2023-24

PRE-BUDGET

EXPECTATIONS

AXIS SECURITIES

A Budget for Macro Stability & Growth

The Finance Minister of India will present the Union Budget FY23-24 on 1st Feb'23 and it would be the last full-year budget before the Union Election 2024. The impact of the Union Budget on the equity market has reduced notably over the past few years with the government undertaking most of the reforms outside the purview of the Budget. Nonetheless, the market participants continue to view it as a critical catalyst stimulating the Indian economy's growth and thereby the Indian market. Over the past two pre-election year budgets, the government has notably shifted its focus to increasing Capex spending to give a much-needed thrust to infra spending and accelerate the development of the country's foundational infrastructure. Like the preceding budgets, the Union Budget 2023, too, is expected to primarily focus on job creation and achieving investment-driven growth. Against this backdrop, the country's real estate sector is likely to get a further boost with announcements expanding the current income tax benefit for housing. Overall, with its unwavering focus on growth and development, the Union Budget 2023 would have something for everyone.

The fiscal situation for FY23 appears manageable and encouraging, especially on account of a positive surprise given by a buoyant tax revenue collection in the last nine months as well as due to the higher Nominal GDP for FY23 (estimated at Rs 273 Tn vs. the earlier expectation of Rs 258 Tn). This has helped to offset the negative impact of higher subsidies, excise duty cuts, and disinvestment miss. We believe the government's policy reforms such as Atmanirbhar Bharat, Make in India, and the PLI scheme are likely to continue in FY24 as well and would receive further impetus. The consequent higher government spending on infrastructure development will help the economy accelerate its prevailing growth momentum.

Our broad expectations from the Union Budget 2023-24:

1) Higher Capex spending for FY24: We expect Budget 2023 to be a growth-oriented budget with a focus on increasing Capex spending to continue developing the country's public infrastructure such as roads, water, metro, railways, defence, digital infrastructure, and green technologies. Its overall focus would also be on creating more jobs and achieving investment-driven growth. Furthermore, the private Capex, which has been sluggish for the last several years, is expected to receive a much-needed push in the upcoming budget. The manufacturing sector may also get an additional boost with the base of the PLI scheme expected to broaden further beyond the existing sectors.

2) Support for SMEs and MSMEs (which would drive credit growth): The Indian economy stands at a sweet spot of growth and remains the land of stability against the backdrop of a volatile global economy. Currently, the Indian banking system is in better shape as compared to pre-Covid levels with a stronger balance sheet, improving asset quality trend, and lower provisioning. Moreover, credit growth has picked up in the last couple of months and we believe more push is expected in the Budget to augment it further. This would come with additional support to SMEs and MSMEs and more action plans to kick-start private Capex. Moreover, the budget would likely set a roadmap to build and bolster the entrepreneurship culture of our country.

3) Higher rural spending: As tightening monetary policy and the elevated level of inflation have impacted the purchasing power of a large section of the country, we expect the budget to provide relief to the affected people at the bottom of the pyramid. The government is also likely to continue extending its support to this section by proactively providing food and fertilizer subsidies. Moreover, with the rural economy still not showing a sign of 100% recovery to pre-Covid levels, higher rural spending is likely in the upcoming budget with more focus on affordable housing and employment.

4) Fiscal consolidation: We believe the government's priority will continue to achieve and maintain macro stability by adopting a fiscal consolidation path while maintaining the right balance between growth and macro stability

Our Positive Budget Play: Maruti, Dabur, Ashok Leyland, Polycab, Praj Industries, Dalmia Bharat, PNC Infra, RITES and Aptus Value Housing
Negative: ITC, Godfrey Phillip, VST Industries

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Our Key Sector View

Infrastructure, Building Materials, and Consumer Durables to be in focus: Focus on the infrastructure development activities such as roads and construction will continue, which in turn, would enable infrastructure companies and building-materials segments such as cement, tiles, and others to post robust performance moving forward. Real estate is another key sector that needs a further push and hence the affordable housing segment may witness more government schemes, helping a wide range of household durables segments along the way. Moreover, increasing the outlay of existing PLI Schemes, extending it to more components, and extending a lower corporate tax rate of 15% for new manufacturing units would benefit Consumer Goods players going ahead.

