CARE Ratings
Professional Risk Opinion

ANALYSIS OF
UNION BUDGET
2021-22

CARE Ratings Limited

> The difficulty lies not so much in developing new ideas as in escaping from old ones.
>
> John Maynard Keynes

From the Desk of Mr. Ajay Mahajan Managing Director & CEO

The Union Budget announced today is, in our view, indeed a landmark budget and probably took the nation by surprise.

Did it meet expectations? Oh sure yes, as the FM has taken a bold step of not procrastinating crucial expenditure at a time when fiscal deficit is already running very high and additional sources for revenues appeared to be very limited. Instead, the FM has rightly pushed the attainment of the fiscal consolidation objective by a few years to make room to continue to borrow more although it will be lower relative to last year. Targeting a fiscal deficit of 6.8% and keeping an extended timeline before we move below the 4.5% mark makes a lot of sense as the first priority for the government unequivocally had to be “Growth” in order to get the economy back on its rails post-pandemic.

The Budget has been quite focused on sectors that matter the most today which are capital expenditure and health. Using these two props the Budget has built constructively on its expenditure plans which would have strong backward linkages with the rest of the economy and hopefully create more jobs. While this will be supplemented with the efforts of the states which are anow allowed to run deficits of 4% (with an additional conditional 0.5%) of GDP, we believe that the private sector has to be the main driver which will finally determine the pace of growth.

All of this expenditure increase needed innovative ways of financing. The FM has announced so many potential sources of disinvestment & privatization including the proposed public issue of the gigantic state-owned Insurer amongst a slew of measures that are innovative, thoughtful and underscore the new thinking of raising resources from monetization of government owned assets.

The FM spared the individual and corporate taxpayer by not increasing direct taxation rates for them, thereby supporting consumption and investment. However, there have been some targeted changes in customs duty rates which should help the concerned sectors. Hence this one is an intensely growth-oriented budget, focused on investing in capital expenditure – so critically needed for this economy at this juncture.

What we are quite excited about being in a credit rating agency are the announcements relating to the financial sector. Here too there were not too many surprises as the ARC for bad assets of PSBs and the new DFI to be set up were already in the grapevine. We are keen to know how the thrust proposed for the corporate bond market would work out as this has been a challenge to boost liquidity. Maybe an institutional market maker is on the anvil which will help to provide a boost to investment grade paper.
My research and ratings teams have put together this rather comprehensive analysis of the Budget in this report and I do hope you find it useful; and as usual, any comments or suggestions from you would be welcome.

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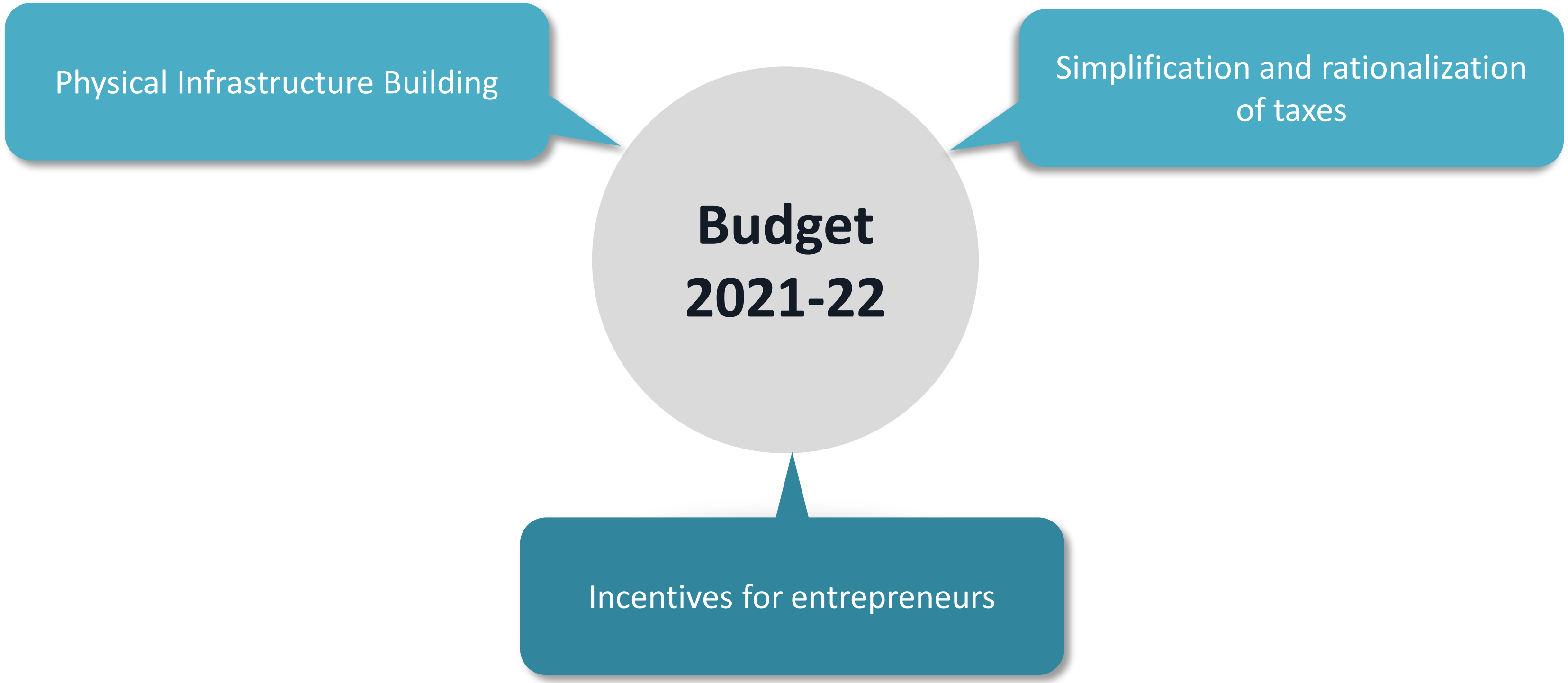
Focus areas of Budget



6 pillars of the Budget proposal

- Health & Wellbeing
- Physical & Financial Capital, and Infrastructure
- Inclusive Development for Aspirational India
- Reinvigorating Human Capital
- Innovation and R&D
- Minimum Government & Maximum Governance

Fiscal Snapshot of Budget 2021-22

Rs lakh Crores	FY18	FY19	FY20	FY21(RE)	FY22(BE)
1. Revenue Receipts	14.4	15.5	16.8	15.6	17.9
1.1 Tax Revenue	12.4	13.2	13.6	13.4	15.5
1.2 Non tax revenue	1.9	2.4	3.3	2.1	2.4
2. Capital Receipts	7.1	7.6	10.0	19.0	16.9
2.1 Disinvestment	1.0	1.0	0.5	0.3	1.8
3. Total Receipts (1 + 2)	21.4	23.2	26.9	34.5	34.8
4. Revenue Expenditure	18.8	20.1	23.5	30.1	29.3
4.1 Interest payments	5.3	5.8	6.1	6.9	8.1
4.2 Subsidies	2.2	2.2	2.3	6.0	3.4
4.3 Defense Expenditure	2.8	2.9	3.2	3.4	3.5
5. Capital Expenditure	2.6	3.1	3.4	4.4	5.5
6. Total Expenditure (4 + 5)	21.4	23.2	23.5	30.1	29.3
7. Revenue Deficit (4 - 1)	4.4	4.5	6.7	14.6	11.4
8. Fiscal Deficit	5.9	6.5	9.3	18.5	15.1
9. FD/GDP (%)	3.5	3.4	4.6	9.5	6.8
10. Gross market borrowings	5.9	5.7	7.1	12.8	12.1
11. Debt/GDP (%) (RE)	48.1	48.0	49.2	62.2	61.0
12. GDP	171.0	188.9	203.5	194.8	222.9

- The nominal GDP growth for FY22 at 14.4% is lower than what has been projected in the Economic Survey (15.4%)

