WAY2WEALTH
Research Desk

Union Budget Review 2023-24

01 February 2023 **Union Budget 2023-24**

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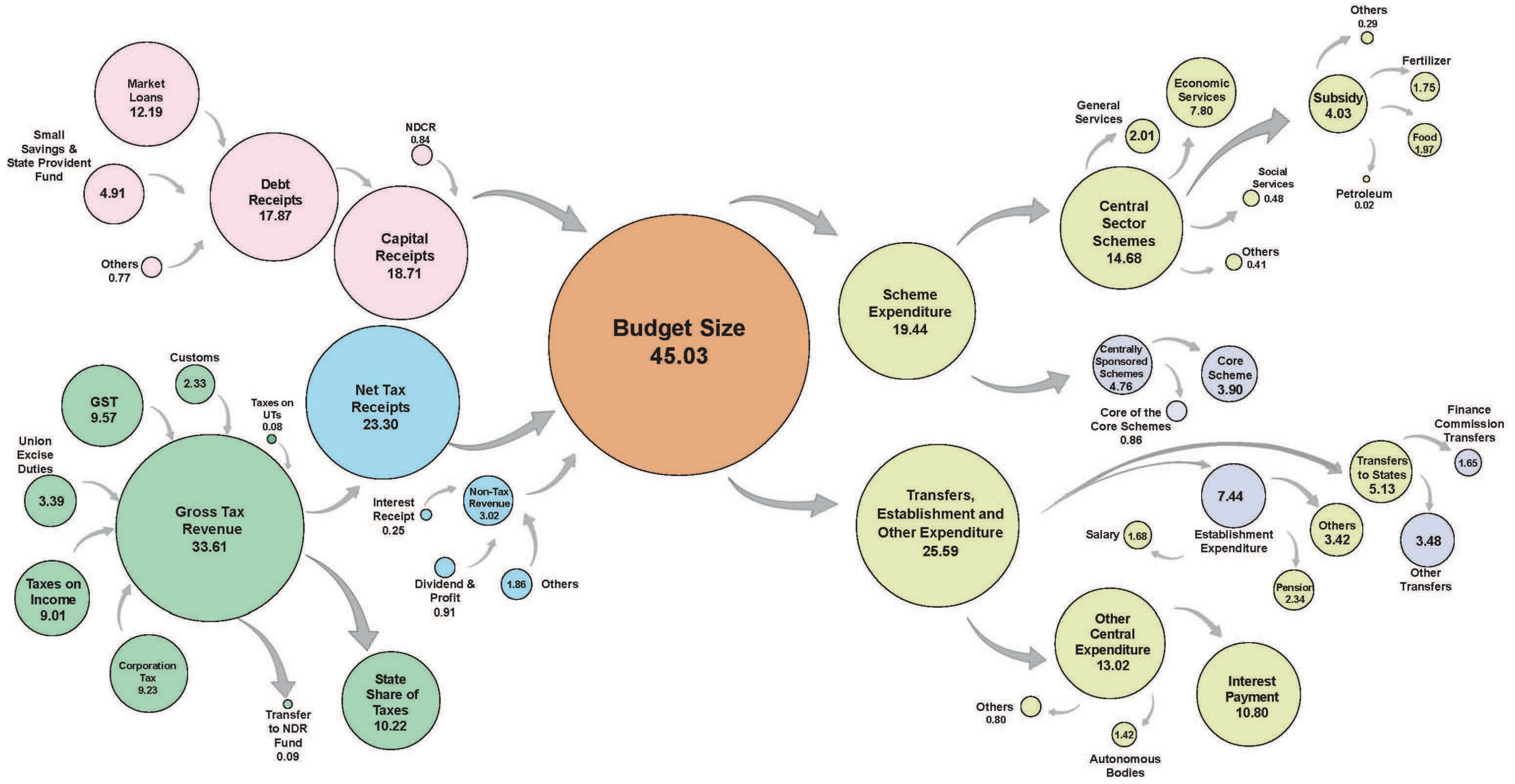
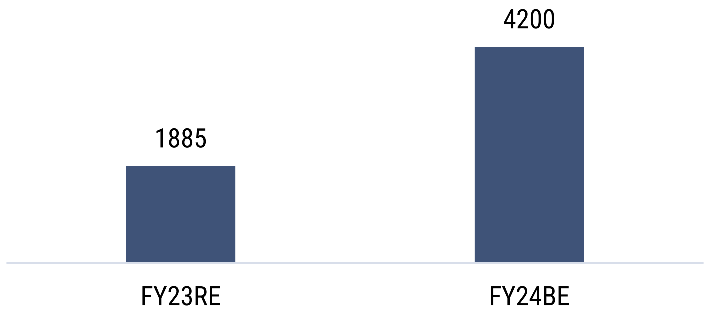
Budget Profile

