CareEdge
RATINGS

ANALYSIS OF UNION BUDGET 2023-24

www.careedge.in

Mehul Pandya,
MD & CEO, CareEdge

A Budget for All

Delivering the right Budget is always tricky. Some hard decisions need to be taken for financial prudence while keeping in mind the interest of the larger social welfare. The Budgets before a general election gain even more prominence because of the heightened public interest and I must say the Honourable Finance Minister Nirmala Sitharaman has done an exceptionally good job this time as the Budget puts the growth in clear perspective along with a commitment to fiscal discipline.

Aiming to go below 6% next year while adhering to the 6.4% fiscal deficit for the current year is commendable. The government's commitment to growth emanates from the significant capex outlay – a 33% hike resulting in the highest ever outlay of Rs 10 lakh crore, translating to a whopping 3.3.% of GDP is bound to kindle the animal spirits in the private sector also to go for capex related investment. Continued support for MSMEs is also a welcome step.

Coming out strong of the pandemic, the digitalisation that the Economic Survey talked about has been emphasised again in the Budget and it shall drive the social sectors such as healthcare, education, and agriculture. The increased outlay for PMAY shall be positive for the real estate and affordable housing finance sectors, thereby supporting many other related sectors. Overall, I am confident that this Budget will set the tone for substantial growth in the times to come.

Table of content

1 Budget Overview

2 Analysis of Receipts, Expenditure and Debt

3 Sectoral Announcement and Analysis

CareEdge
RATINGS

Budget Overview

Vision for Amrit Kaal

Three Focus Areas

Opportunities for citizens with focus on the youth

Growth and job creation

Strong and stable macro-economic environment

Seven Priorities

Inclusive Development

Reaching the Last Mile

Infrastructure and Investment

Unleashing the Potential

Green Growth

Youth Power

Financial Sector

CareEdge RATINGS

Budget in a Nutshell

- Focus on fiscal consolidation, with fiscal deficit to GDP budgeted to reduce to 5.9% in FY24 from 6.4% in FY23.
- Nominal GDP growth is projected to moderate to 10.5% in FY24 from 15.4% estimated for FY23.
- Focus on Capex with budgeted growth of 33% to Rs 10 lakh crore (3.3% of GDP) in FY24.
- 50-year interest-free loan to state governments for capital investment continued with an outlay of Rs 1.3 lakh crore.
- Strong push to the transportation sector, with its share in total expenditure increasing to 11.5% in FY24 from 9.3% in FY23.
- Rebate on income tax increased to Rs 7 lakhs under the new tax regime (from Rs 5 lakhs).
- Reduction in the number of income tax slabs to five and increase in the exemption limit to Rs 3 lakhs.
- Support measures for MSMEs, including an infusion of Rs 9,000 crore in the corpus of credit guarantee scheme.
- Focus on inclusive development and green growth.

Focus Areas of Budget 2023-24

Capex Boost to Steer Private Investment

- Capital outlay increased steeply by 33% to Rs 10 lakh crore (3.3% of GDP).
- The 50-year interest-free loan to state governments extended for one more year with an enhanced outlay of Rs 1.3 lakh crore.
- Jump in outlay for Railways by 51% to Rs 2.40 lakh crore.
- 100 critical transport infrastructure projects prioritized with an investment of Rs 75,000 crore, including Rs 15,000 crore from private sources.

Encourage Move Towards New Tax Regime

- Rebate limit on income tax increased to Rs 7 lakh (from Rs 5 lakhs) under the new regime.
- Number of tax slabs reduced to 5 while increasing tax exemption limit to Rs 3 lakh from Rs 2.5 lakh.
- Standard deduction of Rs 50,000 for salaried individuals and deduction from family pensions up to Rs 15,000 now applicable under the new tax regime.
- Highest surcharge for income above Rs 5 crore reduced to 25% from 37%. This reduces the maximum income tax rate from 42.7% to 39%.
- Increase in tax exemption limit from Rs 3 lakh to Rs 25 lakh on leave encashment on retirement for non-government salaried employees.

CareEdge RATINGS

Focus Areas of Budget 2023-24

Custom Duties

- Customs duty exemption extended to import of capital goods and machinery required for the manufacture of lithium-ion cells for batteries used in electric vehicles.
- Relief on custom duty on import of certain parts and inputs for electronic items.
- Concessional duty on lithium-ion cells for batteries to be continued for another year.
- Reduction in the basic customs duty on parts of open cells of TV panels to 2.5%.
- Basic customs duty on electric kitchen chimneys increased from 7.5% to 15% and that on heat coils for these is proposed to be reduced from 20% to 15%.

Ease of Doing Business To Boost Business Climate

- Over 39,000 compliances have been reduced and more than 3400 legal provisions have been decriminalized.
- Introduction of Jan Vishwas Bill to amend 42 Central Acts to promote trust-based governance.
- Simplification of the KYC process through the adoption of a risk-based approach.
- PAN to be used as the common identifier for businesses for all digital systems of specified government agencies.
- Increase in the threshold limits for a presumptive scheme of taxation for eligible businesses from Rs 2 crore to Rs 3 crore, and for specified professions from Rs 50 lakh to Rs 75 lakh.

Focus Areas of Budget 2023-24

Impetus on Skill Building to Attain Inclusive Growth

- Pradhan Mantri Kaushal Vikas Yojana 4.0 launched to skill lakhs of youth within the next three years.
- A unified Skill India Digital platform launched to enable demand-based formal skilling, improve linkage with employers, and facilitate access to entrepreneurship schemes.
- National Apprenticeship Promotion Scheme to provide stipend support to 47 lakh youth in three years.
- Three centres of excellence for Artificial Intelligence to be set up in top educational institutions to realise the vision of Make AI in India and Make AI Work for India.

Promotion of Tourism Through Innovation

- Promotion of tourism through active participation of states, the convergence of government programmes and public-private partnership.
- 50 destinations to be selected and developed as a complete package for tourism.
- Setting up of Unity Mall by the states to promote the sale of ODOPs (one district, one product), GI products and other handicraft products.

