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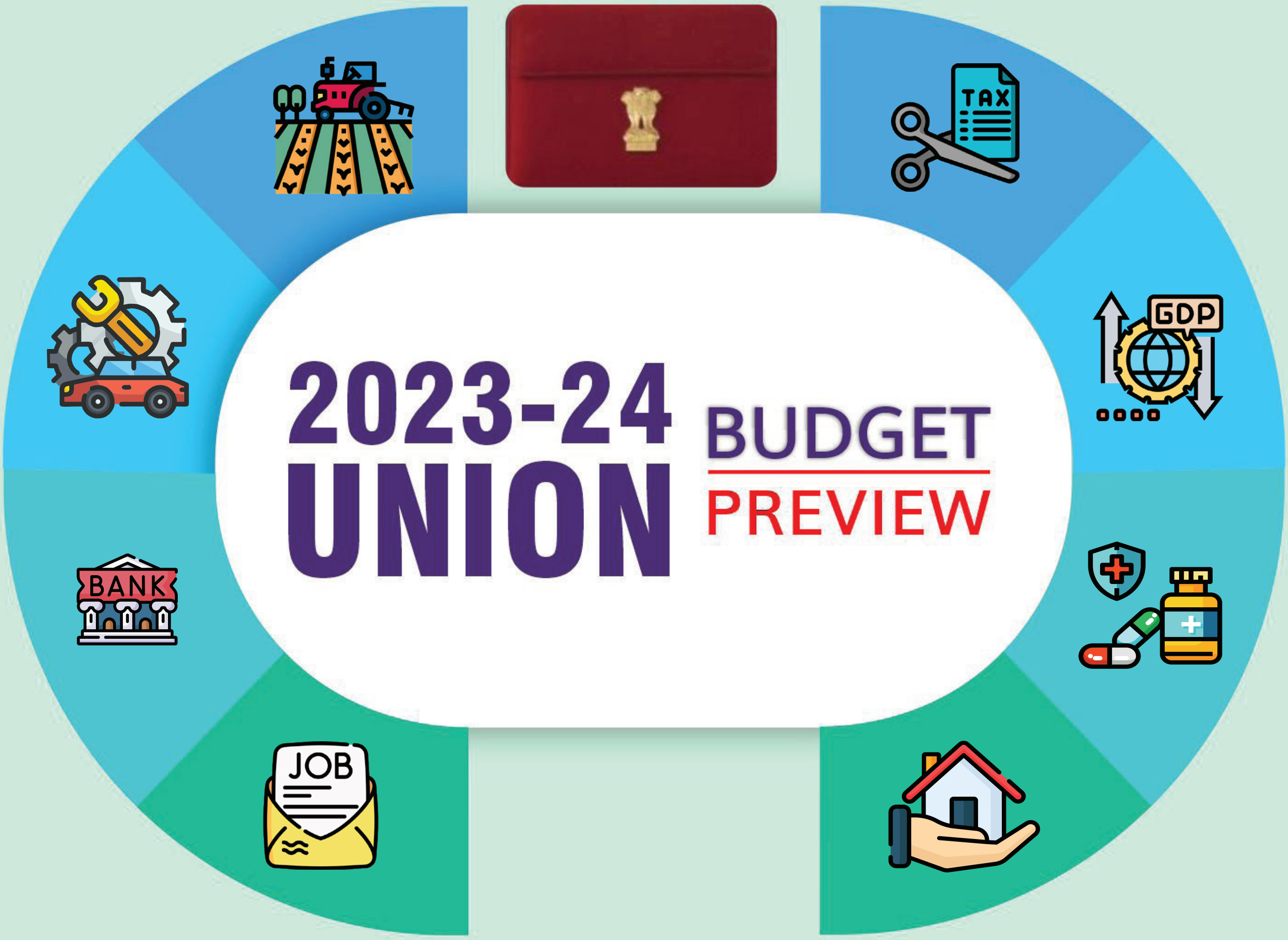

2023-24 UNION BUDGET PREVIEW

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Finance minister Nirmala Sitharaman will present the government's last full budget before the 2024 general election on February 1, 2023. It will be keenly watched for measures to help the economy navigate the choppy global environment, staying within the bounds of fiscal prudence, and keeping electoral considerations in mind. Economists expect it to be a pragmatic, rather than a populists.

