Views On Union Budget

In the midst of grave global & domestic challenges, the Finance minister has done a commendable job. He has adroitly balanced fiscal pressures and stuck to the fiscal deficit target of 3.5 percent of GDP for FY 17, slightly increased the deficit target from 3 percent to 3.2 percent of GDP for FY 17 and controlled net market borrowing target for FY 18 to Rs 3.48 trillion. A benign appetite for government borrowings in FY18 signals availability of more resources to productive sectors at lower rates. This should spur aggregate demand in both consumption & investment.

While adhering to fiscal rectitude, the FM also helping spur growth impulses in the economy by aggressively increasing allocation of capital to key sectors such as rural, agriculture & allied sectors by a whopping 24 percent to Rs 1.87 trillion and infrastructure sectors like roads, railways etc that have a medium-term multiplier impact on economic & employment growth to Rs 3.96 trillion. This is all the more significant as the domestic economic engine is almost entirely dependent on government's pump priming in view of anemic trends in private sector capex.

Markets have rejoiced as the fears of extending long term capital gains tax tenure from 1 year to 2 years has not materialized.

We expect interest rate sensitive sectors like banking & financial services (BFSI), auto & auto ancillaries, cement, construction and consumer goods to outperform in view of the boost that the Budget has provided.

The medium term trajectory of the market would depend on the revival of earnings cycle that continues to remain tepid over the last few years, impact of remonetization and GST (post implementation which is widely expected from 1st July 2017) on India's economic growth as well as challenging global headwinds in view of fierce protectionism, barriersto free trade, rising interest rates in the US and hardening of global commodity prices especially crude.

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