CareEdge RATINGS

Focus Areas of Budget 2023-24

Boost to MSMEs to Power Growth and Employment

- Infusion of Rs 9,000 crore in the corpus of Credit Guarantee Scheme for MSMEs to enable additional collateral-free guaranteed credit of Rs 2 lakh crore and reduce the cost of credit by about 1%.
- Under Vivad se Vishwas I, 95% of the forfeited amount relating to bid or performance security is to be returned by the government in case of failure by MSMEs to execute contracts during the Covid period.
- PM Vishwakarma KAushal Samman (PM VIKAS) for traditional artisans to integrate them with the MSME value chain and assist them in improving the quality, scale and reach of their products.

Push to Start-ups

- The date of incorporation for income tax benefits to start-ups extended from 31 March 2023 to 31 March 2024.
- Agriculture Accelerator Fund to encourage agri-startups by young entrepreneurs in rural areas through innovative and affordable solutions.
- National Data Governance Policy to unleash innovation and research by startups.

Focus Areas of Budget 2023-24

Focus on Green Growth for Sustainable Development

- National Green Hydrogen Mission to facilitate the transition of the economy to low carbon intensity.
- An outlay of Rs 35,000 crore for priority capital investments towards energy transition and energy security.
- Viability Gap Funding for Battery Energy Storage Systems with a capacity of 4,000 MWH.
- Green Credit Programme to be notified under the Environment (Protection) Act to incentivize environmentally sustainable and responsive actions by companies, individuals and local bodies.
- PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth (PM-PRANAM) to be launched to promote alternative fertilizers and balanced use of chemical fertilizers.
- Establishment of 500 new ‘waste to wealth’ plants under GOBARdhan (Galvanizing Organic Bio-Agro Resources Dhan) scheme for promoting a circular economy.
- 10,000 Bio-Input Resource Centres to be set up to facilitate natural farming.

Other Important Announcements

- Extending 15% corporate tax benefits to new cooperatives commencing manufacturing till 31st March 2024.
- Tax on capital gains can be avoided by investing proceeds of such gains in residential property. This is proposed to be capped at Rs 10 crore.
- Setting up of Urban Infrastructure Development Fund (UIDF) for the creation of urban infrastructure in Tier-II and Tier-III cities.
- Incentives through property tax governance and ring-fencing user charges on urban infrastructure to improve creditworthiness for municipal bonds.

CareEdge RATINGS

Analysis of Receipts, Expenditure and Debt

Budget FY24 Aims at Fiscal Consolidation

Budget - Snapshot			
	FY24 (BE)	**FY23 (RE)**	**FY24 (BE)**
	Rs Lakh Crore	**% Growth**	
Revenue Receipts	26.3	8.2	12.1
Capital Receipts	18.7	13.2	1.7
Total Receipts	45.0	10.4	7.5
Revenue Expenditure	35.0	8.1	1.2
Capital Expenditure	10.0	22.8	37.4
Total Expenditure	45.0	10.4	7.5
	Rs Lakh Crore	**% of GDP**	
Revenue Deficit	8.7	4.1	2.9
Gross Fiscal Deficit	17.9	6.4	5.9

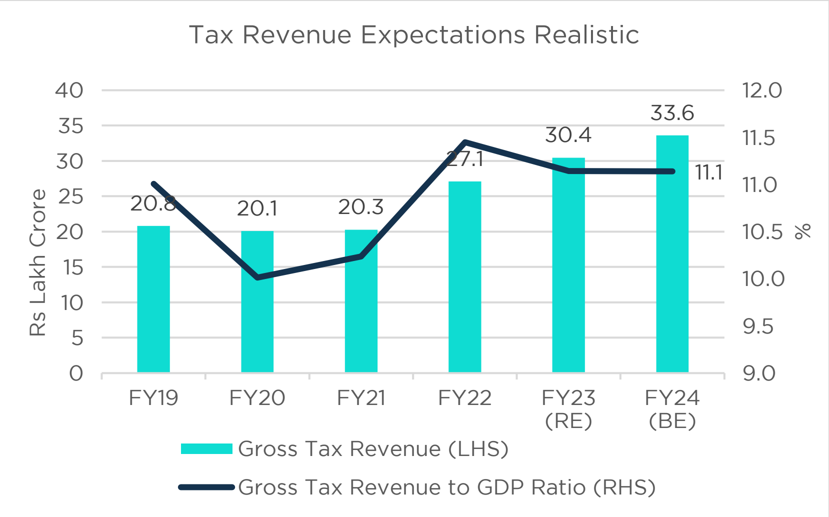
- Centre targets to consolidate fiscal deficit to 5.9% in FY24 from 6.4% in FY23, in line with CareEdge projection.
- Nominal GDP growth is estimated to moderate to 10.5% in FY24 from 15.4% in FY23.
- Revenue targets set by the government seem realistic and the notable moderation in subsidies is a positive for fiscal consolidation.
- Capex boost of Rs 10 lakh crore is expected to support long-term growth and incentivise private investment.

CareEdge RATINGS

Tax Revenue Expectations Realistic

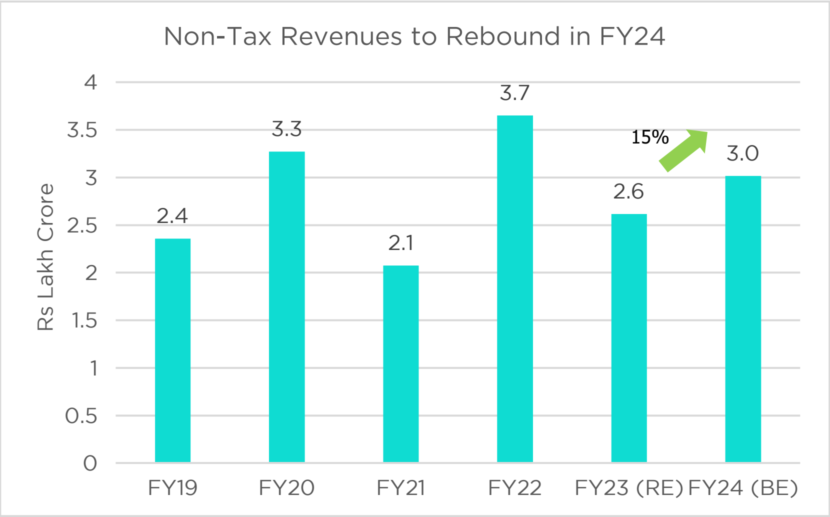
Tax Revenue Collections			
	Rs Lakh Cr	% Growth	
	FY24 (BE)	FY23 (RE)	FY24 (BE)
Gross Tax Revenue	33.6	12.3	10.4
- Corporate Tax	9.2	17.3	10.5
- Taxes on Income	9.0	17.1	10.5
- Customs	2.3	5.1	11.0
- Union Excise Duties	3.4	-18.9	5.9
- GST *	9.6	22.3	12.0

