Budget reactions

Here is how the honchos of the Indian mutual fund industry have reacted to the Union budget presented by the finance minister

With Finance Minister Arun Jaitley not announcing any clear negatives in the Union budget for FY18, the financial services industry, and particularly the mutual fund industry, is happy with the annual exercise. Stock market benchmarks, after staying flat, ended the day with positive gains of nearly 2 per cent.

A Balasubramanian, CEO, Birla Sun Life Mutual Fund, said that Budget 2017 is an outcome-oriented one, with a clear focus on improving efficiency and ensuring no wastage of resources. He thinks reduction of long-term capital gains (LTCG) to two years for real-estate assets, including land, may further boost participation from general investors. "Introduction of illegal-deposit bill will help mutual funds grow big time as part of the clean-India program," Balasubramanian added.

Killol Pandya, Head - Fixed Income, Peerless Funds Management, said that the government appears to have done a reasonable job of managing growth requirements, social development, nation building and managing the fiscal deficit and inflation. "From the domestic-bond-market perspective, the borrowing numbers seem to be manageable. We may consider the budget as mildly positive one," he noted.

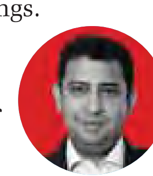
Pradeep Gokhale, Senior Fund Manager, Tata Mutual Fund, wants investors to understand that the key feature of the budget is focus on stability and continuity. "Fiscal discipline remains the focus and there are no major changes in tax policies, particularly related to capital gains. The budget does not contain any populist measures, as was feared in some quarters. Measures to improve transparency in political-party funding is a bold reform. Higher spending on rural and infrastructure and focus on affordable housing, without compromising on fiscal deficit, are welcome steps."

Anand Shah, CIO, BNP Paribas Mutual Fund, loves the third year of discipline in spending. "We believe this is a good budget with significant increase in rural and infrastructure spend whilst maintaining the fiscal deficit of 3.2 per cent for FY18BE." Also thrust on low-cost housing and infrastructure are structurally positive in the long term as both have a huge multiplier effect. "Last but not the least, there are no changes for LTCG and dividend distribution. We believe markets from here on will focus towards fundamentals and ongoing recovery of economy post demonetisation," Shah says.

However, **Neil Parag Parikh**, Chairman and CEO, PPFAS Mutual Fund, felt that the budget could have given more sops. "For equity investors, this was a budget which provided as much relief on what it did not announce on the LTCG-tax front, as on what it actually did. However, this was partly offset by the status quo on the corporate-tax rate for listed companies. In a broader sense, the determined move towards digitisation should only help financial assets in the long-run," Parikh adds.

Saravana Kumar, Chief Investment Officer, LIC Mutual Fund, said that the government plans to create a mega oil company are great. However, political and bureaucratic hurdles, trade unions might delay implementation of the same, he cautions.

Meanwhile, a new CPSE exchange-traded- fund offering seems to be on the cards for all investors. According to the finance minister, investors will get a chance to buy units of the new ETF with diversified CPSE stocks and other government holdings. This will be launched in 2017-18.



Sundeep Sikka, CEO, Reliance Mutual Fund, says, "We are thankful to the FM for recognising the success of CPSE ETF further fund offer, which got subscribed over three times, in his speech today. Our teams are privileged to have been associated in both CPSE ETF offers and encouraged to see that the government, based on the success of earlier two tranches, has now decided to use ETF as a vehicle for future disinvestments. We see a great potential for ETFs in the mutual fund sector and look forward to supporting the government in their disinvestment program through the ETF route." ■