SYSTEMATIX INSTITUTIONAL EQUITIES ™

Systematix

Institutional Equities

Union Budget FY24 review

02 February 2023

Well intended but lacking near-term impetus

BUDGET REPORT

	FY23RE	FY24BE
Tax to GDP Ratio (%)	11.1	11.1
Subsidy to GDP Ratio (%)	1.9	1.2
Capex to GDP Ratio (%)	2.7	3.3
Rural Spending (Rs bn)	8,145	6,604
Road Spending + IEBR (Rs bn)	3,091	3,502
Rail Spending + IEBR (Rs bn)	2,550	2,927
Gross Fiscal Deficit to GDP (%)	6	6
Revenue Deficit to GDP	4	3
Primary Deficit to GDP	3	2
Gross Market Borrowings (Rs bn)	15,240	16,430

Source: Union Budget

Amid concerns of growth slowdown fiscal strategy of the Union Budget remains conservative. It hopes for a revival in consumption demand, and an eventual pick-up in private investments aided by a continued step-up in government capex thereby translating into a sustained growth cycle. We think this hypothesis may be optimistic. Realistically speaking, given the persistent fragility in the household sector there is a significant probability of governments having to step-up fiscal support later in FY24; the intended fiscal consolidation may remain elusive

A lot of intent to revive the employment-intensive services sectors: On the face of it, the budget appears to be addressing our thoughts pertaining to employment generation, as it focuses on sectors like health, education, tourism, and formalization in the agri sector services. In addition, is the simplification of the income tax structure, with enhanced income tax slabs for the lower income bracket (See Exhibit 1: Service sector impetus).

Fiscal math looks optimistic: Firstly, the assumption on nominal GDP of 10.5% YoY is optimistic, given a) the high base effect of 15.4% growth in FY23 and pre-COVID average of 10.9% (FY15-19), b) sharp deceleration in commodity price inflation, and c) the deceleration in corporate sales growth, estimated at 8.5% in 4QFY23E. Secondly, the projected gross tax collections growth of 11.5% in FY24BE implies an optimistic tax elasticity of 1.1x (growth in tax collection/growth in nominal GDP). Our estimates show that the medium-term tax elasticity is 0.9x, structurally lower than the 2007-08 peak of 1.6x. The peak level of GST and indirect tax incidence and weak demand conditions in the lower income brackets will likely make it difficult to gain further buoyancy from indirect taxes. Also, given that the profits of non-finance companies have been contracting in recent quarters, the current momentum in corporate tax collection could also fade. Based on our assumption of 9% nominal GDP in FY24E and conservative tax elasticity estimate of 0.9x, growth in tax collections could be lower at 8.1% compared with projected 11.5%, implying a shortfall of INR 713bn.

Expenditure growth of 7.5% is effectively lower: Total expenditure at INR 45tn for FY24E implies a growth of 7.5% YoY, higher than our expectation of 6-7%. The interest payment for FY23BE kept unchanged from BE at INR 9.4tn is understated by around INR 350-400bn, as we know that the interest spending of INR 6.8tn till 3QFY23 was higher 20% YoY. Accounting for this aberration, the actual growth in total spending would be just 6.8%. There has been significant reduction in allocation under subsidies (down INR 1.5tn at INR 3.7tn, -28% YoY) and rural allocation (down INR 1.5tn at INR 6.6tn, -19% YoY).

Total revenue expenditure, net of interest payment, is budgeted to contract by 3.8% YoY at INR 24.2tn. This implies negative consumption demand multiplier effect, which may accentuate the extant demand drag if the crowding-in effect of sustained expansion in capital expenditure (up 33% to INR 10tn) continues to disappoint. Realistically, there is a reasonable chance of scaling up revenue spending later in the year, given the somber growth outlook.

Dhananjay Sinha
dhananjaysinha@systematixgroup.in
+91 22 6704 8095

Research team
ier@systematixgroup.in

Continued reliance on crowding-in theme despite it lagging fruition: The total capital allocation budgeted for FY24BE at INR 10tn is a continued rise from INR 3.4tn in FY20 and INR 7.3tn in FYT23RE, with consistent focus on railways (up 51% YoY to INR 2.4tn), highways (up 25% at 2.6tn), and support to state governments (up 61% at 2.38tn). The scheme of interest-free 50-year loans to state governments has been extended for another year. These efforts signify continuation of the crowding-in theme. However, we note that the revised capital spending for FY23RE at INR 7.28tn fell short of the budgeted allocation of INR 7.5tn. First, the cutback was particularly for the Ministry of Finance (-INR 306bn), Ministry of Communications (-INR 163bn), and transfers to states (-INR 265bn). Second, state governments have been lagging considerably on capex. Third, the revival in private capex remains elusive, thereby failing the crowding-in effect thus far. Given the risks to future demand situation and falling profitability, we believe Indian companies may still be in a wait-and-watch mode (see How to reverse the elusive private capex and growth spiral?).

The intended fiscal consolidation may not fructify: The budget promises to continue its path of fiscal consolidation to attain a fiscal deficit to GDP of 4.5% till 2026, following a projected target of 5.9% in FY24BE and 6.4% in FY23RE. Based on a realistic case of slippages in both tax revenue collections and expenditure, as explained above, these targets seem optimistic. The optimistic projections imply larger fiscal deficit and market borrowings in FY24 compared to the budgeted INR 17.9tn and INR 12.3tn, respectively, with revenue slippage alone contributing about INR 713bn. Additionally, the final fiscal deficit for FY23 could be higher, given that the revised estimate for interest payments is understated. The combined fiscal deficit for the center (5.9%) and states (3.5%) is targeted at 9.4% of GDP, which is the same as last year. Considering the less-than-projected nominal GDP and potential slippages for both, the states and the center, we perceive a high chance of overshooting fiscal deficit and public debt ratios.

Effective fiscal support is missing: Amid concerns of growth slowdown and the spillover effects of tightening financial conditions, urban demand momentum peaking, weak rural conditions, and an elevated unemployment situation the fiscal strategy of the Union Budget remains conservative. Following the theme of the Economic Survey released a day before, the budget hopes for an endogenous revival in household consumption demand, eventual revival in private capex, and the multiplier effect translating into a sustained economic growth cycle. And unlike our expectation, the theme of crowding-in private capex is maintained with a large 33% rise in capital outlay to INR 10tn. While the center's emphasis on railways and highways remains intact, we remain unsure of the revival of private capex in the near term; the multiplier effect of center's capex may remain muted in the immediate future.

The assumption of 6.5% real GDP growth and 10.5% nominal GDP growth also implies inflation declining to 4%. Thus, with non-interest revenue expenditure contracting by 3.8% and 7.8% in real terms respectively, the negative multiplier effect (1.5x) on real expenditure GDP could be as high as -12% over 12 months' time.

Hence, considering our less optimistic expectations on private capex, the fiscal drag from revenue expenditure contraction and the slowing of global trade the burden to lift India's growth in FY24 will significantly fall back on the household sector, which is still fragile. Hence, realistically speaking there is a significant probability of governments having to step-up fiscal support later in FY24. This would imply that the eventual fiscal deficit will need to be revised upward. As it is, given that the combined fiscal deficit is budgeted to remain high in FY24BE at 9.4% of GDP, the intended fiscal consolidation will likely remain a mirage.

Please refer to our sectoral impact assessment on Page 12.

Exhibit 1: Service sector impetus

The budget has tried to address issues related to the services sector, which has come as a breather. Studies suggest that the services sector has higher employment elasticity compared to the manufacturing sector.

- Tourism sector has a large potential for employment generation with lesser turnaround time. The budget has made provisions for promoting tourism by converging government programs and public-private partnerships.
- The Budget has also made several announcements on the health and research fronts - Establishment of 157 new nursing colleges in co-location with the existing 157 medical colleges. Facilities in the select ICMR Labs would be made available for research by public and private medical college faculties and private sector R&D teams for encouraging collaborative research and innovation.
- Special attention is required to make up for the losses made during the pandemic years. Announcements made for the education sector thus follow:
    - The District Institutes of Education and Training will be developed as vibrant institutes of excellence for the purpose of teacher training.
    - Formation of a National Digital Library to facilitate and enhance device-agnostic accessibility.
    - Three centers of excellence for Artificial Intelligence to be set up in top educational institutions.
    - DBT under a pan India National Apprenticeship Promotion Scheme.
- Innovation and technological development
    - Digital public infrastructure for agriculture to be built as an open source, open standard and interoperable public good to enable farmer-centric solutions with services related to crop planning, improved access to farm inputs, credit, and insurance, help for crop estimation, market intelligence, and support for growth of agri-tech industry and start-ups.
    - National Data Governance Policy to be set up, which will enable access to anonymized data.
    - Phase 3 of e-court projects to be launched.
    - The scope of documents available in DigiLocker for individuals will be expanded to enable more Fintech-innovative solutions. An Entity DigiLocker will be set up for use by MSMEs, large businesses and charitable trusts.
    - A national financial information registry will be set up to serve as the central repository of financial and ancillary information.
- Demand side impetus – Changes in tax structure
    - Increasing the lowest tax slab from INR 5 lakh to INR 7 lakh in the new tax regime. Reducing the number of tax slabs in the new tax regime from INR 7 lakh to INR 5 lakh. Extension of the benefit of the standard deduction to the new tax regime: Each salaried person with an income of INR 15.5 lakh or more will stand to benefit by INR 52,500.
    - Reduce the highest surcharge rate from 37% to 25%, resulting in a reduction of the maximum tax rate to 39%.
    - New Tax slabs: Upto Rs 3 lakh - 0% tax; between Rs 3- Rs 6 lakh - 5% tax; between Rs 6 - Rs 9 lakh - 10% tax; between Rs 9 to Rs 12 lakh - 15% tax; between Rs12 to Rs 15 lakh - 20% tax; Above Rs 15 lakh - 30% tax
    - The new tax regime constitutes a small 10% of income taxpayers, hence would have limited near-term benefits. The new tax regime has been made the default system for all new employees.