This budgets is likely to continue to focus on private investments, capital expenditure as a growth driver & give an impetus to manufacturing with PLI Schemes & Other Tax Incentives.

This budget is anticipated to have a strong emphasis on long-term development while attempting to fortify the financial system. Energy, healthcare, capital goods, Agriculture, specialty chemicals, technology, and manufacturing are going to be the emphasis of this budget, which is likely to be focused on infrastructure development, empowerment, digitalization, and incentivizing new-age production through PLI programmes.

We expect the government to meet the FY23 fiscal deficit target of 6.4% of GDP. The survey forecast that the government will limit fiscal deficit to 5.8% to 6% of the GDP in 2023-24. Amid external shocks and global uncertainities, Finance Minister intends to meet the fiscal deficit target of 4.5% of GDP by the end of the year 2025-26. Both economic and political compulsions will mean a more challenging environment for aggressive fiscal consolidation in coming years.

The corporate sector expects the upcoming budget to focus on infrastructure development, reviving exports, encouraging Make in India production, enabling technology adoption (Digitalisation) and boosting consumer demand. We do not expect significant reforms to be announced in budget.

We expect government borrowing in FY24 to remain elevated, which will likely require the RBI to re-start OMO purchases in the second half of FY24 with domestic liquidity constraints abating to manage unnecessary spike in bond yields & cost of funds for corporate.

Union Budget 2023-24 will be Growth & Manufacturing focus within fiscal consolidation theme.

Key things to watch out in Union Budget 2023-24

1. Rural growth & Demand revival measures.
2. Big infrastructure push & capex programme for investment in Railways, Roads, ports & Logistics projects etc.
3. Government may bump up allocation for existing PLI schemes. And some new sectors may be included in the programme that seeks to reignite manufacturing in India and boost exports, along with other measures to spur investments.
4. Reduction in subsidy spending & increasing capital & welfare expenditure.
5. Higher allocation of funds to the Rural Employment Guarantee scheme to increase cash flow to the rural economy to revival of Demand.
6. It should ease credit access, develop infra, subsidy for MSMEs to boost exports.
7. Govt. might put some light on drone technology by way of new edge solutions for Agriculture, defense, Healthcare, E-commerce, aerospace and traffic monitoring of roads.

Union Budget 2023-24
Preview

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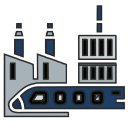
Below mentioned are some of the industry expectations from the Union Budget 2023-24

