Union Budget 2021-22: Growth *uber alles*

Feb 1, 2021

Mumbai

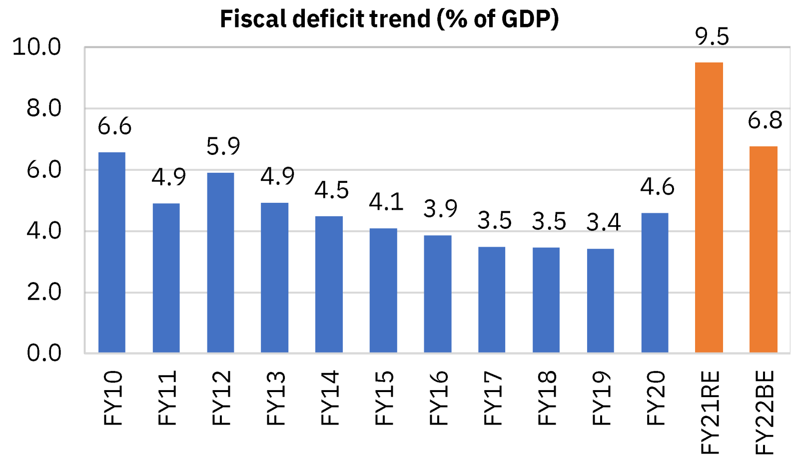
Economic Policy & Research Department

Salient points

- ✓ **Assumptions:** India's economy hit by COVID-19 pandemic like many others; support for growth the key priority, requiring structural reforms. Fiscal impulse with higher CapEx spend anticipated to outweigh negatives from sustained deviation from fiscal consolidation and higher market borrowing. Challenges: Private investment remains weak, bank asset quality likely to get worse before revival, and rise in commodity prices.
- ✓ **Fiscal Math:** Nominal GDP growth reasonably assumed at 14.4% for FY22 (Rs222trn) vs. CSO's Advance Estimates of -4.3% for FY21, funded by non-tax avenues (borrowing and NSSF). FY21 Exp of Rs34trn, kept in check in FY22% (+1.0%), quite practical. Tax growth at 14.9%, non-tax growth at 15.4%. CapEx growth up 26.2%. Overall, fiscal math looks credible.
- ✓ **Fiscal Prudence:** Clean acknowledgement to post-COVID fiscal balances, with revival expected to take years. FRBM targets significantly revised: 4.5% fisc by FY26. Higher fiscal spending deemed imperative for growth amid continued geopolitical challenges.

Salient points (Contd.)

- ✓ **Focus:** Infra-spending and manufacturing, substantial privatization, clean-up of stressed assets through a bad-bank, increased expenditure on health and well being, and transparency of fiscal accounting.
- ✓ **Fiscal strategy:** Remain on the path of fiscal consolidation, but only gradually, with growth being the top priority allowing for a significant fiscal impulse. No change in personal and corporate taxes; allow revival in consumption to sustain. Marginal change in indirect taxes (Agri cess) transparent to the consumer and hence not inflationary.
- ✓ **Overall Impact:** Focus on infrastructure and manufacturing should create capacity for future growth. Lack of any change in personal and corporate taxes supports fledgling revival in consumption.



A quick glance at fiscal balances

Rs bn	FY21RE	%YoY	FY22BE	%YoY
Net tax revenues	13,445	-0.8	15,454	14.9
Non-tax revenues	2,107	-35.4	2,430	15.4
Non-debt cap receipts	465	-32.2	1,880	304.3
Total receipts	**16,017**	**-8.5**	**19,764**	**23.4**
Revenue Expenditure	30,111	28.2	29,290	-2.7
Capital Expenditure	4,392	30.4	5,542	26.2
Total expenditure	**34,503**	**28.4**	**34,832**	**1.0**
Fiscal deficit	**18,487**	**97.6**	**15,068**	**-18.5**
% GDP	**9.5**		**6.8**	

Fiscal deficit snapshot

Items (Rs bn)	FY20A	FY20A (% YoY)	FY21BE	FY21BE (% YoY)	FY21RE	FY21RE (% YoY)	FY22BE	FY21BE over FY21RE (% YoY)
Central govt. net tax revenue	**13,569**	**3.8**	**16,359**	**20.6**	**13,445**	**-0.9**	**15,454**	**14.9**
Gross tax revenues	**20,101**	**-2.9**	**24,230**	**20.5**	**19,003**	**-5.5**	**22,171**	**16.7**
Of which:								
Direct Tax	**10,495**	**-6.7**	**13,190**	**25.7**	**9,050**	**-13.8**	**11,080**	**22.4**
Corporation tax	5,569	-16.1	6,810	22.3	4,460	-19.9	5,470	22.6
Income tax	4,927	6.8	6,380	29.5	4,590	-6.8	5,610	22.2
Indirect Tax	**9,605**	**1.6**	**11,040**	**14.9**	**9,953**	**3.6**	**11,091**	**11.4**
Goods and service tax	5,988	2.5	6,905	15.3	5,151	-14	6,300	22.3
Custom Duties	1,093	-7.2	1,380	26.3	1,120	2.5	1,360	21.4
Excise Duties	2,406	4.2	2,670	11	3,610	50	3,350	-7.2
States Share	-6,507	-14.5	-7,842	20.5	-5,500	-15.5	-6,656	21
Transferred to NCCD	-25	37.8	-29	18.1	-58	134.7	-61	4.8
Non-Tax Revenue	**3,272**	**38.8**	**3,850**	**17.7**	**2,107**	**-35.6**	**2,430**	**15.4**
Dividends and profits	1,861	64.1	1,554	-16.5	965	-48.1	1,035	7.2
Central govt. revenue receipts	**16,841**	**9.1**	**20,209**	**20**	**15,552**	**-7.7**	**17,884**	**15**
Non-Debt Capital Receipts	686	-39.2	2,250	227.8	465	-32.2	1,880	304.3
Divestment proceeds	503	-46.9	2,100	317.5	320	-36.4	1,750	446.9
Total Receipts	**17,527**	**5.8**	**22,459**	**28.1**	**16,017**	**-8.6**	**19,764**	**23.4**
Revenue Expenditure	23,506	17.1	26,301	11.9	30,111	28.1	29,290	-2.7
Interest Payments	6,121	5	7,082	15.7	6,929	13.2	8,097	16.9
Subsidy outgo	2,623	17.6	2,621	-0.1	6,487	147.3	3,699	-43
Capital Expenditure	3,357	9.1	4,121	22.7	4,392	30.8	5,542	26.2
Total Expenditure	**26,863**	**16**	**30,422**	**13.2**	**34,503**	**28.4**	**34,832**	**1**
Fiscal Deficit	**-9,336**	**41.6**	**-7,963**	**-14.7**	**-18,487**	**98**	**-15,068**	**-18.5**
Fiscal Deficit/GDP	**4.6**		**3.5**		**9.5**		**6.8**	

