



Safety



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## INVESTMENT IN WORTHY ASSETS

December 2012: It's the Beginning, Not the End

Equity market has underperformed compared to fixed income and other investment horizon in the period of last 3 years and 5 years. At any point of time, Index value represents market sentiment and business earning both. Below table mentions year on year (YOY) data of sentiment and business earning represented as PE and EPS respectively.

Date	PE	EPS	SENSEX	Annualize ROI (return on investment)		
				1 year	Avg. 3 year	Avg. 5 year
04.11.2012	17.83	978.86	19138*	23.59	3.12	7.71
31.12.2011	16.41	941.80	15455	-24.64	20.07	12.89
31.12.2010	23.56	870.50	20509	17.43	0.36	42.12
31.12.2009	22.36	781.07	17465	81.03	8.89	39.82
31.12.2008	12.36	780.53	9647	-52.45	0.88	37.13
31.12.2007	26.67	733.18	20287	47.15	69.08	104.37
31.12.2006	22.76	605.75	13787	46.70	45.37	
31.12.2005	18.61	504.99	9398	42.33	59.42	
31.12.2004	17.07	386.80	6603	13.08	34.13	
31.12.2003	18.86	309.59	5839	72.89		
31.12.2002	14.64	230.69	3377	3.52		
31.12.2001	15.57	209.53	3262			
Average	18.20	669.46	Average ROI	24.60	26.82	40.67

\*near term High \*\* PE: Price-Equity ratio; EPS: Earning Per Share

Till date, Sensex has not crossed its previous high of 21500 of January 2008. Perhaps, EPS has increased by 25% since March 2008. It can be inferred that Business has given better earnings compared to Price Index during same time period. Factors that can be attributed to such negative sentiments in the market are Government's Policy Paralysis, Euro Zone Crisis, Interest Rate Cycle, High Inflation etc.

Financial experts are expecting a great Bullish Indian Market of 1991-92, 2007-08 to be repeated from December 2012 onwards!! Hence, we advice smart investors to en-cash this situation and channelize their funds in equity instruments under the guidance of their investment advisors to maximise their wealth.



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## ASK THE EXPERT

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

**How can section 80DDB help to save tax?** -Anil Singh, Jaipur  
Section states that if one has incurred expenses on certain specified medical treatment/s either for himself or for a dependent that is not covered by a mediclaim policy, a deduction up to Rs. 40,000 (or Rs. 60,000 for senior citizens) is allowed under Section 80DDB. If this expense is already being covered by a health insurance policy, then the deduction can't be claimed.

**What is health insurance portability and how it is beneficial?**  
-Prachi Bhawe, Baroda  
Health Insurance Portability is a regulation laid by IRDA, where in an individual is able to switch between insurers at his will without being worried about benefits like No Claim Bonus and Pre-existing diseases covered. Thus, it provides flexibility to switch individual from current policy in the events such as locational shift, availability of better products or dissatisfaction with services of present insurer.

**What is a Monthly Income Plan (MIP) mutual fund?** -Shyam Shah, Mumbai  
Monthly Income Plan oriented Mutual Fund schemes are primarily a debt-oriented scheme with 75 to 80% of its corpus in debt instruments and balance in equity instruments aiming to provide reasonable income on a monthly basis. The debt instruments ensure stability and consistency while the equity instruments in the portfolio yield higher returns. This is a good investment option for those who want safety with tax free return of 10% to 12%.

**What is 'Real Estate Investment Trust - REIT'?** - Ekta Patel, Ahmedabad  
REIT is a security traded like a stock on the major stock exchanges and invests in real estate directly through properties or mortgages. REITs receive special tax considerations and typically offer investors high yields coupled with a high liquidity way to invest in real estate.

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For any query, contact our expert team.



Grow Safely..Be Happy

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Family offices are gaining renewed prominence as a wealth management option for high net worth individuals



A proactive family office allows a family to structure its wealth to ensure continuity of values and objectives



**VALUE PLUS**  
The Family Office

## FROM THE DESK OF CEO



Hello friends!

We hope the recent festive season brought all the reasons for you and your family to celebrate and spend quality time together amidst increasing stressful life and work culture. Our efforts in managing your money will always make sure that this positive outlook continues for a long time to come!

On local front, India Inc is likely to post 17.7 % growth in net profits this fiscal on the back of a 15 % rise in revenues led by moderation in input prices and rupee appreciation. A strong 30.3 % growth in the December quarter while 15.5 % in the March quarter are expected due to healthy bottom lines forecasted for corporate sector. While on global front, re-election of Barack Obama as U.S. President has generated mixed feelings across nations. Many wealthy in US fear BO's victory will lead to another four years of big government, higher taxes on their kind, further big increases in the federal debt, and other policies that could hurt the already limping U.S. economy.