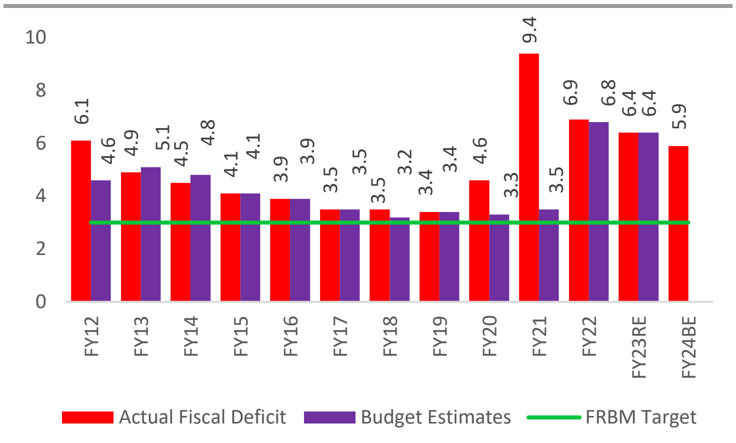
Source: Union Budget

Exhibit 2: Budget at a glance

INR Bn.	FY20	% YoY	FY21	% YoY	FY22	% YoY	FY23BE	% YoY	FY23RE	% YoY	FYTD23	% YoY	FY24BE	% YoY
Gross Tax Revenue	**20101**	**-3.4**	**20271**	**1**	**27093**	**33.7**	**27578**	**1.8**	**30431**	**10.3**	**21707**	**-28.7**	**33609**	**10.4**
Taxes on Income	4927	4.2	4871	-1	6962	42.9	7000	0.5	8150	16.4	5341	-34.5	9006	10.5
Corporation Tax	5569	-16.1	4577	-18	7120	55.6	7200	1.1	8350	16	6082	-27.2	9227	10.5
Customs	1093	-7.2	1348	23	1997	48.2	2130	6.6	2100	-1.4	1585	-24.5	2331	11
Union Excise Duties	2406	3.7	3897	62	3946	1.3	3350	-15.1	3200	-4.5	2178	-31.9	3390	5.9
Service Tax	60	-12.7	16	-73	10	-36.8	20	97.6	10	-50	1	-86.1	5	-50
GST	5988	3	5488	-8	6981	27.2	7800	11.7	8540	9.5	6520	-23.7	9566	12
States and UTs' share		0		0	9059		8245	-9	9239	12.1	6150	-33.4	10299	11.5
Central govt. net tax revenue	**13569**	**3**	**14263**	**5**	**18048**	**26.5**	**19348**	**7.2**	**20867**	**7.9**	**156**	**-99.3**	**23306**	**11.7**
Non-tax revenue	**3272**	**38.8**	**2076**	**-37**	**3651**	**75.9**	**2697**	**-26.1**	**2618**	**-2.9**	**2697**	**3**	**3017**	**15.2**
Of which Telecom receipts	698	0	455	-35	720	58.2	528	-26.7	688	30.3			895	30.1
Central govt. revenue receipts	16841	8	16339	-3	21699	32.8	22044	1.6	23484	6.5	22044	-6.1	26323	12.1
Non-debt Capital Receipts	**686**	**-39**	**576**	**-16**	**394**	**-31.6**	**793**	**101.4**	**835**	**5.3**	**793**	**-5**	**840**	**0.6**
Of which divestments	503	-47	329	-35	146	-55.5	650	344	600	-7.7	387	-35.6	610	1.7
Total Receipts	**25781**	**5**	**34676**	**-3**	**37913**	**9.3**	**39442**	**4**	**41905**	**6.2**	**18251**	**-56.4**	**45149**	**7.7**
Interest Payments	6121	5	6799	11	8055	18.5	9407	16.8	9407	0	6809	-27.6	10800	14.8
Subsidies	2623	18	7582	189	4462	-41.2	3179	-28.8	5216	64.1	3505	-32.8	3747	-28.2
Food subsidy	1087	7	5413	398	2890	-46.6	2068	-28.4	2872	38.9	1681	-41.5	1974	-31.3
Fertilizer subsidy	811	15	1279	58	1538	20.2	1052	-31.6	2252	114	1808	-19.7	1751	-22.3
Fuel subsidy	385	55	385	0	34	-91.1	58	69.8	92	57.8	156	70.3	23	-75.4
Rural Spending	4160	29	9922	33	7186	-27.6	5833	-18.8	8145	39.6		-	6604	-18.9
Railway Spending	700	27	1122	60	1352	20.5	1404	3.8	1623	15.6		-	2413	48.6
Total Expenditure	**26863**	**16**	**35098**	**31**	**37938**		**39449**	**4**	**41872**				**450310**	
Revenue expenditure	23506	17	30835	31	32009	3.8	31947	-0.2	34590	8.3	23281		35021	
Capital Expenditure	3357	9	4263	27	5929	39.1	7502	26.5	7283	-2.9	4899		10010	
Fiscal Deficit	**9337**		**18183**		**15845**		**16612**		**17553**		**99298**		**17868**	
Revenue Deficit	6665		14496		10310		9902		11105		5581		8699	
Primary Deficit	3216		11384		7790		7205		8147		3121		7068	
Nominal GDP	**2,00,749**		**1,98,009**		**236646**		**258000**		**273078**				**301751**	
Fiscal Deficit/GDP	4.70%		9.20%		6.70%		6.40%		6.40%				5.90%	
Revenue Deficit/GDP	3.30%		7.30%		4.40%		3.80%		4.10%				2.90%	
Primary Deficit/GDP	1.60%		5.80%		3.30%		2.80%		3.00%				2.30%	

Source: Union Budgets, CMIE

Exhibit 3: Fiscal deficit to GDP ratio aimed at 5.9% in FY24



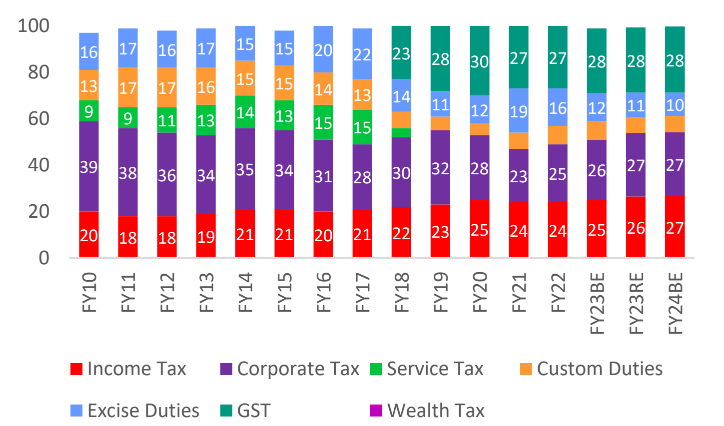
Source: Union Budget, Systematix Research

Exhibit 4: Major Indicators

	FY23RE	FY24BE
Tax to GDP Ratio (%)	11.1	11.1
Subsidy to GDP Ratio (%)	1.9	1.2
Capex to GDP Ratio (%)	2.7	3.3
Rural Spending (INR bn)	8,145	6,604
Road Spending + IEBR (INR bn)	3,091	3,502
Rail Spending + IEBR (INR bn)	2,550	2,927
Gross Fiscal Deficit to GDP (%)	6	6
Revenue Deficit to GDP	4	3
Primary Deficit to GDP	3	2
Gross Market Borrowings (INR bn)	15,240	16,430

