



# POWER OF EQUITY

October 2017 – Volume I



# Fixed Income

## Classical Investment Options

Bank FD – 6.5%

Post Office SC – 7.5%

PPF – 7.8%

Tax Free Bonds – 5.75%

NCD – 9.75%

8% Relief Bonds

Corporate FD – 8.40%


Gold – 1.65%

Real Estate



# Fixed Income

Limitations to classical investment options –

- a) Interest rates/returns mentioned in earlier slide are as on Oct 2017.
  - b) Rates are gross and taxation impact lowers net returns.
  - c) Liquidity may be a concern in majority of fixed investments except Gold.
  - d) Limitation towards investment amount.
  - e) Real estate investment may not be a general phenomena as capital required is on higher side.
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# Taxation

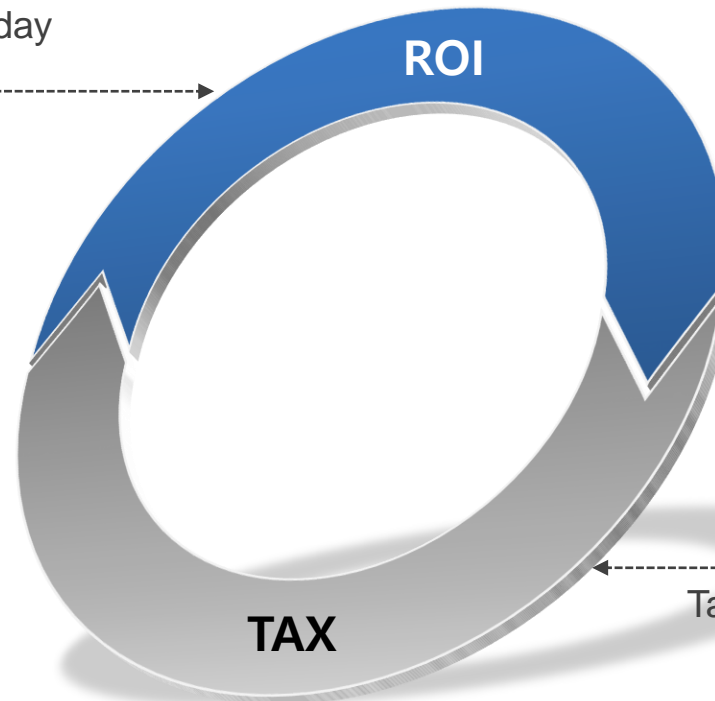
## Individual Tax Payers & HUF (Men & Women less than 60 years of age)

Income Tax Slab	Tax Rate
Income up to Rs. 2,50,000*	No Tax
Income from Rs. 2,50,000 – Rs. 5,00,000	5%
Income from Rs. 5,00,000 – 10,00,000	20%
Income more than Rs. 10,00,000	30%
Surcharge: 10% of income tax, where total income is between Rs. 50 lakhs and Rs.1 crore. 15% of income tax, where total income exceeds Rs. 1 crore.	
Cess: 3% on total of income tax + surcharge.	
* Income upto Rs. 2,50,000 is exempt from tax if you are less than 60 years old.	

# Equity ...Necessity ?

Rate of Interest (ROI) - Tax = ?

Rate of interest is declining day by day



Tax cut affects net returns (Yield)

Considering investment in 8% relief bonds

**Net returns = Gross rate – Tax payable**  
*(tax rate @5%, 20%, 30%)*

**net returns are in the range of 7.2%, 6.4%, 5.6%**

# Choice ?

## Do you have a choice?

ROI

- No you do not have...
- Inflation is a major worry concern, current rate is @4.97%
- On fixed income instruments you earn net return @6.40% maximum
- Spread is only 1.43% which is unable to cover inflation risk
- Future indicator is further decline in rate of interest