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

Fiscal deficit snapshot (% of GDP)

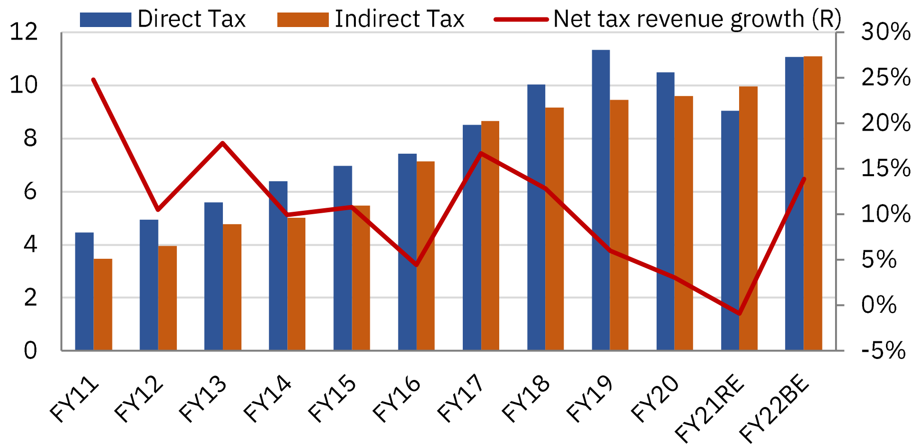
Items (% of GDP)	FY19	FY20A	FY21BE	FY21RE	FY22BE
Central govt. net tax revenue	**6.9**	**6.7**	**7.3**	**6.9**	**6.9**
Gross tax revenues	**10.9**	**9.9**	**10.8**	**9.8**	**9.9**
Of which:					
Direct Tax	**5.9**	**5.2**	**5.9**	**4.6**	**5.0**
Corporation tax	3.5	2.7	3.0	2.3	2.5
Income tax	2.4	2.4	2.8	2.4	2.5
Indirect Tax	**5.0**	**4.7**	**4.9**	**5.1**	**5.0**
Goods and service tax	3.1	2.9	3.1	2.6	2.8
Custom Duties	0.6	0.5	0.6	0.6	0.6
Excise Duties	1.2	1.2	1.2	1.9	1.5
States Share	(4.0)	(3.2)	(3.5)	(2.8)	(3.0)
Transferred to NCCD	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Non-Tax Revenue	**1.2**	**1.6**	**1.7**	**1.1**	**1.1**
Dividends and profits	0.6	0.9	0.7	0.5	0.5
Central govt. revenue receipts	**8.1**	**8.3**	**9.0**	**8.0**	**8.0**
Non-Debt Capital Receipts	0.6	0.3	1.0	0.2	0.8
Divestment proceeds	0.5	0.2	0.9	0.2	0.8
Total Receipts	**8.7**	**8.6**	**10.0**	**8.2**	**8.9**
Revenue Expenditure	10.6	11.6	11.7	15.5	13.1
Interest Payments	3.1	3.0	3.1	3.6	3.6
Subsidy outgo	1.2	1.3	1.2	3.3	1.7
Capital Expenditure	1.6	1.7	1.8	2.3	2.5
Total Expenditure	**12.2**	**13.2**	**13.5**	**17.7**	**15.6**
Fiscal Deficit	**3.5**	**4.6**	**3.5**	**9.5**	**6.8**

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

Tax collections quite realistic

- Net tax collections in FY21 are expected to fall short by 17.8% from budgeted figures, thanks to COVID-induced economic contraction.
- FY22 net tax collection target of 14.9% over a low base is quite realistic and reflective of current macro-economic environment.
- Direct tax collections are expected to grow at 22.4% in FY22, albeit off a very low base, but are pegged 16% lower than FY21 budget estimates.
- Indirect tax collections are budgeted to grow at 11.4% led by strong growth in GST and custom duty collections.
- Nominal GDP growth est. of 14.4% is a percentage point lower than that estimated in the Economic Survey.

Net tax collections projected to grow by 14.9% in FY22



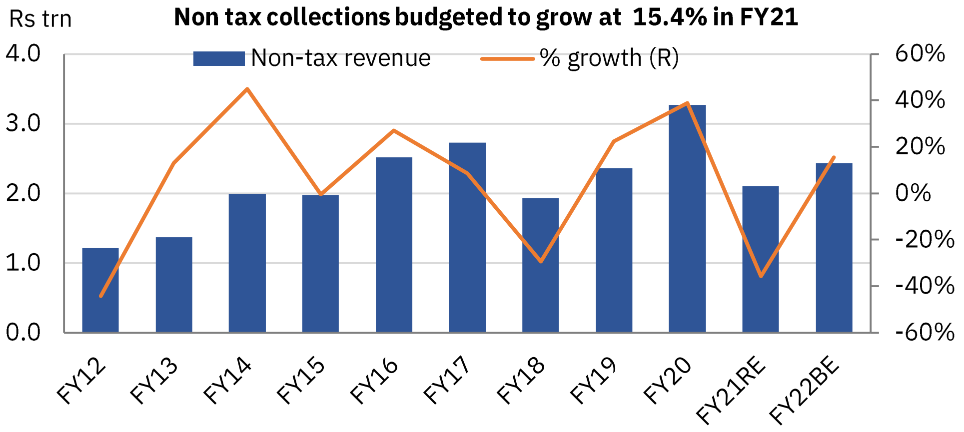
Tax revenue assumptions are far more realistic than seen in the past and seem achievable