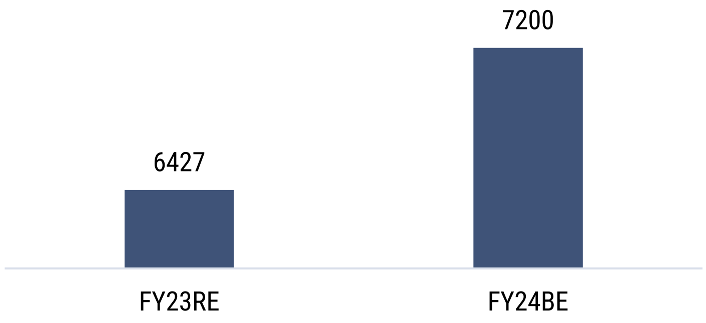


Allocation to major schemes (₹ Cr)

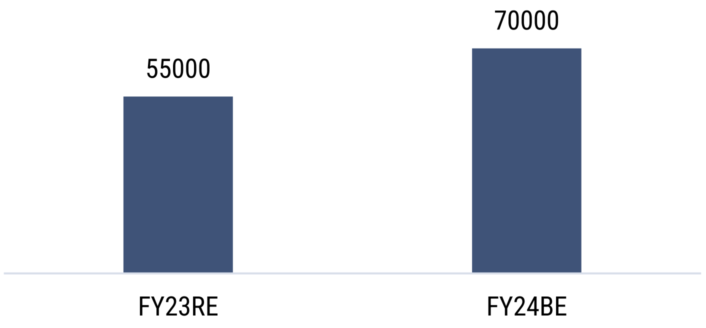
PM- Ayushman Bharat Health Infrastructure Mission



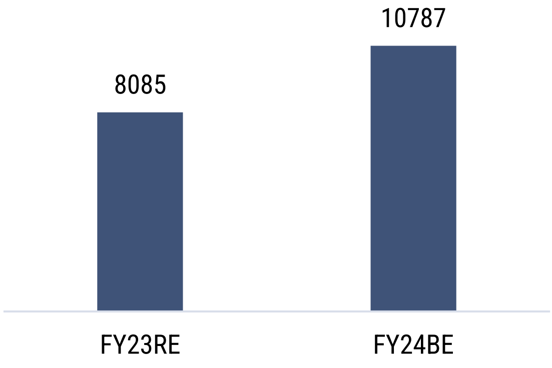
Ayushman Bharat - PM Jan Arogya Yojna (PMJAY)



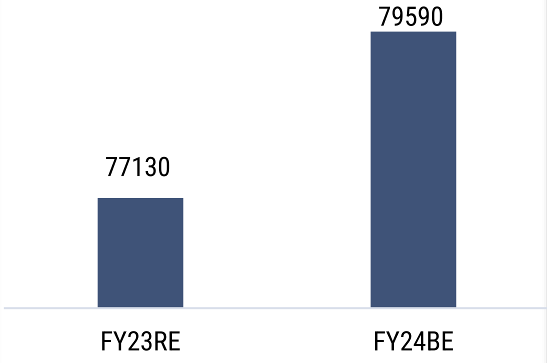
Jal Jeevan Mission/National Rural Drinking Water Mission



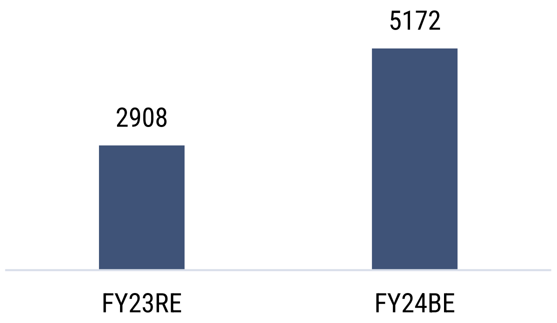
PM Krishi Sinchai Yojna



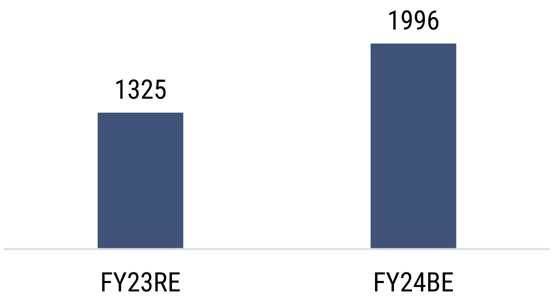
Pradhan Mantri Awas Yojna (PMAY)



