Budget 2020 – a missed opportunity.

Budget is a platform where the world listens with glued ears. It was an apt time to be used to revive economic growth, the government has taken a lee-way in meeting the fiscal deficit target, however the steps to give a spike to consumption seem to be missing. The government has tinkered on the tax front and people have a choice of saving / investment or spending / consumption to the extent of Rs 1.5 lakh which earlier was generally invested to save taxes. Lot of things now seem to be happening outside the budget, the government is clearly open to listening demands of corporate India and are ready to take steps to rectify the action. Behaviour of market is one thing, behaviour of economy is another and finally behaviour of investors and their sentiments is completely third thing. Currently markets are having northward journey and that too in a situation when the economy is going downhill. This to a market participant is a paradoxical situation and keeping him at bay.

As usual we shall decipher the slowdown – get into the cause of it, assess where we stand today and take a reasonable assessment into how things could shape in future and consequently its impact on markets. There is marked slowdown in the Indian economy, however it is part of the clean up that India is going through. Demonetisation, IBC, GST, ReRA, Deleveraging are all strong and stringent steps that have removed the masks from Corporate India and there has been no room for the malicious ones to hide. This is the root cause of slowdown and as we stand today – the men have been differentiated from the boys. The economy has come full circle. The Public sector Banks that were seeing surge in NPAs have now started to see recovery happen under the IBC. The process of clean up is now complete. Companies that were sick and saddled with loans are getting auctioned and strong hands are availing the sale available for them, it will now result in capex cycle coming back. We believe there is still one or two more quarter of surge in NPA but the system of now granting loans is stronger and better, this to our mind is a massive step in the economy and will result in revival of economic growth going forward.

Market too seems to be anticipating the revival of the economy. As we always say – market cycle turns much ahead of the turn in the economy and the business cycle and the economy and business cycle turns ahead of the change in the sentiment or the investor cycle. Hence despite the budget disappointing the anticipations that were build before the budget – the market is behaving in contradiction.

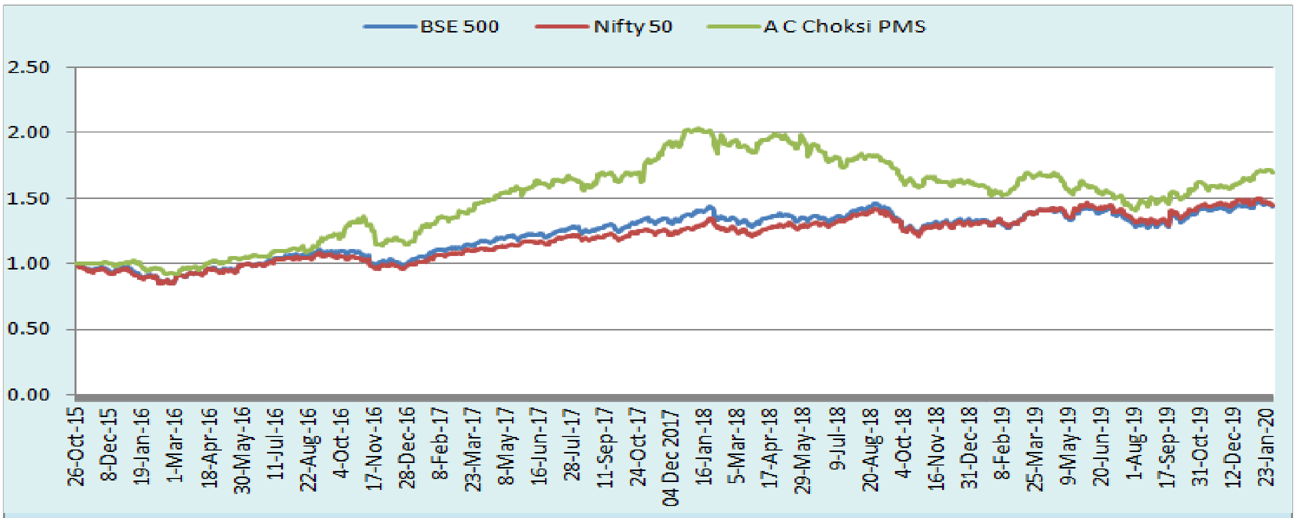
From the portfolio context – we are increasing our exposure to the BFSI sector by owning corporate banks, Insurance companies and the gold finance NBFCs. We did trim our exposure to auto ancillary companies in the run up to the budget. We continue to remain invested in mid size tier I companies where the balance-sheet is strong but the concern remains on their profits, however we believe they offer value and hence we continue to hold them. We think market is building in the bottom of the economic cycle and look forward to better times for both markets and economy.

Warm Regards,

Sunil Shah

Fund Manager – Turtle Star Portfolio Managers

TURTLE STAR



NAV performance - Turtle Star 70%, Nifty 45%, BSE 500 44%

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