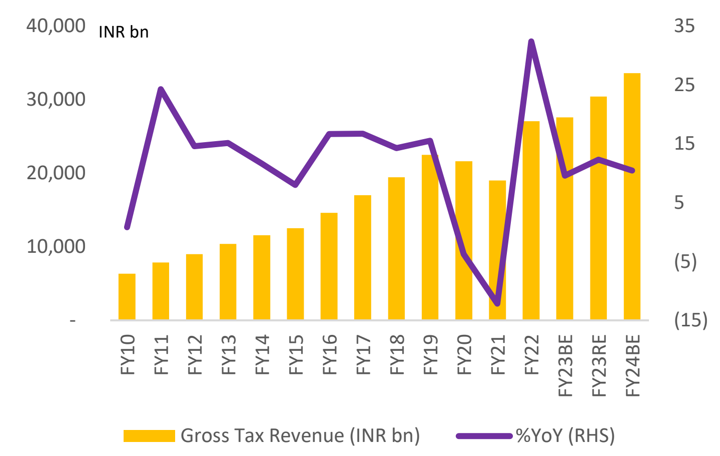
Source: Union Budget, Systematix Research

Exhibit 5: Share of income/corporate tax budgeted to rise in FY24 at the cost of excise duty



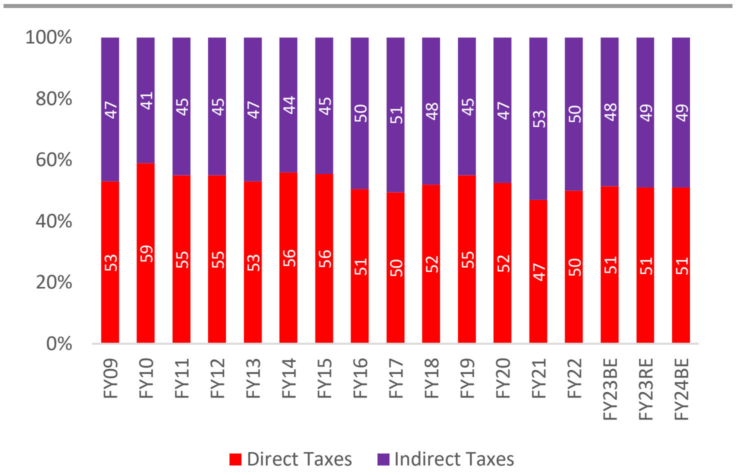
Source: Union Budget, Systematix Research

Exhibit 6: Gross tax collections growth for FY24 at 10% YoY



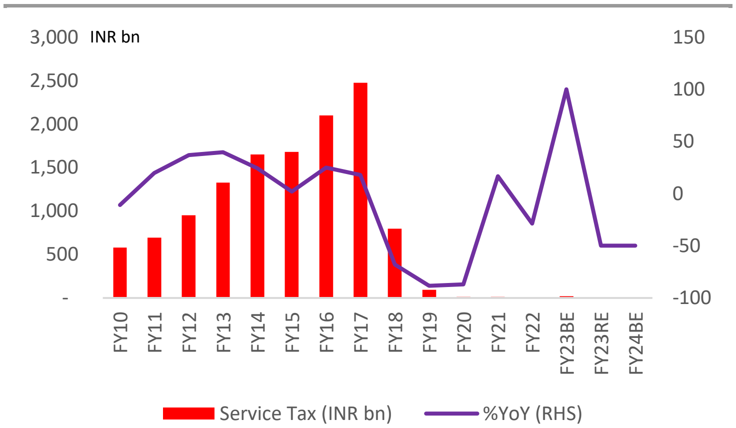
Source: Union Budget, Systematix Research

Exhibit 7: Share of direct and indirect taxes remain the same



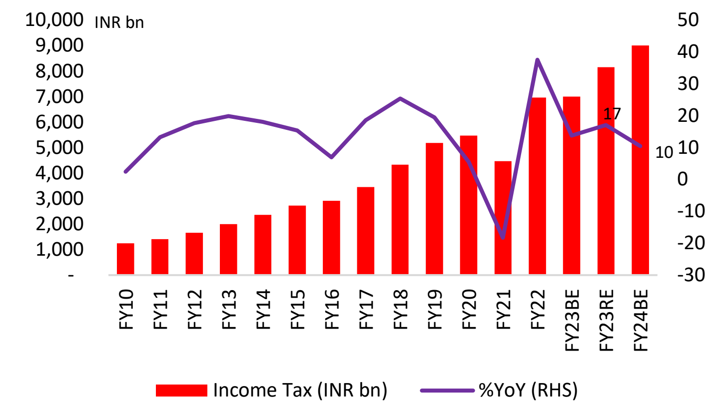
Source: Union Budget, Systematix Research

Exhibit 8: Even after several years of GST implementation, the govthas budgeted for some residual service tax receipts in FY24



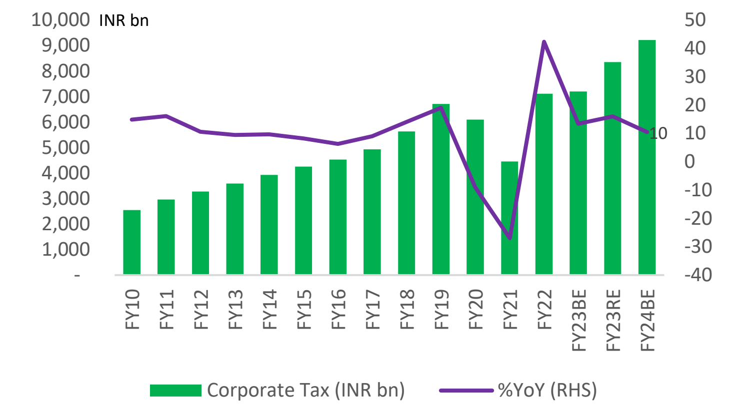
Source: Union Budget, Systematix Research

Exhibit 9: Income tax revenue budgeted to expand 10% YoY vs 17% YoY in FY23RE



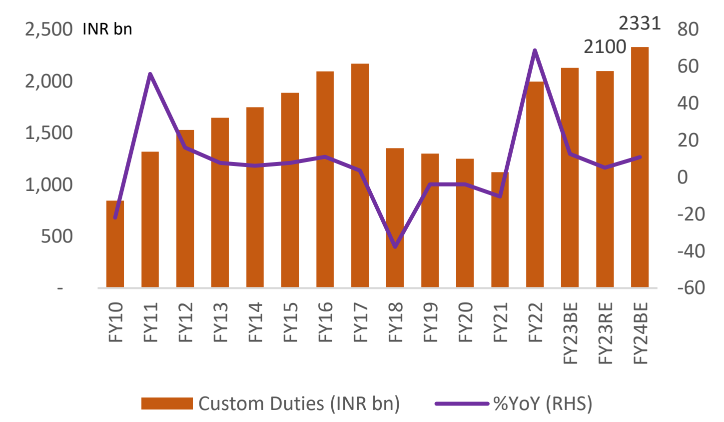
Source: Union Budget, Systematix Research

Exhibit 10: Corporate taxes budgeted to rise 10% YoY, above the 16% YoY growth in FY23RE



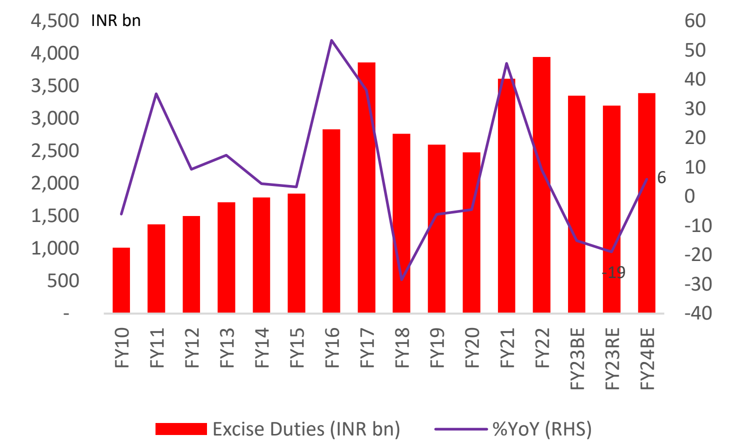
Source: Union Budget, Systematix Research

Exhibit 11: Custom duties expected to grow by 11% YoY in FY24BE vs 5% YoY in FY23RE



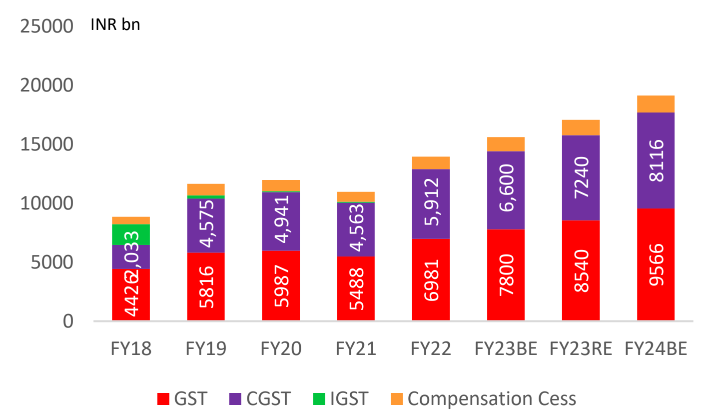
Source: Union Budget, Systematix Research

