



**DIGITIAN
CAPITAL**



2019

DIGITIAN VIEW from Debashish Neogi

Over time “Indian budget day” have become extremely important for many investors. I personally think we give undue importance to Budget. If you are a long-term investor then focus on specific stocks with strong underlying business which have very strong “right to win” in their respective business, so that they can compound profit at 25/26% p.a. for decades. These companies irrespective whether it’s bad budget or not, can overcome the negatives because of pricing power, efficiency or both. I like the magical number of 26% p.a. as it compounds your money 10x, 100x & 1000x in 10 years, 20 years & 30 years respectively. Imagine you are 40 years old and in a position to buy a flat at 50 lacs – should you buy the flat & block your money or buy & give it on rent @ 2.5-3% p.a. yield. I would say don’t do any of these, just choose few companies and invest in them so as to compound @ 26% p.a for next 3 decades. Your Rs 50 lacs (USD 71500) become 500 cr (USD 71.5 million)! **Yes, it is Rs 500 cr and there is no typing error!** Either do it yourself or rely on professionals like us. Your investment in House (real estate) or any asset class (Gold, Bond, FD etc.) will never give the return which equity gives over long term.

EXECUTIVE SUMMARY OF BUDGET

Now coming to this year's Budget – The entire focus of the interim budget was keeping election in mind. Directionally it was skewed towards rural economy and middle class so as to create disposable income in the hands of consumers quickly (read before election) to increase consumption. There was lot of good announcement which is a great positive, but not sure how the “math” adds up with respect to fiscal deficit. There will be lot of dependence on GST collection, RBI dividend and divestment target. **We would rate the budget 7 out of 10** as nothing big was talked about capex/infrastructure growth or on corporate & capital gain tax which the street was expecting.

Our Preferred picks basis Budget –both sector & stock (keeping next 3 years in mind) :

1. Consumerism – ITC, Voltas
2. Auto – Hero Honda, Maruti
3. Financials/Banks –Bajaj Finance, IndusInd bank ,HDFC bank

HIGHLIGHTS OF BUDGET 2019



- Full Tax rebate upto 5 lakh annual income after all deductions.
- Standard deduction has increase from 40000 to 50000
- Exempt on tax on second self-occupied house
- Ceiling Limit of TDS u/s 194A has increased from 10000 to 40000
- Ceiling Limit of TDS u/s 194I has increased from 180000 to 240000

- Capital tax Benefit u/s 54 has increased from investment in one residential house to two residential houses.
- Benefit u/s 80IB has increased to one more year i.e. 2020
- Benefit has given to unsold inventory has increased to one year to two years.
- Within 2 years, Tax assessment will be done electronically
- IT returns processing in just 24 hours
- Minimum 14% revenue of GST to states by Central Govt.
- Custom duty has abolished from 36 Capital Goods
- Recommendations to GST council for reducing GST rates for home buyers

Some MAJOR highlights:



- **Rs. 6000 per annum has to be given to every farmer having up to 2 hectare land. Applicable from Dec 2018. Amount will be transferred in 3 installments of 2000 each.**
- **60000 crores for MANREGA**
- 2% interest subvention for farmers pursuing animal husbandry and also create separate department for fisheries.
- 2% interest subvention for farmers affected by natural calamities and additional 3% interest subvention for timely payment.
- Approval has to be given to PM Kisan Yojana
- National Kamdhenu Ayog for cows. Rs. 750 crores for National Gokul Mission
- One lakh digital villages in next 5 years

- **Tax free Gratuity limit increase to Rs 20 Lakhs from Rs 10 Lakhs**
- Bonus will be applicable for workers earning Rs 21000 monthly
- **The scheme, called Pradhan Mantri Shram Yogi Mandhan, will provide assured monthly pension of Rs. 3,000 with contribution of Rs. 100 per month for workers in unorganized sector after 60 years of age.**
- State share has increased to 42%
- PCA restriction has abolished from 3 major banks
- 2 lakhs seats will increase for the reservation of 10%
- 1.7 Lakh crore to ensure food for all
- 22nd AIIMS has to be opened in Haryana
- Government delivered 6 crores free LPG connections under Ujjawala scheme
- 2% interest relief for MSME GST registered person
- 26 weeks of Maternity Leaves to empower the women
- More than 3 Lakhs crores for defence
- Single window for approval of India film makers



**DIGITIAN Debashish Neogi is the
Managing Director & CEO of
DIGITIAN Capital**

**Executive Director of DIGITIAN
Investment Inc.**

The view expressed here is his first
take on the Indian Budget 2019
presented by Hon. Finance Minister of
India on February 1, 2019 in the
Indian Parliament.

He may be reached at
debashishn@mydigitian.com



DIGITIAN VIEW from Saugata Banerjee

'India to become a 5-trillion dollar economy in the next five years' Finance Minister

--- **This** statement rightly captures the bullish sentiment prevailing in the Indian economy. The current GDP Number is USD 2.59 Trillion and even if India's GDP grows at the current rate it would be taking 8 to 10 years to double and it is quite possible given the Indian growth experience. In global context, with the slowing down of growth in China, India holds a huge opportunity for the global investors as it has a growth story to tell in the next 5-10 years. For capital market players the story would surely be very attractive as the Market capitalization would also double since at present market capitalization is at approximately 102% of GDP.

