I-CAN COMMUNIQUÉ

APRIL 2021

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MONTHLY NEWSLETTER – APR 2021

Sensex : Up 0.8% Nifty : Up 1.1%	
Best performing sector: IT (8.7%)	Worst performing sector: PSU Bank (-9.8%)
Best performing Global index: DAX (8.9%)	Worst performing Global index: Jakarta Composite (-4.1%)
Indian Rupee: 0.5%	Gold (International): -0.8%

India is fighting a second wave of Covid-19 infections. Since early March there has been a sharp rise in new case count. As on March 29, there were 68,020 new cases over the preceding 24 hours. This is the highest daily count since October last year. The government is responding with localized night curfews and restrictions. There is also a lot of emphasis on a mass vaccination drive. As on 1st April 65 million people were vaccinated.

The sharp spike in fresh cases has been causing some volatility in the stock markets. In the month of March S&P BSE Sensex was up by 0.8% and Nifty 50 moved up by 1%. The S&P BSE Mid Cap index and BSE Small Cap index outperformed last month by clocking in gains of 1% and 2.5% respectively. The 10-year government bond yield fell from 6.23% to 6.18%.

Foreign institutional investors (FIIs) invested a net amount of Rs. 10,481.9 crore in equities withdrew a net amount of Rs. 6,491.7 crore from bond markets.

According to Nomura, India's GDP growth could weaken from 13.5% to 12.2% in the current financial year if the second wave worsens going forward. Growth projections for 2021 vary widely among different agencies. Moody's Analytics said that the Indian economy could grow at 12% in 2021. The United Nations Conference on Trade and Development (UNCTAD) expects India to grow at 5% in 2021.

The World Bank increased the FY22 growth forecast for India from 5.4% to 10.1%. Due to the uncertainty around the pandemic it has provided a range of 7.5 to 12.5% growth. Fitch Ratings revised India's GDP growth target for FY22 from 11% to 12.8%.

The Manufacturing Purchasing Managers' Index (PMI) fell from 57.5 in February to 55.4 in March. The Services PMI was 54.6 in March – lower than 55.3 in February. However, this was the sixth consecutive month of a reading above 50 – which indicates expansionary zone. Index of industrial production (IIP) which measures factory output contracted 1.6% in January against a rise of 1.5% in December last year.

Retail inflation (measured by Consumer Price Index) increased from 4.06% in January to 5.03% in February. This is the third consecutive month of a reading below RBI's upper margin of 6%. Wholesale inflation (measured by

Wholesale Price Index) grew from 2.26% in January to 4.17% in February.

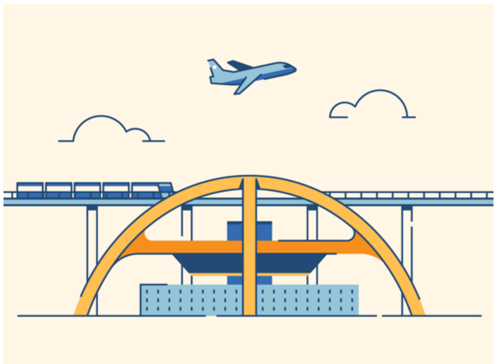
GST collection was Rs 1.13 lakh crore for the month of February – 7% higher than the year-ago period.

Fiscal deficit in the April-February period was Rs 14.1 lakh crore, which is 76% of the revised target for FY21. The current account deficit reached $1.7 billion in the December quarter (0.2% of GDP) after recording a surplus for two consecutive quarters.