Rs bn	FY20A	FY20A (% YoY)	FY21BE	FY21BE (% YoY)	FY21RE	FY21RE (% YoY)	% chg. From BE	FY22BE	FY22BE over FY21RE (% YoY)
Direct Tax	**10,495**	**-7.5%**	**13,190**	**25.7%**	**9,050**	**-13.8%**	**-31.4%**	**11,080**	**22.4%**
Corporation tax	5,569	-16.1%	6,810	22.3%	4,460	-19.9%	-34.5%	5,470	22.6%
Income tax	4,927	6.8%	6,380	29.5%	4,590	-6.8%	-28.1%	5,610	22.2%
Indirect Tax	**9,605**	**1.6%**	**11,040**	**14.9%**	**9,953**	**3.6%**	**-9.8%**	**11,091**	**11.4%**
Goods and service tax	5,988	2.5%	6,905	15.3%	5,151	-14.0%	-25.4%	6,300	22.3%
Customs	1,093	-7.2%	1,380	26.3%	1,120	2.5%	-18.8%	1,360	21.4%
Union excise duty	2,406	4.2%	2,670	11.0%	3,610	50.0%	35.2%	3,350	-7.2%
Gross tax collections	**20,101**	**-3.4%**	**24,230**	**20.5%**	**19,003**	**-5.5%**	**-21.6%**	**22,171**	**16.7%**
Net tax collections	**13,569**	**3.0%**	**16,359**	**20.6%**	**13,445**	**-0.9%**	**-17.8%**	**15,454**	**14.9%**

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

Non-tax revenue shored up by higher telecom receipts

- ❖ Non-tax revenues in FY21 were impacted more from the massive economic slowdown. While telecom receipts were lower partly owing to the Supreme Court's order allowing telecom companies to pay the statutory dues in 10 years and cancellation of 5G auctions, lower corporate profits impacted dividend receipts.
- ❖ Non-tax revenue growth is budgeted at 15.4% in FY22, largely coming from higher telecom receipts as compared to FY21RE—budgeted at Rs 540bn, +60%. This probably factors in part of the proceeds from upcoming 4G spectrum sale scheduled for March 2021.



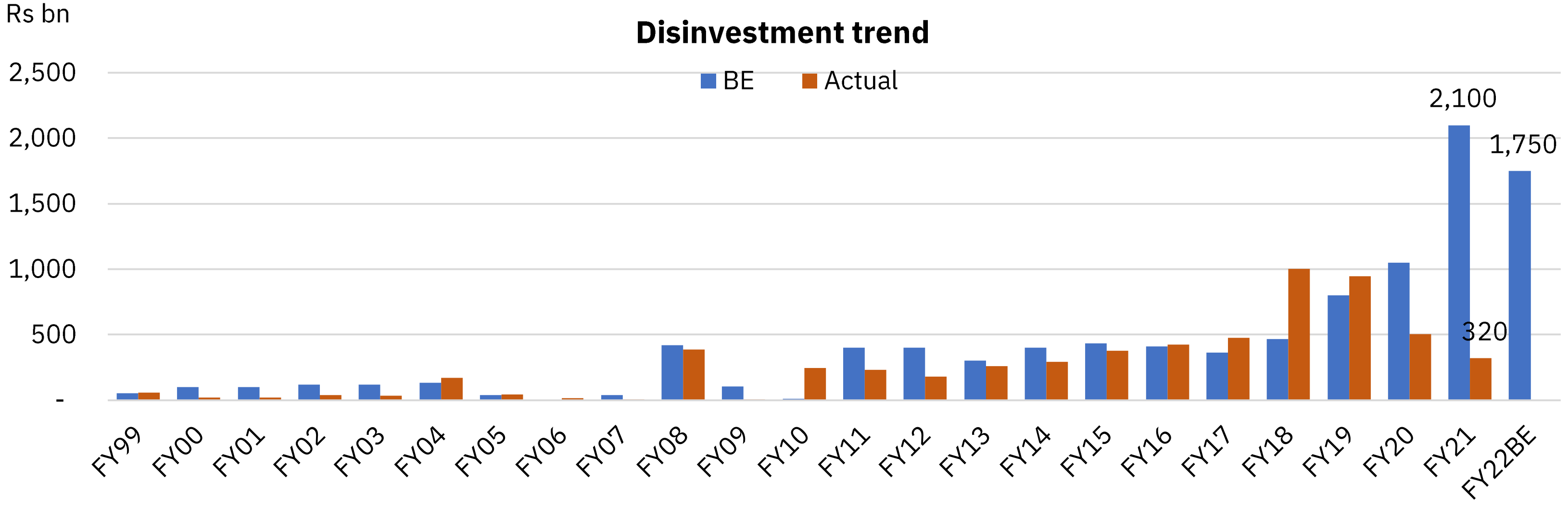
Higher telecom receipts providing a fillip to non-tax revenue assumptions for FY22

Rs bn	FY20A	FY20A (% YoY)	FY21BE	FY21BE (% YoY)	FY21RE	FY21RE (% YoY)	% chg. From BE	FY22BE	FY22BE over FY21RE (% YoY)
Non-tax revenue	**3,272**	**38.8%**	**3,850**	**17.7%**	**2,107**	**-35.6%**	**-45.3%**	**2,430**	**15.4%**
Interest receipt	123	1.7%	110	-10.6%	140	13.4%	26.8%	115	-17.6%
Dividends and profits	1,861	64.1%	1,554	-16.5%	965	-48.1%	-37.9%	1,035	7.2%
Union Territories	18	-6.8%	23	30.7%	21	18.1%	-9.6%	25	21.6%
Other non-tax revenue	1,269	17.2%	2,163	70.4%	980	-22.8%	-54.7%	1,254	27.9%
Fiscal services	10	40.0%	8	-27.9%	6	-43.4%	-21.5%	7	19.0%
General services	203	3.9%	216	6.5%	163	-19.9%	-24.8%	207	27.4%
Social and community services	34	13.5%	43	25.4%	31	-7.6%	-26.3%	29	-8.4%
Economic services	1,018	21.3%	1,882	84.9%	766	-24.7%	-59.3%	1,004	31.0%
Communication	698	71.1%	1,330	90.5%	337	-51.7%	-74.6%	540	60.0%