On personal note, I attended Middle Eastern Family Office Conference, held in Dubai on 12-13 November, 2012. Speeches on various knowledge enriching topics such as Life liberty and pursuit of happiness; Building and preserving family wealth; Investment style and strategies for family offices; Developing global landscape; Private equity and Real-Estate funds; Family governance and sustainable wealth; Litigation investments; Why is philanthropy and stake holder engagement important for wealthy families were delivered by other global speakers. While I delivered speech on Indian Economy to delegates and experts present from across the globe.

As the Christmas and New Year are approaching, let me quote: "Your Success and Happiness lies in your Growth. Resolve to keep happy, and your joy and you shall know no bounds against difficulties."

Grow Safely...Be Happy.  
Best Regards

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

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## WHAT'S INSIDE

- Living Will
- Be Careful!! Your case can be scrutinized by department
- How to find right Business opportunity?
- What is Government spending?
- Billionaire's 6th principle

## FAMILY OFFICE

Adopting to changes and embracing new "STANDARDS"

Living will

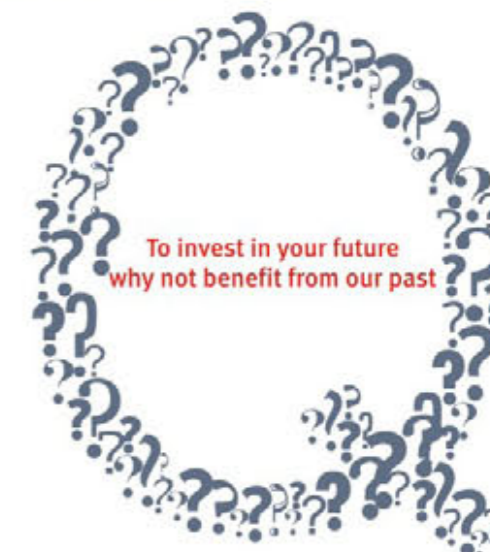
*My wife wants to en-cash fix deposits jointly held by me prematurely as I met with an accident while my trip to abroad! I am in comma and my family needs money to save my life from my funds like deposits, insurance, public provident funds, bank accounts etc.!*

In such scenarios we believe we have Joint deposits in Bank but it doesn't work as most of the banks do not allow premature withdrawals without signature of all the applicants. Now the million dollar question is what are the provision's you need to thwart these situations???

Properly documented Living Will can prove a helping hand in those situations where you are incapacitated due to medical reasons or any other reason where in you are not capable to act. It shall empower your spouse to act as the one who can deal with your finances and other issue to save your life in case of emergencies. "Millions now Living Will never die."

The role of a family office here becomes crucial as it can provide proactive provisions & guidance along with services related to different types of crisis for its clients who are foresighted and wish to be proactive in managing emergency situations that may have to be faced in life. Living will's ultimate objective is to give life to you & your family without anybody's obligations!!!

There comes a point in life when you realize who matters you the most  
Plan a Living Will for the one who always will..





## TAX FUNDA

**Be Careful!! Your case can be scrutinized by IT department**

Mr. Bharat Popat, Prominent Chartered Accountant of Gujarat.

Assessing Officer can pick up the case for scrutiny by issuing a notice under section 143(2) of the Act. This notice is required to be served upon the Assessee on or before 30th September following the financial year in which the return may have been furnished. Central Board of Direct Taxes generally issues guidelines every year, which contain the criteria for such selection.



Some of the criteria so fixed in respect of the return of income that may have been furnished in financial year 2011-12 are as given hereunder:

- Where the value of international transaction as defined under section 92B (transactions between associated enterprises) exceeds Rs.15 Crore. Further, the cases in which addition of Rs.10 Crore or more was made in earlier assessment year on the issue of transfer pricing will also be picked up for scrutiny.
- Cases where there was addition of Rs.10 Lacs or more in earlier assessment year and question of law or fact is confirmed in appeal or pending before appellate authority.
- In case of survey carried out during the financial year. This criteria will not apply in the following cases.
  - There are no impounding of books or documents.
  - There is no retraction of disclosure, if any, made during survey.
  - The income declared in the return, excluding any amount of disclosure made during survey, is not less than the declared income of the preceding assessment year.
- Assessment in search and seizure cases.
- Over and above the above stated criteria, the AOs are also empowered to pick up specified number of cases for scrutiny on manual basis. This will however be with the prior approval of Additional CIT / Joint CIT. This includes selection of company assesses which are in its initial years of operation and are infusing investment by introducing capital or are taking loan but the return filed shows loss.

Kindly contact us in advance for smart tax planning

## CORPORATE ZONE

**How to find right business opportunity?**

The first step is to decide what type of business opportunity you desire? You can do anything from manufacturing, trading, importing, and exporting to investing, consulting and franchising. There are numerous business opportunities available in India. Pick something that interests you the most considering its feasibility and profitability simultaneously.

At the Info banc website, you can find directory of Indian exporters and manufacturers. You can also find Indian buyers, suppliers, agents and even trade leads. It has been in existence since 1997, and they have a long history of helping to connect buyers and sellers. You can also find a section that can help you locate the exact industry that you are interested in.

