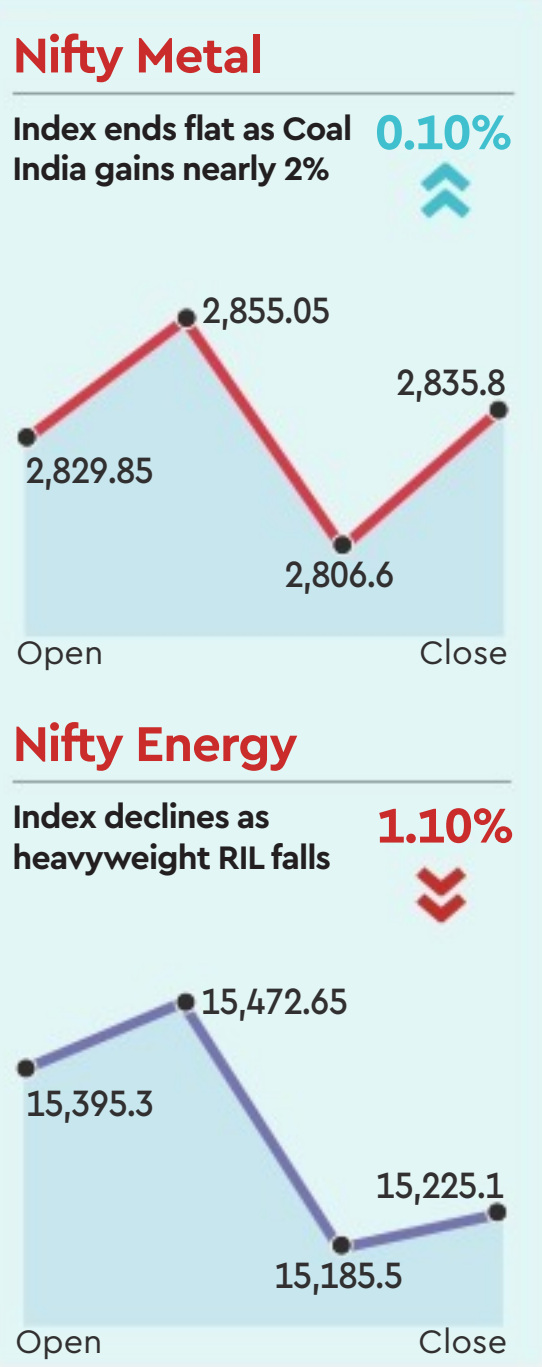
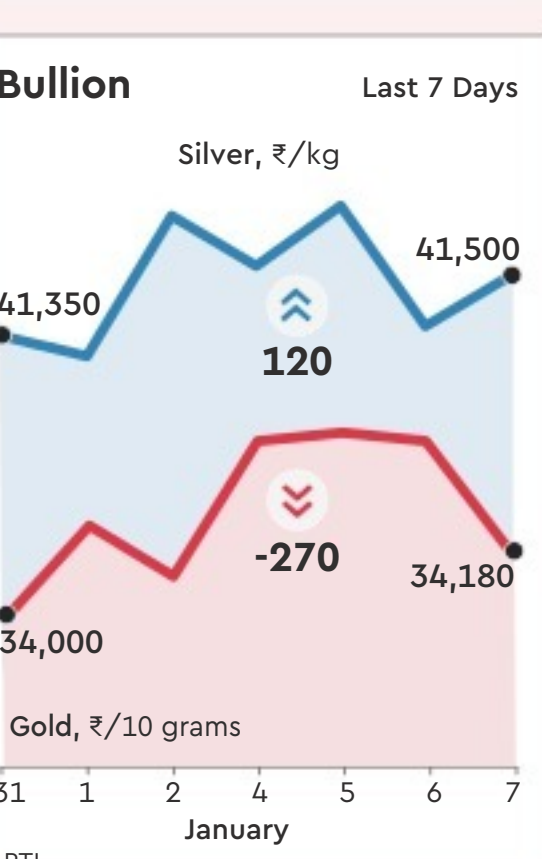


Street Signs



February 5
INDIAN BASKET CRUDE
\$62.86 BBL
₹4,509.64 BBL
EXCHANGE RATE
₹71.75/\$



PRICE POINTS
February 7

	Del	Mum	Kol	Blr
Rice	36	33	28	52
Wheat	25	35	NR	36
Tur dal	89	76	78	76
Potato	15	26	10	32
Sugarcane	39	40	38	37
Mustard oil	121	124	102	132

Price in ₹/kg for Delhi, Mumbai, Kolkata and Bengaluru. Source: Dept of consumer affairs

Quick View

RBI imposes ₹1-cr penalty on SBI for violation of norms

State Bank of India on Thursday said the Reserve Bank of India has slapped ₹1 crore penalty on the country's largest lender for violating norms. RBI "in exercise of powers conferred under Section 47 A of the Banking Regulation Act, 1949 has levied a penalty of Rupees one crore on the bank for not monitoring the end use of funds in respect of one of its borrowers," SBI said in a regulatory filing. SBI, however, did not share details of the borrower and the loan amount given to the borrower.