Exhibit 12: Excise duty budgeted 6% higher at INR3.4tn in FY24BE



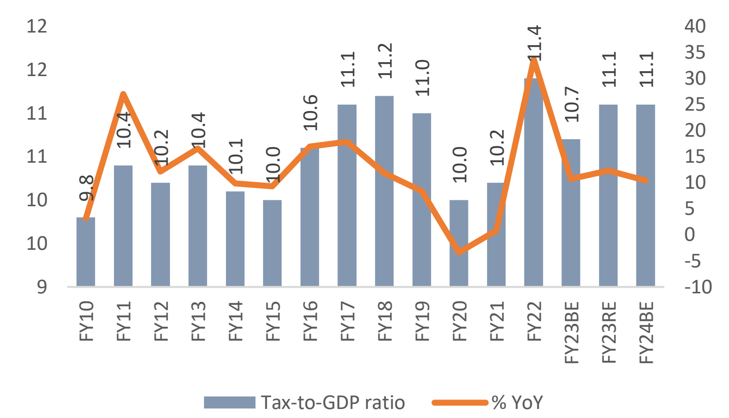
Source: Union Budget, Systematix Research

Exhibit 13: Overall GST to expand by 12% YoY vs. 22% YoY in FY23RE



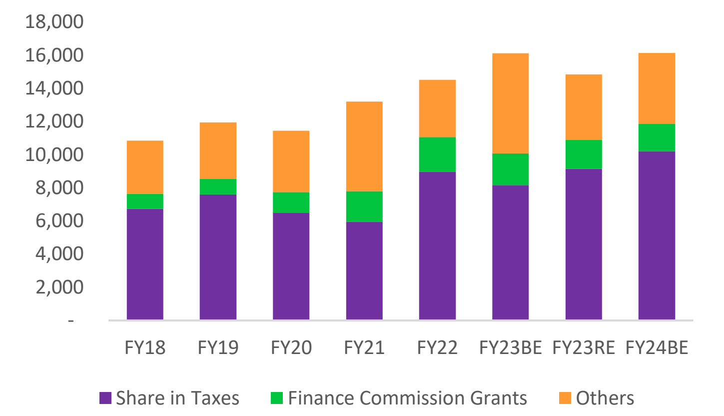
Source: Union Budget, Systematix Research

Exhibit 14: Tax-to-GDP ratio for FY24BE budgeted at 11.1%, at par with FY23RE



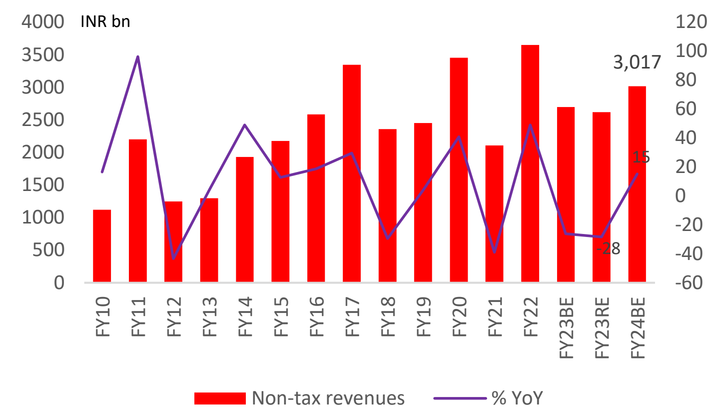
Source: Union Budget, Systematix Research

Exhibit 15: Transfer to states for FY24BE up by 8.8% YoY vs 0.3% increase in FY23RE (bn)



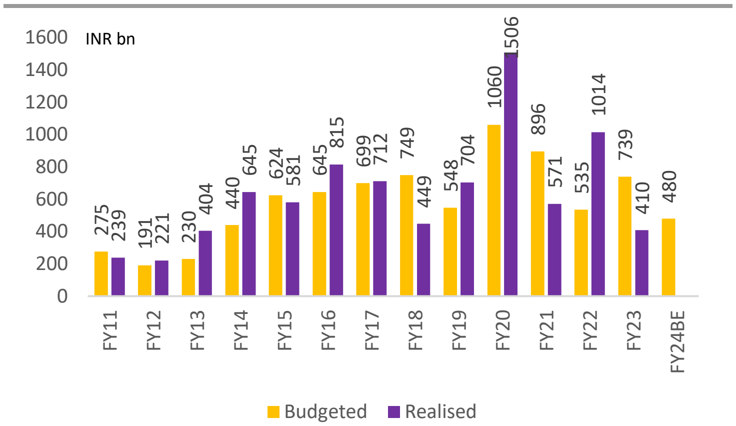
Source: Union Budget, Systematix Research

Exhibit 16: Non tax revenue increased by 15% YoY in FY24BE after contracting by 28% YoY in FY23RE



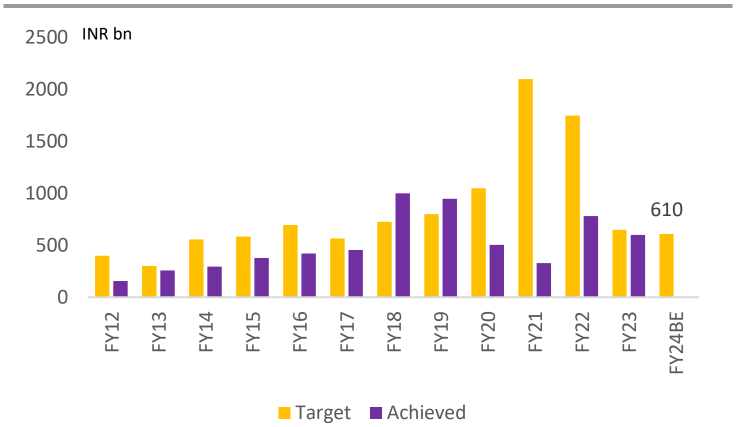
Source: Union Budget, Systematix Research

Exhibit 17: Receipts from financial institutions including RBI up in FY24BE vs. FY23RE



Source: Union Budget, Systematix Research

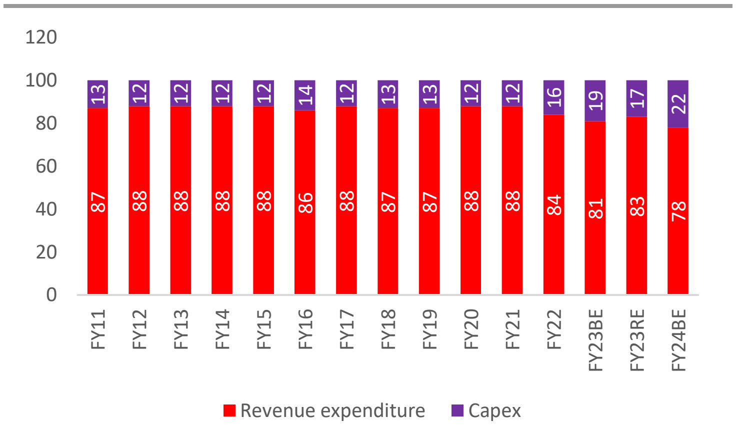
Exhibit 18: Divestment target has been set at INR 610 bn for FY24BE



Source: Union Budget, Systematix Research

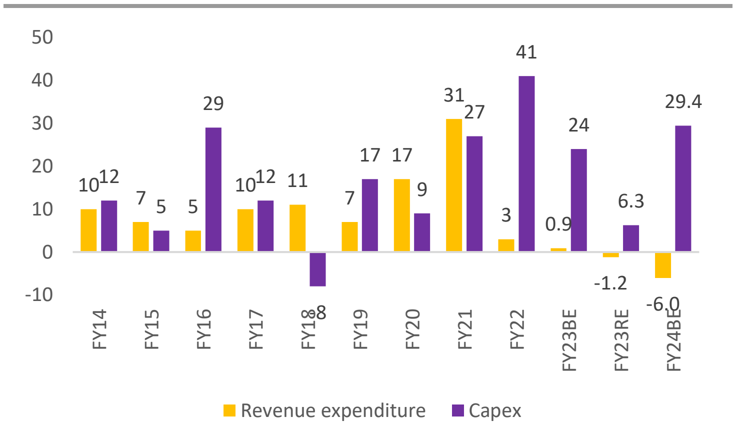
WHERE IS THE RUPEE SPENT

Exhibit 19: Split of total expenditure-Share of Capex rises to 22% in total expenditure for FY24BE



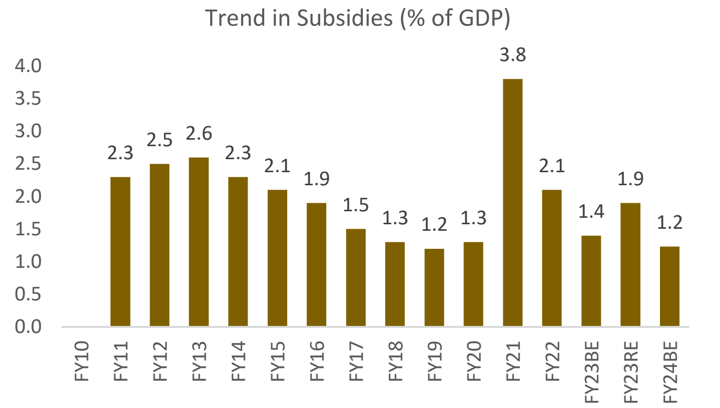
Source: Union Budget, Systematix Research

