Insurance that protects your health as well as investments through uncertain times.
Globally, the economic activity has been impacted by the uncertain nature of Covid-19 pandemic and nations are going into lockdowns, which has led to downward revision in growth forecasts. Similarly, India had to take measures to combat the pandemic like complete lockdowns, which lead to halt in the economic activity. This has led to volatility in both debt and equity markets.

Across countries, fiscal and monetary responses were taken to ebb the volatility in financial markets. In India too, the government announced a stimulus package worth 20 lakh cr. putting up reforms towards a self-reliant India. It addressed various segments which are impacted due to the slowdown in economic activity, like the small businesses, non-bank lenders, discoms, salaried, migrants, affordable housing, infrastructure, etc. The fiscal measures were also complimented by easing policy rate further by 40 bps and assured continuance of the accommodative stance to revive growth and mitigate the impact of Covid-19 on the economy.

Global and domestic policy responses provided some boost to sentiments, however volatility prevailed and equity markets corrected by ~4% on MoM basis (upto 28th May). Even in the debt segment, liquidity crunch and redemption pressures in credit space led to winding up of few schemes that were closed for fresh subscription in light of beaten down NAV. Clearly, risk off sentiment has been the guiding principal in investments as investors have flocked towards safer haven assets like gold. Commodity prices remained soft due to muted demand environment.

Macroeconomic impact of the pandemic is turning out to be more severe than initially anticipated, and various sectors of the economy are experiencing acute stress. The impact of the shock has been compounded by the interaction of supply disruptions and demand compression. On the
ground, domestic economic activity has come down substantially. High frequency indicators point to a considerable slowdown in demand beginning Mar 20 in both urban and rural segments across manufacturing and services. The only silver lining was provided by agriculture, with the summer sowing of rice, pulses and oilseeds in the country progressing well, with total area sown under the current kharif season is up by 43.5% so far, and the rabi harvest promising to be a bumper one as reflected in record procurement.

Going forward, as supply lines get restored in the coming months with gradual relaxations in the lockdown, the unusual spike in food inflation in April is expected to moderate. The forecast of a normal monsoon also portends well for food inflation. While earnings for first two quarters of FY 21 for corporates may be grim, we expect growth revival in earnings in the H2FY21. On Equity side, companies with strong balance sheets can be looked at for investments. On the Debt side, we recommend to remain cautious on credit and invest in good quality papers. Core allocation can be through clean funds in Banking/PSU and corporate funds with high quality papers and some tactical allocation can be kept to dynamic duration strategy.

A clear learning from the pandemic is uncertainty can cause severe imbalances at individual, corporate and national levels. Being prepared for uncertainties can significantly reduce the stress associated with them. Thus the importance of having an adequate insurance cover is understood in times like these and strongly recommend to ensure adequate insurance cover to be able to protect your family and secure their financial future.

Our message remains the same - 'Keep investing regularly and stay invested for your life goals.' Through this magazine and our website www.icicidirect.com we want to make an earnest attempt to partner with you in setting and achieving your financial goals. Give us an opportunity to serve you, log on to our website to reach out to us.
The world economy has been impacted greatly by Covid-19 and reported deaths have been rising each day. A health crisis has eventually caught everyone off guard and has impacted all economies globally – stretching the capacity of healthcare facilities and personnel, slowing down economic growth due to lockdowns, and on personal front impacting finances of individuals. Never before has an event had an all-encompassing impact like Covid 19.

The adage “health is wealth” has become pertinent as all large pharmaceutical companies try to create vaccine to combat the virus. And thus, more than ever before the need of both health and term insurance is being realized - Health insurance helps you sail through the financial stress as medical costs can add to your budget while term insurance is for the wellbeing of your loved ones in case of any eventuality that occurs to you.

Demand for insurance usually peaks in the month of March. This year there has been significant growth in demand for insurance policies given the uncertainty around Covid. As a response to this peak in demand, insurance companies have ensured quick insurance registration, by e-KYC through Aadhar - which has made it convenient for policyholders to apply without the required physical documents such as photographs, identity and address proof to the insurer.

COVID opened our eyes on the subject of sufficient protection – for your health and finances. In this edition, we take you through the subject of health and life insurance, to build a safety net for your health and your investments.

As volatility prevails and broader markets correct significantly, many of us would have questions as to where the markets are heading. To help us understand better, an interview is covered with Mr. Pankaj Pandey, Head-Retail Research, ICICI Direct who has shared his inputs on the current market scenario.

The May edition of Money Manager also offers comprehensive review and stock holdings of mutual funds recommended by our research team. The top two stock picks of the month are also selected by some of our finest research analysts. Further, if you wish to get clarity on different aspects of personal finance or any other money matter through Ask our Planner, you may write to us at moneymanager@icicisecurities.com. So stay updated, start investing and keep reading to stay financially fit.
Flavour of the Month: Protecting your health and Investments through insurance during uncertain times

In the current situation, securing your financial plans with insurance is a vital task. Protecting yourself and your loved ones with insurance is one basic form of risk management. We bring you different aspects associated with insurance planning and which options are in demand in the market today in our cover story.

Tête-à-tête

This year has started-off with market uncertainty that has taken over most of the sectors and impacted the investments. It is essential for us to know the market scenario and to help us touch upon those areas, we have Mr. Pankaj Pandey, Head-Retail Research, ICICI Direct who has given his insights on the current market outlook.

Ask Our Planner

Our financial expert answers your personal finance queries.

Mutual Fund Analysis

With the performance of the funds in the current market scenario, our research team has enlightened investments in gold. Look for more information.

This month on iCommunity

Look out for a unique platform for traders and investors.

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**Income Tax dept issues refunds of Rs 26,242 crore since April**

The tax department on 22nd May said it has issued I-T refunds of Rs 26,242 crore to 16.84 lakh taxpayers since April as part of efforts to hasten refund process for making liquidity available with people and firms to deal with COVID-19 crisis. The Central Board of Direct Taxes (CBDT) said 16,84,298 tax assesses have received refunds between April 1 and May 21. Income-tax refund of Rs 14,632 crore to 15,81,906 assesses and corporate tax refund amounting to Rs 11,610 crore to 1,02,392 assesses have been processed during this period, the CBDT said in a statement.

**Vedanta seeks shareholder nod for delisting**

Anil Agarwal-controlled Vedanta Ltd on 25th May said it has started the process to seek shareholder approval to delist the company from stock exchanges. In a filing with stock exchanges, the company said it has issued notice for a postal ballot to seek shareholders' approval for the delisting offer, which was recently announced by its board. Shareholders will get to cast their votes between 26 May and 24 June, the filing said.

**Your employer can contribute 12% to your EPF account if it is included in your CTC**

The government has reduced both employers and employee's contribution to the Employees' Provident Fund (EPF) account from 12 per cent of employee's pay to 10 per cent for the next three months. However, did you know that for these three months, i.e., for May, June and July, 2020, your employer can still continue to contribute to your EPF account at a rate of 12 per cent? This is possible if, under the terms of employment, the employer's contribution to your EPF account is part of your CTC (cost-to-company). Continued contribution at 12 per cent can be seen as a positive step by some employees working in private sector considering the fact that money that goes into one's EPF account is a sort of forced savings for retirement.

**Aditya Birla Sun Life Mutual Fund suspends inflows into two of its debt schemes**

Aditya Birla Sun Life Mutual Fund has suspended fresh inflows into its Credit Risk and Medium Term funds from 22 May 2020. The schemes were exposed to both IL&FS group and Essel group papers in the past, which it had written down. Fresh systematic investment plans (SIPs) and systematic transfer plans (STPs) will also not be registered in the two schemes. However, existing SIPs and STPs can continue. "We have stopped taking additional money in our credit oriented funds—Medium Term Plan and Credit Risk Fund. We believe that there are substantial gains in our funds, which would be realised by the existing investors over the next few months. Since we do not wish to dilute this for existing investors by taking more money in these funds, we have stopped fresh subscriptions in these funds," the spokesperson said.

**Promoter to sell 2.75% stake worth $1 bn in Bharti Airtel via block deals**

Bharti Telecom, promoter of Bharti Airtel, is expected to raise $1 billion, or more than Rs 7,600 crore, by selling a small stake in the telecom giant. The sale is expected to be through block deals on 26th May on the stock exchanges, and is essentially to pare the promoter's debt. The move expands the list of promoters that have or are planning to sell stake in their companies. In the past one month, Reliance Industries has announced five deals, worth over Rs 78,500 crore and involving sales of small stakes in Jio Platforms, while GlaxoSmithKline has raised Rs 25,480 crore by selling Hindustan Unilever shares.
Company Background
Bharti Airtel (Airtel) is India’s second largest telecom operator with a revenue market share of 31.6% (vs. new operator’s revenue market share of ~36.1% and Vodafone Idea ~26.7%) as on Q3FY20. The company has 28.4 crore wireless customers in India and ~11.1 crore subscribers across operations in 14 African countries.

