

I-CAN
COMMUNIQUÉ



I-CAN FINANCIAL SOLUTIONS

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MONTHLY NEWSLETTER – FEBRUARY 2019

Sensex : Up 0.5%	
Nifty : Down 0.3%	
Best performing sector: IT (8.3%)	Worst performing sector: Media (-15.3%)
Best performing Global index: Argentina's MerVal index (19.9%)	Worst performing Global index: Malaysia's KLSE (-0.4%)
Indian Rupee: -1.9%	Gold: 4.8%

Indian stock market performance was among the worst in the first month of 2019. While the Sensex and Nifty remained almost flat in terms of returns in January, the BSE Mid-Cap index fell by 5.7% while the BSE Small-Cap index fell by 5.3%. The yield on the 10-year government bond fell by 9 basis points to 7.28%. The return on gold for the month was 4.8%.

Foreign portfolio investors were net sellers in both equity and debt markets – the net outflow was Rs. 4,262.01 crore and Rs 1,300.72 crore respectively.

The financial markets received back to back negative news flow related to some of the large corporate borrowers – Essel group, Dewan Housing Finance Ltd (DHFL) and IL&FS SPVs.

Essel Group: There has been a concern around the creditworthiness of promoter financing transactions. On 25th January the shares of Essel group companies Zee and

Dish TV took a big hit as a small quantity of pledged shares were invoked. There were also media reports of Essel group's name emerging in a probe linked to large deposits made after demonetization by the company Nityank Infrapower and Multiventures. The promoter, Mr. Subhash Chandra, wrote an open letter to the lenders. The letter highlighted that incorrect bids, recommendation made to brother Jawahar Goel to buy D2H from Videocon, burden of debts Chandra had taken when family business separation was implemented and IL&FS crisis were the main reasons behind the current issue. The mutual fund exposure across 10 asset management companies (AMCs) to the group entities is pegged at Rs 8,000 crore. Mr. Chandra reached an agreement with the lenders under which the lenders will not declare an event of 'default' in the wake of a huge drop in share prices. The management assured the lenders that they will resolve the issue by finding a buyer for 50% of the promoter stake in Zee Entertainment within three months.

DHFL: On 29th January, Cobrapost alleged that Dewan Housing Finance gave Rs 31,000 crore of loans to dubious entities which were connected to the promoters. The group Chairman, Mr. Kapil Wadhawan denied these claims and asserted that all the transactions were legal in nature.

IL&FS SPVs: Credit rating company Crisil downgraded two IL&FS SPVs as IL&FS management decided to stop loan repayments and sought moratorium from the bankruptcy court despite there being adequate funds in the escrow account of the SPVs. This led to three mutual fund companies marking down a part of their investment in IL&FS SPVs.

Mrs. Chanda Kochhar was found guilty of violating ICICI Bank's code of conduct in the Videocon loan case, according to a probe panel headed by former Supreme Court judge Mr. B. N. Srikrishna. The Bank board decided to revoke all her entitlements and treat Mrs. Kochhar's separation as a 'Termination for Cause'.

A report by RBI says that India attracted foreign direct investment (FDI) totaling Rs 28.25 lakh crore in the financial year 2017-18. This is 18% higher than the previous year. Exports growth was marginal – by 0.34% in December 2018 due to negative growth in sectors like engineering and gems & jewellery. Due to a dip in imports by 2.4%, the trade deficit narrowed to \$13 billion. Industrial growth measured by Index of Industrial Production (IIP) fell to a 17-month low of 0.5% in November'18. The major reasons for this dip were fewer working days in the month, post-festive season drop in manufacturing and tighter financial conditions.

Some of the macroeconomic data that came in was positive. The US Fed's decision to keep the key interest rate unchanged and its signal to slow down the interest rate hike programme gave a breather to emerging markets like India. IMF updated its India GDP growth forecast to 7.5% from 7.4% in 2019-

20. There was a pickup in manufacturing activity as measured by Nikkei India Manufacturing Purchasing Managers' Index (PMI) in January. It rose to 53.9 from the 53.2 number registered in December. The Services PMI fell to 52.2 in January from 53.2 in the previous month. Both numbers are above 50 – which indicates expansion. The retail inflation based on the CPI index fell to an 18-month low of 2.19% in December, lower than 2.33% in November. The wholesale inflation based on the WPI index fell to 3.8% in December compared to 4.64% in the previous month.