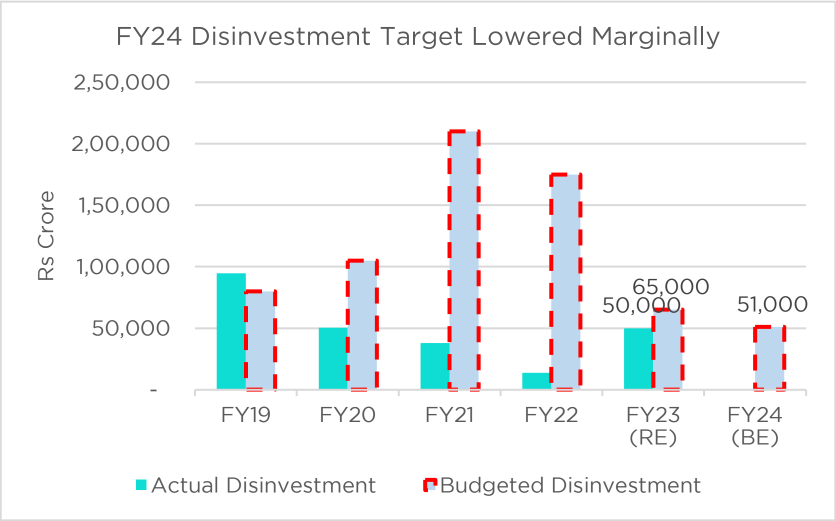
* Includes GST Compensation Cess



- Gross tax revenue growth budgeted to moderate to 10.4% in FY24 (from 12.3%) amid lower nominal GDP growth.
- Growth in direct taxes pegged at 10.5% aided by healthy collections from both corporate tax (10.5%) and income tax (10.5%).
- Indirect taxes to grow at 10.4% on the back of upbeat revenue collections from GST (12.0%) and customs (11.0%).
- Budgeted tax buoyancy at 1 is in line with our expectation and higher than 0.80 in FY23.

Non-Tax Revenues Budgeted to Improve

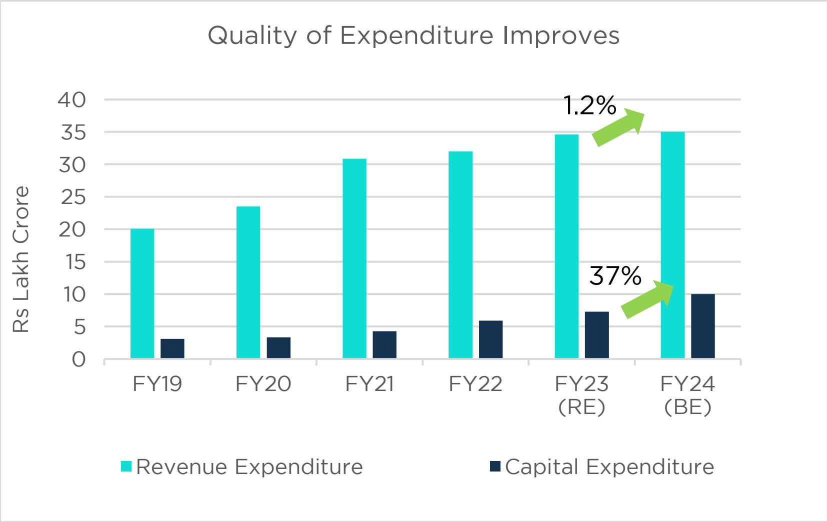


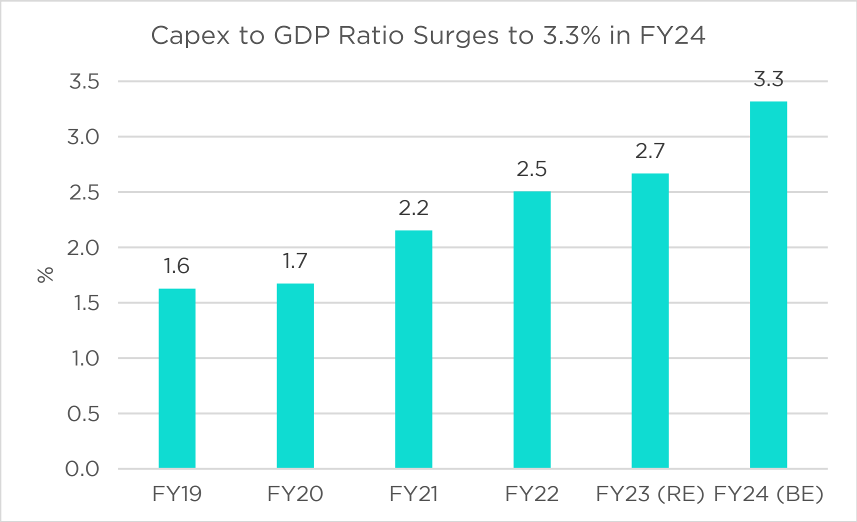


- Non-Tax revenues are budgeted to rise by 15.2% in FY24 following a 28.3% dip in FY23.
  - Dividends and profits are estimated to rebound with higher revenue from RBI & banks (an increase of 20%).
  - Revenues from other communication services are budgeted to rise by 30% on the back of license fees and spectrum user charges.
- Centre has marginally trimmed the disinvestment target to Rs 51,000 crore. With FY23 disinvestment at Rs 50,000 crore, the target for FY24 seems achievable.