Key Highlights

Fiscal Scenario

- Sharp deviation in the fiscal deficit as per revised estimate for FY21 at 9.5% v/s the budget estimate of 3.5%
  - Additional Rs 80,000 crs to be raised from the markets in February and March 2021 which takes the total gross market borrowing to Rs 12.8 lakh crs for FY21(RE)
- Fiscal deficit is budgeted at **6.8% of GDP in FY22(BE)**
  - **Fiscal consolidation:** Plans to reduce fiscal deficit to below 4.5% by FY26 with steady decline over this period
- Funding of the fiscal deficit for FY22 to be met by market borrowings (~70%) and NSSF (~26%)
  - NSSF loan to FCI for food subsidy to be replaced by market budget provisions
- Outstanding debt is budgeted at Rs 135 lakh crs which is 61% of GDP
- **For State governments**: Allowing fiscal deficit at 4% of GSDP for FY22(BE) with further relaxations of 0.5% subject to conditions. States to achieve 3% target of fiscal deficit by FY24

CARE View:

- The high fiscal deficit and market borrowing programme would weigh on debt market sentiments compounded by higher state deficits
- The funding of the fiscal deficit via market borrowings : additional Rs 80,000 crs during the remainder of FY21 and Rs 12.1 lakh crs in FY22(BE) means that there will be additional supply in the market which is likely to pressurize yields
- RBI to play an active role in balancing liquidity next year once more
- Attaining the fiscal deficit target of 3% of GDP not on the anvil for the foreseeable future
- Including the food subsidy bill of FCI as a part of the budget present a clearer picture of the government finances and enhances transparency

Tax announcements

- **Direct Tax Announcements**
- No change in income tax slabs; provision of both old and new tax regime continues
- Additional deduction of Rs 1.5 lakh to be available for affordable housing loans till March 31, 2022
- Easing of compliances:
  - **For Senior Citizens:** Exemption from filing income tax returns for senior citizens (>75 years) who only have pension and interest income
  - Pre-filing to also include capital gains from listed securities, dividend income
  - Reduction in time limit for reopening of income tax assessment from 6 years to 3 years
  - Income tax Appellate Tribunal to be made faceless
  - Constitution of Dispute Resolution Committee for small tax-payers
- Increase in entities to undertake tax audit from Rs 5 crs to Rs 10 crs (having 95% digital transactions)
- No TDS on dividend payment from REIT/InvIt

CARE View:

- Lowering of tax rates or changes in slabs could go a long way in stimulating consumption demand and could provide for the much needed boost for demand revival
- Also savings not incentivized in the budget which could have been done
- The easing of compliance measures could lead to higher collection efficiency

Financial Sector

- Proposal of **development financial institution (DFI)** for long term infrastructure financing: Budgetary allocation has been made at Rs 20,000 crs
- Plan to set up an **Asset Reconstruction Company (ARC)** and Asset Management Company for taking over existing NPAs in PSBs
- **Recapitalization** of PSBs is Rs 20,000 crs via recapitalization bonds
- Rationalize single Securities Market Code by 2022
- Increase in the permissible FDI limit from 49% to 74% in Insurance companies

CARE Ratings View:

- The Asset Reconstruction Company (ARC) could take up the stressed assets from bank books, enabling lending by them. This should however be a one time exercise and not a recurrent theme which could lead to negative incentives and add to the inefficiencies in the system.
- The bank-recapitalisation has been lower than our estimate (Rs 35,000 – Rs 40,000 crs at Rs 20,000 crs though recap bonds. With ARC expected to take on stressed assets of banks, the recapitalization requirements become lesser
- Increase in the FDI limit in insurance companies is a positive step for the sector

Corporate Bonds

- Creation of a permanent institutional framework to purchase investment grade debt securities both in stressed and normal times
- Notified Infrastructure Debt Funds to be made eligible to raise funds by issuing zero coupon bonds

CARE Ratings View:

- These measures could help deepen the corporate bond market and come to the aid of infrastructure financing. The developed corporate bond market is critical to fund the country's large infrastructure funding requirements
- Interesting to see what the framework would be for boosting corporate bond market. Can involve some kind of market makers to provide buy-sell quotes as in Gsec market.
- Can see such measures adding depth to the market

Startups

- Incorporation of One Person Companies (OPC) to be allowed for start-ups with following benefits:
    - No restrictions on paid-up capital and turnover
    - Allowing conversion into any other type of company
    - Reducing residency limit from 182 days to 120 days
    - Allow NRIs to incorporate OPC in India
- Tax holidays for start-ups has been extended by 1 year till 31 March 2022

CARE Ratings View:

- These measures can incentivize entrepreneurs while also improving the ease of doing business

Infrastructure Focus

- National Infrastructure pipeline (NIP): Increase in projects to 7,400 (original: 6,835) and projects worth Rs 1.1 lakh crs have been completed
- Mega Investment Textile Parks to be launched with 7 textile parks to be established in 3 years
- National Railway Plan for 2030: To increase the rail in freight from 27% (current) to 45% by 2030
- **Infrastructure finance**: National monetization pipeline of brownfield infrastructure assets
- Development Financial Institution set up – bill to be introduced
- Power
    - Total outlay of Rs 3.1 lakh crs over 5 years for power distribution companies
    - Hydrogen energy mission to be launched
- Urban development:
    - Voluntary vehicle scrapping policy to be announced
    - Innovative PPP models to augment public bus transport (Rs 18,000 crs)
    - New technologies “MetroLite and “MetroNeo” to be deployed for Tier-II cities and peripheral of Tier I cities

CARE Ratings View:

- The thrust of the budget is on infrastructure creation. The creation of an institutional structure for the financing of infrastructure can play a catalytic role for meeting the infrastructure gaps of the country

Analysis of Receipts, Expenditure and Debt

Revenue Receipts

Rs lakh Crores	FY18	FY19	FY20	FY21(RE)	FY22(BE)
Gross Tax Revenues	19.2	20.8	20.1	19.0	22.2
Tax Revenue (Net)	12.4	13.2	13.6	13.4	15.5
Corporation Tax	5.7	6.6	5.6	4.5	5.5
Taxes on Income	4.3	4.7	4.9	4.6	5.6
Union Excise Duties	2.6	2.3	2.4	3.6	3.4
GST	4.4	5.8	6.0	5.2	6.3
Non tax revenue	1.9	2.4	3.3	2.1	2.4

- Revenue receipts are estimated to contract by 8% in FY21(RE) subsequent to the impact of the pandemic induced lockdowns and restrictions on economic activity. Receipts are budgeted to grow by 15% in FY22(BE)
- Gross tax revenues are budgeted to grow by 16.7% in FY22(BE) after recording a contraction of 5.5% in FY21(RE).
- Budgeted growth in gross tax revenues at 16.7% is little bit more than nominal GDP growth of 14.4% in FY22
- Tax (net) to GDP ratio has been maintained at 6.9 in both FY21(RE) and FY22(BE). Tax buoyancy is budgeted at 1.2 in FY22(BE) compared with 1.3 in FY21(RE)
- Shortfall in revenue receipts in FY21(RE) has been from – corporate tax (Rs 2.4 lakh crs), personal income tax – (Rs 1.8 lakh crs), GST (1.8 lakh crs), other non-tax revenue (1.2 lakh crs)
- Double digit growth is estimated in almost all tax revenues for FY22(BE) – corporate tax (23%), personal income tax (22%), customs (21%), GST (22%)

Revenue Expenditure

Rs lakh Crores	FY18	FY19	FY20	FY21(RE)	FY22(BE)
Interest payments	5.3	5.8	6.1	6.9	8.1
Subsidies	2.2	2.2	2.6	6.5	3.7
Pensions	1.5	1.6	1.8	2.0	1.9
Defense Expenditure	2.8	2.9	3.2	3.4	3.5
Revenue expenditure	18.8	20.1	23.5	30.1	29.3

- Revenue Expenditure is estimated to grow by 28.1% in FY21(RE) and is budgeted to fall by 2.7% in FY22(BE)
- Revenue expenditure is to account for 84% of the total budget size which is lower than 87% in FY21(RE)
- The key heads which have led to a sharp increase in the revenue expenditure of FY21(RE) include:
    - food subsidy (Rs 3.1 lakh crs)
    - interest payments (Rs 0.8 lakh crs)
    - fertilizer subsidy (Rs 0.5 lakh crs)
    - health and family welfare schemes (Rs 0.12 lakh crs)
- The marginal decline in revenue expenditure in FY22(BE) is on primarily on account of decline in central sector schemes of around Rs 2.7 lakh crs (which includes fertilizers subsidy, food subsidy).
    - At the same time, interest expenditure is budgeted to increase by Rs 1.2 lakh crs while finance commission transfers by Rs 0.4 lakh crs

