Decoding the Union Budget 2020-21: A constrained optimisation problem

Feb 1, 2020

Mumbai

Economic Policy & Research Department

Union Budget 20-21: The math

Salient points

- ✓ **Assumptions:** Growth bottomed out and expected to pick up in FY21. Growth revival to ride on continued structural reforms; credit flows to normalize on investment pick-up driven by lower corporate tax, and on anticipated transmission of rates. Challenges: Reviving Investment and Savings (Domestic); Rise in crude prices due to geopolitical tensions in Middle East (External).
- ✓ **Fiscal Math:** Nominal GDP growth assumed at 10% for FY21 (Rs224trn) vs. CSO's Advance Estimates of 7.5% for FY20, again funded by higher non-tax revenues. Expenditure rising by 12.6%, more realistic than FY20 (20% BE, 16% RE), but still resulting in a higher revenue deficit (2.7% vs. 2.4% earlier), indicating stretched finances even with this set of assumptions.
- ✓ **Fiscal Prudence:** Overall fiscal deficit allowed to overshoot in FY20 (3.8% RE vs 3.3% BE), and kept at 3.5% for FY21, aggressive in the current scenario. FM sought a deviation from the fiscal prudence path under FRBM, under unanticipated fiscal conditions.
- ✓ **Rural focus:** Agri Credit rising by Rs3trn, rural spending dropped (MNREGA, PM Kisan). Agri spending kept flat.

Salient points (Contd.)

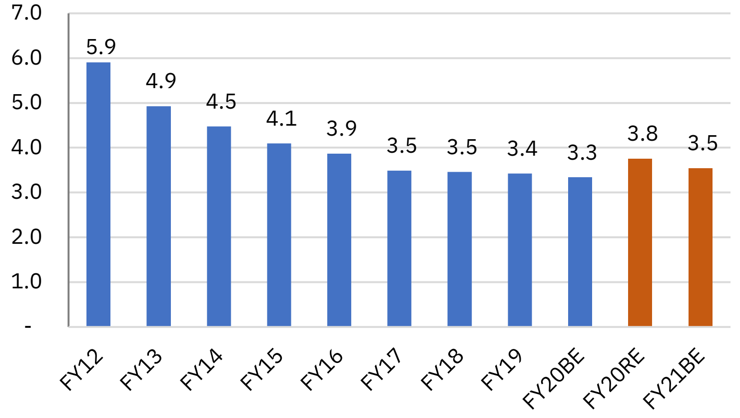
- ✓ **Fiscal strategy:** Raise non-tax revenues, lower tax in lieu of exemptions, in line with corporate tax, Rights of the tax payer, faceless assessments, tax dispute resolution proposals. Duties raised for imported, final consumption goods. Anti-abuse taxation on global income of NRIs.
- ✓ **Reforms:** Budget to be seen as a continuation of the steps taken through the year, cf. Lower Corporate tax, PSU Bank Recap and Merger, Relaxed ECBs, Realty fund for housing projects, etc.

A deeper look…for the long-term picture

❖ We envision the Budget across the following dimensions:

- ✓ **Fiscal Math and Strategy:** Nominal GDP growth assumed at 10% for FY21 (Rs224trn) vs. CSO's Advance Estimate of 5.7% for FY20 (based on 1st Revised Est. for FY19), again funded by higher non-tax revenues. Expenditure rising by 12.6%, more realistic than FY20 (20% BE, 16% RE), but still resulting in a higher revenue deficit (2.7% vs. 2.4% earlier), indicating stretched finances even with this set of assumptions. Direct tax resolution scheme potentially a major positive.
- ✓ **Fiscal Prudence:** Overall fiscal deficit allowed to overshoot in FY20 (3.8% RE vs 3.3% BE), and kept at 3.5% for FY21, aggressive in the current scenario. FM sought a deviation from the fiscal prudence path under FRBM, under unanticipated fiscal conditions.
- ✓ **Market Implications:** Fiscal numbers in line with expectations, but possible overhang of assumptions. Disinvestment target at Rs2.1trn, incl. LIC and IDBI Bank; Opening up G-Secs to non-residential investors positive for global bond index inclusion. DDT exit a positive.
- ✓ **Misses:** No Disinvestment plan for Public sector banks. NBFCs: Nothing concrete yet on providing liquidity. Nothing specific on the Real Estate sector, apart from Affordable Housing.

Fiscal deficit trend (% of GDP)



A quick glance at fiscal balances

	FY20RE	%YoY	FY21BE	%YoY
Net tax revenues	15,046	14.2	16,359	8.7
Non-tax revenues	3,455	46.6	3,850	11.4
Non-debt cap receipts	816	-27.6	2,250	175.7
Total receipts	**19,317**	**16.0**	**22,459**	**16.3**
Revenue Expenditure	23,496	17.0	26,301	11.9
Capital Expenditure	3,489	13.4	4,121	18.1
Total expenditure	**26,986**	**16.6**	**30,422**	**12.7**
Fiscal deficit	**-7,668**	**18.1**	**-7,963**	**3.8**
% GDP	**-3.8**		**-3.5**	

Source: Budget Documents, NSE

NSE

Fiscal deficit snapshot

Items (%)	FY19A	FY19A (%YoY)	FY20BE	FY20BE (%YoY)	FY20RE	FY20RE (%YoY)	FY21BE	FY21BE over FY20RE (%YoY)
Central govt. net tax revenue	**13,172**	**6.0**	**16,496**	**25.2**	**15,046**	**14.2**	**16,359**	**8.7**
Of which:								
Direct Tax	**11,250**	**13.6**	**13,222**	**17.5**	**11,575**	**2.9**	**13,060**	**12.8**
Corporation tax	6,636	16.2	7,660	15.4	6,105	(8.0)	6,810	11.5
Income tax	4,615	10.1	5,562	20.5	5,470	18.5	6,250	14.3
Indirect Tax	**9,554**	**2.9**	**11,390**	**19.2**	**10,059**	**5.3**	**11,170**	**11.0**
Goods and service tax	5,816	31.4	6,633	14.1	6,123	5.3	6,905	12.8
Custom Duties	1,178	(8.7)	1,559	32.3	1,250	6.1	1,380	10.4
Excise Duties	2,320	(10.3)	3,000	29.3	2,480	6.9	2,670	7.7
States Share	(7,615)	13.1	(8,091)	6.3	(6,560)	(13.8)	(7,842)	19.5
Transferred to NCCD	(18)	(48.8)	(25)	37.8	(28)	55.0	(29)	5.0
Non-Tax Revenue	**2,357**	**22.3**	**3,132**	**32.9**	**3,455**	**46.6**	**3,850**	**11.4**
Dividends and profits	1,134	24.1	1,635	44.2	1,999	76.2	1,554	(22.3)
Central govt. revenue receipts	**15,529**	**8.2**	**19,628**	**26.4**	**18,501**	**19.1**	**20,209**	**9.2**
Non-Debt Capital Receipts	1,128	(2.5)	1,198	6.2	816	(27.6)	2,250	175.7
Divestment proceeds	947	(5.3)	1,050	10.8	650	(31.4)	2,100	223.1
Total Receipts	**16,657**	**7.4**	**20,826**	**25.0**	**19,317**	**16.0**	**22,459**	**16.3**
Revenue Expenditure	20,074	6.8	24,478	21.9	23,496	17.0	26,301	11.9
Interest payments	5,826	10.2	6,605	13.4	6,251	7.3	7,082	13.3
Subsidy outgo	2,230	(0.7)	3,382	51.7	2,636	18.2	2,621	(0.5)
Capital Expenditure	3,077	16.9	3,386	10.0	3,489	13.4	4,121	18.1
Total Expenditure	**23,151**	**8.1**	**27,863**	**20.4**	**26,986**	**16.6**	**30,422**	**12.7**
Fiscal Deficit	**(6,494)**	**9.9**	**(7,038)**	**8.4**	**(7,668)**	**18.1**	**(7,963)**	**3.8**
Fiscal Deficit (% of GDP)	**(3.4)**		**(3.3)**		**(3.8)**		**(3.5)**	

Source: Budget Documents, NSE. BE – Budget Estimate, RE – Revised Estimate, A – Actual