21 firms under NSE's short-term surveillance

AS MANY AS 21 firms including Religare Enterprises, Reliance Naval and Engineering, and Binani Industries have come under short-term additional surveillance measure (ASM) framework of the NSE, according to the latest data available with the exchange. Among other companies in the list are Ballarpur Industries, GTL Infrastructure, Mandhana Industries and Sri Adhikari Brothers Television Network.

BSE to suspend seven suspected shell firms

THE BSE HAS decided to suspend as many as seven suspected shell companies from Friday after they failed to provide the information sought by forensic auditors in a time-bound manner. The firms facing suspension are Aadhaar Ventures India, Blue Circle Services, IKF Technologies, Prabhav Industries, ST Services, Silverpoint Infratech and Winy Commercial & Fiscal Services, the BSE said in a circular. The securities of these companies shall be suspended with effect from Friday, February 8, 2019, until further notice.

ADVERSE WEATHER IMPACT
CAI lowers cotton crop estimate for 2018-19 to 330 lakh bales

The main reason for the decline in the estimates of the crop is mainly due to farmers in the southern zones uprooting their cotton plants following moisture deficiency which has left no scope for third or fourth pickings



PRESS TRUST OF INDIA
Mumbai, February 7

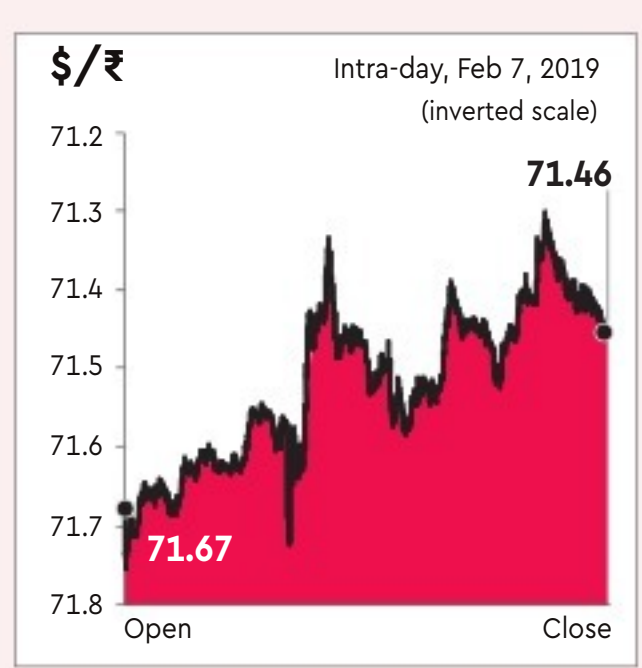
THE COTTON ASSOCIATION of India (CAI) on Thursday lowered its January estimate of the cotton crop by 5 lakh bales than its previous estimate to 330 lakh bales (of 170 kgs each) for the 2018-19 season, beginning from October 1, 2018. The main reason for the decline in the estimates of the crop is mainly due to farmers in the southern zones, including Andhra Pradesh, Karnataka and Telangana, uprooting their cotton plants following moisture deficiency which has left no scope for third or fourth pickings, CAI said in a release here. Earlier, in the December estimate, CAI had projected 335 lakh bales. The CAI has reduced the crop estimates for Telangana by 2.50 lakh bales to 45 lakh bales, Andhra Pradesh by 50,000 bales to 16 lakh bales and Karnataka by 2 lakh bales to 15 lakh bales. The total cotton supply for October 2018 to January 2019 is projected at 198.80 lakh bales, which consists of the arrival of 170.32 lakh bales and of 5.48 lakh bales up to January 31, 2019 and the opening stock at the beginning of the season (estimated at 23 lakh bales). Further, the CAI has estimated cotton

consumption during October 2018 to January 2019 at 105.34 lakh bales while the export shipment of cotton up to January 31, 2019 has been estimated at 24 lakh bales. Stock at the end of January is estimated at 69.46 lakh bales, including 39 lakh bales with textile mills and the remaining 30.46 lakh bales with Cotton Corporation of India (CCI) and others (MNCs, traders, ginners among others). The total cotton supply till end of the cotton season, up to September 30, 2019 has been estimated at 380 lakh bales, which consists of the opening stock of 23 lakh bales at the beginning of the season, cotton crop for the season at 330 lakh bales and imports estimated at 27 lakh bales. Imports are estimated to be higher by 12 lakh bales. The CAI has estimated domestic consumption of 316 lakh bales, which is lower by 4 lakh bales compared to the consumption figure estimated during the last month, while the exports estimated for the season 2018-19 is at 50 lakh bales, lower by 19 lakh bales compared to the export of 69 lakh bales estimated during the last year. The carry-over stock at the end of the 2018-19 season is estimated at 14 lakh bales.