Given this is an election year budget, it appeared to be populist and focused on India's rural population and farmers. But this is a big consumerism boost in effect as the benefit of growth will reach the bottom which would increase the base for future growth. Always I worry about the income distribution in a growth scenario and in India at least during election years every 5 years the focus is back on the rural mass. Given the monetary and fiscal support provided in the Budget a whole range of companies linked with rural India, and agriculture will be benefitted especially, agricultural machineries and equipment, agricultural inputs, rural service industry as 5 lacs villages will be digital.

DIGITIAN believes that the new world order will increasingly focus on the DIGITAL sphere and the growth of the sustainable development is the essential prerequisite for a Modern Digital India which has been happening in the last 3 years consistently. DIGITIAN is happy to note that Indian Budget 2019 continued its visionary stance to address some of these issues.

As far as Capital Markets is concerned it performed exceedingly well since May 2014 (Sensex was around 24000). In 2018, the result was missed and behaved the same way like US market and the Sensex remained in the same range of 36500 in January 2019 (vis-à-vis 36000 in January 2018). It went up to 38722 at a rate 8% (similarly like S&P went

up to 2930 from 2673 registering a growth of 9.6%). The PE valuation is higher than USA market but that is an attractive characteristic of emerging markets. However, like last year the question was its sustainability, whether Indian Growth story will continue in a fundamentally strong path. With the 2019 interim Budget we can only conclude the growth story of India remain intact at least in the longer horizon

For us at DIGITIAN it implies a strong market to Invest in selective areas of futuristic Industry

Debashish has already captured the main points noted - Rural Development, Agriculture, Tax etc. I would only highlight our Strategic assessment on few of the big-ticket issues

DIGITIAN Moment:

Ease of Doing Business: India has moved to 77th position globally in 2018 (from 100th position in 2017). Prime Minister has set a target of achieving with the first 50 position. This will be big boast for investment and capital markets.

Ease of doing business in this budget is mainly focusing on Ease of logistics. This is mainly by Infrastructure projects in Roads, Rail, Airports and Sea and Inland waterways. India is building 27km highways everyday, 100 functional airports around the country, various mega projects including Sagarmala project for Port- led development. This will increase the speed of goods movement in and out of the country and will reduce cost of logistics to make it par with developed economies.



Financial Sector

Banking & Capital Market

This is the heart of any economy and one of the problem areas of Indian economy. However, this has been taken care in 2018-19 by recapitalizing public sector banks by Rs 1.06 lacs crores (USD 15 billion). The budget claims to have written off NPLs. This will be a great impetus for the economy for renewed credit flow. Further Prompt Corrective Action (PCA) framework has considered 8 out of 21 PSU Banks under its umbrella, which would ensure further sanitization. RS 63000 crores of NPA recovered which has created

significant liquidity in the banking system. However expected NPL ratio of 10.3% by March 2019 is still very high.

Budget has not given any consideration in boosting capital markets unlike last year

Housing & Real Estate

Affordable housing remains the key mantra for making roof available to common Indians – and to meet the ever increasing gaps of hundreds of millions in rural as well urban areas. The second self-occupied property will also help driving investment boost in real estate, which is a normal investment option for middle class Indians with a growing investible surplus.

So we predict boost for housing finance companies and real estate companies and related industries like cement, steel, paints, home floorings and furnishing etc will get boost.

Artificial Intelligence:

Lastly, I would like to comment on India's lagging initiative on Artificial Intelligence. It is just mentioned in the speech that an artificial intelligence portal is under development, and centers of excellence that will be set up. Given completely grey area the plan and spending budget on cutting edge AI research that will give India an edge in tomorrow's world is still missing. In comparison, China started focusing on AI research as early as the 80s and 90s-even though it was acknowledged that it was way behind in research on AI, when compared to the US. However, it has now clear road map for AI by 2030.

DIGITIAN is concerned to note that Indian Government is still lagging on the AI and Big Data front which is unusual given our soft power.



Saugata Banerjee is the Chairman of DIGITIAN Group

The view expressed here is his first take on the Indian Budget 2019 presented by Hon. Finance Minister of India on February 1, 2019 in the Indian Parliament.

He may be reached at
saugatab@mydigitian.com

DIGITIAN Capital is the Trading brand of DIGITIAN Investment Inc.

For more on DIGITIAN Group Visit our website www.mydigitian.com

Visit our facebook ([mydigitian](#)), linkedin ([digitian/digitian capital](#)) page and follow our twitter handle [mydigitian](#)

Disclaimer : The view is of Individual on the basis of Budget speech and the initial readings of the Budget speech. This requires further reading and reference to main budget proposal with all fine prints and details. This is also not to motivate any individuals or organisation to take any investment decision on the basis of this documents nor a view against political parties of India or Government of India. Every reader should take his/her own decision before acting.