



Presents

INTERIM BUDGET

2019-20

Interim Budget 2019: What does it have for you?
Our expert Research team decodes it for you!



Housing: GST council to consider reducing GST burden for home buyers. Extension of 80-IAB benefit for one more year. Extension of exemption on notional rent to two years on unsold inventory.



Agriculture and Farmers: Launched PM-KISAN program to provide Rs6,000 per annum for small and marginal farmer. Creation of separate fisheries department and Rashtriya Kamdhenu Aayog. 2% interest subvention and 3% additional subvention for timely repayment of loans.



Railways and Infrastructure: Capital support of Rs64,587 crore for FY19-20 (BE). Overall railway capex for FY1-20 is expected to be Rs1.58L crore. Allocation for North-East area is increased 21% to Rs58,166 crore for 2019-20 (BE).



Salaried and Middle Class: Zero tax for taxable income up Rs5 lakh. Increased standard deduction from Rs40,000 to Rs50,000. Increased the TDS limit on interest on bank FD and Post office to Rs40,000 from Rs10,000.



Defence: Defence budget for FY19-20 (BE) is pegged at Rs3.0L crore .



Government Finances and Fiscal Deficit: Fiscal deficit target is at 3.4% for FY19-20 (BE). Total expenditure increased from Rs24.57L crore to Rs27.84L crore for FY19-20 (BE). Gross borrowings at Rs7.1L crore while market borrowing is pegged at Rs4.48L crore for FY19-20 (BE).

Executive Summary:

The Interim Budget has broken convention and brought in Direct Tax changes that normally one would have expected the new government taking charge after May 2019 to usher in. These tax changes favour low income earners.

For starters, the middle class salaried person's tax is effectively brought to zero for incomes upto Rs7.5L (standard deduction/80C deductions/NPS et al) unlike the previous year's zero tax for incomes upto Rs4.9L. This is quite revolutionary as it will directly help about 3 crore small income earners save a maximum of upto Rs14,500 (plus cess) if the salary was Rs7.5L. The average savings appear to be Rs6,000 per head.

While the widely anticipated Universal Basic Income did not materialize, it did come in the form of PM-KISAN, an assured income support scheme to the small and marginal farmers whose landholdings of cultivable land is upto 2 hectares. The support is at the rate of Rs6,000 per farmer per year. This will help about 12 crore farmers.

Both these moves will be consumption accretive as it gives about Rs6,000 in the hands of roughly 15 crore persons.

The Interim Budget has ingeniously come to the aid of the real estate sector by providing a slew of benefits such as extension of 80-IBA being extended for one more year, extension of period of exemption from levy of tax on notional rent on unsold inventory from one year to two years, benefit of rollover of capital gains under section 54 from one house to two houses and exemption of income tax on notional rent on a second self-occupied property. These measures will also help boost the construction industry, a major provider of jobs leading to further consumption boost.

The good part of the budget is that the Debt-GDP of the Central government has remained astutely on a declining path. From about 50.5% in FY18 it is set to reduce to 48.9% in FY19 and then projected to fall to 43.4% in FY22. This is possible due the consistent decline in the primary deficit achieved through moderate, mere 8.3% CAGR over FY14-to-FY18, increases in expenditure of the government. This had a benign impact on inflationary expectations.

However, FY19 has been a different year with the expenditure initially budgeted to grow at 10.1% (BE FY19 over RE FY18) rising much more rapidly by 14.7% (RE FY19 over Actual FY18) by the time the year ends. The Interim Budget presented today prescribes a rise of 13.3% for BE FY20 over RE FY19. Such acceleration in expenditure will possibly affect the inflationary expectations quite sharply. No wonder the Gross Market Borrowings are budgeted to increase to Rs7.1L crore from Rs5.7L crore. These numbers when viewed through the prism of ratio-to-GDP does not seem overwhelmingly onerous as GDP revisions have softened the numerator increase effect quite appreciably. Moreover, the fiscal deficit numbers are seemingly at 3.4% of the GDP for both FY19 as well as FY20 for the very same reasons.

The budget in our view is indeed consumption oriented and clearly targeted at helping a large section of low income earners have a bit more in their hands. While inflationary expectations will rise, stock markets will probably watch policy rates more intently now.