BFSI: We expect the government to continue extending its support for financing to SMEs and MSMEs. Moreover, with the continued thrust on Affordable 'Housing for All', the government is likely to increase tax benefits on housing loans for interest payments which will significantly benefit housing finance companies. The government is also likely to provide higher assistance to enhance relationships of Fintechs with banks and NBFCs to support further growth.

FMCG & Retail: Investments in the digital infrastructure, skill up-gradation, job creation, and MSME development are expected to indirectly revive and boost consumption spending. Increased allocation to MGNREGA and proactive agriculture sector schemes are expected to support the farm economy, which in turn, would support healthy rural household income. Increased investment in Agri-infrastructure such as establishing cold chain, warehousing, logistics, and irrigation, reducing post-harvest losses, and improving rural connectivity would boost consumption demand further in rural areas. However, increasing excise duty or NCCD duty on cigarettes and tobacco products would be negative for certain companies operating in these sectors.

Pharma & Healthcare: India is among the most preferred destination globally for medical tourism. Hence, the sector needs a lower cost of financing through tax incentives for both existing as well as new healthcare projects. For new projects, the government should provide a tax holiday period of 15 years and for existing projects, tax relief for 10 years as re-investment support. Uniform adoption of the Ayushman Bharat Digital Mission is another imperative which could bring a large population under the health insurance Umbrella.

Metals & Mining: Higher budgetary allocation towards construction and infrastructure (60% of steel demand) would drive domestic steel demand. Reduction in raw materials import duty may improve the cost structure of the industry as well.

Agri& Chemical: In light of a much-needed focus on rural India along with upcoming state elections in CY23, we expect strong government support in the current budget for agricultural subsidies. On an absolute basis, we have already seen higher subsidy outlay in the current Rabi season and we expect this to continue as the global food supply situation worsens due to the Russia- Ukraine war. The government budget is expected to support higher farm realizations with increased farm productivity and crop protection initiatives which will help various Agro Chem & Fertilizer players in the country.

Macro Picture

Fiscal Account FY22-23: Revenue Receipt

In Cr	2020-21 Actuals	2021-22 Budget Estimates	2021-22 Revised Estimates	2022-23 Budget Estimates
Gross Tax Revenue	**20,27,590**	**22,17,500**	**25,14,780**	**27,57,059**
1) Direct Tax	**9,44,863**	**11,08,000**	**12,50,000**	**14,20,000**
Personal Income Tax	4,87,144	5,61,000	6,15,000	7,00,000
Corporation tax	4,57,719	5,47,000	6,35,000	7,20,000
2) Indirect Tax	**10,82,727**	**11,09,500**	**12,64,780**	**13,37,059**
GST	5,48,778	6,30,000	6,75,000	7,80,000
Excise Duties	3,91,749	3,35,000	3,94,000	3,35,000
Custom Duty	1,34,750	1,36,000	1,89,000	2,13,000
Union Terriotories	5,835	7,500	5,780	7,059
Service Tax	1,615	1,000	1,000	2,000
Less: To states & NCCD transfer	6,00,333	6,72,622	7,51,844	8,24,469
Net Tax Revenue	**14,27,257**	**15,44,878**	**17,62,936**	**19,32,590**
Non Tax Revenue (Interest, Dividend, grants)	2,07,633	2,43,028	3,13,791	2,69,651
Non-Debt Receipts (Loans And Disinvestments)	57,626	1,88,000	99,975	79,291
Total Receipts	**16,92,516**	**19,75,906**	**21,76,702**	**22,81,532**
Borrowings & oth Liabilities	**18,18,291**	**15,06,811**	**15,91,089**	**16,61,196**
Total Receipts inc Borrowings	**35,10,807**	**34,82,717**	**37,67,791**	**39,42,728**
Fiscal Deficit	**9.30%**	**6.80%**	**6.90%**	**6.40%**

- Gross tax revenue of FY23 is expected to exceed the budget estimates on account of higher tax collections.
- As of 10th Jan'23 , the GOI has collected Direct tax of **Rs 12.31 Tn (87%** of the Budget estimate).
- With the current run rate, Direct tax collection is likely to close at Rs 16.4 Tn, an impressive **jump of Rs 2.2 Tn**.
- Till Dec'22, **86%** of the budgeted central government GST has already been collected and expected to recover further in the upcoming months. At the current run rate, the GOI is expected to **exceed GST collection by Rs 1.1 Tn.**
- As per NSO's first advance, FY23 Nominal GDP is estimated **at Rs 273 Tn vs. the earlier expectation of Rs 258 Tn.**
- Fiscal Deficit for FY23 is likely to be **manageable given the encouraging tax collections and higher nominal GDP. This has helped to offset the negative impact of higher subsidies, excise duty cut, and disinvestment miss.**

