# NRI FINANCIAL PLANNING – INVESTMENT ASPECTS

NRI FINANCIAL CONCLAVE 2022

# CURRENT INDIAN INVESTMENT LANDSCAPE FOR NRI

# Why should an NRI invest in India?

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## Growth rate of top 20 economies of the world.

| Country | Growth Rate | Country | Growth Rate |
|---|---|---|---|
| Saudi Arabia | 7.6 % | Iran | 3.0 % |
| India | 6.8 % | Brazil | 2.8 % |
| Indonesia | 5.3 % | South Korea | 2.6 % |
| Netherlands | 4.5 % | France | 2.5 % |
| Spain | 4.3 % | Switzerland | 2.2 % |
| Australia | 3.8 % | Mexico | 2.1 % |
| UK | 3.6 % | Japan | 1.7 % |
| Canada | 3.3 % | USA | 1.6 % |
| China | 3.2 % | Germany | 1.5 % |
| Italy | 3.2 % | Russia | -3.4 % |

Source : https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

Source : https://ceoworld.biz/2022/03/31/economy-rankings-largest-countries-by-gdp-2022/

# Why should an NRI invest in India?

## Change in Interest Rates in top 20 economies of the world.

| Country | Rate as on | | Country | Rate as on | |
|---|---|---|---|---|---|
| | 01-01-2022 | 01-12-2022 | | 01-01-2022 | 01-12-2022 |
| Brazil | 9.25 % | 13.75 % | UK | 0.25 % | 3.00 % |
| Mexico | 5.50 % | 10.00 % | Australia | 0.10 % | 2.85 % |
| Russia | 8.50 % | 7.50 % | Switzerland | -0.75 % | 0.50 % |
| India | 4.00 % | 5.90 % | Germany | 0.00 % | 0.00 % |
| Indonesia | 3.50 % | 5.25 % | Netherlands | 0.00 % | 0.00 % |
| Saudi Arabia | 1.00 % | 4.50 % | Italy | 0.00 % | 0.00 % |
| USA | 0.15 % | 3.75 - 4.00 % | France | 0.00 % | 0.00 % |
| Canada | 0.25 % | 3.75 % | Spain | 0.00 % | 0.00 % |
| China | 3.80 % | 3.65 % | Japan | -0.10 % | -0.10 % |
| South Korea | 1.00 % | 3.25 % | | | |

Source : https://www.cbrates.com/

Source : https://www.cbrates.com/centralbanks.htm#b

# Why should an NRI invest in India?

## Stock market performance of top 20 economies of the world.

| Country | % Change | Country | % Change |
|---|---|---|---|
| India – Sensex | 8.25 % | Canada - S&P/TSX | -1.49 % |
| Brazil – BOVESPA | 7.68 % | Italy - FTSE MIB | -4.87 % |
| Indonesia - IDX Composite | 6.64 % | Germany – DAX | -4.88 % |
| UK - FTSE 100 | 6.37 % | Netherlands – AEX | -5.91 % |
| Spain - IBEX 35 | 1.90 % | Switzerland – SMI | -7.53 % |
| Australia - S&P/ASX 200 | 1.79 % | USA - S&P 500 | -10.86 % |
| Japan - NIKKEI 225 | 1.70 % | China - Shanghai Composite | -11.43 % |
| Mexico - S&P/BMV IPC | 1.49 % | South Korea – KOSPI | -15.80 % |
| Saudi Arabia Tadawul All Share | -0.55 % | Russia – MOEX | -44.57 % |
| France - CAC | -0.61 % | | |

