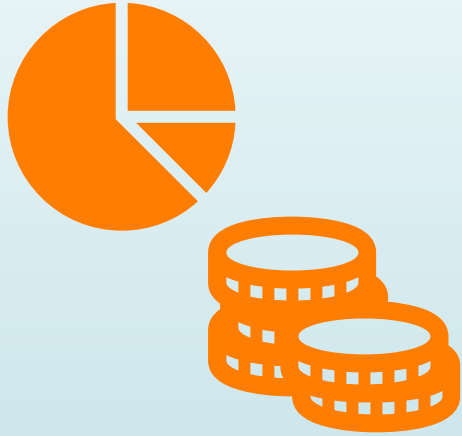


KEY FEATURES OF BUDGET 2019-20

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

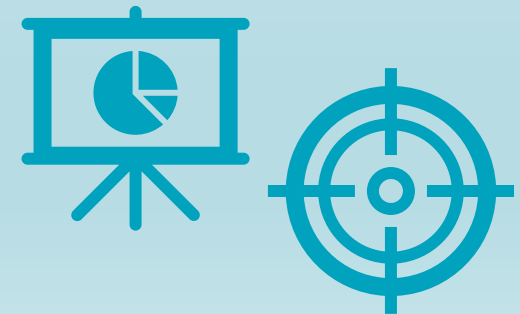
REVENUE FROM DIRECT TAXES



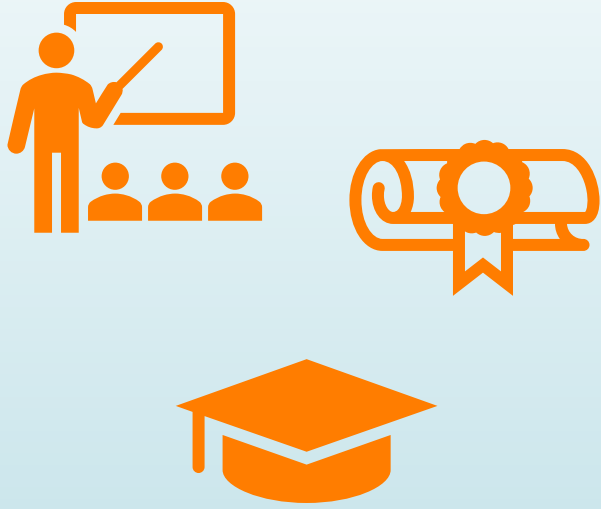
- Direct tax revenue has significantly increased by over 78% from INR 6.38 lakh crore in Financial Year 2013-14 to around INR 11.37 lakh crore in Financial Year 2018-19
- It is now growing at double digit rate every year

INDIAN ECONOMY

- India, the 3rd largest economy already, only next to China and the USA
- The Indian economy will grow to become a 3 trillion dollar economy in the current year
- It is now the sixth largest in the world. Five years ago, it was at the 11th position



FOCUS ON YOUTH



- **INR 400 Crs** to be spent on creating **WORLD CLASS INSTITUTIONS** in India
- New Education Policy to be implemented aimed at transforming Educational System. New project '**Study in India**' is to make India the international educational hub
- Focus on skill sets needed abroad including language training
- Focus on new-age skills like **Artificial Intelligence (AI), Internet of Things, Big Data, 3D Printing, Virtual Reality** and **Robotics**

SOCIAL WELFARE & SPORTS

- **Electronic Fundraising Platform**, a social stock exchange, to be set up to list social enterprises and voluntary organizations working for social welfare objectives Sports
- To popularize sports at all levels, National Sports Education Board for development of sportspersons to be set up under **Khelo India**



WATER SECURITY



- Clean water supply for each house through '**HAR GHAR JAL, HAR GHAR NAL**'
- **Jan Jiwan Mission**: To ensure piped water for all by 2020
- Focus on **Rainwater harvesting, ground water recharge** and management of waste water

TRANSPORT SYSTEM

- Also to make electric vehicle affordable to consumers, our government will provide additional income tax deduction of **INR 1.5 lakh** on the interest paid
- To **lower the GST rate** on electric vehicles
- Inclusion of **Solar storage** batteries and **Charging Infrastructure**



RURAL INDIA & FARMING



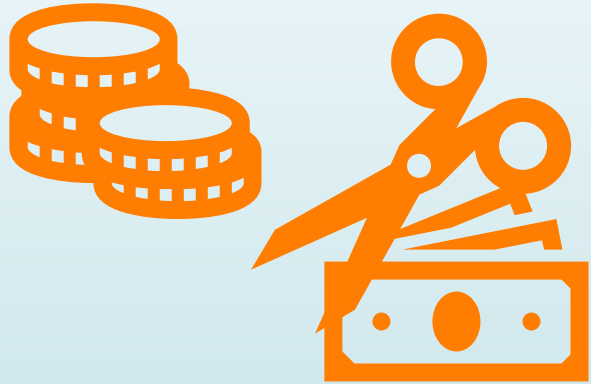
- 10,000 New Farmer Producer Organisation to be formed
 - Common Facilities Centers to be set up. Zero Budget Farming for all states
 - Invest widely in agricultural infrastructure; support private entrepreneurs in driving value-addition to farmers' produce
 - Allow farmers to benefit from e-NAM; Plan to double Farmer Income till 75th Independence Day
 - 1,25,000 Kms of road length to be upgraded under PMGSY III
-