Rupee gains 11 paise to 71.45 against USD after RBI rate cut

PRESS TRUST OF INDIA
Mumbai, February 7

THE RUPEE ON Thursday appreciated by 11 paise to close at 71.45 against the US dollar after the Reserve Bank of India cut the repo rate and changed its policy stance to 'neutral'. Forex traders said the domestic currency gained strength after the Reserve Bank of India Thursday cut benchmark lending rate by 0.25 percentage point to 6.25%. Moreover, easing crude prices and fresh foreign fund inflows also propped up the local unit. This is the third session of appreciation for the rupee, during which it has gained 35 paise. "Rupee appreciated after RBI's rate cut decision," said V K Sharma, head of PCG & Capital Markets Strategy, HDFC Securities. He further said that the rupee and 10-year gilt prices gained on Thursday after the Reserve Bank of India cut the repo rate and changed its policy stance to 'neutral' from 'calibrated tightening'. The RBI also announced removal of a restriction on foreign portfolio investor from having an exposure of more than 20% of its corporate bond portfolio to a single corporate. At the Interbank Foreign Exchange, the rupee opened on a weak note at 71.73 a dollar. The local unit moved in a



range of 71.76 to 71.30 during the session before finally ending at 71.45, a gain of 11 paise over its last close. On Wednesday, the rupee had settled 1 paise higher at 71.56 against the US dollar. Rushabh Maru, research analyst, Anand Rathi Shares, and stock brokers, however, noted that the appreciation in the rupee is a temporary phenomenon. Globally crude oil prices are rising gradually and is a matter of concern for the markets. Besides, trade tension and geopolitical matters also remain cause of worry. "Hence we expect the rupee to trade in 71-72 range in the near term with the currency continuing its depreciation bias," he said.

LONG, STRANGE TRIP

How US ethanol reaches China tariff-free

CHRIS PRENTICE & ANANTHALAKSHMI
New York/Kuala Lumpur, February 7

IN JUNE, THE High Seas tanker ship loaded up on ethanol in Texas and set off for Asia. Two months later — after a circuitous journey that included a ship-to-ship transfer and a stop in Malaysia — its cargo arrived in China, according to shipping data analyzed by Reuters and interviews with Malaysian and Chinese port officials. At the time, the roundabout route puzzled global ethanol traders and ship brokers, who called it a convoluted and costly way to get US fuel to China. But the journey reflects a broader shift in global ethanol flows since US President Donald Trump ignited a trade war with China last spring. Although China slapped retaliatory tariffs up to 70% on US ethanol shipments, the fuel can still legally enter China tariff-free if it arrives blended with at least 40% Asian-produced fuel, according to trade rules established between China and the Association of Southeast Asian Nations (Asean), the regional economic and political body. In a striking example of how global commodity markets respond to government policies blocking free trade, some 88,000 tonne of US ethanol landed on Malaysian shores through November of last year — all since June, shortly after



China hiked its tax on US shipments. The surge follows years of negligible imports of US ethanol to Malaysia. In turn, Malaysia has exported 69,000 tonne of ethanol to China, the first time the nation has been an exporter of the fuel in at least three years, according to Chinese import data. Blending US and Asian ethanol for the Chinese market undermines the intent of Beijing's tariffs and helps struggling American ethanol producers by keeping a path open to a major export market that would otherwise be closed. "Global commodity markets are incredibly creative in finding ways to ensure willing sellers are able to meet the demands of willing buyers," Geoff Cooper,

Inter-state trading via eNAM in eight states so far: Agriculture secretary

PRESS TRUST OF INDIA
New Delhi, February 7

EIGHT STATES, INCLUDING Uttar Pradesh are offering inter-state trading via 21 electronic national agricultural market (eNAM) so far in the country, agriculture secretary Sanjay Agarwal said on Thursday. Under eNAM, launched in 2016, agritrading was initially allowed within a mandi and later inter-mandi trade within a state was permitted. So far, 10 states are offering inter-mandi trade within their states. Now, inter-state trading via eNAM mandis has started. "Inter-state trade of agricultural produce in wholesale mandis through eNAM platform is gathering pace," Agarwal said in a statement. As many as 136 transactions have taken place so far via inter-state eNAM trading. Over 14 commodities like vegetables, pulses, cereals, oilseeds, spices, among others, have been traded in a short span of time, he said. "Volume of inter-state trade is also picking up as farmers and traders are gaining confidence in the system," Agarwal

