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INVESTMENT INTERRMEDIATES LTD.

Union Budget 2017-18 Review

Union Budget 2017-18 :- Review

Finance Minister Arun Jaitley presented Union and Rail Budget 2017-18 with focus largely on farmers, rural India, housing,small tax payers, and infrastructure growth. The government has maintained the FRBM roadmap for the Fiscal Deficit target of 3.2% for FY18 and 3% for FY19. Total expenditure for FY18 is projected at Rs.21.47 lakh crore while revenue is projected at Rs.16 lakh crore. The government's net market borrowing was restricted to Rs. 3.48 lakh crores after buyback in 2017-18, much lower than Rs.4.25 lakh crores of the previous year.Overall,decrease in net borrowing is a positive for India along with the fiscal deficit target.

Sector wise Expenditure (In Crore Rupees)

Sl No.	Sectors	BE 2016-2017	RE 2016-2017	BE 2017-2018
1	Agriculture and Allied sectors	48572	52821	58663
2	Rural Development	102543	114947	128560
3	Infrastructure	348952	358634	396135
3a	of which Transport	216268	216903	241387
4	Social sectors	168100	176225	195473
4a	Education and Health	112138	114806	130215
4b	Social sectors with welfare orientation	55962	61419	65258
5	Employment Generation, Skill and Livelihood	12141	14870	17273
6	Scientific Ministries	33467	34359	37435

Budget Estimates (In Crore Rupees)

Particulars	2016-17E	2017-18E
Revenue Receipts	1423562	1515771
Capital Receipts (excluding borrowings & other liabilities)	56571	84432
Total Receipts	1480133	1600203
Scheme Expenditure	869847	945078
Other Expenditure	1144560	1201657
Total Expenditure	2014407	2146735
Fiscal Deficit	534274	546532
Fiscal Deficit (% of GDP)	3.5	3.2

Source: India Budget.nic.in

This report contains the ten distinct themes of Union Budget along with sector-wise outlook based on the budget announcements.

Farmers:

- Committed to double the income in 5 years
- Target for agricultural credit in 2017-18 has been fixed at a record level of Rs. 10 lakh crores
- Farmers will also benefit from 60 days' interest waiver announced on Dec 31, 2016
- Dedicated Micro Irrigation Fund in NABARD to achieve 'per drop more crop' with an initial corpus of Rs. 5,000 crores
- Dairy Processing and Infrastructure Development Fund to be set up in NABARD with a corpus of Rs. 2000 crores,which will be increased to Rs. 8000 crores over 3 years

Rural population:

- Providing employment and basic infrastructure
- MGNREGA allocation to be the highest ever at Rs. 48,000 crores in 2017-18
- Pace of construction of PMGSY roads accelerated to 133 km roads per day in 2016-17, against an average of 73 km during 2011-2014
- Allocation for Pradhan Mantri Awaas Yojana – Gramin increased from Rs. 15,000 crores in BE 2016-17 to Rs. 23,000 crores in 2017-18 with a target to complete 1 crore houses by 2019 for the houseless and those living in kutcha houses
- The government is well on course to achieve 100% village electrification by May 01, 2018
- Total allocation for Rural, Agriculture, and Allied sectors is Rs.187,223 crores

Youth:

- Energising them through education, skills, and jobs
- Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (SANKALP) to be launched at a cost of Rs. 4000 crores. SANKALP will provide 3.5 crore Indian youth with market relevant training
- Next phase of Skill Strengthening for Industrial Value Enhancement (STRIVE) will also be launched in 2017-18 at a cost of Rs. 2,200 crores
- A scheme for creating employment in the leather and footwear industries along the lines in textiles sector to be launched

The poor and the underprivileged:

- Strengthening the systems of social security, healthcare, and affordable housing
- Affordable housing to be given infrastructure status
- National Housing Bank will refinance individual housing loans of about Rs. 20,000 crore in 2017-18
- The allocation for Scheduled Castes has been increased by 35% compared with BE 2016-17
- The allocation for Scheduled Tribes has been increased to Rs. 31,920 crores and for Minority Affairs to Rs. 4,195 crores

Infrastructure:

- For efficiency, productivity, and quality of life
- For transportation sector as a whole, including rail, roads, shipping, provision of Rs. 241,387 crores has been made in 2017-18
- For 2017-18, the total capital and development expenditure of Railways has been pegged at Rs. 131,000 crores. This includes Rs. 55,000 crores provided by the government
- For passenger safety, a Rashtriya Rail Sanraksha Kosh will be created with a corpus of Rs. 1 lakh crores over a period of 5 years
- In the road sector, Budget allocation for highways increased from Rs. 57,976 crores in BE 2016-17 to Rs. 64,900 crores in 2017-18
- Select airports in Tier 2 cities will be taken up for operation and maintenance in the PPP mode

