



Budget Simplified 2016

Hello customers and friends,

Budget on leap year date February 29, 2016, has been a very interesting one. Firstly the Finance Minister has controlled the fiscal deficit for next year at 3.5% of GDP. This is very commendable and positive for the interest rates in the economy. As a follow through of this I expect the Reserve Bank of India to consider dropping of interest rates and repo rates sometime in March. Post that, I do believe that this will help the bank's balance sheets since banks own a large number of bank bonds.

Also the focus of the Finance Minister on 9 main items, which includes rural growth, infrastructure, the whole area of financial sector reform, social infrastructure, health care, education and they, are our steps to a strong foundation of our future. In the immediate follow through of the budget, I think what will happen is from an Indian point of view, this is a big boost for sustainable growth of Indian financial savings. However, the counter point is global head winds continue to be quite a bit. And in a way, the budget being out of the way, we are really now having to face the challenges of what happens in the rest of the world. We also have to keep in mind that this budget is clearly pro-farmer, pro-rural India, and at the same time, not hurting the markets.

The higher income Indians, will have to pay more taxes, including on dividends, but that as an Indian I believe, that Indians must contribute to fixing India's fiscal house, once and for all. I feel positive, about this budget and if I have to take a long term view, this is a very important step in the right direction. Simultaneously, the government has given all people who have unaccounted income in India, a one-time opportunity to come clean at a 45% tax rate. In addition, there is an expectation that there will also be settlements on tax cases, of International companies with the Indian government coming out of retrospective taxation. So some of these, I think will help increase the credibility of India and putting India on a sustainable path.

This is a very important step taken by this government at what is roughly the mid-point or close to the mid-point of their tenure. I wish each of the equity investors, bond investors, and every investor in Indian financial savings to have a great future and I would consider this budget, a big positive to that direction.

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