



## Equity Outlook

### Building blocks of sustainable growth.....

Liberalisation is a boon or a bane. Since the same started from 1991 in India, it has had its ups and down. Many factors which clearly emerge are that the consumer or customer has been able to get a better quality product at a cheap price. Apart from that, the other advantages emerged in terms of better allocation of capital, competitive advantage of producing best quality product at the cheapest cost, reduction in wasteful resources by the government etc. The flip side has been in terms of increasing the gap between haves and the have-nots. The disparity has been growing with every passing day.

Come May 2014, we have a Prime Minister who has risen from the rags. A tea vendor is now chairing the most priced chair of authority of the country. He is a person who has seen the misery of people at the bottom of the pyramid; he is also someone who has seen the pain of being left out in the entire transition of the country. The first course of action he came and took was to have a bank account opened for these downtrodden people. The second was to have a trinity of Finance (Jan-Dhan Bank account), Technology (Aadhar linked bank account) and Mobile (Communication). In India there has been a massive disconnect with the transfer of subsidy and government doles from the center to connect with the last mile. A massive chunk was getting chewed on the way and the residual if any would reach the targeted poor. Now with these bank accounts, last year over Rs 62000 crore got directly transferred from government to the real poor concerned. This year the target is to cover as many schemes to transfer over Rs 1,00,000 crore to the needy. This is a historic event in India. The relevance is going unnoticed as these will have multiplier impact on consumption and spending in times to come.

The second such measure which affects the entire business community will be the roll out of GST. It will reduce tax burden for people genuinely paying taxes and will put a big hurdle in the path of black-money. India is now moving from the zone of having a vision and building framework to that of actionable and implementation. The implementation of all these programs is to positively affect each and every individual of the country.

Soft crude prices helped to have better fiscal prudence for last two years, now even a bountiful monsoon will help propel demand from rural India. Agri production is expected to hit all time high figure this year. Direct Benefit transfers and Monsoon will cheer rural India and 7th pay commission and OROP funds will enthuse the urban India.

Overall we sense a feeling of optimism for corporate India and assign a higher probability of earning turning around. However there are also sectors where we are negative like the Banking and IT. The provision on recovery by Banks is on the high side and we foresee negative numbers to emerge for Banking sector in 2HFY17, for IT we believe the industry is not geared for the transition on the innovative path required by the global companies. We continue to be bullish on our auto ancillary theme and keep on adding the stocks we like in the same theme in our PMS.

Happy Investing !

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