START UPS

- Dedicated Channel for Start Ups
- Start up India Scheme to continue from 2020 – 2025
- No Scrutiny of Funds raised by Start ups if proper disclosures made
- Capital Gains arising from sale of house for investments in start ups extended till March 31, 2021



INCOME TAX



- **NO CHANGE** in income tax slabs proposed
- **100% Tax Rebate** was provided to individuals having **taxable income up to Rs. 5 lacs** in Interim Budget
- **Standard deduction increased** to **Rs. 50,000** from **Rs. 40,000** for salaried class

CONVENIENCE TO TAXPAYERS

- PAN and AADHAAR cards interchangeable for Income Tax Return (ITR) for the ease of taxpayers.
- NRI holding Indian Passport to be issues Aadhaar without 180 days waiting period after their arrival in India.



DEDUCTION & SURCHARGE



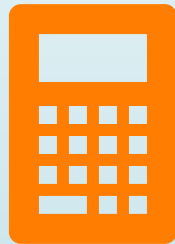
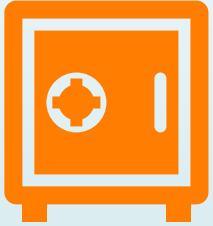
- Additional income tax deduction of Rs. 1.5 lacs on the interest paid on loans taken to purchase Electric Vehicles & on Home Loans
- 3% increase in surcharge of individuals with income of Rs. 2-5 cr
- 7% increase in surcharge of individuals with income above Rs. 5 cr

AFFORDABLE HOUSING OF ALL

- To provide INR 1.95 cr houses to eligible beneficiaries by 2022, equipped with amenities such as LPG, electricity and toilets



BANKING & FINANCIAL SECTOR



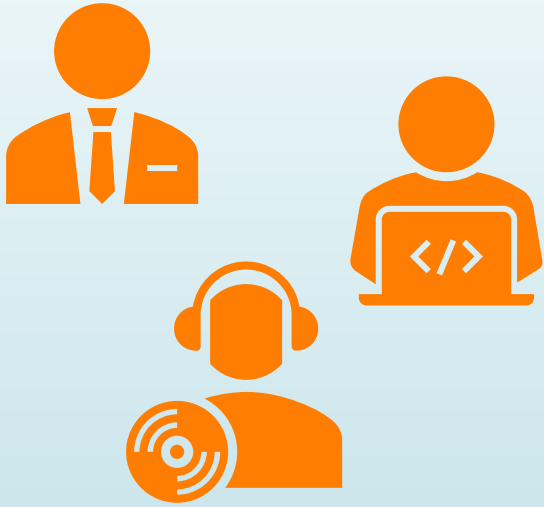
- PSU banks to be provided Rs. 70,000 cr to boost capital
 - PSU banks to be provided one time 6-month credit guarantee of Rs. 1 lac crore to buy high-rated pooled assets of sound NBFCs
 - NPAs in commercial banks have reduced by over Rs. 1 lac crore in the

MSME SECTOR BENEFIT

- Proposes 100% FDI for insurance intermediaries
- Govt. to create payment platform for MSMEs
- Pension benefit for about 3 Cr retail traders & shopkeepers
- 2% interest subvention for all GST registered MSMEs



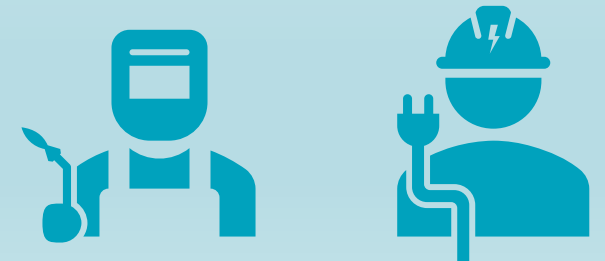
ENTREPRENEURS



- Promotion of Innovation, Rural Industry and Entrepreneurship' (ASPIRE) has been consolidated for setting up of Livelihood Business Incubators (LBIs) and Technology Business Incubators (TBIs)
- The Scheme contemplates to set up 80 Livelihood Business Incubators (LBIs) and 20 Technology Business Incubators (TBIs) to develop 75,000 skilled entrepreneurs in agro-rural industry sectors

ARTISANS

- Scheme of Fund for Upgradation and Regeneration of Traditional Industries' (SFURTI)
- Aims to set up more Common Facility Centres (CFCs) to facilitate cluster based development to make the traditional industries more productive
- Focused sectors are Bamboo, Honey and Khadi clusters



