


Budget 2024: Expect some relief on the personal income tax front, says Amitabh Mohanty of JM Financial

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Amitabh Mohanty of JM Financial Asset Management believes the Indian government is not expected to announce major initiatives before the 2024 General Elections, but there may be some relief on personal income tax through rationalization of tax slabs and rates.

Amitabh Mohanty
MD and CEO, JM Financial
Asset Management Ltd



Amitabh Mohanty, MD and CEO of JM Financial Asset Management Ltd. (JM Financial Asset Management)

Budget 2024 may not be a populist budget and the government may not make major announcements before General Elections 2024. However, there could be some relief on personal income tax. There may be some rationalisation of tax slabs and rates, says

Amitabh Mohanty, MD and CEO of **JM Financial Asset Management Ltd.** In an interview with Mint, Mohanty shared his views on the Indian market and mid and small-cap space. **Edited excerpts:**

It will not be a full budget in February 2024 but a vote on account. What are your expectations from it? Can it be a populist Budget before the General elections? What announcements can give further impetus to the economy?

It may not necessarily be a simple vote on account.

In the past, the government in the final budget presentation before the general elections has been more detailed than a simple vote on account.

Given the past trends, we do not anticipate a populist budget.

We also do not expect that the government will go for major announcements, before the elections.

They will signal their intent to continue on the path of pragmatic fiscal management with a continued focus on infra spending and spending on social infrastructure.

One area where we may expect some relief is on personal income tax. There may be some rationalisation of tax slabs and rates.

A budget which broadly reflects the past trends will be welcomed by the market and will be supportive of the economy.

The Reserve Bank of India kept the inflation forecast unchanged after its December meet. What is your view on the interest rate trajectory from here on? When can we expect a rate cut?

We think that the uncertainties prevailing around inflation, both, domestically as well as globally will prevent RBI from acting on the interest front, in the near future.

Domestic growth seems to be holding up well. Therefore, we believe that we could be in for a prolonged interest pause.

RBI actions, both, implicit and explicit could be on managing systemic liquidity, which we believe will be kept balanced. RBI might be focused on the currency front, keeping volatility low.

Interest rate cuts in our opinion will not be forthcoming for the next few quarters, and even then will be based on domestic and global macro data and actions of other central banks.

There is a strong expectation that interest rates will start coming down by May-June next year and the BJP will retain power after the coming Lok Sabha elections. How could the domestic market react to these two developments?

As mentioned, above, we expect that the next few quarters will see a pause in interest rates.

However, the expectation that the hiking cycle is over and the next move in all probability is a move downwards, might keep the market supported.

As far as the elections are concerned, we believe, that the base case of the markets is a continuance of the current political dispensation.

So apart from a relief rally based on the uncertainty of a significant event being over, we do not think a big up-move in the markets is likely if the base case plays out.

However, in case of a negative surprise, there is scope for a significant correction in the markets.

Nifty 50 is set to end the year with double-digit growth. What are some of the key challenges for the stock market in 2024?

Nifty 50 has ended the year with double-digit growth but is still at valuations that are not unreasonable. Earnings growth has been ahead of expectations in the first half of the financial year 2024 (H1FY24) but may slow down in the second half.

The broad drift of the Indian economic policy has been to make in India, and hence we expect to see continued optimism in manufacturing across several industries – be they in textiles, engineering, chemicals or other labour-intensive segments.

India could continue to remain a bright spot for investors and apart from the possibility of valuations retracing somewhat, we do not see significant headwinds for the market in a significant manner.

What sectors should retail investors bet on in 2024?

We would not like to comment on specific stocks or sectors. However, as long as investors invest for the long term and use tools like SIP and/or STP to keep investing in broad-based strategies, they should do well from a risk-return perspective.

How should one play the mid and smallcap space now? Is it time to trim exposure to them and increase exposure to large-caps?

The mid-cap, small-cap space has been characterised by a sharp rally and off late, exhibited higher volatility as well.

We are of the view that we now need to be more selective in the mid and small-cap space.

Apart from valuations, we are also witnessing a record number of IPOs in this category and hence there are new companies and new businesses to consider.

We are cautious about valuations but we are also open to new opportunities.

However, we believe that over the next few decades, the long-term India story will play out in the small and mid-cap space.

Having said that, these asset classes can be extremely volatile and exhibit significant drawdowns during adverse market periods.

Hence, we believe that as far as the midcap and small-cap space are concerned, investors should look at a reasonably long-term investment horizon and should invest gradually through SIP and/or STP strategies.

Disclaimer: *The views and recommendations above are those of the expert, not of Mint. We advise investors to check with certified experts before making any investment decisions.*

JM FINANCIAL

99.16 -0.04 (-0.04%)

Updated - 22 Dec 2023

100.62 ↑
DAY HIGH

98.59 ↓
DAY LOW

2,16,099.00
VOLUME (BSE)

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