Investment Rationale
Tariff Hike – shot in the arm
The recent tariff hike has been a shot in the arm for the industry, which was operating at sub optimal ARPs post the new player’s entry three years back. We highlight that Airtel has raised tariffs by ~15-47% across packs from December, 2019. Given the Covid-19 impact and long term pack adoption and some downtrading, the tariff hike was expected to be passed through over a year time.

India wireless business – reflecting sustained strength
For Airtel, the pass through hike in tariff was clearly visible India’s wireless revenue was up 16% QoQ, with ARPU of ₹ 154, up 14.3% QoQ. Superior pass through of tariff hike vis-à-vis peer clearly reflects superior customer quality and revenue market share gain. The company, notwithstanding the recent tariff hike, hopes for near term ARPU of ₹ 200 and medium to long term ARPU of ₹ 300, in order to make decent RoCE. It indicated it would continue to drive ARPU growth ahead through natural upgrade to 4G and acceleration to post-paid (through Airtel Thanks). We expect monthly ARPU to reach ₹ 184 in FY22 vs. current levels of ₹ 154 currently, as we do not bake in any step up tariff hike

AGR issue unresolved but company well-funded to tide over it
The company has also raised US$3 billion through a mix of debt and equity in Q3. The company has already paid ₹ 17,749 crore and is awaiting a DoT plea of staggered payment that will be heard at the next hearing (delayed owing to Covid-19). Most importantly, while there is uncertainty on the AGR issue, fund raising has ensured it would be able to serve the same, even in full demand

Valuation & Outlook
To sum up, Airtel has reported a relatively stronger retention of its revenue market share with stable KPI across and also enjoys comfortable leverage vis-à-vis peers. We note that while the AGR issue is sub-judice, fund raising has ensured it would be able to serve the same. With a resilient performance amid challenging times, Airtel is one the better placed telecom players. We maintain our BUY rating on the stock with a DCF based target price of ₹ 700/share.
<table>
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<th>₹ Crore</th>
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<td>Net Sales (₹ crore)</td>
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<td>80,780</td>
<td>87,534</td>
<td>102,646</td>
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<td>EBITDA (₹ crore)</td>
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<td>25,630</td>
<td>36,486</td>
<td>47,058</td>
<td>53,860</td>
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<tr>
<td>Net profit (₹ crore)</td>
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<td>409</td>
<td>32,189</td>
<td>4,010</td>
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<td>EPS (₹)</td>
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<td>EV/EBITDA (x)</td>
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<td>7.4</td>
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<td>RoNW (%)</td>
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<td>Market Capitalisation</td>
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<td>Total Debt (₹ Crore)</td>
<td>₹ 148228 crore</td>
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<tr>
<td>Cash &amp; Inv (₹ Crore)</td>
<td>₹ 29061 crore</td>
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<tr>
<td>EV</td>
<td>₹ 431773 crore</td>
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<tr>
<td>52week H/L ₹</td>
<td>₹ 603 / ₹ 322</td>
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<td>Equity capital</td>
<td>₹ 2727.8 crore</td>
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<td>Face value ₹</td>
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**Risk & Concern:**

- **Renewed price competition**: The recent tariff hike market the virtual end to price competition as all operators (incl. new operator) opted for price hike, thereby improving the scenario. However, any renewed price war led by new operator who has seemed to raise capital, could lead to deterioration in fundamentals.

- **Aggressive bidding in auction**: If the new operators goes for aggressive bidding for 5G (not possible as per recent commentary), the industry fundamental could suffer again impacting Airtel too.
We, I, Bhupendra Tiwary, CFA, MBA, Arnogh Deshpande, PGDM Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

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SBI Life – Business model strength bodes well with strong brand

**Company Background:**
SBI Life Insurance Company (SBI Life) was established as a joint venture between State Bank of India and BNPPC, an insurance subsidiary of BNP Paribas (BNP Paribas was a top 10 global financial institution in terms of revenues in 2016), in 2001. SBI Life has a comprehensive product portfolio of ~37 individual and group products, including a range of protection and savings products to address the insurance needs of diverse customer segments. In terms of business growth, SBI Life has reported highest NBP growth among top private insurers above 30% CAGR in last 4 years, thereby increasing its market share to ~20%. Proportion of high margin protection business has been on the uptrend from 5% in FY18 to ~12.5% in Q4FY20, which remains accretive for VNB margins expected at ~17% ahead. Improving persistency and excellent operating efficiency remain strong levers for earnings. Strong distribution with ~24000 branches of SBI and more than 1 lakh agents, remain key catalyst. With annual gross premium of ₹40314 crore, AUM of ₹160360 crore in FY20, we expect operating RoEV to improve to ~15% in FY22E translating into EV growth at 14% CAGR in EV in FY20-22E to ~₹34400 crore. Therefore, we remain positive on SBI Life, being a play on growth led by distribution, brand reach and adequate product mix. A diversified product mix and strong distribution capabilities will pave the way for faster growth, market share ahead.

**Investment Rationale**

**Healthy growth with focus on linked and protection business**
SBI Life reported highest NBP growth among top private insurers at 23.6% CAGR in FY16-20, thereby increasing its market share at ~20.5%. Led by strong distribution franchise, we expect SBI Life's NBP to grow at 10.8% CAGR in FY20-22E, thereby gaining market share to the extent of 200-300 bps by FY22E. With expected rise in customer appetite, individual protection business is expected to play a crucial role as credit protect business (~15% of protection business on APE basis) is expected to stay under pressure, given decline in loan disbursement.

**Strong bancassurance, high agent productivity to drive growth**
SBI Life has a big advantage due to its tie up with SBI, which has a network of ~24000 branches. In addition, one of the largest and productive agency network adds to the distribution strength. We expect healthy traction in bancassurance, keeping it as major contributor to individual NBP at ~60-65% in FY20-22E.

**Improvement in persistency & cost efficiency to keep margins steady**
SBI Life has reported a consistent improvement in persistency across periods (61st month persistency rose from 25.5% in FY13 to 59.4% in FY20).
Improvement in persistency, focus on high margin products and cost control to increase VNB margins to 17.2% in FY22E. Increase in VNB to ₹2645 crore by FY22E is expected to lead EV to increase by ~14.4% CAGR in FY20-22E to ₹34429 crore.

**Valuation & Outlook**

Lockdown and economic slowdown is expected to make FY21E a challenging fiscal. However, SBI Life seems to be well placed to stem the tide. Change in product mix, excellent operating efficiency, competitive position in individual protection business remain key drivers. Steady persistency, strong banca partnership, focus on improving digital footprint is seen supporting growth as well as earnings. We expect business growth at ~11% CAGR and VNB margins at 17-17.5% in FY21-22E. Preferring to stay with businesses having lower balance sheet (unlike banks) and healthy fundamentals, we remain structurally positive on the stock. Hence, we maintain our BUY rating on the stock with a target price of ₹ 850 per share (earlier ₹ 800) valuing the stock at 2.5x FY22E EV (~ ₹34500 crore in FY22E). Sharp movement in capital/debt market or significant claims remains a risk.

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<th>₹ Crore</th>
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### Particular

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<td>FII holding (%)</td>
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**Risk & Concerns**

**Termination of or any adverse change in bancassurance agreement**
Bancassurance represents SBI Life’s largest distribution channel. In FY18, FY19 and FY20, the bancassurance channel contributed 62%, 64% and 60%, respectively, of its new business premium (NBP) from individual products. In particular, the company has entered into bancassurance arrangements with its promoter, State Bank of India (SBI). The bancassurance distribution channel benefits from inherent cost efficiencies resulting in lower cost of sales and greater profitability. Thus, termination of or any adverse regulatory changes could restrict company’s ability to further grow the business.

**Higher concentration of NBP generated by ULIPs**
In FY17, unit-linked products (ULIP) represented 72% of SBI Life’s new business premium (NBP) earned from individual product business. Any adverse regulatory or market development that affects sales of Ulip could materially impact business. Further, if growth of Ulip or pure protection products is not as anticipated, the company’s value of new business and profitability would be adversely impacted. If unit linked funds underperform their respective benchmarks, the company may be unable to market these products in the future and may be in a disadvantageous position as compared to competitors.

**Change in interest rates**
Life insurance companies invest AUM in various investible products where interest rate variations impact returns as well as actuarial valuation of liabilities for them. Interest rates can have substantial impact on embedded value. As on FY20, non-par policies accounted 20% of the product portfolio for individual savings, thus fall in interest rates would take a toll on earnings.