Expenditure: Subsidies

Rs lakh Crores	FY18	FY19	FY20	FY21(RE)	FY22(BE)
Subsidies	2.2	2.2	2.6	6.5	3.7
Major Subsidies	1.9	2.0	2.3	6.0	3.4
Food Subsidy	1.0	1.0	1.1	4.2	2.4
Fertilizer Subsidy	0.7	0.7	0.8	1.3	0.8
Petroleum Subsidy	0.2	0.2	0.4	0.4	0.1
Interest Subsidy	0.2	0.2	0.2	0.3	0.3
Other Subsidy	0.1	0.1	0.1	0.2	0.1

- Food subsidy has almost tripled in FY21(RE) compared with FY20 on account of decentralized procurement of food grains and higher expenditure under NFS Act
- Fertilizer subsidy is also estimated to grow by 65% on the back of higher requirement of urea and nutrient based subsidy. The government had announced additional fertilizer subsidy of Rs 65,000 crs in November 2020.
- Fertilizer subsidy is budgeted to contract by 40% in FY22(BE)
- Petroleum subsidy is estimated to contract by almost 65% in FY22(BE) on account of removal of kerosene subsidy and sustained benign crude oil prices

Expenditure Towards Major Schemes

Rs lakh Crores	FY18	FY19	FY20	FY21(RE)	FY22(BE)
Mahatma Gandhi National Rural Employment Guarantee Program	55,166	61,815	71,687	1,11,500	73,000
Green Revolution	11,057	11,758	9,895	10,474	13,408
Pradhan Mantri Krishi Sinchai Yojna	6,613	8,143	8,200	7,954	11,588
Pradhan Mantri Gram Sadak Yojna	16,862	15,414	14,017	13,706	15,000
Pradhan Mantri Awas Yojna (PMAY)	31,164	25,443	24,964	40,500	27,500
Swachh Bharat Mission	19,427	15,375	9,469	7,000	12,294
National Health Mission	32,000	31,502	35,155	35,554	37,130
National Education Mission	29,455	30,830	33,654	28,244	34,300
National Programme of Mid Day Meal in Schools	9,092	9,514	9,699	12,900	11,500
Umbrella ICDS	19,234	21,642	22,032	20,038	20,105
Urban Rejuvenation Mission: AMRUT and Smart Cities Mission	9,463	12,085	9,599	9,850	13,750
Crop Insurance Scheme	9,419	11,937	12,639	15,307	16,000
Interest Subsidy for Short Term Credit to Farmers	13,046	11,496	16,219	19,832	19,468
Pradhan Mantri Kisan Samman Nidhi(PM-Kisan)	-	1,241	48,714	65,000	65,000
Metro Projects	13,810	14,265	18,162	6,484	18,998
National Highways Authority of India	23,892	39,287	31,691	49,050	57,350
Road Works	36,849	37,811	46,292	52,358	60,241
Total of all Central Schemes	873,982	935,147	10,66,643	16,51,588	14,33,007
% of above schemes in total central schemes	39%	39%	40%	31%	34%

- Key schemes which are budgeted to see a shortfall in FY22(BE) include: MGNREGA : Rs 0.38 lakh crs and PMAY : Rs 0.13 lakh crs
- Metro, highway and roadwork projects have seen a notable increase in their budget allocations in FY22(BE)

Capital Receipts: Disinvestment

Rs lakh Crores	FY18	FY19	FY20	FY21(RE)	FY22(BE)
Capital Receipts	**7.0**	**7.6**	**10.0**	**19.0**	**16.9**
Disinvestment receipts	1.0	0.9	0.5	0.3	1.8
Debt receipts	5.9	6.5	9.3	18.5	15.1

- The dis-investment target of Rs. 1.8 lakh crore for FY22 could be a challenge given that receipts on this account have by and large undershot budget targets in the past
- An incentive package of Central Funds for States is likely to be created to encourage State to undertake disinvestment of idle assets

Capital Receipts: Borrowings

Rs lakh Crores	FY18	FY19	FY20	FY21(RE)	FY22(BE)
Gross Market Borrowings	5.9	5.7	7.1	12.9	12.1
Repayments	1.4	1.5	2.4	2.4	4.9
Net Market Borrowings (excluding T-bills)	4.5	4.2	4.7	10.5	7.2

- Liquidity in the system would be pressured by the high central and state government market borrowings along with the higher need for funds by the private sector with the pick up in economic growth
    - State government's target fiscal deficit has been raised from 3% to 4%, enabling higher market borrowings
- Interest rates would face upward pressure as liquidity conditions tighten
- To anchor yields the RBI would be required to continue with its liquidity infusion measures via OMO's, TLTROs and LTROs
- The additional Rs.80,000 crores that is required to fund the revised fiscal deficit for FY21 would be met through market borrowings during February-March

Capital Outlay (Asset Creation)

(Rs Lakh Crores)	FY18	FY19	FY20	FY21(RE)	FY22(BE)
Budgetary Support	2.45	2.79	3.36	4.39	5.54
Internal and Extra Budgetary Resources (IEBR) of public enterprises	6.11	6.08	5.61	5.13	4.75
Total Capital Outlay (budget and IEBR)	8.56	8.87	8.97	9.52	10.29

- Expenditure towards capital outlay in FY22 is budgeted to increase by 8% from FY21
- Higher budgetary support towards capital asset creation in FY22
    - 26% increase over the revised estimates of FY21

Main areas of capital expenditure

Rs. Crores	FY20	FY21(RE)	FY22(BE)
Road transport and highways	68,374	92,053	1,08,230
Railways	67,842	1,08,398	1,07,100
Housing and urban affairs	19,305	10,309	25,759
Telecommunication	4,929	4,360	25,934
Capital Outlay on Defense Services	1,11,092	1,34,510	1,35,061
Central Sector Schemes	6,350	13,650	25,800
Central Sector Expenditure	5,285	13,183	51,597
Capital Expenditure - Total	**3,35,726**	**4,39,163**	**5,54,236**

- The thrust of capital expenditure is on defence, roads and railways
    - The 3 segments account for 63% of the budgeted capital expenditure in FY22
- Capital outlay has increased (from revised estimate of FY21)
    - Roads by 18%
    - Sharp increase in outlays towards Urban housing, Telecommunication, central sector expenditure and central sector schemes
- Capital outlay has been lowered/ retained in case of defense and railways

Sectoral Announcement and Analysis

Agriculture

Positive

Budget proposals	Impact on the Industry
• Agriculture credit target increased to 16.5 lakh crore for Fiscal year 2022 against Rs. 15 lakh crore for FY21 with focus on animal husbandry, dairy & fisheries	• Agriculture is already set as a priority sector for lending institutions with a minimum lending stipulation to be achieved as a percentage of total banking credit. The target is however, below the expected level of Rs. 19 crore as estimated by the economists/analysts. Nevertheless, the Atmanirbhar packages & PM Garib Kalyan Yojana announced during the pandemic were itself in it a boost to the Agri sector.
• Expansion of Operation Green scheme to 22 perishable products	• This was announced in Budget 18-19 for onion, potatoes & tomatoes. The extension to 22 perishable products will help in price stabilisation of the produce through real time data on demand and supply, thereby regulating the prices for both producers and consumers
• Extending Swamitva Scheme to all states/UTs	• This was earlier extended to six states and in this budget extended to all states. This will benefit the farmers in digitising their land documents and avoid encroaching and compulsive sales.
• Agriculture infrastructure find will be available for APMCs for augmenting their infrastructure with rural infrastructure fund increased from 30k to 40k crore. 1000 more mandis to be integrated with E-NAM market place.	• Better infrastructure for APMCs shall facilitate pre and post sale procedures more easily. Linking of mandis to the E-NAM market place shall lead to transparent bidding and fair pricing benefitting the farmers.
Fisheries	
• 5 Major Fishing Harbour announced in Chennai, Cochin, Visakhapatnam, Paradeep & Petua Guard	• These five places already being fishery hub are expected to receive a better boost in terms of consumption with setting up of fishing harbours
• Multipurpose seaweed park to be set up in Tamil Nadu	• Shall promote seaweed farming and cultivation and also enable generating jobs in the already labour intensive fisheries industry
Other Agro measures	
• Rs 1,000 crore has been allotted for welfare of tea workers in Assam and West Bengal.	• Special schemes for women & children announced. Tea being a labour intensive industry, this shall promote more women employment and generate more jobs.

