

Where should NRIs Invest their Gains from a Weak ₹

The Financial Week

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The rupee was quoting at 44.8001 against the US dollar seven months ago, and has depreciated 18.28% since then. A falling rupee is not the best news for us, but it definitely is for exporters and NRI investors who will receive more rupee funds on conversion. Given the current scenario, NRIs have some good investment options to park their surplus funds, writes **Vidyalaxmi**

Short term (6 months to 1 year) ⌚

Fixed income mutual funds
A range of fixed income mutual funds offer customers the combined benefit of attractive returns with full repatriability, low cost, convenient processing and ease of portfolio tracking. Safe investors should opt for liquid plus funds.

Bond funds/longer-duration gilt funds
They are meant for investors who are comfortable with some price uncertainty.

"They can benefit from any potential capital gain arising out of any reduction in future interest rates. Also, any appreciation in the rupee over the investment period would imply additional returns."

VISHAL KAPOOR, Head, Wealth Management, Standard Chartered Bank, India

NRE deposits

"They are clearly the best option after the deregulation by RBI. Short-term deposit rates are attractive due to tight liquidity conditions in money markets while being tax free."

SUTAPA BANERJEE, CEO - Private Wealth, Ambit Capital

Realty Check

Real estate as an investment option makes sense if you plan to return to India after some time. However, you should choose a location that is familiar to you and stick to a reputed builder, given that proximity is an issue

From a pure investment angle too, the same caveat applies: Familiarity and reputation. Also, there is greater chance that projects of reputed builders will appreciate more than others'

Also, as NRIs are not permitted to purchase plots of land/plantations/farm houses. Even commercial real estate is subject to a plethora of limiting regulations. Purchasing apartments or bungalows may be the only options available

It is difficult to give a ballpark estimate regarding returns, as it will depend on the location and various other factors

However, as an investor you have to be cautious in the near-term since it is an interest rate sensitive sector and demand may be impacted by relatively high interest rates

Medium term (1-3 years) ⌚⌚⌚

Balanced mutual funds/NRE deposits
You can opt for either of these instruments depending on whether the horizon is one or three years, respectively.

"The choice depends on the kind of price volatility and whether the investor is seeking a guaranteed return or not."

JAYANT PAI, CFP, Vice-President, Parag Parikh Financial Advisory Services

Fixed maturity plans

They are an attractive option for customers looking to locking in at prevailing high rates. For risky investors, Indian equities may offer significant long-term opportunities.

"Investors could participate through selective stocks or through a wide range of equity funds with good track record. The quarter ahead may offer selective buying opportunities for active investors, or one could choose to simply stagger investments through a defined period, using systematic transfer from debt to equity funds," says Kapoor.

Long term (3 years or more) ⌚⌚⌚⌚⌚⌚⌚

Diversified equity funds (through SIPs)

They are good options at the current rates. FDs are not a good option as the uncertainty of foreign exchange movements may not be fully compensated by interest rates.

"However, risk averse depositors may choose long-term NRE deposits. Gold ETFs are also a good option," says Pai.

Investors should allocate their funds using a strategic allocation model tailored to their individual risk

profile. This should normally combine debt, equity as well as alternative assets. Clearly, debt offers a very attractive opportunity in the near term but one should also keep in perspective the attractiveness of Indian equities over the medium to long term.

"It is imperative to find out whether one is allowed to invest in an instrument by RBI as well as by the country of their residence. For example, several bonds don't have separate clauses which allow for NRIs to invest in them," says Banerjee of Ambit Capital

Choosing The Right Investment



Liquidity, post-tax returns, price volatility and credit risk are the crucial factors that should determine the choice of the instrument you invest in.



The amount of foreign exchange risk one is willing to undertake is also a crucial factor. Of course, the forex risk is always present in all options other than FCNR deposits.



Convenience and trust need consideration. One may choose those options where he/she can transact online. This enables easier portfolio tracking.



Suitability of the product/asset based on endogenous factors such as age, economic situation, liquidity considerations etc. are the same as those for resident Indians.

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