**Fiscal Deficit
Estimate
3.4% of GDP**

**PM - KISAN
Rs6,000/- p.a. to small
& marginal farmers**

**Total expenditure
increased 13.3% to
Rs27.84L crore**

Budget at a glance:

Particulars(In Rs crore)	2017-18	2018-19	2018-19	2019-20
	Actual	Budget Estimates	Revised Estimates	Budget Estimates
1 Revenue Receipts	14,35,233	17,25,738	17,29,682	19,77,693
Growth			20.5%	14.3%
2 Tax Revenue (Net to Centre)	12,42,488	14,80,649	14,84,406	17,05,046
3 Non-Tax Revenue	1,92,745	2,45,089	2,45,276	2,72,647
4 Capital Receipts*	7,06,742	7,16,475	7,27,553	8,06,507
Growth			2.9%	10.9%
5 Recoveries of Loans	15,633	12,199	13,155	12,508
6 Other Receipts	1,00,045	80,000	80,000	90,000
7 Borrowings and Other Liabilities**	5,91,064	6,24,276	6,34,398	7,03,999
8 Total Receipts (1+4)	21,41,975	24,42,213	24,57,235	27,84,200
9 Total Expenditure (10+13)	21,41,975	24,42,213	24,57,235	27,84,200
Growth			14.7%	13.3%
10 On Revenue Account of which	18,78,835	21,41,772	21,40,612	24,47,907
11 Interest Payments	5,28,952	5,75,795	5,87,570	6,65,061
12 Grants in Aid for creationof capital assets	1,91,034	1,95,345	2,00,300	2,00,740
13 On Capital Account	2,63,140	3,00,441	3,16,623	3,36,293
14 Revenue Deficit (10-1)	4,43,602	4,16,034	4,10,930	4,70,214
	(-2.6)	(-2.2)	(-2.2)	(-2.2)
15 Effective Revenue Deficit (14-12)	2,52,568	2,20,689	2,10,630	2,69,474
	(-1.5)	(-1.2)	(-1.1)	(-1.3)
22 Fiscal Deficit [9-(1+5+6)]	5,91,064	6,24,276	6,34,398	7,03,999
	(-3.5)	(-3.3)	(-3.4)	(-3.4)
23 Primary Deficit (16-11)	62,112	48,481	46,828	38,938
	(-0.4)	(-0.3)	(-0.2)	(-0.2)

* Excluding receipts under Market Stabilisation Scheme

** Includes drawdown of Cash Balance

Notes:

- (i) GDP for BE 2019-2020 has been projected at Rs 2,10,07,439 crore assuming 11.5 % growth over the estimated GDP of Rs 1,88,40,731 crore for 2018-2019(RE).
- (ii) Individual items in this document may not sum up to the totals due to rounding off.
- (iii) Figures in parenthesis are as a percentage of GDP.

Key Interim Budget Highlights:

The Finance Minister has focused on ten distinct themes in the Interim Budget 2019-20.

- Farmers' charmer:** In order to provide relief to the distressed farmers, the government has taken a historic decision and fixed the minimum support price (MSP) of all 22 crops at minimum 50% more than the cost. A new programme namely "Pradhan Mantri Kisan SAMman Nidhi (PM-KISAN)" has been launched, which will provide direct income support to the vulnerable landholding farmer families at the rate of Rs6,000 per year in three equal installments. Outlay of Rs75,000 crore has been proposed for the same for FY 2019-20, revised upwards from Rs20,000 crore in FY 2018-19.
- Taxpayers' cheer:** Tax relief has been provided to salaried class as the Finance Minister announced full tax rebate for person having annual income up to Rs5 lakh. Also, Standard Deduction has been increased from the current Rs40,000 to Rs50,000. This will result in a tax benefit of Rs23,200 crore to an estimated 3 crore middle class taxpayers comprising self-employed, small business, small traders, salary earners, pensioners and senior citizens.
- Increasing tax base:** In 2018-19, direct tax collections increased significantly to almost Rs12L crore from Rs6.38L crore in 2013-14, pushing the number of returns filed 80% higher to Rs6.38L crore this year from Rs3.79 crore in 2013-14. On the Indirect tax, GST exemptions for small businesses have been doubled from Rs20 lakh to Rs40 lakh and small businesses having turnover up to Rs1.5 crore have been given an attractive composition scheme wherein they pay only 1% flat rate and have to file one annual return only. Despite these exemptions, average monthly tax collection in the current year is Rs97,100 crore per month in 2018-19 as compared to Rs89,700 crore per month in 2017-18.
- Fiscal management:** Populist measures taken by the government have pushed the fiscal deficit slightly higher to 3.4 percent of GDP in FY19 from 3.3 percent estimated earlier and is expected to be 3.4 percent (Rs7.04L crore) for FY20 (BE). The government had overshot the target much earlier as it spent Rs7.15L crore in November'18 itself compared to Rs6.24L crore for the whole year. However, revenue shortfalls and increased spending ahead of the general election in May 2019 was widely expected to push the deficit numbers sharply higher.
- High spending:** The Budget Revised Estimates for expenditure in 2018-19 are Rs24.57L crore (net of GST compensation transfers to the States) as against the Interim Budget Estimates of Rs24.42L crore. The government spending is expected to increase further in 2019-20 BE to Rs27.84L crore despite low inflation.
- Disinvestment target:** The Government is confident of achieving target of Rs80,000 crore through disinvestment proceeds this year, though this looks far-fetched as it has collected only Rs35,533 crore so far in 2018-19. The Finance Minister has set disinvestment target of Rs90,000 crore for 2019-20 (BE).
- Digital India:** Finance Minister announced the Digital Villages initiative to connect as many as 1 lakh villages with the digital services offered by the Government, within the next five years after covering 700 villages in India by the end of 2018.
- House owners' relief:** Taking into account the middle class woes to maintain families at two locations citing job, children's education, care of parents etc, the Finance Minister has proposed to exempt levy of income tax on notional rent on a second self-occupied house. In line with the same, benefit of rollover of capital gains under section 54 of the Income Tax Act which was allowed only on one residential house earlier has been increased to two for a tax payer having capital gains up to Rs2 crore. Additionally, TDS threshold for tax deduction on rent is proposed to be increased from Rs1,80,000 to Rs2,40,000.