Exhibit 20: Capex is budgeted expected to expand by 30% YoY in FY24BE, while the revex is likely to contracts



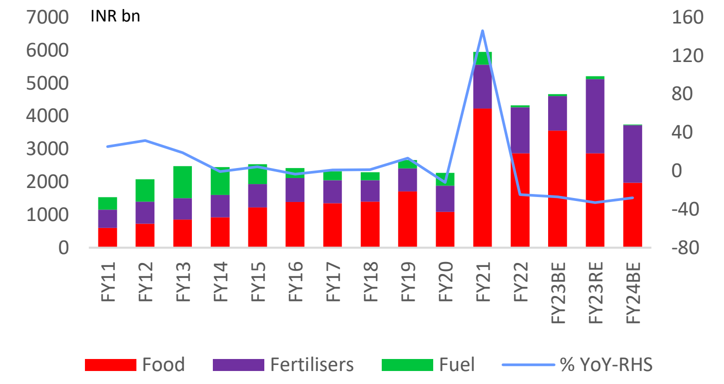
Source: Union Budget, Systematix Research

Exhibit 21: Center has budgeted to bring down the subsidies to GDP ratio 1.2% in FY24BE vs 1.9% in FY23RE



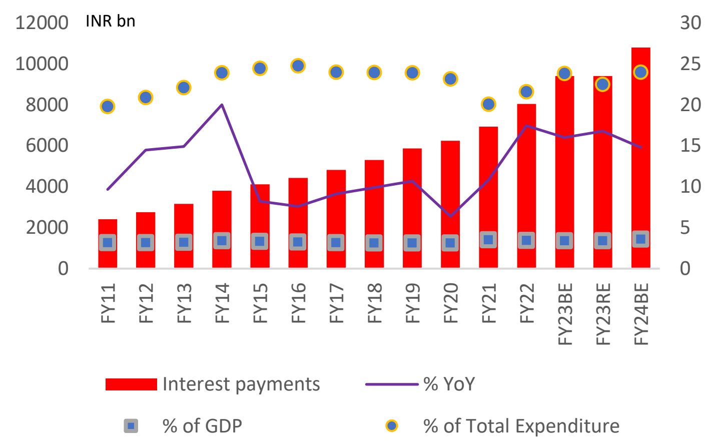
Source: Union Budget, Systematix Research

Exhibit 22: Subsidy bill for fertilisers substantially reduced



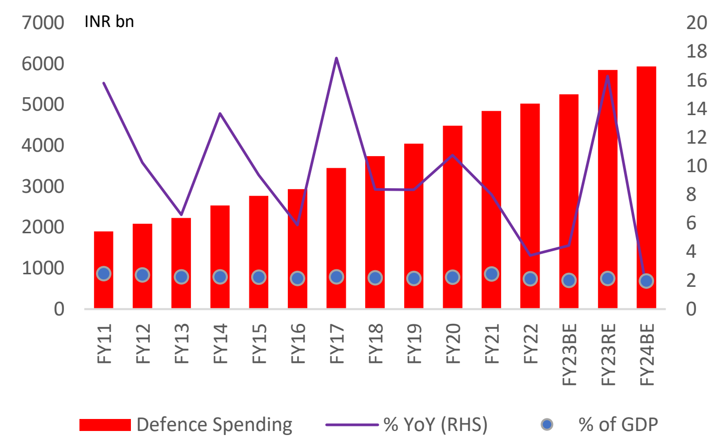
Source: Union Budget, Systematix Research

Exhibit 23: Interest payments at 3.6% of GDP in FY24BE, accounting for 24% of total expenditure



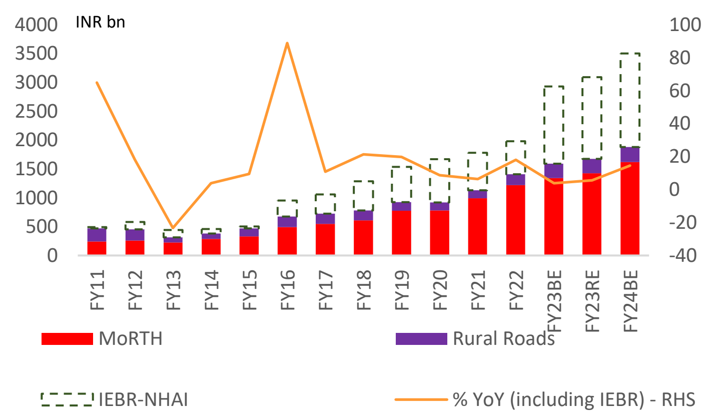
Source: Union Budget, Systematix Research

Exhibit 24: Defence expenditure stands at 2% of GDP in FY24BE, lowest in more than 10 years



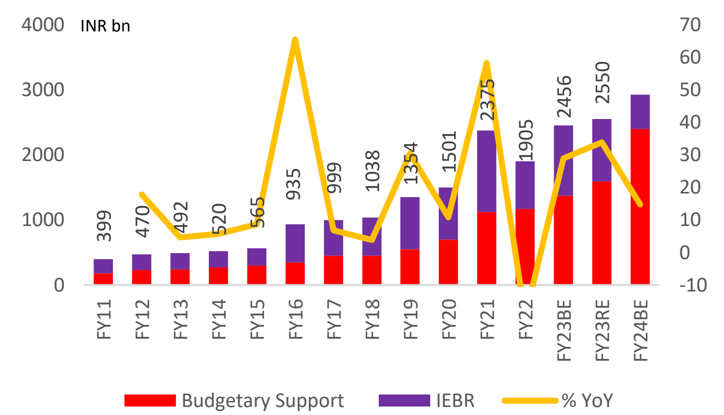
Source: Union Budget, Systematix Research

Exhibit 25: Road spending at INR 3.5tn, higher by 15% YoY in FY24BE



Source: Union Budget, Systematix Research

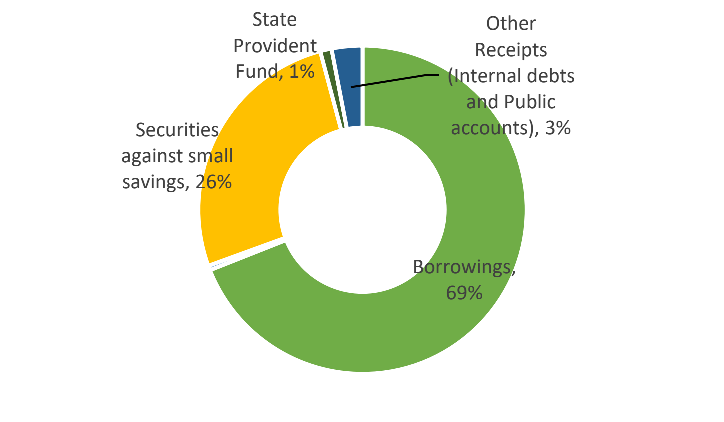
Exhibit 26: Rail spending (incl. IEBR) in FY24BE estimated at INR 2.9tn, Share of IEBR lower by 45%



Source: Union Budget, Systematix Research

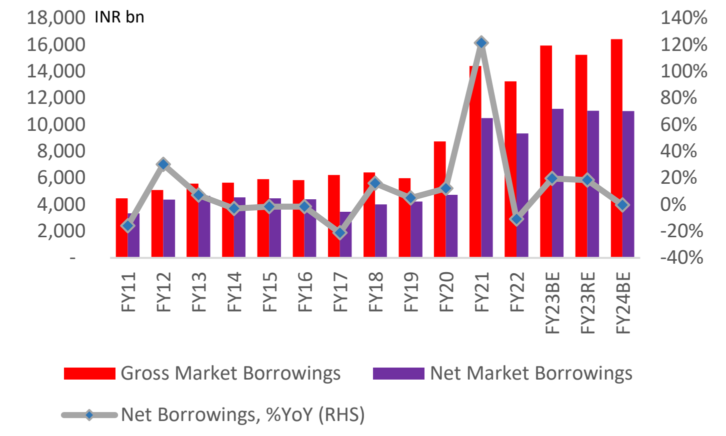
OTHER DEBT INDICATORS

Exhibit 27: Government relies primarily on market borrowings to finance fiscal deficit