Industry	Expectation	Impact	Stocks in Focus
Auto & Ancillaries	• Extension of subsidies for purchase of electric vehicles under the fame scheme II & the inclusion of light & Commercial vehicles in the scheme. • Incentives for Charging Infrastructure. • Reduction & Uniform GST Rates on auto components.	**Positive** for Auto manufacturers as it would help to increase demand.	Tata Motors, M&M, Hero Moto Corp, Bajaj Auto, TVS Motor, Asahi India, Sona BLW, Minda Corp.
Agriculture	• Investment in Agricultural infrastructure, & Technologies & PLI Schemes for manufacturing of Agro Chemicals & Fertilisers.	**Positive** for Agri Sectors. It will lead to Increase in farmer Income. Improvement of supply chain Management.	UPL, PI Industry, Dhanuka, Rallies, Insecticides India, chamble Fert, coromandal Fert.
Banks	• Measures to boost investment in infrastructure, Revival of Rural Demand, Private Capex will support Credit Growth.	**Positive**	Entire Banking companies
Cement	• Increase in government thrust on overall infrastructure & Construction spending includes railways, roads & logistics etc. • Positive measures to lift Real-estate demand further. • Expect announcements about rationalisation of GST structure on cement.	**Positive**	Ultratech Cement & the sector at large.
Chemicals	• Extension of PLI scheme to more chemical intermediates including crop protection chemicals. • Reduction in GST rates to 5% on crop chemicals in line with fertilisers from current 18%.	**Positive**	SRF, UPL, PI Industry, Aarti , Atul.
Defense	• Continue budgetary allocation towards the Defence sector as per 2025-26 road map under Make in India Scheme for Defence sector. • Govt may focus more on exports of defence equipments to other countries and also for non-defence segment for core competency and self sufficiency.	**Positive** for Defense companies which are beneficial through Make in India.	BEL, BDL, HAL, L&T, Astra Micro waves Products, Data patterns.
Energy	• Increasing allocation in the Production Linked Incentive (PLI) scheme for boosting the domestic manufacturing of green hydrogen (H2) and sustainable solutions. • Steps that will bring the focus on identifying, developing alternative energy sources like solar PV, wind energy and thermal power.	**Positive**	Adani Greens, NTPC, Voltamp Transformer, GE Power, CG Power, ABB, TATA Power, Power Grid, Schneider electric Infra.

Union Budget 2023-24

Preview

Industry	Expectation	Impact	Stocks in Focus
FMCG 	• Rural economy stimulus to lift the demand. • Any relaxation on taxation of tobacco and related products.	Positive	Britannia, HUL, Dabur, Marico, ITC.
Healthcare 	• Increased budgetary allocation towards the healthcare sector. • Government might put some light on Ayushman Bharat Mission. • Incremental allocation towards manufacturing of health care equipment in India will help to be self-reliant. • Increasing the limit for health insurance under Section 80D.	Positive	Positive for overall healthcare sector & Health Insurance Providers.
Housing & Real Estate 	• Industry experts propose increasing the tax deduction limit on home loan interest from 2 lakh to 5 lakh rupees that will help at the time of rising Interest rates & Inflation to Home buyers. • Separate section on principal repayment of housing loans other Section 80 C can be introduced for Rs 4 lakh.	Positive for Housing & Real Estate.	HDFC, Macro Tech Developers, Godrej Property, Prestige Estate, Oberoi Realty, DLF,
Infrastructure 	• To Increase in budgetary allocation towards overall Infrastructure development by allocating investments in Roads, Railways, Ports projects etc.	Positive for Infra & Construction companies.	L&T, Siemens, RVNL, KEC International, BEML, JKumar Infra, Ashoka Buildcon, Rites, KNR construction, PSP projects, etc.
Metals 	• Increased spend on Infrastructure will drive domestic steel demand. • Measures to improve domestic availability of scrap and higher duty on import of scraps. • PLI scheme for manufacturing high-grade specialty steel.	Positive	Positive for Steel/ Aluminium producers.
NBFC 	• Loan guarantee scheme to NBFCs and asset classes like MFI loan, micro SME loan, tractor loan by national credit guarantee corporation likely to be extended.	Positive	Entire NBFC's.
Pharma 	• Government incentives and grants for cost-intensive research. • Offering Incentives to domestic API manufacture by reduction in GST & import duty.	Positive	Positive for Pharma companies & API Manufacture.

Taxation Expectation:

- **Rationalising personnel Income tax rates to lift demand**

All major industry and trade bodies have also asked for some cuts in personal income tax, to put more money into the hands of the consumer and stimulate consumption demand.

- **Extend 15% corporate tax to all sectors**

Reduction in the corporate tax rate for all companies would help make in India business more Competitive & would help them capture Global Market share. The present corporate Tax is 22%. The corporate tax for new manufacturing companies in India around 15%.

Source: Ficci India, Bloombergquint, Economic Times, Business Standard, Business Line, Times of India, Mint, Indian Express, Business Today, Indian Express, Money Control, in.investing, Cnbctv18 & ACMIIL Research

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