



**Union Budget
2023-24
Impact on Capital Market
CS Ajay Walimbe**

Economic Survey 2023

- GDP growth rate projected in the range of 6-6.8% for the next fiscal 2023-24 (FY24)
- Despite the three shocks of COVID-19, Russian-Ukraine conflict and by Federal Reserve- rate hikes to curb inflation, leading to appreciation of US Dollar and the widening of the Current Account Deficits (CAD) agencies worldwide continue to project India as the fastest-growing major economy at 6.5-7.0 per cent in FY23.
- Borrowing cost may remain 'higher for longer', entrenched inflation may prolong .
- If CAD widens further, rupee may come under depreciation pressure however overall external situation to remain manageable * India has sufficient Forex reserves
- Slowing world growth, shrinking global trade led to loss of export stimulus in the second half of the current year

Economic Survey

•Private investment in agriculture has risen to 9.3% in 2020-21.

Gross Non-Performing Assets (GNPA) are at a five-year low of 5%

The credit growth to Micro, Small, and Medium enterprises was high at 30.6% on average from Jan to Nov 2022.

Investment of ₹47,500 crores under the PLI schemes in FY22-106% of the designated target for the year

Though India's retail inflation rate peaked at 7.8% in April 2022, it was one of the lowest in the world. RBI estimates 6.8% retail inflation.

•It is highlighted that the installed solar power capacity reached 61.6 GW on Oct 2022. India is becoming a favored destination for renewables. For instance, investments in 7 years stand at US\$ 78.1 billion.

Expectations

Booster to GDP Growth

Employment Generation

Cut in individual IT rate

Reforms for Agriculture Sector

Reforms for industrial Sector

Improve sluggish Demand



Expectations



Strengthen Banking reforms

Major Allocation to Health & Education Sector

Skill development to create employment

Conducive environment for FDI

Measurable steps towards vision 2030

Expectations



The government to keep its focus on infrastructure in this budget without going overboard on spending.

Rationalization of Capital gain tax

Govt to keep its expenses in check to control inflation.

something concrete on privatization and divestment, listing of Start Up Equities/ SRs

Extension of PLI Schemes to other sectors

Increase in exemption limits for personal taxation



Six Pillars in Budget- 2021

- Strengthening Human Capital
- Health and well-being
- Physical Financial Capital & Infra
- Minimum Government and Maximum Governance
- Inclusive development for aspirational India
- Innovation and R & D

Four Pillars for Amrit Kaal @100 Budget - 2022



PM Gati shakti through Seven Engines Road, railway, airports, ports, Mass transport, waterways and logistics Infra

Inclusive Development

Productivity Enhancement & Investment, Sunrise Opportunities, Energy Transition and Climate actions

Financing Investment

Saptarishi- Budget 2023 with 3 focus areas

- Inclusive development
 - Reaching the last mile
 - Infrastructure & Investment
 - Unleashing the potential
 - Green Growth
 - Youth Power
 - Financial Sector
1. Opportunities to citizens with focus on Youth
 2. Growth and Job creations
 3. Strong and stable micro economic development

Budget Highlights

- ✓ Benefits for common Man- hike in tax rebate u.s. 87A
- ✓ Saving Scheme for Sr Citizen
- ✓ Huge Infrastructure push- 10 lac crore- 3.3% of GDP
- ✓ Fiscal deficit target maintained
- ✓ Focus on Rural Sector- agriculture credit target increased to 20 lac crore with focus on animal husbandry, dairy and fishery. 79k crore to PMAY
- ✓ MSME support- 9000 cr for revised credit guarantee scheme, 2 lakh crore in collateral free credit guarantee with 1% reduction in cost of borrowing
- ✓ 35k crore investment for Green growth
- ✓ Enhancing ease of doing business
- ✓ NO BAD NEWS IS GOOD NEWS

