

SENSEX: 39,513.39 | NIFTY: 11,811.15 | DOW JONES: 26922.12 | NASDAQ: 8161.79 | USD/INR: 68.45 | GOLD: \$1400.10 | OIL: 57.51
(Aug 2019 future Contract) (Aug 2019 future Contract)

INDIAN BUDGET HIGHLIGHTS

- Vision for \$5 trillion economy driven by investment
- Transforming rural lives
- New Jal Shakti
- Mantralaya to ensure Har Ghar Jal
- Enhancing ease of direct and indirect taxation
- Strengthening connectivity Infrastructure
- Gandhipedia to sensitize society
- India's soft power
- Harnessing India's space

Stock Picks

Company Name	CPM (Rs)	Target(Rs)
NIIT Tech	1335	1483
JSW Steel	277	310
Gujarat Gas	165	190

Source: Geojit Financial Services Ltd.

INR Fund Picks

Fund Name	Returns (CAGR)	Performance as on 05/07/19	
		3Yr	5Yr
Mirae Asset Large Cap	Largecap	15.42	13.96
Reliance Growth	Midcap	10.90	10.88
HDFC Equity Fund - G	Multicap	14.55	10.24
Tata India Consumer	Thematic	17.04	-
ICICI Pru Equity & Debt -G	Balanced Hybrid	11.75	11.67
HDFC Small Cap Fund-G	Smallcap	14.32	14.53
Tata Equity P/E -Reg -G	Value	12.86	12.20
IDFC Core Equity	Large & Midcap	11.31	10.39
HDFC Balanced Adv - G	Balanced Dynamic	14.30	11.07

Global:

- # The stock market had a busy holiday-shortened week, which produced solid gains for the major averages. The S&P 500 climbed 1.7% for the week while the Nasdaq outperformed, rising 1.9%
- # Stocks surged to begin the week, but the opening spike gave way to a daylong retreat from opening highs. Chipmakers served as a good example of this dynamic, as the PHLX Semiconductor Index was up 5.0% at the start of the session but narrowed its gain to 2.7% by the close. The Index continued retreating over the next three sessions to end the week with a gain of just 0.2%.
- # The initial euphoria about the lack of negative developments on the trade front faded once the market received more weak economic data from Asia and Europe. China's Manufacturing PMI (actual 49.4) remained in contractionary territory in the final June reading, Japan's Manufacturing PMI decreased to 49.3 from 49.5, the Manufacturing PMI for the eurozone slipped to 47.6 from 47.8, South Korea reported that its exports decreased 13.5% yr/yr in June, and Germany's Factory Orders fell 2.2% m/m in May. Manufacturing data from the U.S. also pointed to a slowdown in activity, but the sector remains in expansion, according to the latest Manufacturing Survey from the ISM (actual 51.7; prior 52.1). In addition, Friday's release of the Employment Situation report showed a healthy increase in June nonfarm payrolls
- # Friday's reminder about continued growth in nonfarm payrolls reduced expectations for an aggressive rate cut, which in turn pressured stocks and Treasuries from their best levels of the year. At the end of the week, the fed funds futures market saw just a 4.9% implied likelihood of a 50-basis point cut in July, down from 32.3% one week ago. The implied probability of a 25-basis point cut remained at 100.0%.

Index	Started Week	Ended Week	Change	Change%	YTD %
DJIA	26599.96	26922.12	322.16	1.2	15.4
Nasdaq	8006.24	8161.79	155.55	1.9	23.0
S&P 500	2941.76	2990.41	48.65	1.7	19.3

India:

- # The finance minister Nirmala Sitharman, presenting her maiden budget on Friday, 5 July 2019. She said it took India over 55 years to reach \$1 trillion dollar economy, but the country in just 5 years, added \$1 trillion. The Indian economy will grow to become a \$3 trillion economy in the current year itself. It is now the sixth largest in the world. Five years ago it was at the 11th position, She further said that \$5 trillion economy target was eminently achievable.
- # In the week ended Friday, 5 July 2019, the Sensex rose 118.75 points or 0.30% to settle at 39,513.39. The Nifty 50 index rose 22.30 points or 0.19% to settle at 11,811.15. Volatility was high during the week.
- # The BSE Mid-Cap index fell 82.69 points or 0.56% to settle at 14,725.65. The Small-Cap index fell 97.5 points or 0.68% to settle at 14,141.83.
- # On the economic front, the Indian manufacturing sector lost growth momentum in June, following acceleration in May. The IHS Markit India Manufacturing Purchasing Managers' Index (PMI) was at 52.10 in June, down from May's three-month high of 52.70 but still signalling an improvement in operating conditions across the sector. A reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease.
- # The Index of Eight Core Industries registered a growth of 5.1% in May 2019 over May 2018.






**Pradhan Mantri
Karam Yogi
Maandhan**

Pension benefits to
retail traders and small
shopkeepers



Enhanced interest
deduction for **affordable
housing** loan

Tax benefits for
corporate tax payers



Vision to become **\$5
trillion** economy driven
by 'virtuous cycle' of
investment