**Adverse effect of Covid-19 on business operations**
SBI Life witnessed moderation in premium accretion amid Covid-19 lockdown. Net premium growth saw a dip at ~5% YoY to ₹11863 crore, led by a slowdown in new business accretion at ₹3805 crore. Slower growth in premiums is would lead to dip in RoEV from 17.2% in FY20 to 15.2% in FY22E. Apart from this, increase in the reinsurance rates would further aggravate the premium.
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I/We, Kajal Gandhi, CA, Vishal Narolia, MBA and Yash Batra, MBA, Research Analysts, and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

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Protecting your health and Investments through insurance during uncertain times

Financial security becomes an essential requirement in today's world. While we are economically impacted by Covid-19, we fear that this could further impact our investments and financial stability. However, most of us overlook the most important financial tool that can create an effective hedge against the unwarranted events and ensures that your financial wellbeing is protected - Insurance.

Insurance is the most basic and cost effective instrument to protect your family against any unforeseen event occurred to the earner. This edition brings us the need and requirement of securing your financial well-being by insurance, continue to read the article…

Impact of Covid-19

At the macro level:

Covid-19 is different from all the past pandemics on the single fact that, it has engulfed every corner and every kind of businesses one can think of on this earth. At the backdrop of Covid-19, world GDP is expected to shrink by 5-6%. But analysts predict that countries like India, China and Indonesia may see a modest GDP growth of 1.5-2%. Whether this is some kind of optimism or a true fact, it will get verified as the scenarios unfold, but there is no doubt that India till date has handled the situation in a much better manner as compared to many developed countries.

In times of economic slowdown, companies mostly face the issue of liquidity crunch as financial institutions and banks adopt the path of risk aversion. In these times, companies with strong balance sheet and low working capital requirements are best poised to see through the situation and emerge in stronger.

One of the sectors that remained resilient in the recent market turmoil caused by panic on the spread of Covid-19, is pharma. Domestic growth of the pharmaceutical sector is expected to remain stable as demand for essentials is expected to persist. Export growth is also expected to revive in a few months as the sector is likely to benefit from currency depreciation, continuance of demand for products. Some windfall gains are expected in critical products - case in point Hydroxychloroquine, a malaria drug that is likely to be repurposed as a prophylaxis for Covid-19 treatment in some cases. Profitability is likely to improve due to lower raw material costs (due to easing commodity prices) and improving operating leverage.
At individual level:
Post the outbreak of coronavirus disease, the health crisis had a deep impact on our everyday lives and the way we perceive the world. People are following social distancing to contain the spread of the disease. Concern has emerged towards consumption and purchases as only basic necessities are available. Many individuals are also affected psychologically due to restricted movements and lack of social interactions.

How insurance cover can aid sailing through these uncertain times?
Pursuant to the circular issued by Insurance regulatory and development authority of India, all insurance companies have to comply according to the stated norms. The hospitalization expenses of the policy holders being diagnosed of Coronavirus disease, has to be settled by the insurers. So individuals who have an existing policy would be benefitted in such a situation. That doesn’t mean you cannot insure yourself in the current situation.

Many insurance companies have come up with Covid specific health plan. It offers lump sum facility if a claim is raised. Along with all the medical expenses, this comprehensive policy covers the pre and post hospitalization expenses. Typically, a policy holder has 30 days waiting period from the purchase of the policy and no claim will be granted in that period. It is advisable to check the coverage and the terms and conditions of the plan before purchasing it.

Major demand of insurance this season

- Health Insurance

Health insurance has become a necessity today. With a lifestyle encompassing stress, pollution and not enough exercise, healthcare related issues are on the rise and now Covid-19 has further added to the concerns. At the same time, healthcare is becoming increasingly expensive. A good health plan ensures that medical expenses incurred on hospitalization for more than 24 hours are covered by the insurance company. This may include room charges as well as the money spent towards the surgeon, nursing, medicines and other tests. It is always better to enroll in health insurance coverage as early as possible.

Health insurance premium increases with age, more the age, higher the premium. A health insurance policy provides a continuous and adequate lifelong cover against any eventuality, and the premium payable is also very competitive.

A family comprising of children and elderly should opt for a cover that offers more than just a normal
mediclaim. A cover that takes care of Outpatient Department expenses like the vaccination for kids, maternity expenses to regular check-ups of elderly members of the family is preferred. An individual keen to cover himself and the family against maximum risk exposure should go for a top up mediclaim cover, which provides higher hospitalization cover.

Health insurance also gives you the benefit of a cashless claim, where the hospitalization expenses are directly settled between the hospital and the insurance company.

**Features of Health Insurance:**

**Pre and post hospitalization expenses:**
Most of the policies cover hospitalization expenses - that is the medical expenses before getting admitted to the hospital and post hospitalization - while getting discharged from the hospital. It also covers expenses for a certain number of days prior to the hospitalization and specific period from the date of discharge as mentioned in the claim.

**Cashless facility:**
Health insurance enables you to avail a cashless facility without paying for the treatment on spot. As insurance companies have tie-ups with various hospitals, through Third Party Administrator (TPA) they directly settle the bills with the hospital. This comes handy to the insurers as during an emergency there is immediate treatment without the requirement to pay cash on urgent basis. Be it planned or emergency, on hospitalization the insurance company needs to be informed. In case, the expenses are above the limit and items are not covered in the policy, the insured needs to settle directly with the hospital.

**Reimbursement Facility:**
At times the policy does not cover cashless facility for specific hospitals. In such cases the policy holder needs to submit the original bills and receipts to the insurance company for reimbursement. Based on the reliability of the documents sent, they will accept or reject the claim. Thus, it’s advisable to treat yourself under the network of hospitals offered in the policy.

**Cost on Medical check-up:**
Few policies have free medical check-up in their list. While some can take provision for reimbursement of cost on health check-up based on the conditions mentioned in the policy.

**Transportation expenses:**
Travelling cost such as the ambulance charges are covered by a few policies.

**No claim bonus/ cumulative bonus:**
Health insurance provides this facility to its policy holders by giving them rewards for the years where there was no claim taken. This reward proposes two benefits that is increased sum
assured and low premiums.

**Waiting period:**
The difference in the time period of claiming one insurance to the other is said to be the waiting period. The waiting period differs from policy to policy and during that time, even if there is a medical emergency, an individual cannot claim. Some policies don’t have a waiting period and some could be ignored if policy is purchased early.

**Renewal:**
One can flexibly renew their health policy online. Some policies have lifetime renewal option.

**Online facility:**
Now policies are available online and it’s convenient for insurers to get the policy in a few clicks. This is a big change from the offline model driven by agent recommendations. In online mode, you have the opportunity to compare multiple policies and select your insurance as per your choice.

**OPD expense:**
Most policy have coverage on OPD charges.

**Tax benefit:**
Individuals are eligible to avail a tax benefit on health insurance. Under section 80D of Income tax Act, 1961 one can avail up to Rs. 25,000 tax benefit on premium paid for self, spouse and children below 60 years of age. For a senior citizen up to Rs. 50,000 can be availed. One can even claim tax deduction on expenses incurred for preventive health check-ups, up to Rs. 5,000, as a part of section 80D.

**Riders:**
It is an additional benefit that enhances and expands the coverage as per your requirement and at an effective cost.

**Different types of Riders to Health insurance:**
- **Room rent rider** - This rider enables the policy holder to opt for a room with higher sub-limit or without sub-limits. Many insurance companies have conditions on room rent such as either general or semi-private rooms in their insurance policy. With the help of this rider insured can avail room as per their choice without paying extra at the time of admission.
- **Maternity Cover** – This additional rider can insure the pre and post hospitalization and delivery expenses.
- **Hospital Cash** – this rider takes care of the daily cash that the policy holder may require for taking care of the medical expenses during hospitalization.
- **Personal Accident Rider** – This rider ensures all kinds of accidents such as accidental death, permanent total disability, permanent partial disability and temporary disability. This ensures coverage on medical expenses in case of any injury caused due to accident and includes unplanned expenses. In a
situation of death caused due to the accident, the insurance company pays an additional amount of death benefit to the beneficiary based on the policy conditions.

Likewise, there are various riders or add-ons that individuals could avail as per the company's policies and as per their requirement.

**Things to keep in mind while purchasing health insurance:**

- Check if the insurance company is IRDAI registered.
- For claiming the policy, one needs to complete 24 hours of hospitalization.
- Adequate sum assured: While choosing a health policy, make sure that the policy is taken keeping in mind the family's existing medical conditions. There should be enough of policy cover for each and every family member.
- While picking an insurance company look for it's claim settlement ratio and choose the one with quick claim authorization and settlement process.
- **Coverage:** While taking a policy, one needs to read the policy terms and check what's included and what's excluded - to ensure maximum coverage on various kinds of diseases including most of the critical illnesses.
- Take a look at the list of hospitals aligned to a particular policy. It is convenient if you have a known hospital listed in your policy.
- Meet your preferred doctor and don't forget to take a second opinion in case of a major operation.
- You need to enquire about the settlement procedure of a hospital and assess the quality of treatment before finalizing.
- More claims taken today may result into higher premiums to cover for tomorrow.
- Take a close look at the medical inflation and at the renewal of your health insurance policy to make sure that the cover matches those rising expenses.
- In case of insurance provided by an employer, one should carefully evaluate the same as many conditions may not be covered in the policy.
- At last, you need to check all the policy documents and all the doubts needs to be rectified before the actual purchase.

