Union Budget 2023-24

Post Budget Analysis & Stock Ideas

AXIS SECURITIES

An All-Round Budget Delivering On All Aspirations!

Our honourable Finance Minister Nirmala Sitaraman presented the Union Budget 2023-34 today. Being the last full-year budget before the Union Election in 2024, the expectations from the Budget were naturally high and hence it was expected to be a growth-oriented budget. Against this backdrop, the Union Budget 2023-24 indeed lived up to its expectations, which was driven primarily by capital expenditure while simultaneously providing an adequate thrust to rural welfare and agriculture.

The Capex for FY24 is targeted at Rs 10 Lc Cr, implying a massive increase of 33% over FY23 levels of Rs 7.5 Lc Cr. Furthermore, the government announced the much-anticipated relaxation in income tax slabs, which in turn, would boost the overall consumption by the Indian economy's middle-class segment. Overall, with its focus on growth and development, the Budget has ensured to provide something for every section through several broad-based measures that are expected to reach the hinterlands of the country. Moreover, it is important to note that the budget expenditure stands at elevated levels vis-à-vis the government spending in FY22 and FY23, which should help in delivering broad-based growth moving forward.

The Union Budget's broad contours include the budgeted expenditure for FY24 which is estimated at 45 Lc Cr with the central government collections (after state transfer) standing at 23.8 Lc Cr. Gross tax revenue was up 12% in FY23, thanks to the buoyancy in Direct Tax collection. The collection is expected to grow further by 10% in FY24 and we believe these expectations are likely to be met. Additionally, tax buoyancy in indirect taxes is likely to continue in FY24 as well. GST collection for FY24 is likely to grow by 12%. Assuming 6% real GDP growth, 4% Inflation, and 2% set for compliance, these numbers seem to be achievable. Nominal GDP growth for FY24 is pegged at Rs 301 Lc Cr, implying a healthy growth of 10.5% over the FY23 revised number of Rs 273 Lc Cr. The government has successfully achieved the Fiscal Deficit target for FY23. Furthermore, it has pegged a fiscal deficit target of 5.9% for FY24. The market borrowing will be ~12.3 Lc Cr for FY24 and the bond market reacted positively to the budgeted number. At last, the Finance Minister has presented a budget that has successfully set India on a fiscal consolidation path while simultaneously maintaining the right balance between growth and macro stability.

A few key sector takeaways from the Union Budget 2023-24:

Capex – The key highlight of the budget: This year's Budget rightly focused more on Capex spending (to the tune of Rs 10 Lc Cr) with the government's plans to provide a significant thrust to the country's infrastructure development which includes impetus to the Roads, Railways, Airways, Ports, Mass Transports, Waterways, and Logistics Infra development. To begin with, the government increased the headline budgeted Capex by 33% with Rs 2.4 Lc Cr capital allocated to the railways, which stood 49% higher than FY23 budgeted estimates (BE). Furthermore, the allocation in PM Awas Yojana has been increased to 79,000 Cr. The key sectors expected to benefit from this Capex are Cement, Infrastructure (including railways), Metals, and Capital Goods. The Cement sector, in particular, should witness improving traction with the budgetary support expected to come from both infrastructures as well as housing spending.

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Positive for consumption: The government provided an adequate push to the agriculture and social welfare schemes as it increased the agriculture credit target to Rs 20 Lc Cr with a greater focus on animal husbandry, dairy, and fisheries. The outlay for PM Awas Yojana, too, has been increased by 66% to Rs 79,000 Cr. Moreover, further relief to the middle class on the income tax front by restructuring the tax slabs in the new regime has been the cherry on the cake. For high-income individuals, it provided benefits in the form of a reduction in the highest surcharge rate in personal income tax from 37% to 25% (under the new tax regime). With the consequent increase in disposable income, these initiatives are expected to spur consumption and drive employment in rural areas. This, in turn, would be positive for FMCG, Discretionary, and Consumer Durable companies. Additionally, the Budget is positive for Cigarette manufacturing companies as the overall hike in tax is not significant.