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

Strong focus on asset monetization as an alternate financing avenue

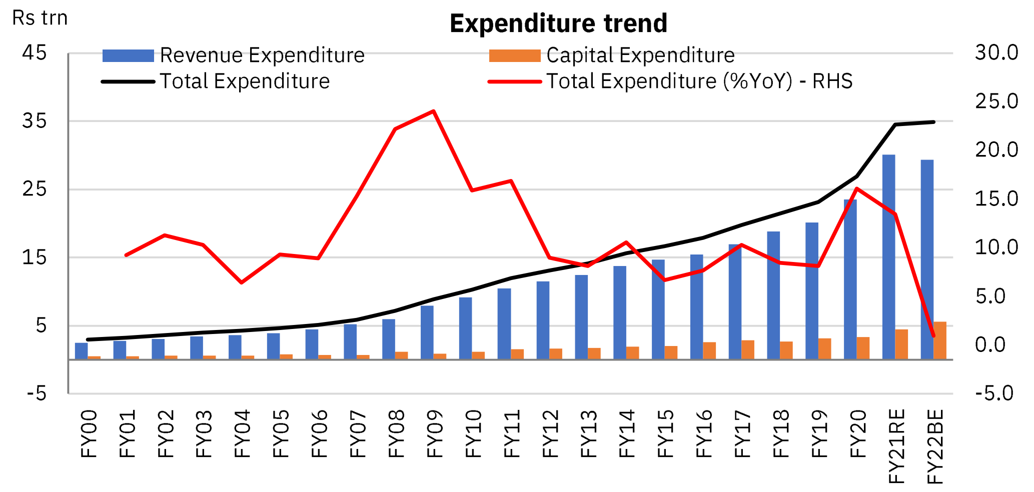
- Despite a huge rally in equity markets this year, disinvestment proceeds fell short of the budget estimates by a huge margin, with the revised estimate for FY21 pegged at Rs320bn (Rs189bn collected until December 2020).
- The Government, however, has given strong emphasis on monetization of non-core assets and privatization of CPSEs for the next fiscal year. The Government plans to complete all divestments announced thus far in FY22 including two PSU banks, one general insurance company, LIC IPO, CONCOR, BPCL, Pawan Hans and Air India.
- The much-awaited National Monetisation Pipeline of public infrastructure assets is a step in the right direction. These would include NHAI operational toll roads, dedicated freight corridor assets, airports, transmission assets, gas pipelines, warehousing assets and sport stadiums.
- The disinvestment target for FY22 is budgeted at Rs 1.75trn. Successful execution of the asset monetization plan would be crucial in meeting the expenditure targets.



Source: Budget Documents. BE – Budget Estimate.
*FY21 actual number is the revised estimate.

Capital expenditure picks up

- ❖ Share of Capex now at 15.9% of overall expenditure—the highest since FY08—meaningfully higher than last year's 12.7%.
- ❖ Capex through Infrastructure and Manufacturing is key to the fiscal impulse in the Budget, and builds on the PLI scheme. New DFI (Development Financial Institution) with Rs200bn capital to lend Rs5trn in five years.
- ❖ Spending (+26% through GBS) tilted towards Railways, Roads, and (Affordable) Housing. IEBR spend remains high, but marginally lower (-3%); GBS share of overall spend highest in many years at 66%.



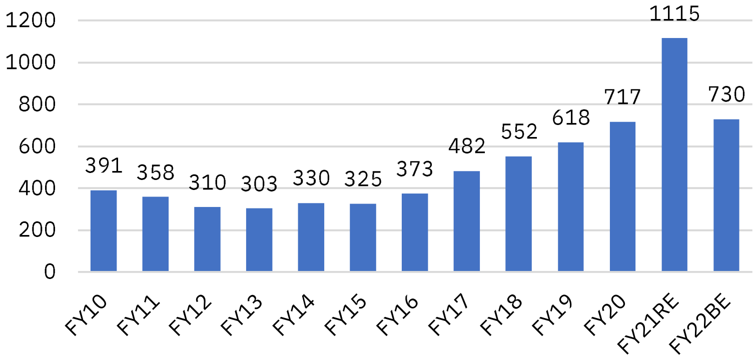
Ministry-wise capital expenditure (includes IEBR*):

Rs bn	FY20A		FY21RE			FY22BE		
	GBS	IEBR	GBS	IEBR	%YoY (for total GBS+IEBR)	GBS	IEBR	%YoY (for total GBS+IEBR)
Ministry of Railways	678.4	1,480.1	1,084.0	2,408.4	61.8	1,071.0	2,148.6	-7.8
Ministry of Petroleum and Natural Gas	5.7	1,071.5	26.1	996.5	-5.1	4.3	1,048.7	3.0
Department of Food and Public Distribution	12.4	-	11.9	1,528.8	-	27.3	1,053.0	-29.9
Ministry of Roads, Transport and Highways	683.7	1,066.8	920.5	1,140.5	17.7	1,082.3	1,223.5	11.9
Ministry of Power	16.2	37.8	3.8	50.0	-0.2	15.6	-	-
Department of Rural Development	0.1	108.1	-	200.0	-	-	178.7	-
Ministry of Housing and Urban Affairs	193.0	566.3	103.1	382.0	9.0	257.6	478.8	51.8
Department of Telecommunications	48.2	-	41.4	168.9	-	53.3	351.2	92.3
Ministry of Civil Aviation	0.2	-	0.5	69.5	-	0.4	92.7	33.0
Ministry of New and Renewable Energy	-	104.5	-	100.9	-	-	117.8	-
Total	**3,357.3**	**8,516.7**	**4,391.6**	**8,546.4**	**9.0**	**5,542.4**	**8,290.4**	**6.9**

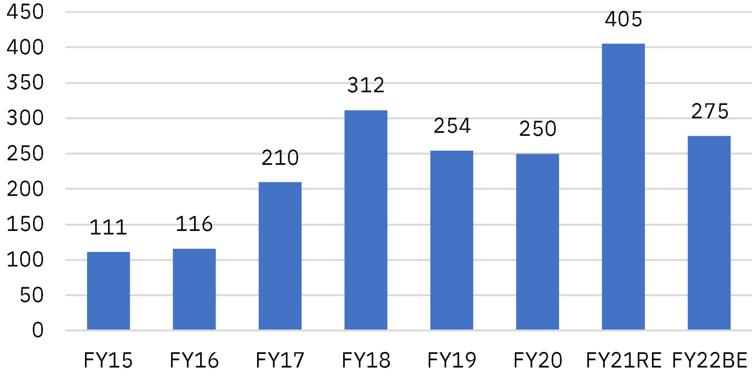
Source: Budget Documents, NSE
*IEBR – internal and Extra Budgetary Resources GBS – Gross Budgetary Support