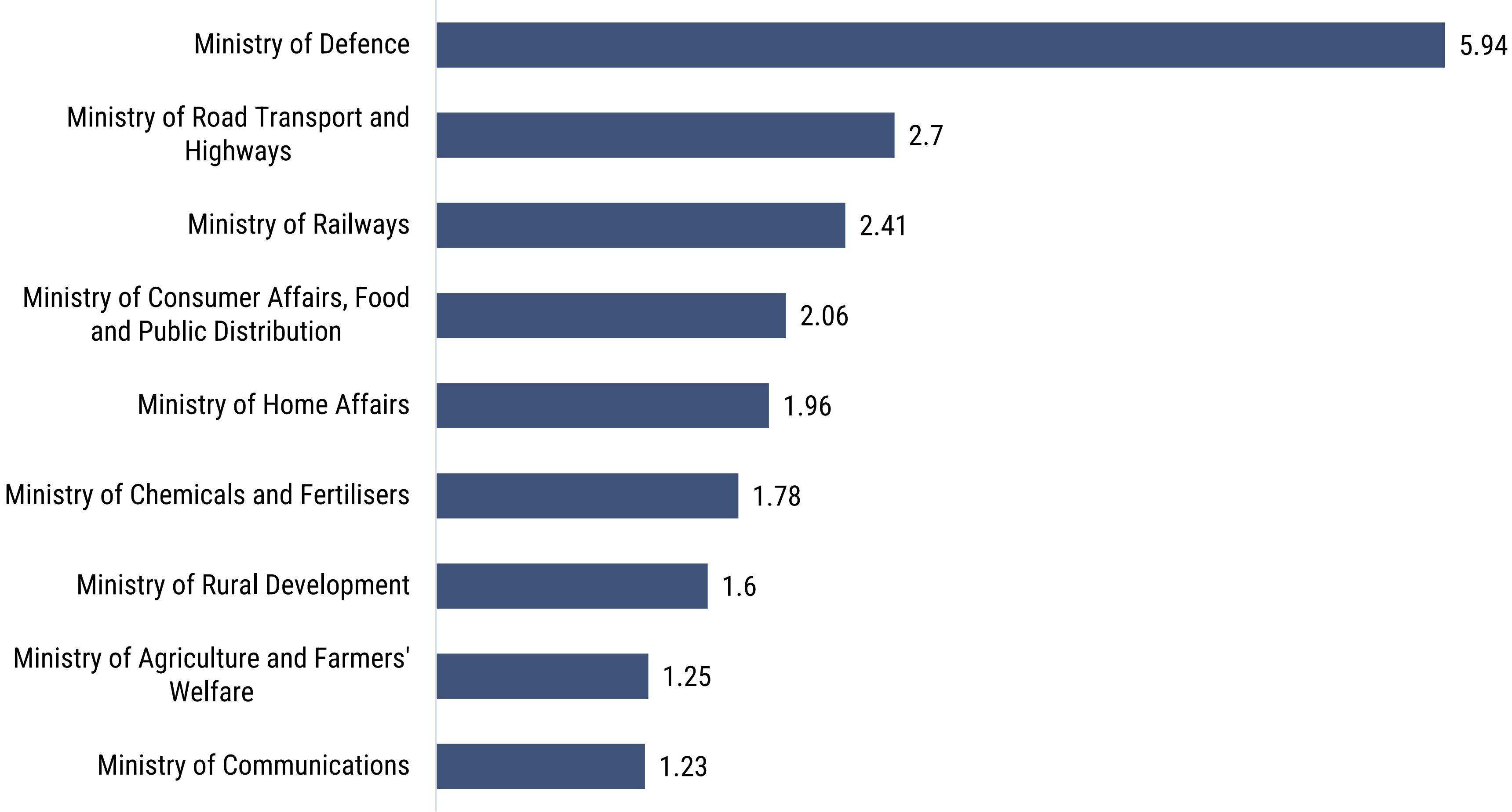
Scheme for Faster Adoption and Manufacturing of EVs (FAME - India)



Kisan Urja Suraksha evam Utthaan Mahabhiyan (KUSUM)



Ministry Wise Allocation (₹ in Lakh Cr.)