CareEdge RATINGS

Capex Budgeted at a Fresh High in FY24

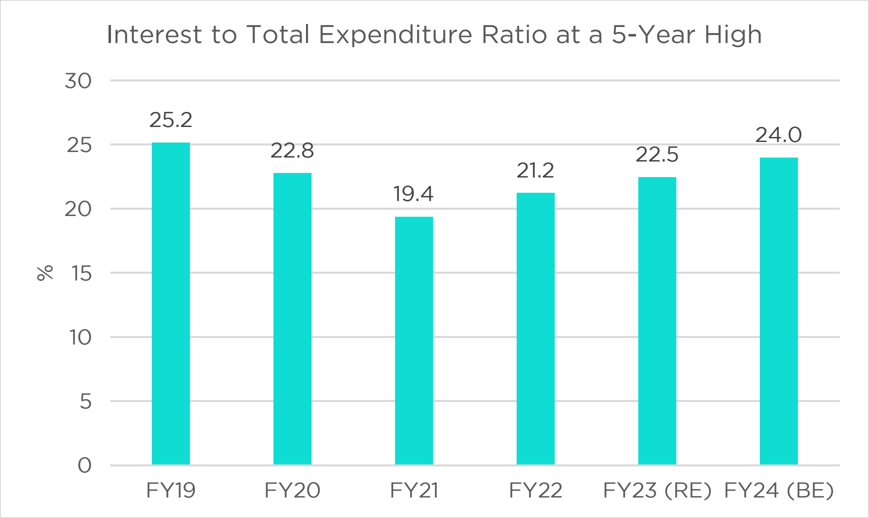


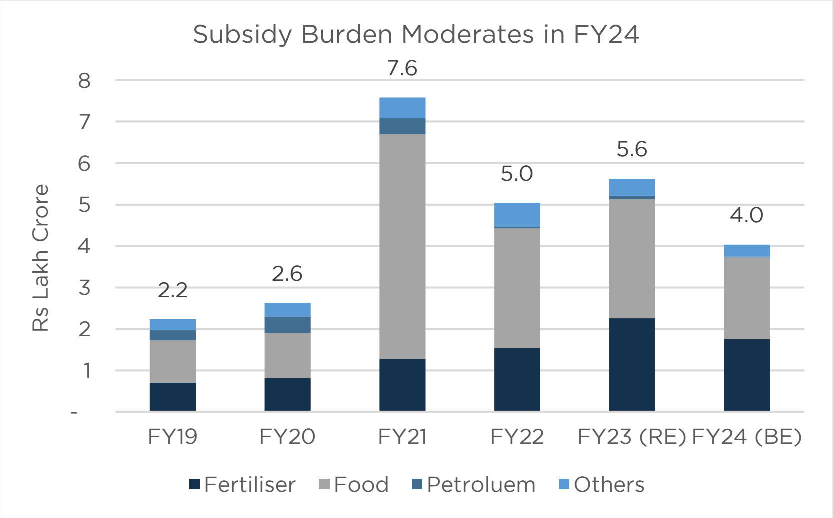


- Revenue expenditure budgeted to rise only marginally by 1.2% in FY24.
- Total subsidy allocation is budgeted to decline by 28.3% in FY24 following a 11.5% growth in FY23.
- Capex target for FY24 has been further scaled up to a record high of Rs 10 lakh crore, 37.4% higher over FY23 (RE).
- Ratio of capex to GDP pegged at a 19-year high of 3.3% in FY24.
- Capex on roads and railways budgeted to grow by 25.4% and 50.5% respectively.
- Quality of expenditure has improved with the proportion of revenue to capital expenditure at a 19-year low of 3.5%.

CareEdge RATINGS

Interest Expenditure Elevated, Broad-based Rationalisation in Subsidies





- Proportion of interest payments to total expenditure climbed to 24%, the highest since FY19.
- Total subsidy allocation is budgeted to decline by 28.3% in FY24 following an 11.5% growth in FY23.
- Food and fertiliser subsidy (92.4% share in total subsidy) budgeted to be lower by 31.3% and 22.3%, respectively.
- Moderation in subsidies is providing headroom for further fiscal consolidation.

