



VALUE PLUS
The Family Office

WHAT'S INSIDE

- From the Desk of CEO
- Family Office
- Term of the Month
- Tax Fundas
- Credit Rating
Integral Part of Profitability
- Child's Corner
- How to Earn from Equity
- Mutual Fund Investments
- Ask the Expert – H P Shah
- A unique opportunity for family's long lasting safety and happiness.

FROM THE DESK OF CEO

H P Shah,
CEO, Value Plus Investment Advisors Pvt. Ltd.



Dear patron,

As I pen down this communication, thoughts of economy and markets keep on coming, turning my focus to analysis as per the current economy waves. According to Reserve Bank, inflation is still a matter of concern. It is likely to be nearly 7% by March this year.

Global upheavals, tight monetary policy, markets, domestic policy uncertainties, etc. have been key factors affecting each industry and all these factors have also slowed economic growth in 2011-12. After CRR cut, RBI will cut the bank rates which will make government securities and debt fund more rewarding.

Taking forward the analysis of last edition, current edition will highlight mutual fund and equity analysis, along with tax benefits that can be easily availed. For readers' convenience, we have put stress on a few noticeable queries in Ask the Expert column. The column Family Office will be a part of most of the editions as the concept is rarely highlighted and is quite unique for affluent families and entrepreneurs.

Happy Reading.

Grow Safely...Be Happy.

Warm Regards,
H P Shah

FAMILY OFFICE

Credit Profile Improvement

Credit Profile is a crucial side of family and business, which if not managed accurately, hurts the credibility of family or even a company. The task of assessment, observation, verification and research to comprehend the creditworthiness of any business or family, before assessing credit, is known as credit analysis. Such methods are used to measure the economic capability; which help lenders determine whether a borrower will be able to pay debt on time or not. This also indicates to what extent a borrower can absorb financial ups and downs, the same is derived through ratio analysis. Credit profile is assessed periodically by the Family Office experts.

A body or an organization that fulfills unique requirements of ultra high net worth individuals and families is known as Family Office. These requirements include risk management, expansion and long-term sustainability of wealth, business succession planning, project funding, etc. Thus the concept of Family Office aims at growth, safety and happiness of affluent families and entrepreneurs. All aspects or services are looked after by the experts of a single body, providing objective advice and this is how Family Office differs from other institutions. The purpose of Family Office is to provide growth, safety and happiness.



TERM OF THE MONTH

IRR - The rate of return which is used in capital budgeting in order to measure as well as compare the profitability, generated from investments, is known as IRR (Internal Rate of Return).





- by Mr. Bharat R. Popat,
C.A., L.L.B.

Mr. Bharat Popat is a leading Chartered Accountant, practicing since 1984, in the name and style of B.R. Popat & Co. He is a Gold Medal Recipient. He has a team of Chartered Accountants in his firm, which is having its Offices at Ahmedabad and Bhavnagar. He has specialized in taxation, search and survey cases right up to Income tax Appellate Tribunal. He also deals in cases at the level of Settlement Commission.

Section 41(1) of the Income-tax Act deals with chargeability of remission or cessation of certain liabilities on fulfillment of the conditions as specified therein. This section deals with the following:

- Reduction of liability, which was originally created by claiming allowance or deduction of loss or expenditure;
- Cessation of the above mentioned liability;
- Refund of the liability as mentioned above, which may have been discharged earlier.

It is further provided that the assessee can offer such remission / cessation of liability for taxation by a unilateral act, thus without establishing about the fact of liability having actually ceased or remitted.

The following aspects may be kept in mind while dealing with this section:

- (a) the remission or cessation of those liabilities which were originally not claimed as allowance or deduction (say unsecured loan accepted earlier, which is no longer payable) are not required to be offered for taxation under section 41(1) of the Act;
- (b) The Assessing Officer is not empowered to unilaterally treat some outstanding liability as income under section 41(1), merely because the same has not been discharged for abnormally longer period of time;
- (c) The Assessing Officer can however re-open the assessment of the year in which the corresponding expenditure or deduction may have been claimed, if he has reason to believe that it was bogus expenditure that was claimed and the income to the extent of such claim has escaped assessment in that year. He may also try to investigate from external sources as to the genuineness and completeness of the transactions recorded in the books of the Assessee.

The provisions of section 41(1) provide a good tax planning tool whereby the person can offer such liabilities for taxation in the year in which it may have say suffered losses.