India becomes **sixth
largest economy**



**Pradhan Mantri
Matsya Sampada
Yojana (PMMSY)**

Establish robust
fisheries management
framework



Scheme of **faceless
electronic tax
assessment**

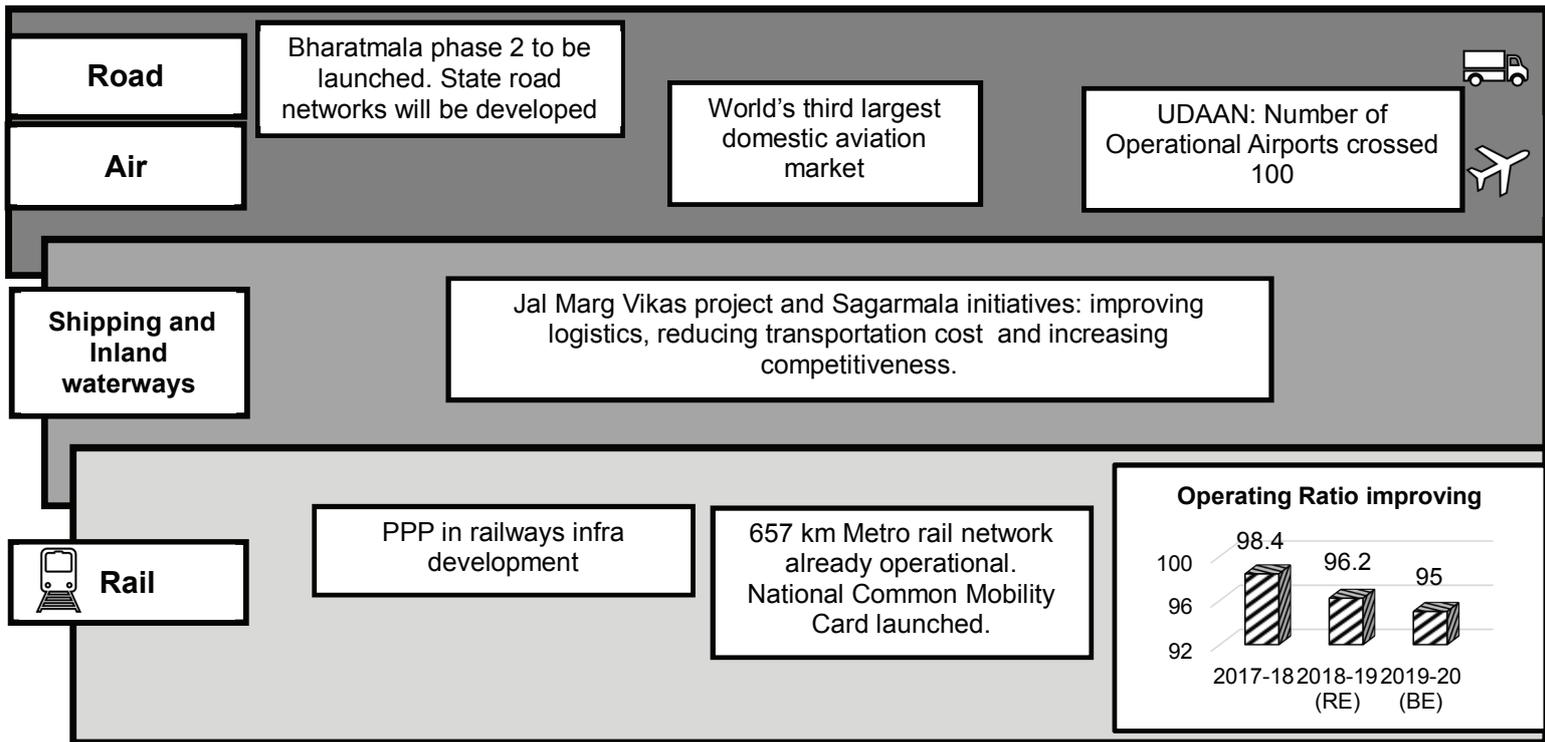
Aadhaar and PAN to be
interchangeable



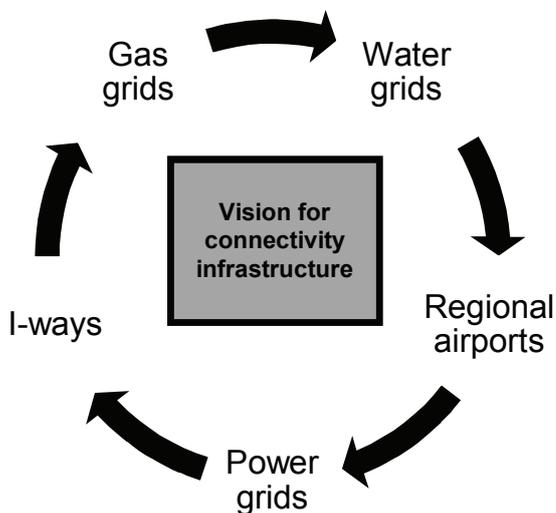
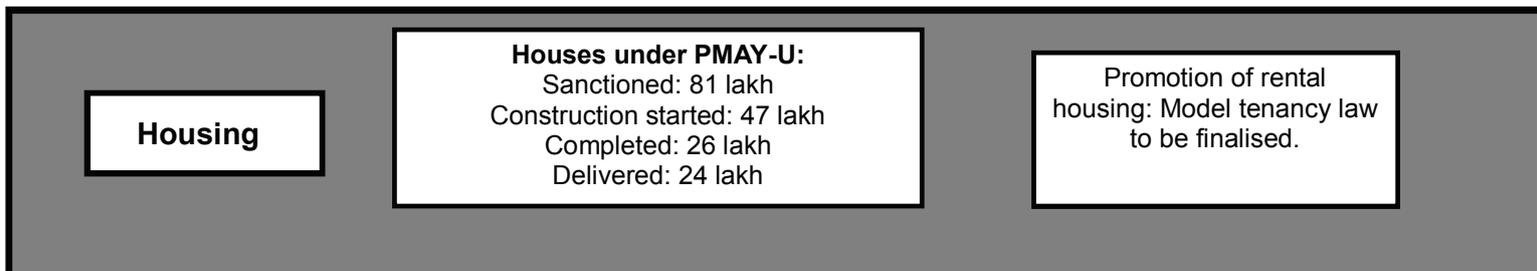
**Reform, Perform,
Transform agenda:**
GST, IBC, RERA etc.

