

MONEY MANTRA

Monthly News letter



Finance Minister, Ms. Nirmala Sitharaman on 1st February 2020 presented her second union budget in the backdrop of lowest economic growth of 4.5 percent in last six years. The finance minister (FM) must have been under acute pressure to take bolder steps to give a booster dose to economy and lay a foundation stone to achieve the vision of making India a dollar five trillion economy. FM announced various small but solid provisions to accelerate the growth in current fiscal year as well as lay foundation for 9 percent growth to achieve target of five trillion economy. These provisions, however could not win the market confidence and BSE SENSEX tank 988 point in very next session. The present issue analyses various provisions announcements made by FM and its expected impact on economy as a whole.

MARKET PERFORMANCE

INDICATORS	1st January 2020	1/31/2020	Percentage Change
BSE SENSEX	41306.02	40723.49	-1.41%
BSE MIDCAP	41306.02	15462.01	3.09%
BSE small cap	13786.69	14667.96	6.39%
BSE Auto	18392.97	18161.18	-1.26%
BSE BANKEX	36574.19	35289.35	-3.51%
BSE energy	5412.27	5245.35	-3.08%
BSE FMCG	11462.48	11641.54	1.56%
BSE Health care	13464.43	13957.01	3.66%
BSE IT	41306.02	40723.49	-1.41%
BSE Oil & Gas	14706.85	13923.67	-5.33%
BSE power	1960.6	1899.25	-3.13%
BSE metal	10404.32	9494.1	-8.75%
bse realty	2275.98	2526.17	10.99%
BSE Telecom	1112.58	1178.61	5.93%
BSE Gold(24 karat)	31984	33400	4.43%
BSE Exchange rate	71.02	71.49	0.66%

Five imperatives for five trillion-dollar economy:

- Constant GDP growth @ 9 percent for next five years
- in foreign capital flow from 1.1 percent to 1.7 percent of GDP;
- Exports has to reach at Rs. 1 lakh crore;
- Domestic saving rate to touch 40 percent which is currently 30 percent;
- Increase in foreign investment from Rs. 7 lakh crore to Rs. 20 lakh crore per year

Booster Dose:

- Rs. 100 lakh crore investment in improving infrastructure in next five years, out of which 1.7 lakh crore for transport infrastructure
- Five new smart cities
- 16-point formula to double farmers' income by 2022
- Development and upgradation of 100 airports by 2024
- 150 new trains to be started on PPP basis
- Change in income tax slab to increase disposable income in the hands of people, encouraging them to spend more.

Industrial Revolution 4.0

To become economic super power, India must gradually shift from service based economy to manufacturing based economy to make a balance between the two. The approach is supported by available natural resources, low cost labour, huge market, and increasing foreign investment. Government taken a stepping stone in this direction by launching Make in India program in 2015. Since then the manufacturing sector is growing @ 7.3 percent. In this budget FM proposed a target of 25 percent share of manufacturing in GDP. This sector is set a target to provide 10 crore jobs by 2025. To sharpen the axe, FM proposed Rs. 8000 crore investment in quantum technology and application, Rs. 6000 crores for Bharat net. Besides incentives for MSMEs like audit exemptions for up to Rs. 5 crore companies are expected to ease out business for smaller companies. The budget has extended the tax incentives over a 10-year period for up to Rs. 100 crores start-ups and also simplified the ESOP policy.



Banking & Financial Sector

Robust mechanism is in place to monitor and ensure health of all scheduled commercial banks and depositors' money is absolutely safe. Deposit Insurance Coverage to increase from Rs 1 lakh to Rs 5 lakh per depositor. Eligibility limit for NBFCs for debt recovery under SARFAESI Act proposed to be reduced to asset size of Rs 100 crore or loan size of Rs 50 lakh. Separation of NPS Trust for government employees from PFRDA is also proposed. Proposal to sell balance holding of government in IDBI Bank.

Education

Education is the back bone for any developed society. Understanding the importance, government increased the spending on education from 2.8 percent in 2014-15 to 3.1 percent of GDP in 2019-20. In present budget FM allocated Rs 99,300 crore for the educational sector in 2020-21. Additionally, Rs 3,000 crore has been allocated for skill development. Further about 150 higher educational institutions will start apprenticeship embedded courses and special bridge courses to improve skill sets of those seeking employment abroad. FM also announced that educational institutions can also arrange funds through FDI and foreign commercial loans.



Infrastructure

To improve infrastructure a 'National Infrastructure Pipeline' is proposed for next five year through which an investment of Rs. 100 lakh crore is proposed. Out of which 24 percent is allocated to electricity, 19 percent to road, 16 percent smart city development and 13 percent to railways. By 2024, 100 more airports will be developed. 1.7 lakhs crores have been allocated for transportation, infrastructure including railways. The budget proposed a blueprint with a budgetary support of 70,000 crores. to establish 150 more trains like Tejas to connect some of the iconic cities under PPP. This provision will also help to create employment opportunities specially in unorganized sector. It is expected that only NHAI will be able to create 50 crore man days in next two years.



Employment

As per a report released by NSSO last year, the unemployment rate in India is 6.1 percent which is highest in last 45 years. In order to ensure employment for all, FM has announced a National Recruitment Agency to bring more transparency and provide equal opportunity. The agency will ensure conducting all test online. FM set a target of creating 4 crore employment by year 2025. Besides this government is trying to make youth self-dependent by skilling them through new degree/diploma courses enabling them to start their own business.

