

Union Budget 2022-23 Analysis



Mission India@100

Focus on Growth/Aatmanirbharta/Digitization

Capex oriented budget

The FM announced a very progressive budget keeping a horizon and outlook of 3-4 years. Fiscal prudence and business ease have been the theme. 35% increase in capital expenditure will drive infrastructure and jobs. Budget reposes faith in taxpayers, entrepreneurs, investors. Robust GST collections and strong Government intent to do infrastructure Capex to revive growth coupled with improving capacity utilization across sectors like Steel, Aluminium, refining, Textiles real estate should result in multi year cycle for capital goods sector. No negative surprise and no freebies announced is biggest positive in context of markets. The government has set a target to reduce fiscal deficit to 6.4 per cent of GDP in 2022-23 from the estimated 6.9 per cent in the current financial year. Overall, this has been a progressive budget as it accelerates the government's efforts towards inclusive and sustainable development

Highlights Of Budget

- ⇒ Under the PM Gati Shakti Master Plan for Expressways, national highways network will be expanded by 25,000 kms in FY23. INR 20,000 crore will be mobilised through innovative ways of financing to compliment the public resources
- ⇒ The Indian Railways will offer new products for small farmers and MSMEs, integrate coastal and railway network. One station, one product concept will be popularized to help local businesses
- ⇒ 400 new gen Vande Bharat trains will be developed and manufactured in next 3 years. 100 PM Gati Shakti Cargo Terminals will be developed in the next 3 years
- ⇒ Rs 2.37 lakh crore worth of MSP Payment. This will be direct payment of minimum support price value to wheat and paddy farmers. Also, rationalised and comprehensive scheme to be implanted to reduce on oil seed imports
- ⇒ INR 1400 crore will be allocated for the Ken-Betwa river interlinking project in FY23. Plans in the works for 5 river linking projects
- ⇒ INR 60,000 crore allocation for Har Ghar Jal mission in FY23. INR 48,000 crore provided for PM Awas Yojana in FY23. These 2 schemes will be a big priority of this term
- ⇒ 75 Digital Banking units will be set up in 75 Districts by Scheduled Commercial Banks. Financial Support for the digital ecosystem announced in previous budget will continue in FY23 as well
- ⇒ The government will bring out a new battery swapping policy to counter the issue of limited coverage of charging stations in states
- ⇒ Capital expenditure (Capex) is being stepped up to INR 7.5 lakh crore in FY23 vs INR 5.5 lakh crore in FY22. FY23 effective capex seen at INR 10.7 lakh crore which is about 4.1% of GDP
- ⇒ India will issue sovereign bonds for funding green infrastructure. Funds will be used for projects that will help reduce carbon intensity of the economy. Sovereign green bonds will be part of government's borrowing programme in FY23. Proceeds to be deployed in public sector projects
- ⇒ Proposed to issue digital currency from FY23, to be issued by the Reserve Bank of India. The digital currency will be generated by using blockchain technology
- ⇒ Proposed to cut the Alternate Minimum Tax for cooperative societies to 15% to provide them a level-playing field with companies. This will reduce surcharge on cooperative societies to 7%, for those whose income is between INR 1 crore and INR 10 crore
- ⇒ The government will tax income from digital assets transfers at 30%. No deduction allowed while computing income except cost of acquisition. Loss cannot be set off from any other income
- ⇒ Proposed to cap surcharge on LTCG arising on transfer of any type of assets at 15%. The step will give a boost to startups
- ⇒ Proposed to phase out duty exemptions to project import and capital goods gradually, apply moderate tariff of 7.5%, with certain exemptions to advanced machinery

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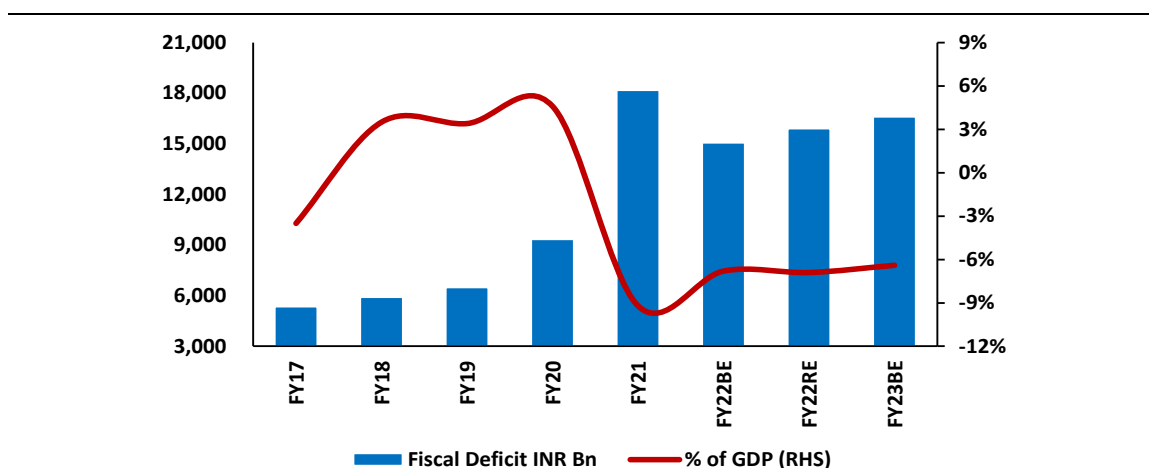
Budget at a Glance (table)