**Changing common
man's life:**
MUDRA, UJJWALA,
SAUBHAGYA etc.

PUSH TO INVESTMENT: INFRASTRUCTURE DEVELOPMENT



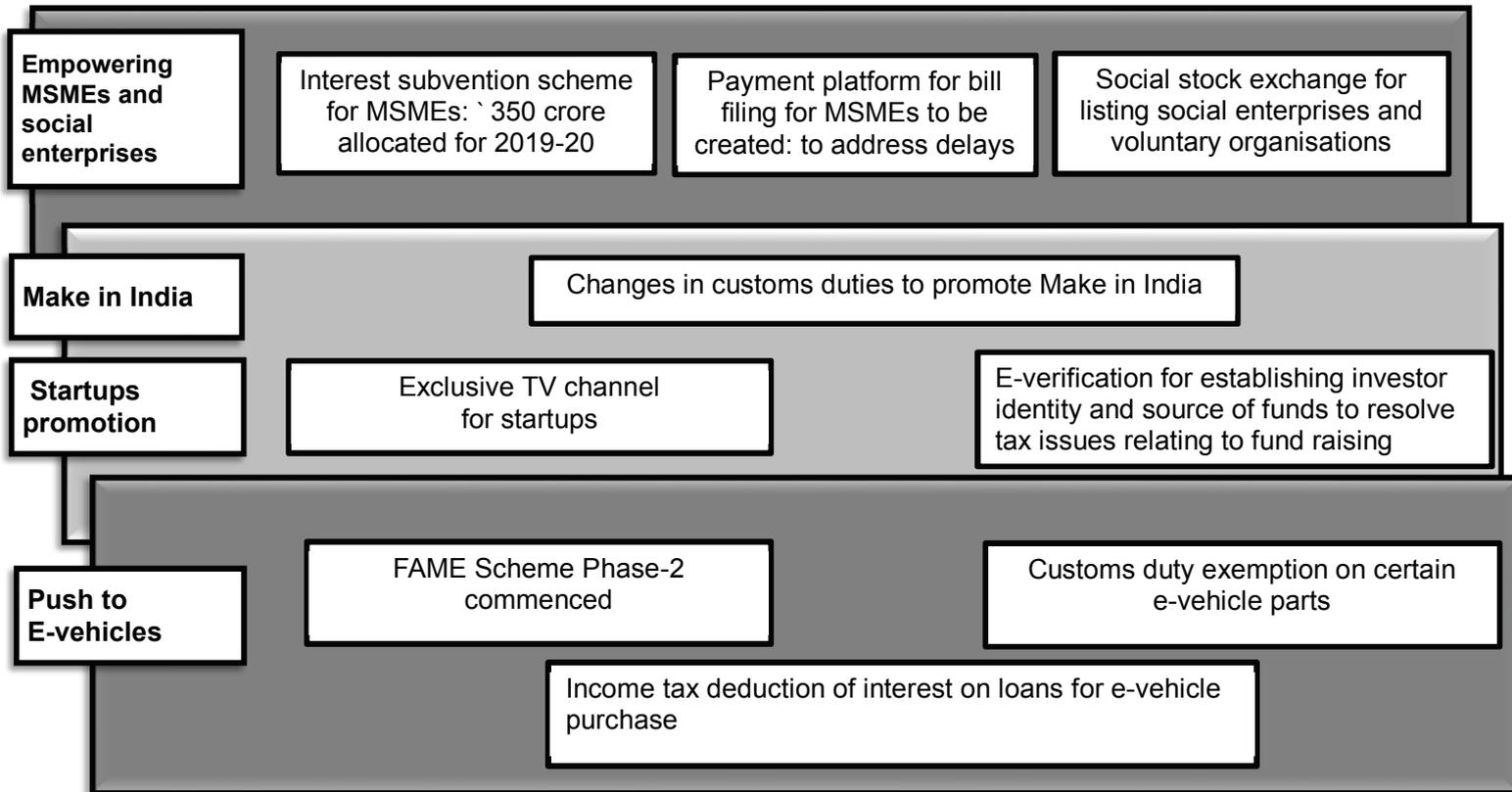
PUSH TO INVESTMENT: INFRASTRUCTURE DEVELOPMENT



Measures for boosting infrastructure financing



PUSH TO INVESTMENT: INDUSTRIAL DEVELOPMENT



GROWTH & MACRO-ECONOMIC STABILITY: VISION FOR \$5 TRILLION ECONOMY

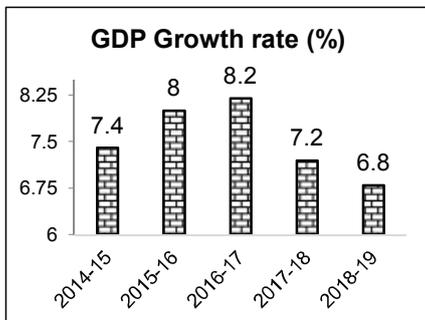
GDP

Fastest growing major economy in the world

11th largest economy in 2013-14



6th largest economy in 2019-20



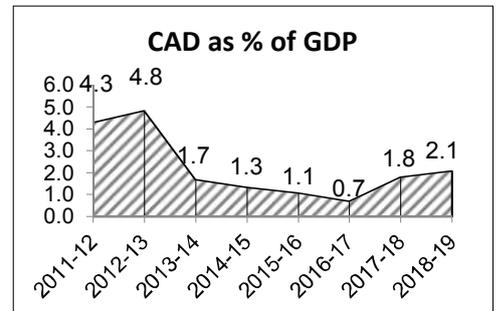
CAD



5.6% of GDP in 2013-14