Auto and auto components

Neutral

Budget proposals	Impact on the Industry
• A voluntary vehicle scrapping policy where vehicles would undergo fitness tests in automated fitness centres after 20 years in case of personal vehicles and after 15 years in case of commercial vehicles.	• Policy aimed at phasing out old vehicles and help India reduce its oil import bills and pollution emissions. However, this policy, being voluntary in nature is expected to translate into a marginal demand for new PVs and CVs in the short term. In the long run, it would help in creating a mindset about the life of vehicles which will help the sector to generate additional sales volumes.
• Launch a scheme costing Rs.18,000 crore for augmentation of public bus transport services in urban cities using PPP model enabling private sector players to finance, acquire, operate and maintain over 20,000 buses.	• Create an incremental demand for passenger carriers (buses) over the short to medium term and hence benefit the commercial vehicle passenger carriers (buses) segment and their ancillaries.
• Increase in allocation for Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicle in India-(FAME - India) scheme from Rs. 318 crore (RE FY21) to Rs. 757 crore (BE FY22).	• Help encourage investments in electric vehicles and help in its faster adoption

Customs duty revision-	From	To	Impact
Ignition wiring sets, safety glass, parts of signaling equipment	7.5%/ 10%	15%	This would augur well for enabling the Indian automotive sector and restrain dependence on imports which helps promote the 'Make in India' policy and push domestic manufacturing of automobile components. This action is also in line to support the earlier announced PLI scheme.
Inputs, Parts and Sub-parts [other than PCBA and Liion Cell] for manufacture of Lithium-ion battery and battery pack.	0%	2.5%	Lithium ion batteries are vital for electric vehicles (EVs). India, at present does not have the required infrastructure for production of such batteries and their components, and hence an imposition of import duty would raise the cost of manufacturing EVs in short term, however, encourage investments in manufacturing these items in long term.

Aviation

Positive

Budget Proposal	Impact on the Industry
• The next lot of airports will also be monetised for operations and management. AAI airports in tier-2 and 3 cities assets are to be monetised. • Tax holiday for capital gains for aircraft leasing companies and tax exemption for aircraft lease rentals paid to foreign lessors;	• Funding for new infrastructure construction activities of the government • Tax incentives for relocating foreign funds in International Financial Services Centre (IFSC) and to allow tax exemption to the investment division of foreign banks located in IFSC

BFSI

Neutral

Announcements	Impact on the Industry
Banking	
• Asset reconstruction company (ARC) to be set up to take care of NPAs currently in the book of banks	This is a market making mechanism to enable banks deal with the NPA problem and help them focus on credit. The contours of the operating and regulatory framework for such an ARC remain to be seen.
• Divest government stake in two Public Sector Banks (PSBs), apart from previously announced IDBI Bank	As the Finance Minister has not mentioned the name of PSU banks, we would need additional clarity on the stake that the government will retain.
• Public Sector Banks (PSBs) recapitalisation plan at Rs 20,000 crore	To strengthen the financial health of banks, government has made provision of Rs 20,000 crores for recapitalization to shore up capital base. However, similar provisions of Rs 20,000 crores was provided during FY21. Furthermore, as per RBI's FSR report, under the baseline scenario, PSBs' GNPA ratio of 9.7% in September 2020 may increase to 16.2% by September 2021. The banks, therefore, might require additional capital support.
• Streamline Provisions of the DICGC Act so that that deposit holders can access their money faster	This move is likely to be in favour of deposit holders as it is intended to reduce their waiting period in case of troubled banks.
• Agriculture credit availability target set at Rs 16.5 lakh crores (vs Rs 15 lakh crore in the previous year higher by 10% vs increase of 25% last year)	The government has generally increased the credit target for agriculture and allied activities segment, which has been met given the PSL norms and government's push for farm lending. Moreover, the set credit availability has always exceeded the target. This would certainly increase the credit availability towards the segment

BFSI

Neutral

Announcements	Impact on the Industry
Financial Services	
• To set up Development Financial Institution (DFI) with a capital base of Rs 20,000 crores and will have a lending target of Rs 5 lakh crores with 3 years timeline for infrastructure and real estate segment.	This move was expected in light of achieving the NIP targets by creating another institution to provide long term funds for infrastructure projects.
• Credit discipline in NBFC sector - NBFCs with minimum asset size of Rs. 100 crores, the minimum loan size eligible for debt recovery under the SARFAESI Act, 2002 is proposed to be reduced from the existing level of Rs. 50 lakhs to Rs. 20 lakhs.	This is an ongoing process as this limit was reduced to Rs 50 lakhs from Rs 1 crore last year. Likely to benefit NBFCs providing funding to SMEs and mortgages which can enhance recovery from defaulting borrowers leading to improved asset quality.
Insurance	
• FDI limit in insurance companies increased from 49% to 74% (Propose to amend insurance act 1938)	This step is expected to enable private insurers access more foreign capital and and support their growth prospects, given restricted capacity/ability of many domestic shareholders of insurance cos to infuse more capital.
• Listing of LIC on the stock exchanges has been pushed from FY21 to FY22	Pushed to FY22 due to Covid-19. We would need additional clarity on the pricing and the amount of stake that would be available for sale.
• Divest government stake in one General Insurance Company	We would need additional clarity on the stake that the government will retain. This is expected to shore up the government's revenues and reduce the government's capital requirements.
• The government has increased the allocation to the Pradhan Mantri Fasal Bima Yojana to Rs 16,000 crores in FY21-22 from the revised Rs 15,306.6 crore in FY20-21.	This is a modest increase of 4.5% and is much less than the double digit increase witnessed in FY20-21.

BFSI

Neutral

Announcements	Impact on the Industry
Access to foreign capital	
• Tax holiday for capital gains, for aircraft leasing companies, tax exemption for aircraft lease rentals paid to foreign lessors; tax incentive for relocating foreign funds in the IFSC; and allow tax exemption to the investment division of foreign banks located in IFSC.	This move is aimed that incentivizing foreign banks/foreign funds to relocate their desks to IFSC
• Relaxation in conditions for Exemption to Sovereign Wealth Fund & Pension Fund (the conditions which are proposed to be relaxed include prohibition on loans or borrowings, restriction on commercial activities, direct investment in entity owning infrastructure, etc.)	This move was expected in light of achieving the NIP targets and this is another means to attract foreign capital into the sector.
• Enabling Debt Financing of InVITs and REITs by FPIs	This would provide additional funding options for trusts and again enhancing capital sources for infra and real estate sectors.
• Zero Coupon Bonds issued by notified IDF to be eligible for tax benefit	Would broaden the investor base and enable fund raising at lower rates
Market mechanisms	
• Securities market code will include SEBI Act, Depository Act and Government Security Act	A good move to consolidate multiple regulations into one and simplify overall regulatory framework.
• Permanent Institutional framework for bond market. The proposed body would purchase investment grade debt securities	This is likely to be positive for the bond markets as it would provide much needed liquidity, especially in times of stress. The contours of the framework, however, need to be studied for more clarity on its impact.

BFSI

Neutral

Announcements	Impact on the Industry
Other announcements	
• Extension in eligibility of additional deduction of Rs.1.5 lakh under affordable housing	The extension in eligibility of deductions under affordable housing by 1 year enable borrowers cover the entire borrowing within deduction limits and hence would increase the demand for affordable housing and housing loans.
• Zero Coupon Bonds issued by notified IDF to be eligible for tax benefit	Would broaden the investor base and enable fund raising at lower rates
• Tax holiday for capital gains, for aircraft leasing companies, tax exemption for aircraft lease rentals paid to foreign lessors; tax incentive for relocating foreign funds in the IFSC; and allow tax exemption to the investment division of foreign banks located in IFSC.	This move is aimed that incentivizing foreign banks/foreign funds to relocate their desks to IFSC
• Relaxation in conditions for Exemption to Sovereign Wealth Fund & Pension Fund (the conditions which are proposed to be relaxed include prohibition on loans or borrowings, restriction on commercial activities, direct investment in entity owning infrastructure, etc.)	This move was expected in light of achieving the NIP targets and this is another means to attract foreign capital into the sector.
• Enabling Debt Financing of InVITs and REITs by FPIs	This would provide additional funding options for trusts and again enhancing capital sources for infra and real estate sectors.
• Extension in eligibility of additional deduction of Rs.1.5 lakh under affordable housing	The extension in eligibility of deductions under affordable housing by 1 year would increase the demand for affordable housing and housing loans.