Financial sector:

- Growth and stability by stronger institutions
- Foreign Investment Promotion Board to be abolished in 2017-18 and further liberalisation of FDI policy is under consideration
- Government will put in place a revised mechanism and procedure to ensure time bound listing of identified CPSEs on stock exchanges. The shares of Railway PSEs such as IRCTC, IRFC, and IRCON will be listed in stock exchanges
- Propose to create an integrated public sector 'oil major', which will be able to match the performance of international and domestic private sector oil and gas companies
- A new ETF with diversified CPSE stocks and other government holdings will be launched in 2017-18
- In line with the 'Indradhanush' roadmap, Rs. 10,000 crores provided for recapitalisation of banks in 2017-18
- Lending target under Pradhan Mantri Mudra Yojana to be set at Rs. 2.44 lakh crores. Priority will be given to Dalits, Tribals, Backward Classes, and Women.

Digital economy:

- Speed, accountability, and transparency
- A mission will be set up with a target of 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhar Pay, IMPS, and debit cards
- A proposal to mandate all government receipts through digital means beyond a prescribed limit is under consideration
- Proposed to create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems

Public service:

- Effective governance and efficient service delivery through people's participation
- To utilise the Head Post Offices as front offices for rendering passport services
- The government e-market place is now functional for procurement of goods and services

Prudent fiscal management:

- To ensure optimal deployment of resources and preserve fiscal stability
- Stepped up allocation for capital expenditure by 25.4% over the previous year
- Total resources being transferred to the states and Union Territories with Legislatures is Rs. 4.11 lakh crores, against Rs. 3.60 lakh crores in BE 2016-17
- FRBM Committee has recommended 3% fiscal deficit for the next three years, keeping in mind the sustainable debt target and need for public investment. Fiscal deficit for 2017-18 is targeted at 3.2% of GDP and government remains committed to achieve 3% in the following year
- Net market borrowing of the government was restricted to Rs. 3.48 lakh crores after buyback in 2017-18, much lower than Rs. 4.25 lakh crores of the previous year
- Revenue Deficit of 2.3% in BE 2016-17 stands reduced to 2.1% in the revised estimates. The Revenue Deficit for next year is pegged at 1.9% against 2% mandated by the FRBM Act

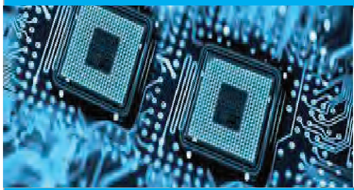
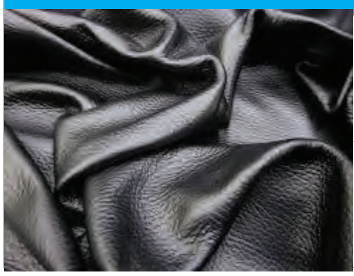
Tax Administration:

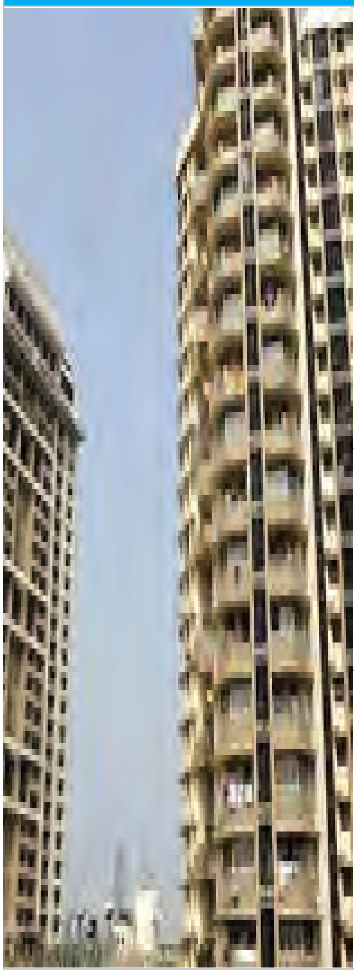
- Honouring the honest
- MAT credit can be carried forward up to a period of 15 years instead of 10 years at present
- To make MSME companies more viable, income tax for companies with annual turnover upto Rs. 50 crore is reduced to 25%
- Basic customs duty on LNG reduced from 5% to 2.5%
- Under scheme of presumptive income for small and medium tax payers whose turnover is upto Rs. 2 crores, the present 8% of their turnover, which is counted as presumptive income is reduced to 6% in respect of turnover, which is by non-cash means
- No transaction above Rs. 3 lakh would be permitted in cash subject to certain exceptions
- Maximum amount of cash donation a political party can receive will be Rs. 2000 from one person
- Existing rate of taxation for individualsbetween income of Rs. 2.5 – 5 lakhs reduced to 5% from the present rate of 10%
- Surcharge of 10% of tax is payable on categories of individuals whose annual taxable income is between Rs. 50 lakhs and Rs. 1 crore

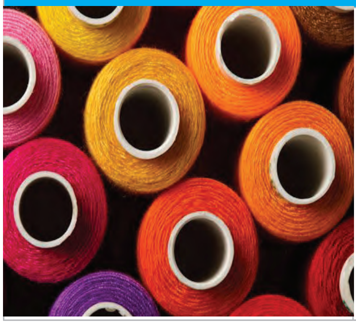
Overall, its a good budget since it focuses on strong growth of India in the long term.