2.1% of GDP in 2018-19



FDI & FPI

India attracted \$64.4 bn worth of FDI in 2018-19

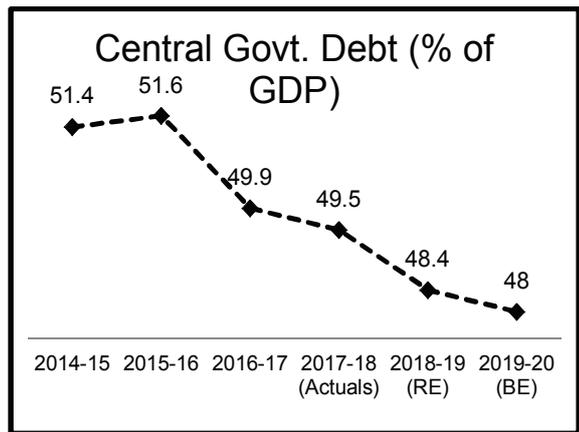
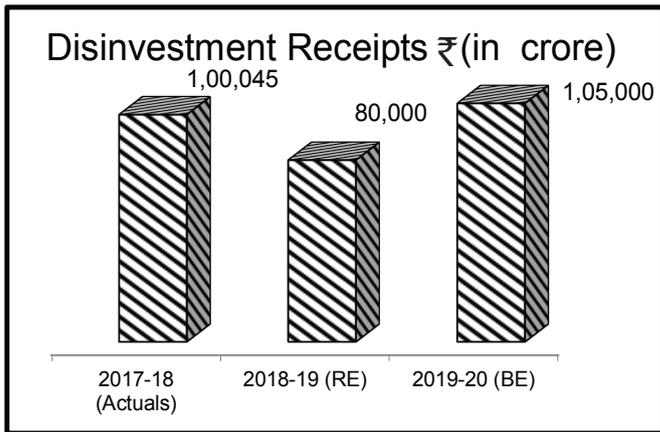
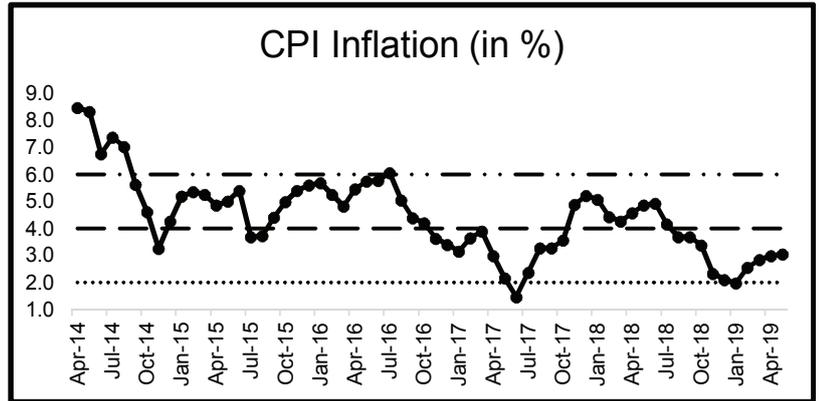
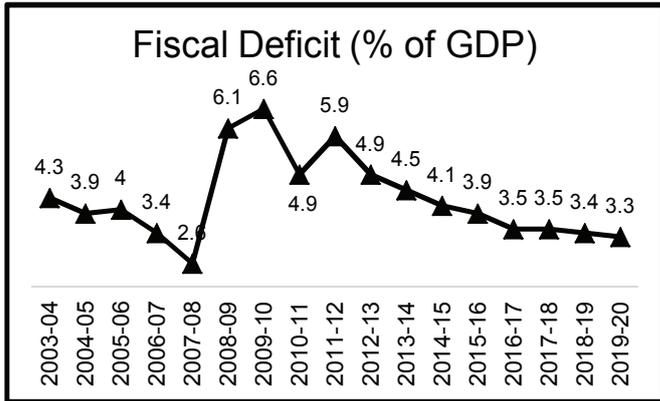
100% FDI to be permitted for Insurance intermediaries

Statutory limit for FPI investment in a company increased to sectoral limit

Local sourcing norms to be eased for FDI in single brand retail

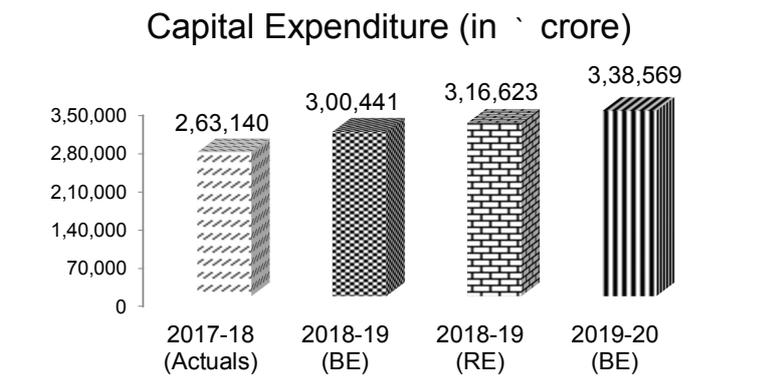
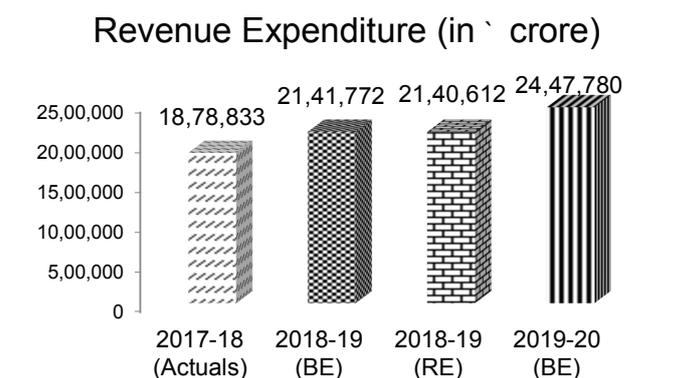
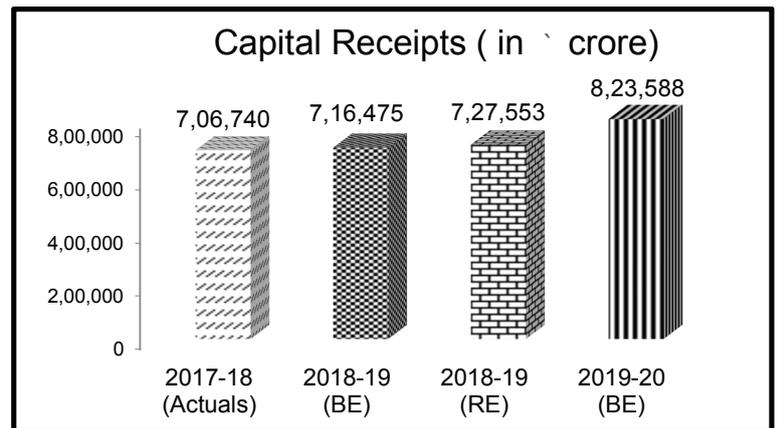
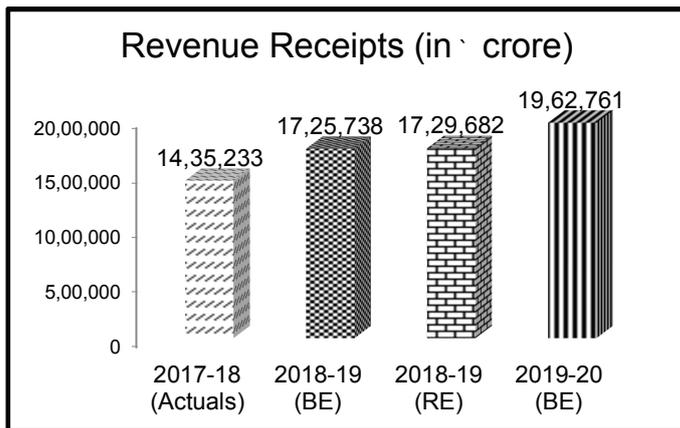