Capital and Engineering goods

Positive

Budget proposals	Impact on the Industry
• Out of Rs.1.10 lakh crore, for Railways, Rs.1.07 lakh crore is for capital expenditure. Further New dedicated freight corridors (DFC) are also announced. Anti- Collision system to be implemented on high density railway network. • Development of 7 textile parks in 3 years • Increase in import duty on Solar Inverters and Tunnel boring machines • The duty on solar invertors have been raised from 5% to 20%, and on solar lanterns from 5% to 15%. • Reforms in the power distribution sector with capex of Rs.3.06 lakh crore over five years.	• Higher allocation for capex coupled with new DFC's, railways infrastructure and Railways EPC companies including Wagon manufacturers are expected to see a demand uptick once spending starts. Anti-collision system would provide impetus to engineering companies engaged in the railway safety systems. • Development of textile parks will increase demand for textile machinery. • Higher import duty on solar cells and panels and tunnel boring will encourage domestic manufacturing of these equipments. • Assistance to be provided to DISCOMS for Infrastructure creation including pre-paid smart metering and feeder separation, upgradation of systems, etc. • Overall, efficient implementation of above schemes would positively impact the business of several segments of the engineering domain viz. railway related entities, capital goods companies catering to power distribution utilities and renewable space (especially solar) and engineering EPC entities undertaking projects in these domains.

Cement

Positive

Budget proposals	Impact on the Industry
• Increased allocation towards capital expenditure to Rs. 5.54 lakh crore as compared with Rs. 4.39 lakh crore for RE 2020-21. (National Infrastructure Pipeline (NIP) has been expanded to 7,400 projects as against 6,835 projects) • Proposal to set up Development Financial Institution (DFI) for infrastructure financing with an allocation of Rs. 20,000 crore to capitalize the same to have a lending portfolio of at least Rs. 5 lakh crore for this DFI in three years time. • Enhanced outlay of Rs. 1,18,101 crore for MoRTH of which Rs. 1,08,230 crores is for capital. • Central Counterpart Funding to various metros aggregating to Rs. 88,059 crore • Proposals to further incentivize and boost affordable housing.	• While there are no specific budget announcements pertaining to the cement industry, demand for the commodity will pick up due to the Government of India's continuing focus on infrastructure development, housing and rural development.

Construction

Positive

- Sharp hike in capital expenditure allocation to Rs. 5.54 lakh crs will lead to new projects announcements across infrastructure sectors which will aid the construction companies
- Special mechanism to enable states to spend on infrastructure will also help in new order flows from which construction companies will be benefitted in terms of building their order books
- Regulatory support to facilitate debt financing and investments in Invits / Reits by foreign investors will help construction companies to monetise HAM projects and BoT projects. HAM projects are undertaken in SPVs by many EPC companies. HAM projects have started achieving COD starting FY 21. Facilitating Invits will aid in monetisation of the completed HAM/ BoT projects thereby releasing capital for these companies.
- Increased spending in metro works and railway works is also expected to be a positive for construction companies.
- Urban Swatcch Bharat Mission 2.0 with outlay of Rs.1,48,000 crs over 5 years will generate additional business opportunities requiring construction work in urban and rural areas for EPC companies.

- **Further, the following moves are expected to boost mobilisation of long term funds for infrastructure assets:**
    - Notified Infrastructure Debt Funds eligible to raise funds by issuing tax efficient Zero Coupon Bonds.
    - In order to incentivise more number of Sovereign Wealth Funds (SWF)/ Pension Funds (PF) to invest in Indian Infrastructure, relaxed some of conditions for availing 100% tax exemption. These conditions include prohibition on loans or borrowings, restriction on commercial activities, direct investment in entity owning infrastructure, etc.
    - Bill towards development of DFI with initial capital allocation of Rs.20,000 crs and target asset loan assets of Rs.5 lakh crores in 3 years will enable funding avenues for EPC companies which undertake infrastructure projects.

Consumer Durables - Electronics

Neutral

Budget proposals	Impact on the Industry
• For electronics and mobile phones, a few exemptions on parts of chargers and sub parts of mobile phones are being withdrawn. In addition to this, some parts of mobiles which had 'nil' custom duty rate will now be charged at a moderate rate of 2.5%. The proposed changes in rates will be applicable w.e.f 2.2.2021 unless stated otherwise.	• The measures are aimed at promoting domestic manufacturing of electronics & mobile phones in the country in the long run.

Description	From	To
Inputs, parts or sub-parts for manufacture of specified parts of mobile phones, including: (1) Printed Circuit Board Assembly (PCBA) (2) Camera module (3) Connectors [To apply with effect from 01.04.2021]	0% 0% 0%	2.5% 2.5% 2.5%
Printed Circuit Board Assembly [PCBA] and Moulded Plastic, for manufacture of charger or adapter	10%	15%
Inputs and parts [other than PCBA and moulded plastic] of mobile charger	Nil	10%
Inputs, Parts and Sub-parts [other than PCBA and Liion Cell] for manufacture of Lithium-ion battery and battery pack [w.e.f. 01.04.2021]	0%	2.5%

Consumer Durables - Electronics

Neutral

Description	From	To
Compressor of Refrigerator/Air Conditioner	12.5%	15%
Specified insulated wires and cables	7.5%	10%
Specific parts of transformer such as Bobbins, brackets, wires, etc.	Nil	Applicable Rate
Inputs and parts of LED lights or fixtures including LED Lamps	5%	10%
Solar Inverters	5%	20%
Solar lanterns or solar lamps	5%	15%

Dairy

Positive

Budget proposals	Impact on the Industry
• Agricultural credit target in increased to Rs 16.5 lakh crores in FY22 with a focus to enhance credit flows to animal husbandry, dairy, and fisheries.	• The increased credit flows to dairy industry is expected to positively impact the dairy farmers and increase the funds available at their disposal to produce and market the milk

Edible Oils

Neutral

Budget proposals	Impact on the Industry
• Revision in customs duty for some varieties of edible oils as shown in the table below.	• The change in customs duty led to an increase of 5% of duty on import of crude palm oil whereas for crude palm oil and crude sunflower oil, overall the rate remained the same

Type of Edible Oil	Basic Custom Duty (BCD)	Agriculture Infrastructure & Development Cess (AIDC)	Total rate (BCD+AIDC)	Earlier Rate	Impact
Crude palm oil	15%	17.5%	32.5%	27.5%	Increase by 5%
Crude soyabean oil	15%	20%	35%	35%	No change
Crude sunflower oil	15%	20%	35%	35%	No change

Education

Neutral

Announcements	Impact
Budget expenditure for Education has increased from 85,089 crore (RE Budget FY21) to Rs. 93,224 crore (BE FY22)	
• More than 15,000 schools will be qualitatively strengthened to include all components of National Education Policy	• It is not clear if the schools from private sector will be included. However, if the schools in the private sector are included, then the same will lead to improvement in education imparting quality of these schools which would help them in generating higher revenues going forward
• 100 new Sainik schools will be set up in partnership with NGOs/private schools/states	• The same will provide impetus to players in the private sector by providing investment opportunities thereby opening additional sources of revenue for them
• Introduction of legislation for setting up of Higher Education Commission of India which will be an umbrella body having 4 separate vehicles for standard-setting, accreditation, regulation, and funding	• No major impact as the same was already announced in the National Education Policy earlier in the current financial year
• Setting aside of Glue Grant for various research institutions, universities and colleges supported by Govt. of India in 9 cities	• The same will benefit all such entities engaged in research activities in these 9 cities as they will get more funds for funding their research activities
• Announcement of outlay of Rs.50,000 crore for 5 year period for National Research Foundation	• The same will benefit all such entities which are engaged in research activities as they will get more funds for funding their research activities
• Decrease in budget of Ministry of Education from Rs.99,311 crore for 2020-21 (BE) to Rs.93,224 crore for 2021-22 (BE) with major reduction in budget for Samagra Shiksha	• Reduced budget for school education under Samagra Shiksha is negative for the institutions offering school education which get aid from Government for meeting their running expenses including payment of salary, office and other expenses, purchase of equipments & maintenance of building etc.