- **Real boost to real estate:** Real estate sector got a much needed relief as the Finance Minister proposed to extend the notional rent exemption period on unsold inventories, from one year to two years, from the end of the year in which the project is completed. Also, Affordable Housing received a boost as benefits under Section 80-IBA of the Income Tax Act is being extended for one more year, i.e., to the housing projects approved till 31st March, 2020. The GST council to consider lowering the GST burden for home buyers.
- **10 dimensions of Vision 2030:** Ten directives have been finalized for Vision 2030 as India is likely to be a five Trillion Dollar Economy in the next five years and aspires to be a Ten Trillion Dollar Economy in the next 8 years thereafter. The list includes better infrastructure both physical as well as social, Digital India, Pollution free status, Rural development, Clean rivers, Coastline development, Space programme, self-sufficiency in food, Robust health care and wellness system, Minimum Government Maximum Governance nation. All these are expected to make India a place where poverty, malnutrition, littering and illiteracy would be a matter of the past.

Based on key takeaways of Interim Budget 2019-20, we hereby bring our Budget stock picks which include

- 9 **Fundamental** stocks having **Positive** impact of budgetary announcements
- 4 **Fundamental** stocks that tend to give returns irrespective of budget proposals
- Three **Technical** buy calls
- Two **Derivatives** calls and Two **Derivative** strategies
- One **Currency** call and One **Currency** strategy

see page 8

Performance of budget stocks of previous year:

SR. No.	Company Name	Recommended Date	CMP (Rs.)	Target (Rs.)	Upside (%)	High Price reached	Highest possible return
1	AksharChem (India) Ltd	01-02-2018	725.0	890.0	23.0	739.0	2.0
2	Apar Industries Ltd	01-02-2018	742.0	875.0	18.0	821.0	11.0
3	Bharat Electronics Ltd	01-02-2018	162.0	190.0	17.0	163.0	-
4	Britannia Industries Ltd*	01-02-2018	2,370.0	2,750.0	16.0	3,467.0	Target achieved
5	Dr Lal Pathlabs Ltd	01-02-2018	910.0	1,050.0	15.0	1,122.0	Target achieved
6	GAIL (India) Ltd*	01-02-2018	365.0	428.0	17.0	399.0	10.0
7	Hero MotoCorp Ltd	01-02-2018	3,732.0	4,300.0	15.0	3,825.0	2.0
8	Hindustan Zinc Ltd	01-02-2018	308.0	360.0	17.0	340.0	10.0
9	ICICI Lombard Gen. Ins. Co. Ltd	01-02-2018	834.0	1,010.0	21.0	932.0	12.0
10	JHS Svendgaard Lab. Ltd	01-02-2018	69.0	80.0	16.0	71.0	3.0
11	NBCC (India) Ltd*	01-02-2018	115.0	143.0	25.0	118.0	3.0
12	Ruchira Papers Ltd	01-02-2018	181.0	216.0	19.0	204.0	13.0
13	UltraTech Cement Ltd	01-02-2018	4,391.0	5,050.0	15.0	4,494.0	2.0
14	The New India Ass. Co. Ltd*	01-02-2018	334.6	360.5	8.0	N.A.	SL triggered
15	Apollo Hospitals Enterprise Ltd	01-02-2018	1,219.0	1,305.0	7.0	1,387.0	Target achieved
16	Bajaj Finserv Ltd.	01-02-2018	5,038.0	5,430.0	8.0	7,200.0	Target achieved
17	M&M - Future	01-02-2018	801.0	845.0	5.0	N.A.	SL triggered
18	Bata India - Future	01-02-2018	713.0	771.0	8.0	N.A.	SL triggered
19	GBPINR Feb	01-02-2018	91.0	93.0	1.0	93.0	Target achieved

*the marked scrips underwent a corporate actions such as spilt or bonus issues and hence call prices, target prices are accordingly adjusted.