ON THE PATH OF FISCAL CONSOLIDATION AND INFLATION MANAGEMENT



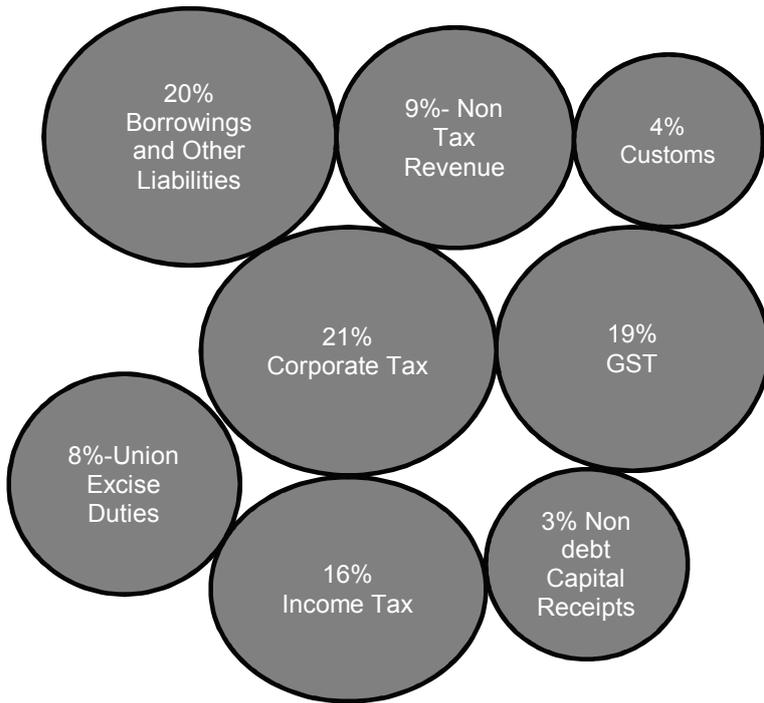
Also, India's sovereign **external debt to GDP ratio** amongst the lowest globally at less than **5%**.

BUDGET AT A GLANCE

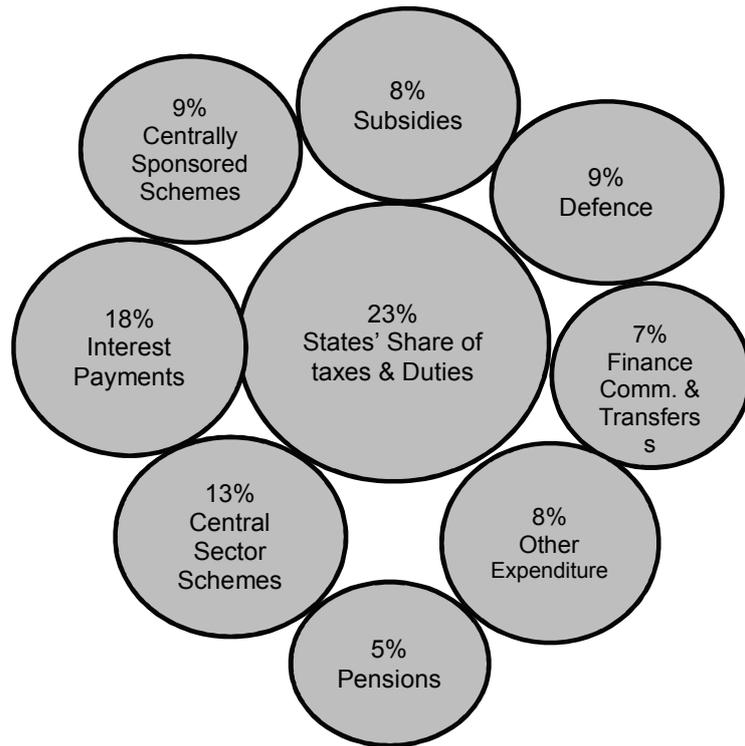


BUDGET AT A GLANCE

RUPEE COMES FROM



RUPEE GOES TO



₹ TAX PROPOSALS



FACELESS E-ASSESSMENT

A scheme of faceless electronic assessment involving no human interface to be launched this year

DIRECT TAX REFORMS PAYING OFF

Increase in tax collection by 78% from ₹6.4 lakh crore in 2013-14 to ₹11.4 lakh crore in 2018-19

ENHANCING EASE OF TAX PAYERS

Aadhaar and PAN to be made interchangeable

- Threshold for applicability of lower corporate tax rate of 25% increased from 250 crore to ₹400 crore.
- Enhanced interest deduction up to ₹3.5 lakh for purchase of an affordable house.
- Deposit taking and systemically important non-deposit taking NBFCs can now pay tax in the year they receive interest for certain bad or doubtful debts.
- TDS of 2% on cash withdrawal exceeding ₹1 crore in a year from a bank account to promote less cash economy.
- Effective tax rate for individuals having taxable income above ₹2 crore has been increased.
- No charges or MDR on specified digital mode of payments. These modes are to be compulsorily provided by large businesses.
- Sabka Vishwas Legacy Dispute Resolution Scheme proposed for quick closure of service tax and excise related litigations.



