SECTOR OUTLOOK: UNION BUDGET 2017-18

The Union Budget 2017 - 18 presented on 1st Feb'17 focused on improving spending and liquidity needs of rural India. The budget stressed upon some key points like affordable housing for all, providing infrastructure boost and enhancing digitalisation. The budget continues the gradual fiscal consolidation move and targets public investment. Overall, the budget can be seen as a 'growth oriented' budget clearly focusing on fiscal prudence.

Below are the key sectoral impacts of Union Budget 2017-18:

Sector	Announcements	Impact
Agriculture	▪ Agricultural credit target at all time high of Rs.10 lakh Cr ▪ Interest subvention on loans for 60 days overall agri space. ▪ Dedicated Micro irrigation fund to be set up by NABARD with initial corpus of Rs.5, 000 Cr ▪ MNREGA allocation increased to Rs.48, 000 Cr from Rs.38, 500 Cr for FY17	**Positive**
Banking & NBFCs	▪ Capital infusion at Rs.10,000 Cr; will look at infusing further as per need ▪ Benefit for deduction of NPL provisions increased from 7.5% to 8.5% of total income ▪ SME tax rate lowered by 5% to 25% ▪ Consolidation in the PSU banks & reducing stake in IDBI Bank below 50%	**Neutral to Marginally Positive**
Capital Goods	▪ Infrastructure spends increased to Rs.3.96 lakh Cr (+10% Y-o-Y)	**Positive**
Cement and Buildings Materials	▪ Infrastructure status to low cost housing ▪ Intention to build 10mn low cost houses in rural area by 2020 ▪ Increase in infra spend; particularly NHAI (Rs.83,200Crs,+12% Y-o-Y), PMGSY (Rs.27,000Crs) and PMAY (Rs.23,000Crs, +53% Y-o-Y) ▪ Increase in total infra allocation Rs.3.96 lakh Cr from Rs.2.21 lakh Cr, +10% Y-o-Y	**Positive**
Railways	▪ 3500 km railway tracks to be commissioned in FY18	**Positive**
Roads	▪ Net allocation increased to Rs.10,000 Cr ▪ Selected airports in Tier 2 to be taken via PPP route.	**Positive**

Sector	Announcements	Impact
Consumer & Consumer Discretionary	▪ Reduction in income tax rate for assesses having income between ~INR250k-500k ▪ Higher allocation to Agri/rural will benefit 2Ws & PVs, while higher infra allocation will benefit tipper (CV/Tractor) demand ▪ Higher MMNREGA allocation at Rs.48,000 Cr from Rs.38,500 Cr last year ▪ Weighted average of 6% increase in excise duty for cigarettes	**Positive**
Logistics	▪ Rs.2.41 lakh Cr allocation for overall transport sector	**Positive**
Metals & Mining	▪ Introduced Export Duty of aluminium ores and laterite at 15% ▪ Duty on HRC for use in the manufacture of welded tubes and pipes reduced to 10% from 12.5% ▪ Basic Custom Duty of 2.5% on Nickel removed	**Neutral** **Positive** **Positive**
Oil & Gas	▪ Customs duty on LNG reduced to 2.5% from 5.0%	**Positive**
Real Estate	▪ Houses completed and unsold after one year - Unsold area to be taxed as income from house property ▪ Capital gain tax in land and building: Holding period reduced to two years from three years ▪ Taxation less favourable for owning a second house property ▪ Affordable Housing to be given Infrastructure status	**Positive** **Negative** **Negative** **Positive**

Source: www.indiabudget.nic.in

Disclaimer: The information used towards formulating the outlook has been obtained from sources published by third parties. While such publications are believed to be reliable, however, neither the AMC, its officers, the trustees, the Fund nor any of their affiliates or representatives assume any responsibility for the accuracy of such information and assume no financial liability whatsoever to the user of this document. The document is solely for the information and understanding of intended recipients only. Internal views, estimates, opinions expressed herein may or may not materialize. These views, estimates, opinions alone are not sufficient and should not be used for the development or implementation of an investment strategy. Forward looking statements are based on internal views and assumptions and subject to known and unknown risks and uncertainties which could materially impact or differ the actual results or performance from those expressed or implied under those statements.

Mutual Fund investments are subject to market risks, read all Scheme related documents carefully