

REAL RETURNS

# Investing options to beat inflation

Here is a guide on how to manage your portfolio as the global economy revives

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With inflation in the doldrums between 2014 and 2020, Indian investors did not have to worry about whether they were investing in asset classes that fetched them a good real return (return over and above inflation).

But this is set to change, with sticky global inflation re-emerging, driven by a range of commodities from copper to cooking oil to steel.

Though RBI/MPC have been hoping that the spike in India's CPI (Consumer Price Index) will be fleeting, it has proved stubborn averaging 6 per cent in the last two months.

So, if a resurgent global economy does trigger a high inflation phase, which assets should you own more of, to earn inflation-beating returns? Instead of relying on theory, we decided to rely on past data to find answers.

India encountered a long stretch of high CPI inflation averaging 10.4 per cent in the five year period from January 2009 to January 2014 and we ran returns on different assets to find the following.

**Bonds, FDs**

When inflation is on the rise, central banks usually raise policy rates to quell it. This makes it a bad time to own bonds, as rising rates lead to declining bond prices.

With the Indian economy in shambles post-Covid, RBI/MPC may be late in hiking their rates in response to inflation today.

But even if policy rates do not rise in a hurry, market interest rates (such as the 10-year g-sec yield) can spike if inflation is perceived to be sticky.

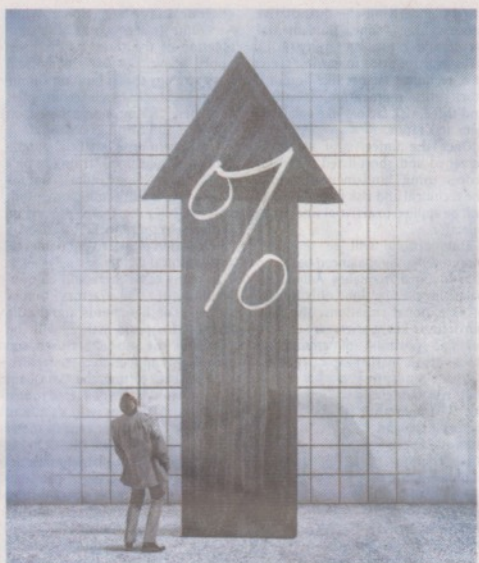
Had you held Indian government securities (proxied by the CCIL All Sovereign Bond Index) during the period from 2009 to 2014, you would have earned just a 3.2 per cent CAGR, a significant negative real return.

If you believe that high inflation is here to stay, it would be best to stay off long-term g-secs and long-dated corporate bonds.

Bank FD rates are usually a little higher than sovereign bond rates, but not enough to beat inflation.

This time around, with policy actions likely to be delayed, bank FD rates may not keep up with inflation.

RBI data on deposit rates of banks for 1 year periods, shows that in the 2009 to 2014 period, bank FDs returned a healthy 8.6 per cent, but this still lagged CPI inflation of 10.4 per



ing them on steel, cement and upstream oil plays.

Small and mid-sized companies may enjoy lower pricing power and may be more hurt by input inflation than industry leaders.

However, commodity companies by virtue of sheer size tend to dominate Nifty earnings, by contributing 36 per cent of the profit pool.

In the inflationary period from 2009 to 2014, the Nifty50 Total Returns Index and Nifty500 Total Returns Index managed a 17 per cent CAGR, easily beating the 10.4 per cent inflation rate.

But equity performance then was underpinned by a low starting point. In 2009, after a big bear market, Indian stocks traded at low valuations (Nifty50 PE was 13.3 in January 2009). Today, market valuations are at record levels of 29 times (Nifty50) after a multi-year bull market.

This makes high real returns from equities as a class less certain. A selective approach of betting on commodity-makers or companies with pricing power, may work better.

One of the viable routes to acquire such exposure is to invest in thematic commodity equity funds.

Commodity funds with an international flavour, which offer dual exposure to global commodity giants and the US dollar, have in the past proved good bets in inflationary times.