**Term insurance**

Term insurance is the most affordable form of life insurance. It's a type of cover that provides coverage for a certain period of time specified in years. It is purest and the most cost effective form of life insurance. At any point, if the insured dies, the nominee
receives the death compensation.

In term insurance you seek the advantage of higher life cover while you pay a nominal premium in return. For example, life cover of Rs. 1 crore is assured on paying a premium of Rs. 500 p.m. The premium payout can be done in lumpsum or regularly over a few years.

**Features of Term Insurance:**

**Larger Sum assured:** It is the amount to be received on the demise of the policy holder from the insurance company. When compared to other insurance policies, the sum assured is higher when it comes to term insurance and likewise the premium is affordable.

**Age eligibility:** The age bracket for the insurance is between 18-65 years.

**Claim settlement ratio:** This ratio reveals the percentage of claims received and paid by the insurance company for the financial year. For example, if insurers settle 70 out of 100 in a year that means, 70% of the policy holders have received their claims for the year. It is advisable to look at the claim settlement ratio of the insurance company before purchasing the policy. Higher claim settlement ratio ensures higher chances of your future claims to be settled by insurers in time.

**Health Test:** Insurance company requires a medical examination report of the policy holder to understand his/her fitness and eligibility towards the policy. The test highlights any existing medical condition and illness and keeps a track of your medical history too. According to the test the further claim procedure gets easier and at times the premiums are reduced based on the company's policy. Precise the medical report, lesser the rejection during the claim.

**Riders:** They are additional coverage that can be achieved on the existing term policy. It's a customized coverage based on the policy holder's requirements. This implies extra cost but it enhances the utility of the policy.

**Different types of Riders to life insurance:**

**Critical Illness riders** - This rider enables to protect the insured in the event of being diagnosed with a critical illness during the term of the policy. Based on the list of critical illnesses by the policy holder in case of cancer, heart attack, kidney failure, paralytic stroke, cardiac surgery or many more the payment of additional benefit is made as per the terms and conditions of the contract.

**Permanent disability benefit and accidental death or rider** - In the event of accident, this rider covers the risk of death or permanent disability.

**Waiver of premium rider** - This rider enables the policy holder to exclude paying premiums in the event of policy holder getting disabled. Similarly, if the
policy holder had opted for child plans, these riders provide the benefit of waiver of future premiums due to untimely death of the parent who are covered in the rider or plan.

**Spouse insurance rider** - This rider covers the spouse even without having to purchase a separate insurance policy.

**Guaranteed Insurability rider** - This rider enables the insured to increase the insurance cover as per the terms and conditions of the policy without further medical examination regardless of the state of health at that point of time. This rider would be preferable to young individuals who would not require to purchase additional insurance at every stage of life.

**Note:** The mentioned rider could differ based on the company’s policies.

**Benefits of term insurance:**

- The most likely benefit provided by term insurance is it’s easily affordable with higher benefit and low cost.
- **Longer coverage:** This insurance is available right until your life expectancy.
- **For loved ones:** The insurance becomes essential for your family members as after your unfortunate demise, they could benefit from the received amount for their regular expenses and their long term goals.

- **Tax Benefit:** With term insurance individual can avail tax benefit over sum assured and premiums paid under Section 80C of the Income tax Act, 1961.

- **Flexibility to pay premiums:** a few insurance company allow a flexible tenure to pay premiums like 5-10 years and you get the full coverage of the policy.

**Things to keep in mind while purchasing Term insurance:**

- Track the insurance companies claim settlement ratio thoroughly.
- Check the terms and conditions of the policy before purchasing that cover.
- Check if the premium amount is suitable to your expenses
- As a thumb rule, make sure that the cover is more than 10 times of your annual income along with your outstanding liabilities.
- To apply for term insurance, the age eligibility lies between 18 years and 65 years
- **While applying for term insurance,** you can choose the payout option for the nominee as either lump sum or monthly income.

**Tick your checklist:**

- Look for the sum assured – ensure that the policy can suffice as a safety net to your family
o Rightly select the premiums terms
o Read the payout terms carefully – based on your family requirements choose the payout terms. Make sure either of the payout option should not be taxable.

o Add riders to your policy as required
o Share the correct medical records – all the health related details should be accurate; it should not be the cause for rejection or delay in payout

o Mention your personal details rightly
o Don't forget to mention a nominee or beneficiary to the policy
o Check that the identity proof matches rightly to the details mentioned
o Re check the policy document for any error

**Summing up**
It is advisable that every individual should have health and life insurance for themselves and loved ones. This becomes even more pertinent in the current pandemic situation. Insurance can clearly reduce the stress one goes through in medical emergencies by reducing the financial burden.

*The views expressed in the article are personal views of the author and do not necessarily represent the views of ICICI Securities*
Is market approaching to recovery?

Mr. Pankaj Pandey, Head – Retail Research, ICICI Direct has shared his market outlook stating the outbreak of the corona virus will definitely have an overall impact on global as well as Indian GDP growth in the interim. He expects further downward revision in earnings, given the extended lockdown and its impact. With regards to insurance it will take precedence as people would start focusing on risk coverage both on health and any other activity/assets amid the uncertain scenario. Take a closer view of his insights on the current market...

Pankaj Pandey heads the Retail Research at ICICI Direct. He has an experience of over 18 years in the capital markets and has been associated with the company for more than 15 years. He holds a post graduate degree in management and is also a CFA (ICFAI). Under his leadership, the ICICI direct fundamental research team tracks over ~300 companies across sectors in the large/midcap/small cap & microcap universe. He also heads the technical, derivatives and MF research desk, thereby covering the entire gamut of equities based research offerings.

Q  To what extend has the Indian economy/corporate earnings been impacted by the coronavirus?

A  The outbreak of the corona virus will definitely have an overall impact on global as well as Indian GDP growth in the interim. Manufacturing, trade as well as discretionary spends (travel, leisure etc.) have taken a hit as public/goods movement were restricted. Now the estimates of negative growth is being built for India GDP in FY21. The economic, recovery, in our view should begin in gradual phase from H2FY21.

On corporate earnings, with almost nil manufacturing activity in first few phases of lockdown and slow ramp up thereafter amidst subdued consumer sentiment, we have downgraded our earnings estimates for Nifty to the tune of 18% for FY21E and 13% for FY22E. Incorporating the downward revision, we now expect Nifty earnings to grow at a CAGR of 13.2% over FY19-22E vs. expectation of 18.2% CAGR in the past. We, however, do expect further downward revision in earnings, given the extended lockdown and its impact.

Q  Do you think the markets will recover from its current stand, post release of lockdown?

A  The global market recovery will be driven by traction in economic recovery post lockdown release as well as follow up on Covid-19 spread post that. We believe that majority of the concerns of economic dislocation is visible in the index levels, currently.
Furthermore, market weakness also prices in the recent reform announcement, albeit long term positive for the economy, seen as short of market expectations. However, market yet to gain clarity on extent of the economic damage both in terms of time as well as quantum. Moreover, as economic data points gets known, further clarity should emerge on economic dislocation. We expect the volatility to continue in the near term keeping the market in a nervous mode for the time being.

Over medium to long term, we remain structurally positive on the Indian economy and equity market. While economic recovery could be U shaped, we remain a firm believer of the fact that market, being a leading indicator, is more likely to witness V shaped recovery.

Q Which sector looks appealing in the current downfall?

A Post, the fall, there are lot of sectors which look attractive. However, we would continue to prefer stock pickings through company specific approach. We continue to believe that sectors which are relatively less impacted by Covid-19 will continue to find favours. Therefore, consumer Staples and Telecom is likely to draw continued interest in this scenario. If, we notice earlier the defensive pack preference was in the order of FMCG, IT and then Pharma. Here we do witness Pharma taking a prominent weighing, going ahead, after the pandemic situation where health will be now in focus globally. Similarly, the theme of Insurance will take precedence as people would start focusing on risk coverage both on health and any other activity/assets amid the uncertain scenario.

Q Looking at the current situation in the banking sector with RBIs rate cuts, etc. What will be the impact seen on this sector? Please elaborate

A Covid-19 has continued for a longer than expected time period and is here for some more time, thereby, impact on the economy is huge and financial sector is likely to experience elevated asset quality troubles. We believe business growth will remain weak with cautious managements holding cash and preserving capital. Exposure to MSME and unsecured retail being the most vulnerable. Extension of moratorium further by 3 months to August 2020 from May, while aids borrowers in tough times, it also impacts lenders cashflow and earnings potential. In large banks 20-30% of the loan book is moratorium while NBFC have 60-70% book in moratorium. At the same time, moral hazards to credit culture due to 6 months' moratorium is yet to be seen.
However, partial lifting of the lockdown across geographies is likely to help businesses restart some operations but full revival to normalcy will take longer. Faster recovery in economic activities can contain the extent of asset quality pain. Diversified loan book and availability of low cost deposits make large private banks better than NBFCs as balance sheet management and lower growth concerns stay for the latter. Secured loan based entities are more preferable than unsecured in the current environment. Small HFCs, as a segment, can be avoided as concerns on delinquencies both on retail and developer level would stay apart from growth concerns.