Sectorwise Outlook

Industry	Proposed	Impact	Stocks in Focus
Agriculture			
	Agriculture credit of Rs.10 lakh Cr has been set for FY18.	Positive: It will give a boost to Agriculture sector and all related sectors like farm vehicles, agriculture equipments will be benefited.	**Jain Irrigation, Eicher Motors, M&M, Force Motors, Tube Investments.**
	Computerisation and integration of all 63,000 functional PACS with the Core Banking System of District Central Cooperative Banks in 3 years at a cost of Rs.1900Cr.	Positive: It will streamline the credit flow and encourage farmers to avail credit.	**All cooperative banks, NBFCs, and other banks.**
	Rs.20,000 Cr has been added to long term irrigation fund increasing it to Rs. 40000Cr.	Positive: It will benefit irrigation equipment sector manufacturing water pumps and other equipments	**Jain irrigation, Sintex, Texmo pipes,**
	Dairy Processing and Infrastructure Development Fund would be set up with a corpus of Rs 8,000 Cr over 3 years. Initially, the Fund will start with a corpus of Rs 2,000 Cr.	Positive: It will restructure the sector providing better growth opportunities	**Prabhat Dairy, Britannia, Parag Milk, Kwality, Nestle.**
Banks			
	Rs. 10,000 Cr has been provided for recapitalization of banks in FY18.	Negative for PSU banks since it was Rs.25,000 Cr in FY17.	**SBI, PNB, BOI, Canara bank.**
	Provision for NPAs increased from 7.5% to 8.5%	Positive for all banks since it will reduce their liabilities.	**All banking stocks.**
Chemical Industries			
	Reduce BCD from 7.5% to 5% on Medium Quality Terephthalic Acid (MTA) &Qualified Terephthalic Acid (QTA)	Positive for metal industries and paint industry	**Asian paints, Berger paints, Hindalco,**
	Reduce BCD from 7.5% to 2.5% on 2-Ethyl Anthraquinone. Moreover, reduce BCD to 7.5% from 10% on Vinyl Polyethylene Glycol (VPEG) for use in manufacture.	Positive for commodity chemical industry	**Deepak Nitrate, Gujarat Alkali, Jindal poly, Tata Chemical,**
Cigarettes & Tobacco			
	Increased excise duty on Cigarillos of tobacco to 12.5% or Rs 4006 per thousand, whichever is higher.	Positive for tobacco companies as the hike is lower than expectations	**ITC, Godfrey Phillips, Golden Tobacco, Kothari Products.**
	Increased excise duty on Cigar, Cigarillos, and Cheroots to 12.5% or Rs. 4006 per thousand, whichever is higher.		
	Increased excise duty on paper rolled biris: Rs 28 per thousand on handmade biris and Rs.78 per thousand on machine made biris.		
	Increased excise duty on Cigarettes of tobacco substitutes to Rs. 4006 per thousand.		
	Increase additional duty on tobacco and tobacco products to 12% from 6%.		
	Increase additional duty on Pan Masala from 6% to 9%.		