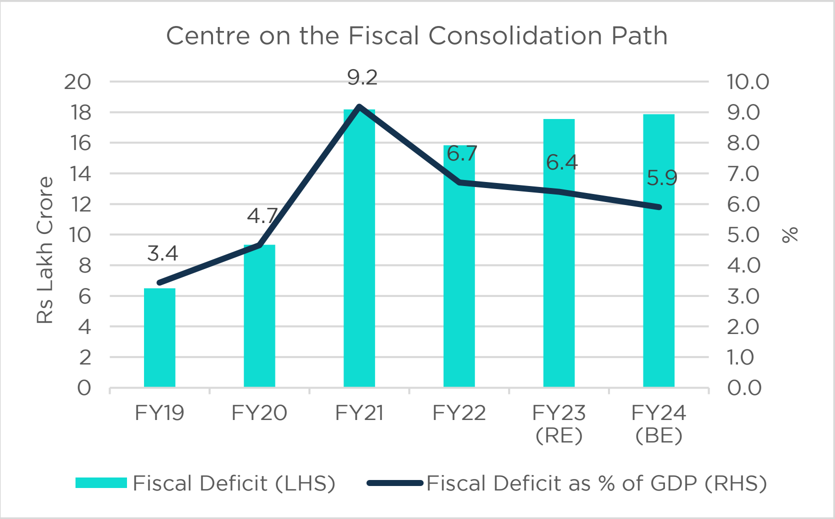
CareEdge RATINGS

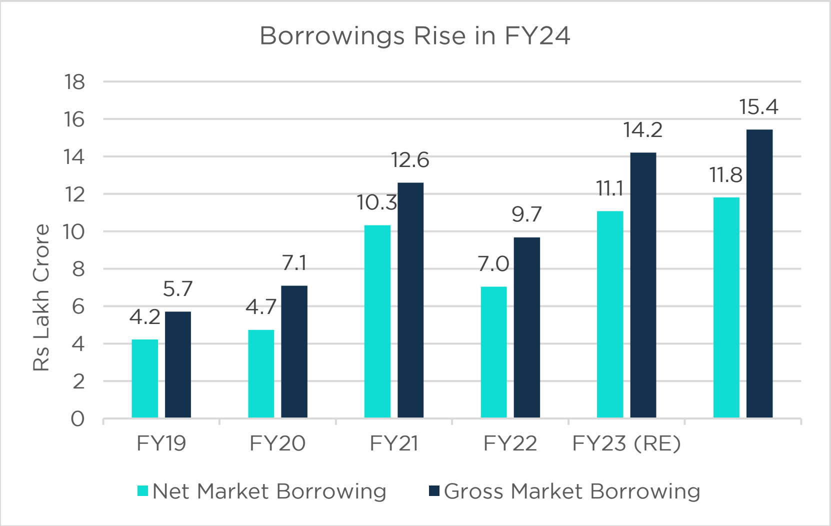
Expenditure on Major Schemes

Scheme-wise Allocation in FY24	Rs Crore			% Growth
	FY22	FY23 (RE)	FY24 (BE)	FY24 (BE)
Pradhan Mantri Awas Yojna (PMAY)	90,020	77,130	79,590	3.2
Jal Jeevan Mission (JJM)/National Rural Drinking Water Mission	63,126	55,000	70,000	27.3
Mahatma Gandhi National Rural Employment Guarantee Programme	98,468	89,400	60,000	-32.9
Pradhan Mantri Kisan Samman Nidhi (PMKisan)	66,825	60,000	60,000	0.0
National Education Mission	25,305	32,612	38,953	19.4
National Health Mission	32,958	33,708	36,785	9.1
Modified Interest Subvention Scheme (MISS)	-	22,000	23,000	4.5
Saksham Anganwadi and POSHAN 2.0	18,382	20,263	20,554	1.4
Pradhan Mantri Gram Sadak Yojna	13,992	19,000	19,000	0.0
Urban Rejuvenation Mission: AMRUT and Smart Cities Mission	13,868	15,300	16,000	4.6

- Share of expenditure on rural development declined to 5.3% from 5.8% last year mainly due to the normalisation of expenditure towards MGNREGA.
- Key schemes with comparatively higher allocation in FY24 are (1) Jal Jeevan Mission and (2) National Education Mission (3) National Health Mission.

Heading towards Fiscal Consolidation





- Though the quantum of fiscal deficit increased by Rs 94,000 crore over the budgeted amount in FY23, it was contained at 6.4% of GDP aided by higher-than-expected nominal GDP growth.
- Centre aims to consolidate the fiscal deficit further to 5.9% in FY24, moving towards a fiscal deficit target of less than 4.5% by FY26.
- Gross market borrowings in FY24 are estimated to increase to Rs 15.4 lakh crore from 14.2 lakh crore in FY23.
- Net market borrowings are budgeted to increase to Rs 11.8 lakh crore in FY24 from Rs 11 lakh crore in FY23.

CareEdge RATINGS

Sectoral Announcements and Analysis

- Agri and Allied - Fertilizer
- Agri and Allied - Sugar
- Auto and Auto Components
- Banking and Financial Services
- Capital Goods
- Cement
- Gas
- Hospitality & Tourism
- Pharma & Healthcare
- Power
- Power (Renewables)
- Real Estate
- Roads & Railways
- Steel
- Telecom
- Textile

Agri and Allied - Fertilizer

High upfront subsidy budget : Positive for fertilizer companies

Higher upfront fertilizer subsidy budget of Rs 1.75 lakh crore is likely to be adequate on the back of reduction in prices of key raw materials and natural gas. It is likely to help both urea and complex fertilizer manufacturers to effectively manage their working capital requirement

Proposal

- Upfront fertilizer subsidy budget (including urea & nutrient based subsidy) is enhanced to Rs 1.75 lakh crore for FY24 compared to Rs 1.05 lakh crore as per last budget
- PM - PRANAM scheme to be launched to incentivize States and Union territories to promote alternative fertilizers and balanced use of chemical fertilizers

Impact

- Aggregate fertilizer subsidy budget for FY23 was Rs 2.25 lakh crore (including initial budget for Rs 1.05 lakh crore which was later on increased to Rs 2.25 lakh crore). High upfront subsidy budget along-with decline in the prices of key raw materials and natural gas is likely to be adequate for FY24 which in turn augurs well for fertilizer companies
- PM - PRANAM scheme shall go a long way for promotion of the use of organic fertilisers in India. Also, it would help to reduce soil erosion due to excessive use of chemical fertilizers and lower the fertilizer subsidy requirement in the long-run

CareEdge RATINGS

Agri and Allied - Sugar

No Sweetener for Sugar

With the government pushing the Ethanol Blended Petrol Program, sugar production going forward is expected to decline considering the diversion of sugar for the production of ethanol. The prospects of the industry are majorly driven by global sugar prices, crude oil prices, tax incentives and MSP. The current budget does not specifically provide any benefits to sugar industry, nevertheless it is expected that industry will continue to remain buoyed by the existing policies and target set for EBP.

Proposal

- The government has announced a budgetary allocation of Rs 1.15 lakh crore towards the Ministry of Agriculture and Farmer's welfare as against Rs 1.10 lakh crore allocated as per revised estimates.
- Denatured ethyl alcohol is used in the chemical industry. The proposal is to exempt basic customs duty on it. This will support the Ethanol Blending Programme and facilitate the endeavour for the energy transition.
- An Agriculture Accelerator Fund will be set up to encourage agri startups by young entrepreneurs in rural areas. The fund will aim to bring innovative and affordable solutions for challenges faced by farmers. It will also bring in modern technologies to transform agricultural practices, increase productivity and profitability.

Impact

- Although the allocation is for the entire agriculture sector, the beneficiary would also include sugarcane farmers wherein investment in the building of digital, accessible and informative solutions would augment the overall sugarcane productivity.
- The announcement is in line with the expectation that better tax incentives are likely to drive E20 programme. However, it is likely to have a moderate adverse impact on sugar industry players as the imported ethyl alcohol prices would reduce, thus leading to higher competition for domestic players.
- Though the sugar and ethanol industries won't be the direct beneficiaries of these proposals related to agriculture, transformation in agricultural practices leading to increased productivity is likely to have a favourable impact on the sugar industry, which has been facing challenges of low recovery rates for the last few years.

Auto and Auto Components

Eye on the Future

The Budget will help lower capital costs for setting up manufacturing facilities for electric vehicles in India, thereby making EVs produced in India more cost competitive. Support the for replacement of old vehicles and the fast-tracking of infrastructure projects will support demand for both passenger vehicles and commercial vehicles.

Proposal

- Reduction in basic customs duty on import of capital goods required for Li-Ion battery manufacture, to NIL till 31 March 2024.
- Increase in Custom Duties for Semi Knocked Down & Completely Built Units including electric vehicles.
- Vehicle replacement policy: Replacement of old polluting vehicles of Central and State governments. The 50-year loan from the Centre to States is to be extended by an additional one year and to be partly earmarked for the replacement of old state government vehicles.
- Rise in the capex of the central government to 3.3% of GDP and fast-tracking the implementation of infrastructure projects.
- Green Growth & Battery Energy Storage Systems.