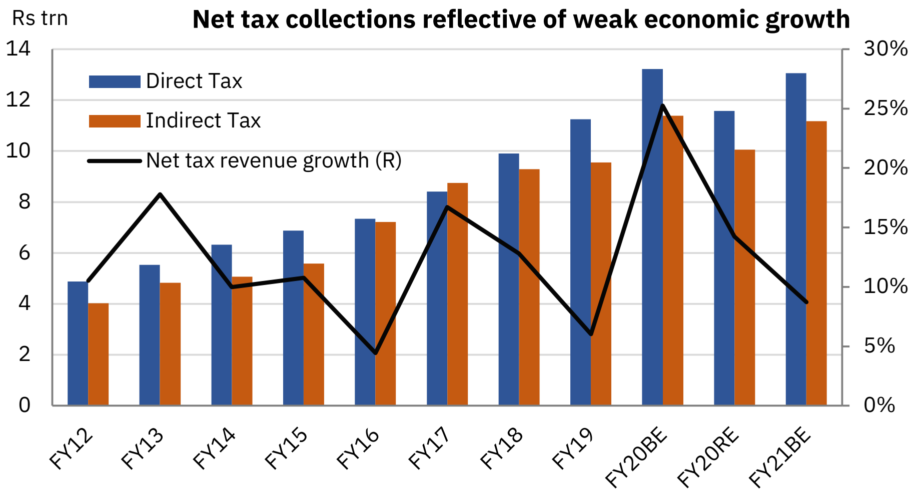
Fiscal deficit snapshot (% of GDP)

Items (%)	FY18	FY19A	FY20BE	FY20RE	FY21BE
Central govt. net tax revenue	**7.3**	**6.9**	**7.8**	**7.4**	**7.3**
Of which:					
Direct Tax	**5.8**	**5.9**	**6.3**	**5.7**	**5.8**
Corporation tax	3.3	3.5	3.6	3.0	3.0
Income tax	2.5	2.4	2.6	2.7	2.8
Indirect Tax	**5.4**	**5.0**	**5.4**	**4.9**	**5.0**
Goods and service tax	2.6	3.1	3.1	3.0	3.1
Custom Duties	0.8	0.6	0.7	0.6	0.6
Excise Duties	1.5	1.2	1.4	1.2	1.2
States Share	(3.9)	(4.0)	(3.8)	(3.2)	(3.5)
Transferred to NCCD	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Non-Tax Revenue	**1.1**	**1.2**	**1.5**	**1.7**	**1.7**
Dividends and profits	0.5	0.6	0.8	1.0	0.7
Central govt. revenue receipts	**8.4**	**8.2**	**9.3**	**9.1**	**9.0**
Non-Debt Capital Receipts	0.7	0.6	0.6	0.4	1.0
Divestment proceeds	0.6	0.5	0.5	0.3	0.9
Total Receipts	**9.1**	**8.8**	**9.9**	**9.4**	**10.0**
Revenue Expenditure	11.0	10.6	11.6	11.5	11.7
Interest payments	3.1	3.1	3.1	3.1	3.1
Subsidy outgo	1.3	1.2	1.6	1.3	1.2
Capital Expenditure	1.5	1.6	1.6	1.7	1.8
Total Expenditure	**12.5**	**12.2**	**13.2**	**13.2**	**13.5**
Fiscal Deficit	**(3.5)**	**(3.4)**	**(3.3)**	**(3.8)**	**(3.5)**

Source: Budget Documents, NSE. BE – Budget Estimate, RE – Revised Estimate, A – Actual

Tax collections more realistic but face downside risks

- Net tax collections in FY20 are expected to fall short by 8.8% from budgeted figures.
- FY21 net tax collection target of 8.7% is more reflective of ongoing economic slowdown.
- However, income tax and GST collection targets are aggressive in the wake of relief on personal tax rates (revenue foregone: Rs 400bn), abolishment of DDT (revenue foregone: Rs 250bn) and weak macro impulses. Nominal GDP growth est. of 10% faces downside risks.
- A pick-up in demand and tax buoyance is crucial for meeting tax collection targets.



Tax revenue assumptions are more realistic than FY20 budget estimates, but may still face downside risks

Rs bn	FY19A	FY19A (%YoY)	FY20BE	FY20BE (%YoY)	FY20RE	FY20RE (%YoY)	% change from BE	FY21BE	FY21BE over FY20RE (%YoY)
Direct Tax	**11,250**	**13.6%**	**13,222**	**17.5%**	**11,575**	**2.9%**	**-12.5%**	**13,060**	**12.8%**
Corporation tax	6,636	16.2%	7,660	15.4%	6,105	-8.0%	-20.3%	6,810	11.5%
Income tax	4,615	10.1%	5,562	20.5%	5,470	18.5%	-1.7%	6,250	14.3%
Indirect Tax	**9,554**	**2.9%**	**11,390**	**19.2%**	**10,059**	**5.3%**	**-11.7%**	**11,170**	**11.0%**
Goods and service tax	5,816	31.4%	6,633	14.1%	6,123	5.3%	-7.7%	6,905	12.8%
Customs	1,178	-8.7%	1,559	32.3%	1,250	6.1%	-19.8%	1,380	10.4%
Union excise duty	2,320	-10.3%	3,000	29.3%	2,480	6.9%	-17.3%	2,670	7.7%
Other taxes	185	-80.3%	128	-30.7%	137	-25.8%	7.0%	140	2.3%
Gross tax collections	**20,805**	**8.4%**	**24,612**	**18.3%**	**21,634**	**4.0%**	**-12.1%**	**24,230**	**12.0%**
Net tax collections	**13,172**	**6.0%**	**16,496**	**25.2%**	**15,046**	**14.2%**	**-8.8%**	**16,359**	**8.7%**

Source: Budget Documents, NSE. BE – Budget Estimate, RE – Revised Estimate, A – Actual

Revision in direct tax rates

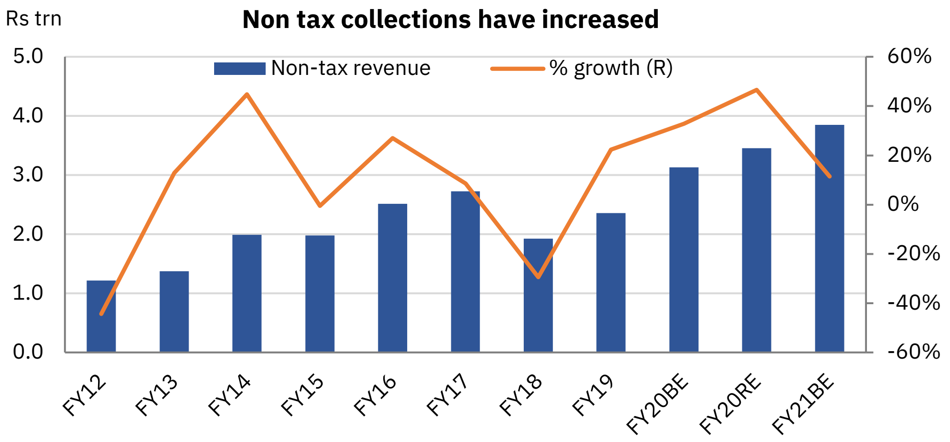
Revision in direct tax regulations	Old	New
Personal Income Tax slabs	Nil for income upto 2.5 lakh 5% for income 2.5-5 lakh 20% for income 5-10 lakh 30% for income above 10 Lakh	Nil for income upto 5lakh per annum 10% for income 5-7.5lakh 15% for income 7.5-10 Lakh 20% for income 10-12.5 Lakh 25% for income 12.5-15 Lakh 30% for income above 15 Lakh ** The new Personal Tax scheme optional for tax payers in lieu of exemptions and deductions*
Simplification of Income Tax Act	>100 exemptions and deductions under the Income-tax Act.	~70 exemptions and deductions removed
Removal of Dividend Distribution Tax (DDT)	15% plus applicable surcharge and cess	Removed; dividends to be taxed only in the hands of the recipients at their applicable rate
Concessional tax rate for electricity generation companies	30% with surcharge and cess	Extension of concessional corporate tax rate of 15% to new domestic companies engaged in the generation of electricity.
Concessional tax rate for Co-operatives	30% with surcharge and cess	22% plus 10% surcharge and 4% cess with no exemption/deductions. Exemption from Alternative Minimum Tax (AMT).
Tax incentives to foreign investors	Taxation at marginal rate	100% tax exemption to Sovereign Wealth Fund of foreign governments to their interest, dividend and capital gains income w.r.t investment made in infrastructure and other notified sectors before 31st March, 2024 and with a minimum lock-in period of three years.
Claiming deduction for donations to charity institutions	Taxpayer fills complete details of the donee in the income tax return for availing deduction	The donee's information in taxpayer's return to be pre-filled on the basis of information of donations furnished by the done. Additionally, charity institutions will be required to regist with the Income Tax Department.

NSE

Source: Budget Documents, NSE

Non-tax revenue shored up by higher telecom receipts

- A one-time transfer of RBI's excess reserves helped the government partly make up for lackluster tax collections in FY20.
- Non-tax revenue growth budgeted at 11.4% in FY21, largely coming from higher telecom receipts—budgeted at Rs 1.3trn, +126%.
- This is on account of Adjusted Gross Revenue (AGR) dues from telecom companies estimated at ~Rs926bn.