SBICAP Securities Limited

(CIN): U65999MH2005PLC155485 | Research Analyst Registration No INH000000602

SEBI Registration No.: Stock Broker: INZ000200032 | CDSL: IN-DP-314-2017 | NSDL: IN-DP-NSDL-369-2014 |

Research Analyst : INH000000602 | Portfolio Manager: INP000004912 | IRDA/RW/IR2/2015/081 | IRDA/RW/IR1/2016/041 | IRDA : CA0103

Registered & Corporate Office: Marathon Futurex, A & B Wing, 12th Floor, N. M. Joshi Marg, Lower Parel, Mumbai-400013.

For any information contact us:

Toll Free: 1800-22-33-45 | 1800-209-93-45

E-mail: helpdesk@sbicapsec.com | Web: www.sbismart.com

DISCLOSURES & ISCLAIMERS:

Analyst Certification: The views expressed in this research report ("Report") accurately reflect the personal views of the research analysts ("Analysts") employed by SBICAP Securities Limited (SSL) about any and all of the subject issuer(s) or company(ies) or securities. This report has been prepared based upon information available to the public and sources, believed to be reliable. I/We also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

The Analysts engaged in preparation of this Report or his/her relative:-

(a) have financial interests in the subject company mentioned in this Report (Rajesh Gupta personally hold in NIIT Ltd.); (b) do not own 1% or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the Report.

The Analysts engaged in preparation of this Report:-

(a) have not received any compensation from the subject company in the past twelve months; (b) have not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the Report; (f) has not served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.

Name	Qualification	Designation
Mahantesh Sabarad	B. E. MMS	Head-Retail Research
Rajesh Gupta	PGDBM (Finance), MA (Bus. Eco)	AVP - Research
Ashu Bagri	B.com	AVP - Technical Research
Amit Bagade	MBA	Technical Analyst
Janhvee Mishra	M.Com	Technical Analyst
Monica Chauhan	C.A.	Research Analyst
Nilesh Patil	B.Sc IT; PGDBM	Research Associate
Kaustub Pujari	MMS (Finance)	Research Associate
Jaldeep Vaishnav	PGDBM (Finance)	Derivative Analyst
Netra Deshpande	MMS (Finance)	Currency Analyst
Mital Chheda	MMS (Finance)	Mutual Fund Analyst
Kaynat Chainwala	MMS (Finance)	Commodity Analyst
Ghanshyam Gupta	PG-Finance	Commodity Analyst

Other Disclosures :

SBICAP Securities Limited ("SSL"), a full service Stock Broking company, is engaged in diversified financial services business including equity broking, DP services, distribution of Mutual Fund, insurance products and other financial products. SSL is a member of National Stock Exchange of India Limited and BSE Limited. SSL is also a Depository Participant registered with NSDL & CDSL. SSL is a large broking house catering to retail, HNI and institutional clients. It operates through its branches and authorized persons spread across the country and the clients are provided online trading through internet and offline trading through branches and call & trade facility. SSL is a wholly owned subsidiary of SBI Capital Markets Limited ("SBICAP"), which is engaged into investment banking, project advisory and financial services activities and is registered with the Securities and Exchange Board of India as a "Category I" Merchant Banker. SBICAP is a wholly owned subsidiary of State Bank of India. Hence, State Bank of India and all its subsidiaries, including, SBICAP and banking subsidiaries are treated and referred to as Associates of SSL.

We hereby declare that our activities were neither suspended nor we have materially defaulted with any stock exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty for certain procedural lapses. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

SSL or its Associates, may: (a) from time to time, have long or short position in, and buy or sell the securities of the company mentioned in the Report or (b) be engaged in any other in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company discussed herein or act as an advisor or lender/borrower to such company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

SSL does not have actual / beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the Report. However, since Associates of SSL are engaged in the financial services business, they might have in their normal course of business financial interests or actual / beneficial ownership of one per cent or more in various companies including the subject company mentioned herein this Report.

