

# Q & A

**CMA Jitendra Panda**  
MD and CEO of Peerless Securities

*Q What are your key priorities for Peerless Securities for the coming years in order to retain your stable position in the market?*

Peerless group is a growing and also renewing its entrepreneurial spirit to the new opportunities. Peerless Securities is part of the Peerless family providing bouquet of financial products and advisory services. We have marked presence in the state of West Bengal and have now expanding rapidly across the Country. We have more than doubled our client base in the last 2 years, and our product basket has yielded rich dividend to our clients who continue be patrons of Peerless. We look forward to take this mission forward to each district of WB and major cities of the country with online products and services. We are committed to excel in guiding our clients with financial planning, thus creating value in their financial assets.

*Q Are you hopeful about Employees' Provident Fund Organization's (EPFO) venture into the stock markets to fetch better returns than Govt. bonds?*

In a historic move on 7th August, 2015 EPFO kick started investments in equity and equity related instruments. In India there is no significant social security net and EPF is the only instrument to depend upon by millions, working in organized sector for their retirement corpus. EPFO had been investing in the funds in fixed income instruments

only, with expected downtrend in interest rate in coming years this is a proactive move and well timed. Historically, Equity markets give superior returns in the long term compared to other instruments. This move will increase the efficiency of investment return of EPFO as equity generally generates superior returns compared to fixed income in long term. For the stock markets perspective, EPF participation will gradually increase the counter balance buffer in the times of any possible FII selling, reacting to particular global event. We have seen how LIC has invested in equity market for last few decades and given handsome returns to its policy holders, now EPF is also expected to offer meaningful real rate of return in the long term and time will only prove that this step was well taken.

**Q** *What steps according to you, are to be taken to channelize more household savings in to the Stock market and to make the market more attractive and investors' friendly?*

Indian household savings portfolio primarily comprises of fixed deposits, Gold, Insurance, and Provident Funds. Only 2-3% of the Indian household savings on an average is invested in Stock market directly. Household savings are pre-dominantly in bank fixed deposits, the post tax return on this instrument does not beat inflation, a very high price paid for safety in the long term.

Multiple steps have been taken and needs to be continued. The few steps to improve market and make it investors friendly are:

A) Awareness programs: Equity markets are instruments for long term, the benefits are higher as the risk is higher. Awareness through seminars, workshops and in colleges are being undertaken and needs to be extended further.

B) Importance of SIP: The way PF is saved monthly for long term, why not follow monthly saving in equity market also through monthly SIP. This is very efficient and effective model for retail investors to generate long term wealth.

C) Role of Financial Advisor: There is lack of experienced and well educated financial advisors in the country to guide investors, professionals like Cost Accountants, Chartered Accountants and Company Secretaries have a major role to play in guiding investors how to manage and take calculated risk for retirement with help of equity market instruments.

D) Strengthening regulatory Framework: India should

further strengthen its regulatory mechanism and ensure the reach of capital market to improve the credibility and integrity of our institutions. Ponzi schemes running many parts of the country should be prevented at initial stages to safeguard the retail investors and extensive awareness programmed needed to increase the financial literacy among common people.

**Q** *Indians are more interested to invest in gold and real-estate rather than financial savings. What steps must the government take to reverse this trend?*

The affinity towards Gold and real-estate among Indians has been from centuries. The government has taken few very good steps recently for reversing the trend of investment both in Gold and real-estate. The Government started with higher import duties on Gold and safeguarded the country from higher depletion of its foreign currency. The Gold Bond scheme is innovative and novel to convert existing and new investments to economic use. In real estate Higher stamp duty, and strict norms for legal compliance including service tax on builders has seen property prices correcting and demand slowing down. Household savings has to move now to equity instruments to beat the inflation as fixed deposit interest rates are also moving downwards. Low interest rate scenario generally attracts higher retail money into equities.