Spending in social programs remains intact

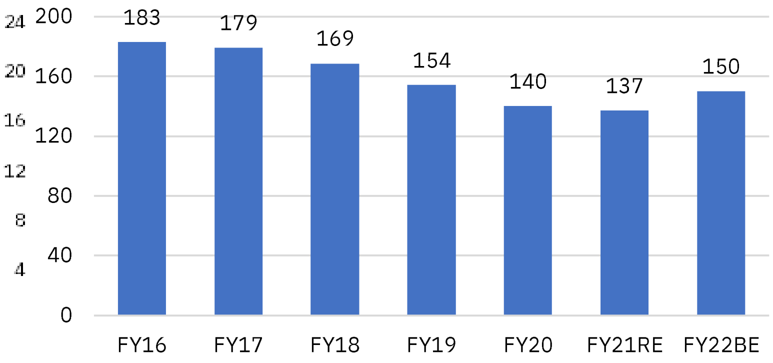
Rural employment (Mahatma Gandhi National Rural Employment Guarantee Scheme)



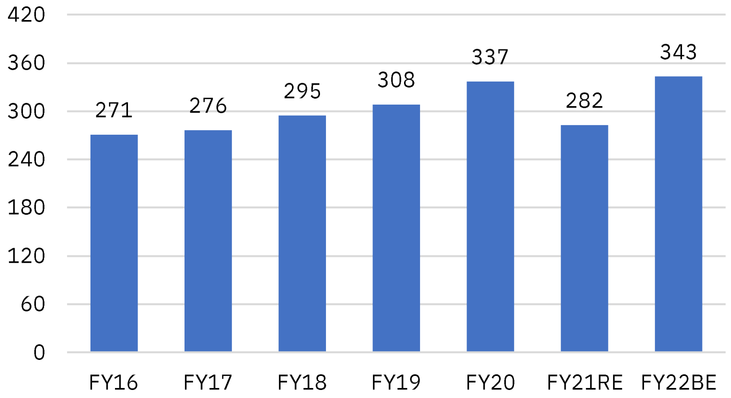
Housing for All (Pradhan Mantri Awas Yojna*)



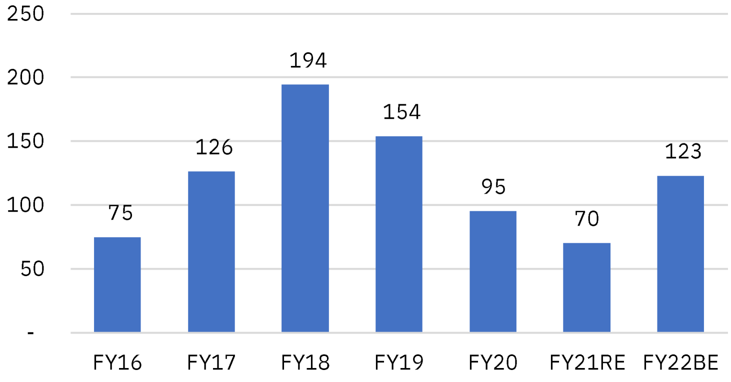
Rural infrastructure (Pradhan Mantri Gram Sadak Yojna)



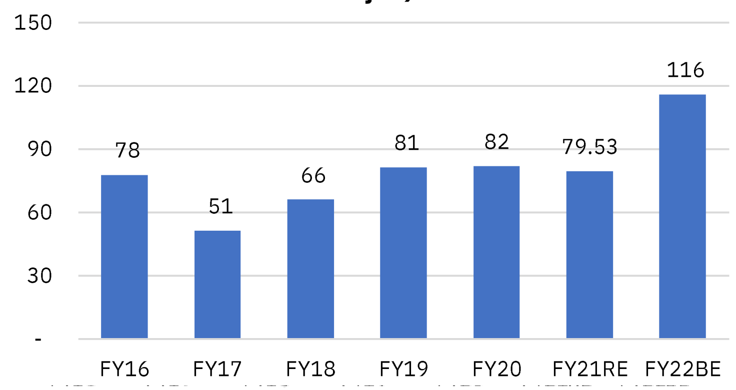
National Education Mission



Swachh Bharat Mission



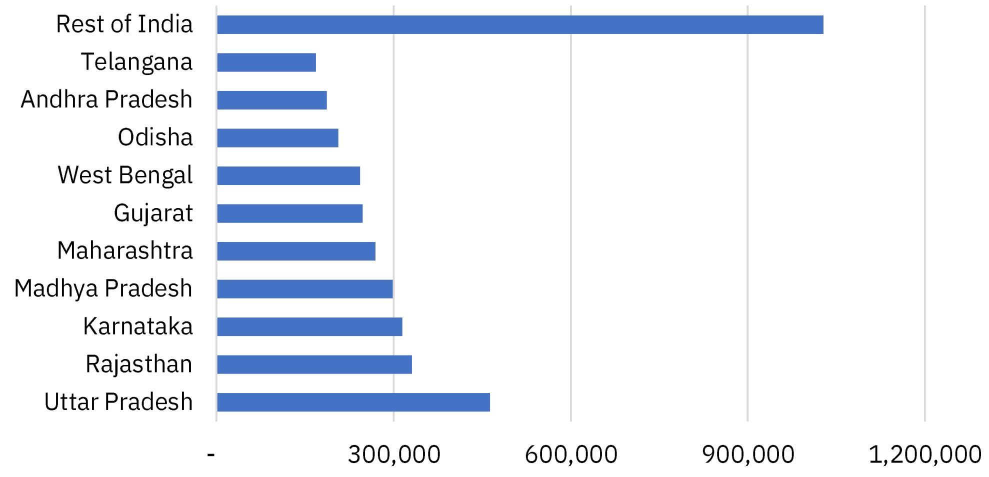
Irrigation (Pradhan Mantri Krishi Sinchai Yojna)



