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**Dimensions Member:** What is the growth scope of Real Estate Investment funds in India?

**Mr. Kopparam:** You need to first understand the background of it. The most recent one was expected to take off as a blockbuster, but that didn't happen because of the IRP levels. Similarly, reeds are something that are going to be underlined with the assets-called Real Estate. This can have residential as well as commercial property. Usually from a builder's point of view, lands are acquired at a certain distance from the city, because you expect the development to extend until that level, and acquire at a lower capital today, since in the long term you expect that when the developments happen, you construct something there and eventually sell it off. These developments do not happen in a year or two, but are spread over a span of a couple of years, and until then your capital is blocked. Say for instance, a property in Bangalore is owned by someone like 'Prestige' who has rental income coming from there. He decides to monetize on the profit, convert it into an SPV, put it in a bucket (with properties in and around Bangalore); and on combining all these, investors can come and buy these particular units. The returns they get is (i)the rental income coming from these properties which will be passed back to the investor; whether it is tax efficient or not depends on the way the structure of the trust is made. (ii) In case there is any capital appreciation you will also be getting power. At the end of the tenure you will have 0 value and no maturity value. For example you have around 5-6 highways, toll roads where all the toll revenues coming from these projects are given back to the investor, and that is the only return you get. At the end of the day it all goes to the government. The roads have been constructed for a specific period and the government tells you to enjoy the roads for that specific period and then leave the project. So that is the tenure of the project for the investor also. But what lacks is transparency. Regulators are working on it to fix the flaws, to make the structure more investor- efficient, investor-friendly, cost-efficient etc.

**Dimensions Member:** Indian Markets are running high on Liquidity. The earnings in the IT sector have a slow growth, and the earnings are not in line with the valuation. Do you think these valuations will be sustained?

**Mr. Kopparam:** Good question. If you ask any of the fundamental analysts, they express their concerns. They would be concerned with the evaluations since the last four years, like in Sensex, the earnings have been in the range of 1300/- flat. Nothing has improved. Everybody hopes the next year would be better. Analysts have an estimate of this. You're looking forward, at the actual EPS that has actually occurred, versus the forward EPS which is an estimate. What people are forgetting is, there are a lot of disruptive reforms that have taken place in this regard, especially with Modi's reign; such as demonetization, GST reforms, parallel economy coming back to your organised sector. All these things indicate that nobody has a clue of what's going to happen. Liquidity is not excess in India; it is excess globally. (which is what I'm going to cover in my talk today) In the entire history, have you ever heard of a negative interest rate? If you come and keep your money with the bank, you are paying interest. Technically, this is what is negative interest rate. The Governments are hoping that with this kind of a low interest regime you are actually pushing corporates to take the risk in the form of expansions because no corporate feels happy keeping cash, it is not giving you any reward. Therefore, you become a little adventurous, take risks, expand, and expect something good to happen in terms of your expansion, consumption, employment which is again an expectation. That liquidity is what is pushing markets across. Corporates, on the other hand are not expanding their liquidities. What they're doing is pushing all their liquidity into different asset classes which is why in the last few years if you look at it, surprisingly, the correlation matrix has gone for a toss. We keep talking about dollar, gold, world currencies, economy in a way where debt-equity have a negative correlation, where one goes up and the other doesn't really move. The moment you have an excess liquidity especially with big economies, it will have a spill over effect. The reason why there is excess Liquidity is *TINA* (jokingly mentions). *TINA* is There Is No Alternative. You have so much money that you don't know what to do with it. We aren't in a safe zone per se. In the book '*This time it's different'*, he says that every time there is a crisis it is tagged as '*This time it's different'*, but if you go deeper into the analysis it is actually identified that it is the same aspect causing all these problems.