Positive for Banks and Housing Finance: Capex outlay of Rs 10 Lc Cr in FY24 will aid in achieving double-digit credit growth. Furthermore, the Credit Guarantee Scheme for MSMEs is to be revamped by adding an additional 9,000 Cr in the corpus to support a collateral-free credit guarantee for MSMEs. Additionally, affordable housing lending is expected to rise. These positive attributes are primarily driven by the double-digit nominal growth rate in FY23. Today, the bond market reacted positively based on the fiscal consolidation roadmap and is likely to remain in the range zone for FY24. This is manageable for banks and may even prove to be helpful as the margins can expand.

Renewable & Bio Energy: The government allocated Rs 35,000 Cr for priority capital investments such as energy transition, net-zero objectives, and energy security by the Ministry of Petroleum & Natural Gas. 500 new 'waste to wealth' plants under GOBARdhan (Galvanizing Organic Bio-Agro Resources Dhan) scheme will be established for promoting a circular economy. These will include 200 compressed biogas (CBG) plants, including 75 plants in urban areas and 300 community or cluster-based plants, with a total investment of Rs 10,000 Cr. This is a positive attribute for Biogas producing entities as well as for Capital Good providers for the Biogas sector. This, in turn, will indeed have quite a positive impact on rural incomes, which will support the rural growth and spending theme moving forward.

Negative for life Insurance companies: As per the Budget, income from traditional insurance policies (except for ULIPs) where the premium is over Rs 5 Lc will no more be exempt from taxes. Additionally, No special tax incentives for tax-payers for insurance premiums under 80C have been given. This move is Negative for life insurance companies that are focused on gaining a higher proportion of savings, high value, and high margin products. As a result, the industry's focus shall shift towards more term and pure-risk products.

In conclusion, barring these initiatives, the Union Budget 2023-24 was largely neutral for most other sectors. Based on the above themes the budget picks are as follows:

Our Positive Budget Plays: ITC, HUL, Tata Steel, SBI, DCB Bank, ACC, PNC Infra, RITES, Aptus Value Housing, Praj Industries

Key Highlights

Key Announcements

- FY24 Capex target at 10 Lc Cr, up 33% from the FY23 Capex level of 7.5 Lc Cr
- Higher capital spending for Railways and Infrastructure
- Rs 2.4 Lc Cr announcement for railways, up 49% from the FY23 BE
- Allocation to PM Awas Yojana increased to 79,000 Cr
- More relaxation given in the new Income tax regime with the rebate limit increased to Rs 7 Lc from Rs 5 Lc earlier to incentivize the adoption of the new tax regime
- Net-zero carbon emission by 2070

Fiscal Outlook

- Nominal GDP growth for FY24 is pegged at Rs 301 Lc Cr, up 10.5% over FY23 revised number of Rs 273 Lc Cr.
- Total expenditure for FY24 is budgeted at Rs 45 Lc Cr, up 14% from the FY23 BE.
- **Gross revenue collection is expected to grow at 10% in FY24. The expectations are likely to be met.**
- The Fiscal Deficit target for FY23 has been achieved successfully and the same for FY24 has been targeted at 5.9%. The government is on the right track of fiscal consolidation path.
- The gross borrowing target for the next year is set at Rs 17.86 Lc Cr (along the expected lines).

Specific Areas

- A notable thrust has been given to boost the tourism sector under priority-sector lending and to create more jobs.
- The credit Guarantee Scheme for MSMEs is to be revamped by adding an additional 9,000 Cr in the corpus to support a collateral-free credit guarantee for MSMEs.
- The government has given a notable focus on green growth through initiatives in the segments of green fuel energy, mobility, building, and allied equipment.
- The government has allocated an investment of Rs 75,000 Cr for 100 critical infra projects for the coal and steel sector.