Budget 2023 – Building on Foundations of Previous Budget

At macro level retaining the Fiscal deficit for FY23 at 6.4% of GDP with Fiscal deficit for FY24 estimated at 5.9% of GDP small increase in revenue expenditure

To follow fiscal consolidation to take fiscal deficit to below 4.5% by 2025-26.Tax receipts for next fiscal budgeted at ₹ 23.3tn.

Increase in Capex Outlay by 33% YoY to ₹10tn at 3.3% of GDP.

FY23 divestment target revised to ₹500bn with growth estimated at 7%

Highest ever Rail capex at ₹2.4tn – 9x of 2013-14.Taking the effective capex outlay to ₹13.7tn - 4.5% of GDP FY24E

50 year Interest free loan to states to be spent on Capex within 2023-24. Fiscal Deficit of 3.5% of GSDP allowed for states (0.5% tied to Power sector reforms)

Priorities of the budget on Inclusive growth for Agriculture/ Rural economy; Improve Infra & Investment opportunities , Green Growth with transition to Green energy ; Supporting MSME

Simplification in Indirect taxes to deliver higher exports, higher domestic manufacturing and more focus towards Green energy and Mobility to have Zero net emission by 2070.

Increase in income limit for rebate under New tax regime from ₹500,000 to ₹700,000 with new six slabs to have more discretionary spend.

Budget 2023 – Maximum done for Agri/Rural Economy

Agriculture and Rural Economy	Major Beneficiaries
• FY24 food subsidy seen at ₹1.97tn and fertilizer subsidy seen at ₹1.75tn respectively. • Agri credit target increased to ₹20tn up 11% • To spend ₹22bn for high value horticulture • To provide a 2% interest subsidy to ensure farmers get short-term loans of up to ₹3 lakh at effective rate of 7% per annum. • RBI has decided to raise the limit for collateral-free agriculture loans from the previous amount of ₹1 lakh to ₹1.6 lakh. • Raised PM Awas Yojana outlay by 66% to ₹790bn • To spend ₹150bn on Particularly Vulnerable Tribal Groups (PVTG) over 3 years • Sugar cooperatives to get benefit of ₹100bn. • Increase in outlay for Central sponsored schemes under Agriculture and farmers welfare from ₹120bn FY23 RE to ₹146.7bn FY24BE. • A new sub-scheme under the PM Matsya Sampada Yojana with a targeted investment of ₹60bn to boost the seafood industry, improve post-harvest management and marketing, and help expand markets for fishermen, fish vendors and SME vendors. • Increase in allocation towards Jal Jeevan Mission (JJM)/National Rural Drinking Water Mission from ₹550bn FY23RE to 700bn • 51% increase in outlay for KUSUM scheme from ₹13.25bn FY23RE to ₹19.96bn FY24BE	• Waterbase • Avanti Feeds • Apex Frozen Foods • HUL, • DABUR • Marico • Prince Pipes • Supreme Industries Ltd • JK Cement • Ultratech Cement • India Cement • Birla Corporation • Shakti Pumps

Health & Welfare	Major Beneficiaries
• The Union health and family welfare ministry has been allocated ₹891.55bn in the Union budget FY24 marking a rise of a meagre 12% when compared to the revised budget estimated for FY23. • In the ongoing fiscal, the budget spent on the department of health and family welfare is ₹763.7bn while ₹27.75bn had been marked for the department of health research. For FY24, ₹29.8bn has been allocated for the department of health research. • 13.5% increase in outlay for Central sponsored schemes from ₹417.6bn FY23 RE to ₹473.47bn FY24BE	• Apollo Hospitals • Shalby • Narayana Hrudayalay • Dr Lal Pathlabs • Metropolis Health care • Krishna Institute of Medical Sciences Ltd