**Q** What is your view on the aviation & hospitality industry?  
  
**A** Given the sector operating on the higher dollar denominated operating costs i.e. 40% of opex, along with higher w/cap requirement, we remain cautious on the sector in the medium term and prefer to have a selective stock approach. The recent outbreak of Covid-19 will have significant negative impact on airlines revenues in the current fiscal year. On the positive side, we expect sharp bounce in passenger traffic due to pent up demand once economy gets back to normalcy. Better pricing and discipline would also emerge on the back of weak balance sheets of the sector going forward. This coupled with lower crude prices would aid in improving margins post this crisis. On this backdrop, the player with healthy balance sheet would become stronger through consolidation and gaining more market share as being seen in the past.

The ongoing virus outbreak has had severe impact on the hotel bookings for FY21E with more than 70% of travellers either postponing/cancelling their travel plans. Also on the corporate side, with companies now resorting to work from home and no travel policies, we expect revenues of the sector to decline by ~30% in FY21E. As majority of hotel demand is driven by discretionary spends, the industry would take longer time to recover once the outbreak is over. On the cost front, Hotel industry has majority of its costs fixed (ie.70% of total operating costs) with power/lighting and employee costs taking the major share. With a drop in room rates owing to abysmally low levels of occupancy and a sharp fall in non-room (most profitable) revenues, hotel players are expected to take a massive hit on their profitability. Taking cues from China, which is witnessing some revival in business segment hotel demand, we also expect the business segment to gradually recover first followed by leisure segment, post lifting of lockdown. The recent broad based corrections in hotel
stocks majorly factors in this weak scenario. However, we prefer only companies with strong balance sheet and better margin profile.

Q What's your view on the demand for health and term insurance, in the Covid season?

A Health insurance premium forms ~27% (Rs. 51,000 crore) of general insurance premium of ~Rs. 189,000 crore as on FY20 in India. Covid 19 has undoubtedly created awareness of having adequate insurance plans, particularly health and term plans. Life insurers have also been allowed to sell indemnity plan (Independent health products) which was earlier done by only general insurance companies. Under penetration in Term life (pure protection) insurance in India is also a great opportunity for Life insurance companies. We expect the surge in health and life insurance (mainly term) to raise Insurance penetration and thereby benefit both general and life insurance companies.

Q For retail investor is investing in small and midcap funds an opportunity against the market?

A We are in general market cap agnostic while recommending funds to investors and take a more holistic portfolio approach with allocation to all largecap, midcap and smallcap funds basis the quality of the portfolio. It is better to allocate a larger portion of the portfolio to multicap funds as they are all-weather funds and the fund manager is in a far better position to allocate based on specific opportunity than individual investors. Current while tactically the largecap funds may offer better risk-reward trade off, many midcap funds also offer investment opportunity given that the fall has been even higher in many midcap and smallcap stocks. Existing investors in midcap and smallcap funds should continue to hold their funds as shifting allocation based on expectation of short term movement may not be desired.

Q Does reduction in oil prices benefit the Indian markets?

A India is highly dependent on crude oil from other countries and currently imports ~80% of its oil requirements. Hence, lower oil prices would be beneficial for India. Every US$10 per barrel change lowers trade deficit by ~US$ 16.5 billion which will provide India fiscal space in this uncertain times. This, in turn, will help India to maintain lower interest rates and boost government spending, which would help the Indian markets.

Q Do you think FIIIs will have a comeback in the Indian market?

A FII outflows have been in consonance with risk off in equities across the globe wherein given the
Covis-19 led uncertainty they have pulled out money across the key markets. However, key positive within this time frame have been continued investments by DII (especially MFs) who have witnessed stable flows in SIPs.

But if we look at overall global set up, Coronavirus led crisis, at the global level, is likely to present a more inward-looking focus by economies as they would now seek to lower their dependencies on others. The trade relationships could also brace up for shocks in terms of duties and embargos ahead. Amid this and rising outcry on overall dependence of major economies on China, India is bound to emerge as an alternative production destination. This growth potential will drive FII interest over the medium to long term.

What should be the parameters for investors to pick quality stocks to their portfolio?

A. The parameters for our stock picks mainly include:

- From financial perspective, these companies have capital efficient business (track record of healthy RoCE across cycles driven by stable margins and progressive asset turns), solid balance sheets (which includes comfortable working capital and capex cycle) coupled with ability to generate strong cash flows and comfortable leverage profile. More importantly, have track record of creating shareholder wealth across business cycles.
- Strong brands and products with established distribution network coupled with reasonable pricing power.
- Credible management and clean governance record, who have seen such turbulence in past and have come out stronger of such crisis.

Disclaimer:
ICICI Securities Limited is a SEBI registered Research Analyst having registration no. INH000000990. The contents herein above shall not be considered as an invitation or persuasion to trade or invest. The views expressed in the interview are personal views of the author and do not necessarily represent the views of ICICI Securities.
Q. I am a house wife aged 76. I did not have any independent income up to FY 2018-19 and as such I had to never file any income tax return. I have my PAN and Aadhar cards. My husband has a savings bank account in HDFC Bank and I am a joint account holder in that account. In Dec 2008, My husband had taken a Life-stage Pension policy in my name from ICICI Pru and had been paying a yearly premium of Rs. 50000, which matured in Dec 2018. And on maturity, one third of the maturity proceeds was received in cash and the balance of two thirds was invested in a fresh immediate annuity under LIC’s Jeevan Akshay was taken through a direct cheque issued by ICICI Pru to LIC. In Dec 2019, an annuity payment of about Rs. 45000 was received by me which is deposited in the joint account and this annuity will be continued for 20 years. In Dec 2019, I also received a gift of Rs 6 lakhs by cheque from my own elder brother in Kerala along confirmed by a notarized declaration declaring that he is giving a voluntary gift from his account out of the sale proceeds of a portion of ancestral property, to his own younger sister that is me.

This cheque is deposited in the joint account and may fetch some savings bank interest. I hope to invest part of this gift in buying an annuity from ICICI Pru. Or I may invest in a short term FD in a few days in which case some interest may accrue for a period of less than a month in Fy 19-20. I do NOT have any other income. Thus the maximum income (from interest and the annuity) will not exceed 50000 to 55000 Rupees in FY 2019-20

My Queries:
(a) Do I have to file tax return for AY 2020-21?
(b) I am informed that this gift of 6 lakhs from my elder brother is tax-free. Pl confirm.
(c) Do I have to declare the receipt of this gift and if so how?

- Subbalakshmi Raman

A. (a) It is not mandatory to file tax if your income is less than the taxable limit. However, as you have received a gift of Rs.6 lakh during the FY 2019-20, the same needs to be reported and hence, filing income tax return is advisable.

(b) Yes, any gift received, irrespective of the amount, from close relatives is exempt
Annualized rolling returns are useful in comparing the consistency in performance of investments. Instead of depending on point-to-point returns (which is used commonly in the industry), rolling returns will give a true picture as to how an investment has performed on an average, for each of the time intervals in the past, providing a true picture on performance of a particular investment over market cycles.

Q. I have a life-stage pension policy taken in 2009 with no sum assured for 10 years. It was getting matured on 31st December 2019. Every year I was paying a premium of 20,000. So I have paid Rs. 2 lakhs total as premium amount for 10 years. On maturity in 2019, the proceeds will be used for 1/3 commuting and 2/3 for annuity for pension as per policy terms. I am 64 years now and retired from services and I have surrendered the policy now in last month October 2019 & I have got value of approx. Rs. 3 lakhs for my policy in my bank account. I want to know that this total amount of 3 lakh will be taxed by clubbing to my income or only 1 lakh to be shown in ITR after deduction of 2 lakhs which is paid by me as premium for last 10 years. Under what section I have to fill this from tax.

(c) You would have to report this gift under 'Exempt Income' head in your Income Tax Return.

Q. What is meant by rolling returns which is used for performance measure in Product Presentation?

A. In our product presentation for EIP, we have calculated past performance for each of our recommended portfolio. The period of study is from January 3, 2011 till June 13, 2019. 1 Year Rolling Return will calculate the portfolio return for each of the 1-year interval in this study period. For example, one set of returns are calculated from January 3, 2011 till January 2, 2012; second set of returns are calculated from January 4, 2011 till January 3, 2012; third set of returns are calculated from January 5, 2011 till January 4, 2012 & so on. All these are 1 year annualized returns for each of the 1-year interval available in the entire study period.