Macro Picture

Union Budget
2023-24

Fiscal Account FY23-24: Revenue Receipt

In Cr	2021-22 Actuals	2022-23 Budget Estimates	2022-23 Revised Estimates	2023-24 Budget Estimates
Gross Tax Revenue	**27,09,302**	**27,57,820**	**30,43,067**	**33,60,858**
1) Direct Tax	**14,08,280**	**14,20,000**	**16,50,000**	**18,23,250**
Personal Income Tax	6,96,243	7,00,000	8,15,000	9,00,575
Corporation tax	7,12,037	7,20,000	8,35,000	9,22,675
2) Indirect Tax	**13,01,022**	**13,37,820**	**13,93,067**	**15,37,608**
GST	6,98,114	7,80,000	8,54,000	9,56,600
Excise Duties	3,94,644	3,35,000	3,20,000	3,39,000
Custom Duty	1,99,728	2,13,000	2,10,000	2,33,100
Union Terriotories	7,524	7,820	8,067	8,408
Service Tax	1,012	2,000	1,000	500
Less: To states & NCCD transfer	9,04,522	8,23,049	9,23,798	10,30,228
Net Tax Revenue	**18,04,780**	**19,34,771**	**21,19,269**	**23,30,630**
Non Tax Revenue (Interest, Dividend, grants)	3,65,112	2,69,651	2,61,751	3,01,650
Non-Debt Receipts (Loans And Disinvestments)	39,375	79,291	83,500	84,000
Total Receipts	**22,09,267**	**22,83,713**	**24,31,913**	**27,16,280**
Borrowings & oth Liabilities	**15,84,519**	**16,61,196**	**17,55,319**	**17,86,816**
Total Receipts inc Borrowings	**37,93,786**	**39,44,909**	**41,87,232**	**45,03,096**
Fiscal Deficit	**6.7%**	**6.4%**	**6.4%**	**5.9%**

Key Highlights

- **Gross tax revenue is up 12% in FY23 led by buoyancy in Direct Tax collection and is expected to grow by 10% in FY24. The expectations are likely to be met.**
- Tax Buoyancy in indirect taxes is likely to continue in FY24 as well. GST collection for FY24 is likely to grow by 12%. Assuming 6% real GDP growth, 4% Inflation, and 2% with compliance, the numbers seem to be achievable.
- Net government borrowings for FY24 is targeted at 17.86 Lc Cr vs. 17.55 Lc Cr in FY23.
- The fiscal deficit for FY24 is pegged at 5.9% on account of improved revenue and a higher base of nominal GDP.

Fiscal Account FY23-24: Subsidy & Non Tax Receipt

Subsidy (In Cr)	2020-21 Actuals	2021-22 Actuals	2022-23 Budget Estimates	2022-23 Revised Estimates	2023-24 Budget Estimates
Food	**2,86,469**	**2,86,469**	**2,06,831**	**2,87,194**	**1,97,350**
Fertiliser	**1,40,122**	**1,40,122**	**1,05,222**	**2,25,220**	**1,75,100**
Urea	*75,930*	*75,930*	*63,222*	*1,54,098*	*1,31,100*
Nutrition based	64,192	64,192	42,000	71,122	44,000
Petroleum	**6,517**	**6,517**	**5,813**	**9,171**	**2,257**
LPG	*6,517*	*6,517*	*5,813*	*9,170*	*2,257*
Kerosene					
Interest Subsidies	36,563	36,563	24,723	37,536	27,565
Other	18,201	18,201	13,050	2,959	812
Total	**4,87,872**	**4,87,872**	**3,55,639**	**5,62,080**	**4,03,084**

Non Tax and Capital Receipt (In Cr)	2019-20 Actuals	2020-21 Actuals	2021-22 Actuals	2022-23 Budget Estimates	2022-23 Revised Estimates	2023-24 Budget Estimates
Interest	12,349	17,113	20,894	18,000	24,640	24,820
Dividends	1,86,132	96,878	1,47,353	1,13,948	83,953	91,000
From Public Enterprises	*35,543*	*39,750*	*46,000*	*40,000*	*43,000*	*43,000*
From RBI & Financials Institutions	1,50,589	57,128	1,01,353	73,948	40,953	48,000
Disinvestment	50,304	37,897	78,000	65,000	50,000	51,000