INR Bn	FY19	FY20	FY21	FY22BE	FY22RE	FY23BE	Growth Rate
1. Revenue Receipts (i+ii)	15,529	16,841	16,339	17,884	20,789	22,044	15.0%
i) Tax Revenue (Net)	13,172	13,569	14,262	15,453	17,651	19,347	14.9%
ii) Non-Tax Revenue	2,357	3,272	2,076	2,430	3,137	2,696	15.4%
2. Capital Receipts	7,622	10,023	18,759	16,948	16,910	17,404	-10.6%
iii) Recoveries of loans	181	183	197	130	219	142	-10.3%
iv) Other Receipts	947	503	378	1,750	780	650	446.9%
v) Borrowings & other Liabilities	6,494	9,336	18,182	15,068	15,910	16,611	-18.5%
Total Receipts (1 + 2)	23,151	26,863	35,098	34,832	37,700	39,449	1.0%
3. On revenue account of which	20,074	23,506	3,0835	29,290	31,672	31,946	-2.7%
vi) Interest Payments	5,826	6,120	6,798	8,097	8,137	9,406	16.9%
4. Capital Account	3,077	3,357	4,263	5,542	6,027	7,502	26.2%
Total Expenditure (3 + 4)	23,151	26,986	35,098	34,832	37,700	39,449	1.0%
5. Revenue Deficit	4,545	6,665	14,495	11,405	10,883	9,902	-21.7%
% of GDP	2.40%	3.30%	-7.30%	-5.10%	-4.70%	-3.80%	-
6. Effective Revenue Deficit	2,627	4,809	12,187	9,214	8,506	6,725	-24.8%
% of GDP	1.40%	2.40%	-6.20%	-4.10%	-3.70%	-2.60%	-
7. Fiscal Deficit	6,494	9,336	18,182	15,068	15,910	16,611	-18.5%
% of GDP	3.40%	4.60%	-9.20%	-6.80%	-6.90%	-6.40%	-
8. Primary Deficit	668	3,215	11,384	6,971	7,772	7,205	-39.7%
% of GDP	0.40%	1.60%	-5.80%	-3.10%	-3.30%	-2.80%	-

Source: Budget Documents, BP Equity Research

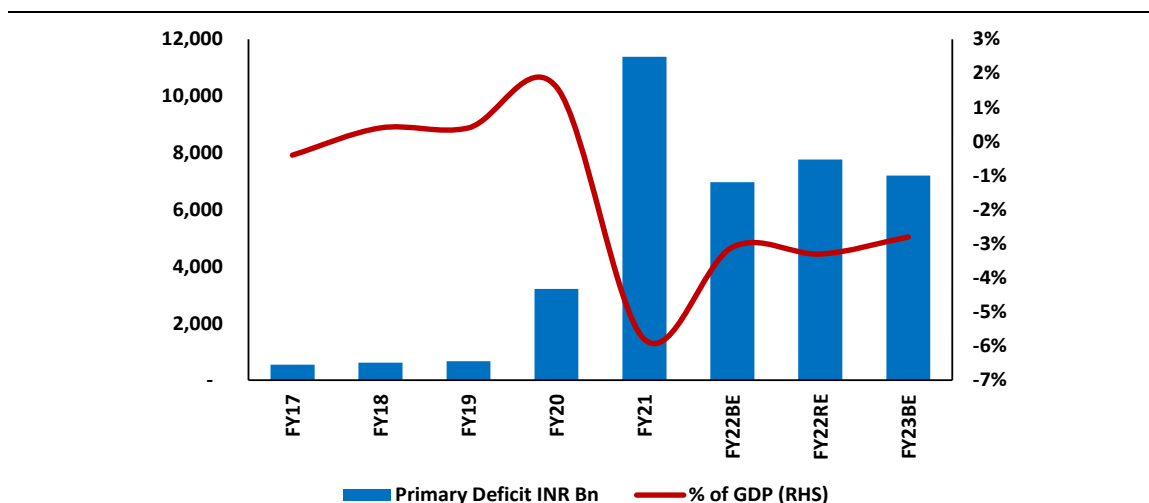
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Fiscal Deficit as % of GDP