Fiscal Account FY22-23: Subsidy & Non Tax Receipt

Subsidy (In Cr)	2020-21 Actuals	2021-22 Budget Estimates	2021-22 Revised Estimates	2022-23 Budget Estimates
Food	**5,41,330**	**2,42,836**	**2,86,469**	**2,06,831**
Fertiliser	**1,27,922**	**79,530**	**1,40,122**	**1,05,222**
Urea	*90,549*	*58,768*	*75,930*	*63,222*
Nutrition based	37,372	*20,762*	64,192	42,000
Petroleum	**38,455**	***14,073***	**6,517**	**5,813**
LPG	*35,195*	*14,073*	*6,517*	*5,813*
Kerosene	*3,259*			
Interest Subsidies	30,216	*26,282*	36,563	24,723
Other	20,243	*7,178*	18,201	13,050
Total	**7,58,165**	**3,69,899**	**4,87,872**	**3,55,639**

Non Tax and Capital Receipt (In Cr)	2019-20 Actuals	2020-21 Actuals	2021-22 Budget Estimates	2021-22 Revised Estimates	2022-23 Budget Estimates
Interest	12,349	17,113	11,541	20,894	18,000
Dividends	1,86,132	96,878	1,03,537	1,47,353	1,13,948
From Public Enterprises	35,543	39,750	50,027	46,000	40,000
From RBI & Financials Institutions	1,50,589	57,128	53,510	1,01,353	73,948
Disinvestment	50,304	37,897	1,75,000	78,000	65,000

Subsidy bill for FY23 has crossed the budget estimates

- Food Subsidy is likely to go up in the current financial year on account of extension of free food grain scheme under the PMGKAY (Pradhan Mantri Garib kalyan Anna Yojana) until Dec'22. From Jan'23 onwards, the GOI has discontinued the free food scheme and instead announced the Free food grain under the existing PDS (Public distribution system)
- Fertilizer subsidy is higher than BE in FY23 on account of supply chain disruption and geopolitical crisis

- FY23 Disinvestment receipt is expected to be lower than the BE and based on the last couple of year's track record; Disinvestment estimates for FY24 is likely to be modest.
- RBI Dividends are likely to be lower vs. BE. Dividends are also likely to be lower due to losses reported by OMCs and imposition of a windfall tax.

Government Schemes: Major Outlay

In Cr	2020-21 Actuals	2021-22 Budget Estimates	2021-22 Revised Estimates	2022-23 Budget Estimates	% Increase over FY22 RE
Centrally sponsored Schemes					
Core of the Core Schemes	**1,65,629**	**96,773**	**1,21,153**	**99,215**	**-18%**
National Social Assistance Program	*42,443*	*9,200*	*8,730*	*9,652*	**11%**
MNREGA	1,11,170	*73,000*	98,000	73,000	**-26%**
Others	*12,016*	*14,573*	*14,423*	16,563	**15%**
Core Schemes	**2,19,258**	**2,84,532**	**2,94,198**	**3,43,566**	**17%**
Pradhan Mantri Krishi Sinchai Yojna	7,877	*11,588*	12,706	12,954	**2%**
Pradhan Mantri Gram Sadak Yojna	12,954	*15,000*	14,000	19,000	**36%**
Pradhan Mantri Awas Yojna (PMAY)	40,260	*27,500*	47,390	*48,000*	**1%**
Jal Jeevan Mission / National Rural Drinking Water	10,998	*50,011*	45,011	60,000	**33%**
Swachh Bharat Mission	995	*2,300*	2,000	*2,300*	**15%**
Swachh Bharat Mission (Gramin)	4,945	*9,994*	6,000	7,192	**20%**
National Health Mission	37,478	*37,130*	34,947	37,800	**8%**
National Education Mission	28,088	*34,300*	30,796	39,553	**28%**
Jobs and Skill Development	3,682	*3,482*	2,753	2,688	**-2%**
Environment, Forestry and Wildlife	552	*766*	670	930	**39%**
AMRUT and Smart Cities Mission	9,754	*13,750*	13,900	14,100	**1%**
Modernisation of Police Forces	2,057	*2,803*	3,346	2,754	**-18%**
Others	*49,870*	*62,499*	*71,790*	*96,294*	**34%**
Total Centrally sponsored schemes	**3,83,976**	**3,81,305**	**4,15,351**	**4,42,781**	**7%**
Major Central sector Schemes					
Crop Insurance Scheme	14,161	*16,000*	15,989	15,500	**-3%**
Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	60,990	*65,000*	67,500	68,000	**1%**