Priority On Infra Sector Continues

The infrastructure sector continued to be the key priority in Budget 2023, acknowledging the sector's large multiplier impact on growth and employment-	Major Beneficiaries
• The capital investment outlay for the sector was increased for the third consecutive year by 33%to ₹10tn, which would be 3.3% of GDP. This outlay is almost 3 times the outlay made in 2019-20. • Support to state governments for capital investment- The FM decided to continue the 50-year interest free loan for state governments for one more year to spur investment in infrastructure and to incentivize them for complimentary policies with an enhanced outlay of ₹1.3tn. • The newly established infrastructure finance secretariat will assist all stakeholders for more private investment in infrastructure including roads, railways, urban infrastructure and power. • A capital outlay of ₹2.4tn has been provided for railways in FY24. This highest ever outlay is almost 9x the outlay made in 2013-14. • 100 critical transport infrastructure projects for last and first mile connectivity for ports, coal, steel, fertilizers and food grain sectors have been identified. They will be taken up on priority with investment of ₹75bn including ₹150bn from private sectors. • 50 additional airports, heliports, water aerodromes and advanced landing grounds will be revived for improving regional air connectivity. • Sustainable cities for tomorrow- States and cities will be encouraged to undertake urban planning reforms. • Nothing major announcement for Power sector in terms of Capital Outlay. • Overall Defence budget hiked to ₹ 6.2tn +16 % from last year. This includes pensions that have gone up significantly. Capital outlay for Defence services increased by 8.7% from ₹1.5tn FY23RE to ₹1.63tn FY24BE. • Capital outlay for Road Transport & Highways increased 37.7% from ₹1.89tn FY23RE to ₹2.59tn FY24BE	• L&T, • Siemens, • ABB, • RVNL, IRCON, RITES • BEL, BEML, HAL, Data Patterns, MIDHANI, Cochin Shipyard, GRSE, Mazagon Dock Shipbuilders • Timken India • GR Infraprojects, KNR Construction, PNC Infratech, Ashoka Buildcon, JKumar Infraprojects

GREEN GROWTH – AIM TO HAVE NET ZERO CARBON EMISSION BY 2070

Transitioning towards Green Energy	Major Beneficiaries
• The National Green Hydrogen Mission (outlay of ₹197bn) will facilitate the transition of the economy to low carbon intensity and reduced dependence on fossil fuel imports. • Target for the hydrogen mission is to reach annual production of 5 MMT by 2030. • Battery energy storage systems with capacity of 4,000 MWh will be supported with viability gap funding. • ₹350bn allocated for priority investment towards energy transition, net-zero objective. • Battery energy storage systems will be supported with viability gap funding. • Framework for pump storage projects announced. Inter-state transmission system for evacuation, grid integration of 13 GW of renewable energy from Ladakh to be constructed with investment of ₹207bn. • Coastal shipping to be promoted as an energy efficient and lower cost mode of transport through the PPP model.	• NTPC • RIL • L&T • Tata Power • Borosil Renewables • SW Solar • KPI Green Energy

Direct & Indirect Taxes

5 major announcements on Personal income tax front Tax rebate limit raised to ₹7 lakh from ₹5 lakh under new tax regime

- **New personal tax regime**
  - 0 to ₹3 lakh: Nil
  - 3 lakh - 6 lakh: 5%
  - 6 lakh - 9 lakh: 10%
  - 9 lakh - 12 lakh: 15%
  - 12 lakh - 15 lakh: 20%
  - 15 lakh - above: 30%
- New Income Tax regime to be default regime, will have option to choose old regime. An individual with income of ₹ 15 lakh will have to pay ₹ 1.5 lakh tax, down from ₹ 1.87 lakh under new tax structure.
- To reduce the highest surcharge rate from 37% to 25% in the new Tax regime. This will result in the reduction of the maximum tax rate to 39%
- The limit of ₹3 lakhs for tax exemption on Leave Encashment limit raised to ₹25 lakhs
- Income above ₹5 lakh from insurance policies will be taxed.
- Fiscal support for digital public infrastructure (DPI) will continue in 2023-2024
- The scope of documents available in DigiLocker for individuals will be expanded
- An entity DigiLocker will be set up for use by MSMEs and large businesses
- PM VIKAS scheme will now include access to digital payments and social security.
- Subsidy for UPI expected to jump two-folds to ₹21.37bn in FY23 over previous fiscal.
- Allocation for digital payments promotion remains stagnant at ₹15bn for last three years

Indirect Taxes – To focus more on indigenisation enabling Higher exports and value addition