FARMER WELFARE AND WATER SECURITY



Boost to agro-rural industries through cluster based development under **SFURTI** scheme with focus on **bamboo, honey and khadi** clusters

100 new clusters to be set up to enable 50000 artisans during 2019-20

100 Business Incubators to be set up to enable 75000 entrepreneurs under **ASPIRE**

Pradhan Mantri Matsya Sampada Yojana launched



The scheme will address critical gaps in strengthening value chain, including infrastructure, modernisation, production, productivity and quality control

Constitution of **Jal Shakti Mantrayala**



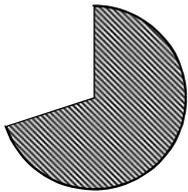
1592 critical and over exploited blocks identified under **Jal Shakti Abhiyan**

To ensure Har Ghar Jal to all rural households by 2024 under **Jal Jeevan Mission**

Focus on Integrated demand and supply side management at local level, creation of local infrastructure for rainwater harvesting, groundwater recharge and household waste water management



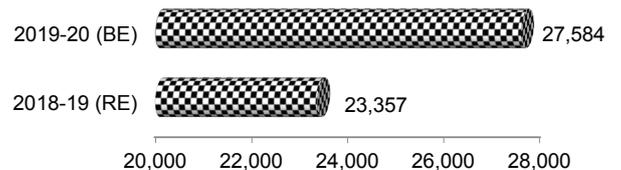
WOMEN LED DEVELOPMENT



70% of beneficiaries under **MUDRA** scheme are Women



Allocation for ICDS (in ₹crore)



More than 7 crore connections already given



8 Crore free LPG connections to be given under Ujjwala Yojana



- To expand **women SHG** interest subvention programme to all districts
- ₹1lakh loan under MUDRA scheme for one woman in every SHG

LABOUR AND YOUTH WELFARE



Pradhan Mantri Laghu Vyapaari Mann-Dhan Yojana (PMLVMY)

Pension benefits to around 3 crore retail traders and small shopkeepers with annual turnover less than ₹ 1.5 crore.



Pradhan Mantri Shram Yogi Maan Dhan (PM-SYM)

About 30 lakh workers have joined the scheme

Rationalising of labour laws into 4 labour codes proposed.



National Research Foundation to be established to fund, coordinate and promote R&D

400 crore provided for **'World Class Institutions'** for FY 2019-20

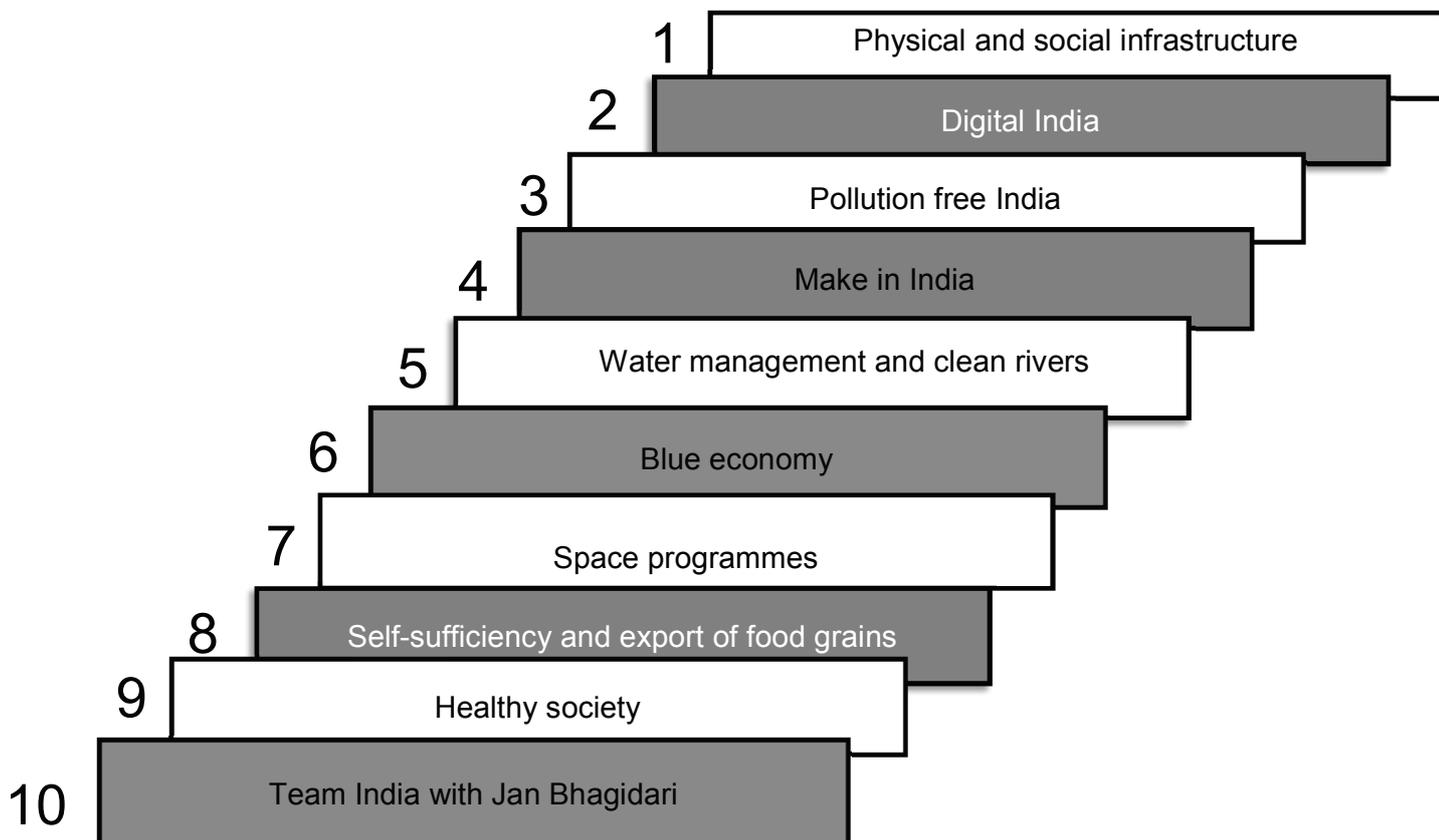
Study in India: to bring foreign students to higher educational institutions



National Sports Education Board to be setup under **Khelo India**.

