



Equity Outlook

GST and the stock markets....

The three alphabets of GST are audible even in the middle of the night. In fact the launch of GST was celebrated in the middle of the night. What it means and how it impacts the stock markets, this month we shall dwell to discuss the much discussed topic in every nook and corner of the country.

As usual we go back to access the event to its roots. In the overall bold reform moves taken by the government, this move of rolling GST pan India is indeed a bold move. The other moves in the past have been Demonetization, Direct benefit transfers (transfer of money from govt. kitty into the bank account of individuals), linking govt benefits to AADHAR and now GST.

India got **Independence** in 1947, the real economic independence was achieved in 1991 and in the journey of two decades that followed, lots of ills had cropped up. There was evil of corruption, evil of taxation, evil of accurate identification, evil of benefits of liberalization not reaching the needy. GST is a gigantic step towards taking country digital.

Stock market of 1990s was rampant with scams; there were long cycles of settlement and market intermediaries who followed unethical practices actually flourished. Post the 2001 scam, Indian stock markets went digital. Shares were in demat form and all transaction were on the digital platform. The health of stock markets improved like never before. In fact the average volume of trades on the exchanges have gone up over 10 times from 2003 to 2017 – a span of 13-14 years. Each and every trade is traceable, trackable and monitorable in this digital stock market. In fact Stock markets is perhaps the only place where business volumes pre demonetization i.e. pre November 8, 2016 were back to normal in less than couple of days. Most other business practices took months to recover back to normal. As stock markets went digital many brokers who were visionary grew out of nowhere to be worth billions of Rs while others who continued the unethical practices or did not change with time - perished.

We see the writing on the wall – Indian economy over the next decade and a half will repeat the growth story of stock markets. Yes we agree there will be teething trouble. The stock markets went digital in a gradual manner – not everything was demat overnight. GST and more so the implementation of India's biggest tax reform will be a challenge, but challenges make a person, a state and a country strong. Individuals and companies focusing on their core business activity will be a winner. End of the day – stock prices are slaves of earnings, earnings of companies depend on revenue of the companies, revenue depends on demand and demand is likely to shift from the unorganized individuals to the organized corporate.

We will continue to find themes of investing and will invest judiciously on your behalf – REST ASSURED !!!

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