Industry	Proposed	Impact	Stocks in Focus
Digitalization			
	Excise duty withdrawn on card reader, Micro ATM, Finger print reader, Iris scanner and on parts & components used in such machines	Positive for companies manufacturing such equipments and devices as it will reduce their operating cost	**TVS Electronics Ltd, Moser Bear, Com-puage Infocom**
	BCD,CVD,SAD withdrawn on card reader, Micro ATM, Finger print reader, Iris scanner and on parts & components used in such machines		
Electric & Electronics			
	Reduce BCD to 5% ,CVD to 6% and excise duty to 6% on all the inputs used in LED manufacturing	Positive for LED manufacturers as imports will decrease and demand from domestic players will increase	**Eveready**
Infrastructure			
	Under Pradhan Mantri Gram Sadak Yojana (PMGSY) a sum of Rs.19,000 Cr has been allotted. Together with the contribution of States, an amount of Rs 27,000 Cr will be spent in FY18	Positive: Infrastructure companies into BOT projects will benefit through more projects.	**Ashoka Buildcon, MEP, IRB, Skipper Ltd.**
	GOI targets to complete 1 crore houses by FY19 for the houseless and those living in kutcha houses. For FY18, funds have been raised to Rs.23,000 Cr from Rs.15,000Cr in FY17.	Positive: Infrastructure construction and cement companies will be benefited.	**Ashiana Housing, D S Kulkarni, NCC, ACC, Ambuja Cement, Ultra Tech Cement, L&T, JP Associate.**
	Railway lines of 3,500 km will be commissioned in FY18 as against 2,800 km in FY17.	Positive: Infrastructure construction and cement companies will be benefited.	**MBL Infra, Madhucon,NCC, ACC, Ultratech.**
	It is proposed to feed about 7,000 stations with solar power in the medium term. A beginning has already been made in 300 stations. Works will be taken up for 2,000 railway stations as part of 1000 MW solar mission.	Positive: Companies manufacturing solar power equipment and set up the facilities will be benefited.	**Moser Bear.**
	For road construction, funds for highways have been hiked to Rs. 64900 Cr for FY18. Further 2,000 km of coastal connectivity roads have been identified for construction and development. This will improve better connectivity with ports and remote villages.	Positive: Will boost order book of road construction companies and port service companies.	**Madhucon, MBL Infra, Sadbhav Infra, NBCC, ITDC, ABG Shipyard, Adani Ports.**
	Select airports in Tier 2 cities will be taken up for operation and maintenance in the PPP mode.	Positive for airport maintenance companies.	**GVK power, GMR Infra.**
Leather			
	BCD on vegetable tanning extracts, namely, Wattle extract and Myrobalan fruit extract reduced from 7.5% to 2.5%.	Positive for companies manufacturing leather goods as production cost will reduce improving their bottom line	**Mirza International, Bata Industries, Relaxo**
	Increased the limit of duty free imports to 5% of FOB on material used for manufacture of leather and leather goods.		

Industry	Proposed	Impact	Stocks in Focus
Metal & Mining			
	Withdraw BCD on Nickel from 2.5% to NIL.	Positive for all metal companies since tax expense will be reduced.	**Hindalco, Jindal Stainless, Tata Steel, JSW, Bhushan Steels, SAIL, Uttam Galva.**
	Excise duty on precious metals and silver articles will be Nil, provided no credit of duty paid on inputs or input services or capital goods has been availed by manufacturer		
	Impose BCD of 10% on stainless steel tapes.	Positive for metal and steel industry as it will boost demand from domestic manufacturers	
	Reduce BCD to 5% from 10% on MgO coated cold rolled steel coils	Positive for steel manufacturers	
	Reduce BCD from 12.5% to 10% on Hot Rolled Coils		
Oil & Gas			
	Reduce basic customs duty on Liquefied Natural Gas from 5% to 2.5%	Positive : LNG companies will be benefited	**Petronet, IOC, Gulf oil**
Real Estate			
	Under the scheme for profit-linked income tax exemption for promoters of affordable housing scheme, instead of built up area of 30 and 60 sq.mtr., the carpet area of 30 and 60 sq.mtr will be counted. Moreover, the 30 sq.mtr. limit will apply only in case of municipal limits of 4 metropolitan cities. For the rest of the country including the peripheral areas of metros, limit of 60 sq.mtr. will apply. In order to be eligible, the scheme was to be completed in 3 years after commencement. However, it has now been extended to 5 years.	Positive for all real estate developers.	**Godrej properties, Prestige estates, DLF, Sobha Developers, Ajmera realty,**
	The holding period for considering gain from immovable property to be long term is reduced to 2 years from 3 years. Moreover, the base year for indexation is shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property.	Positive for individuals and real estate developers since it will reduce the capital gains tax liability significantly while encouraging the mobility of assets.	
	The houses that are unoccupied after getting completion certificates are subject to tax on notional rental income. Builders for whom constructed buildings are stock-in-trade will apply this rule only after one year of the end of the year in which completion certificate is received so that they get breathing time for liquidating their inventory.	Positive for real estate developers.	

Industry	Proposed	Impact	Stocks in Focus
Renewable Energy			
	Remove BCD of 5% on Solar tempered glass used in the manufacture of solar cells/panels/modules	Positive for equipment manufacturers.	**Indo solar, Surana Solar, Inox Wind, Indo Wind, Suzlon, Crompton Greaves**
	Reduce CVD from 12.5% to 6% on materials used in solar power generating equipments		
	Reduce BCD,CVD, SAD on Resin and catalyst used in wind energy generation to 5%,NIL,NIL respectively		
Textile			
	Reduce BCD from 10% to 7. 5% on Nylon mono filament yarn	Positive for textile industries as it will reduce raw material cost	**Grasim Industries, Arvind, Welspunind, Bombay Dyeing**

BCD : Basic Custom Duty, CVD: Counter Vailing Duty, SAD: Special Additional Duty

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