Source: Budget Documents, BP Equities

Primary Deficit as % of GDP



Source: Budget Documents, BP Equities

Individual Income Tax : Kept Unchanged

Old regime		New regime (Optional)	
Tax Rate	Slabs	Slabs	Tax Rate
Nil	Up to 2,50,000	Up to 2,50,000	Nil
5%	2,50,001 to 5,00,000	2,50,001 to 5,00,000	5%
		5,00,001 to 7,50,000	10%
		7,50,001 to 10,00,000	15%
20%	5,00,001 to 10,00,000	10,00,001 to 12,50,000	20%
		12,50,001 to 15,00,000	25%
30%	10,00,001 and above	15,00,001 and above	30%

Source: Budget Documents, BP Equities

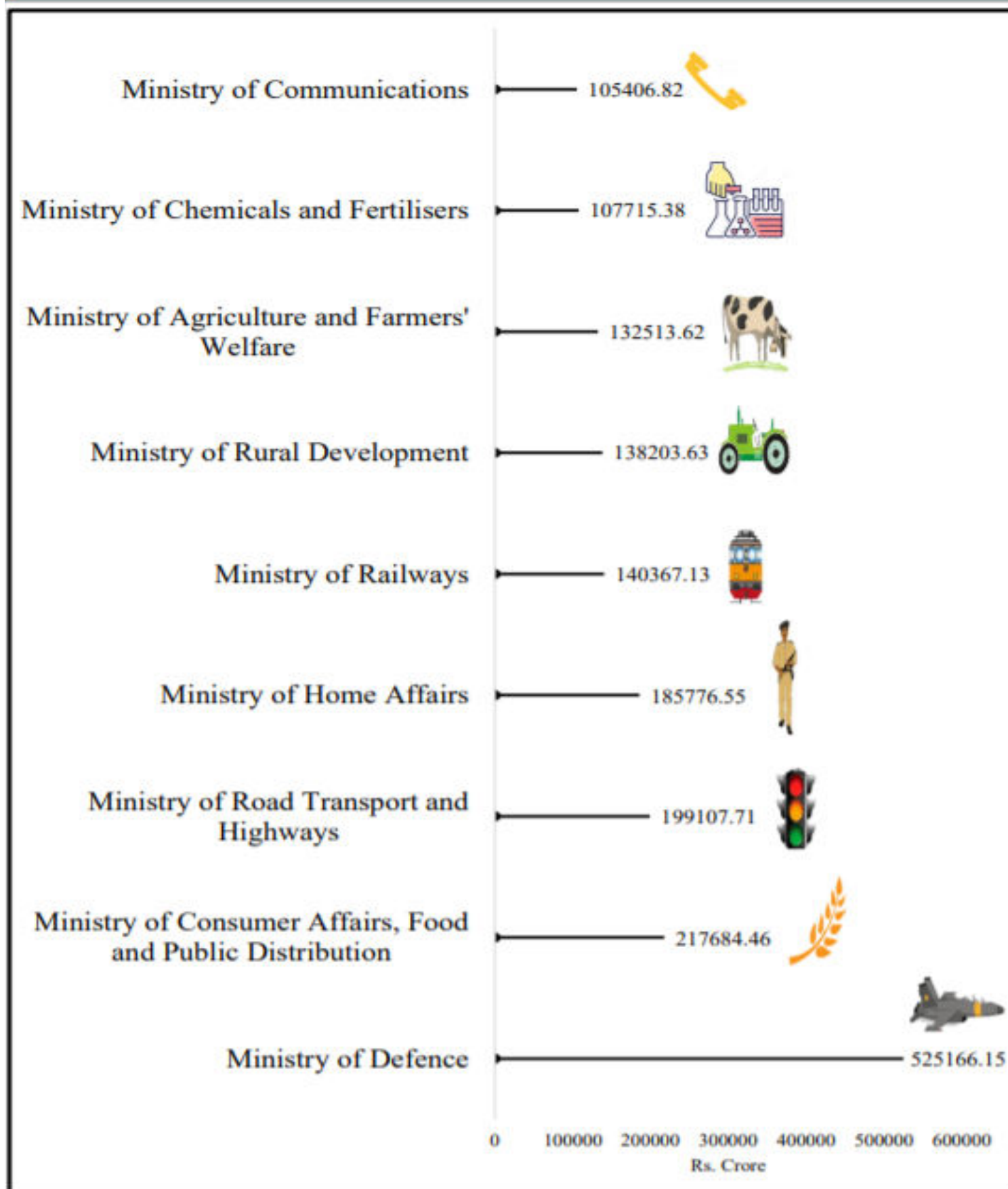
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Announcement	Impact	Company
PM Gati-shakti masterplan has scope to enhance Multimodal communication through 7 engines, 2000 km of rail network to be brought under KAVACH & Highway network to grow by 25,000 km in FY23	Positive for Infrastructure companies	L&T, IRB Infra, KNR Construction, Shree Cement and Ultratech Cement
INR 1400 crore will be allocated for the Ken-Betwa river interlinking project in FY23 for 123 MW Hydro & 27 MW Solar projects. To allocate additional INR 19,500 Crore for production-linked incentives towards solar equipment manufacturing	Positive for companies in Renewable Energy space	Adani Enterprise, Tata Power, Suzlon Energy and SW Solar
Allocation of INR 60,000 crore has been made with an aim to provide tap water to 3.8 crore households in FY23	Positive for Water treatment, Pipes & Pumps companies	VA Tech Wabag, Prince Pipes & Fittings and Finolex Inds
INR 48,000 crore set aside for affordable housing in FY23	Positive for Housing and Housing Finance companies	Mahindra Lifespace, Ashiana Housing, Indiabulls Hsg Fin, LIC Hsg Fin and PNB Hsg Fin
India to bring out battery swapping policy	Positive for Auto OEMs, Battery and EV Infrastructure companies	Tata Motors, Amara Raja Batteries, IOCL, M&M, Reliance Inds and Tata Power
5G spectrum auctions to be conducted in 2022. Scheme for design-led manufacturing for 5G will be part of production-linked scheme	Investments to be made by Telecom companies	Bharti Airtel, Vodafone Idea, Reliance JIO and Sterlite Technologies
Divestment target for FY23 seen at INR 65,000 Crore	Positive for Public Sector Undertakings	BPCL, IDBI Bank, Concor and BEML
Duty on unpolished diamonds to be reduced to 5%	Positive for Jewellery companies	Titan and PC Jewelers
Government is committed to reduce imports and promote AtmaNirbharta in equipments for Armed Forces, 68% capital procurement budget will be earmarked for domestic industry	Domestic procurement will increase leading to greater business from Indian companies	Paras defence, Bharat Electronics Ltd, Bharat Forge etc