Source: Budget Documents, NSE
* Erstwhile Indra Awas Yojna

Huge jump in healthcare expenditure

COVID-19 Vaccinations till Jan 27th, 2021



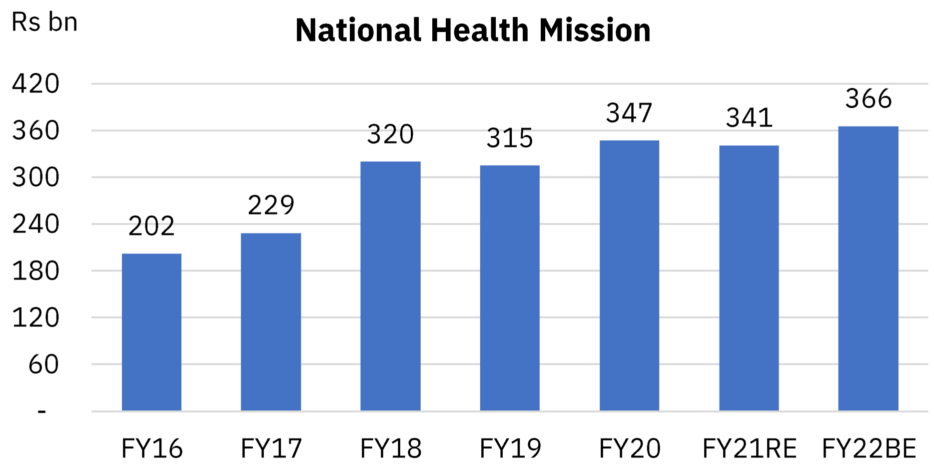
Source: Ministry of Health and Family Welfare.

Ministry/Department (Rs bn)	FY20A	FY21BE	FY22BE
Department of Health & Family Welfare	624	650	713
Department of Health Research	19	21	27
Ministry of AYUSH	18	21	30
COVID related Special Provisions			
Vaccination			350
Department of Drinking Water & Sanitation	183	215	600
Nutrition	19	37	27
FC Grants for Water and Sanitation			360
FC Grants for Health			132
Total	**863**	**945**	**2,238**

Source: Union Budget documents.

- 130% jump in health and well being expenditure in FY2021-22.
- Rs. 35,000 crores allocated for the COVID-19 vaccination drive.
- In addition to the National health Mission, PM Atmanirbhar Swasth Bharat Mission launched with outlay of Rs. 64, 180 crores over six years.
- Focus on creation and strengthening of new healthcare institutions.

National Health Mission



Source: Budget documents, NSE.

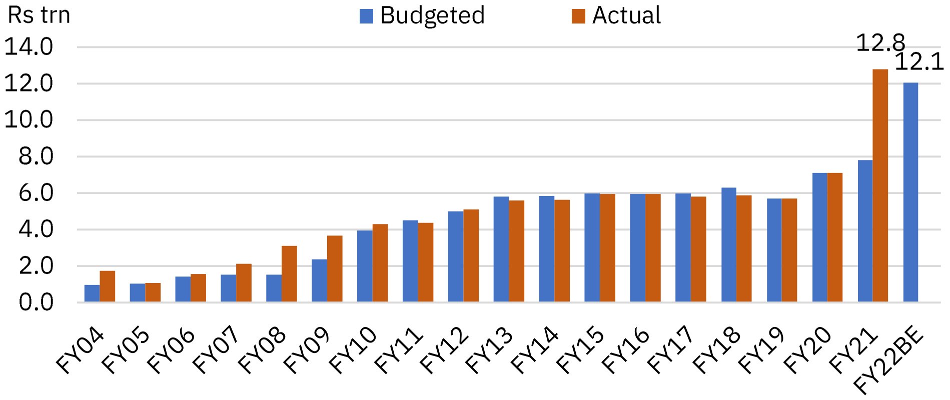
Market loans and small savings to fund 87% of fisc

❖ Gross market borrowing for FY22 is pegged at Rs12.1trn, a tad higher than FY21RE of Rs12.8. This doesn't bode well for bond markets. Net small savings nearly doubled in FY21 as compared to BE and is expected to fund 26% of deficit in FY22.

Sources of funding the deficit

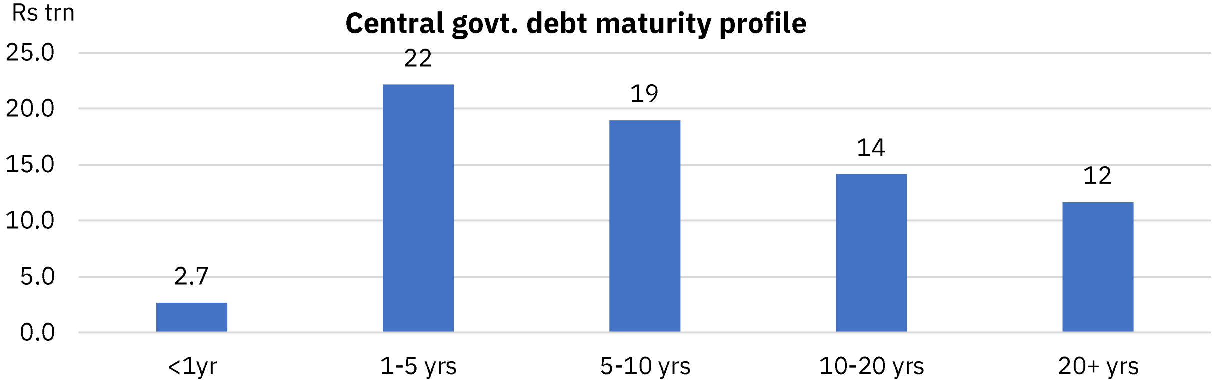
Rs bn	FY20BE	FY20RE	% of total	% YoY	FY21BE	% of total	% YoY
Gross market borrowings	7,800	12,800		80%	12,055		-6%
Net market borrowings	5,109	10,488	57%	121%	9,177	61%	-12%
Short-term borrowings	250	2,250	12%	50%	500	3%	-78%
External assistance (net)	46	545	3%	528%	15	0%	-97%
Small savings (net)	2,400	4,806	26%	100%	3,919	26%	-18%
State provident funds (net)	180	180	1%	55%	200	1%	11%
Draw down of cash balance	-530	-174	-1%	-449%	714	5%	-511%
Other capital receipts	508	391	2%	-17%	543	4%	39%
Total	**7,963**	**18,487**	**100%**	**97%**	**15,068**	**100%**	**-18%**

