It's that time of the year again—enjoy it & benefit from it

—*Vishal Dhawan*

IT'S that time of the year, when the mornings have a nip in the air in certain parts of India and come with fog in other parts. It's that time of the year when I don't go on my morning walk as it feels nice to lie in my cosy bed. Of course, I also don't go for my morning walk in the rains as I may get wet, and in summer as it's too hot. It's that time of the year to look forward to some good times with friends and family as a large number of relatives and friends abroad make their annual or biannual visit to India. So it's a great time to look forward to some exciting new gifts from overseas, especially for all the little children in our homes.

As you spend time with your friends and family from overseas and savour the good old times and their favourite *mithais* with them, don't forget to remind them how investing in India at this point could be an excellent opportunity. This could well be the best return gift that you can give them on their India visit this time. And whilst you are giving them their return gift by telling them about the Indian investment opportunity, don't forget your own investment portfolio. What's good for them is also good for you.

Whilst the falling Indian rupee has been a terrible advertisement for India in the last few months, with the fall in the rupee against the US dollar being the sharpest amongst all Asian currencies, we believe this makes India even more attractive for long-term investors. Whilst there are concerns in India on the higher current account deficit as compared to other emerging economies, we believe that the current depreciation in the Indian rupee is only partly an indication of the weak current account and trade deficit. The other part of this depreciation is actually driven by the strength of the US dollar, which has emerged as a relative safe haven as compared to other global currencies.

This seems strange as the fundamentals of the US itself are currently under severe stress on the back of persistently high unemployment and debt, and spending that continues to be significantly above comfort levels. However, financial markets are known to take extreme views of events and the liquidity that the US dollar provides could be the most important determinant of its current value, rather than the fundamentals of the US economy.

So why should you or your NRI friends and relatives invest in India?

1. Attractive demographics—Whilst most parts of the developed world are struggling with ageing population and China is also facing the challenges of the one-child policy that it followed, India, with a median population of 26 years, has the benefit of an ever-increasing workforce that is likely to consume everything, including two-wheelers, cars and processed foods.

2. High savings rates—Whilst rising inflation and EMIs have impacted savings rates to a certain extent, India still has a savings rate in excess of 30 per cent, which is expected to grow close to 40 per cent over the next few years. Compare this to savings rates in other parts of the developed world of low single digits. This means that Indian businesses will continue to have access to a huge pool of money domestically to grow.

3. Interest rates close to peaking out—Whilst this could result in a temporary slowdown, we believe these rates are unsustainable for long periods and may start to come down over the next year. It may, therefore, be a good time to look at locking into fixed-income instruments that give you the benefits of high interest rates, that are currently close to double digits, and will also gain when interest rates start to come down.

4. Equity markets at a discount to historical prices—Whilst it is always tempting to try to time the entry into equity markets at its lowest point, we know of very few people who succeed at it consistently. Since stock markets are at a discount to long-term averages currently, we believe this is an excellent opportunity to buy into good quality Indian businesses that are quoting at a discount either through stocks directly or through equity mutual funds.

Whilst it is tempting to put all the money into just one place due to the ease of managing it and the high interest rates, we believe that India provides an opportunity for building a good quality diversified portfolio at this point across both fixed income and equities. You may need the help of a financial planner to build an optimal portfolio.

It's that time of the year again when companies are on a discount sale in stock markets, so don't let the opportunity go. It's that time of the year when interest rates are very attractive, so try to lock in for a long duration. It's that time of the year when you want your visiting relatives and friends from overseas to go back with sweet memories of their India visit and your return gift of a great wealth creation opportunity.

And whilst you are playing the perfect host, don't miss the wealth creation opportunity yourself.

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Vishal's rich experience of 15 years in the financial services industry has led him to frequently write columns and appear on television, including CNBC and Bloomberg UTV. He shares his insights and views in various leading publications, including the Wall Street Journal, Economic Times, Indian Express, Reader's Digest, ET Wealth, Asian Age *and* Deccan Chronicle. *He is also a member of the Financial Planning Association, USA.*

Plan Ahead is a wealth management and financial planning firm that works with both Indian and NRI investors to help them achieve their financial goals and manage their wealth. (www.planahead.in)