

MoneyToday VALUE RESEARCH ANALYSIS

PORTFOLIO DOCTOR

Model Management

Exemplary financial hygiene and a well-planned investment strategy has helped Delhi-based financial manager, Sunil Kumar Dhavala, build a strong financial portfolio and increase his networth substantially.

Over the past seven months, Portfolio Doctor has dealt with a mixture of good, bad and indifferent portfolios. In the process we've learnt a lot about how Indians stumble while structuring their savings.

This time, it's different. While perfection is by definition, unattainable, Sunil and Sarita Dhavala have come pretty close. The couple from Delhi are a model in how they manage their personal finances. While there wasn't too much that we could offer in the way of advice, we felt that his methods needed to be showcased since he is an ideal subject to emulate. So here we are.

Sunil Kumar Dhavala, 36, is a finance manager with National Geographic Channel and

his wife, Sarita, 31, is a marketing executive.

With a combined monthly income of Rs 1.2 lakh and two sons as dependents, the couple could easily be tempted to complacency. But not the Dhavals. They have intelligently distributed their investments across all asset classes and are driving their money hard.

An annual premium of Rs 67,084 spread across term,

endowment plans and a medical insurance assures that the couple is insured for a whopping Rs 74 lakh, approximately. The Dhavals have been merrily shopping for real estate almost all across the country. The current value of their plots and flats is pegged at no less than Rs 96 lakh. They have an outstanding home loan of Rs 27.8 lakh split into two schemes at floating interest rate of 9.25% and 9.5%. Liquid assets in terms of Rs 66,500, gold worth Rs 3 lakh and fixed deposits of Rs 1.1 lakh take care of the family's emergency requirements.

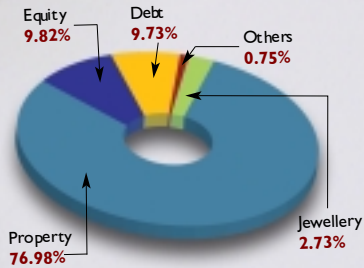
Aggressive players of the stock markets, the



Name: Sarita (right) and Sunil Kumar Dhavala (with children)
Age: Sarita: 31, Sunil: 36
Combined monthly income: Rs 1,07,000
Financial dependents: Two

THEIR FINANCIAL CONDITION

Asset Allocation



TOP 5 EQUITY HOLDINGS (%)

Infosys	24.68
TCS	14.86
SBI	4.16
NTPC	3.88
ICICI Bank	3.70

TOP 5 SECTORS (%)

Technology	47.49
Energy	9.70
Financial Services	8.86
Construction	8.00
Services	7.21

Figures given in Rs of current value of indirect equity held through funds

DIAGNOSIS

PORTFOLIO WELL DISTRIBUTED ACROSS ALL ASSET CLASSES

AGGRESSIVE PLAYER OF REAL ESTATE, INVESTMENTS HAVE APPRECIATED SMARTLY

BLOATED MUTUAL FUNDS PORTFOLIO, THOUGH GOOD SELECTION OF FUNDS AND STOCKS

PRESCRIPTION

REJIG MUTUAL FUND PORTFOLIO

- Do not invest in too many funds of the same type
- Increase allocation in well-performing funds

RE-DISTRIBUTE READY CASH

- Spread emergency fund across savings and sweep-in accounts plus liquid debt funds for better returns

DIVERSIFY STOCKS PORTFOLIO

- Reduce concentration in technology sector
- Increase exposure to companies which fund managers are focusing on

MUTUAL FUNDS

Actual Fund Holding	% change in portfolio	
	Actual	Suggested
Franklin India Flexi Cap-D	13.68	15.69
Magnum Contra-G	2.57	12.75
Reliance Equity Opportunities-D	12.31	12.31
Reliance Vision-G	1.98	9.98
HDFC LT Advantage Fund-G	9.33	9.33
Magnum Global-G	1.95	8.50
Reliance Diversified Power Sector-G	15.20	7.20
Franklin India Taxshield-D	6.37	6.37
Pru ICICI Infrastructure-G	2.55	4.57
Sundaram BNP Paribas Select Midcap-G	4.51	4.51
Fidelity Tax Advantage-G	4.27	4.27
Pru ICICI Dynamic-G	2.53	2.53
HDFC Top 200-G	2.01	2.01
Franklin India Prima Plus-G	2.01	
DSPML T.I.G.E.R.-G	2.01	
Kotak Mid-Cap-G	6.55	
Magnum MultiCap-G	10.18	