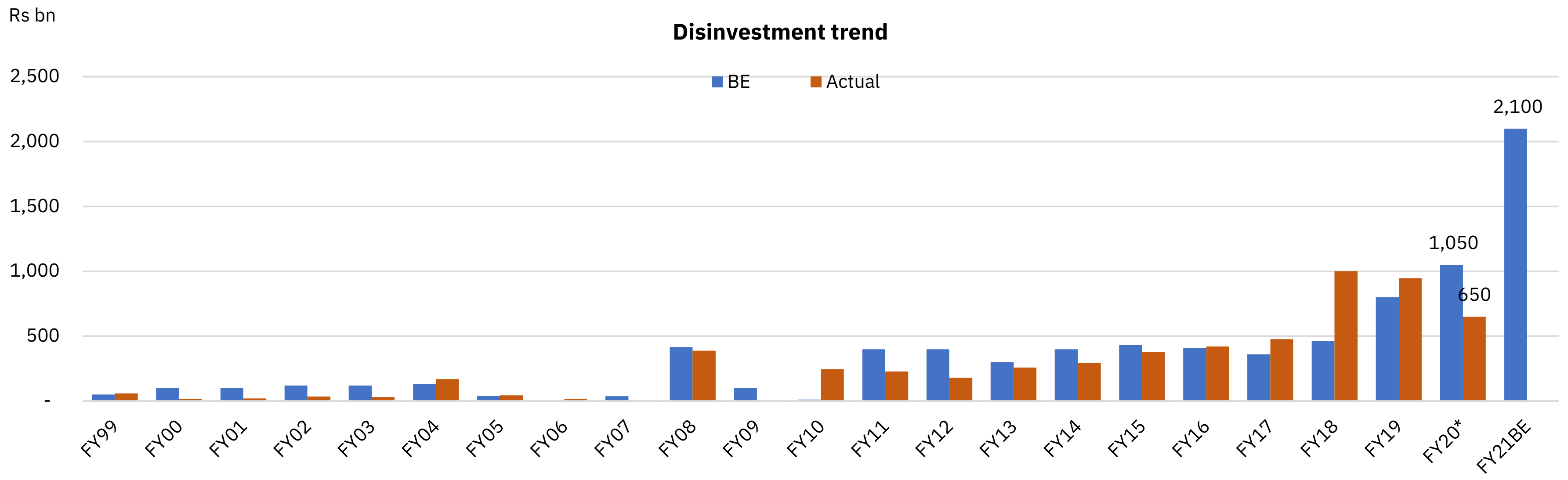
Higher telecom receipts providing a fillip to non-tax revenue assumptions for FY21

Rs bn	FY19A	FY19A (%YoY)	FY20BE	FY20BE (%YoY)	FY20RE	FY20RE (%YoY)	% change from BE	FY21BE	FY21BE over FY20RE (%YoY)
Non-tax revenue	**2,357**	**22.3%**	**3,132**	**32.9%**	**3,455**	**46.6%**	**10.3%**	**3,850**	**11.4%**
Interest receipt	121	-10.5%	137	12.9%	110	-9.2%	-19.6%	110	0.1%
Dividends and profits	1,134	24.1%	1,635	44.2%	1,999	76.2%	22.2%	1,554	-22.3%
Union Territories	19	0.0%	21	13.7%	21	10.8%	-2.6%	23	10.0%
Other non-tax revenue	1,083	26.0%	1,338	23.6%	1,325	22.4%	-1.0%	2,163	63.2%
Fiscal services	7	6.2%	4	-42.8%	7	-5.4%	65.4%	8	6.7%
General services	195	13.2%	234	20.0%	217	11.2%	-7.3%	216	-0.5%
Social and community services	30	-18.1%	42	39.4%	37	21.9%	-12.6%	43	16.8%
Economic services	839	-5.5%	1,047	24.8%	1,054	25.7%	0.7%	1,882	78.5%
Communication	40,816	27.3%	50,520	23.8%	58,990	44.5%	16.8%	1,33,027	125.5%

NSE Source: Budget Documents, NSE. BE – Budget Estimate, RE – Revised Estimate, A – Actual

Divestment target at Rs2.1trn—Optimistic

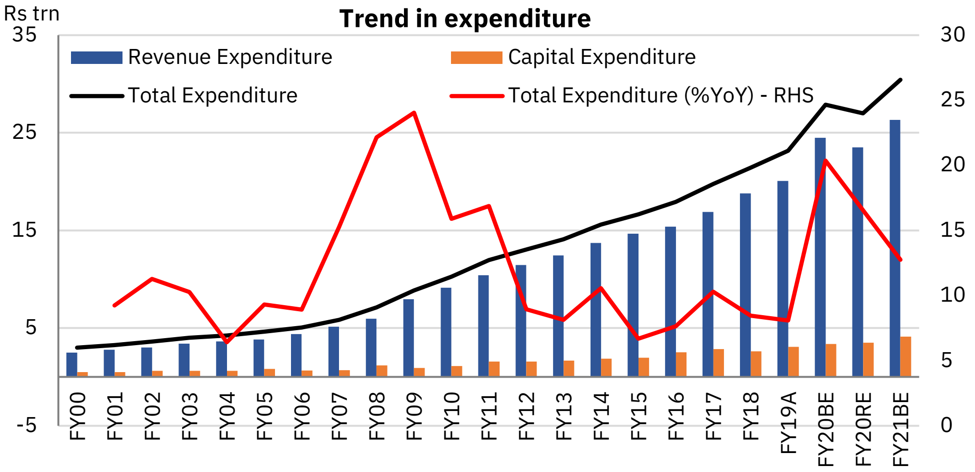
- After surpassing budget estimates for four years in a row, disinvestment target for FY20 is expected to fall short of the budget estimate by Rs 400bn. However, even the revised figure of Rs 650bn looks optimistic as disinvestment proceeds during Apr-Dec'19 have stood at a mere Rs181bn.
- The budgeted target for FY21 at Rs 2.1trn looks highly optimistic and may result in oversupply of fresh paper in the market.
- The Government aims to achieve this through sale of a part of the Government stake in LIC through an IPO, privatization of IDBI Bank and continued focus on strategic divestment and realignment of holdings in CPSEs.



Source: Budget Documents, NSE. BE – Budget Estimate.
*FY20 actual number is the revised estimate.

Capital expenditure picks up

- As a response to a slowing economy, the Government incurred higher capital expenditure by 3.1% in FY20 as compared to the budget estimate, targeting a growth of 18.1% in FY21. Share of capital expenditure in total expenditure has improved from 12.2% in FY20BE to 12.9%/13.5% in FY20RE/FY21BE.
- Focus on railways, roads, transport and highways continues.
- Capital expenditure in FY21 is largely funded by gross budgetary support, while spending through IEBR is pegged to decline by 5%.

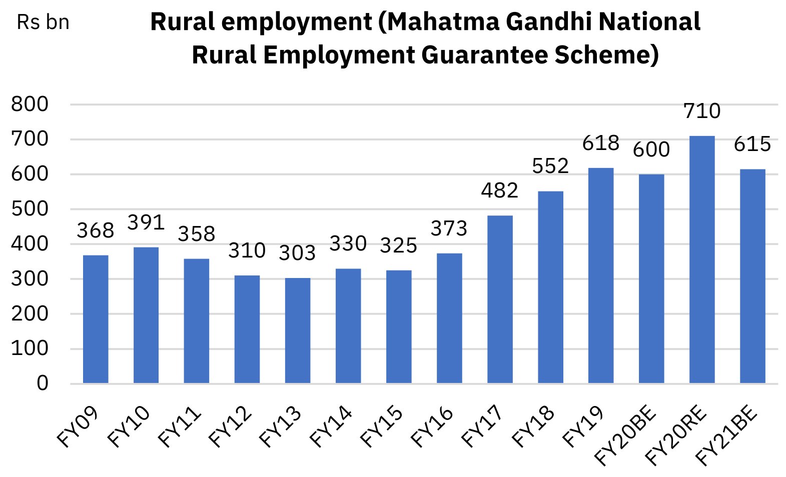


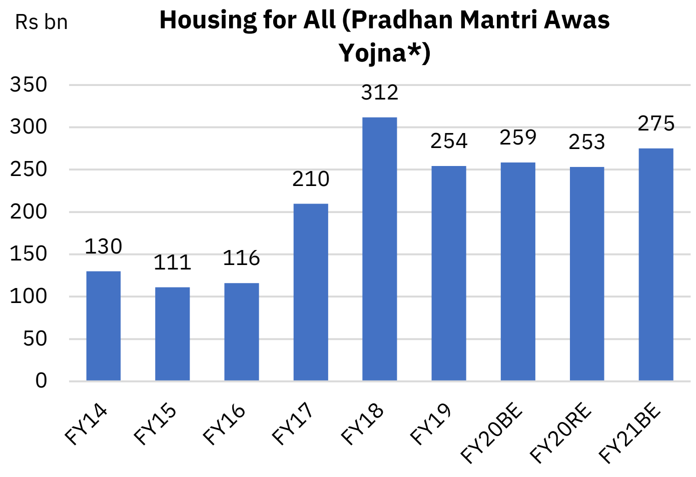
Ministry-wise capital expenditure (includes IEBR*): Top sectors account for 92% of the IEBR in FY21, total IEBR down 5% from FY20RE