Key Expectations

- Jobs creation likely to be a key focus area
- Rural-oriented schemes continue to be in the focus and may attract higher allocation
- Infrastructure to be a key focus area as well: PMAY, AMRUT, Smart cities, NHAI, Metro, Shipping, Port likely to gain higher share.
- Affordable housing may witness a boost
- Public health has become very critical and further investments in the infrastructure seem quite possible.
- Relief is expected for urban poor by widening the scope of MNREGA to urban poor.
- Expansion of scope under priority sector lending to Agriculture sector for medium-term loans.

Major Announcements on Infrastructure in the Last Fiscal

Infrastructure Budget (In Cr)	2017-18 Actuals	2018-19 Actuals	2019-20 Actuals	2020-21 Actuals	2021-22 Budget Estimates	2021-22 Revised Estimates	2022-23 Budget Estimates
Roads	61,000	78,630	78,248	99,159	1,18,101	1,31,149	1,99,108
NHAI	23,890	37,320	31,690	46,062	57,350	65,060	1,34,015
Railways	45,230	55,140	69,972	1,12,159	1,10,054	1,20,056	1,40,367
Urban development	34,020	36,460	42,054	46,701	54,581	73,850	76,549
Smart Cities+AMRUT	9,520	12,570	9,599	9,754	13,750	13,900	14,100
Metro Projects	13,980	15,600	18,162	8,573	18,998	18,978	19,130
Shipping	1,490	1,940	1,569	1,388	1,702	1,585	1,710
Sagar Mala Port	480	380	376	247	401	394	413
Power	13,980	15,630	15,321	10,582	15,322	15,322	16,075
Aviation	2,660	9,700	3,646	4,089	3,225	72,652	10,667
Jal Shakti	5,310	7,610	-	7,232	9,023	18,009	18,968
Pradhan Mantri Awas Yojna (PMAY)	31,160	26,410	24,964	40,260	27,500	47,390	48,000
Pradhan Mantri Gram Sadak Yojna	16,860	15,500	14,017	13,688	15,000	14,000	19,000
Swachh Bharat	19,250	16,980	9,469	5,940	12,294	8,000	9,492

Focus on Infra likely to continue in FY24

Key highlights for FY23 Budget

- Allocation for Railways has increased by 17% over FY22 BE; Allocation of Rs 1.4 Lc Cr for FY23.
- Allocation for Road & Highways has increased to Rs 1.99 Lc Cr in FY23.
- Urban development continues to be the focus area. Smart cities have been allotted Rs 14,000 Cr and Metro Projects has been allotted Rs 19,000 Cr.
- Allocation for Swachh Bharat Mission has been increased by 19% to Rs 9,492 Cr.
- The Power segment received an allocation of Rs 16,000 Cr.