In the 2009-2014 period, Aditya Birla Sun Life Global Commodity Equities Fund-Agri Plan managed a 14.4 per cent CAGR.

**Gold**

Gold is supposed to be a classic inflation hedge. But gold for Indian investors hasn't always kept pace with inflation on a year-to-year basis. Broadly though, inflationary trends globally do spark investor interest in gold. For Indian investors, periods of global crisis or commodity price surges are usually accompanied by Rupee depreciation.

With these twin tailwinds, high inflation years from 2009 to 2014 did prove bumper years for Indian gold investors. Gold ETFs delivered a 13.2 per cent CAGR.

Raising gold allocations is therefore a good idea if you believe in the return of inflation.



**PRICING POWER**  
In a high-inflation scenario, selective bets on stocks of commodity processors may pay off better

cent. Today bank FD rates are scraping 5-6 per cent. They are unlikely to deliver real returns, should inflation spike.

**Equities**

Equities are said to be the best asset class for inflation-beating returns, based on the textbook premise that in the long run, stocks must deliver a return premium over bonds to compensate for higher risk.

While this may be true over 10-year

plus holding periods, over shorter times, stock performance need not keep up with inflation rates.

Stock prices track earnings growth. Rising prices of industrial inputs such as petrochemicals, chemicals and industrial metals can hurt the profitability of companies using these inputs unless they are able to pass them on in full to their customers.

Given the weak demand outlook after the Covid second wave, Indian companies in a majority of commodity-using sectors are likely to see some profit impact from rising input costs. Commodity-mining or processing companies however, could enjoy windfall profits.

In a high-inflation scenario, selective bets on stocks of commodity processors may pay off better than those of commodity users.

In a recent India Strategy report, Motilal Oswal found that while 11 of the Nifty companies benefit from rising commodity prices, 13 are adversely impacted and the rest tend to be neutral.

A high inflation scenario may call for reducing bets on auto, FMCG, consumer durable companies while rais-

**How different assets fared**



\*CAGR between Jan 1, 2009 and Jan 1, 2014

Institution	Loan amount		
	Under ₹30 lakh	₹30 to ₹75 lakh	Over ₹75 lakh
<b>BANKS (Floating rates)</b>			
Axis Bank	6.90-8.55	6.90-8.55	6.90-8.55
Bank of Baroda	6.75-8.6	6.75-8.6	6.75-8.6
Bank of India	6.85-8.35	6.85-8.35	6.85-8.35
Bank of Maharashtra	6.90-8.40	6.90-8.40	6.90-8.40
Canara Bank	6.9-8.9	6.9-8.9	6.9-8.9
Central Bank	6.85-7.30	6.85-7.30	6.85-7.30
Federal Bank	7.65-7.70	7.65-7.70	7.70-7.80
HDFC Bank	6.75-5.70	6.75-7.75	7.00-7.85
ICICI Bank	6.75-7.3	6.75-7.45	7.00-7.55
Indian Bank	7.0-7.15	7.0-7.25	7.1-7.4
IOB	7.05	7.05-7.15	7.15-7.3
Kotak Mahindra Bank	6.65-7.30	6.65-7.30	6.65-7.30
Punjab National Bank	6.8-7.6	6.8-7.75	6.8-7.85
State Bank of India	6.70-7.15	6.70-7.30	6.95-7.40
South Indian Bank	7.85-9.45	7.95-9.45	7.95-9.45
Union Bank of India	6.8-7.35	6.8-7.4	6.9-7.4
<b>HOUSING FINANCE COMPANIES (Floating rates)</b>			
PNB Housing	7.35-9.35	7.35-9.55	7.70-9.55
HDFC	6.75-7.65	6.75-7.90	7.0-8.0
Bajaj Finserv	≥6.75	≥6.75	≥6.75
GIC Housing Finance	≥7.45	≥7.45	≥7.45
Sundaram Home Finance	≥7.85	≥7.85	≥7.85
LIC Housing Finance	6.9-7.60	6.9-7.80	6.9-7.90

Note: Rates that vary with tenures within the specified loan amounts are indicated as a range. Fixed interest rates may be subject to a revision after a specified tenure. Rates may also apply only for a definite period and change to floating thereafter. Data taken from respective bank's website as on June 18, 2021. Contributed by BankBazaar.com, an online marketplace for comparing loans and insurance products.

