

ACHIEVABLE TARGETS Budget well-balanced towards consumption & capex

Fisc Arithmetic Now Seems to be Credible



EXPERT TAKE

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THE BUDGET is well balanced towards both consumption and capex. Better balance has also been maintained in both rural and urban spending. Several micro initiatives mean the aggregate positive impact on growth could be decent.

While there is some relaxation in the fiscal deficit target, the fiscal arithmetic seems quite credible compared to past budgets.

The government has set achievable tax revenue targets of 15.8% YoY in FY16 while expenditure targets also look realistic. Details of the Budget don't have much deviation from anticipated numbers and the tilt is clearly more on capex.

The emphasis is on delivery and execution of what has already existed with better clarity on implementation.

The FM has also set aside a formidable medium-term agenda on four major issues:

- Decisive stance on black money issue with stringent norms and punitive consequences to curtail the system leakage
- Rationalisation of the tax struc-

ture with medium-term guidance to reduce corporate tax rates

- To provide greater fiscal autonomy to states with the belief that states would better allocate resources as per needs. This shall go a long way to establish states' confidence in the federal structure as well as implementation of GST

- Thrust on infrastructure, with increase in capex by ₹ 70,000 crore over a year in FY16.

For the capital markets, the budget was particularly favourable

- GAAR has been deferred by two years

- Inclusion of NBFCs under the SARFAESI Act

- Strengthening of commodity market regulation

- Distinction between FPI and FDI to be done away with

- Bankruptcy law reform that will introduce a comprehensive bankruptcy code and reform the current procedures

Investors should expect continuation of the reforms momentum, which in the medium term should bolster the recovery process.

SECTORS TO WATCH OUT FOR

▲ CONSUMER CREDIT COS (NBFCs) ▲ CONSTRUCTION ▲ CEMENT

Thrust on infrastructure, especially on railways and roads, with increase in capital expenditure by ₹70,000 crore over a year in FY16