INFLATION

**US**  
1%

**Britain**  
1%

**Japan**  
-0.10%

**Australia**  
2%

**India**  
6.25%

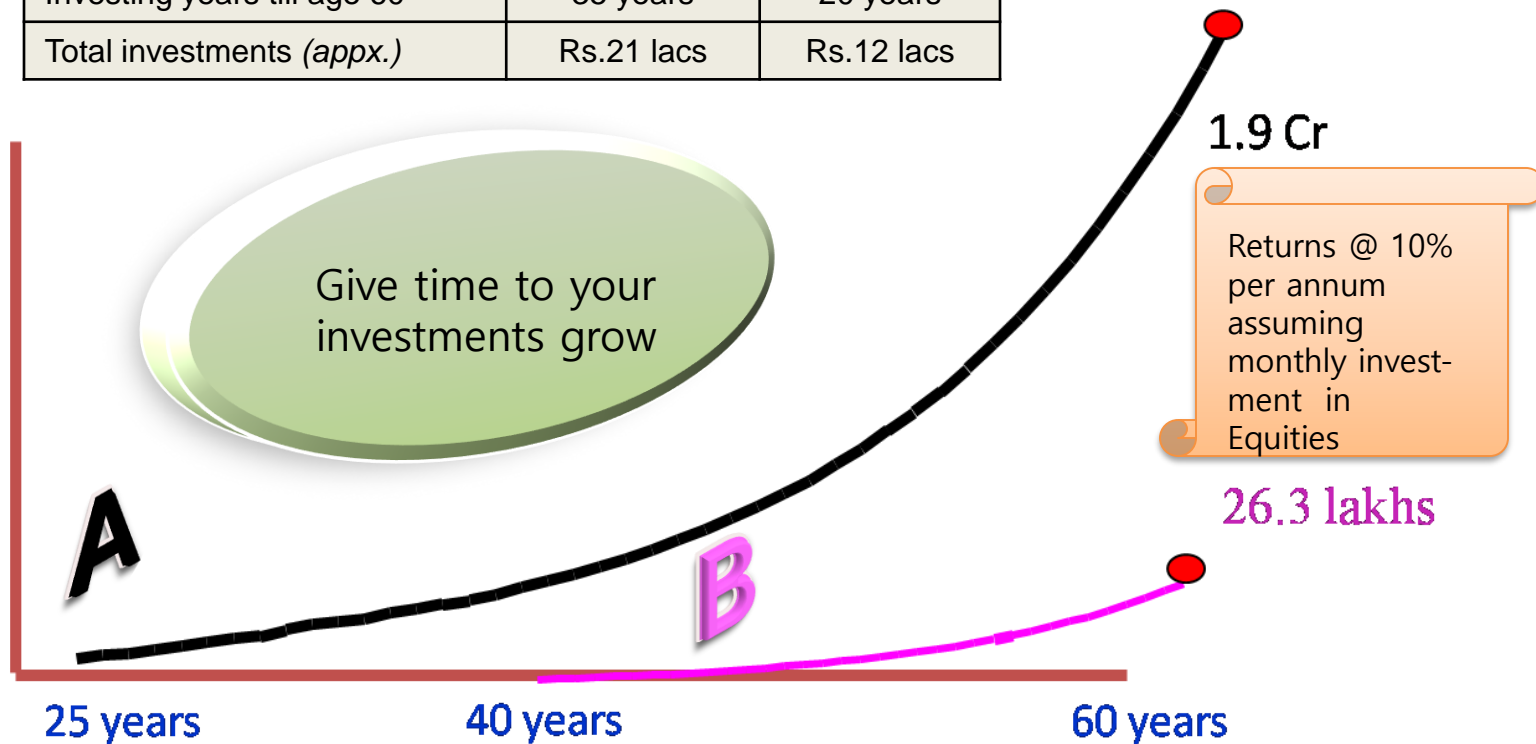
# The Power



Scrip	Industry	Mkt price			
		May-10	May-17	Growth	CAGR
Asian Paints	Paints	205	1123	448%	27.50%
Kotak Mahindra Bank	Bank	185	937	406%	26.08%
Lupin	Pharmaceutical	362	1314	263%	20.22%
Sun Pharma	Pharmaceutical	155	653	321%	22.81%
Zee Entertainment	Media	141	512	263%	20.23%

# Early is better

Particulars	Mr. A	Mr. B
Investment starting age	25	40
Monthly investment	Rs.5,000/-	Rs.5,000/-
Investing years till age 60	35 years	20 years
Total investments (appx.)	Rs.21 lacs	Rs.12 lacs