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Re.No.41/2017/RMD REQUIRED ROCK BEE HONEY DL-19-04-2021

Girijan Cooperative Corporation Ltd., Visakhapatnam is conducting e-reverse auctions through M&C e-commerce on 05-07-2021 for the purchase of Rock Bee Raw Honey (Multi Floral) (1000 Qts) from Bee Keeping Societies/ Firms/TDCs located in India. The details of month wise requirement, place of delivery, quality specification, terms & conditions can be downloaded from GGC website "https://www.apgirjan.com". Contact details: Cell: 9490766277, 9490760079. Sel-VC&Managing Director

**MUTHOOT CAPITAL SERVICES LIMITED**  
Opis, Wada Park, East Point Colony, Visakhapatnam-530017  
Ph: 0891-2822110 Email: gmocccnkt@gmail.com

Re.No.41/2017/RMD REQUIRED ROCK BEE HONEY DL-19-04-2021

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Sl. No.	Particulars	Quarter ended*		
		31.03.2021	31.03.2021	31.03.2020
1	Total Income from operations	189.19	504.14	146.90
2	Net Profit/Loss for the period (before Tax, Exceptional and/or Extraordinary Items)	12.14	69.50	16.52
3	Net Profit/Loss for the period before tax (after Exceptional and/or Extraordinary Items)	12.14	69.50	16.52
4	Net Profit/Loss for the period after tax (after Exceptional and/or Extraordinary Items)	9.05	51.46	13.90
5	Total Comprehensive Income for the period (Comprehensive Profit / Loss) for the period (after tax) and (after Comprehensive Income (after tax))	8.91	52.19	13.96
6	Equity Share Capital	16.65	16.45	16.45
7	Reserves (including Revaluation Reserve) as shown in the Audited Balance Sheet of Previous Year till on 31.03.2020	490.93		
8	Earnings Per Share of Rs. 10/- (after the revaluation and discontinued operations)	5.50	31.29	8.45
9	Dividend	5.50	31.29	8.45

Note: The above is an extract of the detailed format of Audited Financial Results filed with the Stock Exchange under Regulation 33 of the SEBI Listing Regulations and Disclosures Requirements Regulations, 2015. The full format of the Audited Financial Results is available on the National Stock Exchange of India website (URL: www.nseindia.com/corporates), the BSE Ltd website (URL: www.bseindia.com/corporates) and on the Company's website (URL: www.muthootcap.com/investors)

For Muthoot Capital Services Limited  
Sd/-  
Thomas George Muthoot  
Managing Director  
DIN: 00011592

Kochi  
June 19, 2021

ALERTS

**NASDAQ 100 ETF split**

Motilal Oswal Asset Management has announced a split in the face value of each unit of Motilal Oswal NASDAQ 100 ETF from existing ₹10 to revised ₹ 1. The ex-date and record date for the split is set as June 17, and June 18 respectively. The balance unit holding of the existing unit holders under the scheme as per records of the depositories as on June 18, will increase proportionately. However, this will not impact the current value of holdings of investors..

**Low-cost PMS basket**

Myalternates, a platform for alternate investments, has announced a partnership with smallcase Technologies, to offer stocks curated by SEBI-registered portfolio managers such as Piper Serica, Green Portfolio, and Credent Asset Management. The portfolios are based on various strategies such as quantitative, growth, quality, dividend etc.

Myalternates users can invest in the stock baskets with brokers such as Angel Broking, Axis, HDFC, Zerodha etc.

**O/D facility against FD**

Jana Small Finance Bank is extending Overdraft (O/D) facility against FD. The interest rate on this facility is 0.25 percentage points over and above the FD rate with a utilisation of 50 per cent or more. Up to 90 per cent of the FD value can be availed as O/D. The special pricing will be available to its existing customers till December 31, 2021 and the customers are requested to apply before June 30, 2021 for the same.