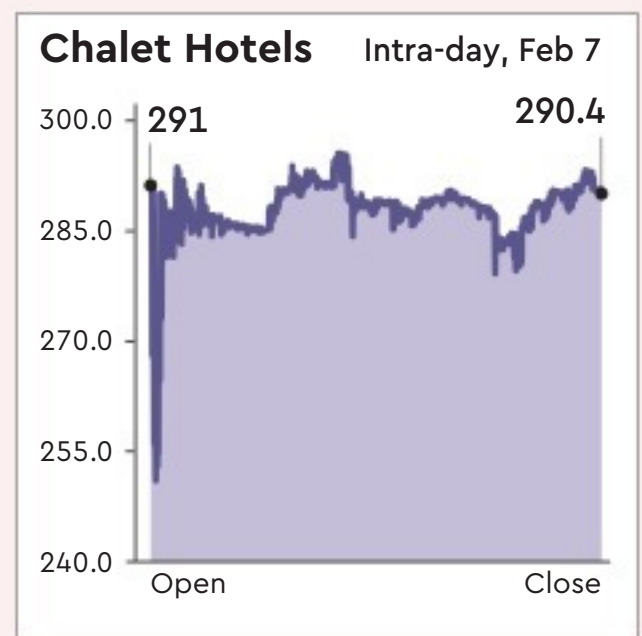


said. Initially started with 25 commodities, e-trade facilities have been provided on 124 commodities with tradable parameters on e-NAM portal. Agarwal said the latest transaction took place at Madhya Pradesh's Mandsaur e-NAM mandi, which sold coriander to the Ramganj mandi of Rajasthan. Similarly, inter-state transaction took place at Maharashtra's Akola e-NAM mandi, which sold green gram to the Nokha mandi of Rajasthan. "So far, 21 e-NAM mandis of eight states namely Uttar Pradesh, Uttarakhand, Andhra Pradesh, Telangana, Rajasthan, Gujarat, Maharashtra and Madhya Pradesh have joined hands to start inter-state trade on e-NAM," Agarwal said. Apart from Uttarakhand and Uttar Pradesh, inter-state trade also happened between Andhra Pradesh and Telangana, Rajasthan and Gujarat, Maharashtra and Rajasthan. Rajasthan is the first to start inter-state trade with more than one state, establishing trade links with Gujarat, Maharashtra and Madhya Pradesh through e-NAM.

Chalet Hotels ends 3% higher in debut trade

FE BUREAU
Mumbai, February 7

THE STOCK OF Chalet Hotels, which owns, develops and manages high-end hotels in key metro cities in the country, ended with more than 3% gains in debut trade on Thursday. The stock made its debut at ₹294 on the National Stock Exchange, 5% above its issue price of ₹280. It finally ended the session at ₹291.95 after hitting an intra-day high of ₹300 and an intra-day low of ₹250. On BSE, the company's stock settled at ₹290.40, up 3.71% from its issue price. The initial public offering (IPO) of Chalet Hotels received 1.57 times subscription on the final day (January 31) of the share sale. Of the 4.13 crore shares offered, investors bid for around 6.48 crore



shares. Qualified Institutional Buyers (QIBs) bid the most with the category seeing 4.65 times subscription. Of the 1.17

crore shares on offer, QIBs bid for 5.45 crore shares. High net worth individuals (HNIs) bid for 97.80 lakh shares of the 88.84 lakh shares on offer to them, and retail investors bid for 5.24 lakh shares of the 2.07 crore shares reserved for them. After listing, the company market capitalisation touched ₹5,986.70 crore. On January 28, Chalet Hotels allotted ₹492 crore to 27 anchor investors. SBI Small Cap Fund, Fidelity Funds, HDFC Standard Life Insurance company, DB International, HDFC Small Cap and Tokio Marine Life Insurance Singapore were some of the anchor investors. The ₹1,641-crore IPO was managed by JM Financial, Axis Capital and Morgan Stanley India. Chalet Hotels has a brand partnership with Marriott with 90% of total hotel rooms managed by Marriott, and the rest self-managed by Chalet.

Oil slips as investors weigh up supply factors

OIL FELL ON Thursday after data showing a rise in US inventories weighed on sentiment already rattled by the global economy, though prices were buoyed by the prospect that supply could fall short of global demand.

Brent crude oil futures were last 50 cents, or 0.8, at \$62.19 a barrel by 1310 GMT. US crude futures were down 75 cents, or 1.39%, at \$53.26. "WTI and Brent crude oil both remain rangebound following a failed attempt to move higher," said Ole Hansen, head of commodity strategy at Saxo Bank. "Supply fundamentals have increasingly been turning supportive in recent weeks, but against this the market still worries about the yet-to-be-realised — if at all — impact on demand from weaker macroeconomic fundamentals." Though the United States published robust jobs data last week, global markets remain nervous after China reported the lowest annual economic growth in nearly 30 years in January. That focuses yet more attention on the outcome of US-China talks to end a trade spat between the world's top two economies. — REUTERS

ANALYST CORNER

'Hold' on Grindwell Norton with revised TP of ₹500

EDELWEISS

GRINDWELL NORTON'S (GWN) Q3 FY19 revenue grew 8% y-o-y (5% below estimate) led by moderating growth in abrasives to 5% y-o-y (11% in H1FY19; CUMI's 11% in Q3FY19). However, ceramics & plastics (CP) segment sustained momentum at 24% y-o-y. Due to pricing pressure, Ebitda margin dipped 140bps y-o-y, leading to flat Ebitda growth (10% below estimate). With higher exposure to auto segment, we believe the current slowdown in auto primary market will impact GWN's earnings. Hence, we revise down FY19/FY20E EPS 3%/6%. Consequently, we revise down multiple to 27x from 30x, at a three-years' average and estimate FY19-21E PAT CAGR of 18%. Hence, we downgrade to hold with revised TP of ₹500 (27x as we roll over to Q1FY21E; ₹567 earlier). Abrasives' growth was moderate at 5% y-o-y despite a weak base (up 2% y-o-y). Further, with higher exposure to auto (our estimate ~30%), we believe the current slowdown in auto primary market will impact GWN's earnings. Growth in the segment is driven by volumes as pricing is under pressure despite rising input cost. As per competition, price hikes are expected subsequently. Consequently, Ebit margin dipped 160bps y-o-y, leading to 6% Ebit decline. For 9mFY19, revenue grew 9% y-o-y and Ebit was up 13% with