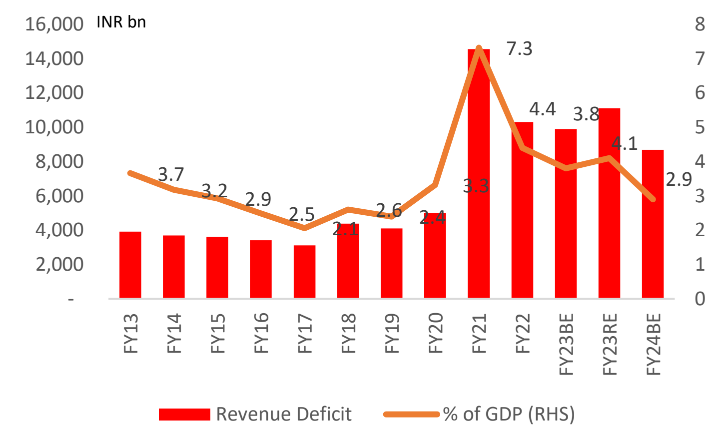
Source: Union Budget, Systematix Research

Exhibit 28: Gross market borrowings budgeted to touch INR 16.4tn in FY24BE, net market borrowings at INR 11tn



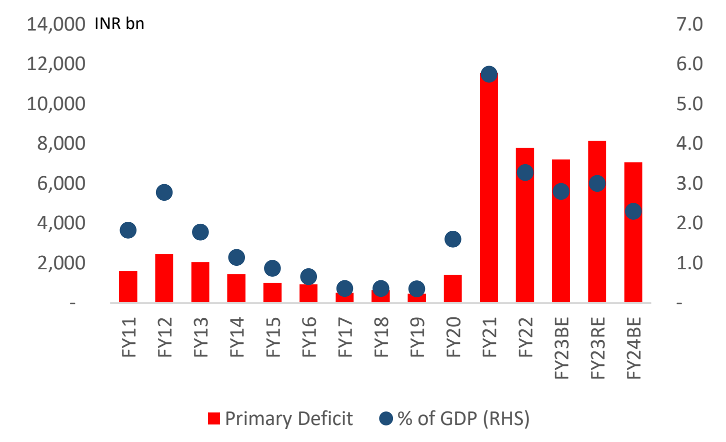
Source: Union Budget, Systematix Research

Exhibit 29: Revenue deficit to GDP for the centre at 2.9% of GDP in FY24BE, elevated but lower than the pre-pandemic levels



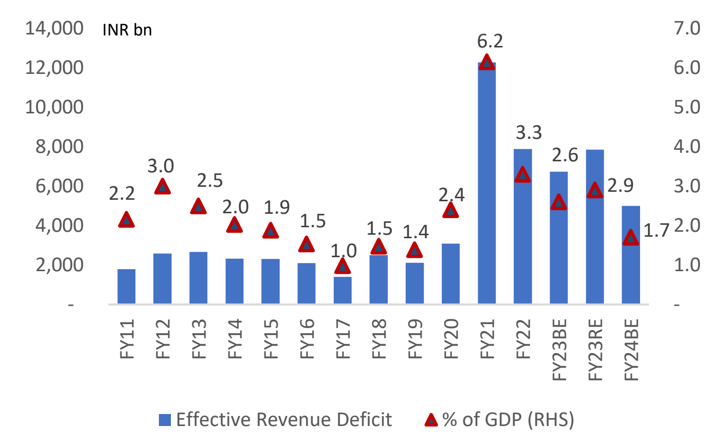
Source: Union Budget, Systematix Research

Exhibit 30: Primary deficit to GDP ratio expected to fall to 2.3% of GDP in FY24BE from 3% in FY23RE



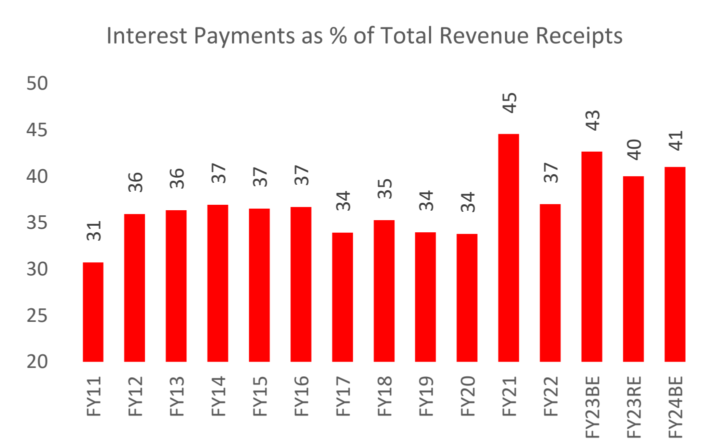
Source: Union Budget, Systematix Research

Exhibit 31: Effective revenue deficit budgeted at 1.7% of GDP in FY24BE, still higher than the pre-pandemic levels



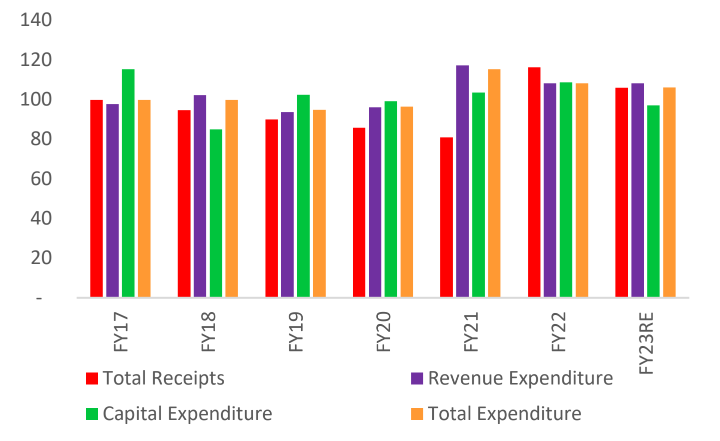
Source: Union Budget, Systematix Research

Exhibit 32: Interest payments to revenue receipts ratio budgeted to modestly rise 41% in FY24BE



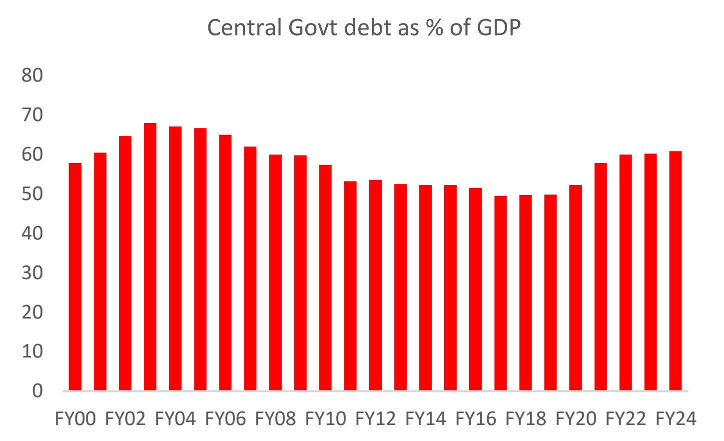
Source: Union Budget, Systematix Research

Exhibit 33: Actuals as % of RE: Lower capex in FY23RE as % of Actuals



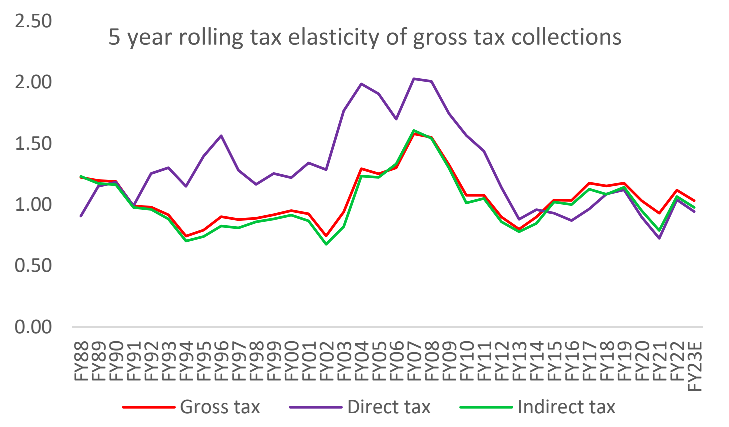
Source: Union Budget, Systematix Research

Exhibit 34: Central government debt expected to be same as FY23RE



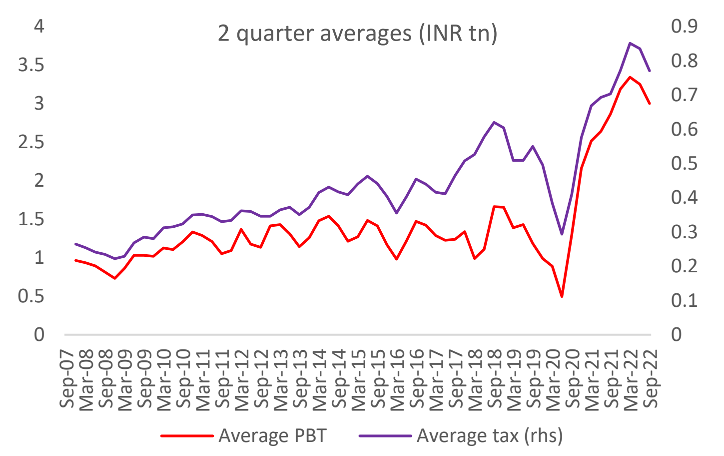
Source: Union Budget, Systematix Research