Similarly, we have calculated rolling returns for each 3 Year, 5 Year & 7 Year intervals during the entire study period from Jan. 3, 2011 till Jun. 13, 2019. At the end we take average of all sets for the specific period and use the same for comparison.
You can also go through the step-by-step guide which will help you navigate the different pages in EIP platform.

Q. What is the total cost incurred by EIP subscriber, considering the expense ratio of each ETF in the portfolio?

- Sanjay Agrawal

A. For an EIP subscriber, the only additional cost borne by the investor will be quarterly advisory fee of 0.15% of the quarterly average AUA, plus GST. (Assets Under Advice or AUA is the end of day market value of your ETF advised portfolio, captured every trading day for the purpose of calculating the advisory fee). There is no brokerage for any transaction triggered by the EIP platform (lumpsum buy, SIP, re-balance). Statutory charges like STT, Stamp Duty, SEBI Turnover Charges etc. will continue to be levied as usual on each transaction. These charges usually form about 0.020% - 0.040% of the total trade value.

Expense Ratio for any ETF is charged by the AMC directly. However, expense ratio is already accounted for before arriving at the NAV of any ETF. If we consider expense ratio as well, following is the cost structure for an EIP subscriber – the cost will differ

Q. I already placed a lumpsum purchase of Rs. 50,000. How do I place additional investment request?

- Mashood Shakoor

A. You can place additional investment request via lumpsum or SIP by visiting the 'Invest More' page. Pathway is Research & Advisory >> ETF Intelligent Portfolios >> Related Links >> Invest More.
depending on the portfolio chosen / target allocation % chosen by each subscriber. The expense ratios are based on the latest data as shared by the respective AMCs.

<table>
<thead>
<tr>
<th>Portfolio wise Cost</th>
<th>Conservative</th>
<th>Moderate</th>
<th>Aggressive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Expense Rate (%) (A)</td>
<td>0.09%</td>
<td>0.12%</td>
<td>0.15%</td>
</tr>
<tr>
<td>Advisory Fee p.a. (incl. GST of 18%) (B)</td>
<td>0.71%</td>
<td>0.71%</td>
<td>0.71%</td>
</tr>
<tr>
<td>Total Cost (%)</td>
<td>0.80%</td>
<td>0.83%</td>
<td>0.86%</td>
</tr>
</tbody>
</table>

Do you also have similar queries to ask our experts? Write to us at: moneymanager@icicisecurities.com.
Gold is traditionally seen as a safe investment in times of political or economic turbulence. The yellow metal usually does well during geopolitical turmoil and the current crisis over Korea’s nuclear capability has boosted the prospects of the yellow metal. Crises such as wars, which have a negative impact on prices of most asset classes, have a positive impact on gold prices since the demand for gold goes up as a safe haven for parking funds.

These are golden days for gold. In 2019, its price surged almost 20% in dollar terms. If 2019 ended well for the metal, then 2020 has started even better. This week, the price of gold hit its highest level in seven years, climbing to around US$1700 ounce.

An unprecedented lockdown of many cities around the world to prevent the spread of Covid-19 and its all-encompassing impact on the global economy has sent capital markets into a tailspin. Consequently, central bankers across the world have resorted to unprecedented monetary policies from cutting interest rates to near zero level to massive quantitative easing. The uncertain impact of the Covid-19 on global economy resulted into a sharp fall in equity markets, commodity markets along with depreciating currencies has led investors to scout for relatively stable asset class. Accordingly, in the currently never before seen uncertainty and risk aversion environment, gold seems to be an appropriately placed asset class for global investors.

Relatively safe haven asset like US treasuries have already rallied significantly with negative yielding debt increasing. Simultaneously, with very low bond yields elsewhere, expected returns from bond markets have reduced significantly. With major global central bankers already lowering rates significantly, further scope for a reduction in rates is either not there or very limited. This limits expected bond returns, going forward. Accordingly, gold may become an attractive and more effective diversification compared to bonds, resulting in a higher portfolio allocation.

For Indian investors, gold has been an effective asset class from a diversification perspective as apart from global price movement, rupee depreciation has helped it deliver better returns. Holding some portion of the portfolio in gold provides effective diversification.

Performance of Gold globally so far:

Gold is traditionally seen as a safe investment in times of political or economic turbulence. The yellow metal usually does well during geopolitical turmoil and the
current crisis over Korea’s nuclear capability has boosted the prospects of the yellow metal. Crises such as wars, which have a negative impact on prices of most asset classes, have a positive impact on gold prices since the demand for gold goes up as a safe haven for parking funds.

The current Covid-19 virus outbreak is likely to boost safe haven demand for gold as seen earlier during major global geopolitical or other events. However, gold has not just seen higher buying interest during periods like current market turmoil. It has been a long term performing asset class, especially in the Indian context. Annualised long term return since 1970s in US$ terms is ~3.3%. However, during similar periods, the return in Indian rupee terms is around 8.8%. The return difference can be explained through the rupee depreciation against the US dollar, which is at around 4.0% during the same period in the last 40-50 years. Even the inflation differential between the US and India is around similar levels of around 4.0%

**Accentuated economic growth concerns due to Covid-19 makes preference for gold stronger**

Economic growth is likely to be significantly impacted by the current lockdown due to rising Covid-19 threat on human life. To counter dwindling growth, global central bankers have cut interest rates aggressively. Gold and interest rates traditionally have a negative correlation. It is not guaranteed but usually gold prices go up when interest rates go down and down when rates go up. The reasoning behind this is that higher interest rates mean higher opportunity costs of holding non-interest bearing assets, such as precious metals, making them relatively less attractive. Basically, gold pays neither dividends nor interest. Thus, it is relatively expensive to hold in the
portfolio when real interest rates are high and relatively cheap when real interest rates are low. In other words, the higher interest rates are, higher are carrying costs. However, the relationship is not linear. Gold prices tend to increase significantly only during periods of negative real interest rates. This is because negative interest rates, i.e. the situation when the inflation rate is higher than the nominal interest rate (the rate which is actually paid), means that creditors are losing money. Therefore, they are more prone to buy gold, even though it does not bear interest or dividends. In other words, gold then reclaims its traditional role as money and a store of wealth, which will at least keep pace with inflation to preserve the purchasing power of the capital while bonds guarantee a real loss at negative real interest rates.

Interest rates are different for every nation, with varying impact upon their economies and the price of gold in those countries. Rates in the US have a greater influence than most and because gold is predominantly traded in US dollars, its interest rates have a significant impact on gold price.

Currently, where around 25% of developed market sovereign debt is trading with negative nominal rates and, once adjusted for inflation, a significantly higher amount trades with negative real rates, the opportunity cost of gold almost goes away, even providing what can be seen as a positive “cost of carry” relative to sovereign bonds.

Gold prices have responded to the surge in negative real-yielding debt, as evidenced by the strong positive correlation between the amount of debt and price of gold over the past four years. To some degree, this illustrates the erosion of confidence in fiat currencies related to monetary intervention. Exhibit 3: Since start of CY20, almost all major central bankers have cut rates aggressively.

Exhibit 3: Since start of CY20, almost all major central bankers have cut rates aggressively

Source: Bloomberg
Central bank buying gold to diversify their holdings

Global central banks are looking to diversify their holdings by adding gold to their corpus. Predominantly, US treasuries are believed to be a larger proportion of their holdings. Central banks accumulated over 668 tonnes in gold purchases in CY19, more than 2018’s record numbers of 652 tonnes. Heightened geopolitical and economic uncertainty throughout the year increasingly drove central banks to diversify their reserves and re-focus their attention on the principal objective of investing in safe and liquid assets. Central banks have bought significant amount of gold in the last two years. Central bank net purchases crossed 650 tonnes in 2018, 74% higher than 2017. In 2019, gold buying by central banks continued and reached another all-time levels of 668 tonnes. The last two years have seen the highest level of annual net purchases since the suspension of dollar convertibility into gold in 1971. These institutions now hold nearly 35,000 tonnes of gold.

In the present situation, one gets the opportunity to invest in gold through Sovereign Gold Bonds and Gold ETFs. Below mentioned extracts of these investments will help you understand better.
Sovereign Gold Bonds

Reserve Bank of India (RBI) through its notification on April 13, 2020, announced the launch of Sovereign Gold Bonds (SGBs) 2020-21. These bonds will be issued in six tranches from April 2020 to September 2020. The discount of Rs. 50/gram will be available for investors applying online and making payment using digital modes. Investors will get additional interest at the rate of 2.50% per annum on the nominal amount. They will continue to have full exposure to gold prices to the extent of amount deposited.

SGBs offer a good alternative to take exposure to gold as it offers additional interest. There are no annual recurring expenses and capital gains arising on redemption of the sovereign gold bond scheme would be exempt from tax. If these bonds are sold in the secondary market before maturity, capital gains arising on such transaction will taxed @ of 20% with indexation if sold on or after three years and would be subject to marginal tax rate if sold before three years.