Education

Neutral

Announcements	Impact
• Significant reduction in allocation for Higher Education Financing Agency from Rs.2,200 crore for 2020-21 (BE) to Rs.1 crore (BE) for 2021-22 though the allocation for World Class Institutions has increased from Rs.500 crore for 2020-21 (BE) to Rs.1710 crore for 2021-22 (BE)	• Decrease in overall allocation would result in reduced availability of funds for capex for premier educational institutions that offer higher education courses
• No change in the allocation towards interest subsidy and contribution for guarantee funds which remains at the same level of Rs.1,900 crore for 2021-22	• As there is no change in the allocation, the same does not provide any incremental benefit to the institutions offering technical/professional education courses in terms of higher admissions as the said scheme is mainly aimed at increasing the affordability of these courses for students
• Decrease in budget for Ministry of Skill Development and Entrepreneurship from Rs.3002.21 crore for 2020-21 (BE) to Rs.2785.23 crore for 2021-22 (BE)	• As there is decline in the allocation, the same is negative for institutes running vocational courses

Fertilizer

Positive

Budget proposals	Impact on the Industry
• The fertilizer industry has received Rs 0.80 lkh cr. as subsidies where Rs 0.59 lkh cr is earmarked as the urea subsidy and the remaining Rs.0.21 lkh cr is earmarked as the Nutrient Based Subsidy. • Enhancing of agriculture credit target ito Rs 16.5 lakh crore. • BCD rates has been reduced on Specified fertilizers (Urea, MoP, DAP) to 0% and & Agriculture Infrastructure and Development Cess (AIDC) have been imposed to 5% on the same. • Changes in Customs duty on Naphtha from 4% to 2.5%.	• The overall subsidy has increased by 11.5% from its BE amount. Though it seems like the amount has fallen by 40.6% , the RE figure also includes the Rs 65,000 crore announced by the FM during Atmanirbhar III. • This shall augur well for the fertilizer sector. Fertilizer demand would get a fillip on account of credit availability with the farmers and it shall also promote farmers to use more complex and organic fertilizers. • AIDC has been imposed for the purposes of financing the agriculture infrastructure and other development expenditure. Overall there would be no additional burden on the consumer for the change in the rates. • This shall lead to reduction in the cost of inputs and correction of inverted duty Structure and shall benefit the urea players who are using naphtha as the feedstock.

FMCG

Neutral

Budget proposals	Impact on the Industry
• No specific budget announcements were made for FMCG industry. However, allocation to major scheme - Mahatma Gandhi National Rural Employment Guarantee Program (MGNREGA) has been reduced by 36.4% to 0.7 lakh crore in 2021-22 BE from 1.1 lakh crore in 2020-21 RE. Also, the allocation proposed for another major scheme, Pradhan Mantri Kisan Samman Nidhi (PM Kisan) is same as last year, 0.7 lakh crores.	• Rural demand for FMCG products could potentially be adversely affected due to the proposed allocations for MGNREGA and PM Kisan in 2020-21 RE.

Gems and Jewellery

Positive

Customs duty revision		
Item	**From**	**To**
Gold	12.50%	7.50%*
Gold Dore	11.85%	6.90%*
Silver	12.50%	7.50%*
Silver Dore	11.00%	6.10%*
Gold or Silver findings	20.00%	11.00%
Platinum and Palladium	12.50%	10.00%
Cut and Polished Synthetic Stones	10.00%	15.00%

*Excluding proposed levy of Agriculture Infrastructure and Development Cess (AIDC) of 2.5%

Impact:
Reduction in import duties on precious metals would help in tempering prices of such metals, boost jewellery trade, strengthen customer sentiment and increase domestic demand of jewellery. It is also expected to curb malpractices of smuggling and tax evasion.

The Online Equalization Levy of 2% will not be applicable on B2B purchases from International Diamond Auctions and hence help miners sell roughs to manufacturers directly.

Healthcare & pharma

Positive

Budget proposals	Impact on the Industry
• Allocation towards holistic health increased to Rs.2,23,846 crore for FY22 from Rs.94,452 crore in FY21	• The rise in healthcare expenditure will benefit the Indian health infrastructure as we see introduction of a new scheme PM AtmaNirbhar Swasth Bharat Yojana which has an outlay of about Rs.64,180 crores spread over 6 years which will develop capacities of primary, secondary, and tertiary care health systems in India. • The Covid-19 vaccination program which comes at an allocation of Rs.35,000 crore will support the inoculation process in India and will aid its reach to the remotest location of the country. • The announcement is also expected to augur well for the pharma industry.

Hotels & Tourism

Neutral

Budget proposals	Impact on the Industry
Key schemes announced – While no specific announcements were made for the hotels industry, demand for the industry may improve indirectly on account of the following announcements.	
• As part of railway infrastructure, the government has proposed to introduce Vista Dome LHB coach on tourist routes in order to enhance the experience of passengers.	• This measure is expected to indirectly have a marginal positive impact on the tourism industry which in turn will lead to increase in occupancy rate in hotels.
• Amongst other announcements made for Roads and highways infrastructure, by March 2022 the government has proposed to award another 8,500 km length of roads and complete an additional 11,000 kms of national highway corridors.	• Both the announcements made for improving the roads & highways infrastructure and urban transport infrastructure could indirectly promote domestic travel in the long run.
• The government has proposed to increase the share of public transport in urban areas through expansion of metro rail network and augmentation of city bus service. A new scheme will be launched at a cost of `18,000 crores to improve public bus transport services.	

Leather products

Neutral

• Budget proposals	• Impact on the Industry
• Rationalizing exemption on import of duty free items as incentive to exports of leather. • Fresh levy of 10% customs duty on certain leather products and finished leather which are produced domestically.	• **Positive for domestic Tanneries and neutral for domestic footwear manufacturers** – The fresh levy of customs duty is expected to push the demand for indigenously manufactured leather and other leather products with steady demand from Indian footwear manufacturers and other leather products. There is scope of marginal increase in the average selling prices for the domestic footwear manufacturers. • **Negative for exporters of leather products –** The domestic manufacturers and exporters of leather products which have been using the imported leather as per the specification of the buyer will lose the price competitive advantage in the international market to other low cost manufacturing countries including Vietnam and other South East Asian Countries.

Logistics and Warehousing

Positive

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<tr><th>Budget proposals</th><th>Impact on the Industry</th></tr>
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- Commissioning of the Western Dedicated Freight Corridor (DFC) and Eastern DFC by June 2022. Outlay of Rs`1,10,055 crores, for Railways of which `Rs 1,07,100 crores is for capital expenditure. The following additional initiatives are proposed:
  - o The Sonnagar – Gomoh Section (263.7 km) of Eastern DFC will be taken up in PPP mode in 2021-22. Gomoh-Dankuni section of 274.3 km will also be taken up in short succession.
  - o Undertaking of future dedicated freight corridor projects namely East Coast corridor from Kharagpur to Vijayawada, East-West Corridor from Bhusaval to Kharagpur to Dankuni and North-South corridor from Itarsi to Vijayawada. Detailed Project Reports will be undertaken in the first phase.
  - o Broad Gauge Route Kilometers (RKM) electrified is expected to reach 46,000 RKM i.e., 72% by end of 2021 from 41,548 RKM on 1st Oct 2020. 100% electrification of Broad-Gauge routes will be completed by December, 2023.
- Asset Monetization of Warehousing Assets of CPSEs such as Central Warehousing Corporation and NAFED among others..