Reforms

- The Quota Bill which grants 10% reservation for economically weaker sections of the general category was passed by the Lok Sabha and Rajya Sabha.
- The government reduced the GST rates on 23 goods and services, including movie tickets, TV and monitor screen.
- SEBI has proposed a new framework for REITs (Real Estate Investment Trusts) and InvITs (Infrastructure Investment Trusts) to increase flexibility to the issuers in terms of fund raising and providing greater access to investors. It has sought comments from public on the fresh consultation paper till February 2018.
- RBI has permitted card networks like MasterCard and Visa for 'tokenisation' in credit card and debit card transactions online. This process

replaces the 16-digit card number with a token number. This will

enhance the security of online transactions through cards.

- The government has facilitated import of e-Way bill data on the GST Network while filing GST returns online. This will make it easier for taxpayers to fill up the form quickly.
- As per the recommendations of a working group set up by the Insurance Regulatory and Development Authority of India (IRDAI), policyholders could soon have an option to receive health and accident insurance in instalments.
- India's ranking on a global corruption index published by Transparency International improved by three places to 78 in 2018. The total number of countries in the list is 180.
- SEBI released a circular to clarify that employees of public financial institutions as well as those without any identifiable ultimate promoters will not be considered as 'depository participants'.
- SEBI has launched a new format for asset management companies (AMCs) for monthly cumulative reporting which they have to submit by the third working day of every month.
- India will soon launch e-passports which will be based on a software developed by IIT-Kanpur and National Informatics Centre (NIC).

The passports will have chips which will store the personal particulars of the applicants and will be difficult to tamper with.

- SEBI has decided to hold company promoters, irrespective of their shareholding status, responsible for violation of insider trading norms if they possess unpublished price-sensitive information (UPSI) regarding the company without any 'legitimate' purpose.
- SEBI has decided to allow mutual funds (except index funds and ETFs) to write call options subject to specific conditions.
- The government has relaxed the norms for start-ups and venture capital funds for seeking exemption from the so-called angel tax.
- The Ministry of Human Resource Development gave clearance to a proposal to extend the seventh pay commission recommendations to academic staff of government and aided technical institutions with granting of Rs 1,241 crore for the purpose.
- The government formed a seven-member Group of Ministers to suggest ways to resolve the issues faced by the real estate sector after the implementation of GST. A lower GST rate of 5% is one of the demands of real estate industry players.



All you need to know about Cyber Insurance

Technology, social media and internet transactions are increasingly being used by individuals and companies to interact with each other, to carry out business activities, to make purchases and so on. These vehicles also serve as a medium of cyberattacks and cyber frauds, which are also on the rise. As per government data, the cybercrime cases in India rose from 9,622 in 2014 to 12,317 in 2016. The number of cases of frauds involving credit cards, debit cards and internet banking during the year 2014-15, 2015-16 and 2016- 17 were 13,083, 16,468 and 13,653, respectively, according to the Reserve Bank of India. It is important, therefore, to insure ourselves from these risks. When we access personal information from different devices we get exposed to various risks.

What is Cyber Insurance?

A cybercrime policy covers risks related to identity theft, social media, cyber stalking, information technology (IT) theft loss, malware, phishing, email spoofing, media liability, e-extortion, and privacy and data breach by a third party. The policy could also cover expenses related to psychiatric or psychological counselling for stress or anxiety resulting from the covered events. Usually the policies also cover consultant fees, legal expenses and court-related expenses. The sum assured can range between Rs 1 lakh and Rs 1 crore and this can cost between Rs 600 and Rs 9,000 in premium. It is advisable to pay attention to sub-limits in these policies. Some plans cover the family under a single policy.

Note: Please read the actual terms and conditions of the policy. The description given here is generic in nature.

What are your duties?

A policy could also define the duties of the insured. This can include the following:

- Regular data backup
- Updated antivirus
- Using best practices for password setting

If the policy has laid out the duties, then not complying to these could lead to dishonouring of claims by the insurance company.

Currently Bajaj Allianz and HDFC offer cyber insurance plans in India.

Did you know?

Humans account for 0.01% of all life on the planet but have destroyed 83% of wild mammals and half of all plant life.

Cartoon of the Month



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