SSL or its Associates might have managed or co-managed public offering of securities for the subject company in the past twelve months and might have received compensation from the companies mentioned in the Report during the period preceding twelve months from the date of this Report for services in

respect of managing or co-managing public offerings/corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction.

Compensation paid to Analysts of SSL is not based on any specific merchant banking, investment banking or brokerage service transaction.

SSL or its Associate did not receive any compensation or any benefit from the subject company or third party in connection with preparation of this Report.

This Report is for the personal information of the authorized recipient(s) and is not for public distribution and should not be reproduced, transmitted or redistributed to any other person or in any form without SSL's prior permission. The information provided in the Report is from publicly available data, which we believe, are reliable. While reasonable endeavors have been made to present reliable data in the Report so far as it relates to current and historical information, but SSL does not guarantee the accuracy or completeness of the data in the Report. Accordingly, SSL or any of its Associates including directors and employees thereof shall not be in any way responsible or liable for any loss or damage that may arise to any person from any inadvertent error in the information contained, views and opinions expressed in this Report or in connection with the use of this Report.

Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian securities market.

The projections and forecasts described in this Report should be carefully evaluated as these :

1. Are based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies.
2. Can be expected that some of the estimates on which these were based, will not materialize or will vary significantly from actual results, and such variances may increase over time.
3. Are not prepared with a view towards compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these.
4. Should not be regarded, by mere inclusion in this report, as a representation or warranty by or on behalf of SSL the authors of this report, or any other person, that these or their underlying assumptions will be achieved.

This Report is for information purposes only and SSL or its Associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Though disseminated to recipients simultaneously, not all recipients may receive this report at the same time. SSL will not treat recipients as clients by virtue of their receiving this report. It should not be construed as an offer to sell or solicitation of an offer to buy, purchase or subscribe to any securities this report shall not form the basis of or be relied upon in connection with any contract or commitment, whatsoever. This report does not solicit any action based on the material contained herein.

It does not constitute a personal recommendation and does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this Report may not be suitable for all the investors. SSL does not provide legal, accounting or tax advice to its clients and you should independently evaluate the suitability of this Report and all investors are strongly advised to seek professional consultation regarding any potential investment.

Certain transactions including those involving futures, options, and other derivatives as well as non-investment grade securities give rise to substantial risk and are not suitable for all investors. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment.

The price, value and income of the investments referred to in this Report may fluctuate and investors may realize losses on any investments. Past performance is not a guide for future performance. Actual results may differ materially from those set forth in projections. SSL has reviewed the Report and, the current or historical information included here is believed to be reliable, the accuracy and completeness of which is not guaranteed. SSL does not have any obligation to update the information discussed in this Report.

The opinions expressed in this report are subject to change without notice and SSL or its Associates have no obligation to tell the clients when opinions or information in this report change. This Report has not been approved and will not or may not be reviewed or approved by any statutory or regulatory authority in India, United Kingdom or Singapore or by any Stock Exchange in India, United Kingdom or Singapore. This report may not be all inclusive and may not contain all the information that the recipient may consider material.

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this Report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Failure to comply with this restriction may constitute a violation of laws in that jurisdiction.

Legal Entity Disclosure

Singapore: This Report is distributed in Singapore by SBICAP (Singapore) Limited (Registration No. 201026168R), an Associate of SSL incorporated in Singapore. SBICAP (Singapore) Limited is regulated by the Monetary Authority of Singapore as a holder of a Capital Markets Services License and an Exempt Financial Adviser in Singapore. SBICAP (Singapore) Limited's services are available solely to persons who qualify as Institutional Investors or Accredited Investors (other than individuals) as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") and this Report is not intended to be distributed directly or indirectly to any other class of persons. Persons in Singapore should contact SBICAP (Singapore) Limited in respect of any matters arising from, or in connection with this report via email at singapore.sales@sbicap.sgor by call at +65 6709 8651..

United Kingdom: SBICAP (UK) Limited, a fellow subsidiary of SSL, incorporated in United Kingdom is authorised and regulated by the Financial Conduct Authority. This marketing communication is being solely issued to and directed at persons (i) fall within one of the categories of "Investment Professionals" as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (ii) fall within any of the categories of persons described in Article 49 of the Financial Promotion Order ("High net worth companies, unincorporated associations etc.") or (iii) any other person to whom it may otherwise lawfully be made available (together "Relevant Persons") by SSL. The materials are exempt from the general restriction on the communication of invitations or inducements to enter into investment activity on the basis that they are only being made to Relevant Persons and have therefore not been approved by an authorised person as would otherwise be required by section 21 of the Financial Services and Markets Act 2000 ("FSMA").