Issue Details

<table>
<thead>
<tr>
<th>Offer Period</th>
<th>Subscription opens on April 20, 2020 and closes on April 24, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue Price</td>
<td>Nominal value of the Bonds shall be fixed in Indian Rupees on the basis of simple average of closing price of gold of 999 purity published by the India Bullion and Jewellers Association Limited for the last three business days of the week preceding the subscription period. The issue price of the Gold Bonds will be Rs. 50 per gram less than the nominal value to those investors applying online and the payment against the application is paid through digital mode. The Nominal value and issue price of the current tranche would be notified by RBI on Friday evening.</td>
</tr>
<tr>
<td>Maturity</td>
<td>8 years with exit option from 5th year to be exercised on the interest payment dates. These bonds shall be traded on exchanges.</td>
</tr>
<tr>
<td>Subscription Limit</td>
<td>Minimum 1 grams of gold, Maximum- 4000 grams (4kgs) of gold per person in a fiscal year (April- March). Available in units of one gram of gold &amp; multiples thereof.</td>
</tr>
<tr>
<td>Taxation</td>
<td>Capital gain tax arising on redemption of SGBs to an individual has been exempted. If sold in secondary market before maturity, capital gains will taxed of 20% with indexation if sold on or after 3 years and would be subject to marginal tax rate if sold before 3 year.</td>
</tr>
<tr>
<td>Interest</td>
<td>2.50% fixed per annum payable semi-annually</td>
</tr>
</tbody>
</table>

Source: RBI
Gold is the best way to own a dollar asset as all other asset classes like overseas funds, gold mining companies, etc, have higher underlying volatility. Sovereign gold offers one of the best ways to hold gold if interment liquidity is not in consideration.

Six tranches from April 2020 to September 2020

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Tranche</th>
<th>Date of Subscription</th>
<th>Date of Issuance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2020-21 Series I</td>
<td>April 20 to April 24, 2020</td>
<td>28-Apr-20</td>
</tr>
<tr>
<td>2</td>
<td>2020-21 Series II</td>
<td>May 11 to May 15, 2020</td>
<td>19-May-20</td>
</tr>
<tr>
<td>3</td>
<td>2020-21 Series III</td>
<td>June 08 to June 12, 2020</td>
<td>16-Jun-20</td>
</tr>
<tr>
<td>4</td>
<td>2020-21 Series IV</td>
<td>July 06 to July 10, 2020</td>
<td>14-Jul-20</td>
</tr>
<tr>
<td>5</td>
<td>2020-21 Series V</td>
<td>August 03 to August 07, 2020</td>
<td>11-Aug-20</td>
</tr>
<tr>
<td>6</td>
<td>2020-21 Series VI</td>
<td>August 31 to September 04, 2020</td>
<td>8-Sep-20</td>
</tr>
</tbody>
</table>
Gold ETFs

Holdings of gold by global exchange-traded funds are at a record high as investors sought safety from recent weakness in equities and worries about the Covid-19 virus hurting the global economy. Global goldbacked ETFs (gold ETFs) witnessed net inflows of US$23 billion or 298 tonnes in January-March 2020 quarter taking holdings to a new all-time high of 3,185 tonnes. Assets under management (AUM) rose to a record high at US$157 billion at the end of February 2020.

Gold ETFs witnessed a sharp rise triggered by flight to safety amid the Covid-19 pandemic that hit the world economy hard. Gold ETF/gold fund are the best way to own gold in liquid form. Nippon India ETF Gold BEES and ICICI Pru Gold ETF are better placed in terms of highest AUMs and lower denomination in terms of NAV.

Exhibit 5: Gold backed ETF holdings reach new highs

![Graph showing gold backed ETF holdings reach new highs]

*Source: World Gold Council*
1. Nippon India ETF GOLD BEES

Objective:

The Scheme employs an investment approach designed to track the performance of physical gold. It seeks to achieve this goal by investing in physical gold and gold related securities.

NAV as on Mar 31, 2020: ₹ 38.5696

Performance of Nippon India ETF Gold BeES as on 31/03/2020

<table>
<thead>
<tr>
<th>Scheme Name/s</th>
<th>1 Year CAGR %</th>
<th>3 Year CAGR %</th>
<th>5 Year CAGR %</th>
<th>Since Inceptio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nippon India ETF Gold BeES</td>
<td>36.87</td>
<td>13.66</td>
<td>9.63</td>
<td>11.35</td>
</tr>
<tr>
<td>B: Domestic Prices of Gold</td>
<td>38.17</td>
<td>14.86</td>
<td>10.64</td>
<td>12.44</td>
</tr>
<tr>
<td>AB: N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

**Value of ₹10000 Invested**

<table>
<thead>
<tr>
<th>Scheme Name/s</th>
<th>1 Year CAGR %</th>
<th>3 Year CAGR %</th>
<th>5 Year CAGR %</th>
<th>Since Inceptio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nippon India ETF Gold BeES</td>
<td>13,722</td>
<td>14,689</td>
<td>15,847</td>
<td>40,781</td>
</tr>
<tr>
<td>B: Domestic Prices of Gold</td>
<td>13,854</td>
<td>15,159</td>
<td>16,589</td>
<td>46,300</td>
</tr>
<tr>
<td>AB: N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

Inception Date: Mar 8, 2007

B - Benchmark | AB - Additional Benchmark

Fund Manager: Mehul Dama (Since Nov 6, 2018)

Source: Nippon India Mutual Fund

PERFORMANCE OF OTHER OPEN ENDED SCHEMES MANAGED BY FUND MANAGER: Mehul Dama

<table>
<thead>
<tr>
<th>Scheme Name/s</th>
<th>1 Year Return</th>
<th>CAGR %</th>
<th>3 Years Return</th>
<th>5 Years Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 3</td>
<td>Scheme</td>
<td>Benchm</td>
<td>Scheme</td>
<td>Benchm</td>
</tr>
<tr>
<td>Nippon India Gold Savings Fund#</td>
<td>35.39</td>
<td>38.17</td>
<td>12.91</td>
<td>14.86</td>
</tr>
<tr>
<td>Nippon India ETF Shariah BeES*</td>
<td>-13.62</td>
<td>-12.85</td>
<td>1.23</td>
<td>2.42</td>
</tr>
<tr>
<td>Nippon India ETF Consumption*</td>
<td>-14.84</td>
<td>-14.77</td>
<td>1.76</td>
<td>1.89</td>
</tr>
<tr>
<td>Bottom 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nippon India ETF Infra BeES*</td>
<td>-25.68</td>
<td>-24.71</td>
<td>-8.07</td>
<td>-6.94</td>
</tr>
<tr>
<td>Nippon India ETF Nifty Midcap 150</td>
<td>-30.21</td>
<td>-29.88</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Nippon India ETF PSU Bank BeES*</td>
<td>-60.19</td>
<td>-60.03</td>
<td>-28.03</td>
<td>-27.67</td>
</tr>
</tbody>
</table>

Source: Nippon India Mutual Fund

You can view the performance and know more about this ETF on the following link: https://www.nipponindiamf.com/FundsAndPerformance/Pages/NipponIndia-ETF-Gold-BeES.aspx
2. ICICI Pru Gold ETF

Objective:

Gold funds provide returns closely in-line with the return provided by the price of gold.

Fund Manager: Manish Banthia (since 17th September 2012)

NAV movement:

![NAV and Price chart]

Trailing Returns (%)

<table>
<thead>
<tr>
<th>Fund</th>
<th>YTD</th>
<th>1-Day</th>
<th>1-W</th>
<th>3-M</th>
<th>6-M</th>
<th>1-Y</th>
<th>3-Y</th>
<th>5-Y</th>
<th>7-Y</th>
<th>10-Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Price of Gold</td>
<td>21.39</td>
<td>0.42</td>
<td>-0.09</td>
<td>16.45</td>
<td>19.06</td>
<td>24.1</td>
<td>51.45</td>
<td>17.06</td>
<td>12.15</td>
<td>8.76</td>
</tr>
<tr>
<td>Commodities: Gold</td>
<td>22.21</td>
<td>0.24</td>
<td>0.39</td>
<td>11.78</td>
<td>19.42</td>
<td>24.85</td>
<td>50.59</td>
<td>16.49</td>
<td>10.88</td>
<td>7.39</td>
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<td>Rank within category</td>
<td>20</td>
<td>15</td>
<td>11</td>
<td>21</td>
<td>19</td>
<td>19</td>
<td>17</td>
<td>18</td>
<td>17</td>
<td>10</td>
</tr>
<tr>
<td>Number of funds in category</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
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<td>6</td>
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</table>

As on 24-April-2020

Risk Measure (%)

<table>
<thead>
<tr>
<th>Fund</th>
<th>Mean</th>
<th>Std Dev</th>
<th>Sharpe</th>
<th>Sortino</th>
<th>Beta</th>
<th>Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Price of Gold</td>
<td>14.57</td>
<td>11.68</td>
<td>0.77</td>
<td>1.22</td>
<td>0.94</td>
<td>-0.58</td>
</tr>
<tr>
<td>Commodities: Gold</td>
<td>13.45</td>
<td>11.28</td>
<td>0.7</td>
<td>1.22</td>
<td>0.94</td>
<td>-0.58</td>
</tr>
<tr>
<td>Rank within category</td>
<td>15</td>
<td>14</td>
<td>17</td>
<td>19</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Number of funds in category</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
</tbody>
</table>

The Risk Measures have been calculated using calendar month returns for the last three years.