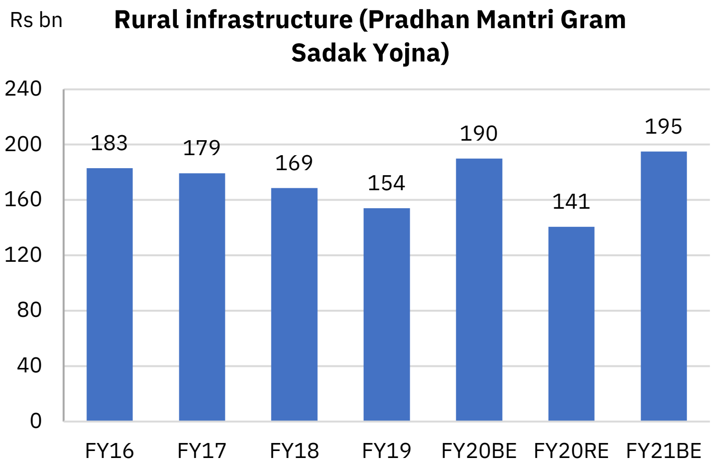
Rs bn	FY19A		FY20RE			FY21BE		
	GBS	IEBR	GBS	IEBR	%YoY (for total GBS+IEBR)	GBS	IEBR	%YoY (for total GBS+IEBR)
Ministry of Railways	528	858	678	882	12.6	700	908	3.0
Ministry of Petroleum and Natural Gas	19	944	6	950	-0.7	9	985	4.0
Department of Food and Public Distribution	9	1,643	13	2,005	22.1	12	2,223	10.8
Ministry of Roads, Transport and Highways	676	620	722	750	13.5	820	650	-0.1
Ministry of Power	20	732	18	524	-27.9	11	499	-6.1
Department of Rural Development	0	146	1	100	-31.1	1	100	0.4
Ministry of Coal	-	175	-	181	-	-	185	-
Ministry of Housing and Urban Affairs	158	197	192	477	88.5	211	319	-20.7
Department of Telecommunications	21	157	49	306	99.6	257	152	15.0
Ministry of Civil Aviation	40	49	0	348	292.5	0	52	-85.0
Ministry of New and Renewable Energy	0	108	1	125	15.9	1	137	9.9
Total	**3,077**	**6,126**	**3,489**	**7,106**	**15.1**	**4,121**	**6,727**	**2.4**

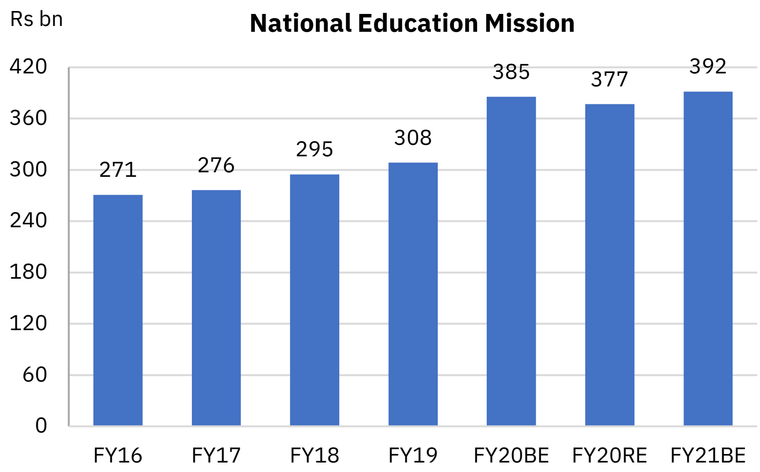
Source: Budget Documents, NSE
*IEBR – internal and Extra Budgetary Resources GBS – Gross Budgetary Support

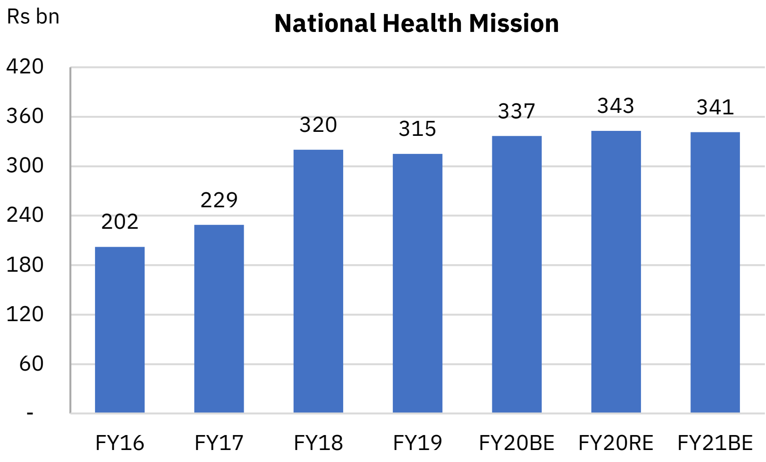
Spending in social programs remains broadly intact

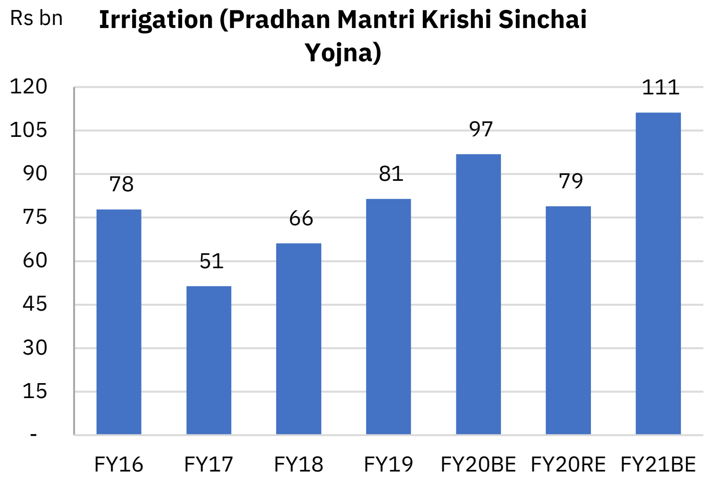












Source: Budget Documents, NSE
* Erstwhile Indra Awas Yojna

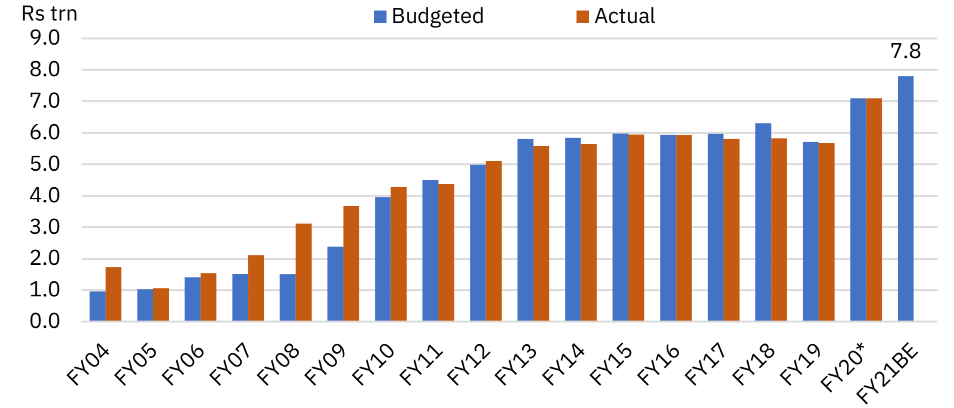
Market loans and small savings to fund 94% of fisc

- Gross market borrowing increased by 10% to Rs 7.8trn, on top of 24% growth in FY20RE. This doesn't bode well for bond markets. Net small savings nearly doubled in FY20 and expected to remain at similar levels in FY21.