Centre's Market borrowing trend

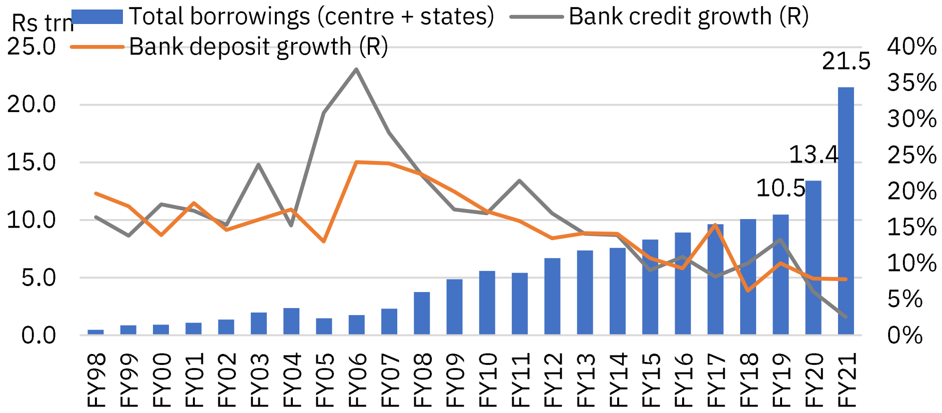


Actual borrowing figure for FY21 is the revised estimates.

Nearly 63% of central govt. debt is maturing over the next 10 years



Crowding out of the private sector on rising govt. borrowings



*State borrowings for FY21 is a sum of actual borrowings over Apr-Dec'20 and borrowing calendar for Q4FY21.

Source: Budget Documents, RBI, CMIE, NSE

Key announcements and implications for capital markets

Announcement	Implications
Equity markets	
Disinvestment target pegged to **Rs1.75trn.** Expected to be partly met by LIC IPO announced in the previous budget, disinvestment of two public sector banks other than IDBI Bank and one general insurance firms. An incentive package of Central funds will be provided to State governments to encourage disinvestment of their public sector companies.	*Positive:* Will enable better public ownership and governance standards, and help government meet its revenues targets for FY22. *Negative:* May crowd out total investment in the primary market
Consolidation of provisions of SEBI Act, 199, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007 in a single **Securities Markets Code**.	*Positive*: Continued simplification of the regulatory framework for financial markets
Tax holiday for IFSC for capital gains	*Positive*: Will help promote development of IFSC and reduce tax burden for some companies in IFSC
The dividend paid to REIT/InvIT shall be exempt from TDS. Advance tax liability on dividend income to taxpayers shall arise only after the declaration/payment of dividend	*Positive:* Will provide relief to tax payers

Source: Budget documents, NSE

Key announcements and implications for capital markets

Announcement	Implications
Bond markets	
Debt financing of InvITs and REITs by FPIs will be enabled	*Positive: Will ease access of funds for InvITs and REITs.*
Creation of permanent institutional framework to purchase investment grade debt securities both in stressed and normal times	*Positive: To deepen corporate bond market*
Zero-coupon bonds to be issued by infrastructure debt funds	*Positive: Will ease access of funds for infrastructure projects*
Commodities	
SEBI to act as the regulator for Gold Exchange along with strengthening the gold ecosystem	Positive: Will deepen the formal gold market.
Foreign Portfolio Investors (FPIs)	
Foreign Portfolio Investors eligible for treaty benefit for determining TDS liability on dividend.	*Positive:* May increase foreign inflows in the country.

Source: Budget documents, NSE

Key announcements and implications for capital markets

Announcement	Budget outlook	Implications
Financial infrastructure	Government will introduce a Bill to set up a Development Financial Institution (DFI) . A sum of Rs200bn will be provided to capitalise this institution. The objective is to have a lending portfolio of at least Rs5trn for this DFI in three years.	
	Debt Financing of InVITs and REITs by Foreign Portfolio Investors will be enabled by making suitable amendments in the relevant legislations.	This will further ease access of finance to InVITS and REITs thus augmenting funds for infrastructure and real estate sectos.
Operational	To have ease of doing business for those who deal with Government or CPSEs, and carry out contracts, the FM has proposed to set up a Conciliation Mechanism and mandate its use for quick resolution of contractual disputes.	This may help to improve confidence in private investors and contractors.
	Introduction of investment charter across all financial products for investor protection.	Will improve understanding of financial products for retail investors.

Key sector-wise announcements and implications

Sector	Budget outlook	Implications
Health	PM AtmaNirbhar Swasth Bharat Yojana will be launched with an outlay of about Rs 641.8bn	Improve capacities of primary, secondary, and tertiary care Health Systems, strengthen existing national institutions, and create new institutions for detection and cure of new and emerging diseases.
	Under the National Health Mission: a. Support for 17,788 rural and 11,024 urban Health and Wellness Centers; b. Set up integrated public health labs in all districts and 3382 block public health units in 11 states; c. Establish critical care hospital blocks in 602 districts and 12 central institutions; d. Strengthen the National Centre for Disease Control (NCDC), its 5 regional branches and 20 metropolitan health surveillance units; e. Expand the Integrated Health Information Portal to all States/UTs to connect all public health labs.	
	Government will form a National Commission for Allied Healthcare Professionals Bill in Parliament, with a view to ensure transparent and efficient regulation of the 56 allied healthcare professions.	
Water and sanitation	The Jal Jeevan Mission (Urban) will be launched. It will be implemented over five years, with an outlay of Rs2.9trn.	It aims at universal water supply in all 4,378 Urban Local Bodies with 28.6mn household tap connections, as well as liquid waste management in 500 AMRUT cities.
	The Urban Swachh Bharat Mission 2.0 will be implemented with a total financial allocation of Rs1.4trn over a period of five years from 2021-2026.	It may facilitate to achieve universal sanitation in the country.

