

#### Reforms

- The Insurance Regulatory and Development Authority of India (IRDAI) wants to incentivize youngsters to opt for health insurance. It has issued draft norms for standard health insurance products to make the policies simple and uniform across the market. The standard product will have the basic mandatory covers and will have to be offered by all general and health insurance companies.
- The Income tax department will issue only e-refunds from 1<sup>st</sup> March onwards. These will be credited to only those bank accounts that are linked with PAN.
- RBI's new proposals are likely to lead to increased scrutiny on the private bank CEOs' compensation.
- In recent months RBI has taken steps to make it safer for users to make payments digitally. A grievance redressal mechanism has also been put in place.

- In a relief to e-wallet companies, RBI extended by six months the deadline for compliance with Know Your Customer (KYC) norms, for prepaid payment instrument (PPI) issuers. The earlier deadline was February 28.
- The government may soon launch a public domain name system (DNS) server that could protect users from any malware or phishing. It will have higher speed and enhanced security features.
- A uniform stamp duty system has been approved by the President. With this, the old system of different stamp duties in different states for securities transactions comes to an end. This was originally proposed by the government in the Budget speech.
- The Cabinet approved the National Electronics Policy (NEP) 2019, which grants incentives to promote domestic manufacturing of electronics with a target turnover of \$400 billion by 2025. It also includes an interest subvention scheme.
- The GST Council reduced the GST rates on under-construction properties from 12% to 5% without input tax credit. The GST rate on affordable homes was also slashed by 1% to make it 7%. The scope of affordable housing has been expanded to houses costing up to Rs 45 lakh. The new tax rates will be effective from 1 April, 2019.
- Informal sectors workers earning Rs 15,000 or less and belonging to the 18-40 years age group can subscribe to Pradhan Mantri Shram Yogi Maan-Dhan (PM-SYM) Yojana which assures a monthly pension of at least Rs. 3,000

after attaining the age of 60. This scheme was announced in the Interim Budget and could benefit 10 crore workers.

- SEBI provided relief to non-residents such as NRIs, PIOs and foreign nationals from providing PAN card copy and allowed them to transfer equity shares held by them to their immediate relatives. The relaxations are subject to some conditions.
- The government is setting up infrastructure for charging electric vehicles (EVs) in some busy areas of Delhi where cars can be recharged for as low as Rs 30 for a 15-minute recharge.
- RBI has permitted foreign portfolio investors to take exposures of more than 20% in a corporate entity.
- The government's mega health insurance scheme, Pradhan Mantri Jan Arogya Yojana (PM-JAY), known as the Ayushman Bharat, has launched the PM-JAY app on Google Play Store. The scheme got a Rs 6,400 Cr commitment from the government in the interim budget.
- The Cabinet approved a 3% hike in dearness allowance, over the current rate of 9%, for government employees.
- India launched a single emergency helpline number '112' for immediate assistance
- The government decided to relax angel tax norms for start-ups, including increasing the investment limit to Rs 25 crore for availing income tax concessions by start-ups.



## All You Need to Know about Loan Against Securities (LAS)

If you need to raise capital during times of emergency, Loan Against Securities (LAS) could be a smart way to do so. It allows you to borrow money pledging your financial investments. It relieves you of the need to sell off investments made from a long-term perspective. LAS does not work like a conventional loan. It works like an overdraft facility. Interest is paid only on the capital withdrawn.

### Which financial instruments can be pledged?

- **Shares:** You can avail LAS against the eligible list of shares. This can be used for urgent needs for personal or business purposes. Once the loan is repaid, the shares are freed up. In case the share prices plummet, the lender could ask you to increase the number of shares pledged or pay cash. The loan amount will fluctuate with market movement. It is advisable to take loan against shares for short tenures. The shares should be in dematerialized form.
- **Mutual funds:** You can pledge the mutual fund (MF) units which have been bought in your name. The loan amount could be between 50 to 85% of the value of the MFs. The loan amount as a % of the market value of the MF investments is lower for equity MFs and higher for debt MFs. A lien is marked on the MFs which are pledged. This allows the lender to recover the money by selling those MF units in case the borrower defaults.
- **Fixed Deposits:** 80-90% of the fixed deposit amount can be offered as a loan against FD. No processing fees are levied for this category.
- **Insurance policies:** Only some insurance policies are eligible. The loan amount could be 60-90% of the surrender value. You can apply for a loan against the policy only if it has completed 3 years prior to the loan application. If the interest on the loan against insurance exceeds the surrender value of the loan, then the policyholder may no longer get the insurance cover from the assigned policy.
- **Bonds/Debentures:** The loan amount against bonds/debentures can be in the 70-85% range. The bonds should be in dematerialised form.

## What are the benefits of LAS?

- No need to liquidate investments:  
It is not a good idea to liquidate investments during times of emergency much before the investment horizon because you lose out on the compounding effects which can have a huge impact on your returns and wealth. Also often when we are in need of money the market levels are not attractive to sell off investments. Hence, LAS is a great way to fund your requirements without bearing investment losses.
- Lower rate of interest:  
The interest rate is lower than unsecured personal loans. The rate of interest depends on the creditworthiness of the borrower, the type of security pledged and other factors specific to the bank.
- No EMI or post-dated cheques required:  
You need to pay interest only on the debit balance that has been used. So, if you withdrew Rs 5 lakh and deposited the entire amount back in 15 days, you will be charged interest only for 15 days. This is quite useful to those who need to make different sets of payments at irregular intervals. The default tenure for LAS is one year and you will need to pay a renewal charge or Annual Maintenance Charge at the end of each year. The quantum of the charges varies from one bank to another.
- No Prepayment Charges:  
There are no prepayment charges if the loan is prepaid.

Apart from the processing fees, you also need to bear the pledge and de-pledge fees. The credit limit is re-evaluated on a weekly basis. As mentioned, there is a list of eligible securities against which you can take a loan. This list can be obtained from the bank or non banking financial company (NBFC) from which you avail this facility.

While LAS is a good way to fund short to medium term requirements of money, one must ensure the interest payments are made in a timely manner.

### Did you know?

Indians read more than 10 hours per week on an average, the most for any country in the world.

### Cartoon of the Month

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