Source : https://in.investing.com/indices/major-indices/performance

# Why should an NRI invest in India?

**Depreciation of the currency against US$, in 2022 of 20 economies of the world.**

| Currency | Change % | Currency | Change % |
|---|---|---|---|
| Turkey (TRY) | -40.57% | Switzerland (CHF) | -2.17% |
| Japan (JPY) | -19.87% | Saudi Arabia (SAR) | -0.27% |
| South Korea (KRW) | -10.84% | Netherland (Euro) | 7.96% |
| Chine (CNY) | -10.52% | France (Euro) | -7.96% |
| South Africa (ZAR) | -9.61% | Italy (Euro) | 7.96% |
| UK (GBP) | -9.33% | Germany (Euro) | 7.96% |
| Indonesia (IDR) | -8.53% | Spain (Euro) | 7.96% |
| India (Rupee) | -8.31% | Brazil (BRL) | 8.95% |
| Canada (CAD) | -4.69% | Mexico (MXN) | -10.98% |
| Australia (AUD) | -4.26% | Russia (RUB) | 17.19% |

Source : https://in.investing.com/currencies

# Equity Investments for NRI

# Equity Investments for NRI

- ✓ Strong economic outlook – oasis in the ocean of despair.
- ✓ Manufacturing in India on a revival path.
- ✓ China's relations with the world.
- ✓ Stop – Start Chinese economy.
- ✓ China plus one approach in global supply chain.

# Equity Investments for NRI

- ✓ Services – major contributor to India's growth.

  ITES – suffering on account of winds of recession.

  Contact oriented services – strong pickup.

- ✓ Capital investments by Government & Private Sector increasing.

- ✓ Government finances in a good shape. Record tax collections of Direct Taxes (Income Tax) and Indirect Taxes (GST). Increasing compliances.

# Equity Investments for NRI

- ✓ National interest oriented external political relations.
- ✓ Buy cheap Russian oil still have good relations with the west.
- ✓ India emerging as a preferred investment destination in comparison to other emerging and developed markets.
- ✓ Larger allocations by global passive and active funds. Organic flow to Indian equity markets.

# Equity Investments for NRI

- ✓ Strong confidence of local investors.
- ✓ Effective handling of Covid – medically with financial prudence.
- ✓ Strong IT backbone for corporates to expand digitally.
- ✓ Investment in Equity oriented Mutual Funds by SIP (Systematic Investment Plan) increasing month on month.

# Equity Investments for NRI

## Fears…

- ✓ Valuations of stocks in certain sectors are quite rich, they are discounting the future.
- ✓ Winds of global recession could also blow in certain segments, which may dampen overall growth.
- ✓ Rising interest rate & inflation may get imported in India.

# Fixed Income Investments for NRI

# Fixed Income Investments for NRI

- ✓ Interest rates in India on a rise, in sink with the global pears.

  Credit quality of Indian Central Government, State Government and Corporates and bank is strong.

  Long term G-Sec available at attractive rates, in comparison to bank deposits.

  Mark – to – market gain expected in long term bonds as interest rate

# Real Estate Investments for NRI

# INVESTMENT OPPORTUNITIES FOR NRIs IN PRESENT DAY INDIA

# Avenues for Equity Investments for NRI

## Equity oriented Mutual Funds

- ✓ Professional fund management from global fund management companies.
- ✓ Diversification of stocks and sectors with agile fund management.
- ✓ Ease of operations – Complete digital process of investing with no requirement of Demat Account.
- ✓ Taxation only when units are transferred. Notional taxation in US under PFIC.
- ✓ Wide choice of options suited to specific needs.

# Avenues for Equity Investments for NRI

## Existing investment in Equity oriented Mutual Funds

- ✓ Investment in Equity Mutual Fund schemes on random basis.
- ✓ Investment in NFO (New Fund Offer) of Mutual Funds.

## Prudent investing approach

- ✓ Well designed portfolio of Mutual Fund schemes with distribution across Large, Large & Mid, Flexi cap, Multi cap, Mid cap, Small cap, Value, Thematic & Sectoral funds, Foreign Funds.
- ✓ AMC (Asset Management Company) concentration should be checked.
- ✓ Quartile performance monitoring.
- ✓ Investment strategy to be planned in systematic basis over a period of time.