margin expanding 48bps. The segment continued to grow strongly at 24% y-o-y following similar growth in Q2FY19. Ebit margin dipped slightly 50bps y-o-y to 14.5% leading to Ebit growth of 20%. Management expects performance plastics (PP) within CP (30% of segment sales) to post 20% CAGR over the next five years led by automobile, life science and other sectors. Further, PP is a strong focus area for the parent as well. Pent up demand in the industrial segment and new application launches across sectors are growth catalysts. However, in light of the slowdown in auto, we revise down FY19/FY20E EPS 3%/6%, leading to 18% PAT CAGR over FY19-21. Grindwell Norton (part of the Saint-Gobain Group) was established in 1967 as a technical collaboration between Grindwell and Norton Company, USA. The company manufactures wide range of abrasives (bonded, coated and super abrasives) and ceramics (silicon carbide grain and refractories). It has seven manufacturing facilities with six located in India and one in Bhutan. GNW manufactures abrasives — bonded (including thin wheels), coated (including nonwoven), super abrasives — and ceramics meeting predominantly industrial requirements, which includes Silicon Carbide, high performance refractories and performance plastics.

Maintain 'buy' on Apollo Tyres with revised TP of ₹279

ANANDRATHI

CONTINUING GROWTH PROSPECTS in its India and Europe business, coupled with benign raw-material costs are favourable for Apollo Tyres. Its greenfield capacity in Andhra would enable PCR market-share gains. Growth prospects for the next two years continue to be healthy in TBRs and PCRs. With the full capacity of 12,000 tyres a day in TBR and incremental capacity of 3,000 PCRs a day available in FY20, we expect TBRs and PCRs to grow at 13% and 11% respectively. PCR growth is expected to be driven by higher replacement growth and expect the company to be the leader in the replacement market. The new plant in Andhra for TBRs at 3,000 tyres a day and PCRs at 16,000 tyres a day is expected to commence production from Q4 FY20 and scale up in FY21. As the first phase of 3,000 TBR per day would take at least 12 months to ramp-up, we do not foresee impact of

capacity utilisation, in the event of OEM slowdown in FY21, as we believe that this new capacity can easily get absorbed in the replacement market. The Hungary plant is expected to be ramped up to 12,000 tyres a day by end-FY20 (currently 7,000 tyres) and would be the catalyst for volume growth in FY19 and FY20. We expect an 8% EBIT margin in FY19 (2.2% in Q1 FY19). From Q4 FY19, the raw material consumed is expected to be at a lower price; thus, margins would expand sequentially in Q4 FY19 and Q1 FY20. Accordingly, we expect the margin to expand to 12% in FY20 and be stable in FY21. We maintain our buy rating, at a price of ₹279 (13x FY21e EPS), earlier ₹299. Risks: 1) Lowering of price in the event of stable RM and lower volume growth relatively; 2) Higher RM costs. We expect revenue to clock an 11% CAGR over FY19-21 and expect earnings to grow at 13% CAGR for FY19-21E ₹12.3bn in earnings, leading to an EPS of ₹21.5.

BrandWagon

FRIDAY, FEBRUARY 8, 2019

● **INTERVIEW: ASHISH GOEL**, Founder and CEO, Urban Ladder

'Our offline stores act as conversion channels'

Although the share of the organised furniture retail market is small, Ashish Goel of Urban Ladder is hopeful that the company's offline presence and the entry of furniture giant IKEA will give a fillip to the industry in times to come. He talks to Sonam Saini about growth plans, offline expansion and competition. Edited excerpts:

How big is the furniture and home decor market in India? What is the share of organised furniture retail, both offline and online?

In 2018-19, the industry was approximately worth \$26-28 billion. As the per capita GDP keeps going up, in the next decade, we would expect the category itself to grow by about 4-5% more than the GDP growth — say 10-12% overall growth. The core middle of the market is where most organised players are operating. My estimate is that the organised market is 10-12% of the overall furniture market. The share of furniture in e-commerce is still very low. Urban Ladder's share in the overall furniture market would be 0.5%; our goal is to reach 15%.

Urban Ladder reported a healthy increase in revenue in FY 17-18. What triggered this growth?

Two things: while we are continuously dri-



PHOTO: MEGHANA SASTRY

ving growth in the business, we are also pushing for a healthier bottom line and cash flow situation.

The last 24 months have actually been quite amazing. Every year, we have been

recording 50% growth. Along with that, losses have come down by 40-50% year-on-year. This year, our losses are approximately 50% lesser than last year and drifting towards profitability. In the next

quarter, we are expecting low single-digit EBITDA loss, which is a good position to be in, and sets the stage for the next financial year to be profitable for us. The one thing that definitely drove our growth is our offline retail expansion.

How much do your offline stores contribute to overall sales? Any further expansion plans?

Approximately 25% of our business comes from offline stores now. The response has been great. We have tried to build a lot of science and algorithms at the back-end that helps us determine exactly what kind of products to keep in stores. Primarily, we see a store as a conversion channel.

This year, we are planning to open stores in 12 cities including Mumbai, Pune, Kolkata, Chennai and Hyderabad. We are present in more than 40 cities in the country. The larger cities form the bulk of the business, though we deliver to smaller cities as well.