Subsidy budget reduced in FY24 on account of normalcy

- In line with our expectations, the overall subsidy budget has been reduced on account of the encouraging pace of the economic recovery
- Allocation in the fertilizer subsidy is pegged at Rs 1.75 Lc Cr vs. 2.25 Lc Cr in FY23

A Reasonable Disinvestment Target in FY24

- In line with our expectations, the target for FY23 disinvestment has been revised to 50,000 Cr and the same for FY24 has been set at 51,000 Cr. Both seem reasonable.
- Estimates for the RBI dividends is set at 91,000 Cr in FY24.

Government Schemes: Major Outlay

In Cr	2021-22 Actuals	2022-23 Budget Estimates	2022-23 Revised Estimates	2023-24 Budget Estimates	% Increase over FY23 RE
Centrally sponsered Schemes					
Core of the Core Schemes	**1,21,153**	**99,215**	**1,13,099**	**86,144**	**-24%**
National Social Assistance Progam	*8,730*	*9,652*	*9,652*	*9,636*	**0%**
MNREGA	98,000	73,000	89,400	60,000	**-33%**
Others	*14,423*	16,563	*14,047*	*16,508*	**18%**
Core Schemes	**2,94,198**	**3,43,566**	**3,38,802**	**3,89,532**	**15%**
Pradhan Mantri Krishi Sinchai Yojna	12,706	12,954	8,085	10,787	**33%**
Pradhan Mantri Gram Sadak Yojna	14,000	19,000	19,000	19,000	**0%**
Pradhan Mantri Awas Yojna (PMAY)	47,390	*48,000*	*77,130*	*79,590*	**3%**
Jal Jeevan Mission / National Rural Drinking Water Mission	45,011	60,000	55,000	70,000	**27%**
Swachh Bharat Mission	2,000	*2,300*	2,000	*5,000*	**150%**
Swachh Bharat Mission (Gramin)	6,000	7,192	5,000	7,192	**44%**
National Health Mission	34,947	37,800	33,708	36,785	**9%**
National Education Mission	30,796	39,553	32,612	38,953	**19%**
Environment, Forestry and Wildlife	670	930	549	759	**38%**
AMRUT and Smart Cities Mission	13,900	14,100	15,300	16,000	**5%**
Modernisation of Police Forces	3,346	2,754	2,432	3,750	**54%**
Others	*74,543*	*98,982*	*87,986*	*1,01,715*	**16%**
Total Centrally sponsered schemes	**4,15,351**	**4,42,781**	**4,51,901**	**4,75,676**	**5%**
Major Central sector Schemes					
Crop Insurance Scheme	15,989	15,500	12,376	13,625	**10%**
Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	67,500	68,000	60,000	60,000	**0%**

Key Highlights

- Allocation in the PMAY has increased to Rs 79,590 Cr vs. Rs 48,000 in FY23 BE
- Allocation for MNREGA has been reduced by 33% to Rs 60,000 Cr
- Allocation for the PM Gram Krishi Sinchai Yojana has increased by 33% in FY23 to 10,7870 Cr.
- Rs 70,000 Cr allocated to the Jal Jeean mission
- National Education Mission has got an allocation of Rs 38,953 Cr, 19% higher than the revised estimates of FY23.
- AMRUT and Smart Cities Mission have received an allocation of 16,000 Cr.

