

Interim Budget Summary 2019

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The government maintained a decent fiscal budget target of 3.4% of the GDP for both FY18 & FY19.

Increase of 9% in allocation towards MGNREGA of Rs. 60,000 Crs for FY19.

Government will directly transfer Rs. 6000 p.a to every farmer having up-to 2 hectare of land.

Relief on middle class by taxing income on net taxable income of Rs.5 lacs

Senior citizens tax slabs remains status quo

Budget has stood tall on most of the counts and is perfect growth led budget.

Finance Minister Piyush Goyal delivered a historic interim budget of his tenure and it is was on the expected lines of being a populist budget which in-turn is a growth led budget. Government has laid a projection of 7.2% GDP growth for FY19. The government is confident of fetching Rs. 80,000 Crs from disinvestments in FY19 and has increased its divestment target by 12.5% Y-o-Y to Rs. 90,000 crs in FY20 which will infuse more liquidity in the system. The government maintained a decent fiscal budget target of 3.4% of the GDP for both FY19 and FY20. The finance minister projected a strong consumption environment and laid down the paths to achieve it.

The budget was very much a historic pro rural economy budget where the government had increased the MSP by huge 50% on all 22 crops. The government has increased in allocation in MGNREGA by 9% to Rs. 60,000 Crs for FY19, signaling the government continues intend to address concerns for the rural economy. For the first time ever, Government will directly transfer Rs. 6000 p.a to every farmer having up-to 2 hectare of land. This historic move will led to consumption of necessity products. FM Goyal has also announced interest subvention of 5% on natural calamity affected crops for farmers if they diligently repay their loans. This robust capital allocation will boost the purchasing power of the rural economy thereby helping the GDP to return back to its projected GDP growth for FY19-20.

The government also tried to infuse growth in infrastructure which includes roads, railways, airports, irrigation and paving ways for activities like animal husbandry, aqua culture and fisheries. FM Goyal said India is the fastest developer of highways in the world, constructing highways at a speed of 27 km. per day. Government for the first time in history gave middle class a relief on income tax by exempting net taxable income of 5 lacs to salaried class. However, Senior citizens had no additional benefits and the tax slabs remains status quo.

Budget Views:-

We feel though government has done a good job by allocating funds to the rural economy and aiming to double the farm/non-farm income by 2022. India's capital market plays a very vital role in strengthening the economy and giving massive tax exemption will infuse lot of liquidity into the capital market. Being a vote on account, we feel government has laid a perfect balance between the expenses and maintain fiscal discipline. We feel since the budget is pure consumption led budget, steep increasing in MSP will lead to increase in the CPI which will result in not easing of interest rates in the future. We feel the budget has stood tall on most of the counts and is a perfect growth led budget.

Sectors to benefit out of budget proposals are as follow:-

Theme	Announcements	Impact	Stocks
CONSUMPTION	Steep increase in MSP BY 50% on all 22 crops.	These steps will increase the disposable income in the hands of the common man as a result sectors like FMCG, NBFCs and Automobiles will benefit.	HUL, BRITANNIA, M&M,BAJFINA NCE
	Rs. 6000 Crs p.a allocated directly to farmers		
	Rs 60,000 Crs. has been allocated for MGNREGA.		
	Exemption up-to net taxable income of Rs. 5 lakhs.		
INFRASTRUCTURE	Increase allocation of 23% Y-o-Y to Rs. 19000 Crs towards rural roads.	These steps are taken to smoothen the infrastructure activity of the Nation as a result sectors like Infrastructure and Cement will benefit.	LT, ASHOKA, ULTRATECH
	Capital expenditure programme of Railways is at an all-time high of Rs 1.58 lacs Crs. in FY20.		
REALTY	Proposed to extend the benefits under Section 80-IBA of the Income Tax Act for one more year till March 2020.	These measures are taken to aid the ailing real estate sector which will benefit both the developers and buyers as a result sectors like Real estate and HFCs will benefit.	GODREJPROP, SOBHA & HDFC
	Extend the period of exemption from levy of tax on notional rent, on unsold inventories, from one year to two years		
	Proposed to exempt the levy of income tax on notional rent on a second self-occupied house.		

Top Picks:-

Company	Sectors	CMP	Target Price	Potential Upside
HUL	FMCG	1796	1986	11%
BRITANNIA	FMCG	3249	3650	12%
MARUTI	Automobiles	6957	7650	10%
HEROMOTOCO	Automobiles	2807	3215	15%
HDFC	HFC	1961	2196	12%
LT	Infrastructure	1325	1550	17%

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