Fiscal Account FY22-23: Expenditure budget

Expenditure Major items (Cr)	2020-21 Actuals	2021-22 Budget Estimates	2021-22 Revised Estimates	2022-23 Budget Estimates
Pension	2,08,473	1,89,328	1,98,962	2,07,132
Defence	3,40,094	3,47,088	3,68,418	3,85,370
Subsidy				
Fertiliser	*1,27,922*	*79,530*	*1,40,122*	*1,05,222*
Food	*5,41,330*	*2,42,836*	*2,86,469*	*2,06,831*
Petroleum	*38,455*	*14,073*	*6,517*	*5,813*
Agriculture & Allied Activities	1,34,420	1,48,301	1,47,764	1,51,521
Commerce and Industry	21,554	34,623	45,833	53,116
Development of North East	1,854	2,658	2,658	2,800
Education	84,219	93,224	88,002	1,04,278
Energy	32,728	41,747	48,684	49,220
External Affairs	14,329	18,155	16,000	17,250
Finance	37,038	91,916	51,904	21,354
Health	80,026	74,602	85,915	86,606
Home Affairs	96,652	1,13,521	1,15,550	1,27,020
Interest	6,79,869	8,09,701	8,13,791	9,40,651
IT & Telecom	32,778	53,108	28,757	79,887
Others	91998	87528	101864	113301
Planning & Statistics	3,172	2,472	4,808	5,720
Rural Development	2,14,246	1,94,633	2,06,948	2,06,293
Scientific Department	22,100	30,640	28,510	30,571
Social Welfare	37,563	48,460	44,952	51,780
Tax Admin	1,46,439	1,31,100	1,95,351	1,71,677
Transfer to GST compensation fund	1,06,317	1,00,000	1,10,795	1,20,000
Transfer to states	2,11,475	2,93,302	2,85,394	3,34,339
Transport	2,16,795	2,33,083	3,25,443	3,51,851
Union Terr	47,605	53,026	57,533	58,757
Urban Development	46,701	54,581	73,850	76,549
Grand Total	**35,09,836**	**34,83,236**	**37,70,000**	**39,44,909**

Key Highlights

- Total Expenditure: Rs 39.4 Lc Cr
- Grants to states: up 17%
- Education allocation: up 18%
- Defense Allocation: up 5%
- Expenditure for IT and Telecom increased to Rs 79,777 Cr in which Rs 44,720 Cr would be allocated for capital infusion in BSNL.
- No additional allocation for rural development; FY23 budget estimate at Rs 2 Lc Cr.

Sectoral Expectations

Sectoral expectations

Sector	Key Budget Expectations	Impact
BFSI	**MSMEs** • We expect the government to continue extending further support for financing to MSMEs. This would possibly entail an extension of the ECLGS scheme to keep up the growth momentum. **Housing Finance** • With the continued thrust on Affordable 'Housing for All', the government is likely to increase tax benefits on housing loans for interest payments. • The government's stance on redefining the definition of 'Affordable Housing' while factoring in the inflationary pressures will be a key monitorable. **FinTechs** • The government is likely to extend higher assistance towards enhancing relationships of Fintechs with banks and NBFCs to support growth. **Insurance** • The government may hike the health insurance deduction under Sec 80D to Rs 1 Lakh from Rs 25,000 currently. A separate section for the deduction of term policies is expected, which would aid in filling the huge protection gap in the country.	**Positive** • Most Banks and NBFCs • Affordable Housing Finance Companies • Life Insurance Companies

Sectoral expectations

Sector	Key Budget Expectations	Impact
Metals & Mining	• The Steel industry's expectations from the government are (i) To guard against dumping of steel in the face of non-tariff barriers coming up in various parts of the world, including Europe; (ii) PLI scheme for manufacturing high-grade specialty steel; (iii) Full exemption of customs duty (7.5%) on steel mill rolls in India: ~90% demand for steel mill rolls in India is met through imports with a currently levied 7.5% customs duty. This not only increases the cost of steel production but also erodes India's competitiveness in the international markets; and (iv) To include steel in RoDTEP: The Remission of Duties and Taxes on Export Products (RoDTEP), a scheme that offers refunds against various embedded taxes to exporters across sectors such as automobiles and agricultural products. • The Aluminium Association of India (AAI) has called for a reduction or complete removal of import duty on raw materials such as calcined pet coke, caustic soda lye and aluminium fluoride. It said the import duty on these raw materials, which currently attracts 7.5%, needs to be completely abolished or cut to at least 2.5% to boost cost competitiveness. • Measures to improve domestic availability of scrap and higher duty on import of scraps.	**Positive** • Higher budgetary allocation towards construction and infrastructure (60% of steel demand) would drive domestic steel demand . • Reduction in raw materials import duty cut may improve cost structure. • Stocks: Tata Steel, Hindalco, NALCO

