

#  
**BUDGET  
2020**  
withHDFCSEC



# **BUDGET 2020**

---

# **STOCK WATCHLIST**

---

## Budget 2020 – Stock Watchlist

The following table lists the sectoral expectations from the forthcoming Budget which will likely impact stocks under HDFC Securities' coverage.

Sectors	Budget Expectations	Impact	Sensitivity Analysis to Budget proposals			Our Coverage Companies impacted
			Positive	Negative	Neutral	
<b>Appliances</b>	Likely reduction in personal income tax rates	Should improve sentiments and increase demand of appliances and household electrical goods.	√	-	-	Symphony, Crompton Consumer, Salzer Electronic, Orient Electric Ltd, Havells India, V Guard
	Import duty on electrical/electronic goods may be raised	Could provide level field for domestic manufacturers.	√	-	-	
<b>Auto and Auto Ancillaries</b>	Uniform GST rate for auto components	Uniform rate of 18% for all auto components will help vs 18%/28% for different components.	√	-	√	Subros, Minda Inds, Harita Seating, Ramkrishna Forgings
	Rebate on ex-showroom prices of small cars	Would reduce the on-road price of the vehicle and boost demand	√	-	-	Maruti Suzuki, Tata Motors
	Higher Rural spending	2W and tractor industry could benefit if rural consumers have higher spending power	√	-	-	M&M, Hero Moto, and Bajaj Auto
	Likely reduction in personal income tax rates	Beneficial for consumer sentiments and overall demand for sector.	√	-	-	Bajaj, Hero Moto, Eicher, TVS, Maruti, Tata Motors and M&M
	Announcement on the scrappage policy for CVs	Though this could be with a staggered implementation and limited fiscal impact, it could still improve sentiments towards CV manufacturers.	√	-	-	Eicher, Tata Motors M&M, Shriram Transport Finance
	Extend higher depreciation rate for new vehicles	Currently it is on purchases made till March 2020. This may be extended by a year.	√	-	-	Eicher, Maruti, Tata Motors and M&M
<b>Aviation</b>	Increase in FDI limit	Increasing permissible limit of FDI from 49% to 100% in aviation sector	√	-	-	Interglobe Aviation, Spice Jet
<b>Banking</b>	Steps to develop broader debt market	Likely to improve corporate debt market resulting in better price discovery and higher treasury operations	√	-	-	All Banks
	Further increase in income tax deduction exemption limit on interest on savings account deposits	Positive for banks	√	-	-	
	Higher-than expected market borrowings due to fiscal slippage may put pressure on bond yields.	Will be negative for investment portfolio; higher borrowing can also lead to rise in cost of funds	-	√	-	
	A TARP like program (Troubled Assets Relief Program) could be introduced for restoring the flow of liquidity to the businesses and give an extension to lenders for recovery from select sectors.	This will help Banks and NBFCs to postpone recognition of NPAs, improve capital adequacy and lend more resources	√	-	-	

Sectors	Budget Expectations	Impact	Sensitivity Analysis to Budget proposals			Our Coverage Companies impacted
			Positive	Negative	Neutral	
<b>Capital Goods / Industrials</b>	Duty exemption under FTAs should be limited to raw materials and not for finished goods	The move will provide a level-playing field to domestic manufacturers of the finished goods.	√	-	-	L&T, KEC International, Kalpataru Power Transmission, BHEL, Cummins
	Increase in investments in key Infrastructure sectors such as Railways could see a jump. 100% electrification, network de-congestion, upgradation & modernization and safety	Railway EPC and equipment manufacturers would be the prime beneficiaries	√	-	-	KEC, Cummins, BEL
	Continued visibility on reasonable budgetary allocation	Likely to boost project awards and execution in roads, railways, urban infra	√	-	-	L&T, BEML
<b>Cement</b>	Increase in budget allocation for infrastructure projects and PMAY	Expect increase in spending to boost cement demand growth for FY21 to 6-7% against 1-2% for FY20. To drive pricing power and profitability for the manufacturers.	√	-	-	Deccan Cement, UltraTech Cement, Ambuja Cement, ACC, STAR Cement, Orient Cement, Dalmia
	Removal of Clean energy cess on Coal	Positive for companies - estimated benefit of Rs30/Ton	√	-	-	Bharat, Shree Cement, JK Cement, Indian Hume Pipe
<b>Chemicals / Fertilisers</b>	Decontrolling urea prices	Will benefit urea manufacturers by reducing working capital requirements and interest costs.	√	-	-	Coromandel International
	Clearing the subsidy backlog payable to fertilizer companies	Estimated at Rs390bn by March-end, will improve cashflows and reduce interest costs	√	-	-	
	Increase in the Subsidy allocation of urea and complex fertilisers	Likely to benefit the fertilizer companies by easing out their working capital requirements	√	-	-	
	Higher allocation in Pradhan Mantri Fasal Bima Yojana (PMFBY)	Govt intends to increase coverage under PMFBY scheme from 50% of cropped area in 2018-19	√	-	-	
<b>FMCG</b>	Likely reduction in personal income tax rates	Reduction in personal income tax rates should improve sentiments and benefit small ticket discretionary consumption	√	-	-	Hindustan Unilever, Colgate Palmolive India, Dabur Ltd, ITC, Jyothy Labs, Radico Khaitan
	Higher allocation to rural centric schemes	Will aid recovery in rural demand/consumption	√	-	-	Hindustan Unilever, Emami, Dabur, Marico, ITC, Jyothy Labs
	Increase in tax/cess on cigarettes	To raise revenues and discourage consumption the Govt may raise tax/cess on cigarettes	-	√	-	ITC
<b>Healthcare/Pharma</b>	Tax benefit on R&D	Pharma companies currently get 150% deduction till FY20 and 100% till FY21. This may rise to 200% or extend the 150% deduction for a few years	√	-	-	Cadila Healthcare, Jubilant Life Sciences and Alkem Labs
	Higher allocation to schemes	Higher allocation for Schemes like Ayushman Bharat, Pradhan Mantri Jan Arogya Yojana (PMJAY)	√	-	-	