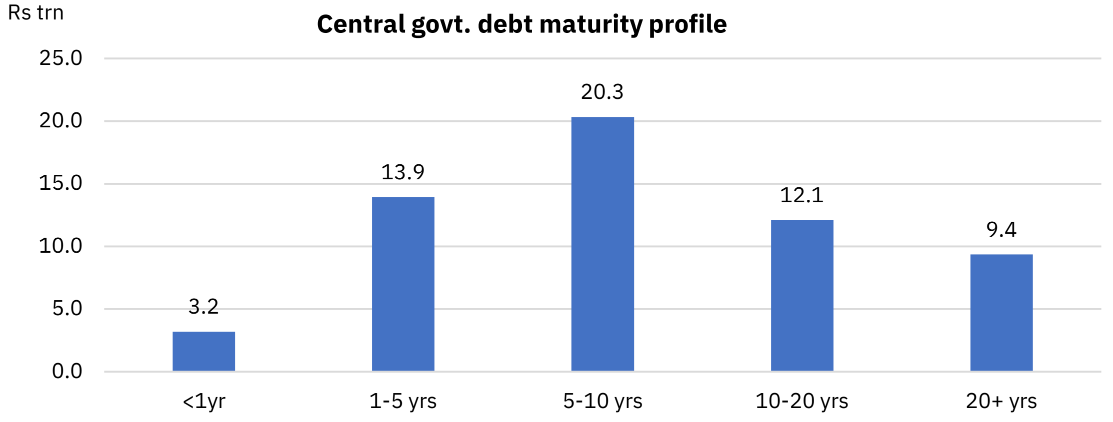
Sources of funding the deficit

Rs bn	FY20BE	FY20RE	% of total	% YoY	FY21BE	% of total	% YoY
Gross market borrowings	7,100	7,100		24%	7,800		10%
Net market borrowings	4,231	4,740	62%	12%	5,109	64%	8%
Short-term borrowings	250	250	3%	262%	250	3%	0%
External assistance (net)	-30	49	1%	-11%	46	1%	-6%
Small savings (net)	1,300	2,400	31%	92%	2,400	30%	0%
State provident funds (net)	180	180	2%	12%	180	2%	0%
Draw down of cash balance	511	0	0%	-100%	-530	-7%	NA
Other capital receipts	595	49	1%	-93%	508	6%	929%
Total	**7,038**	**7,668**	**100%**	**18%**	**7,963**	**100%**	**4%**

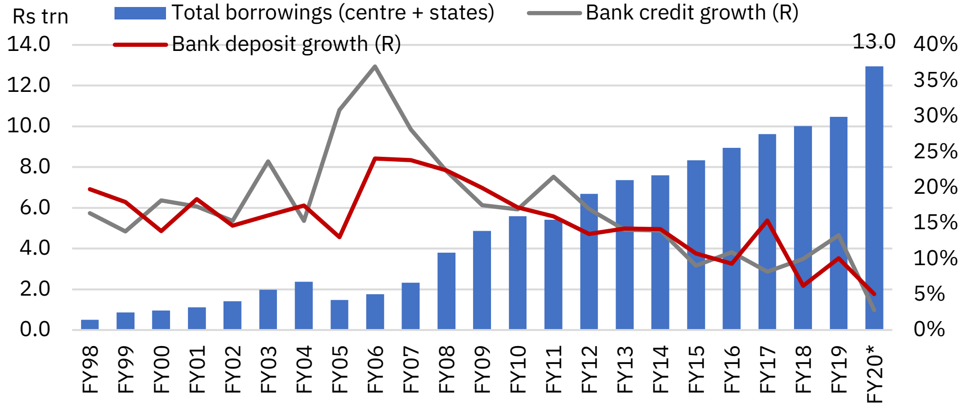
Centre's Market borrowing trend



Nearly 64% of central govt. debt is maturing over the next 10 years



Crowding out of the private sector on rising govt. borrowings



*State borrowings for FY20 is a sum of actual borrowings over Apr-Dec'19 and borrowing calendar for Q4FY20.

Source: Budget Documents, RBI, CMIE, NSE

Key announcements and implications for capital markets

Announcement	Implications
Equity markets	
Removal of Dividend Distribution Tax (DDT) for companies; dividends to be taxed only in the hands of the recipients at their applicable rate	*Positive: Total tax burden will be reduced for all companies.*
Disinvestment target enhanced to **Rs2.1trn.** Expected to be partly met by sell a part of its holding in LIC by way of Initial Public Offer (IPO) and sale of balance stake in IDBI Bank	*Positive:* Better public ownership and governance standards. To help government meet revenues targets *Negative:* May crowd out total investment in the primary market
Declined tax burden on ESOPs by deferring the tax payment by five years or till they leave the company or when they sell their shares, whichever is earliest	*Positive:* Start-ups may attract and retain highly talented employees by offering more ESOPs.
Concessional corporate tax rate of 15% to new domestic power generation companies	*Positive:* Bodes well for further capex by power generating companies.
Announced the National Infrastructure Pipeline	*Positive*: May help to revive economic growth which may have positive impact on the equity market. *Negative*: Funding remains a challenge; poses fiscal risks.
Concession on capital gain tax to real estate transactions increased from 5% to 10%	*Positive*: May give interim relief to the developers.

Source: Budget documents, NSE

Key announcements and implications for capital markets

Announcement	Implications
Bond markets	
FPI limit increased from 9% to 15% in corporate bond market	*Positive:* To deepen corporate bond market.
Certain specified categories of government securities to be opened to non-resident investors.	*Positive:* May increase liquidity in the Government securities market.
Proposes to expand debt-based ETFs by floating a new Debt-ETF consisting primarily of government securities.	*Positive:* May increase liquidity in the Government securities market. Retail investors will get additional access to government securities as an alternative to pension funds and long-term investment.
Propose to extend the period of concessional withholding rate of 5% under section 194LC for interest payment to non-residents w.r.t. moneys borrowed and bonds issued up to 30th June, 2023.	*Positive:* May enhance liquidity in the market.
Proposed to extend the concessional rate of withholding of 5% under section 194LD to the interest payment made on the Municipal Bonds.	*Positive:* May enhance liquidity in the municipal bond market.
Commodities	
Proposed to set up an International Bullion exchange(s) in GIFT-IFSC as an additional option for trade by global market participants.	Positive: May enhance the IFSC's position worldwide, create jobs in India, and it may lead to better price discovery of gold.

Source: Budget documents, NSE

Key announcements and implications for capital markets

Announcement	Implication
Currency market	
FPI limit in currency market raised to 15% from 9%	*Positive:* May increase foreign inflows in the country.
Trading of rupee derivatives in the International Financial Services Centre at GIFT city, Gujarat.	*Positive:* May increase liquidity in the currency derivatives market.

Foreign Portfolio Investors (FPIs)	
Propose to extend the period up to 30th June, 2023 for lower rate of withholding of 5% under section 194LD for interest payment to Foreign Portfolio Investors (FPIs) and Qualified Foreign Investors (QFIs) in respect of bonds issued by Indian companies and government securities.	*Positive:* May increase foreign inflows in the country.
100% tax exemption to Sovereign Wealth Fund of foreign governments to their interest, dividend and capital gains income w.r.t investment made in infrastructure and other notified sectors before 31st March, 2024 and with a minimum lock-in period of three years.	*Positive:* Bodes well for financing needs of priority sectors. May increase foreign inflows in the country.

Source: Budget documents, NSE

Key announcements and implications for capital markets

Announcement	Implication
Financial infrastructure	
Formulated a Partial Credit Guarantee scheme for the NBFCs.	*Positive*: May remove the liquidity constraints of the NBFCs/HFCs
Government proposed to offer additional support by guaranteeing securities for the NBFCs.	*Positive*: May provide additional liquidity to NBFCs.
National Infrastructure Pipeline projects to support Infrastructure Finance Companies.	*Positive*: May improve monetary transmission of the economy by providing additional support Infrastructure Finance Companies such as IIFCL and a subsidiary of NIIF
Operational	
Proposed to formulate a legislation for laying down a mechanism for netting of financial contracts.	*Positive*: May improve investors' confidence and expand the scope of credit default swaps.
Proposed to reduce the withholding rate from 5% to 4% on interest payment on the bonds listed on IFSC exchange.	*Positive*: May incentivize listing of bonds at IFSC exchange

Source: Budget documents, NSE

Key sector-wise announcements and implications

Sector	Announcement	Implication
Health	Expansion of Jan Aushadhi Kendra Scheme to all districts by 2024. Allocation of Rs356bn for nutrition related programmes	Positive: Will help improve health indicators
Education	Government to encourage investment through ECB and FDI Ind-SAT will be held in Asian and African countries to encourage foreign students to pursue higher education in India A New Education Policy to be announced soon.	*Positive*: Will improve infrastructure in education
Infrastructure and logistics	Five new smart cities to be developed in collaboration with States in PPP mode. Accelerated development of highways to be undertaken such as Setting up a large solar power capacity alongside the rail tracks under consideration Redevelopment of 4 stations and operation of 150 passenger trains through PPP mode Corporatisation of at least one major port and its listing on stock exchange to be undertaken Development of 890 kms of inland waterways by 2022 Hundred more airports to be developed by 2024	*Positive*: Will improve infrastructure and connectivity
Textiles	National Textiles Mission is proposed with a 4-year implementation period and an estimated outlay of Rs1.4bn	*Positive* for technical textile manufacturers
Power and Energy	Expansion of national gas grid from present from 16,000km to 27,000km Prepaid smart metering to be introduced to replace conventional energy meters in three years.	*Positive*: Will help increase the share of natural gas in India's energy basket *Positive:* Consumers can choose supplier and the rate as per the usage.