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- Dedicated freight corridors will enhance the railways market share in carrying containers (via efficient, safe, cheaper and faster option as compared to roadways) from around 30% to 50% and is positive for private train operators. These operators will benefit significantly due to better rail network with an increase in asset turnaround.
- The monetization of warehousing assets is expected to bring in significant private investments in the sector. The number of transactions in the warehousing has increased significantly over the period FY17 to FY20 on the back of demand driven by e-commerce and third party logistics.

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Metals

Negative

Budget proposals	Impact on the Industry
In Budget 2021-22, the government has increased capital expenditure (Capex) to Rs 5.54 lakh crores which is 34.5% more than the BE of 2020-21. • National Rail Plan for 2030 - A record sum of Rs 1.10 lakh crores, for Railways of which Rs 1.07 lakh crores is for capital expenditure. • Metro rail network - A total of 702 km of conventional metro is operational and another 1,016 km of metro and RRTS is under construction in 27 cities. • Augmentation of city bus service - A new scheme will be launched at a cost of Rs 18,000 crores to support augmentation of public bus transport services. The scheme will facilitate deployment of innovative PPP models to enable private sector players to finance, acquire, operate and maintain over 20,000 buses. • City Gas Distribution - 100 more districts to be added in the next 3 years to the city gas distribution network. A gas pipeline project will be taken up in Union Territory of Jammu & Kashmir. Ujjwala Scheme will be extended to cover 1 crores more beneficiaries. • National Infrastructure Pipeline (NIP) - The NIP was launched in December 2019 with 6835 projects; the project pipeline has now expanded to 7,400 projects. • Voluntary Vehicle Scrappage Policy announced for private and commercial vehicles • Under the Recycling of Ships Act, 2019 recycling capacity of around 4.5 Million Light Displacement Tonne (LDT) will be doubled by 2024	• Railway capex augmentation and metro rail project augur well for steel sector and is likely to increase the demand for steel products, especially long steel products. • Augmentation of city bus transport service augurs well for the auto sector which in turn will boost demand for flat steel products. • The City Gas Distribution pipeline proposal is expected to add several thousand kilometers of steel pipeline which will create demand for flat products. • The NIP will also create demand for long steel products. • The Vehicle scrapping policy will benefit the secondary steel and aluminium producers who rely on scrap to produce metals, as availability of scrap will improve. • Availability of metal scrap will also improve with the doubling of ship recycling capacity by 2024.

Metals

Negative

Budget proposals	Impact on the Industry
• Broad Gauge Route Kilometers (RKM) electrified is expected to reach 46,000 RKM i.e., 72% by end of 2021 from 41,548 RKM on 1st Oct 2020. 100% electrification of Broad-Gauge routes will be completed by December, 2023.	• Increased coverage of electrification will lead to higher requirement of infrastructure in the form of transmission lines and towers made either from copper or aluminium, which is likely to support the demand for both the base metals.

Category for Basic Customs Duty	From	To
• Ferrous Waste Scrap, re-melting scrap ingots of Iron & Steel	5%	NIL (up to 31.3.2022)
• Primary/Semi-finished products of iron or non-alloy steel	10%	7.5%
• Semi-finished Products Of Iron Or Non-alloy Steel - Containing By Weight Less Than 0.20% Of Carbon	10%	7.5%
• Customs Duty of Flat-rolled Products Of Iron Or Non-alloy Steel, Of A Width Of 600 Mm Or More, Hot- Rolled, Not Clad, Plated Or Coated	12.5%	7.5%
• Long Products of iron or non alloy steel, stainless steel and alloy steel	10%	7.5%
• Specified inputs for manufacturing CRGO steel mentioned against S. Nos. 374 and 375 of notification	5-10%	NIL (up to 31.3.2023)
• Import of scrap of iron or steel including stainless steel and alloy steel has been exempted for a period up to 31st March, 2022.		NIL
• Screws, bolts, nuts etc		15%
• copper waste and scrap	5%	2.5%
• Anti-dumping duty on Cold-Rolled Flat Products of Stainless Steel of width 600mm to 1250mm and above 1250mm of non-bonafide usage originating in or exported from People's Republic of China, Republic of Korea, European Union, South Africa, Taiwan, Thailand and United States of America is being discontinued upon expiry of the antidumping duty		

Metals

Negative

Anti-dumping duties (ADD) and Countervailing duty (CVD)	Exporting /Originating country
Anti-dumping duty (ADD) on certain steel products has been revoked for the period commencing from the 2nd February, 2021 to the 30th September, 2021. These products are as below:	
Straight Length Bars and Rods of Alloy Steel	People's Republic of China
High-Speed Steel of Non-Cobalt Grade	Brazil, People's Republic of China and Germany
Flat rolled product of steel, plated or coated with alloy of Aluminium and Zinc	People's Republic of China, Vietnam and Republic of Korea
High-Speed Steel of Non-Cobalt Grade	Brazil, People's Republic of China and Germany
Countervailing duty (CVD) on Flat rolled products of stainless steel is being revoked.	Indonesia

Impact:
The reduction in import duty on copper scrap will benefit the secondary copper recyclers.

The reduction in customs duty and removal of ADD and CVD is likely to benefit companies that rely on import on steel and scrap. The removal of duty on steel scrap will benefit the secondary steel producers who have seen a sharp rise in their input cost over the last six months. The gap between the primary and secondary players are expected to reduce. The revoking of CVD on FRP and stainless steel are likely to soften finished steel prices.

Oil and Gas

Positive

Budget proposals	Impact on the Industry
• The Pradhan Mantri Ujjwala Yogna to be extended to cover 1 crores more beneficiaries. • Proposal to: Add 100 more districts in next 3 years to the City Gas Distribution network; A gas pipeline project to be taken up in Union Territory of Jammu & Kashmir; Setting up of an independent Gas Transport System Operator for facilitation and coordination of booking of common carrier capacity in all-natural gas pipelines on a non-discriminatory open access basis. • The oil and gas industry has received Rs 0.14 lkh cr. as subsidies where Rs 0.14 lkh cr. is earmarked as the LPG subsidy and the kerosene subsidy seems to have been discontinued. • Proposal to levy an Agriculture Infrastructure and Development Cess (AIDC) on of Rs 2.5/litre on petrol and Rs 4/litre on diesel.	• Augurs well for OMCs as they can further extend their LPG coverage in the country. As of 1.1.2021 PMUY beneficiaries had fallen by 0.2% compared with the comparable period in the previous year. • The budget proposals are in line for the government's aim in increasing gas consumption from 6% to 15% by 2030. Midstream companies get the opportunity to set up gas pipelines in the UT of Jammu and Kashmir and CGD players are also able to penetrate to more geographies which is in line of the 9th and 10th CGD bidding rounds. • The fuel subsidy has been reduced sharply by 64% due to benign oil prices. What is interesting to note is that kerosene subsidy too has been discontinued and accounted for FY22. • No change in the final price of petrol and diesel is expected as consequently, unbranded petrol and diesel will attract basic excise duty of Re 1.4/litre, and Re 1.8/litre, respectively and the special additional excise duty on unbranded petrol and diesel has also been revised to Rs 11/litre and Rs 8/litre, respectively.

Petrochemical

Neutral

Budget proposals	Impact on the Industry
• Reduction in custom duty of naphtha to 2.5% from 4%	• This will benefit the domestic manufacturers of petrochemicals as naphtha is one of the most common feedstock used by crackers to make petro-based products. This, in turn, is expected to improve the domestic output of petrochemicals from India. Out of the 11 cracker complexes with ethylene production capacity in India, 3 are pure naphtha-based crackers, while 3 are dual-feed crackers (which can use naphtha and gas interchangeably as feedstock). Thus, a significant proportion of ethylene capacity in India is based on naphtha.

Power Distribution

Positive

Announcements	Impact on the Industry
• A revamped reforms-based result-linked scheme of Rs. 305,984 cr for 5 years will be launched. The fund will be utilized to develop infrastructure of power distribution companies for pre-paid smart metering, feeder segregation and network up-gradation. Disbursement will be tied to achievement of pre-defined financial targets. • Development of a framework to provide consumers the choice of more than one distribution company	• The scheme is expected to result in upgradation of distribution company infrastructure. Investment in network upgradation is likely to improve collections and AT&C losses levels of distribution companies which in turn shall benefit generation companies by way of timely receipt of energy bills. • Delivery of reliable and better service quality at competitive price will call for efficient management. The sector may witness higher privatization as a result.

