

## What makes us Positive on India Achieving the Five Trillion Dollar Mark by 2024

### ***Corporate Tax Rate Cut to Revive Private Capital Expenditure Cycle and Attract Foreign Money***

- Termed as the biggest and boldest reform, government cut corporate tax rates to 22% from the existing 30%. To add, new manufacturing units set up after 1 October will attract an even lower corporate tax rate of a mere 15%. Tax cuts essentially means more money in the hands of India Inc. This incremental savings could either be distributed as dividends or re-invested in business or used for inorganic acquisition.
- Further, tax cuts make India one of the most attractive destinations globally to outsource their manufacturing activities. With China and USA in a midst of tariff war, global multi-national companies (MNCs) want to curtail their reliance on China to source their manufacturing requirements. With the tax rate cuts and cheap manufacturing costs on account of lower labour costs, India will be the preferred destination.
- This will drive the next leg of the much needed private capital expenditure cycle which will help India reach the five trillion dollar mark by 2024. However, this theme will not play out in the near term as India slowly recovers from a cyclical economic slowdown. **However, in the long run we are confident for the theme to play out with a reactive government at the helm.**

**The sectors which benefit the most from this theme are Banks, Cement, Construction, Logistics and Transportation.**

### ***Strategic Divestment to Help Contain Fiscal Deficit and Spur Government Expenditure***

- The present government clearly understands this term- 'Government has no Business Being in Business'. And recently, it has carved out plans to strategically divest its stake from BPCL. News is doing the rounds to strategically sell BHEL, NMDC and Air India too. Bids from private players will be called and government stakes will be sold or diluted. Stake sale will lead to more money in the hands of government. This in-turn could be used to spur government expenditure which can aid in achieving the five trillion dollar mark.

**The immediate beneficiaries would be public sector undertakings and banks being the front runners to fund these acquisitions.**

### ***Financialization Trend to Pick Further Steam as we Move towards a Five Trillion Dollar Economy***

- Globally, interest rates are in the negative. Countries and regions such as Japan, European Central Bank, Switzerland have negative interest rates. Trump has recently tweeted that Federal Reserve should lower interest rates to zero or less. Compare that to India, wherein interest rates are 5.15%. There is a huge arbitrage opportunities up for grabs for the foreign institutional investors (FII).
- They can potentially borrow at near zero interest rates and invest their money in Indian debt markets. In order to achieve the five trillion mark, we need to revive the corporate bond market. **India's corporate bond market is just 16% of GDP — compared with 46% in Malaysia and 73% in South Korea.**
- Hence, debt market needs to be revived to achieve the five trillion mark and the government and regulatory bodies are taking the right steps to revive the same.

**The biggest beneficiaries from revival of debt market coupled with the trend of financialization of savings in instruments such as equities and mutual funds will be asset management companies (AMCs) and depositories.**

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### **Modi's Drive for Clean Energy to Drive Investments in City Gas Distribution and LNG Space**

- As our oil minister Mr Pradhan was quoted saying, *“India will see an investment of about Rs 1.2 lakh crore in the roll out of city gas network in almost 300 districts by 2030 as a massive expansion is planned for CNG dispensing stations and pipelines supplying cooking gas to household kitchens. Five years ago, city gas distribution (CGD) network spanned 34 GAs and now it has expanded to 228 GAs covering 406 districts.”*
- Hence, importance of CNG and PNG is increasing day by day and it will remain so as it is Mr Modi's pet project. This is substantiated when in the Howdy Modi event in Texas, Petronet LNG signed an agreement with Tellurian Inc to import five million tones per annual of LNG.

**The immediate sectors to benefit from the clean energy drive are city gas distribution companies, operators of LNG terminals and manufactures of pipes for city gas distributors.**

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