Major Announcements on Infrastructure

Infrastructure Budget (In Cr)	2020-21 Actuals	2021-22 Actuals	2022-23 Budget Estimates	2022-23 Revised Estimates	2023-24 Budget Estimates	% Increase over FY22 RE
Roads	99,159	1,31,149	1,99,108	2,17,027	2,70,435	25%
NHAI	46,062	65,060	1,34,015	1,41,606	1,62,207	15%
Railways	1,12,159	1,20,056	1,40,367	1,62,312	2,41,268	49%
Urban development	46,701	73,850	76,549	74,546	76,432	3%
Smart Cities+AMRUT	9,754	13,900	14,100	15,300	16,000	5%
Metro Projects	8,573	18,978	19,130	15,629	15,629	0%
Shipping	1,388	1,585	1,710	1,793	2,219	24%
Sagar Mala Port	247	394	413	413	360	-13%
Power	10,582	15,322	16,075	13,107	20,671	58%
Aviation	4,089	72,652	10,667	9,364	3,113	-67%
Jal Shakti	7,232	18,009	18,968	14,000	20,055	43%
Pradhan Mantri Awas Yojna (PMAY)	40,260	47,390	48,000	77,130	79,590	3%
Pradhan Mantri Gram Sadak Yojna	13,688	14,000	19,000	19,000	19,000	0%
Swachh Bharat	5,940	8,000	9,492	7,000	12,192	74%

Key Highlights

- Allocation to Railways has been increased to Rs 2.4 Lc Cr for FY24, up 49% over FY23 BE.
- Allocation to Road & Highways (NHAI) has been increased to Rs 1.62 Lc Cr in FY24
- Allocation to the Power sector has been increased to Rs 20,671 Lc Cr in FY24.
- Urban development continues to be the focus area. Smart cities have been allotted Rs 16,000 Cr and Metro Projects have been allotted Rs 15,529 Cr.
- Allocation to Swachh Bharat Mission has been increased by 74% to Rs 12,192 Cr.

Fiscal Account FY23-24: Expenditure Budget

Expenditure Major items (Cr)	2021-22 Actuals	2022-23 Budget Estimates	2022-23 Revised Estimates	2023-24 Budget Estimates
Pension	1,98,962	2,07,132	2,44,780	2,34,359
Defence	3,68,418	3,85,370	4,09,500	4,32,720
Subsidy				
Fertiliser	1,40,122	1,05,222	2,25,220	1,75,100
Food	2,86,469	2,06,831	2,87,194	1,97,350
Petroleum	6,517	5,813	9,171	2,257
Agriculture and Allied Activities	1,47,764	1,51,521	76,279	84,214
PM-KISAN	66,825	68,000	60,000	60,000
Commerce and Industry	45,833	53,116	37,540	48,169
Development of North East	2,658	2,800	2,755	5,892
Education	88,002	1,04,278	99,881	1,12,899
Energy	48,684	49,220	70,936	94,915
External Affairs	16,000	17,250	16,973	18,050
Finance	51,904	21,354	17,908	13,574
Health	85,915	86,606	77,351	88,956
Home Affairs	1,15,550	1,27,020	1,24,872	1,34,917
Interest	8,13,791	9,40,651	9,40,651	10,79,971
IT and Telecom	28,757	79,887	74,106	93,478
Others	101864	113301	1,08,102	120524
Planning and Statistics	4,808	5,720	6,209	6,268
Rural Development	2,06,948	2,06,293	2,43,317	2,38,204
Scientific Development	28,510	30,571	25,626	32,225
Social Welfare	44,952	51,780	46,502	55,080
Tax Admin	1,95,351	1,71,677	1,77,343	1,94,749
GST Compensation fund	1,10,795	1,20,000	1,30,000	1,45,000
Transfer to States	2,85,394	3,34,339	2,70,936	3,24,641
Transport	3,25,443	3,51,851	3,90,496	5,17,034
Union Territories	57,533	58,757	69,040	61,118
Urban Development	73,850	76,549	74,546	76,432
Grand Total	**37,70,000**	**39,44,909**	**41,87,232**	**45,03,097**

Key Highlights

- Total Expenditure: Rs 45 Lc Cr
- Scientific development allocation has increased by 26%
- Transport allocation increased by 32%
- Grants to states are up 20%
- Allocation to Social Welfare schemes increased by 18%
- Education allocation is up 13%
- Defence Allocation is up 6%

Sector Analysis

Cement - Positive

Winners: All cement companies.