To prepare youth for **new age skills**: Artificial Intelligence, IoT, Big Data, 3D Printing, Virtual Reality etc

VISION FOR THE NEXT DECADE





REFORM, PERFORM, TRANSFORM

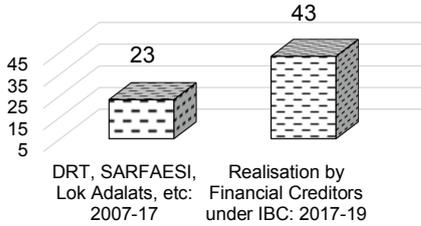
Banking & IBC

Record Recovery of ₹4 lakh crore in last 4 years due to IBC and other measures

Provision coverage ratio of banks highest in 7 years

Proposed further recapitalisation of PSBs: ₹70,000 crore

Average recovery under various recovery regimes (in %)



GST



1. Taxpayers having annual turnover of less than 5 crore can now file quarterly returns.
2. Fully automated GST refund module shall be implemented.
3. An electronic invoice system is proposed that will eventually eliminate the need for a separate e-way bill.

Further simplification of GST Processes

SWACHH BHARAT

More than 95% cities and 5.6 lakh villages declared ODF
More than 45,000 public and community toilets uploaded on Google Maps

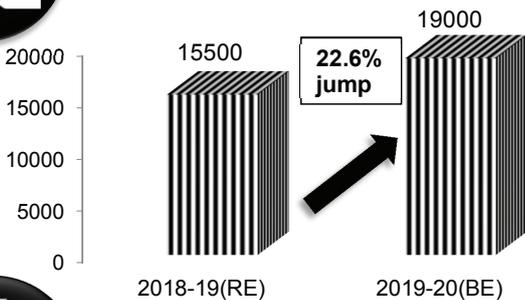


To expand Swachh Bharat Mission to undertake sustainable solid waste management in every village.

TRANSFORMING RURAL INDIA



Pradhan Mantri Gram Sadak Yojana (PMGSY) Outlay (in ₹crore)



PMAY-G

- 1.5 crore rural homes completed
- 1.95 crore houses proposed for second phase.
- Average days for completion: 314 (2015-16) → 114 (2017-18)

PMGSY

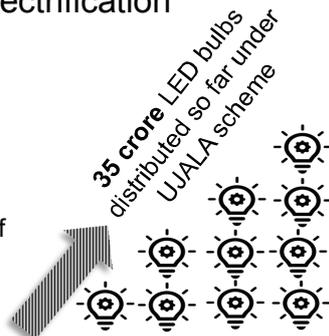
Completion Target advanced 2022 → 2019
97% of targeted habitations covered
30000 km built using green technology



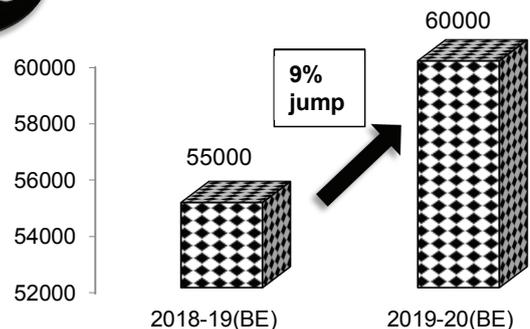
Rural Electrification

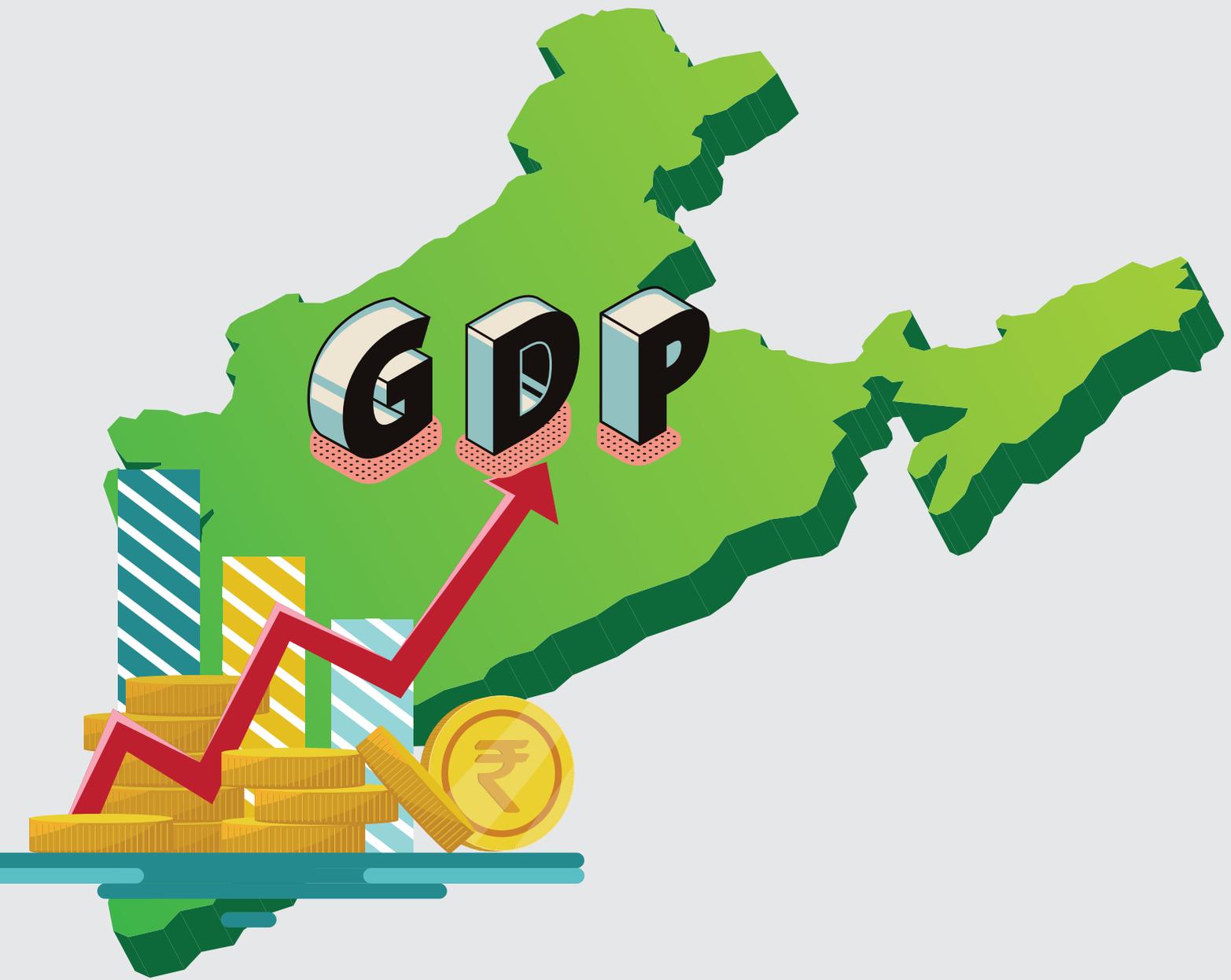
100% Households Electrified

UJALA leading to annual cost savings of ₹18,341 crore



MGNREGA Outlay (in ₹crore)