# Avenues for Equity Investments for NRI

## Equity based Portfolio Management Service (PMS)

- ✓ Investment in a portfolio of Equity Shares.
- ✓ Diversification of stocks.
- ✓ Taxation when shares are transferred. No notional tax in US.
- ✓ Choice of portfolio options and also choice of fund manager is available as per specific needs.
- ✓ PMS portfolio unimpacted by inflow & outflow of other investors.
- ✓ Limited restrictions on fund management.
- ✓ Minimum investment size Rs. 50,00,000/-.

# Avenues for Equity Investments for NRI

## Existing investment in Portfolio Management Service (PMS)

- ✓ Investment in PMS schemes without peer comparison.

## Prudent investing approach

- ✓ Various options available such as Large Cap, Mid Cap, Multi Cap, Mid Cap, Small Cap, Value, Contra, Sectoral, Thematic.
- ✓ Performance monitoring is gaining importance.
- ✓ Diversification across PMS managers.
- ✓ Rs. 50 Lakh can be diversified in different schemes of the same PMS managers.
- ✓ Transfer of PMS within the same PMS manager if need be.

# Investment in Unlisted Shares

## Why should we invest in Unlisted Shares?

- ✓ “CATCH THEM YOUNG” - early mover advantage.
- ✓ The returns on such stock would be multi-bagger.
- ✓ When the come for IPO the success story is evident & visible to the world at large.

# Investment in Unlisted Shares

**Parameters for stock selection when investment directly in specific stock.**

- ✓ Promoter.
- ✓ Track Record.
- ✓ Business activity – Futuristic.
- ✓ MOAT – Competitive advantage available.
- ✓ Possibility of value unlocking – chances of going for IPO.
- ✓ Comfort in longer holding period – For delay in IPO.

# Investment in Unlisted Shares

**Stocks of top Indian unlisted companies with bright future available**

***Seek complete details from us for investing in these companies***

# Avenues for Equity Investments for NRI

## Investment in Alternative Investment Fund (AIF)

- ✓ Structured way of investment in Listed, Unlisted Stocks, Fixed Income & Derivatives.
- ✓ Worthwhile avenue for investing in unlisted stocks due to availability of other product options in case other investments.
- ✓ Investment in unlisted stocks by highly experienced Fund Managers connected with industry.
- ✓ AIF managed by institution of high repute.
- ✓ Minimum investment size is Rs. 1 Cr.
- ✓ Payable normally in tranches.
- ✓ Investment period could be 5 + 1 + 1 years.

# Investment in Alternative Investment Fund (AIF)

✓ Investment in Unlisted Stocks, through AIF, can address the major concerns of investor such as:

- Which unlisted companies to invest in?
  Their business, future, promoters, chances of IPO, etc.

- What price to pay for unlisted stock?
  Comparison with Indian & Global peers, adopting well analyzed valuation model.

# Avenues for Fixed Income Investments for NRI

## Existing investment in Debt oriented Mutual Funds & Bank Deposits

- ✓ Returns on Debt Mutual Fund schemes falling - YTM 3.5% to 6%.
- ✓ Credit Risk Funds are not a comfortable option for investing.
- ✓ Very low rate of return in good quality bonds – 5.4% for 5 years.

## Prudent investing approach

- ✓ Investment in Top corporate FDs through family members in low tax brackets. Present Return around 7% for 5 years.
- ✓ Investment in Tax Free Bonds of 9 to 10 years residual maturity at 4.55% YTM.
- ✓ Assured returns investment oriented plans for 15 / 20 / 25 years with a return of 5.5% to 6%.