Sr. No.	Sector
1	Sugar
2	Roads & Infrastructure
3	Real Estate
4	Auto And Auto Ancillary
5	Steel and Metal
6	Power and Green Energy
7	Pharma & Healthcare
8	Capital Goods
9	Hospitality and Tourism
10	Banks/NBFC
11	Defence
12	FMCG



Sector wise Impact

Sugar

- Exemption on Basic Custom Duty levied on denatured ethyl alcohol imports, sugar co-op permitted to claim payments made to farmers prior to AY 2017 as expenditure; measures to promote use of bio gas

IMPACT:

- In line with the commitment for blending 20% ethanol with petrol by 2025, the BCD exemption will allow need based imports.
- Measures to promote the offtake biogas would create addition revenue streams which may use press mud and other by-products for generation of Biogas.



Roads & Infrastructure

- PM Gati Shakti National Master Plan is making logistics connectivity seamless. The national highways network is being expanded as per previous budget.
- Gross budgetary support increased by 25% to Rs.2.59 Trillion.
- Allocation to NHA increased by 15% to 1.62 trillion.
- Monetization proceeds from roads expected to be Rs.35000 crs. (250% more)
- Capital outlay of Rs. Rs 2.40 lakh crore for railways

IMPACT:

- Gati Shakti initiative highlights the importance of quality multi-modal transport in achieving overall cost competitiveness.
- Increased allocation will lead to completion targets for Bharat-mala.
- NHA achieved 10000 crs target of monetization.
- Given the past record, however, the timely fructification of this proposal will remain key.



Real Estate

Affordable housing was clearly in focus, with the finance minister announcing the allocation of ₹79000 crore under the Pradhan Mantri Awas Yojana.

IMPACT:

From a policy perspective, the allocation to the PM Awas Yojana and the intent to reduce time for obtaining construction approvals as well reduce the cost of capital for consumers are welcome measures.

Continued emphasis on housing and an increase income tax threshold will provide impetus to the low cost HSG segment

Auto & Auto Ancillaries

- A new battery swap policy to encourage electric vehicle (EV) adoption. Sharp increase in capex outlay, identification of critical transport projects, for first and last mile connectivity, vehicle scrap policy, reduction in surcharge on personal IT and thrust on green energy

IMPACT:

- A policy for battery swapping will aid in reducing the upfront ownership cost of EVs.
- Exemption in custom duty on import of capital assets from manufacturing lithium-ion cells for battery packs will facilitate the development of EV ecosystem.
- The government will facilitate special mobility zones for EVs as well as push for clean tech and electric vehicles in public transport.
- Thrust on green energy projects continues with specific budgetary allocation for old vehicle scrappage, energy transition and viability gap from battery storage solution.



Steel and Metals

- 100 critical transport infra projects for steel, ports, fertilizer, coal, food grain sectors have been identified with an investment of Rs 75,000 crore, including Rs 15,000 crore from private sources.
- The budget outlay for rolling stock for railways is set to rise over 150% to 37581 crs will encourage flat steel demand.
- Similarly, rise in outlay for ministry of road transport and highways and the mass rapid transit system by 25% and 40% respectively will propel demand for long steel.
- Steel demand from the infra sector, which accounts for 25-30% of overall steel demand, will further rise aby 12-14%.
- Exemption from basic customs duty (BCD) on import of ferrous scrap of HSN 7204 (including iron and stainless steel waste) has been extended for one more year and will be available up to March 24.

Power and Green Energy

- The Govt is committed to reduction in carbon emission by 1 billion tons till 2030 and achieving net-zero by 2070.
- A 19% and 35% increase in budget for power and renewable energy; viability gap funding for 4Gwh of battery storage projects revamped distribution sector scheme allocation doubled to 12000 Crs, national green hydrogen mission gets Rs.300 Crs
- Approval of 13 GW of Ladakh renewable projects involving a capex of Rs 20,700 Crs

IMPACT:

- The budget is inclusive and focused on sustainable development of a climate-adaptive and resilient Indian economy.
- The moves will boost green energy initiatives and improve distribution.