**Q** *The E&Y survey ranks India as the most attractive market in this year. Do you believe India would be able to sustain this position?*

We believe that the Indian Economy is strengthening though it has not reflected in corporate earnings yet but the macro numbers have shown improvement. Nearly two decades of economic liberalization, along with robust domestic demand, a growing middle class, a young population, and a high return on investment make India a credible investment destination and will be able to sustain this position. The interest rate lowering cycle adds to the credibility and at these levels valuations do not look stretched.

India is a consumer of commodities unlike other major emerging markets like Russia, Brazil, Argentina, and South Africa are producer of commodities and the fall in commodity prices is benefiting India in a big way. These factors put India in a unique position among emerging market peers.

Although Q2FY16 results were disappointing, Indian

corporate margin has improved over 500bps due to low input cost.

**Q** *What are the triggers that will drive the Indian markets in the coming future?*

The growth expectations from Corporate and investment cycle to kick-start are now keenly watched. Macroeconomic conditions are improving, the Government spending in key sectors like power, road and railways is expected to pick up and this will boost economic recovery. The winter session and then budget in the next quarter could see some major reforms and will be key triggers for driving ahead the Indian markets. As a token of advice to the new investors, kindly suggest how they would manage their portfolio in the volatile market.

Markets are volatile in the short term and with globalization they will remain volatile due to various factors. In the last 15 years we had major events like Kargil War, 9/11, Sub-prime crisis, attack on our parliament and still Indian Equity Markets have given nearly 15% return year on year if you had invested for the last 15 years your money would have multiplied nearly 8 times. As per AMFI in the last 16 months ending Oct' 15 mutual funds have seen \$19bn cumulative equity inflows. Take advice from professional advisors and start investing for long term. Invest the savings which will not be required in the short term. Selection of the scrips or mutual funds for investments has to be done judiciously with professional help.

**Q** *What trend do you see for the Indian investing market? What is your expectation from Government?*

The trend of investing is growing although slowly. We observe efforts from various organizations including regulators in last few years are yielding results. The awareness of equity markets is now much greater with the young generation with financial planning being part of curriculum of various management and professional institutes. The new generation has started investing their savings in financial instruments, we are optimistic that by 2018 there will be a boom in investors. Government has empowered Regulators to take steps for strengthening the market. They should continue to create awareness of financial planning. Additionally, in absence of social security system in India incentives for long term investments should continue.

**Q** *'Portfolio Management' and 'Risk Management' are the buzzwords in the business. Cost Management plays a pivotal role in Portfolio Management and Risk Management. Please suggest in what ways Cost and Management Accountants may offer their expertise more effectively in this quest?*

There is huge shortage for good financial planners across the country, each CMA professionals are equipped to guide and make smart investment decisions for corporate and HNIs. We are equipped with the expertise of identifying, analyzing Companies balance sheet and hence we can apply this knowledge in not only managing portfolio but more importantly managing risk. Each member of the Institute has all the ingredients to aspire for an successful Research analyst career. There are specific certifications courses set by the Regulators and conducted by the Exchanges, which Institute Members have to pass for undertaking a career in the financial advisory, analyst, risk management or fund management.

**Q** *As a member of this Institute, what do you feel ICAI should do to initiate associations and tie-ups for Industry-Institute interface?*

Our Institute has always taken the initiative to create financial awareness among the Indian community through forums, workshops and meetings. These activities have yielded positive results and we should continue with it. Many corporate do not educate or train their employee's how to manage their financial savings. The theme to train the employees of the Industry by the Institute would create opportunities for CMA members of the Institute to become their advisors and consultants.

**Q** *What are the various ways your organization can integrate with the Institute for the diverse avenues in professional development matters?*

We observe tremendous lack of awareness of financial products among people of the Eastern region, ponzi schemes have been rampant in the past and gullible investors have been cheated. Now, these investors have to be educated and guided for financial planning in basket of asset class based on their objectives. Peerless has the bouquet of products and a professional team to educate and guide, we would like to extend our support and time to train Institute members and conduct Corporate workshops on behalf of the Institute.