Sectors	Budget Expectations	Impact	Sensitivity Analysis to Budget			Our Coverage
---------	---------------------	--------	--------------------------------	--	--	--------------

			proposals			Companies impacted
			Positive	Negative	Neutral	
<b>Infrastructure</b>	Increase in budgeted amount for metro projects	Construction EPCs, metro rolling stock manufacturers and metro signalling technology players would benefit	√	-	-	L&T, GE T&D India Ltd, BEL, EIL
	Expect PMGSY share to be higher than Rs 209bn.	Road EPC players to strengthen the rural connectivity	√	-	-	Sadbhav Engineering, J Kumar Infraprojects, JMC Projects
	Overall railway capital expenditure could be pegged at Rs.1.74tn	Government stress to strengthen railway Infrastructure could benefit companies involved in modernization of stations and electrification of railways	√	-	-	KEC Int, L&T, Kalpataru Power, JMC Projects
<b>IT</b>	Extension of SEZ sunset clause for Income tax which is coming into force on Apr 01, 2020	Extension of tax benefits for the SEZs by 3-5 more years	√	-	-	TCS, Infosys, HCL Tech, Wipro
<b>Logistics</b>	Increased fund allocation for infra projects like Sagarmala project, Multimodal logistics parks, coastal roadways etc	Marginally positive for the overall logistics space	√	-	-	TCI Exp, Gateway Distripark, Container Corporation
<b>NBFCs</b>	Capital infusion in Insurance Sector	Infusion of Rs. 10,000-12,000 Cr.	√	-	-	New India Assurance
	Potential increase in FDI in insurance	Increase in FDI in insurance companies to 74% from 49% currently.	√	-	-	SBI Life, ICICI Prudential, Max Financial, ICICI Lombard, New India Assurance
	Long term capital gains on equities/equity MFs may be abolished	This could benefit broking companies even though the holding period may be extended to 2 years vs the current 1 year	√	-	-	ICICI Sec, Motilal Oswal, BSE
	For 50 large NBFCs, Govt could defer principal repayments for a specified period.	This could give breathing space for stressed NBFCs	√	-	-	Cholamandalam Finance, M&M Finance, Shriram Transport Finance
<b>Oil &amp; Gas</b>	Inclusion of Natural Gas under GST	Given Gol's target of achieving higher consumption of natural gas in energy mix, this step will help increase adoption of gas as a fuel	√	-	-	IGL, MGL, Gujarat Gas
<b>Paper Products</b>	Increase Custom Duty on import of coated paper, paperboard, handmade paper.	Duty may be doubled from the current 10% to help domestic manufactures compete with global players	√	-	-	Tamil Nadu Newsprint Paper
<b>Power</b>	Announce Atal Distribution System Improvement Yojana to replace current UDAY	The scheme involving cutting losses, negating tariff gaps, setting up smart meters across 250mn households will boost demand for products/services in T&D sector.	√	-	-	NTPC, Apar Industries, KEC International, Kalpataru Power, L&T
<b>Real Estate</b>	Extension of timeline for Profit-linked deduction for affordable housing projects	Could be extended by 1 year to Mar 2021.	√	-	-	Mahindra Life Space, Brigade, DLF, Godrej Properties, Kolte Patil, Dilip Buildcon
	Lenders should be allowed a one-time restructuring of certain real estate loans – like projects stuck due to approvals or finance.	This could unlock value in distressed real estate players and also benefit Banks/NBFCs	√	-	-	
<b>Retail</b>	Likely reduction in personal income tax rates	Helps in increasing disposable income and thus improves overall consumption	√	-	-	Titan, ABFRL, Avenue Supermart, Bata, V-Mart



**Disclaimer:**

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.