

I-CAN COMMUNIQUÉ



I-CAN FINANCIAL SOLUTIONS

MARCH 2021



MONTHLY NEWSLETTER – MARCH 2021

Sensex : Up 6.1%	
Nifty : Up 6.6%	
Best performing sector: PSU Bank (31.9%)	Worst performing sector: FMCG (-2%)
Best performing Global index: Jakarta Composite (6.5%)	Worst performing Global index: Bovespa (-5.1%)
Indian Rupee: -0.7%	Gold (International): -3.9%

The Indian stock markets put up a very strong performance as a pro-growth and pragmatic Union Budget was presented on 1 February, 2021. Moody’s applauded India’s 2021 Budget as supportive of growth and the fiscal deficit target of 6.8% seemed realistic.

By mid-February after hitting lifetime highs the headline indices showed some retreat on worries of a rise in new Covid-19 cases in India and some Asian countries. There was some turmoil in global markets towards the end of February due to a sharp rise in bond yields on account of the possibility of a rise in inflation. There was a sharp spike in crude oil prices, after Texas went into a deep freeze which disrupted oil output. The markets took a breather after the US Fed Chairman reaffirmed the need for stimulus measures to support the economy.

The Indian government launched one of the most massive vaccination drives in the world.

More than 1.37 crore Covid-19 vaccine doses were administered by the end of February.

Our domestic GDP grew at 0.4% in the October-December quarter of 2021. After the Covid crisis the economy is back in the positive territory of growth. Oxford Economics, a global forecasting firm revised India’s economic growth projection for 2021 from 8.8% to 10.2%. Standard & Poor’s predicted that India is likely to be among the fastest-growing emerging markets this year.

There was a rebound in employment generation in January as almost 12 million people got employed. The unemployment reduced from 9.1% in December to 6.5% in January as per a report by CMIE (Centre for Monitoring Indian Economy).

As per a CMIE survey Indian households are hopeful of a turnaround. CMIE believes that the recovery is more sustainable when households feel more positive about their well-being.

Property consultant Knight Frank’s global wealth report stated that the population of ultra-high-net-worth individuals (UHNWIs), which own assets above \$30 million, is likely to grow 63% over the next 5 years. Currently there are 6,884 UHNWIs in India.

Domestic rating agency ICRA stated in a report that the residential real estate market is witnessing a K-shaped recovery due to increased consolidation. Large players have gained on account of access to credit and

consolidation whereas the smaller players continue to struggle.

Retail inflation in India (measured by CPI index) fell marginally to 4.06% in January'21 from 4.59% in December'20. Wholesale inflation (measured by WPI index) rose to an 11-month high of 2.03% in January'21 compared to 1.22% in the previous month, mainly due to an increase in prices of manufactured goods.

The index of industrial production (IIP) which measures the nation's factory output grew at 1% in December'20 compared to -1.9% in November'20. India's Manufacturing Purchasing Managers' Index (PMI) was 57.5 in February, a bit lower than 57.7 in January but higher than the long-term average of 53.6. The Services PMI increased to 55.3 in February from 52.8 in January – the highest monthly spike in one year.

RBI kept the repo rate unchanged at 4% in its monetary policy review and continued with its accommodative stance as long as necessary for growth revival.

Mergers and acquisitions (M&A) deal activity jumped 33% to \$36.9 billion in 2020, helped by the deals cut by Mukesh Ambani-led Reliance Industries.

Reforms

- The Cabinet approved the production-linked incentive (PLI) scheme worth Rs. 15,000 crore and Rs. 7,325 crore for the pharmaceutical and technology hardware (laptops, servers, tablets etc) sectors respectively with the aim of boosting domestic manufacturing.

- Private banks have been permitted by the Finance Ministry to conduct government-related banking transactions.
- India signed a landmark Comprehensive Economic Cooperation and Partnership Agreement (CECPA) with Mauritius. They also signed a special \$100 million pact to supply defence equipment.
- IRDAI mandated all health and general insurance companies to offer a standard personal accident policy by 1 April, 2021.
- PM Narendra Modi stated that India plans to spend around Rs. 7.5 lakh crore to build oil and gas infrastructure over the next 5 years.
- RBI released guidelines to make the digital payments architecture more robust and improve security, control and compliance among banks, gateways, wallet operators and other non-bank entities.
- SEBI decided to relax the minimum public offer norms for large issuers by reducing certain requirements. The minimum public offer requirement has been reduced from 10% of post issue market capital to Rs. 10,000 crore plus 5% of the incremental amount beyond Rs. 1 lakh crore.
- The government plans to set up food processing hubs in Madhya Pradesh, Bihar and Jammu and Kashmir in order to promote investments in niche agro products processing.
- The government approved eight toy manufacturing clusters worth Rs. 2,300 crore to promote India's traditional toy industry.



Building a Retirement Corpus

Traditionally, most salaried individuals used to retire at the age of 58-60 years. Nowadays many professionals/self-employed/salaried people prefer to opt for an early retirement so that they can pursue their areas of passion in the later part of their lives. Many also prefer to take out time for activities like traveling, spending time with family and friends, reading, investing and so on. On the other hand the average life span of individuals is on the rise due to advancements in medical science. Hence, we are talking about a relatively longer post-retirement period that one needs to plan for.

- i. Inflation & Lifestyle Costs: The biggest risk in long-term goals like retirement planning is that of inflation. As inflation rises, the affordability of goods and services falls. It is very important to ensure that savings are channelized into such avenues of investment which beat inflation over longer periods so that one can maintain their lifestyle. For example, if your current lifestyle includes commuting by car, two movie outings a month, one family vacation a year etc and the cost comes to Rs 12 lakh annually, the same lifestyle will cost Rs 12.72 lakh in the coming year (assuming a 6% inflation rate).
- ii. Asset Allocation & Planning: Depending on your current age, risk bearing capacity and life stage, you need a proper plan in place to start building a corpus. It is essential to consult a financial advisor for this purpose. Sticking to traditional avenues like Employee's Provident Fund (EPF) or Public Provident Fund (PPF) will not be a wise strategy to beat inflation in the long run. Equities tend to be most efficient in beating inflation when you have a long time horizon. The decision of how much to invest in which asset class (stocks, bonds, deposits, real estate, gold etc) is extremely significant in determining the chances of success of the plan. If you achieve your target retirement corpus in time, you can have a lot of mental peace and comfort in the post-retirement phase.
- iii. Medical costs: As one ages, medical expenses can increase tremendously. It is prudent to have a health insurance in place early on.
- iv. Regular Review: The investment plan needs professional review at least once a year so that any re-balancing or corrective action can be taken in time.

- v. Succession Planning: It is very important to have a will in place so as to protect your heir from any legal hassles while claiming ownership to assets which you wish to pass on to them. You can consult your financial advisor for the same.

Did you know?

Cuba and North Korea are the only two countries where Coca Cola is not bought or sold

Cartoon of the Month

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Investments and Financial Planning



**“I have a diversified retirement portfolio: 25% down
the drain, 40% out the window, 35% gone with the wind.”**

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