Source: Budget documents, NSE

NSE

Key sector-wise announcements and implications

Sector	Announcement	Implication
Start-ups	Investment Clearance Cell will be set-up to provide end-to-end facilitation and support. Deferment of tax on ESOPs	Positive: Will help entrepreneurs get necessary support
New Economy	A policy to enable private sector to build Data Centre parks to be announced soon. Public institutions at Gram Panchayat level to be provided with digital connectivity. National Mission on Quantum Technologies and Applications with an estimated outlay of Rs80bn to be set-up.	Positive: Will encourage innovation and improvement in technology
Banks and NBFCs	PSBs can raise additional capital through capital markets Limit (Asset-size or Loan-size) for NBFCs to be eligible for debt recovery under SARFAESI to be reduced. Government to set-up mechanism for guaranteeing securities floated by NBFCs/HFCs	Positive: Will help improve availability of capital especially for NBFCs
MSMEs	Subordinated debt provided by banks to MSMEs would be fully guaranteed through Credit Guarantee Trust for Medium and Small Entrepreneurs App-based invoice financing loans product to be launched RBI to extend debt restructuring window for MSMEs till March 31, 2021 A scheme of Rs10bn to be anchored by EXIM Bank along with SIDBI to support technology upgradation in mid-sized companies in select sectors.	Positive: Will help enhance working capital availability
Tourism	*Five archaeological sites to be developed as iconic sites with onsite museums.* *Proposal for renovation and re-curation of major museums.*	*Positive: Will increase tourism in India*

Source: Budget documents, NSE

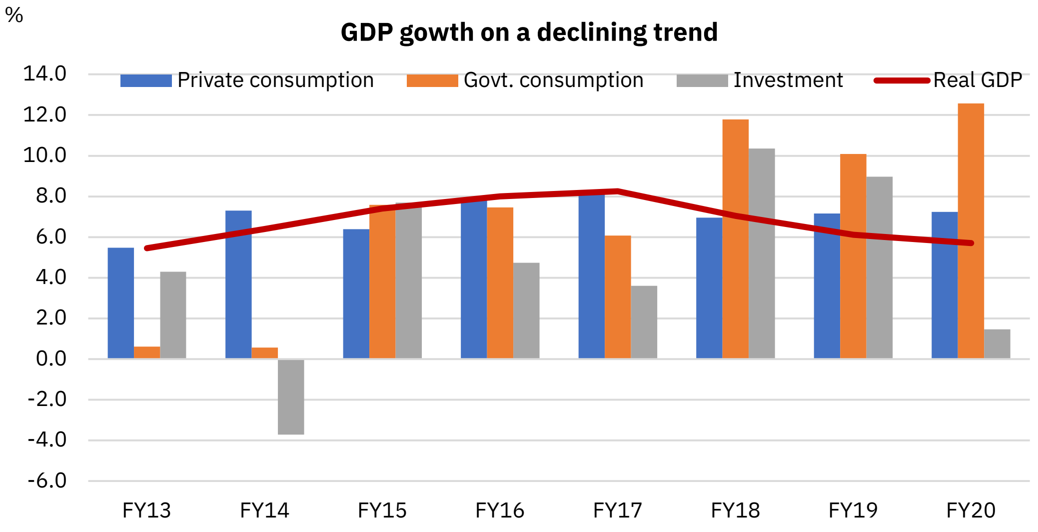
Revision in indirect tax rates

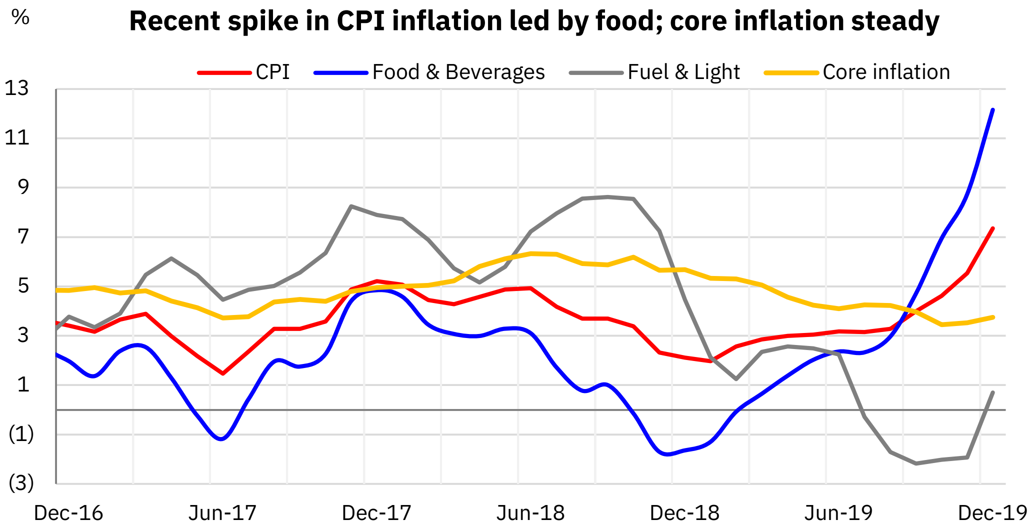
Revision in Custom Duties for Domestic Producers	Old	New
Household Goods and Applications: Tableware and kitchenware of porcelain or china, ceramic, clay, iron, etc.	10%	20%
Electrical Appliances: Fans, food grinders/mixers, shavers and hair removing appliances, water heaters, etc.	10%	20%
Furniture goods: Seats, articles of bedding including mattresses, lamps, lighting, illuminated signs, etc.	20%	25%
Stationery items: Filing cabinets, paper trays, binders, clips, staples, sign-plates, etc.	10%	20%
Toys: Tricycles, scooters, scale models, dolls, etc.	20%	60%
Machinery of Specified goods used in high voltage power transmission project	5%	7.5%
Machinery: Railway carriage fans, Welding and Plasma Cutting machine	7.5%	10%
Electric Vehicles: Completely Built Units of Bus and Trucks	25%	40%
Gold used in the manufacture of semiconductor devices or light emitting diodes	Nil	12.5%
Other miscellaneous items: Glass beads, Artificial flowers, bells, gongs, photograph, ornaments, etc of base metal.	10%	20%
Chemicals: Other Chemical products and preparations of the chemical or allied industries	10%	17.5%

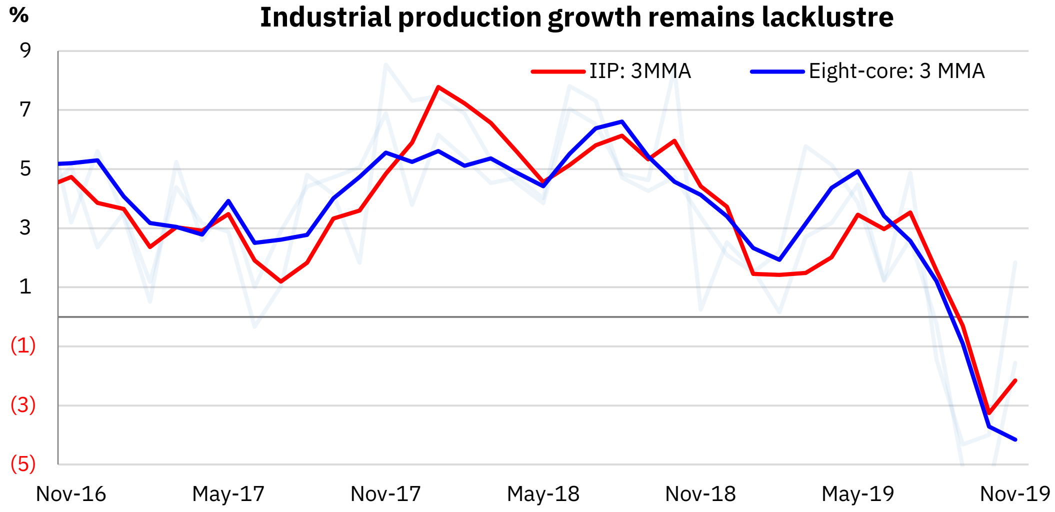
Revision in excise duties	Old	New
NCCD on smoking mixtures for pipes and cigarettes	45%	60%
NCCD on other forms of smoking tobacco (other than smoking mixtures for pipes and cigarettes) and forms of chewing tobacco	10%	25%
NCCD on Cigarettes (depending upon length of cigarette and on filter/non-filter basis)	Rs. 90-235 per thousand	Rs. 200–735 per thousand