Losers: None

Key Budget Announcements

- Increased investment in the country's infrastructure to drive cement demand as higher capital allocation will lead to building of more roads, airports, and highways.
- Increased fund allocation under PM Awas Yojna to give a substantial boost to the cement demand. The allocation has been raised from Rs 48,0000 Cr to Rs 79,000 Cr.
- Proper monitoring of the Gati Shakti Plan will enable efficient implementation of the overall infrastructure development program, facilitate long-term growth, and thereby increase cement demand.

Our View

- Positive for all cement companies

Infra - Positive

Winners: All Infra companies

Losers: None

Key Budget announcement

- Increase in Capital expenditure by 33% to Rs 10 Lc Cr to boost overall infrastructure of the country. Allocation of fund to MORTH increased from Rs 1.99 Lc Cr to 2.70 Lc Cr, which would boost road infrastructure.
- Continuation of 50-years interest free loan to state government to incentivize infrastructure investment
- Higher capital outlay of 2.4 Lc Cr for Railways boost railway infrastructure.
- Creating Urban infrastructure in Tier 2 & 3 cities via establishment of the UIDF (Urban Infrastructure Development Fund)
- Higher allocation under Jal Jivan Mission from Rs 60,000 Cr to 70,000 Cr to benefit infrastructure companies.

Our view

- Positive for road construction companies and companies such **as KEC Intl. and RITES.**

FMCG & Retail - Positive

Winners: Asians Paints, HUL, Dabur, ITC, ABFRL, Trent

Losers: None

Key Budget Announcement

- Revamped MSME credit guarantee scheme with an infusion of Rs 9,000 Cr. The announced infusion is expected to enable additional collateral-free guaranteed credit of Rs 2 Lc Cr along with the credit cost reduction of 1%
- The agriculture credit target increased to Rs 20 Lc Cr with a greater focus on animal husbandry, dairy, and fisheries
- The outlay for PM Awas Yojana is increased by 66% to Rs 79,000 Cr
- A Reduction in basic customs duty for LGD seeds to Nil from 5% earlier and setting up R&D to encourage the production of Lab Grown Diamonds would reduce import dependency.
- The income tax rebate under the new tax regime has been increased to Rs 7 Lc from Rs 5 Lc. Moreover, the tax exemption limit has been increased from Rs 2.5 Lc to Rs 3 Lc.
- NCCD on cigarettes hike by 16% while there was no hike on other Cess or taxation

Our View

- **Positive** for employment generation as well as for ensuring multiplier effect
- **Positive** for major FMCG companies with more growth driven from rural regions
- **Positive** for Consumer discretionary companies like Asian Paints
- **Positive** for Page Industries, ABFRL, Trent
- **Neutral** for branded jeweller players such as Titan, Kalyan Jewellers, and TBZ
- **Neutral** for Cigarette manufacturing companies such as ITC, Godfrey Phillip, and VST Industries

Consumer Durables - Neutral

Winners: Polycab India, Dixon Technologies, Amber Enterprises

Losers: None

Key Budget Announcement

- Allocation under the PM Awas Yojana enhanced by 66% to over Rs 79,000 Cr.
- Increased rebate limit to Rs 7 Lc in the new tax regime
- Restructuring the tax slabs in the new tax regime
- Reduction in the highest surcharge rate in personal income tax from 37% to 25% under the new tax regime
- Customs Duty changes:
  - ✓ Reduction in Customs duty
  - ✓ Of Camera lens and its inputs used in Mobile Phones to 'Nil' from 5%
  - ✓ Open Cell of TV panel to 2% from 5%

Our View

- Positive for Wires & Cables Companies (being ancillary to the housing development)
- Positive for all Consumer Durables & Discretionary stocks as it will result in increase in disposable income in the hands of the tax payers
- **Neutral** for contract manufacturers like Dixon Technologies

Banks and Housing Finance - Positive

Winners: Banks - ICICI Bank, SBI, Federal Bank, Aptus Value Housing Finance, Can Fin Homes