Reforms

- The Union Cabinet approved Rs. 10,900 crore production linked incentive (PLI) scheme for food processing industry in an attempt to support Indian food brands in the international markets.
- The government announced a capital infusion to the tune of Rs. 14,500 crore in Central Bank of India, Indian Overseas Bank, Bank of India and UCO Bank by issuing non-interest bearing bonds to public sector banks.
- The government has kept the inflation-targeting framework for RBI unchanged for the 5-year period starting 1 April.
- Starting from April 1 companies will need to disclose cryptocurrency investments, relationship with dissolved companies and loans made to related parties as part of the changes made to the Companies Act.
- RBI extended the deadline for banks/e-wallets to migrate to the new framework for auto-payment (or recurring payments) for paying utility bills. The new deadline is September 30. RBI introduced the Additional Factor Authentication (AFA) for recurring transactions using debit card, credit card, UPI or other prepaid payment instruments.
- The government decided to offer $1 billion in cash to each semiconductor company which sets up manufacturing units in the country as part of the 'Make in India' drive.
- Government decided to borrow Rs. 20,000 crore less than its target of Rs. 12.8 lakh crore announced in the Budget for the current financial year.
- SEBI eased valuation norms for perpetual bonds – in a relief to the mutual fund industry.
- The Cabinet approved the setting up of a development finance institution which will raise capital from markets and offer long-term debt to infrastructure projects
- The Cabinet decided to shut the loss-making Handicrafts and Handlooms Export Corporation of India Ltd and offer voluntary retirement to all its 65 employees
- SEBI notified new regulations regarding qualifications of portfolio managers, investment advisers and research analysts.
- The Parliament gave its approval to a bill proposing increase in FDI in insurance from 49 to 74%.
- The Lok Sabha passed the Appropriation Bill 2021-22, which authorizes the government to draw funds from the Consolidated Fund of India for its working and implementation of its schemes and programmes.

What are InvITs?



An Infrastructure Investment Trusts (InvITs) collects money from different investors (like in case of a mutual fund) and invests in infrastructure projects. One can invest smaller sums in InvITs and benefit from the income generated by infrastructure projects.

There are two kinds of InvITs: one which invests in completed projects and one which invests in both completed as well as under-construction projects. A registered InvIT can raise funds through public or private placement and issue units to investors. In return investors get their share of distribution of dividends and interest.

InvITs are regulated by SEBI. In April 2019 SEBI reduced the minimum investment amount in InvITs from Rs. 10 lakh to Rs. 1 lakh.

Advantages of InvITs:

i. Participation in Indian economy growth: India has an investment target of $1.4 trillion worth into infrastructure over the next 5 years. InvITs provide an opportunity to retail investors to participate in infrastructure projects even with smaller sums of money. Earlier this was out of the reach of retail participants.

ii. Diversification: InvITs help in diversifying your portfolio beyond the traditional modes of investment. As infrastructure projects are long gestation projects, it offers a good option to institutional investors to match their long-term liabilities with the cash flows from these projects.

iii. Liquidity: It is easy to invest and redeem your investments.

iv. High-quality assets: InvITs invest in projects with low demand and price-related risks where there is assured annuity cash flows such as road, power transmission, telecom towers and gas distribution. At least 80% of the assets need to be operational. InvITs are also required to distribute 90% of their cash earnings (on a half-yearly basis).

v. High corporate governance: SEBI regulated InvITs and has put in place governance requirements such as an independent trustee, a minimum 50% of independent directors on its Board, independent valuers and strict disclosure norms.

vi. Tax advantages: If InvITs distribute dividends from a Special Purpose Vehicle (SPV) structure they are tax-free if a project is claiming a tax holiday or any other deductions. Distribution of interest received from SPVs and paid to non-residents attracts a lower tax rate of 5.46%.

Risks/Disadvantages of InvITs:

i. Prone to regulatory risks: Changes in regulation and taxation can affect the merits of investing in InvITs.

ii. Inflation Risk: The real return will be affected by inflation as proceeds are not inflation-linked.

Did you know?

The longest breath held underwater is 24:03 minutes

Cartoon of the Month

Top Personal Finance News – March 2021

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2) Pharma MFs prove better bet than stocks, and how!: Click here
3) How to reduce your capital gains tax liability for the year: Click here
4) Buying a term plan for tax saving? Don't make these costly mistakes: Click here
5) Why smokers pay high premium for term insurance: Click here
6) SIP vs lump sum in debt mutual funds: Click here
7) IFSC codes of these PSU banks will change starting April 1: Click here
8) 3 important things to know about RTGS fund transfer facility: Click here
9) Should you invest in Nifty or Sensex index fund?: Click here
10) Key things to remember when buying a cyber insurance policy: Click here
11) What are income tax rates and slabs under the new tax regime?: Click here
12) Is there a taxation difference in investing in mutual funds via NRE and NRO accounts?: Click here
13) National Pension System: How to avail same day NAV, start SIP in NPS: Click here
14) Affordability of residential real estate improves dramatically: Click here
15) ELSS a preferred tax saving investment option in recent times: Report: Click here
16) Equity investing: How to avoid anchoring bias when investing: Click here
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19) Digital Gold: Investment for the digitally savvy millennial: Click here
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