Funds schemes to exit

DOC SAYS

Consolidate mutual fund holdings into funds that have been giving good returns consistently. Increase allocation to one fund than have too many of the same type

Dhavalas have invested Rs 7.9 lakh in direct equity. Their kitty of scrips comprises both fast growing and blue-chip stocks like NTPC, TCS, Infosys, SBI, etc. ELSS and equity-diversified mutual funds of Rs 3.3 lakh make for the safer bet in the volatile stock market. The debt component of their portfolio is also well distributed. The Dhavalas have invested about Rs 11 lakh in provident funds, Public Provident Funds, NSCs and bonds.

Wealth management seldom gets better than this. Leveraging their financial knowledge, the Dhavalas have made their money multiply exponentially. The most striking part of this management is the meticulous records of income and expenditure down to the last

DOC SAYS

Be meticulous in keeping records of your savings, expenditure and investments. Track them regularly. Fix a limit on monthly expenses and try not to exceed it

penny. It is perhaps this regular totting up of the flow of cash that allows them to spend Rs 36,000 per month and yet maintain a healthy savings rate of about 45%.

The best earners and investors falter when it comes to insurance. They are either inadequately

insured or covered through the wrong policies. Certainly not the case with the Dhavalas, who have more than adequate cover for the family (separately for health and home loans) with minimum outflow as premiums.

The Dhavalas keep a handsome sum in cash or near-cash to tide over unforeseen expenses. It is wise not to park all these funds in a savings account that gives a meager 3.5% return. Spreading the required amount (preferably three-month expenses) across fixed deposits, debt funds, sweep-ins and saving accounts can give up to 6-7% returns even on money stacked for quick consumption. The Dhavalas have attempted to do the same—perhaps they could rely a little more on sweep-ins.

Their asset distribution is also commendable with an aggressive exposure to high-return real estate and equity. The Dhavalas have taken well-calculated risks. Real estate growth is unlikely to slow down in the long run and betting on highly rated and diversified mutual funds coupled with blue-chip stocks reduces their vulnerability in the stock markets.

The Dhavalas' stock portfolio is good, comprising front-line companies in their respective fields. But it is overwhelmingly concentrated in two stocks Infosys and TCS. Across stocks and funds, Infosys forms 25% and TCS 15% of their total equity investments.

The technology sector as a whole consumes over 47% of his equity investments. The Dhavalas should perhaps cut back on IT exposure and switch to other sectors. A good way to identify upcoming sectors is to follow the investment pattern of mutual fund managers and foreign

PORTFOLIO DOCTOR

institutional investors.

We suggest the following to consolidate the Dhavalas' mutual fund portfolio:

■ Exit Magnum MultiCap and invest the amount in Magnum Contra. Both are excellent funds but this will consolidate their portfolio and increase the weight of a well-performing fund.

■ Retain any one of Franklin India Prima Plus and Franklin India Flexi Cap funds. Since the former has a lower allocation, selling it and buying Franklin India Flexi Cap with the proceeds will be less costly.

DOC SAYS

Don't dump all your emergency fund requirements into a savings account. Distribute it over sweep-ins, debt funds and fixed deposits to earn reasonable returns on them

■ DSPML T.I.G.E.R. and Prudential ICICI Infrastructure focus upon the infrastructure sector. Consolidate these investments in any one fund.

■ Shift investments from Kotak Mid-cap to Magnum Global. The latter is one of the most compelling options in the mid-cap companies.

■ Reliance Diversified Power Sector Fund has a narrow investment focus. Reduce concentration in this fund and allocate more money to Reliance Vision which is a well-diversified fund.

With at least 20 working years ahead of them, the Dhavalas are well placed to create a luxurious nest for the future. Only if they continue to stick to the basics of financial management as they have been doing.

Need help with your investment plans? Log on to www.moneytoday.in and click on Portfolio Doctor to submit your portfolio and read more cases