Health Sector

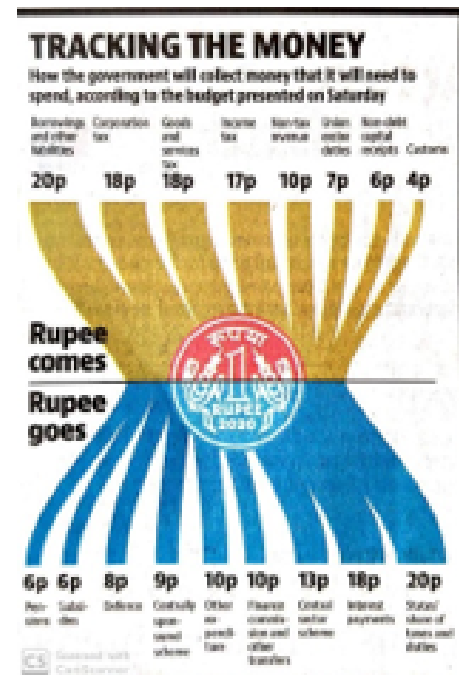
To improve the health of health sector FM announced opening of 1.5 lakh wellness centre which will provide free lab testing and cure for all illness. FM increased allocation to this sector by 15.4% to Rs. 62,659.12 crore. The allocation for the National Health Mission (NHM) was increased by 8% to Rs.32,295 crore. The allotment for Health and Wellness Centres under NHM was increased by 33%. The National AIDS and STD Control Programme saw its allocation rise by 30% to Rs.2,500 crore. More than 20, 000 empanelled hospitals under PM Jan Arogya Yojana.

Agriculture Sector

As The government aims to double farmers' income by 2022, FM announced 16-point program to achieve the target with allocation of Rs. 2.83 lakh crore to agriculture sector. Target for Agricultural credit has been increased to Rs 15 lakh crore from Rs 12 lakh crore. Government also willing to help 15 lakh farmers solarise their grid-connected pump sets.

Tax Proposal

The government has proposed a new income tax regime under Section 115BAC that comprises a significant change in the tax slabs rates. Taxpayers have been provided with an option whether they want to pay taxes according to the new regime or if they want to continue paying taxes according to the existing regime. The proposed new tax regime is considered that government has taken a step forward to simplify direct tax system after replacing indirect tax system with GST. The new tax regime is expected to leave more liquidity in the hands of lower and middle income group people as they hardly claim all the deductions in full due to less income and saving.



INDIRECT Taxes



Proposed Slab- without deductions

Income	Percentage
Income up to Rs 2.5 lakh	0%
Income over Rs 2.5 lakh to Rs 5 lakh	5%
Income over Rs 5 lakh to Rs 7.5 lakh	10%
Income over Rs 7.5 lakh to Rs 10 lakh	15%
Income over Rs 10 lakh to Rs 12.5 lakh	20%
Income over Rs 12.5 lakh to Rs 15 lakh	25%
Income over Rs 15 lakh	30%
Health & Education Cess	4%

Present Slab- with deductions

Income	Percentage
Income up to Rs 2.5 lakh	0%
Income over Rs 2.5 lakh to Rs 5 lakh	5%
Income over Rs 5 lakh to Rs 10 lakh	20%
Income over Rs 10 lakh	30%
Health & Education Cess	4%

Other Provisions

- 471378 crores have been allocated for defence budget; which is only a hike of 5.8% as compared to the current financial year.
- There is budget allocation of rupees 220 billion for the renewable and power sector.
- Amendments to be made to enable NBFCs to extend invoice financing to MSMEs.
- The govt expects a revenue of 90000 crores from the disinvestment of govt stakes in public sector banks govt financial institutions from FY21, and for this financial year 2020 the estimated disinvestment proceeds at Rs. 65000 crores.
- FDI elevated during period 2014-2019 to \$284bn.
- New simplified GST returns from April 2020
- New Education Policy will be announced soon
- Degree level full fledged online programs to be started
- National Police University & Forensic university is proposed to be set up
- Move to develop each district an export hub
- Setting up of solar panels on barren lands
- Private sectors to built data centre parks throughout the country, policy may come soon
- INR 28,600 cr proposed in this budget specific to women
- Proposed to set up Indian Institute of Heritage & culture as a deemed university
- 5 Archeological sites would be developed as iconic sites with onsite museums
- INR 2,500 cr proposed for development of Tourism sector
- LIC initial public offer will come to list on stock exchange; Government will sell part of its holding
- Propose to remove DDT and dividend would be taxable in the hands of shareholders; removal of cascading effect of dividend distributed by holding to subsidiary (25k cr revenues forgone on account of DDT abolition).
- 100% tax exemption on new investment by foreign funds in infrastructure sector by 2024 with a minimum lock in period of 3 years
- PAN shall be instantly allotted on the basis of Aadhar without any filling up of form

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All the best and welcome

2019 - 21 batch to C-FAC family



About us: Christ financial Analysis Cell (C-FAC) is established with a purpose to enable the students to translate the classroom learning into the real time financial and market analysis and investment decisions. The cell analyses the capital market daily, based on news related to economy, business, politics, international trade and business etc. and forecast the market movement for the next day and week. Based on their analysis the cell prepares and publishes a report named "Money Mantra" In this report they also recommend the stocks for investment and trade. The cell also gives these advisory services to the students of other domain, faculty, and the staff on the investment/financial planning decision.

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References: Money Control, Business Standard, Economic Times, Live Mint, CRISIL, Equity Master, Bloomberg Quint, Investing.com, Reserve Bank of India Website