Surf over to Trade India, a website that is a powerful directory of Indian business opportunities. The site contains over 1,200 product categories and subcategories. With over six million registered users, it is a massive resource that helps you find opportunity that may interest you.

You can also look for business opportunities in the international marketplace by referring the website of International Business Forum, www.ibf.com. By clicking on their business directory and then the country directory, you can find a list of Indian business opportunities.



An Informative speech on 'Indian Economy' being delivered by Mr. H.P. Shah at the Middle Eastern Family Office Conference held in Dubai on 12-13 November, 2012

Our CEO Mr. H.P. Shah (extreme left) with the delegates of Middle Eastern Family Office Conference held in Dubai.

## IDEA OF THE MONTH

**Invest in Crises as Opportunities**

**What is Government Spending?**

Government Spending is the sum total of expenditures by the government during a particular financial year. Considering last year, India's Government Spending was 10.9% of its GDP (Gross Domestic Product).

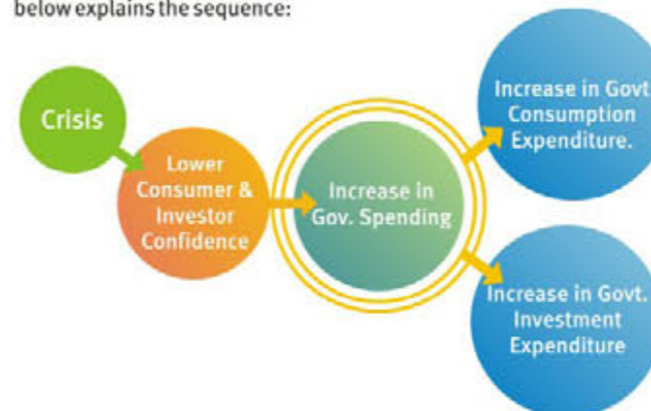
In fact Government is a separate economic entity which can act as

A Consumer-The government consumption expenditures involve expenses on goods and services (like agriculture, transport, education, health etc...)

An investor - The government invests in Infrastructure (like Roads, Bridges, and Dams etc.), Power Plants and transmission grids, Oil and Gas exploration, R & D etc.

**When does the Government Spending become indispensable?**

Crisis is the situation when the government spending takes precedence over normal business activities and become indispensable. Line diagram below explains the sequence:



Perhaps, Government Spending has far more vital role in growth of any economy in normal course or in crisis.

**Impact of Government Spending: Industry based analysis**

**Infrastructure Sector:** Infrastructure sector (accounts for 26.7% of India's industrial output) is the backbone of any economy. Infrastructure development is essential for the growth of the economy and in turn for Country as a whole. Industries like cement, steel, copper, coal etc gain the most from the government spending in Infrastructure sector being raw material suppliers to the sector.

**Power Sector:** The power sector is mainly dependent on the government plans & projects it undertakes. In the 11th Five Year Plan Government has targeted to add 78,700 MW generation capacities between years 2007-2012. The Spiral Effect of these spending by government benefits all associated industries.

Other sectors like Automobile, Logistics, Textile etc also gain directly or indirectly from government spending. Over the last 10 years the government's expenditure on transportation has increased from Rs. 7740 cr. in 1999-00 to Rs. 31213 cr. in 2009-10.

It is quite evident that the government spending decisions have a significant impact on growth of the key sectors and overall economy. Financial Analyst who has bird eye on these decisions can recommend which company will benefit from these decisions made by government and generate higher returns for investors.

Nimesh Thaker | Manager - Research & Analysis

## BILLIONAIRE BUSINESS FAMILIES

**They Value using that fortune for a cause, that leaves a legacy**

Many wealth creators have observed that transferring their fortune to next generation is as difficult as creating it. Surprisingly, some of them avoid the big decision or defer them until it is too late. While others, however, plan meticulously how they will pass the baton to the next generation and how they want to transform their legacy not for their family but for society at large.

Majority of us put first priority to their family who they leave behind. Everyone would like them to relish a good standard of living, inherit high values, pursue higher education and be successful and fulfilled. Based on value system and experience, some of them drive their children towards achievement in Business world as a barometer of success while others emphasis on personal fulfillment and social stewardship.

**Points to be considered for Legacy**

**Legacy objective**

The wealth creator or his successor needs to define the objective of his accumulated wealth and how should it be distributed amongst objectives like future financial needs, well-being of family, financial requirement of ongoing family business, societal contribution etc.

**Defining Family Identity**

Ideally, wealth creator should define family vision, yardsticks for success measurement for family and level of influence on decedents.

**Contribution to Society**

Wealth Creators have to decide their societal goal during lifetime and for post life span.

Everyone leaves something behind when he dies. A child or a book or a painting or a house or a wall built or a pair of shoes made or a garden planted.

It is said that something your hand touched some way so your soul has somewhere to go when you die, and when people look at that tree or that flower you planted, you're there.

*"No legacy is so rich as honesty."*

- William Shakespeare