Pharma & Healthcare

Budgetary allocation has been increased by 12.6%, promotion of R & D in pharma and medical devices, setting up nursing colleges and courses on medical devices.

IMPACT: Setting up nursing colleges and introducing courses on medical devices will increase availability of skilled manpower- a positive given severe shortage of skilled manpower in India.

Roll out program for R&D through centres of excellence and making select ICMR labs across India for private sector will help improving PPP and overall thrust on R & D.

Capital Goods

IMPACT:

- Higher allocation for capital outlay and planned capital expenditure on logistics and transport infrastructure, housing, urban development etc., to increase demand for capital equipment and construction machinery.
- Railway wagon manufacturers to benefit from the allocation towards rolling stock.
- Demand for waste management plants to increase.





Hospitality and Tourism

Fifty destinations to be selected through challenge mode. In addition to aspects such as physical connectivity, virtual connectivity, tourist guides, high standards for food streets and security, other relevant aspects would be made available on an App. All destinations will be developed as complete packages. The focus of the development of tourism would be on both domestic and foreign tourists.

States will be encouraged to set up a Unity Mall in their capital or prominent tourism center or the financial capital for the promotion and sale of their own ODOPs (one district, one product), GI products and other handicraft products, and for such products of other states.

50 additional airports, helipads, water aero drones, and advanced landing grounds will be revived to improve regional air connectivity.

IMPACT

All the measures are likely to promote number of domestic as well as foreign tourists. This will not only help domestic tourism but also create demand for the hospitality sector leading to higher occupancies for the industry.

Focus on increased regional connectivity and airports will also promote tourism throughout the country.

Banking & NBFC

- Establish Urban Infrastructure Development Fund managed by NHB.
- Financial sector regulations:
 - Certain amendments proposed to the Banking Regulation Act, the Banking Companies Act and the Reserve Bank of India Act.
 - Financial sector regulators will be requested to carry out a review of existing regulations.
- Market Linked Debentures (MLD) – taxation normalised.
- GIFT IFSC – Modifications to be taken up for various regulations.

IMPACT:

- Would support lending by banks and NBFCs for infrastructure assets in tier 2/3 urban locations.
- Would support improved bank governance and enhance investors' protection and simplify, ease and reduce the cost of compliance.
- Will adversely impact fundraising by NBFCs from HNI and family office funds. Likely to impact bond capital markets at the margin.
- Expected to boost the profile of GIFT IFSC activities and attract offshore investments.



Defence

- The highest ever allocation for the defence sector at ₹ 1.63 trillion an increase by 8% .
- **IMPACT:** modernizing the Indian armed forces further, while ensuring commitment to reduce dependence on import of defence equipment.
- As per CRISIL estimate more than 2/3 rd of the total budgeted outlay will be reserved for domestic procurement. 1089 defence items have been placed under import embargo , applicable over next 5 years, which will support the development of local defence manufacturers.



FMCG

- There are no major direct proposals. But the Govt has announced the setting up of an agriculture accelerator fund ; increase decentralized storage capacity and encouraged organic farming.

IMPACT:

- The agriculture accelerator fund and increase in storage capacity will bring in modern technologies to transform agricultural practices, boost production and supply chain efficiencies. 16% hike on cigarette will not impact on sales. Rise in disposable income will spur the consumer spending.



MISSES

- No change in deductions
- Big blow for insurance companies
- Disinvestment Target of 68k cr reduced to 50k crs. 51k Crs for 2023
- Taxes (on repayment of Debt) will be imposed on unitholders of REITs and INvITs
- Boost for PLI scheme is missing
- TDS on listed NCD
- Angel Tax provisions
- TCS on Foreign travel enhanced to 20% without any threshold



Challenges

Uncertainty in Crude oil Prices

Uncertainty in commodity prices

Drop in economic activity due to lack of demand

Lackluster performance of Manufacturing sector

Poor credit offtake

Unemployment

Controlling Fiscal Deficit

Inflation



THANK
YOU

CS Ajay Walimbe