TOP FIVE TAKEAWAYS FOR MARKETS FROM ARUN JAITLEY'S BUDGET 2015-16

NEW DELHI: Finance Minister Arun Jaitley's budget had the Sensex volatile throughout the trading session on Saturday, brought down by losses in consumer durable, FMCG, power and realty stocks.

The 50-share Nifty index also slipped below its crucial psychological level of 8850 and was trading near its next crucial support level of 8800. The fall in the index was led by losses in ITC, NMDC, NTPC, HCL, Tata and BPCL. At 01:33 pm, the Sensex was at 28,942.12, down 278.00 points. The broader Nifty was at 8,767.00, down 77.60 points.

Here are five key takeaways from FM's Budget speech:

Investment in AIFs

The government will allow foreign investment in Alternative Investment Funds (AIFs), a category of pooled-in investment vehicles for real estate, private equity and hedge funds, Jaitley said in his speech.

Foreign investment in AIF will help NRI and institution participation that constitutes a big segment of investors being targeted by the AIF. The government has shown clear intent to reduce the administrative hassles for the foreign investors.
"But the big challenge on tax treatment to avoid double taxation for investors in AIF hasn't been addressed," says Ajay Garg, managing director, Equirus Capital.

Allowing foreign investments in the AIFs is a very strong signal that government understands the value of AIFs to the economy, said experts.

"Further, it will help in management of the alternative investments in a consolidated manner," said Dr Vikas Gupta, EVP & Fund Manager, Arthveda Fund Management.

"Combined with AIFs being allowed to invest globally allowed by RBI before it will help in making India an international financial center since money can be raised from abroad and invested across the globe. Only thing remaining is clarity on the permanent establishment," he added.

GST rollout by next April

Jaitley sasid the proposed Goods and Services Tax (GST) Bill will be implemented from April next year. GST is expected to bring higher revenue for government and many benefits to corporates.

Service-tax plus education cesse increased from 12.36% to 14% to facilitate transition to GST.

It will be positive for entire consumer sector. Companies which likely to get benefitted from GST the most include stocks like Bosch, Exide, Amara Raja Batteries, HUL, Godrej Consumer, Dabur India, Dish TV, Den Networks etc.

"The announcement that the much awaited GST will be introduced on 1st April 2016, will definitely rejuvenate the industry," says Sachin Menon, KPMG India. "The GST will make manufacturing more competitive and thereby support the 'Make in India' Campaign. How fast the Finance Minister will move the wheels of change to usher in GST will be keenly watched in the coming days" he adds.

GAAR deferred by two years

Arun Jaitley deferred the applicability of GAAR by two years. GAAR to apply to investments made on or after 01.04.2017, when implemented. "GAAR postponement is a big positive and will bring fresh inflows," says Enmesh Srivastava, IDBI Federal Life Insurance. "More importantly, they have clarified that when GAAR comes into force, it will not be applicable retroactively, and that clears a big uncertainty for investors," he adds.

Boost for portfolio investors

Distinction between different types of foreign investments, especially between foreign portfolio investments and foreign direct investments to be done away with. Replacement with composite caps. "Having no distinction between foreign direct investments and foreign portfolio investments would provide more confidence to portfolio investors," says Nirakar Pradhan, CIO, Future Generali India Life Insurance. "Both investments would be treated same in the eyes of government and regulators. This should attract more portfolio flows in near to medium term in debt as well as equities."

Increased focus on infra

Budget highlighted sharp increase in outlays for roads and railways. Capital expenditure of public sector units to also go up. Tax free infrastructure bonds for the projects in the rail, road and irrigation sectors. PPP mode of infrastructure development to be revisited and revitalised. National Investment and Infrastructure Fund (NIIF), to be established with an annual flow of Rs 20,000 crores to it. Tax free infrastructure bonds for the projects in the rail, road and irrigation sectors. 5 new Ultra Mega Power Projects, each of 4000 MW, in the Plug-and-Play mode.

"The FM recognised that rebalancing risks is key to enabling PPPs; and we should see new concession structures this year. The PPP environment will also improve as the Public Contracts Dispute Resolution Bill and the Regulatory Reform Law make progress," says Manish Agarwal, Partner and Leader - Capital Projects & Infrastructure at PwC India.

"Plug-and-play" level of readiness before tendering projects and pre-defined guidelines instead of individual approvals will help bidders focus on what they are best -- efficient delivery. But these measures will take time to implement. In the meanwhile, the increased public spending, should get the construction activity going," he adds.