Sectoral expectations

Sector	Key Budget Expectations	Impact
Auto & Ancillaries	• Being the last Union Budget before general elections in CY24, the government's key focus area will be to boost rural consumption, which would support discretionary spends and thereby benefit rural-focused 2Ws and entry-level 4W OEMs (along with auto ancillary companies supplying to such OEMs). • Timeline Extension of FAME-II subsidy beyond Mar'24. Moreover, extension to categories such as MHCV and LCV shall promote faster adoption of EVs. • Timeline Extension of interest deduction u/s 80E Rs 1.5 Lc on loan to purchase electric vehicles upto Mar'25 from Mar'23 will aid in higher demand for 2Ws and 4Ws in urban areas. • The impetus to charging infrastructure and energy storage systems, government support in R&D for clean energy, green mobility, and semiconductors will help the auto sector. Allocate incentives for building academic or skill training courses on EVs. • Reduced and uniform GST rates (18%) on auto components to minimize the issue of grey operations and counterfeits due to the high (28%) GST rate. The EV industry expects the GST on ACC (Advanced Chemistry Cell) batteries to be reduced and brought on par with EVs (5%). The government needs to consider commercial EV financing to enable quick adoption in the E4W category. .	**Positive** • Maruti Suzuki India • Uno Minda • Ashok Leyland • TVS Motors • Hero Motocorp • Minda Corp • Escorts

Sectoral expectations

Sector	Key Budget Expectations	Impact
Cement	• Higher government focus on building infrastructure including roads, airports, ports, bridges and other hard structures will increase overall cement demand. We expect overall Capex for the infrastructure sector in the budget 2023 to increase by 20% YoY. We also expect Rural infrastructure development through Pradhan Manti Gram Sadak Yojna, Pradhan Mantri Awas Yojna (Rural), and MNREGA to get more funds for development. Increased allocation of funds to government schemes will enhance cement consumption further. • To support Real estate demand in the affordable housing segment the government should widen the parameters under which affordable housing is defined for the various incentives provided to this sector and increase the pricing band from Rs 45 lakh to higher amount in large metros. The interest deduction on housing loan should be increased from current Rs 2 lakh to Rs 3 lakh. Give industry status to real estate and allocate more funds to Pradhan Mantri Awas Yojna (Urban) are some of the budget expectations. • Under the NIP (National Infrastructure Plan), the government has ambitious plans to develop the infra landscape of the country. Fast-tracking of major highway projects will create more demand for cement, positively impacting cement demand. • Transportation and logistic is a space which needs immediate attention and we expect the budget to focus on the measures to improve and bring down the logistic cost. Lowering GST on Cement from the current 28% to a lower slab will positively impact cement consumption.. .	**Positive** • We expect budget to facilitate and expand overall infra development which will positively benefit cement companies with higher demand. • Stocks: Ambuja Cement ,Shree Cement , Dalmia Bharat Ltd, JK Cement, JK Lakshmi

Sectoral expectations

Sector	Key Budget Expectations	Impact
Infrastructure	• We expect the capital outlay on the infrastructure sector to witness a healthy increment in the Union Budget 2023-24 to achieve the target set under the National Infrastructure Pipeline and Gati Shakti Master Plan. We expect the major focus will be on key infrastructure segments such as roads, railways, and Urban infrastructure. With the government focusing on increasing the road network, we expect a 20%-25% higher allocation YoY for the ministry of road transport & highways. Similarly, Railways should also witness higher budgetary allocation in 2023. • Dedicated allocation for larger infra projects like Jal Jeevan Mission, High-Speed Rail, Smart Cities, and Inland Waterways Development is expected, which would support broader objectives of NIP. • A focus on the development of the Industrial Infrastructure is also expected and a greater push for cleaner energy alternatives in the Union Budget is expected. • Measures to improve long-term funding availability for the infrastructure sector are expected.	**Positive** • With the heightened government focus on developing overall infrastructure of the country and particularly Highways ,Railways, Urban Infra companies operating in these segments to have massive opportunities. • Stocks: KNR Const, PNC Infratech , RITES, KEC International, PSP Projects.