Ports/ Shipping

Positive

Budget proposals	Impact on the Industry
• Major Ports will be moving from managing their operational services on their own to a model where a private partner will manage it for them. For the purpose, 7 projects worth more than `2,000 crores will be offered by the Major Ports on Public Private Partnership mode in FY21-22	• Improve operational efficiency and improve the operating standards on par with global.
• India has enacted Recycling of Ships Act, 2019 and acceded to the Hong Kong International Convention. Around 90 ship recycling yards at Alang in Gujarat have already achieved HKC-compliant certificates. Efforts will be made to bring more ships to India from Europe and Japan. Recycling capacity of around 4.5 Million Light Displacement Tonne (LDT) will be doubled by 2024	• This is expected to generate an additional 1.5 lakh jobs
• A scheme to promote flagging of merchant ships in India will be launched by providing subsidy support to Indian shipping companies in global tenders floated by Ministries and CPSEs. An amount of `1624 crores will be provided over 5 years.	• This initiative will enable greater training and employment opportunities for Indian seafarers besides enhancing Indian companies share in global shipping

Real Estate

Neutral

Budget proposals	Impact on the Industry
• Increase in safe harbour limit from 10% to 20% for the specified primary sale of residential units. • Proposals pertinent towards Affordable Housing: Additional tax benefit pertaining to interest paid on affordable housing loans to the extent of Rs. 1.5 to be extended by another year to March 31, 2022; Tax holiday on profits earned by the affordable housing developers is also proposed to be extended by another year to March 31, 2022.; Tax exemption for notified Affordable Rental Housing Projects • Dividend payments to REITs and INVITs is proposed to be exempted from TDS • Debt Financing of REITs by Foreign Portfolio Investors will be enabled by making suitable amendments in the relevant legislations.	• This is supposed to be a major relief for first time buyers and sellers - in terms of lower stamp duty and capital gains tax. Developers can also clear the unsold inventory • The extensions announced in the budget are likely to maintain the positive momentum in demand and supply for affordable houses. • TDS exemption to REITs and INVITs will remove the associated TDS inefficiency on dividend payments. • This will further ease access of finance to REITs thus augmenting funds for infrastructure and real estate sectors.

Roads

Positive

Budget Proposals	Impact on the Industry
• To set up professionally managed Development Finance Institution (DFI) with initial capital of Rs.20,000 crore. Target lending portfolio of Rs 5 lakh crore by end of three years i.e FY24.	• Augment funding avenues to the highway sector which predominantly relied on traditional bank line funding.
• Launch of "National Monetisation Pipeline" to enable monetization of brownfield infrastructure assets	• Specific boost to operating NHAI operational toll roads Yet given the past records timely fructification of this proposal holds the key for the sector.
• Enhanced outlay of Rs.1,18,101 lakh crores for Ministry of Road Transport and Highways, of which Rs.1,08,230 crores is towards capital.	• The allocation is ~ 32% higher than previous year and augurs well for the fund starved sector and bridge the deficit arising due to lower than expected allocations in the past.
• Proposal to award ~ 16,600 km of National Highways road projects • Increase in NIP projects from 6835 to 7400 projects	• Augurs well for the industry because it is augmenting the overall connectivity of the nation's roads and highways and it will rekindle private interest in road development.
• Notified Infrastructure Debt Funds eligible to raise funds by issuing tax efficient Zero Coupon Bonds	• Augment the long term funding options for road infrastructure, enabling faster monetization/ refinance of completed projects.
• The dividend paid to Real Estate Infrastructure Trusts or Infrastructure Investment Trusts (REIT/InvIT) shall be exempt from TDS. While deduction of tax on incomes including dividend income of Foreign Portfolio Investors to be made at treaty rate.	• Exemption of TDS can help in reducing short term funding requirement at InVIT level translating into higher generation of free cash flow available for distribution. • With elimination of ambiguity on tax treatment, FPI investors can be attracted for investments in INVITs thereby aiding NHAI in its asset monetisation plans.

Renewable Energy

Positive

Customs Duty	Before	After	Impact
Solar Inverter	5%	20%	+ (Positive for domestic manufacturers)
Solar Lanterns	5%	15%	+ (Positive for domestic manufacturers)

Additional Capital Infusion : Nodal Agency	Amount (Rs Crore)
Solar Energy Corporation of India (SECI)	1,000
SolaIndian Renewable Energy Developemnt Agency (IREDA)	1,500

Budget Proposal	Impact on the Industry
Basis customs duty (BCD) on solar inverters is raised from 5% to 20%	There was an expectation for BCD by domestic solar cell and module manufacturers from this budget which could provide them a clear road map before investing heavily in the domestic solar cell and module manufacturing capacity. There is no announcement on this count in this budget. Increasing the BCD on solar inverters shall help the domestic solar inverter manufacturers but the cost of solar inverter forms a very small portion of total cost of solar project

A phased plan for boosting domestic manufacturing of cells and modules capacity will be notified in the near future.

Sugar & Distillery

Neutral

Budget proposals	Impact on the Industry
• Changes in basic customs duty (BCD) of denatured ethyl alcohol (ethanol) for manufacture of excisable goods from 2.5% to 5% • BCD rates have been reduced on Alcoholic beverages falling in Chapter 22 from 150% to 50% while Agriculture Infrastructure and Development Cess (AIDC) have been imposed on the alcoholic beverages to the tune of 100% on the same value	• This shall benefit domestic manufacturers who are manufacturing ethyl alcohol. • BCD rates have been reduced on Alcoholic beverages falling in Chapter 22 from 150% to 50% while Agriculture Infrastructure and Development Cess (AIDC) have been imposed on the alcoholic beverages to the tune of 100% on the same value.

Textile

Positive

Budget proposals	Impact on the Industry
• A Scheme of 7 Mega Investments Textile Parks will be set up with a three year implementation period in addition to the PLI scheme	• Positive for the textile industry as a whole with government's endeavor to make Indian textile industry fully integrated and globally competitive with a major focus on boosting exports and employment generation.
• Budgetary allocations of Rs.700 crores to ATUFS scheme in 2021-22, compared Rs.545 crores as per the revised budget estimates for 2020-21	• The budget allocation for A-TUFS is 28% higher than the revised estimates for the previous year i.e. 2020-21. It will be positive for fresh capex.
• Allocations towards the development of jute industries almost doubled to Rs. 153 crores, compared to the revised estimate of Rs. 71.5 crores for 2020-21	It will help in the development of jute sector in alignment with government's mission of 'Self-Reliant India'.
• Budget allocations towards textile infrastructure increased by 44% to Rs 204 crores, compared to the revised estimate of Rs.142 crore for 2020-21	• Positive for the players in the textile industry.

Custom Duty on Textiles	From	To
Cotton (not carded or combed)	Nil	10%*
Raw Silk, Silk Yarn	10%	15%
Textile Caprolactam,	7.5%	5%
Nylon chips, Nylon fiber and yarn	7.5%	5%

*Includes agriculture infrastructure and development cess at the rate of 5%

The change in custom duty is expected to be beneficial for nylon value chain.

IT/ITeS

Neutral

Budget proposals	Impact on the Industry
Setting up of National Digital Educational Architecture (NDEAR)	In addition to supporting teaching and learning activities, the announcement is expected to facilitate educational planning, governance and administrative activities of the Centre and the States/ Union Territories. This would provide a diverse education eco-system architecture for development of digital infrastructure.
Launch of two schemes (NEBPS and IBPS) under IT for Jobs pillar under the Digital India Programme	Incentivize BPO/ITES operations across the country, particularly digitally deficit areas for creation of employment opportunities for the youths and the balanced regional growth of IT/ITES Industry.
Launch of Cyber Security Projects (NCCC & Others)	Will help adopt a holistic approach towards securing the cyber space of the country by pursuing multiple initiatives like Security Policy, Compliance and Assurance, Security, Incident-Early warning & Response, Security Training, Security specific R&D, Enabling Legal Framework and Collaboration.

New budget outlay for Digital India e-learning has increased from Rs.305.38 crore (RE Budget FY21) to Rs.645.61 crore (BE FY22).

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