*Above calculation is done @10% ROI without inflation adjustment*



# Opportunity 2017

**Equity has always performed better than any other asset classes in the long term**

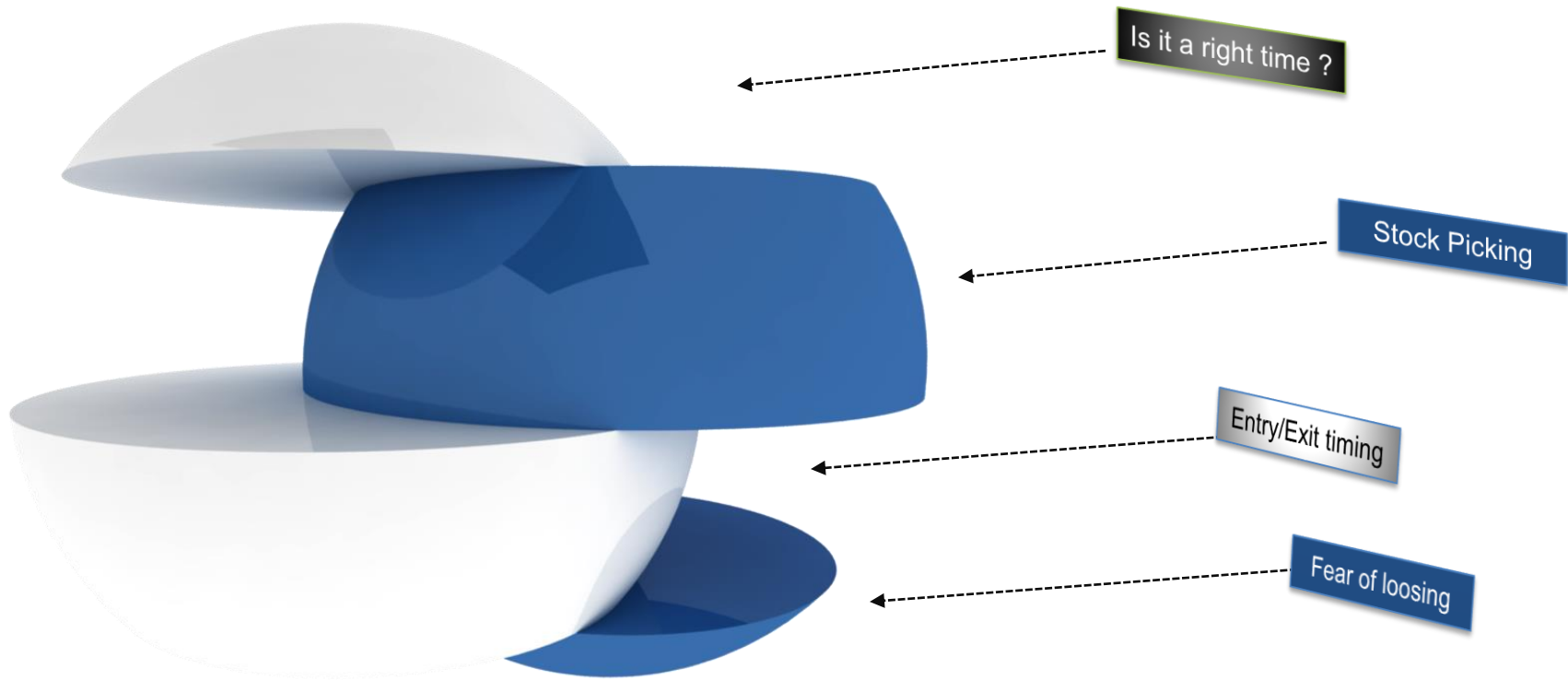


- Political stability
- Demonetisation helped tax compliance to improve
- Applicability of GST effective from 01-July-2017
- Higher tax to GDP ratio
- Lower fiscal deficit
- Positive GDP @7%
- Lower inflation
- Lower interest rates

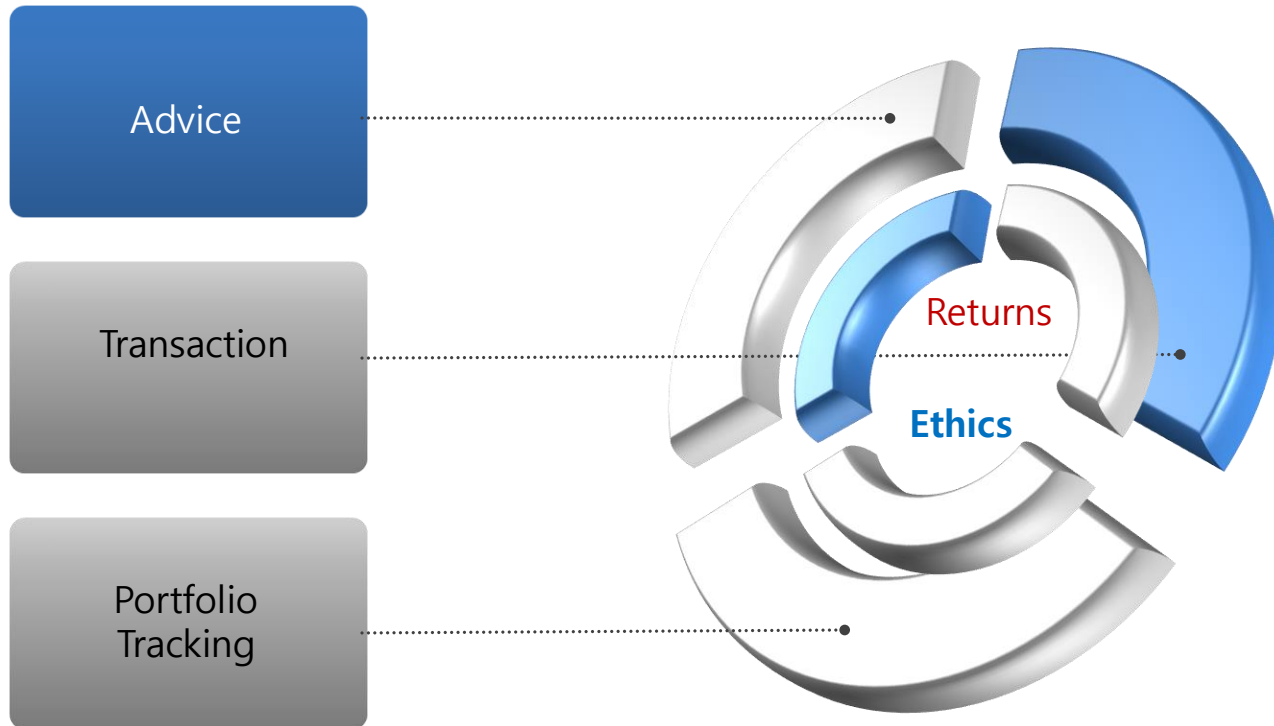


# Why retail investors shy away ?

Confidence



# Why LFS Broking ?



# Thank You

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