Source: Budget documents, NSE

Key sector-wise announcements and implications

Sector	Budget outlook	Implications
Textiles	A scheme of Mega Investment Textiles Parks (MITRA) will be launched in addition to the PLI scheme. Seven Textile Parks will be established over the next three years.	This may improve existing infrastructure with plug and play facilities to create globally competitive companies to enhance exports.
Power and Energy	A revamped reforms-based result-linked power distribution sector scheme will be launched with an outlay of Rs3.05trn over the next five years.	The scheme will provide assistance to DISCOMS for Infrastructure creation including pre-paid smart metering, feeder separation, upgradation of systems.
	Government will launch a Hydrogen Energy Mission in 2021-22 for generating hydrogen from green power sources.	
Insurance	Increase in the permissible FDI limit from 49% to 74%	This would attract foreign participation in the insurance sector.

Source: Budget documents, NSE

Key sector-wise announcements and implications

Sector	Budget outlook	Implications
Start-ups	The government proposed to incentivize the incorporation of One Person Companies (OPCs) by allowing OPCs to grow without any restrictions on paid up capital and turnover, allowing their conversion into any other type of company at any time, reducing the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days and also allow Non Resident Indians (NRIs) to incorporate OPCs in India.	It may further improve ease of doing business.
Banks and NBFCs	To further consolidate the financial capacity of PSBs, further recapitalization of Rs200bn is proposed in 2021-22.	Recapitalization of PSBs, while appears insufficient, would improve their capital adequacy and would increase their lending ability.
	For NBFCs with minimum asset size of Rs1bn, the minimum loan size eligible for debt recovery under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 is proposed to be reduced from the existing level of Rs5mn to Rs2mn.	To improve credit discipline while continuing to protect the interest of small borrowers.
	Creation of Bad Bank (Asset Reconstruction Company) for resolution of stressed assets.	Might prove to be a big support towards cleaning up stressed assets in the Indian banking space.
MSMEs	The Companies Act, 2013 will be revised for Small Companies by increasing their thresholds for Paid up capital from "not exceeding Rs5mn" to "not exceeding Rs20mn" and turnover from "not exceeding Rs20mn" to "not exceeding Rs200mn".	This may benefit more than two lakh companies by easing their compliance requirements.

Source: Budget documents, NSE

Key sector-wise announcements and implications

Sector	Budget outlook	Implications
Automobile	Under the Production Linked Incentive scheme (PLI), the government has announced to spend nearlyRs1.97 trn over 5 years starting FY 2021-22.	PLI schemes will help to improve manufacturing growth for 13 sectors. This initiative will also help to bring scale and size in key sectors.
	A voluntary vehicle scrapping policy will be launched to phase out old and unfit vehicles. 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.	This may help in encouraging fuel efficient, environment friendly vehicles, thereby reducing vehicular pollution and oil import bill.
Education	More than 15,000 schools will be qualitatively strengthened to include all components of the National Education Policy.	

Source: Budget documents, NSE

Key sector-wise announcements and implications

Sector	Budget outlook	Implications
Infrastructure	A total of 3,500 km of National Highway works will be started in the state of Tamil Nadu at an investment of Rs1.03trn.	This policy will improve connectivity in the state.
	Govt. will provide an enhanced outlay of R1.18trn for Ministry of Road Transport and Highways, of which Rs1.08trn is for capital expenditure.	
	Several dedicated freight corridor projects are announced 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.	These projects will improve connectivity in these regions.
	100% electrification of Broad-Gauge routes will be completed by December, 2023.	This may help to improve road safety in the country.
	A new scheme will be launched at a cost of R180bn to support augmentation of public bus transport services.	The scheme will boost the automobile sector, create employment opportunities and enhance ease of mobility for urban residents.
	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. Two new technologies i.e., 'MetroLite' and 'MetroNeo' will be deployed to provide metro rail systems at much lesser cost with same experience, convenience and safety in Tier-2 cities and peripheral areas of Tier-1 cities.	
	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.	

Source: Budget documents, NSE

Revision in indirect tax rates

Revision in Custom Duties for Domestic Producers	Old	New
Cotton	0%	5%
Raw Silk (not thrown) and silk yarn /yarn spun from silk waste	10%	15%
Carbon Black	5%	7.5%
Builder’s ware of plastic, not elsewhere specified or included	10%	15%
Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including their splits and slides	0%	10%
Synthetic Cut and Polished Stones	7.5%	15%
Electric Vehicles: Completely Built Units of Bus and Trucks	25%	40%
Screws, Nuts, etc.	10%	15%
Inputs, parts or sub-parts for manufacture of specified parts of mobile phones, including: (1) Printed Circuit Board Assembly (PCBA), (2) Camera module, and (3) Connectors	0%	2.5%
Compressor of Refrigerator/Air Conditioner	12.5%	15%
Solar Inverters	5%	20%
Nylon fibre and yarn	7.5%	5%
Components or parts, including engines, for manufacture of aircrafts by Public Sector Units of Ministry of Defense	2.5%	0%
Gold and silver (Also, to attract Agriculture Infrastructure and development Cess at the rate of 2.5%)	12.5%	7.5%
Primary/Semi-finished products of nonalloy steel	10%	7.5%
Flat products of non-alloy and alloy-steel	10%/12.5%	7.5%
Platinum, Pallidum, etc.	12.5%	10%

Source: Budget Documents, NSE

Revision in indirect tax rates (contd.)

Agriculture Infrastructure and Development Cess (AIDC) has been proposed on specified goods	Proposed cess
A. On custom side	
Gold, Silver and dore bars	2.5%
Alcoholic beverages (falling under chapter 22)	100%
Crude palm oil	17.5%
Crude soyabean and sunflower oil	20%
Apples	35%
Coal, lignite and peat	1.5%
Specified fertilizers (Urea etc)	5%
Peas	40%
Kabuli Chana	30%
Bengal Gram/Chick peas	50%
Lentil (Mosur)	20%
Cotton	5%
B. On excise side	
Petrol	Rs. 2.5/Litre
Diesel	Rs. 4/Litre

Note: Consequent to the imposition of AIDC on petrol and diesel the Basic excise duty (BED) and Special Additional Excise Duty (SAED) rates have been reduced on them so that overall consumer does not bear any additional burden.

Economic Policy and Research

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Thank you