Credit Rating – Integral part of Profitability

Given a risk-based lending system, good credit rating is quite significant. It determines the terms of lending, including interest rate.

- It creates transparent image of a company. When any businessman applies for a credit, a company or lender will request the copy of businessman's credit report from credit rating agency or bureau.
- The process is helpful for lenders as well as for borrower. It highlights health of the enterprise, unveiling insights of sales, operational and financial areas of a company and thus assesses financial viability to fulfill corporate obligations.
- Good credit rating also helps in business opportunities especially when one needs finances for new or existing venture. Company can submit its credit rating report while dealing with MNCs. Better ratings also can help SMEs retain suppliers.
- As credit rating reveals strengths and weaknesses for self improvement.
- The difference between credit bureau and credit rating agency is that the former provides information on borrowers' past debt repayments; it does not give any opinion where as credit rating agency gives opinion with respect to the future debt repayments to be made by borrowers.



CHILD'S CORNER



Read Between the Lines

Children's behavior and reaction to certain situations is subject of many surveys, which have revealed causes, signs and remedies of emotional mayhem consistently occurring in children, belonging to 6-11 age bracket.

Even minor circumstances upset children, giving bothersome and undisciplined reactions a chance to flow. It is parent's duty to check if intensity of such responses is appropriate. Causes can be homework burden, bullying at school, failure in exam, familial or social gruesome episode, etc. It may not be possible to prevent any occurrence from affecting a child; however, parents should provide tools children really need to tackle with such emotions.

Just be there and listen : If you notice pale face of your child, ask him the reason politely showing interest and care. Listen to his concern and encourage him to share more. Children sometimes avoid sharing depressing things; parents should respect this space children need. Still, make sure to be there.

Make them recognize : Children, even in depressing situations, do not have words for their painful feelings. If you see your child frustrated, use words to make him understand emotions by names. Motivate him to communicate strong emotions with words rather than demonstrating them with behavior. Many children recover soon from stressors while others take time.

H.W : Home Work puts severe strain on children. Parents need to consider it and divide it into several hours with required gaps. During learning, if child does not grasp for instance a mathematics sum, do not scold him. Explain the same to him in comprehensive method.

Bullying : In many schools, children suffer bullying (being called by silly nickname by mates, teased for poor grades, etc.) Try to know if school atmosphere is the reason for child's frustration. If you find out that your child feels ignored at school or suffers physical abuse, inform authorities. Bullying also hurts child's confidence level. Along with parents, it is also teacher's job to motivate student if he notices academic imbalance or inappropriate behavior.

There are many signs in child's behavior which inform parents about his or her need of a special attention. In an era where the level of competition and change is on rise, from the very early age children are sent to tuitions, dance and music classes, etc. thus children face an insecure world at a very tender age. Also, children are the most important assets and hence parents must safeguard them, nurture them carefully and understand their requirements as they mature.



HOW TO EARN FROM EQUITY?

As an integral and salient part of share trading experience, equity analysis requires thorough study of ratios (parameters). Here are few ratios which are of utmost importance prior to making any investment.

Dividend Yield :

The ratio indicates the dividends company pays out every year related to the share price. It is the dividend per share, divided by the price per share. Higher the dividend rate, lower the equity value. This will help fetch the higher dividend yield.

Current Ratio :

The ratio helps evaluate a company's ability to pay its obligations (short-term). It is thus calculated by dividing total current assets by total current liabilities.

Asset Turnover Ratio :

The ratio measures an extent to which a company is efficient at using its assets in generating revenue.

For more details on the utilization of equity ratios, contact our team at Value Plus.

MUTUAL FUND INVESTMENTS

With continuation of Mutual Fund analysis, here are the rest of the ratios, which if studied deeply, help assess the fund's performance.

Fama :

This ratio highlights a comparison between the fund's performance (related to returns) and a required return which compensates for the total risk associated with it. The difference measured is called net selectivity which in turn shows the fund manager's stock selection skills. The ratio indicates the excess return over and above the return which compensates for the total risk, which is explained by portfolio beta and market risk premium.

Sortino :

The ratio measures risk-adjusted return of an investment or a fund, penalizing those returns which fall below a required rate of return (downside volatility). Ultimately, it is a modification of the Sharpe ratio, which penalizes upside as well as downside volatility. Thus, Sortino helps differentiate between bad and good volatility, which is measured by the Sharpe ratio.