Impact

- Will bring down the cost of manufacturing Li-ion batteries in India, leading to faster adoption of EVs. Expected to moderately boost demand for new vehicles - across PV and CV segments.
- Will encourage domestic production.
- Will drive growth in demand for CVs.
- Focus on Green Growth, emphasis on Hydrogen energy will facilitate a faster transition to low-carbon intensity powertrains and battery storage would enhance EV infrastructure.

CareEdge RATINGS

BFSI - Banking

On Track for Growth

Scheduled Commercial Banks have reported improvement in capital buffers and profitability. Further, credit offtake has increased substantially. Banking system stress has remained low as restructured advances reduced and NPAs witnessed a significant decline over the period.

Proposal

- Allocated Rs 2,000 crore to National Investment and Infrastructure Fund.
- PM Awaas Yojna allocation increased by 66% to Rs 79,000 crore.
- Revamp of MSME Credit Guarantee scheme and relaunched wef April 2023 with fund infusion of Rs 9,000 crore.
- Digital Push
    - Financial information registry as the central repository
    - Expansion of Digilocker services for the fintech sector and simplified KYC process
- Allowing carry forward of losses on strategic disinvestment including that of IDBI Bank;
- Increase limits for TDS and cash business for cooperatives
- Vivad se Vishwas I: Government and government undertakings to return 95% of the forfeited amount relating to bid or performance security in cases of failure by MSMEs to execute contracts during the Covid period.

Impact

- Allocation for FY23 (Rs 5,000 crore) has been spread over FY23 and FY24 (Rs 2,000 crore each)
- Move towards housing for all. Extends credit for low-cost affordable housing for weaker sections
- Likely to facilitate additional credit of Rs 2 lakh crore and reduce borrowing cost by 1%.
- Increased digitalisation to support
    - ease of doing business
    - Improved credit abilities of lenders and
    - innovation by fintech players
- Will support strategic initiatives of the government.
- Will support grass root formalisation of banking business.
- Will improve credit profile of MSMEs.

CareEdge RATINGS

BFSI - Financial Services

Marching Ahead

In FY22, NBFCs' continued to show resilience in terms of capital position, improved asset quality, adequate provisioning and higher profitability.

Proposal

- 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.

BFSI - Insurance

Modest Increase in Allocation

Insurance in India has been growing at a brisk pace. The pandemic has created awareness for life including guaranteed non-participating traditional plans as well as health insurance, and tariff increases have driven the motor business. The growth would be driven by a supportive regulatory landscape, and a push to increase insurance coverage, especially in the rural populace.

Proposal

- If aggregate life insurance premium (other than ULIP) issued on or after April 1, 2023, is above Rs 5 lakh, income from only those policies with aggregate premium up to Rs 5 lakh shall be exempt. This excludes policies issued till March 2023 and death benefits.
- Extension of new tax regime as default regime
- Pradhan Mantri Fasal Bima Yojana:
    - Actual FY21 expense reported at Rs 13,549.24 crore.
    - Budget FY2022-23 allocation of Rs 15,500 crore revised downwards to Rs 12,375.76 crore.
    - Budget FY2023-24 allocation stands at Rs 13,625 crore.

Impact

- Would bring ‘investment oriented’ high ticket business at par with MF investments.
- Benefit of 80C would not be available (adversely impacting propensity to buy life insurance)
- This is a modest increase in allocation and seems to be in line with actual expenses incurred in the previous year.

CareEdge RATINGS

Capital Goods

Demand Set to Increase as Infra Focus Continues

The demand for capital goods is slated to increase with the continued focus of the government on infrastructure development. The significant increase in capital investment outlay, assistance to private sector investment and capital investment support to state governments augurs well for the industry.

Proposal

- Increase in capital investment outlay by 33% to Rs 10 lakh crore.
- Outlay of Rs 2.40 lakh crore budgeted for the railways. Of this, Rs 37,581 crore is planned for a rolling stock increase.
- Development of urban infrastructure and sanitation.
- 100 identified transport infrastructure projects with an investment of Rs 75,000 crore. 50 additional airports, heliports, etc.
- Rs 35,000 crore allocated for priority capital investments towards energy transition.
- Increase in allocation for Pradhan Mantri Awas Yojana to Rs 79,590 crore.

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.

Cement

Riding High on Infra and Housing Push

As expected, the allocation towards capital expenditure has increased in line with the government's continued commitment towards infrastructure-led growth, housing for all, and inclusive growth through rural development. This, in turn, is set to support cement demand.

Proposal

- Capital expenditure increased by 33% to Rs 10 lakh crore, which would be 3.3% of the GDP.
- An outlay of Rs 2.4 lakh crore has been provided for railways in FY24.
- Development of urban infrastructure and sanitation.
- Outlay for PM Awaas Yojana (PMAY) enhanced by 66% to over Rs 79,000 crore.
- 50 new airports and 100 critical transport infrastructure projects for last- and first-mile connectivity for ports, coal, steel, fertilizer, and food grain sectors to be taken up on priority with an investment of Rs 75,000 crore, including Rs 15,000 crore from private sources.

Impact

- To increase the pace of infrastructure investments as envisaged under the National infrastructure pipeline, allocation for the infrastructure sector has increased by 33% from the last budget estimates. The third straight increase in allocations in the past three years is set to drive the demand growth for cement.
- With increased outlay under PMAY, the government has continued its steady focus on 'Housing for All'. This is set to give a fillip to the real-estate sector, especially in the affordable housing segment, and further boost demand for cement.
- The increased outlay on railways and the plan for 50 new airports will also support cement demand.

Compressed Biogas Gets a Fillip

The Union Budget has reiterated the government's thrust towards increasing the share of natural gas in the energy mix by providing impetus to green mobility.

Proposal

- Establishment of 500 new 'waste to wealth' plants under GOBARdhan (Galvanizing Organic Bio-Agro Resources Dhan) scheme, including 200 Compressed Bio Gas (CBG) plants, at a total investment of Rs 10,000 crore. Of these 200, 75 plants would be in urban areas. Also, in due course, 5% CBG mandate shall be introduced for all entities marketing natural and biogas.
- Exemption of central excise duty on blended compressed natural gas to the extent of GST paid on biogas/CBG in the blended CNG for avoiding cascading of taxes.