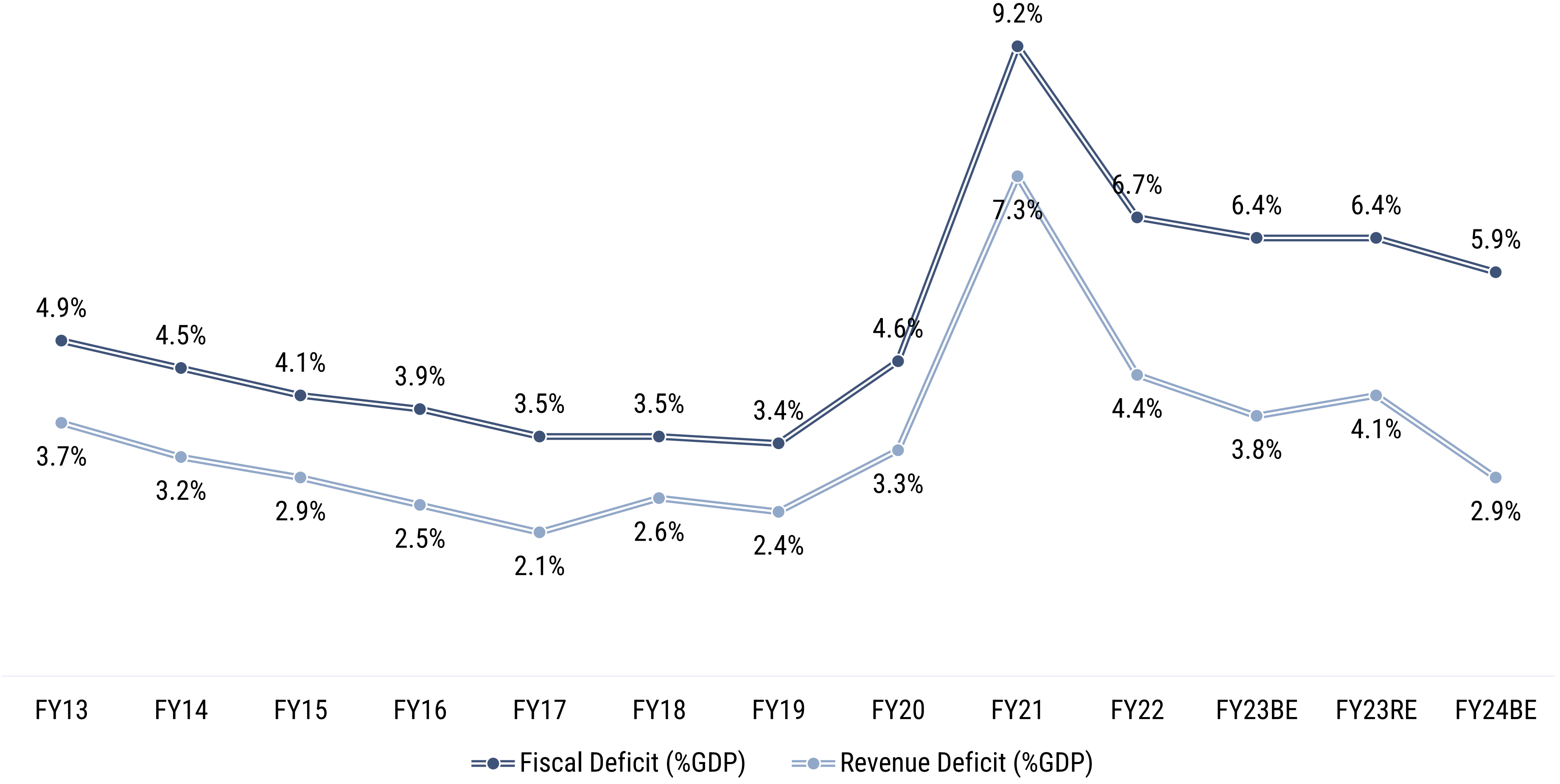
- Basic Custom Duty cut from 21% to 13%. Hike in basic customs duty on articles made from gold bars while increasing the tax on cigarettes by 16%. The government would also reduce customs duty on shrimp feed to promote exports. Customs duty on parts of open cells of TV panels would be cut to 2.5%, while customs duty on kitchen electric chimney has been increased to 15 per cent from 7.5 per cent.
- **What is cheaper?**
  - Aero planes and other aircrafts; Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form; Base metals or silver, clad with gold, not further worked than semimanufactured; New or retreaded pneumatic tyres, of rubber, of a kind used on aircraft of heading; Platinum, unwrought or in semimanufactured form, or in powder form; Waste and scrap of precious metal or of metal clad with precious metal; several aquaculture inputs; Some TV, camera parts.
- **Which imports are more expensive?**
  - Vehicle (including electric vehicles); Silver Dore; Naphtha; styrene, Vinyl Chloride Monomer, Compounded Rubber, Articles of precious metals, Imitation Jewellery, Electric Kitchen Chimney, Bicycles, Toys and parts of toys (other than parts of electronic toys)

Major Beneficiaries –

Balkrishna Industries, Havells, Crompton Greaves Consumer, Amber Enterprises, Dixon Technologies, VGuard, Tata Motors, Ashok Leyland, StoveKraft