# Various investment options in India for NRI – understanding its Pros & Cons

## Debt based options (Fixed Income)

| FDs with SBI Bank (w.e.f 22-10-2022) | | | | | | |
|---|---|---|---|---|---|---|
| Duration | NRE | NRO | FCNR | | | |
| | | | GBP | USD | EURO | YEN |
| 1 year to less than 2 years | 6.10% | 6.10% | 2.00 | 2.85 | 0.01 | 0.02 |
| 2 years to less than 3 years | 6.25% | 6.25% | 2.35 | 3.00 | 0.01 | 0.05 |
| 3 years to less than 5 years | 6.10% | 6.10% | 2.45 | 3.10 | 0.01 | 0.05 |
| 4 years to less than 5 years | | | 2.45 | 3.15 | 0.10 | 0.05 |
| 5 years to 10 years | 6.10% | 6.10% | 2.45 | 3.25 | 0.15 | 0.05 |

| FDs with ICICI Bank (w.e.f 01-12-2022) | | | | | | |
|---|---|---|---|---|---|---|
| Duration | NRE | NRO | FCNR | | | |
| | | | GBP | USD | EURO | YEN |
| 1 Year | 6.25% | 6.25% | 2.00 | 3.35 | - | - |
| Above 1 year to less than 2 years | 6.75% | 6.75% | 1.50 | 2.50 | - | - |
| 2 years to less than 3 years | 6.80% | 6.80% | NA | 2.50 | - | - |
| 3 years to less than 5 years | 6.50% | 6.50% | NA | 2.50 | - | - |
| 5 years to 10 years | 6.50% | 6.50% | NA | 2.50 | - | - |

# Various investment options in India for NRI – understanding its Pros & Cons

## Debt based options – NRO FD with NBFC

(Extra 0.25% for senior citizens)

**FDs with Housing Development Finance Corporation (HDFC) (w.e.f 14-11-2022)**

| Duration | Monthly Option | Quarterly Option | Half - Yearly Option | Annual Option | Cumulative Option |
|---|---|---|---|---|---|
| 1 year to less than 2 years | 6.40% | 6.45% | 6.50% | - | 6.60% |
| 2 years to less than 3 years | 6.60% | 6.65% | 6.70% | 6.80% | 6.80% |
| 3 years | 6.65% | 6.70% | 6.75% | 6.85% | 6.85% |

**FDs with Bajaj Finance Ltd. (w.e.f 22-11-2022)**

| Period (Months) | Monthly Option | Quarterly Option | Half - Yearly Option | Annual Option | Cumulative Option |
|---|---|---|---|---|---|
| 1 year to less than 2 years | 6.60% | 6.63% | 6.69% | 6.80% | 6.80% |
| 2 years to less than 3 years | 7.02% | 7.12% | 7.12% | 7.25% | 7.25% |
| 3 years | 7.25% | 7.36% | 7.36% | 7.50% | 7.5% |

# Avenues for Fixed Income Investments for NRI

## Guaranteed Return Insurance Plan

- ✓ **Premium is paid for a term of 5, 10, 15 installments and maturity proceeds are received after a term in a fixed pre-decided manner.**
- ✓ **The guaranteed payment is in a manner that the IRR (Internal Rate of Return) turns up at 5-6% over the tenure of the policy.**
- ✓ **The life cover of the insured extends up to beginning of the maturity proceeds.**
- ✓ **The insurance premium paid is eligible for deduction under section 80C of the Income Tax Act up to Rs.1.50 lakhs per year.**

# REITs

- ✓ First REITs (Real Estate Investment Trusts) offering successfully done, listed in April – 2019.
- ✓ Real Estate assets are offered on sale in the form of units.
- ✓ Units are listed on the stock exchange.
- ✓ Appreciation in the value of units and Income distribution per unit, are the return on investments.

# Avenues for Real Estate Investments for NRI

## Real Estate

- ✓ **Investments can be in Raw Real Estate like Urban land, Agricultural land etc.**
- ✓ **Investment can be in Finished Real Estate like Residential buildings, Apartments, Shops, Offices etc.**
- ✓ **Development of infrastructure in the country, changing the Real Estate demand supply scenario.**
- ✓ **Reduction in the cash economy in the country, impacting the demand of Real Estate.**

# InvITs

- InvITS (Infrastructure Investment Trust) units offerings have been made available for public.
- Infrastructure Assets like Road, Highways, Power Assets are offered on sale in the form of units.
- Units are listed on the stock exchange.
- Appreciation in the value of units and Income distribution per unit, are the return on investments.