



Dr. Ashok Ajmera (FCA), CMD & CEO

Dr. Ashok Ajmera's column as on Feb. 02, 2019

Interim budget focused on middle class and rural masses; SBI delivers stellar Q3FY19 result..

The S&P BSE Sensex ended at 36469, higher by 444 points or 1.2% while the NSE Nifty closed at 10893, up by 113 points or 1.1% for the week. However, the Broader markets underperformed the benchmark indices as the Nifty Midcap and small cap indices closed marginally lower by 0.1% and 0.3% respectively. The US markets also ended in green during the week owing to Federal Reserve's stance as to not hike interest rate in future.

On Friday, the domestic benchmark indices settled over 0.5 per cent higher on Friday after Finance Minister Piyush Goyal announced a string of populist measures in his Interim Budget 2019 speech in the Parliament. The S&P BSE Sensex ended at 36,469, up 213 points or 0.59 per cent, while the broader Nifty50 index settled at 10,894, up 63 points or 0.58 per cent. In the broader market, the S&P BSE MidCap index ended at 14,641, up 81 points or 0.56 per cent, while the S&P BSE SmallCap settled at 13,950, up 24 points or 0.17 per cent. Among sectors, the Nifty Auto index was the top gainer of the day, rising 2.71 per cent led by Hero MotoCorp and Maruti Suzuki. The Nifty IT index too rose 1.45 per cent led by HCL Technologies and Tech Mahindra.

In a major key development, GST collections in January rose to Rs. 1.02 lakh crore the second highest monthly mop-up after April, the finance ministry said on February 2. This is a significant increase from the collection of Rs. 94,725 crore in December 2018, and 14 percent higher than January 2018 collection of Rs. 89,825 crore. The total number of sales return or GSTR-3B filed for the month of December up to January 31, 2019 is 73.3 lakh.



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"The total gross GST revenue collected in January 2019 is Rs. 1,02,503 crore of which Central GST is Rs 17,763 crore, State GST (SGST) is Rs. 24,826 crore, Integrated GST (IGST) is Rs. 51,225 crore and Cess is Rs. 8,690 crore," the ministry said in a statement.

This is the third time in current fiscal that revenues from Goods and Services Tax (GST) have crossed Rs 1 lakh crore mark. In April and October too, the collections surpassed this milestone. The government has settled Rs 18,344 crore to CGST and Rs 14,677 crore to SGST from IGST as regular settlement. The total revenue earned by the central government and state governments after regular settlement in December 2018 is Rs 36,107 crore for CGST and Rs. 39,503 crore for SGST.

GST collection stood at Rs. 1.03 lakh crore in April, Rs. 94,016 crore in May, Rs. 95,610 crore in June, Rs. 96,483 crore in July, Rs. 93,960 crore in August, Rs. 94,442 crore in September, Rs. 1,00,710 crore in October, Rs. 97,637 crore in November and Rs. 94,725 crore in December 2018.

Interim Budget 2019

In a major relief to the middle-class taxpayer, Finance Minister Piyush Goyal, in his Interim Budget 2019 speech announced that those earning up to Rs 5 lakh a year would not have to pay any tax.

Goyal also announced PM Kisan Samadhan Nidhi scheme in which, farmers owning up to 2 hectares of land will get Rs. 6,000 per annum, which will be completely funded by the central government. This scheme is likely to benefit 12 crore small and marginal farmers, at an estimated cost of Rs. 75,000 crore, he said. Apart from this, he also said that the government has set aside Rs. 60,000 crore for MGNREGA this year, and allocated Rs. 19,000 crore for Pradhan Mantri Gram Sadak Yojana. Over 70 million farmers have land holding of less than half hectare. The income support of Rs. 6,000 will have a huge impact on the farmers living in villages.

The finance minister also said that the country's defence budget for FY20 has been increased to Rs. 3 lakh crore.

The government allocated Rs. 64,587 crore for railways in FY20, Goyal said adding that the railway operating ratio was seen 96.2 per cent in FY19 vs 95 per cent in FY20.

Goyal announced that Govt e-Marketplace (GeM) Platform had transacted Rs. 17,500 crore of transactions and all PSUs and government organisations would now be required to buy from GeM. This way, government saves between 25 and 38 per cent on purchase of goods.

A number of measures have been announced to help the real estate sector both directly and indirectly. Notional rent on the second self-occupied house has been done away with while the TDS threshold of rent has been increased from Rs 1.8 lakh to Rs 2.4 lakh. Rollover of capital gains for section 54 to be increased from 1 residential house to 2 residential houses (for capital gains up to Rs 2 Crore). Also, for affordable Housing - Deduction under 80IB(8)



has been extended by one more year. Finally, the builders have been given some relief by extending their exemption (notional income) on unsold inventory from 1 year to 2 years.

The government increased the disinvestment target to Rs. 90,000 crore for the financial year 2019-20, up by 12.5 percent year-on-year from the current year's target. The finance minister said that against a target of Rs 80,000 crore the government is confident of receiving Rs 100,000 crore.

Gross borrowing for fiscal 2019-20 has been pegged at Rs 7.1 trillion while net borrowing was at Rs 4.73 trillion against Rs 4.22 trillion in the current fiscal year, according to the interim Budget on Friday. The fiscal deficit for the current fiscal year was pegged at 3.4 per cent of the gross domestic product (GDP), which is slightly higher than the 3.3 per cent projected earlier. In fiscal year 2019-20 also, the fiscal deficit has been pegged at 3.4 per cent.

Ajcon's view

We believe the Interim budget was an election budget. As expected the Central Government resorted to populist measures to win hearts of rural masses and middleclass ahead of General elections. It remains to be seen as to how the government would be able to meet the aggressive targets set in Interim budget. We do expect inflation to go up owing to higher expenditure. With crucial Interim budget and assembly elections over, all eyes now would shift on global cues and ongoing Q3FY19 earnings season. Globally, all eyes would be on ongoing tussle between US and China and cues from the upcoming meeting between the two economic giants. The recent slowdown in China's economic growth is also a cause of concern for global investors. Clarity on Brexit would also act as a key trigger for investor interest.

We believe the Indian equity markets are in a structural bull run as the benefits of implementation of GST, Insolvency and Bankruptcy code, digitization, thrust on Make in India and improving relations with key foreign countries would augur well for the economy in the long run. The strategy at present should be to invest in phased manner only in companies which are not connected to any political party, have a robust business model, strong earnings and cashflow visibility, low debt and backed by quality management especially on the corporate governance front. Considering the above factors, investors can have a stock specific approach in midcaps and smallcaps space as there are many companies which are trading at a discount of 50-70% to their peak price in early 2018. On a safer side, we would suggest investors to have a look at Consumption stocks, top quality NBFCs having strong parentage, Auto and auto ancillary stocks, PSU banks even after recent rally – trading at depressed valuations (looking better after the cleanup of NPA mess, progress made under the NPA resolution framework under IBC, faster resolutions under NCLT and proposed recapitalization), Auto, IT sector and Private Insurance Companies at the current moment.

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CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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