Treynor :

Returns generated by a fund, over and above risk free rate of return, are analyzed by Treynor. A high Treynor's index means a superior risk-adjusted performance and low Treynor's index indicates unfavorable performance of a fund.

For more details or analysis of these ratios, contact our team at Value Plus.



ASK THE EXPERT

H.P. Shah, LUTCF (USA), RFC (USA)

What kind of Insurance should I buy? - Kiran Patel, Professor, Vadodara

Insurance mainly depends on income, growth of income, responsibilities, goals, liabilities, types of liabilities, asset allocation, etc. So before choosing any insurance plan, I recommend you to consider these factors deeply.



I seek one suggestion. Which should be opted for, investing lump sum or going for a periodic investment? - Rajshri Shrivastav, Engineer, Ahmedabad

If you have lump sum capital, you can invest the whole, which is known as Capital Built Strategy. If you invest periodically, it is called Capital Building Strategy. In both cases, asset allocation will be different and the same will be handled differently as well. The characteristics and benefits of both differ from each other.

What do you think is the current scenario of interest rate? - Krittika Shah, Doctor, Surat

RBI has raised its key interest rates thirteen times in the last two years, for the purpose of controlling inflation. Now, the inflation is under control. RBI will reduce the rate of interest to increase productivity, GDP, export thereby supporting multiple businesses and industries.

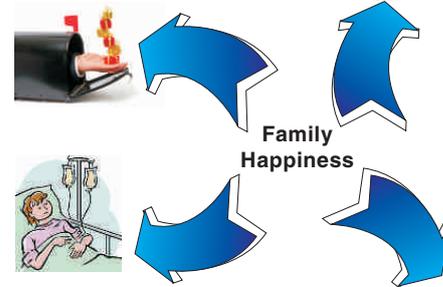
What is critical illness rider? - Mahesh Patil, CA, Vapi

Critical illness rider provides a lump sum amount of money to the policyholder when a policyholder is diagnosed with a grave diseases like kidney failure, etc. specified in the policy. The rider may require an insured to survive a specific period after a critical illness is first diagnosed. The amount is payable over and above reimbursement of medical expenses to meet miscellaneous expenses.



A unique opportunity for family's long lasting safety and happiness.

₹ 10,00,000 + loyalty addition is maturity amount.



In case of father's natural death,

- 1) Immediate payment of ₹10,00,000.
- 2) No subsequent premium to be paid.
- 3) 10 percentage of insurance amount - ₹1,00,000 to be paid per year till maturity.
- 4) Sum assured along with loyalty bonus payable on maturity at last.

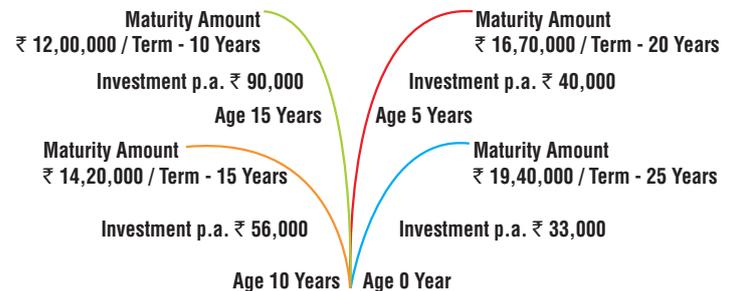
In case of critical illness,

- 1) ₹5,00,000 will be paid immediately.
- 2) All subsequent premiums on ₹5,00,000 will be waived off.
- 3) ₹50,000 will be paid each year.
- 4) On maturity, principle + loyalty addition will be payable.



Over and above, in case of death due to accident, ₹10,00,000 will be paid.

**A fabulous gift to child, belonging to 0-18 years.
Cash flow is available from the age of 18 to 25.**



Register to our website

www.valueplusinv.com

for exclusive benefits.

Follow us on   

For any query, contact our expert team.



VALUE PLUS
The Family Office

Grow Safely..Be Happy

A unit of Value Plus Investment Advisors Pvt. Ltd.
GF 4-8, Productivity House, Productivity Road, Alkapuri,
Vadodara - 390 007, India
Tel.: +91-265-2324600, 6629800 (M): +91 89800 35701
E-mail: info@valueplusinv.com Web: www.valueplusinv.com

Ahmedabad | Vadodara | Surat | Bhavnagar |
Jamnagar | LA (USA)