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Announcement	Impact	Company
Defense R&D to be opened up for industry, startups, academia, for upto 25% of the defence R&D budget spending	Private players will be encouraged to participate in collaboration with DRDOs through an SPV Model	Majority of the defence companies which have a well placed R&D facilities will benefit
400 new-generation Vande Bharat Trains with better energy efficiency and passenger riding experience will be developed and manufactured during the next 3 years along with 100 PM GatiShakti Cargo Terminals for multi-modal logistics facilities to be developed during the same period	Positive for companies catering to railway industry and even the ancillary companies to benefit	IRCTC, BEML, Siemens, Texmaco Rail and Engineering etc.
Startups will be promoted to facilitate 'Drone Shakti' through varied applications and for Drone-As-A-Service (DrAAS)	Positive for companies into drone manufacturing	Paras Defence, Hindustan Aeronautics, Zen Tcehnlologies, and companies that have invested in drone startups
Customs duty on Methanol is reduced from 10% to 2.5%	Negative for Domestic Methanol manufacturers as it increase competition from exporters	GNFC, Deepak Fertilizers and RCF
Customs duty on Acetic acid is reduced from 10% to 5%	Negative for Domestic Acetic acid manufacturers as it increase competition from exporters	GNFC and Jubilant Ingrevia
Customs duty on o-xylene and p-xylene is reduced from 10% to 0%	Negative for Domestic o-xylene and p-xylene manufacturers as it increase competition from exporters	Reliance Industries
Customs duty on Ethylene Dichloride is reduced from 10% to 0%	Negative for Domestic Ethylene Dichloride manufacturers as it increase competition from exporters	Reliance Industries, Finolex Industries, Chemplast Sanmar and DCM Shriram
Customs duty on Vinyl chloride monomer is reduced from 10% to 2%	Negative for Domestic Ethylene Dichloride manufacturers as it increase competition from exporters	Reliance Industries, Finolex Industries and Chemplast Sanmar
Promoting chemical-free natural farming to guard against soil degradation	Negative for Agrochemical players, as Natural farming also aims to sustain agriculture production with eco-friendly processes in tune with nature to produce agricultural produce free of chemicals.	Domestic business of PI Industries, UPL, India Pesticides, Rallis etc

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