Exhibit 35: India's tax elasticity at 0.8x has declined significantly due to higher reliance on indirect taxes and volatile corporate profits



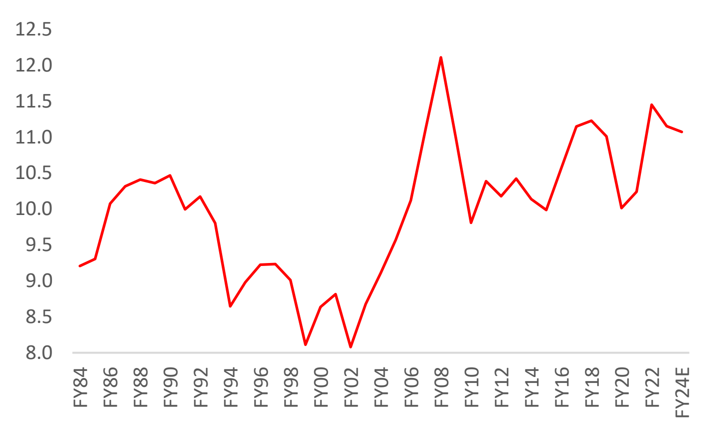
Source: CMIE, Systematix Research; responsiveness of growth in tax collection to 100bp change in nominal GDP growth

Exhibit 36: Surge in corporate tax revenue due to the post-COVID global bounty is now fading, with high chances of contraction



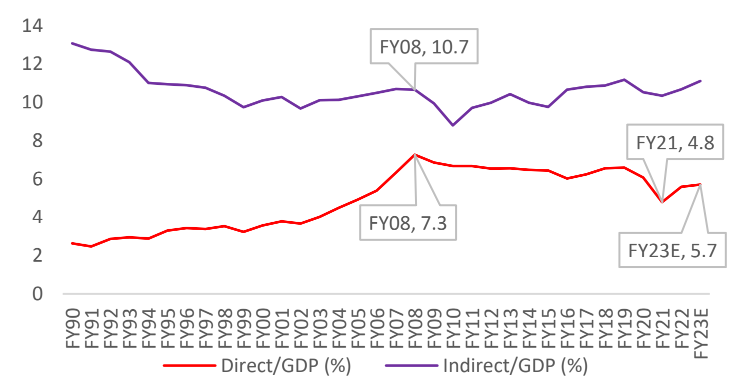
Source: CMIE, Systematix Research; all companies (sample 4500 companies)

Exhibit 37: Gross tax collection (GoI)/GDP ratio (%)



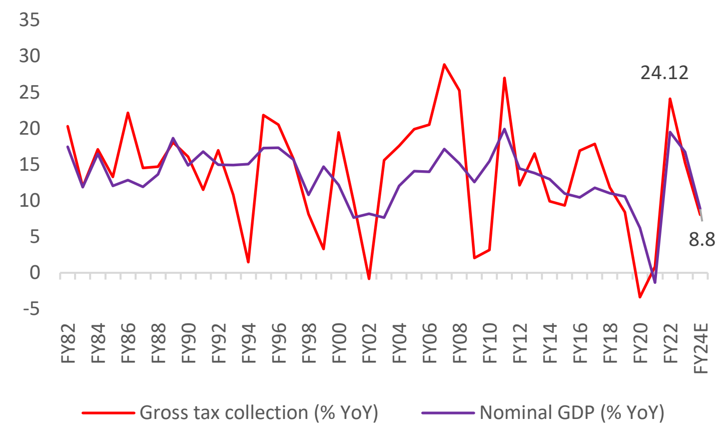
Source: CMIE, Systematix Research

Exhibit 38: India has increasingly relied on indirect than direct taxes sincepost-GFC recovery, indicating reduced tax buoyancy



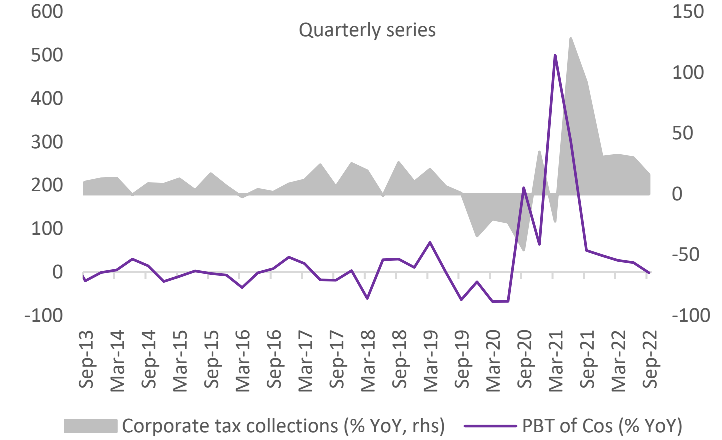
Source: CMIE, Systematix Research

Exhibit 39: Deceleration in nominal GDP and low tax elasticity to weigh on tax collections in FY24



Source: CMIE, Systematix Research

Exhibit 40: Contraction in corporate profits with a lag could also reflect in corporate tax collection (-3.8% YoY in Nov'22)



Source: CMIE, Systematix Research

Exhibit 41: Sectoral impact of the Union Budget

Sectors	Announcement	Overall sector impact Positive Neutral Negative	Impact	Companies impacted	Positive Neutral Negative	Impact
Automobile & Auto Ancs	Funds allocated to replace old polluting govt. vehicles	Positive	Higher replacement demand for vehicles	All	Positive	Volume boost
Automobile & Auto Ancs	Concessional custom duty on lithium-ion cells extended for another year	Positive	EV OEMs and EV facing ancillaries to benefit	TTMT, TVSL, BJAUT, HMCL, UNOMINDA, EXID, AMRJ, etc.	Positive	Cost benefit from lower custom duty to continue
Automobile & Auto Ancs	Customs duty exemption for machinery required for manufacture of lithium-ion cells	Positive	Aid in domestic manufacutring of Lithium-ion cells for EV batteries	EXID, AMRJ, etc.	Positive	Lower capital cost for domestic Li-ion manufacturing
Automobile & Auto Ancs	Increase in customs duty on imported vehicles (incl. EVs) as CBUs as well as SKDs	Positive	Boost domestic manufacturing	All	Positive	
Consumer Electricals	Capex outlay on infrastructure development incl. railway, urban infrastructurer etc.	Positive	Will boost demand of electrical cables	KEI, Polycab	Positive	high cable exposure augurs well for demand of their products
Consumer Electricals	Change in personal income tax slab	Positive	More cash in hand will boost spending on discrenitory items	All electrical companies	Positive	Will boost demand of discrenitory items such as electrical products and appliances
Building Materials	Change in personal income tax slab	Positive	More cash in hand will boost spending on home improvement products	All pipe, wood-panel and tiles companies	Positive	Will boost demand of home improvement products

Chemical	Reduction in Basic Custom Duty on import of Crude Glycerin used for the manufacture of Epichlorohydrin from 7.5% to 2.5%	Positive	Will benefit chemical companies which use this as a raw material Negative for domestic manufacturers	Meghmani Finechem, DCM Shriram, Jubilant Ingrevia	Positive	Cheaper raw material will aid margins
Chemical	Reduction in Basic Custom Duty on denatured ethyl alcohol from 5% to Nil	Positive	Will benefit chemical companies which use this as a raw material Negative for domestic manufacturers	Jubilant Ingrevia	Positive	Cheaper raw material will aid margins
Fertilisers	Decrease in urea subsidy by 15% over RE22-23 to Rs 1,311bn Subsidy for non-urea fertilisers has been reduced by 38% over RE22-23 to Rs 440bn Total fertilizer subsidy reduced by 22% to Rs 1,751bn	Positive	Decrease in allocation of subsidy for urea and non-urea fertilisers is inline with fall in RM prices globally We note that the government had revised the BE22-23 subsidy for urea and non-urea fertilisers inline with higher raw material prices. The subsidy announced for BE23-24 is therefore lower than the revised allocation for BE22-23 We believe the current allocation is assuming softening of raw material prices.	Chambal Fertilisers, Paradeep Phosphate, Coromandel International, RCF, National Fertilisers, Deepak Fertilisers	Positive	reduction in receivable will improve working capital
Sugar	To avoid cascading of taxes on blended compressed natural gas, a proposal to exempt excise duty on GST-paid compressed bio gas contained in it.	Positive	Will promote capex in Compressed Bio Gas sector	Praj Industries	Positive	Healthy order book
FMCG - Tobacco	16% increase in NCCD on certain cigarettes	Positive	Overall, about 1.6% increase in overall tax given NCCD is 10% of overall tax	ITC, Godfrey Phillips, VST Ind	Positive	1.6% hike was much lower than expectations of about 5%, hence positive
FMCG - Dairy	Agriculture credit target to be increased to Rs20 lakh crores with focus on animal husbandry, dairy and fisheries. Government to facilitate setting up of a large number of multipurpose cooperative societies, primary fisheries and dairy cooperative societies in uncovered panchayats and villages in the next 5 years	Negative		Dodla Dairy, Hatsun Agro, Heritage Foods	Negative	This will marginally increase competition in the dairy space