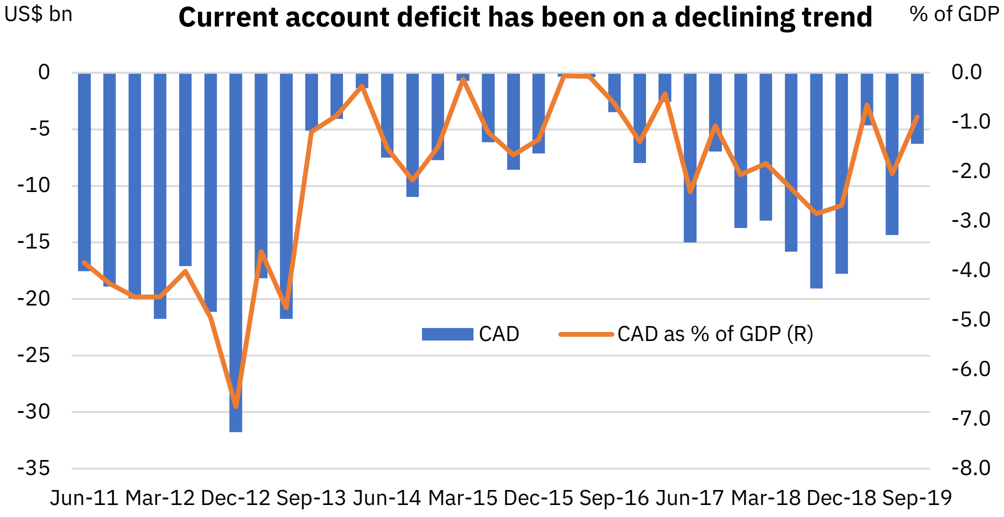
Source: Budget Documents, NSE

A quick macro snapshot









Source: CSO, RBI, CMIE Economic Outlook, NSE

Union Budget 20-21: The Plan

Themes of Budget 2020-21

Aspirational India	Economic Development	Caring Society
Better standards of living, with access to health, education and better jobs.	Reforms across swathes of the economy, yielding more space for the private sector and higher productivity and greater efficiency	Humane and Compassionate society

Themes of Budget 2020-21 *(contd.)*

Aspirational India

- Agriculture, Irrigation & Rural Development
- Wellness, Water & Sanitation
- Education & Skills

Economic Development

- Industry, Commerce & Investment
- Infrastructure
- New Economy

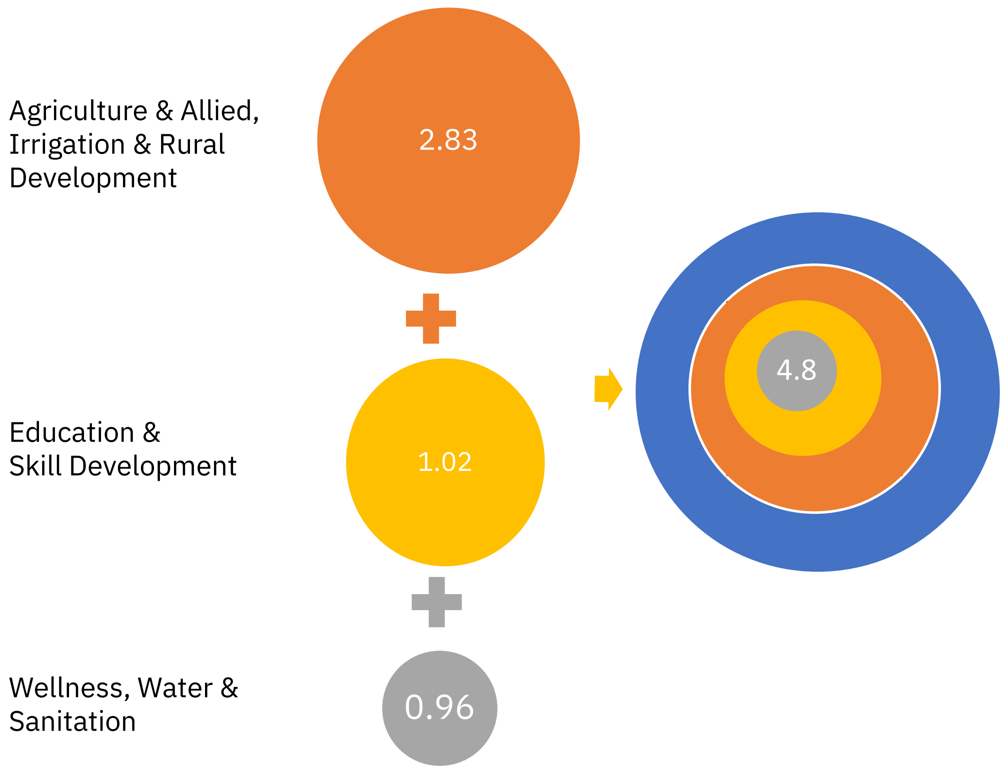
Caring Society

- Women, Child & Social Welfare
- Culture & Tourism
- Environment & Climate Change

Aspirational India

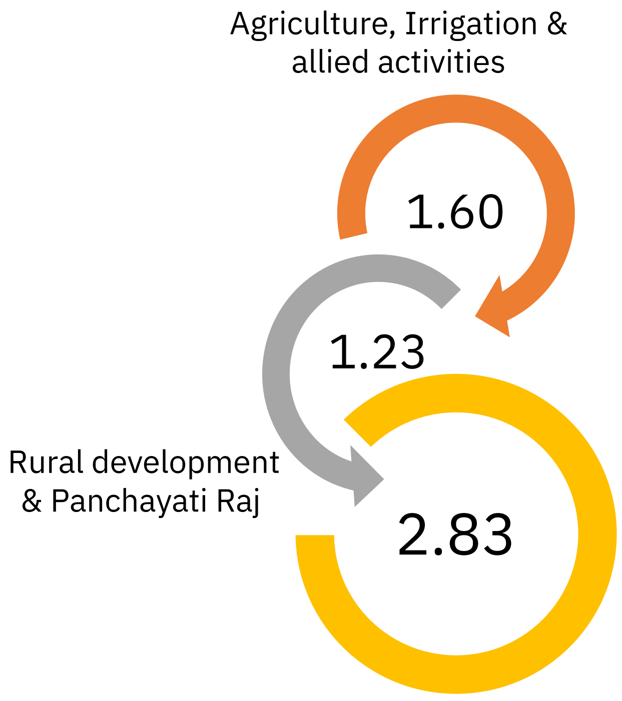
Agriculture, Irrigation & Rural Development	• The goal of doubling farmers' incomes by 2022.
Wellness, Water & Sanitation	• Holistic vision of healthcare that translates into wellness of the citizens.
Education & Skills	• By 2030, India is set to have the largest working-age population in the world.

Aspirational India Expenditure in Rstrn



Agriculture, Irrigation & Rural Development

Three model acts to be encouraged by State governments	NABARD will undertake an exercise to map and geo-tag agriwarehousing, cold storage, reefer van facilities etc.	"One product one district" for Horticulture sector.	Doubling of milk processing capacity from 53.5 million MT to 108 million MT by 2025.
Comprehensive measures for 100 water stressed districts.	Expand PM-KUSUM for 20 lakh farmers to set up solar pumps.	Village Storage scheme run by the SHGs to provide farmers a good holding capacity and reduce their logistics cost	Portal on "jaivik kheti" – online national organic products market will also be strengthened.
Blue Economy: development, management and conservation of marine fishery resources.	Indian Railways will set up a "Kisan Rail" for perishables through PPP arrangements	Negotiable Warehousing Receipts to be integrated with e-NAM.	Raising fish production to 200 lakh tones by 2023.
Encourage balanced use of all kinds of fertilizers, which encourages chemical fertilizers.	Krishi Udaan will be launched by the Ministry of Civil Aviation on international and national routes.	Agriculture credit target for the year 2020-21 has been set at Rs. 15 lakh crore.	Expansion of SHGs under Deen Dayal Antyodaya Yojana for alleviation of poverty.



Agriculture, Irrigation and Rural Development spend in Rstrn

Wellness, Water & Sanitation

To use machine learning and AI in the Ayushman Bharat scheme with an appropriately designed Preventive regime.

Jal Jeevan Mission and Swachch Bharat Mission have been launched to support the health vision.

To provide piped water supply to all households under Jal Jeevan Mission.

To set up Viability Gap funding window for hospitals in the PPP mode.

To create hospitals in Tier-2 and Tier-3 cities under PM Jan Arogya Yojana.

To expand Jan Aushadhi Kendra Scheme to all districts offering medicines and surgicals by 2024.

To end Tuberculosis by 2025 with “TB Harega Desh Jeetega” campaign.

To sustain ODF behaviour by ODF Plus.