Losers: None

Key Budget Announcement

- **MSMEs:** Revamping the credit guarantee scheme under the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) with the infusion of Rs 9,000 Cr. This revamp will enable additional collateral-free credit of Rs 2 Lc Cr to MSMEs while the cost of credit will be reduced by 1%.
- **Capital outlay increased:** Capex outlay to increase by ~33%
- **Housing Finance Companies**: The outlay for PMAY has been enhanced by 66% to ~Rs 79,000 Cr in extension to the government's vision of providing 'Housing for All'

Our View

- **Positive** for mid-sized MSME lenders such as **City Union, Federal Bank, and DCB Bank**
- An increase in capital outlay should boost credit growth in the Banking sector. This should be **Positive for the entire Banking sector**.
- **Positive** for Affordable housing Financiers like **Aptus Value Housing Finance, Aavas Financiers, CanFin Homes** and **LIC Housing.**

Insurance - Negative

Winners: None

Losers: Life Insurance Companies

Key Budget Announcement

Insurance

- Income from traditional insurance policies (except for ULIPs) where the premium is over Rs 5 Lc will no more be exempt from taxes
- This will not affect the tax exemption provided to the amount received on the death of the person insured. It will also not affect insurance policies issued till March 31, 2023
- No special tax incentives for tax-payers for insurance premiums under 80C

Our View

- **Negative impact** on life insurance companies focused on gaining a higher proportion of savings, high value, and high margin products
- The industry's focus shall shift towards more term and pure-risk products
- Overall, this announcement has the potential to **impact the growth in the industry's gross written premium (GWP)** for life insurers.

Metals & Mining- Positive

Winners: Tata Steel, JSW Steel, SAIL, Jindal steel & Power, Hindalco, NALCO

Losers: None

Key Budget Announcement

- The Union Budget's focus on infrastructure development will be supportive of the Metals & Mining sector. The government announced a steep increase in capital investment outlay (for the third year in a row) of 33% to Rs10 Lc Cr, which stands at a 3.3 % of the country's GDP. This will be almost three times the outlay it undertook in 2019-20. Specifically, Capex on i) **Railways** (capital outlay of Rs 2.4 Lc Cr), ii) **Logistics** (Rs 0.75 Lc Cr): One hundred critical transport infrastructure projects for the first and last mile connectivity of ports, coal, steel, fertilizer, and food grains sectors have been identified. Iii) **Regional Connectivity**: Fifty additional airports to be developed; iv) **Urban Infrastructure Development Fund** (Rs 10,000 Cr/p.a.): To create urban infrastructure in Tier 2 and Tier 3 cities, and v) **PM Awas Yojana** (Rs 0.79 Lc Cr) would support metal demand moving forward.
- To facilitate the availability of raw materials for the steel sector, exemption from BCD on raw materials for the manufacture of CRGO Steel, ferrous scrap and nickel cathode is being continued. Moreover, the concessional BCD of 2.5% on copper scrap is also being continued to ensure the availability of raw materials for secondary copper producers who are mainly in the MSME sector.

Our View

- Higher budgetary allocation towards construction and infrastructure (60% of steel demand) is positive for metal companies.
- Positive for Steel and Aluminium companies as domestic demand will continue in line with the higher infrastructure and housing Capex.
- Capex on Railways positive for SAIL and JSPL as they produce rail-track steel bars.