Conundrum of India's Growth Story

The tag of the fastest growing large economy in the world is one which India celebrated with great pride. As per the recent Organisation for Economic Co-operation and Development (OECD) report, India will not only continue to hold the tag of the fastest growing economy in the world, but will also widen its lead over China. As per the report, the Indian economy is expected to grow by 7.2 percent in FY19 and 7.5 percent in FY20.

However, India's Gross Domestic Product (GDP) growth story is under scrutiny with the former Chief Economic Advisor, Dr. Arvind Subramanian, raising doubts in the GDP growth rate of India. In his paper published for Harvard University, he states that the GDP growth rate of India has been overestimated between 2011 and 2016. The paper states that the revision of data sources and methodology for the estimation of real GDP in 2011-12 has led to the overestimation of GDP growth rate. Though the official estimates of GDP growth between 2011-12 and 2016-17 stands at 7 percent, the GDP growth rate estimated by Dr Subramanian stands at 4.5 percent.

Where the issue lies?

In the paper, the relationship of 17 indicators to the GDP growth is compared for two time periods i.e. 2001-11 and 2011-16. The annual growth rate of the 17 indicators is plotted against the GDP growth for the two time periods. Since, the GDP growth rate in both the time periods were more or less similar, i.e. 7.5 % and 6.9 %, much change in the annual growth rate of the indicators was not expected for the two time periods. However, the results were found to be different.

For instance, exports of goods and services registered a growth rate of 14.5 percent before 2011 and 3.4 percent post 2011. Similarly, imports registered a growth rate of 15.6 percent and 2.5 percent respectively during the two time periods. The production of commercial vehicles grew at 19.1 percent in pre-2011 period while it registered a negative growth rate of 0.1 percent in post-2011. It was found that only petroleum consumption and electricity grew at a marginally faster rate in the post-2011 period.

Dr. Subramanian argues that with lower average values for nearly all the indicators and the negative correlation it has with the GDP growth in post-2011, it is not possible for the country to achieve 7 plus growth rates. It paves the way to conclude that the GDP growth rate of the country could have been overestimated in the post-2011 period.

The paper also highlights the issue raised in the Economic Survey (2017) where India posted a growth rate of 7.5 percent in 2015-17, even when the real investment and export volume registered a growth of 4.5 and 2 percent respectively. During the same period, the credit-GDP ratio had fallen by 2 percentage points. None of the emerging economies in the world were able to attain a 7.5 percent

growth rate with such a combination of export growth, real investment growth and credit-GDP ratio. The countries with performance of indicators in the similar level to that of India has not even managed to attain a growth rate of 5 percent. In such a scenario, he suggests that there could be a measurement problem in the GDP calculation. In order to measure the magnitude of the over-estimation of the GDP data, he developed a model by including four indicators viz. credit, exports, imports and electricity consumption. Using the model he estimated that in post-2011, the GDP growth rate has been over estimated by 2.5 percent.

Need for credible data

There could be agreements and disagreements on the findings of the paper, and the methodology used by Dr. Subramanian in the estimation of GDP. However, the credibility and authenticity of data is an issue that has been debated for a very long time in the country. Barring the political angle, both the GDP data and job data of the country has received flaks from different quarters. For instance, concerns on the GDP data were also raised by other leading economists like the former RBI governor, Raghuram Rajan, and IMF Chief Economist Gita Gopinath.

In such a scenario, there is a need for a complete overhaul in the country's statistical system. Credible data is a quintessential ingredient for the conduct of appropriate monetary and fiscal policy. For instance, the RBI considers both inflation and growth data while taking a decision on the rate cut/hike. If the data is misinterpreted, the pulse of the economy is not correctly reflected and that would prevent the Central Bank from taking an apt decision.

Similarly, GDP data is also important in the conduct of fiscal policy. It should be noted that the Fiscal Responsibility and Budget Management (FRBM) targets are reported as a percent of the GDP. If the GDP data is not estimated accurately, the whole budget math would be affected. For instance, even if the government succeeds in achieving the FRBM targets, in reality it won't be so. The overestimation of the GDP and with fiscal deficit targets fixed as percent of GDP, the economy would be actually experiencing a loose fiscal policy. In reality, fiscal deficit as percent of GDP would be a much higher number. Credible data is important for the government to implement sound policies and initiate various reforms, and there is a need to work towards this end.

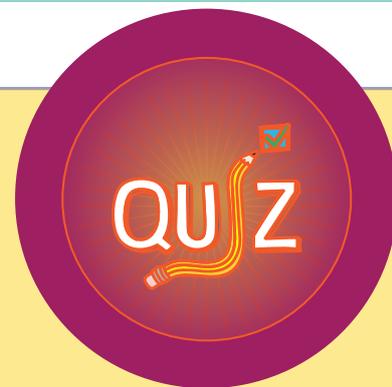
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Q. What is the name of new water conservation scheme announced by Finance Minister Nirmala Sitharaman during budget 2019 speech?

- a) Jal Jeevan Mission
- b) Jal Jyoti Mission
- c) Jal Sanrakshan Mission
- d) Samaan Jal Adhikar Mission



Answer to the last quiz:

Q:Q: Name the person who presented the budget in 1973-74, which was known as the 'Black Budget' due to the high budget deficit of Rs 550 crore at that time?

Mr. Yashwantrao B Chavan

Congratulations!

Thank you for the quick responses. The early right answer of the quiz was given by:
Mr. S. Krishnamurthy

Share the answer at reply@barjeel.ae

The answer to the question along with the **Winners Name** will be published in the next issue of Market Digest. All the best!

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