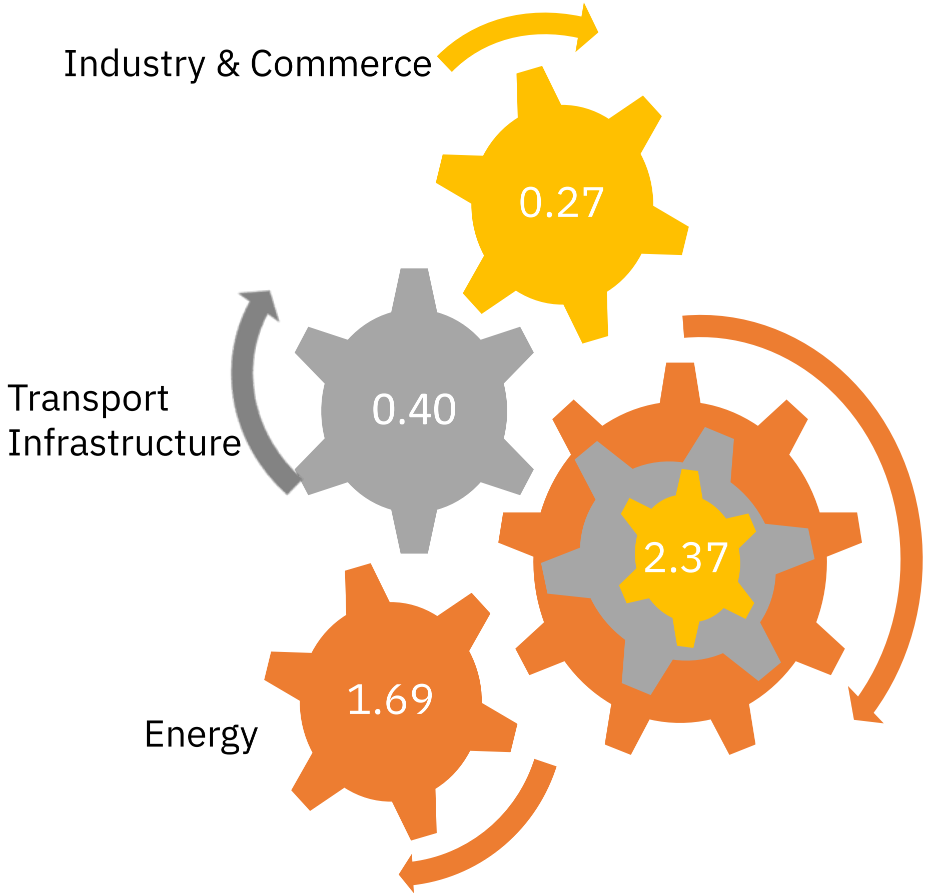
Education & Skill Development

- New Education Policy to be announced soon.
- Ind-SAT is proposed to be held in Asian and African countries under "Study in India" programme.
- To enable sourcing External Commercial Borrowings and FDI so as to able to deliver higher quality education
- National Police University and a National Forensic Science University are being proposed.
- Higher educational institutions to start apprenticeship degree/diploma courses by 2021.
- To start a programme by urban local bodies would provide internship opportunities for engineers.
- To attach a medical college to an existing district hospital in PPP mode.
- To start degree level online education programme for deprived section of the society by top 100 institutes.
- To offer resident doctors DNB/FNB courses in large hospitals under the National Board of Examinations.
- Special bridge courses be designed for Skill Development.

Economic Development

Industry, Commerce & Investment	• Commerce and trade related words show how India for a millennia is continuing as rich in skills, metallurgy, trade etc.
Infrastructure	• Bring in generic and sectoral reforms in development, operation and maintenance of the infrastructure projects.
New Economy	• The new economy is based on innovations that disrupt established business models.

Economic Development Expenditure in Rstrn



Industry, Commerce & Investment

To launch NIRVIK scheme to achieve higher export credit disbursement.

To launch a scheme for Reversion of duties and taxes on exported products.

National Technical Textiles Mission to position India as a global leader in Technical Textiles.

To develop each district as an export hub.

To take turnover of Unified Procurement System to 3 lakh crores.

To propose scheme focused on encouraging manufacture of mobile phones, electronic equipment, etc.

To develop five new smart cities in collaboration with States in PPP mode.

To set up an Investment Clearance Cell that will provide "end to end" facilitation and support through a portal.

Infrastructure

National Infrastructure Pipeline launched consisting of 6500 projects.	National Logistics Policy to create a single window e-logistics market.	To achieve electrification of 27000 Km of tracks in the Indian Railways.	High speed train between Mumbai to Ahmedabad would be actively pursued.	100 more airports would be developed by 2024 to support Udaan scheme.
To set up a project preparation facility for infrastructure projects.	Development of highways to be undertaken like Delhi-Mumbai and Chennai-Bengaluru Expressway.	To set up a large solar power capacity alongside the rail tracks.	To corporatize at least one major port and subsequently its listing on the stock exchanges.	To promote "smart" metering.
To direct all infrastructure agencies of the government to involve youth-power in start-ups.	To monetise at least twelve lots of highway bundles of over 6000 km before 2024.	More Tejas type trains will connect iconic tourist destinations.	"Arth Ganga" to energise economic activity along river banks.	To expand the national gas grid and deepen gas markets in India.

New Economy

To enable private sector to build Data Centre parks throughout the country.

To initiate two new national level Science Schemes, to create a comprehensive database.

Fibre to the Home (FTTH) connections through Bharatnet to link 100,000 gram panchayats this year.

To provide early life funding to support ideation and development of early stage Start-ups.

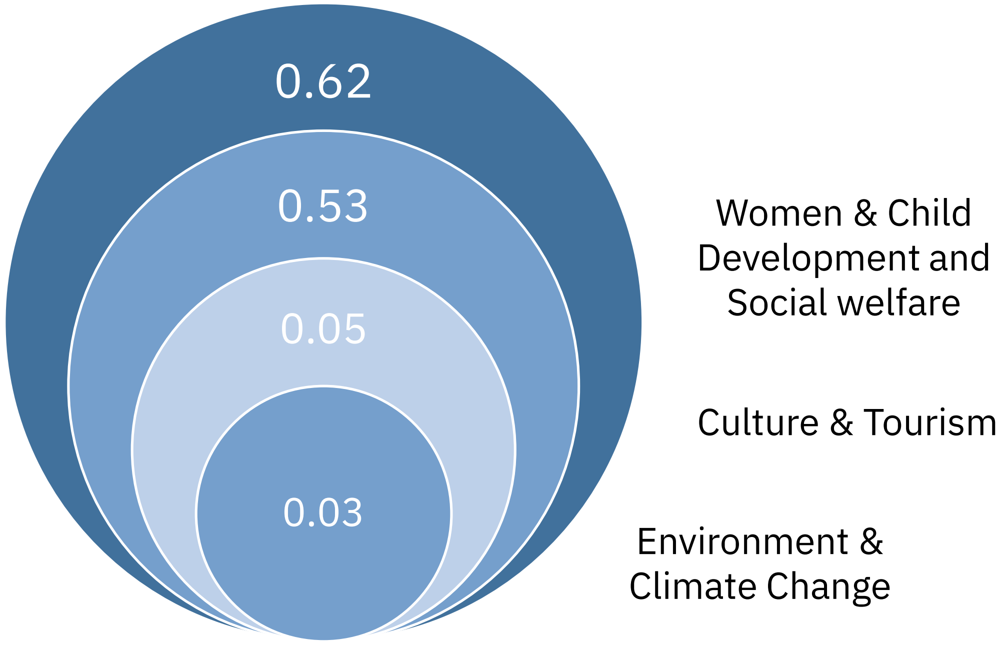
Institute of Excellence to be established which works in the field of Intellectual Property.

To expand the base for knowledge-driven enterprises

Caring Society

Women, Child & Social Welfare	• "Beti Bachao Beti Padhao".
Culture & Tourism	• Acquisition of knowledge in museology and archaeology are essential.
Environment & Climate Change	• Enhance climate change adaptation with a focus on disaster resilient infrastructure.

Caring Society Expenditure in Rs. Trillion



Culture & Tourism

To establish an Indian Institute of Heritage and Conservation under Ministry of Culture.

Museum on Numismatics and Trade in Kolkata and a maritime museum would be set up at Lothal.

Five archaeological sites would be developed as iconic sites with onsite Museums.

Re-curation of the oldest in the country.

Environment & Climate Change

Coalition for Disaster Resilient Infrastructure (CDRI) and International Solar Alliance to address Sustainable Development Goals.
Shut down thermal power units if emission above limit.
To encourage states that are formulating plans of cleaner air in cities.

Economic Policy and Research

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We gratefully acknowledge the valuable contribution of Aanchal Dusija, Aarushi Lunia, Arushi Chadha and Sheel Kanodia to this report.

Thank you