Sectoral expectations

Sector	Key Budget Expectations	Impact
Consumer Durables	• The industry expects the Union Budget 2023-24 to include reforms that stimulate consumption and improve consumer demand. • While the previous budgets focused on Atmanirbhar Bharat, providing incentives through PLI schemes to promote Make in India, the expectations from the current budget are with regards to stimulating demand and increasing consumption of consumer goods. • Moreover, increasing the outlay of existing PLI Schemes and extending it to more components and extension of a lower corporate tax rate of 15% for the new manufacturing unit may benefit Consumer Goods players. Direct Tax measures: • Any tax measures to increase disposable income i.e., reducing tax outgo/increasing tax-free slab • Increase in the standard deduction to salaried employees from Rs 50,000 to Rs 1,00,000. Indirect tax measures: • Lowering GST rates on Television (>105 cm) and Air Conditioners to 18% from 28% • Lowering GST rates on Fans from 18% to 5% • Increasing import duties on components such as Refrigerator motors and Room ACs (Finished products)	**Positive** • Stocks: Dixon Technologies, Amber Enterprises, Polycab India, Sheela Foam

Sectoral expectations

Sector	Key Budget Expectations	Impact
FMCG & Retail	• Investments in digital infrastructure, skill up-gradation, job creation, and MSME development to indirectly reignite consumption spending in the economy. • Increased agriculture farm income through schemes and incentives to support farm economy and rural household income is expected to be healthy ahead of state and general election in 2023-24. • Increased investment in Agri-infrastructure such as cold chain, warehousing, logistics, and irrigation along with developing infrastructure for reducing post harvest losses and improving rural connectivity may have a bearing on boosting consumption demand in rural areas. • Increased allocation to urban development projects and services industry leading to job creation which may potentially drive demand and urban remittances • Raising the limit for tax saving investments under Sec 80C from current Rs 1.5 Lc which would increase disposable income. • Raising Excise Duty or NCCD duty on cigarettes and tobacco products will be negative for certain companies operating in these sectors	**Positive** • Dabur, HUL, Nestle, Britannia, Asian Paints, • FMCG, Retail and Apparel companies **Negative** • ITC, Godfrey Phillip, VST Industries

Sectoral expectations

Sector	Key Budget Expectations	Impact
Mid-Cap Opportunities	• Being last Budget before general elections in CY24 focus on boosting rural income via creating a framework for adopting a successful CBG infrastructure in & across the country would be a key step towards ensuring farmer income safety. The UP govt. has started with the framework for the same, we expect other states to continue the efforts in same direction. • We also expect strong directive from center towards Pollution Control and Emission treating norms to manufacturing companies, post India's intent to grow sustainably and entering FTA with several western economies with much stricter manufacturing norms. • Also we are seeing a huge direct & indirect tax mop-up in the current financial year. Direct taxes are expected to cross 14 Lakh Cr. on Net basis by the end of FY23. This when combined with pre election year efforts from govt. towards gaining positive sentiment could lead to small tax breaks which can incentivize spending and thus affect overall discretionary spending environment in the country.	**Positive** • Praj Industries • Ion Exchange • Va Tech Wabag • Safari Industries • VIP Industries

Sectoral expectations

Sector	Key Budget Expectations	Impact
Chemicals & Fertilizers	• With the high focus on Rural India in the current budget & upcoming election of two large states Madhya Pradesh and Rajasthan in CY2023, we expect strong govt support towards Agricultural subsidies, we have already seen the higher subsidy outlay in the current Rabi season on absolute basis and we expect this to continue as global food supply situation worsens because of Russia-Ukraine war. The govt budget is expected towards supporting farmers realizations with increased farm productivity and crop protection initiatives which will help various agro chem & fertilizer players in the country. The overall subsidy requirements for the fertiliser sector are expected to increase to around Rs. 2.5 lakh Cr in FY23, the current allocation till date has been around Rs. 2.1 lakh Cr as per ICRA reports. We believe the government have kept their budget kitty full to have more strong impact towards the pre election year to catch more voter sentiments.	**Positive** • PI Industries • FACT • RCF • Coromandel Intl • UPL • Dhanuka Agritech

Sectoral expectations

Sector	Key Budget Expectations	Impact
Pharma & Healthcare	• India is among the most preferred destination globally for medical tourism therefore sector needs lower cost financing through tax incentives for both existing and new healthcare projects. For new projects, the government should provide tax holiday period of 15 years and for existing projects, tax relief for 10 years as re-investment support. • Viability gap funding by the Government is essential to set up hospitals in tier-1 and tier-2 cities, encouraging increased investment in the healthcare infrastructure. • Uniform adoption of Ayushman Bharat Digital Mission is another imperative which could bring large population under health insurance Umbrella.	**Positive** • Stocks: Cipla, Sun Pharma, Healthcare Global Enterprises and KIMS

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