



## Equity Outlook

The event market waits for long is that of the Budget and the budget is behind us now. Let us try and understand the current context, key takeaways and the way forward. The two context that were in the category of unknown unknowns happened on November 8, 2016 first the domestic factor of demonetization and second that of election of Mr. Trump as the President of most powerful country in the world namely the US. Budget needs to be evaluated in context of these two points. Given the demonetization – rural India has to face the brunt of this move and was affected the most. Give Indians time and they find a solution for everything – this happened in case of demonetization as well. Globally Mr. Trump has triumphantly stated the motto of America First. It clearly signals slowdown in global growth and lays the roadmap for protectionist policies world over, trade wars and currency swings will be the new norm.

From the perspective of Finance Minister the clear verdict was to revive economic growth in the economy and was to target segments and areas that could create mass employment opportunities. The government hence targeted the areas of Agriculture, Housing and Infrastructure. In case of agriculture, private sector spends is limited and hence government took the lead by engaging in social spends in rural areas in excess of Rs 2,00,000 lakh crore up by 24%.

In case of Housing – incentive was provided to individuals in pre-budget period and for overall sector the infrastructure is granted. Again focus is on affordable housing; this too is in the nature of capital expenditure and not only has a long term bearing on the economy but also acts as a tool for mass employment generation.

Lastly the kitty hence fell short and a corpus of Rs 4,00,000 crore could be allocated for Infrastructure spends. Approx Rs 2,50,000 crore could be allocated for roads and rail spends. Our back of the envelope calculation indicate a run rate of 30 km per day of quality roads would be constructed in the next year.

The biggest takeaway is the use of Data Analytics in the budget. Taking the step ahead of demonetization, Government has stated the bank accounts where unaccounted cash money has been abnormally deposited would not be left scot free.

Overall, we feel in short term, budget will be non-event and markets will find another talking, discussion point in terms of state election, US rate hikes, Rising crude prices, Trump policies etc. We keep away from such noise and focus on our businesses, none of our holdings are negatively affected from the budget and they have structural business story of their own. We continue to like what we own and will be adding onto them at opportune time in the markets.

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