TRANSPORT INFRASTRUCTURE



- Schemes such as “**Bharatmala**”, “**Sagarmala**” & “**UDAN**” to bridge the gap between rural – urban divide
- **657 kms** of Metro Rail network has become operational across the country
- **Public Private Partnership** arrangement to develop rail infrastructure

GANDHI



- Rashtriya Swachhta Kendra will be inaugurated at Gandhi Darshan, Rajghat on 2nd October, 2019
- Gandhipedia is also being developed by National Council for Science Museums to sensitize youth and society at large about positive Gandhian values

Take Away

₹70,000 crore recapitalisation for public sector banks

- This will likely be done again through recapitalisation bonds, which will not have fiscal impact

Govt will provide one-time 6-months partial credit guarantee for public sector banks, for the purchase of pooled assets of financially sound NBFCs for up to Rs 1 lac crores

- This will likely push banks to provide financing to NBFCs via asset purchases and give the much needed support to the shadow banking sector

The National Housing Bank is also the regulator of the housing finance sector. It is proposed that regulation to be returned to the RBI

- This will ensure that both Banking and Shadow banking (NBFCs & HFCs) are under one regulator thereby strengthening the oversight of the total financial sector. This is a positive move as the recent crisis has been housing/real estate related

Take Away

The Budget is also targeting Rs 1.05 lac crores through disinvestment (Rs 80,000 cr last year) and Rs.1.06 lac crores as dividend from RBI/Nationalised banks & FI dividends (up from ~Rs.74000cr from previous year) and ~Rs.57500 cr from dividend from PSU enterprises.

Fiscal deficit target is 3.3% of GDP, brought down from 3.4%. The government further proposed borrowing via issuance of sovereign bonds in overseas market thereby reducing reliance on only local savings to fund government deficit. The gross/net borrowing target has been unchanged from interim budget of Feb'19 @Rs.7.10 lac crores and Rs.4.73 lac crores respectively.

Equity Outlook

- Measures expected to impact the markets
 - ✓ Expectations of income from dividend (1 lakh crore) and divestment (slightly over Rs. 1 lakh crore)
 - ✓ Buybacks being taxed (similar treatment to dividend)
 - ✓ Minimum public shareholdings planned to be raised from 25% to 35%
 - ✓ Aggregation of stakes held by government as well as government owned companies for computing 51% ownership
 - ✓ Increase in FII limits for many companies
 - ✓ Reduction in corporate tax to 25% for corporates with revenues of upto Rs. 400 crores
- The budget presented is a fine balancing act between creating the long-term growth path for Indian economy and also maintaining that eye for improving the short-term trends in the economy
- The equity markets while being happy with the broad policy direction as well as road map, the immediate sentiments could be impacted due to increase in minimum public shareholding norms from 25% to 35% (though time lines yet to be set) and divestment needs of government, as these two combined can create supply pressure in markets

Fixed Income Outlook

Market Reaction:

- The market has been rallying post the Economic survey which indicated that the fiscal consolidation needs to continue and the deficit target is likely to be unchanged @3.4% of GDP
- With the Budget not announcing any stimulus measures and actually reducing the Fiscal deficit to 3.3% of GDP, the market rallied further.
- The announcement of tapping the overseas market for government added fuel to the fire and the 10Y dropped to 6.56% at one point, almost 20bps lower than yesterday's close
- However, the gross borrowing programme is still daunting and there is no clarity on the percentage of overseas sovereign issuances that may happen in the current year
- This led to profit taking and the 10Y is currently trading at 6.67%-6.69%

Expectations:

- Market has largely discounted the fiscal deficit numbers and the announcement of sovereign bond issue
- Markets would await the amount of sovereign issues and the likely appetite in the global markets
- As per the Finance Secretary, the budget has assumed 90,000 crore from RBI dividend
- In this regard the outcome of the Jalan Committee report on distribution of RBI surplus is expected to gain importance
- Government has shown commitment towards fiscal consolidation which would be taken positively by the global investors
- Further with government shying away from any fiscal stimulus, the monetary policy has to shoulder the responsibility of supporting growth
- RBI is likely to continue to reduce rates, possibly as soon as the next policy meet in August while continuing to ensure ample liquidity in the system to ensure transmission of lower rates
- Overall the interest rate direction remains downwards well supported by similar trend in global rates, which have also fallen sharply in this year

Fixed Income Outlook

- ✓ We continue to favour short term corporate bonds over sovereigns as the 3-5 year corporate bond rates remain attractive at around 180-200 bps over repo
- ✓ The spread between AAA corporate and sovereign (of similar maturity) have come down marginally but there is further scope for spread compression as liquidity improves and rate transmission happens through the economy
- ✓ Investors can look to invest in CR Savings, Short Duration and Corporate Bond funds which invest in high quality corporate bonds to take advantage from this expected spread compression of corporate rates

Disclaimer

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.