Impact

- The proposed plants would improve the supply of CBG and also support rural income generation. It shall assist in gradually reducing the import dependency on fossil fuels.
- The 5% CBG procurement mandate for natural gas marketing entities would attract more investment in the sector with CBG companies getting visibility on the offtake of their product.
- Excise duty exemption shall promote blending of CBG with natural gas and position CBG as automotive fuel.

Hospitality & Tourism

Putting Travel on India's Mind

The hospitality and tourism sector was the biggest victims of the pandemic and has been through a bumpy ride in the last couple of years. The sector, however, had a steady recovery and is on its growth path. The key announcements in the Budget to promote the tourism industry will further provide a demand impetus for the sector.

Proposal

- Promotion of tourism on mission mode, with active participation of states, the convergence of government programs and public-private partnerships.
- 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 centre 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 the 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.

Pharma & Healthcare

Pushing for a Healthier Future

The Indian pharmaceutical sector has reported healthy growth largely in terms of volume during the last two decades supported by growing lifestyle diseases and healthcare awareness, penetration of healthcare insurance, and increasing government spending on the healthcare sector globally. Post Covid, the demand for preventive drugs like vitamins and minerals has also grown faster than the industry's growth rate.

Proposal

- Allocation of Rs 86,175 crore to the Ministry of Health and Family Welfare, a 12.8% increase over the previous year. Over and above allocation to (MoHFW), the government allocated Rs 3,160 crore to the department of pharmaceuticals.
- Facilities in select Indian Council of Medical Research labs for research by public and private medical college faculty and private sector R&D teams.
- A new programme to promote research and innovation in the pharmaceuticals sector for specific priority areas of health.
- To set up 157 new nursing colleges.
- Dedicated multidisciplinary courses for medical devices in existing institutions to ensure the availability of skilled manpower.
- Mission to eliminate sickle cell anaemia by 2047.

Impact

- The announcement is in line with CareEdge's expectation of incentivizing R&D and increasing government spending on healthcare.
- Innovation in the sector shall improve the quality of healthcare.
- Initiative to encourage companies to invest more in R&D to achieve unmet needs of healthcare.
- Step in reducing the shortage of qualified medical staff especially nurses to cater to the increasing needs of the healthcare sector.
- Innovation in the development of new technology & modern devices along with ensuring the availability of skilled manpower for existing medical ecosystem and future technological needs.

Power

Charging Up to Meet Growing Demand

Power demand has been robust in the last few quarters and is expected to sustain the buoyancy as the economy recovers post the pandemic. The major share of the contribution of supply from thermal sources underpins its relevance. However, the thermal power sector has faced coal supply bottlenecks as well as working capital challenges due to delays in receivables from weak discoms.

Proposal

- Critical projects have been identified for first- and last-mile connectivity for coal. Investment from the private sector has also been envisaged.
- Fiscal deficit of 3.5% of GSDP has been allowed for states. 0.5% will be tied to power sector reforms.

Impact

- Proposed projects will likely help ease transportation constraints (rail, road, port) to ensure improved coal inventory.
- Continued fiscal support to states will help them undertake power distribution reforms. The reforms will yield in the upgradation of the discom (distribution companies) network and metering, thereby curbing AT&C losses.

Power (Renewables)

Further Emphasis on Green Growth

The government has reiterated India's commitment towards the "Panchamrit" goals set at the CoP 26 forum, which includes meeting 50% of the energy requirement through renewable energy by 2030, achievement of net-zero carbon emissions by 2070 along with setting up 500 GW non-fossil fuel capacity by 2030 among others.

Proposal

- Battery Energy Storage Systems (BESS) with a capacity of 4000 Mwh will be supported with viability gap funding (VGF). Further, a detailed framework for pumped storage projects will be formulated.
- Inter-State Transmission System (ISTS) infrastructure from Ladakh will be constructed with an investment of Rs 20,700 crore with central support of Rs 8,300 crore.
- Re-emphasis was given on the National Green Hydrogen Mission launched with an outlay of Rs 19,700 crore previously approved by the Union Cabinet. India aspires to accomplish annual green hydrogen production of 5 MMT by 2030.

Impact

- This proposal is expected to incentivise the setting up of utility-scale storage projects as the VGF shall improve its cost competitiveness. Further, focus on pumped storage projects shall ensure smoother integration of renewables in the grid.
- Proposed green energy evacuation infrastructure shall ensure grid integration of 13 GW renewable energy and boost renewable energy share in the overall mix.
- This is expected to support the installation of more renewable energy and reduce the carbon footprint for the hard-to-abate sectors like cement, steel, shipping etc.

CareEdge RATINGS

Real Estate

On Solid Ground

The real estate sector serves as one of the major pillars of the Indian economy due to its contribution to the GDP, employment opportunities and support to other ancillary industries. After seeing a steady recovery from pandemic lows, the sector continues to benefit from the government's overall focus on infrastructure and affordable housing.

Proposal

- Allocation towards 'Pradhan Mantri Awaas Yojna' enhanced from Rs 48,000 crore to Rs 79,000 crore in the Budget.
- Capital gains deduction on investment in residential housing under the Sections 54 and 54F to be capped at Rs 10 crore.

Impact

- The proposal to increase the allocation by 66% is expected to give a further boost to the government's focus towards affordable housing in the last few years.
- Limiting the reinvestments in residential houses is expected to be neutral for the industry and will rather have tax implications on the transfer of luxury properties by high net-worth individuals

CareEdge RATINGS

Roads & Railways

On Strong Footing

Roads and Railways lead the infrastructure growth with a budgetary allocation of ~Rs 5.0 lakh crore, a 53% y-o-y growth. Urban Infrastructure segment has been another focus area with an emphasis on Urban Local Body reforms.

Proposal

- 70% y-o-y increase in budgetary allocation of Rs 2.40 lakh crore to Railways.
- 38% y-o-y increase in allocation to roads and highways allocation.
- Identification of 100 critical transport infrastructure projects at an investment of Rs 75,000 crore.
- 50 additional airports, heliports, water aerodromes and advanced landing grounds to be revived for improving regional air connectivity.
- Focus on Urban Infrastructure in Tier-II and Tier-III cities via the establishment of Urban Infrastructure Development Fund with a corpus of Rs 10,000 crore per annum.