FMCG-Overall	New Tax slabs : Upto Rs 3 lakh - 0% tax; between Rs 3- Rs 6 lakh - 5% tax; between Rs 6 - Rs 9 lakh - 10% tax; between Rs 9 to Rs 12 lakh - 15% tax; between Rs12 to Rs 15 lakh - 20% tax; Above Rs 15 lakh - 30% tax	Positive		All	Positive	Positive for entire FMCG sector as it will boost personal disposable income to some extent
	As per new tax regime, no tax would be levied on annual income of up to Rs 7 lakh					
NBFC	Additional collateral free guaranteed credit of Rs 2.0trn to MSME	Positive	MSME credit to expand further	Shriram Finance, MAS, Ugro, Poonawalla	Positive	
NBFC	Outlay for PM Awas Yojana is being enhanced by 66% to over Rs790bn	Positive	Increased demand for affordable housing loans	Home first, Aptus, Aavas	Positive	
NBFC	Taxation on income from Market Linked Debentures	Negative	One of the sources of borrowings for NBFCs, though small in proportion; Taxation will make it less attractive for investors	All	Negative	
Banking Sector	Capital investment outlay proposed to increase by 33.4% to Rs 10trn	Positive	Likely rise in credit demand	Large PSBs and PVBs to gain	Positive	SBIN, PNB, BOB, HDFCB, ICICIBC, AXSB
Banking Sector	Additional collateral free guaranteed credit of Rs 2.0trn to MSME	Positive	MSME credit to expand further	PSBs & PVBs	Positive	
Banking Sector	Focus on deposit mobilisation - Enhanchment in senior citizen deposit limit to Rs 3.0mn	Positive	Deposit mobilisation to improve	Entire banking system	Positive	
Banking Sector	Proposal to allow carry forward of losses in case of strategic disinvestment (incl. IDBI)	Positive	It'll help strategic investor to claim on carry forward losses of Rs 437bn on Mar'22	IDBI Bank	Positive	IDBI Bank
Banking Sector	Bancassurance income could get impacted	Negative	Proposals to change tax implications in insurance products could impact sale of insurance products & commission thereon	Mainly PVBs	Negative	HDFCB, ICICIBC, AXSB, SBIN
Insurance sector	Proposal to remove tax exemptions on insurance income/ benefits in insurance policies (other than ULIP) with premium payment more than Rs 0.5mn	Negative	Sale of high-ticket insurance products could fall substantially	Life insurance companies	Negative	HDFC Life, ICICI Prudential Life, SBI Life and LIC

Cement	Pradhan Matri Awas Yojana outlay increased by 66% to Rs796bn.	Neutal	Overall capital outlay for govt. infrastructure projects has increase by 32% from the budget estimate 22-23.	All	Neutal	-
Cement	Highest ever outlay of Rs2400bn for railway, which is 9x of outlay made in 2013-14.	Neutral	While Road work and NHAI outlay has increased by 67%/ 21% respectively.	All	Neutral	-
Cement	Rs750bn outlay for 100 critical transport infrastructure projects.	Neutral	Govt. led infrastructure projects to bring positive momentum for cement sector.	All	Neutral	-

Source: Systematix Research

Institutional Equities Team

Nikhil Khandelwal	Managing Director	+91-22-6704 8001	nikhil@systematixgroup.in

Equity Research

Analysts	Industry Sectors	Desk-Phone	E-mail
Dhananjay Sinha	Co Head of Equities & Head of Research - Strategy & Economics	+91-22-6704 8095	dhananjaysinha@systematixgroup.in
Ashish Poddar	Consumer Durables, Building Materials, Small & Midcaps	+91-22-6704 8039	ashishpoddar@systematixgroup.in
Girija Ray	Cement	+91-22-6704 8098	girijaray@systematixgroup.in
Himanshu Nayyar	Consumer Staples & Discretionary	+91-22-6704 8079	himanshunayyar@systematixgroup.in
Pradeep Agrawal	NBFCs & Diversified Financials	+91-22-6704 8024	pradeepagrawal@systematixgroup.in
Pratik Tholiya	Specialty & Agro Chem, Fertilisers, Sugar, Textiles and Select Midcaps	+91-22-6704 8028	pratiktholiya@systematixgroup.in
Rahul Jain	Metals & Mining	+91-22-6704 8066	rahuljain@systematixgroup.in
Rakesh Kumar	Banking, Insurance	+91-22-6704 8041	rakeshkumar@systematixgroup.in
Sudeep Anand	Oil & Gas , Telecom, Logistics	+91-22-6704 8085	sudeepanand@systematixgroup.in
Vishal Manchanda	Pharmaceuticals and Healthcare	+91-22-6704 8064	vishalmanchanda@systematixgroup.in
Aniket Shah	Banking, Insurance	+91-22-6704 8034	aniketshah@systematixgroup.in
Bezad Deboo	Pharmaceuticals and Healthcare	+91-22-6704 8046	bezaddeboo@systematixgroup.in
Chetan Mahadik	Consumer Staples & Discretionary	+91-22-6704 8091	chetanmahadik@systematixgroup.in
Hena Vora	NBFCs & Diversified Financials	+91-22-6704 8045	henavora@systematixgroup.in
Poorvi Banka	Auto, Auto Ancillaries	+91-22-6704 8063	poorvibanka@systematixgroup.in
Pranay Shah	Consumer Durables, Building Materials, Small & Midcaps	+91-22-6704 8017	pranayshah@systematixgroup.in
Pratik Oza	Midcaps	+91-22-6704 8036	pratikoza@systematixgroup.in
Prathmesh Kamath	Oil & Gas , Telecom, Logistics	+91-22-6704 8022	prathmeshkamath@systematixgroup.in
Purvi Mundhra	Macro-Strategy	+91-22-6704 8078	purvimundhra@systematixgroup.in
Rajesh Mudaliar	Consumer Staples & Discretionary	+91-22-6704 8084	rajeshmudaliar@systematixgroup.in
Shraddha Kapadia	Consumer Durables, Building Materials, Small & Midcaps	+91-22-6704 8019	shraddhakapadia@systematixgroup.in
Shweta Dikshit	Metals & Mining	+91-22-6704 8042	shwetadikshit@systematixgroup.in
Varun Gajaria	Midcaps	+91-22-6704 8081	varungajaria@systematixgroup.in

Equity Sales & Trading

Name		Desk-Phone	E-mail
Vipul Sanghvi	Co Head of Equities & Head of Sales	+91-22-6704 8062	vipulsanghvi@systematixgroup.in
Nirbhay Kumar Singh	Sales	+91-22-6704 8061	nirbhaysingh@systematixgroup.in
Sidharth Agrawal	Sales	+91-22-6704 8090	sidharthagrawal@systematixgroup.in
Shivang Agrawal	Sales	+91-22-6704 8068	shivangagrawal@systematixgroup.in
Pawan Sharma	Director and Head - Sales Trading	+91-22-6704 8067	pawansharma@systematixgroup.in
Mukesh Chaturvedi	Vice President and Co Head - Sales Trading	+91-22-6704 8074	mukeshchaturvedi@systematixgroup.in
Vinod Bhuwad	Sales Trading	+91-22-6704 8051	vinodbhuwad@systematixgroup.in
Rashmi Solanki	Sales Trading	+91-22-6704 8097	rashmisolanki@systematixgroup.in
Karan Damani	Sales Trading	+91-22-6704 8053	karandamani@systematixgroup.in
Vipul Chheda	Dealer	+91-22-6704 8087	vipulchheda@systematixgroup.in
Paras Shah	Dealer	+91-22-6704 8047	parasshah@systematixgroup.in
Rahul Singh	Dealer	+91-22-6704 8054	rahulsingh@systematixgroup.in

Corporate Access

Pearl Pillay	Sr. Associate	+91-22-6704 8088	pearlpillay@systematixgroup.in

Production

Madhu Narayanan	Editor	+91-22-6704 8071	madhunarayanan@systematixgroup.in
Mrunali Pagdhare	Production	+91-22-6704 8057	mrunalip@systematixgroup.in
Vijayendra Achrekar	Production	+91-22-6704 8089	vijayendraachrekar@systematixgroup.in

Operations

Sachin Malusare	Vice President	+91-22-6704 8055	sachinmalusare@systematixgroup.in
Jignesh Mistry	Manager	+91-22-6704 8049	jigneshmistry@systematixgroup.in
Sushant Chavan	Manager	+91-22-6704 8056	sushantchavan@systematixgroup.in

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