Are furniture rental start-ups like RentoMojo and Furlenco, that target the millennials, impacting your business?

There is space for different kinds of solutions for different kinds of customer segments. Everybody is working towards organising the market. The primary consumer for RentoMojo or Furlenco is a starter household. The hassle of purchase is not worth it and instead renting is preferred. Rental is a very different business, and maybe a good one, but it's not an occupation we are in.

How has IKEA's entry into India affected the industry?

IKEA is an iconic company which has done things the right way and we respect that. In the first quarter after it launched, our business in Hyderabad continued to do well. Of course, there will be some impact when such a large player enters the market. But IKEA's entry will make the market more organised over time. Typically, what we have seen in most markets is that the organised players have benefitted from IKEA's entry.

Is it still difficult to get consumers to buy furniture online?

It's an evolving journey. Most of what we have achieved is by being an online player; that is a sign that migration is happening. The reason we opened (offline) stores is to lower the barrier and help people get closer to the brand. Changing consumer behaviour is the most important — tough as well as exciting — journey of building a business.

What's new in FY20 for Urban Ladder?

Great brands are built by doing boring stuff repeatedly for many, many years, because people remember the repetitive stuff. Our thought process for the brand is to stay consistent in what we do. Often, brand building is confused with flashiness which, in reality, is barely 0.1% — the tip of the iceberg. The real depth of brand building is in the hard-knuckled, day-to-day consistency. This year, we are expecting 40-45% growth.

● **BLOGGER'S PARK**

Under the influence

The huge denominator in influencer marketing in India is too good to be true



Shradha Agarwal

THE SHIFT IN how brands reached out to us — from TV and other traditional media to the digital age of advertising on the web, social and mobile — has been massive. In India alone, digital advertising in 2018 was at ₹9,752 crore, and will climb to ₹21,000 crore approximately by 2021. As more and more data and avenues become available, brands are expected to start optimising the medium with more innovative approaches to serve specific purposes.

Influencer marketing is one of the hottest trends of these times. Marketers have realised the power of influential voices reaching diverse audiences at a fraction of the cost of traditional advertising. Whether it's a comedian with a smartphone or an athlete with a pair of headphones — brands now have a voice to reach their intended audience.

But as the scope of influencer marketing increases, so do the challenges. One of the biggest challenges is of 'fake followers' among influencers. It is believed that upto 40% of Indian Instagrammers use third-party apps to increase their follower count. Bot factories and click farms have allowed just about anyone to accrue large follower counts almost overnight, and then cash in on it by posing as influencers. Where some of the good influencers in Europe and Britain have not more than one lakh followers, in India the same league of influencers possesses five lakh followers. Today, you can get 10,000 followers on Instagram for ₹2,500!

The second biggest concern is credibility. Today, consumers recognise when influencers are benefitting from promoting a product. The cost of hiring these influencers seems to be a fraction to us as compared to that of hiring celebrities (influencers of traditional advertising), but due to non-exclusive rights, these social micro influencers are making as high as ₹17-18 lakh per month, even though a single deal could be for as low as ₹75,000. During Diwali, one of the influencers with 5.5 lakh Instagram followers posted 23 pieces of branded content from different brands. Their reasoning was simple: 'brands are ready to pay, and it does not matter to us'.

A lot of marketers select influencers



on the basis of their follower base and have forgotten that reach and engagement of a post are the right metrics to do so. They think of influencer marketing as a campaign extension rather than a year-long strategy. Moreover, brands are not gaining anything out of them specifically — even with a follower base of 5.5 lakh, the post reach is only around 70,000 and the engagement rate is merely 0.2-0.3%.

Brands need to take responsibility for creating content with influencers that is original and relevant to their audiences. Building trust amongst consumers by investing in long-term relationships with a handful of carefully selected influencers goes a long way in weaving meaningful stories around your brand. But the success of those stories depends on the right measurement.

A marketer must keep three things in mind: look at the organic reach of the post and engagement rate of the selected influencer; engage with the influencer on long-term content creation exclusively to drive more credibility; and create a payment model that is based on the return to the brand which can be done in three ways — a fixed amount, cost per visit and then, cost per transaction derived from the sales. The last two payments could be over and above the fixed deal to make influencers more comfortable charting this out.

The author is COO, Grapes Digital

● **TAKE 5**

POOJA JAUHARI, CEO, THE GLITCH



1 On my bookshelf

Currently, I am reading *Tribe of Mentors* by Timothy Ferriss

2 My inspiration is

Michelle Obama. For holding an equal and immensely strong position beside the most powerful and influential man in the world

3 If not in this profession, I would have been...

Either a fashion designer or a dog walker

4 A famous quote I swear by

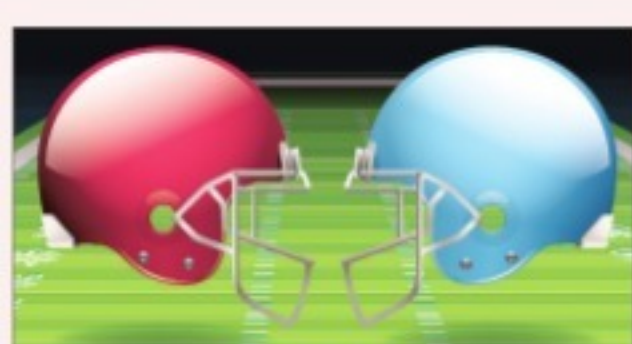
'Every opportunity is an opportunity to make an impression, so make it count'