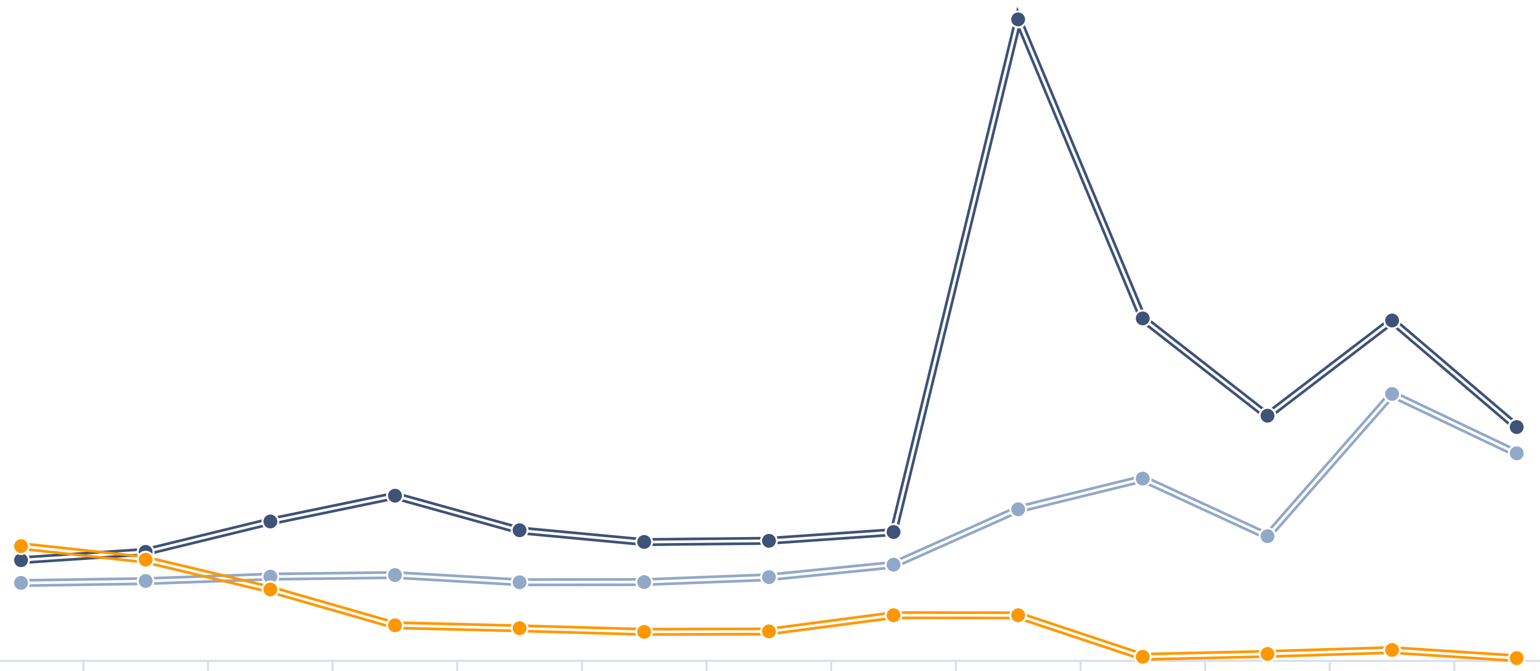
	2021-22	2022-23 BE	2022-23 RE	2023-24 BE
1. Revenue Receipts	**2169905**	**2204422**	**2348413**	**2632281**
2. Tax Revenue (Net to Centre)1	1804793	1934771	2086662	2330631
3. Non Tax Revenue	365112	269651	261751	301650
4. Capital Receipts	**1623896**	**1740487**	**1838819**	**1870816**
5. Recovery of Loans	24737	14291	23500	23000
6. Other Receipts	14638	65000	60000	61000
7. Borrowings and Other Liabilities2	1584521	1661196	1755319	1786816
8. Total Receipts (1+4)	**3793801**	**3944909**	**4187232**	**4503097**
9. Total Expenditure (10+13)	**3793801**	**3944909**	**4187232**	**4503097**
10. On Revenue Account	3200926	3194663	3458959	3502136
of which				
11. Interest Payments	805499	940651	940651	1079971
12. Grants in Aid for creation of capital assets	242646	317643	325588	369988
13. On Capital Account	592874	750246	728274	1000961
14. Effective Capital Expenditure (12+13)	**835520**	**1067889**	**1053862**	**1370949**
15. Revenue Deficit (10-1)	**1031021**	**990241**	**1110546**	**869855**
	(4.4)	**(3.8)**	**(4.1)**	**(2.9)**
16. Effective Revenue Deficit	**788375**	**672598**	**784958**	**499867**
(15-12)	**(3.3)**	**(2.6)**	**(2.9)**	**(1.7)**
17. Fiscal Deficit	**1584521**	**1661196**	**1755319**	**1786816**
[9-(1+5+6)]	**(6.7)**	**(6.4)**	**(6.4)**	**(5.9)**
18. Primary Deficit (17-11)	**779022**	**720545**	**814668**	**706845**
	(3.3)	(2.8)	(3.0)	(2.3)