Auto - Positive

Winners: Ashok Leyland, TVS Motors, Mahindra & Mahindra, Tata Motors

Losers: None

Key Budget Announcement

- The budget's thrust on Infrastructure development with the total Capex outlay of Rs 10 Lc Cr which is up 33% bodes well for the Auto sector, particularly the CV industry. The budget Logistic focus on one hundred critical transport infrastructure projects, for last and first-mile connectivity for ports, coal, steel, fertilizer, and food grains sectors is positive for the auto sector. This will be taken up on priority with investments of Rs 75,000 Cr, including `Rs 15,000 Cr from private sources.
- With a focus on the green economy and in furtherance to vehicle scrapping policy as mentioned in the previous Budget 2021-22, adequate funds to scrap old vehicles of the central government have been allocated.
- To further provide impetus to green mobility, customs duty on the import of capital goods and machinery required for the manufacture of lithium-ion cells for batteries used in electric vehicles has been fully exempted up to 31st Mar'24.
- Customs Duty has been increased for Vehicles (including electric vehicles) in (1) Semi-Knocked Down – from 30% to 35%. (SKD) form (2) Completely Built Unit (CBU) form other than with CIF more than USD 40,000 or with engine capacity of more than 3000cc for petrol-run vehicles and more than 2500 cc for diesel-run vehicles, or with both – from 60% to 70%.

Our View

- Positive for CV Auto OEMs such as Ashok Leyland, Tata Motors, M&M.
- Positive for 2W OEMs (TVS Motors) and PV OEMs having the EV product portfolio (Tata Motors & MnM).
- Positive for Battery Manufacturers like Amara Raja Batteries and Exide Industries.

Renewable & Bio Energy – Positive

Winners: Praj Industries

Losers:

Key Budget Announcement

- Allocated Rs 35,000 Cr for priority capital investments such as energy transition, net-zero objectives, and energy security by the Ministry of Petroleum & Natural Gas.
- 500 new 'waste to wealth' plants under GOBARdhan (Galvanizing Organic Bio-Agro Resources Dhan) scheme will be established for promoting a circular economy. These will include 200 compressed biogas (CBG) plants, including 75 plants in urban areas, and 300 community or cluster-based plants with a total investment of Rs 10,000 Cr. In due course, a 5% CBG mandate will be introduced for all organizations for marketing natural and biogas. For the collection of bio-mass and distribution of bio-manure, appropriate fiscal support will be provided.
- To avoid cascading of taxes on blended compressed natural gas, excise duty is proposed to be exempted on GST-paid compressed biogas contained in it.
- Denatured ethyl alcohol is used in the chemical industry. Basic customs duty is proposed to be exempted on the same, which will support the Ethanol Blending Program while facilitating energy transition.

Our View

- Positive for Bio Gas producing entities and Capital Good providers for Bio Gas sector.
- This will have a very positive impact on rural incomes which will support rural growth and spending theme

IT Services - Positive

Winners: IT services companies

Losers: None

Key Budget Announcement

- Digital infrastructure for agriculture will be built as a open source. This will aid in the services for IT services to build infrastructure for creating farmer centric solutions.
- 3 centers of Excellence for Artificial Intelligence (AI) will be build to facilitate the improvement in AI. Leading players will be partner in conducting interdisciplinary research, and cutting edge applications. This will help to galvanize AI ecosystem
- To facilitate fintech services in India government will help to increase the scope of digilocker with various authorities, banks and other business entities. Allocation of digital payments promotion remains stagnant at Rs. 1500 Cr for last three years.
- We believe digitization initiatives will help IT services companies to get multi-year implementations contracts.

Our View

- Positive for all IT services companies

Telecom - Neutral

Positive on the sector

Losers: None

Key Budget Announcement

- One hundred labs will be set up for developing applications using 5G services to realize new range of opportunities, business models etc. This will cover creations of applications covering sectors like Farming, digital classrooms and Healthcare.

Our View

- Positive on all Telecom services providers.

Pharma - Neutral

Winners: CIPLA, DR Reddy, Abbott India, KIMS, HCG

Losers: None

Key expectation from budget announcement

- The government has increased the allocation for Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) to Rs 7200 Cr, an increase of 12% YoY. This would benefit Hospital Players with the increase in the insurance base.
- A corpus of Rs 1,250 Cr has created a fund to incentivise the R&D in Pharma Sector. Research-oriented Pharma companies may be the beneficiary of the same.

Our view

- An increase in the insurance base could benefit the hospital players. The proportion of revenue in Hospitals' revenue mix is gaining - **Healthcare Global Enterprises and KIMS will be benefitted.**
- Large players such as **CIPLA, LUPIN, and DRREDDY** might benefit due to R&D incentives.

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