5 Indulgence is...

Sindhi curry and fried papad, with aloo tuk

— As told to Sapna Nair

Around the World



Super Bowl content scores a goal online

ONLINE VIEWING OF related Super Bowl advertising content and commercials soared to reach a five-year high — mostly from unpaid earned media exposure — just five days before the big Super Bowl game. Approximately 36 brands released 108 pieces of Super Bowl ad creatives that garnered 110 million online views, according to iSpot.tv.

Amazon's ad business picks up

AMAZON'S AD BUSINESS is gaining momentum after the company reported 'other' revenues of \$3.4 billion, predominantly from advertising, during Q4 2018. This is an impressive figure with the revenue surging 97% from the \$1.7 billion generated in Q4 2017.

Personal Finance

● **FINANCIAL PLANNING**

How to design an investment blueprint for your child's future

Break up the goals into short, medium and long-term, and make your investment accordingly

DHANANJAY SINGH

AS PARENTS, YOU always strive to provide the best to your kids. But some expenses in life demand much more than that. The first step in planning your finances is to prioritise and know where you stand currently, in terms of finances. As an earning member, you know you are accustomed to a certain standard of living. The onus of working out the numbers to make space for your daughter's dream is on you. You can increase the investible surplus in two ways: either increase your income, or reduce your existing expenses.

If your daughter wants to become a cricketer, she should have the resources to excel. But for that, you will need to put her through the best college or school, with the best academy, to give her the required launching pad. She would also need a cricketing gear, to begin with, won't she?

Short-term goals (1-5 years)

Annual fees for her training, cost of

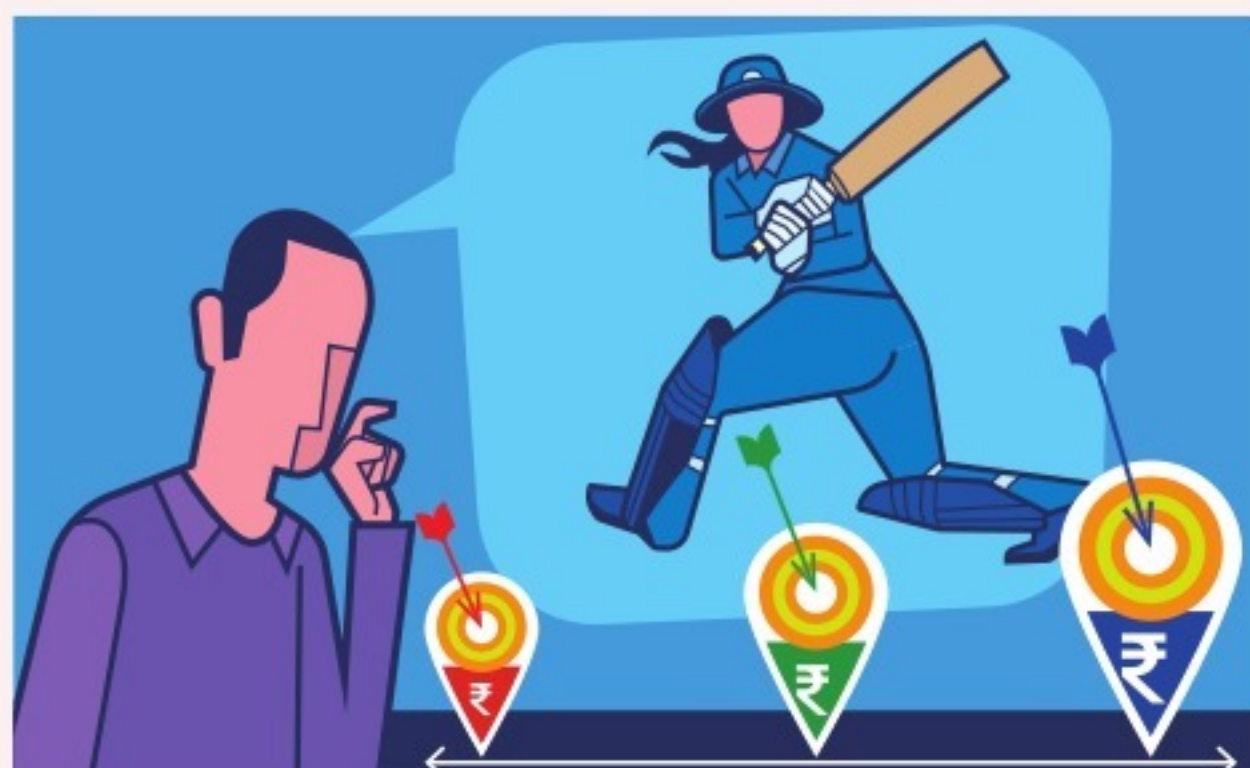


ILLUSTRATION: SHYAM KUMAR PRASAD

cricket gear, etc., are short-term goals, ones that occur every year on a regular basis. For such expenses, short-term funds like liquid funds and short-term debt funds are ideal. Such funds will allow you to save for recurring expenses while allowing you to earn additional returns as well. Returns earned on such funds are generally high.