Deficit Trends



Source: Budget Documents

Subsidies (₹ cr)



	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23BE	2022-23RE	2023-24BE
Food	85,000	92,000	1,17,67	1,39,41	1,10,17	1,00,28	1,01,32	1,08,68	5,41,33	2,88,96	2,06,83	2,87,19	1,97,35
Fertiliser	65,708	67,339	71,090	72,416	66,313	66,441	70,605	81,124	1,27,92	1,53,75	1,05,22	2,25,22	1,75,10
Petrolium	96,880	85,378	60,270	30,000	27,539	24,460	24,837	38,529	38,455	3,423	5,813	9,171	2,257

Source: Budget Documents

- Today's Budget was an extremely well-balanced budget focused on growth driven by capital expenditure while giving an adequate push to rural welfare and agriculture. The focus was on 3Cs which stand out are - Capex increase - consumption boost - capital gains tax status quo. Mindful of the fact that there is hardly any space for fiscal expansion, FY24 fiscal deficit is pegged at 5.9% and expected to see progressive reduction by FY26.
- As expected, the budget was heavy on capex, which is needed to ensure the cyclical recovery continues. Infrastructure, along with the agriculture push, will help the rural economy improve by boosting employment and incomes. The budget when further dissected in three realms of Agriculture, Manufacturing and Services sector, maximum was done for Agriculture and least for Services sector and specially for financial sector, as the budget's inclination towards New Income Tax regime will reduce incentive to invest in financial products (including MFs' ELSS, insurance premium etc.). Or, for that matter, even the decade-old housing sector incentives for interest payments will be the least preferred option.
- Although changes to the tax regime will forego tax revenue estimated ₹350bn, the budget predicts largely buoyant revenue on the back of strong nominal GDP growth and gains from the tax administration. This will help mitigate pressures on debt affordability from increasing debt servicing costs associated with rising interest rates
- Although the gradual fiscal consolidation trend remains intact and will help to stabilise the government's debt burden relative to nominal GDP, the high debt burden and weak debt affordability remain key constraints that offset India's fundamental strengths, including its high growth potential and deep domestic capital markets
- The government has a tight rope between managing fiscal deficit and giving some relief to residents from high inflation. The budget also keeps in mind the needs of future India while focusing on Artificial Intelligence and machine learning. Higher capex spend, roadmap to reduce fiscal deficit and boosting consumption will provide a major leg-up to the economy, especially at a time when global growth has been hit hard by slowdown and recessionary fears.
- We advise investors to continue their investments in a staggered manner and keep buying at market corrections because long-term financial planning should not go off-track due to short-to-medium term market gyrations. However, one should be cautious while averaging out stock specific investments and stick to high quality large and mid-cap stocks that offer robust growth visibility, low leverage ratios, prudent cash flow management and superior operating matrix.

Positive
• APL Apollo Tubes Ltd. • Birla Corporation Ltd. • J K Cement Ltd. • Larsen & Toubro Ltd. • Mahindra Logistics Ltd. • Orient Cement Ltd. • Polycab India Ltd. • Stove Kraft Ltd. • State Bank of India • Marico Ltd. • Avanti Feeds Ltd. • Cochin Shipyard Ltd. • Timken India Ltd. • Data Patterns (India) Ltd • Craftsman Automation Ltd. • Indian Railway Catering & Tourism Corp Ltd. (IRCTC) • ICICI Bank Ltd. • Tata Power Company Ltd.

Neutral
• Aarti Industries Ltd. • Chemcon Speciality Chemicals Ltd. • EPL Ltd. • Jyothy Labs Ltd. • L&T Technology Services Ltd. • Sudarshan Chemical Industries Ltd. • Radico Khaitan Ltd • Endurance Technologies Ltd. • India Energy Exchange Ltd. • Deepak Nitrite Ltd. • Jubilant Ingrevia Ltd. • Balaji Amines Ltd. • Anupam Rasayan India Ltd.

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