Applicable rates of interest on FDs will continue.

Share your feedback on BusinessLine Portfolio.

Whatsapp on: 98409 11444 Scan the code

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Extract of the Consolidated Financial Results for the quarter and year ended March 31, 2021

Sl. No.	Particulars	Quarter ended				Year ended	
		Mar 31, 2021	Dec 31, 2020	Mar 31, 2020	Mar 31, 2021	Mar 31, 2020	Mar 31, 2020
1	Total income from operations	2,320.53	1,481.03	2,348.75	6,229.38	8,555.54	
2	Net Loss for the period from continuing operations (Before Tax and Exceptional items)	(180.07)	(854.84)	(816.67)	(2,809.61)	(1,602.50)	
3	Net loss for the period before tax from continuing operations (after Exceptional items)	(765.55)	(1,349.93)	(1,297.58)	(6,690.18)	(2,283.41)	
4	Net loss for the period after tax from continuing operations (after Exceptional items)	(725.47)	(1,178.11)	(1,127.56)	(4,227.75)	(2,198.49)	
5	Net (loss) / profit for the period after tax from discontinued operations	2.91	(1.40)	0.34	(0.02)	(3.70)	
6	Net loss for the period after tax from continuing and discontinued operations (4+5)	(723.36)	(1,120.59)	(1,126.82)	(4,227.77)	(2,202.19)	
7	Total comprehensive income for the period	(882.76)	(1,043.50)	(1,291.91)	(3,230.18)	(2,178.04)	
8	Equity share capital	603.59	603.59	603.59	603.59	603.59	
9	Earnings per share (of ₹ 1/- each) (for continuing and discontinued operations) Basic & Diluted (in ₹)	(1.30)	(1.48)	(1.82)	(4.68)	(4.03)	

Extract of the Standalone Financial Results for the quarter and year ended March 31, 2021

Sl.No.	Particulars	Quarter ended				Year ended	
		Mar 31, 2021	Dec 31, 2020	Mar 31, 2020	Mar 31, 2021	Mar 31, 2020	Mar 31, 2020
1	Total income from operations	503.71	362.53	351.13	1,448.60	1,755.30	
2	(Loss) / profit before exceptional item and tax	(145.90)	(95.18)	39.25	(487.17)	(463.67)	
3	Loss before tax after exceptional items	(402.05)	(429.11)	(782.47)	(1,284.02)	(1,454.34)	
4	Loss after tax and exceptional items	(402.05)	(428.45)	(817.38)	(1,280.36)	(1,479.32)	
5	Total comprehensive income for the period	700.25	(911.51)	1,564.49	(2,396.09)	577.3	
6	Equity share capital	603.59	603.59	603.59	603.59	603.59	
7	Earnings per share (of ₹ 1/- each) (for continuing and discontinued operations) Basic & Diluted (in ₹)	0.87	(0.77)	(1.35)	(2.12)	(2.45)	

Notes:  
a. The above is an extract of the detailed format of quarterly / annual financial results filed with the stock exchange under Regulation 33 of the SEBI (Listing and other Disclosure Requirements) Regulations, 2015. The full format of the quarterly / Annual Financial results are available on the websites of the stock exchange(s) (www.bseindia.com and www.nse-india.com) and on Company's website www.gmrgroup.in  
b. The audited consolidated and standalone financial results of the Company for the quarter and year ended March 31, 2021 have been reviewed by the Audit Committee at their meeting held on June 17, 2021 and approved by the Board of Directors in their meeting held on June 18, 2021.

For and on behalf of the Board of Directors  
Grandhi Kiran Kumar  
Managing Director & CEO  
Date: June 18, 2021  
GMR GROUP - GLT 154 / PREM ASSOCIATES

In loving memory of our guiding light, who continues to live on in our hearts, memories and actions.

**LATE SHRI HARI SHANKAR SINGHANIA**  
(20.06.1933-22.02.2013)

In Lasting Memory Issued by Member Units of

**J. K. ORGANISATION**