As on 31-Mar-2020

Source: Value Research

You can view the performance and know more about this ETF on the following link: https://www.valueresearchonline.com/funds/11347/icici-prudential-gold-exchange-traded-fund#discrete-period-graph

I-Sec is a SEBI registered Research Analyst having registration no. INH000000990. Investors can refer Research Analyst details and funds specific regulatory disclosures in the Research Reports issued for respective funds which can be accessed on www.icicidirect.com.
CoVid19 panic - Exit or a buying opportunity?

Globally equity markets (including India) have taken a beating, correcting significantly in a relatively short span of time. A million-dollar question right now, Is it a buying opportunity or an exit indicator to enter later? The novel corona-virus has spread from a few hundred cases being reported pre-dominantly from the Hubei province of China, to all over the world taking the total tally of affected people globally to more than 1,20,000 and the death toll also rising at an alarming rate. It is definitely going to have an impact on global growth. But is it discounted?

Historically, buying at sharp dips has been rewarding as markets recover after initial reaction but timing may be unknown. Do you think this time it's different?

Share your thoughts with fellow 120000 traders and investors on iCommunity.

https://community.icicidirect.com/covid19-panic---exit-or-a-buying-opportunity-

Q & A Forum – Trending question of the month

Seek answers to your queries regarding investments, personal finance, and much more...

✦ In current environment what do you think cash rich companies will do? Buy back a bulk of their shares from share holders?
  Which are the cash rich companies that you recommend?

✦ Please advise how can I offer Sterlite tech shares for buy back?

✦ How do it convert Reliance Petroleum shares to Reliance Industry Shares. I purchased it in 2006, I did not convert yet. What should be the process.

✦ How to buy SGB sovereign gold bond?
Our indicative large-cap equity model portfolio is delivering returns (inclusive of dividends) of 116.3% till date (as on April 30th, 2020) since its inception (June 21st, 2011) vis-à-vis the benchmark index (S&P BSE Sensex) return of 86.9% during the same period, a performance of 29.4. This validates our thesis of selecting companies with sound business fundamentals that forms the core theme of our portfolio. We have revised stocks in our midcap portfolio. It continues to perform, delivering 186.4% (inclusive of dividends) till date (as on April 30th, 2020) vis-à-vis the benchmark index (CNX Midcap) return of 71.1%, a performance of 115.3. Our consistent performance demonstrates our superior stock picking ability as markets aligned to our view of favourable risk reward, good franchisee vs. reward-at-any-risk businesses.

We have always suggested the SIP mode of investment and still find a lot of merit in it as the preferred mode of deployment given the market conditions and volatility associated since the inception of the portfolio. We highlight that the SIP return of our portfolio has consistently outperformed the indices.

Following the same pace and opportunities in the market, our latest portfolio (large caps) remains overweight on BFSI sector – HDFC Bank (10%), HDFC Limited (9%), Axis Bank (6%) Bajaj Finance (6%) and SBI (6%). Large cap portfolio remains unchanged while we made fresh changes to our midcap portfolio. Reliance Nippon Life Asset Management and Mahanagar Gas are the latest addition to the mid-cap portfolio, both given 6% weightage. Please note that Somany Ceramics and Arvind Fashions have been removed from the mid-cap and diversified model portfolio. The weightage for State Bank of India and Divis Laboratories have been revised. Affirming our view on consumption demand, Dabur (5%) and Marico (4%) continue to be part of our large cap portfolio.

We remain positive on IT and pharma. We remain overweight to neutral on pure play defensives (IT, FMCG) as secular earnings coupled with sector rotation could lead to consolidation in near term valuations and offer stock specific opportunities.

We continue to remain underweight on metals and oil & gas with our only pick being Gail Ltd., which has a better risk reward opportunity. Among individual names, we recommend TCS in the IT space, HDFC and HDFC Bank in the BFSI space and ITC in consumer space.
<table>
<thead>
<tr>
<th>Name of the company</th>
<th>Model Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Largecap (%)</td>
</tr>
<tr>
<td><strong>Largecap Stocks</strong></td>
<td></td>
</tr>
<tr>
<td>Mahindra &amp; Mahindra (M&amp;M)</td>
<td>4.0</td>
</tr>
<tr>
<td>HDFC Bank</td>
<td>10.0</td>
</tr>
<tr>
<td>Axis Bank</td>
<td>6.0</td>
</tr>
<tr>
<td>HDFC Limited</td>
<td>9.0</td>
</tr>
<tr>
<td>Bajaj Finance</td>
<td>6.0</td>
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<tr>
<td>State Bank of India</td>
<td>8.0</td>
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<tr>
<td>Larsen &amp; Toubro</td>
<td>6.0</td>
</tr>
<tr>
<td>UltraTech Cement</td>
<td>4.0</td>
</tr>
<tr>
<td>Dabur India</td>
<td>5.0</td>
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<tr>
<td>Marico</td>
<td>4.0</td>
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<tr>
<td>ITC</td>
<td>6.0</td>
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<tr>
<td>Nestle India</td>
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<tr>
<td>Tata Consultancy Services</td>
<td>6.0</td>
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<tr>
<td>Tech Mahindra Limited</td>
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<tr>
<td>Hindustan Zinc</td>
<td>6.0</td>
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<tr>
<td>GAIL Ltd.</td>
<td>5.0</td>
</tr>
<tr>
<td>Divis Laboratories</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
</tr>
<tr>
<td>Name of the company</td>
<td>Model Portfolio</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td></td>
<td>Largecap (%)</td>
</tr>
<tr>
<td><strong>Midcap Stocks</strong></td>
<td></td>
</tr>
<tr>
<td>Bharat Forge</td>
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<tr>
<td>Bajaj Finserve</td>
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<td>Indian Bank</td>
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<tr>
<td>AIA Engineering</td>
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<tr>
<td>Kalpataru Power transmission</td>
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<tr>
<td>Ramco Cement</td>
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<tr>
<td>Kansai Nerolac</td>
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<tr>
<td>Pidilite Industries</td>
<td>6.0</td>
</tr>
<tr>
<td>Tata Chemicals</td>
<td>6.0</td>
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<tr>
<td>Bata India</td>
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<tr>
<td>Brigade Enterprises</td>
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<tr>
<td>Reliance Nippon Life Asset Management</td>
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<td>Firstsource Solutions</td>
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<td>Container Corporation of India</td>
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<td>Syngene International</td>
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<td>Mahanagar Gas Ltd</td>
<td>6.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Midcap share in diversified 30

**TOTAL** 100.0

ICICI Securities has received an Investment Banking mandate from Kalpataru Power Transmission.
Performance so far since inception*

*Returns (in %) as on April 30th, 2020

Large-cap Portfolio Benchmark: BSE Sensex; Mid-cap Portfolio Benchmark: CNX Midcap; Diversified Portfolio Benchmark: Combination of BSE Sensex and CNX Midcap

Value of Rs 1,00,000 invested via SIP at end of every month

Start date of SIP: June 30, 2011; *Value as on April 30th, 2020
1. Which sectors has remained resilient in the recent market turmoil caused by panic on the spread of Covid-19?

2. Insurance companies have tie-ups with various networks of hospitals, through ________ they directly settle the bills with the hospital.

3. An additional insurance benefit that enhances and expands the coverage as per your requirement and at an effective cost?

4. One needs to complete ____ hours of hospitalization, to claim the policy.

5. It is the purest and the most affordable form of insurance?

6. In health insurance, no claim bonus proposes two benefits that is increased _____ and low _____.

Note: You may send in your answers at: moneymanager@icicisecurities.com. The answers will be published in our next edition. The names of the earliest all correct entries will be published too. So jog your grey cells and be quick to send in your entries.

Correct answers for the the February 2020 Quiz is:

1. Self-employed individuals who don't receive HRAs, could claim up to Rs. 60,000 deductions under section 80GG.

2. Few companies enable employees leaves encashment facility? – True

3. An individual can utilize voluntary retirement benefit even before reaching the actual date of retirement or before superannuation phase.

4. How many years of service is required to avail gratuity benefit? – 5 years

5. One can avail deduction of Rs. 5 lakh under section 10(10C) of VRS multiple times? False as for VRS deduction is allowed just once.

6. In a superannuation, defined benefit plan has fixed contribution made by the employer.

7. Interest earned on the remaining 2/3rd amount in annuity is tax free? - False

8. ESOP option is not prevailed to Companies directors and promoters. - True
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