These funds have high liquidity, i.e., they can easily be converted to money and provide fair returns. They usually yield 7-7.5%, which is better than most traditional financial instruments. And additionally,

come with the benefit of being tax-free! You can choose to opt for these in order to manage your short term goals.

Mid-term goals (5-10 years)

These are trips, excursions, training camps, etc. For your daughter to achieve her long-term goals, it is important to have sound financial backing. These are also the times when you need to accelerate the process of creating the corpus. Investing in any medium-term equity fund or Equity Linked Savings Scheme Funds (ELSS) is a

suitable idea. You could put money into the medium-term fund, where you can expect 8.5% to 9% returns annually.

Long-term goals (10 years-plus)

These goals are yet to be realised and are away in the future, but you need to start investing for them early on. This is because they require a huge corpus of money to be fulfilled. Begin investing in Index Funds, which replicate the market performance as reflected on major indices like Nifty (NSE) or Sensex (BSE). They are safe bets with guaranteed returns. Directly invest in an equity-based mutual fund, for they are known to generate an annual return of 13-15% per annum.

Again, depending upon your young one's requirements, college fees, etc., you can opt for hybrid funds. Systematic Investment Plan (SIP) route is the most preferred option for the same.

Apart from educational and career goals, we also dream of their happy marriages and families. And for the dads who wish to make the day special for their daughters, you can start small today with Sukanya Samridhi Yojana (SSY). It comes with a maximum tax benefit of ₹1.5 lakh under Section 80C of I-T Act. Further, the interest accrued and maturity amount is exempt from tax. For SSY, the age of your girl child should not be over 10 years. The minimum annual investment is ₹250. You are required to make deposits every year till the completion of 15 years from the date of opening of the account. Between the 15th year and 21st year, you don't need to make any deposits. However, you will be earning interest on the earlier deposits made at a rate of 8.1% per annum.

Source: Tax Guru

Gold can help you to reduce overall portfolio risk

The world continues to remain in a state of great disequilibrium, both with respect to the global economy and geopolitics

● **GOLD OUTLOOK**

CHIRAG MEHTA

KEEPING UP WITH seasonal trends, this January too was positive for gold. It's usually the physical buying from China and India that drives gold prices. However, this time it was the investment demand that took the lead. Slowdown in global growth, volatility in equity markets, dovish central banks and geopolitical worries have led to increased uncertainty; thereby driving investors to look for diversification that really works.

The Fed pivoting away from its bias toward tighter policy is a complete U-turn from their robust economy rhetoric in October and has really been the trigger for gold to move higher. Gold prices closed the month at \$1321.21 per troy Oz, up by 3.21% this year and set for a fourth

straight monthly gain, while the dollar is down for a third month.

Dollar weakness

Recent dollar weakness is a reflection of a shift in market sentiment based upon the Federal Reserve altering to a much more dovish tone over the last month. Market participants believe that the Fed will be much less aggressive in terms of the number of rate hikes initiated this year. Also, there has been talk for the first time about addressing their massive balance sheet liquidation which has been on autopilot since the Federal Reserve shifted their monetary policy to favour normalisation. The lingering US China trade war and the government shutdown were other factors that kept the dollar under check. World leaders at Davos, the IMF and central bank chiefs across the globe are all of a sudden echoing slower growth.

Rate hike by Fed

The Fed raised rates four times in 2018 and is now holding the benchmark interest rate in a range of 2.25 to 2.5%. It was obvious that at some point Powell would have to flinch given some evidence of slowdown as tighter policy starts impacting the economy. In this current rate hiking cycle, the Fed has raised rates nine times but also

has already sold off about a half trillion dollars on its balance sheet.

A reduction of this size in the balance sheet, which is a huge liquidity squeeze from the financial system, is something never before done or even attempted. Add to this the fact that total non-financial debt in the US has surged from \$33.3T (231% of GDP) at the start of the Great Recession in December of 2007, to \$51.3T is creating a huge interest burden in a rising interest rate environment.

There's increased optimism about



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some type of agreement on trade between the US and China, and can result in equity markets turning supportive of a rate hike. This removal of lingering trade uncertainty and further tightening could result in some pull back in gold prices. As the Fed continues to tighten in 2019, there is a risk that this could be much more than the economy can handle as the underlying cyclical recovery is largely fueled by stimulus, tax cuts and cheap liquidity. The inverted yield curve will potentially put further brakes on economic expansion and undermine confidence and investments.

The year 2018 was the first time central banks tried to remove some liquidity from the market after a decade of stimulus. Central banks have tried to get out of this low-interest-rate trap but they aren't able to. The market is addicted to cheap liquidity and this isn't going to change anytime soon. The world continues to remain in state of great disequilibrium, both with respect to the global economy and geopolitics as well. Given the macroeconomic picture, gold will be a useful portfolio diversification tool and thereby help you to reduce overall portfolio risk.

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