Impact

- Substantial allocation in railways is in alignment with National Logistics Policy. Sharp Growth of 1.40x towards investment in rolling stock, new lines and electrification shall pave way for an increase in the freight share of railways and boost last-mile connectivity.
- Reduction in transit time and carrying cost of inventory while complementing operations of dedicated freight corridor.
- Improved Revenue visibility for EPC contractors engaged in transport infrastructure and urban development.
- Enhanced regional air connectivity especially for tier-II and tier-III cities.
- Additional avenue for Urban Local Bodies to augment low-cost debt finances for capex programs including transport infrastructure.

CareEdge RATINGS

Steel

Infra Focus, Modernisation Drive to Spurt Demand

India remains resilient in an otherwise gloomy outlook for the global steel industry. Strong domestic demand growth is spurred by significant nation-building activity both in terms of developing new as well as modernizing existing age-old infrastructure. This apart, the revival in the automobile and housing sector along with the government's impetus to improve domestic manufacturing activity, further augurs well for the steel sector.

Proposal

- 33% increase in capex investment outlay to Rs 10 lakh crore.
- Capital outlay of Rs 2.40 lakh crore for railways in FY24.
- PM Awaas Yojana (Housing) allocation increased by 66% to Rs 79,000 crore.
- Outlay of Rs 10,000 crore annually for Urban Infra–development Fund to make up for priority sector lending shortfall.
- Continued exemption in Basic Customs Duty on raw materials for manufacturing of CRGO steel, ferrous scrap and nickel cathode.
- 100 critical transport infra projects with an investment of Rs 75,000 crore including Rs 15,000 crore from private players.

Impact

- Infrastructure, building and construction sectors together account for around 60% of the end-use steel consumption share in the domestic market. Continued focus on infra projects will ensure sustained long-term growth in steel demand
- Increased outlay for railways, positive for alloy as well as non-alloy steel producers.
- Increased outlay for PM Awaas Yojana is a positive for long steel producers.
- Continued exemption from BCD on ferrous scrap is a positive for secondary steel producers. In addition, increased investment in transport infrastructure will result in cost-saving measures for domestic steel manufacturers in the long run.

CareEdge RATINGS

Telecom

Focus on Digitisation to Push Derived Demand

The government continues to focus on increasing the digital footprint across sectors through various enablers such as the setting up of digital public infrastructure for agriculture, fintech, and educational sectors. Additionally, the government expects to set up nationwide digital databases for the consolidation and simplification of processes.

Proposal

- Setting up of digital public infrastructure and public databases for various sectors including agriculture, fintech and education.
- Setting up of centres of excellence for Artificial Intelligence and 100 5G labs in educational institutions across India, to promote the development of cutting-edge technologies, scalable problem solutions and a new range of business models for applications in various industries.
- Pradhan Mantri Kaushal Vikas Yojana 4.0 focussing on new age Industry 4.0 courses like coding, artificial intelligence, Internet of Things, and soft skills.

Impact

- Increased business opportunities for communication service providers and tower companies, especially in the enterprise segments.
- Rapid development of use cases for 5G deployment across India utilizing 'Make in India' applications cum technologies, thereby, enhancing cost efficiencies, and technology independence.
- Sustained availability of skilled human resources engaged in the development of new-age telecom infrastructure.

CareEdge RATINGS

Textile

Higher Allocation to Help Drive Growth

There has been an overall increase of 23% in the budget allocation towards the textile ministry. The government has increased the budget allocation from Rs 3,580 crore (revised budget estimates for 2022-23) to Rs 4,389 crore.

Proposal

- Allocation has been increased towards the ATUFS scheme from Rs 650 crore (revised budget estimates for 2022-2023) to Rs 900 crore.
- Significant increase in the allocation towards the National Technical Textile mission from Rs 37 crore (revised budget estimates under the budget proposal 2022-23) to Rs 450 crore.
- Increase in the allocation towards PM Mitra scheme from Rs 3.50 crore in the revised budget estimate for 2022-23 to Rs 200 crore.
- The government's focus on the PPP model for improving cotton crop productivity of extra-long staple cotton.

Impact

- Increased allocation will facilitate increased investment in the sector, coupled with better productivity and lower reliance on imports. It will also be a positive for textile machinery manufacturers.
- In line with its previous policy stance, the government has maintained its focus on the technical textile segment. The increased allocation will result in more focus on research, training, development, and innovation in the technical textile segment, coupled with promotion and development of the market for this segment.
- Increased investment towards the setting up of the Mega Integrated Textile Region and Apparel parks will result in better efficiencies and cost savings for players operating in such regions which will lead to improved competitiveness in the export market.

CareEdge RATINGS

Contact: Corporate Communications
corp.comm@careedge.in

Analytics Team: Sachin Gupta, Padmanabh Bhagavath, Sanjay Agarwal, Rajashree Murkute, Hardik Shah, D Naveen Kumar, Sudarshan Shreenivas, Arti Roy, Gaurav Dixit, Saurabh Bhalerao, Mamta Khemka, Ravleen Kaur Sethi, Maulesh Desai, Krunal Modi, Sudhir Kumar, Jatin Arya, Divyesh Shah, Hitesh Avachat, Janki Aswani, Sudeep Sanwal, Pulkit Agarwal, Agnimitra Kar, Prasanna Krishnan

Economics Team: Rajani Sinha, Sonali Vahadane , Akanksha Bhende, Shambhavi Priya, Abhinav Tyagi

Media Relations: Mradul Mishra
mradul.mishra@careedge.in
+91 – 22 – 6754 3596

CARE Ratings Limited
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 Phone: +91-22-6754 3456
CIN: L67190MH1993PLC071691

About:

CareEdge (CARE Group) is a knowledge-based analytical group that aims to provide superior insights based on technology, data analytics capability and detailed research methods. CareEdge (CARE Ratings Limited) is one of the leading credit rating agencies in India. It has an impressive track record of rating companies for almost three decades and has played a pivotal role in developing the corporate debt market in India. CareEdge provides near real time research on all domestic and global economic developments. The wholly owned subsidiaries include CareEdge Advisory & Research arm focused on providing advisory and consultancy services and CareEdge Risk solutions a platform that provides risk management solutions