FINANCIAL EXPRESS - 3-2-2021

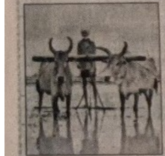
BUDGET 2021

CARE RATINGS' SECTOR IMPACT ANALYSIS

CARE Ratings
Professional Risk Opinion

POSITIVE IMPACT

AGRICULTURE



Agriculture credit target has been increased by ₹1.5 lakh crore and an agriculture infrastructure fund will be available for APMCs. Better infrastructure for APMCs shall facilitate pre- and post-sale procedures more easily. Linking of mandis to the E-NAM market place shall lead to transparent bidding and fair pricing benefitting the farmers.

AVIATION

Monetisation of airports will help in funding new infrastructure construction activities of the government. Tax holiday for capital gains for aircraft leasing companies and tax exemption for aircraft lease rentals paid to foreign lessors.

CAPITAL & ENGINEERING GOODS

Higher allocation for railway capex and dedicated freight corridors (DFC's) will benefit railways infrastructure and railways EPC companies. Anti-collision system would provide impetus to engineering companies engaged in the railway safety systems. Also, development of textile parks will increase demand for textile machinery.

CEMENT

While there are no specific budget announcements pertaining to the cement industry, demand for the commodity will pick up due to the government's continuing focus on infrastructure development, housing and rural development.

CONSTRUCTION

Sharp hike in capex will lead to new projects announcements across infrastructure sectors, which will aid the construction companies. Railway capex boost shall be a positive for construction companies. Also, Urban Swachh Bharat Mission 2.0 with outlay of ₹1,48,000 crore over five years will generate additional business opportunities for EPC companies.

FERTILISERS

The overall subsidy for fertiliser sector has increased by 11.5% from its BE amount. Fertiliser demand would get a fillip on account of credit availability with the farmers and it shall also promote farmers to use more complex and organic fertilisers.

HEALTHCARE & PHARMA

Allocation towards holistic health increased to ₹2,23,846 crore for FY22 from ₹94,452 crore in FY21. New

schemes will aim to develop capacities of primary, secondary, and tertiary care health systems in India, which will benefit the healthcare infrastructure segment. Also, the Covid-19 vaccination program with an allocation of ₹35,000 crore will support the inoculation process.

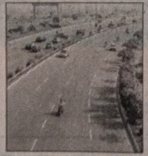
OIL & GAS

The Budget proposed that the Pradhan Mantri Ujjwala Yojana to be extended to cover one crore more beneficiaries, which augurs well for OMCs as they can further extend their LPG coverage.

PORTS/SHIPPING

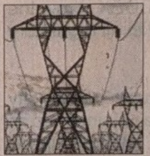
Major ports will be moving from managing their operational services on their own to a model where a private partner will manage it for them. This shall improve operational efficiency and improve the operating standards to global levels.

ROADS



Setting up of DFI and target lending portfolio by the end of three years shall augment funding avenues to the highway sector. The launch of a "national monetisation pipeline" shall enable monetisation of brownfield infrastructure assets. Notified infrastructure debt funds eligible to raise funds by issuing tax-efficient zero coupon bonds will augment the long term funding options for road infrastructure.

POWER DISTRIBUTION

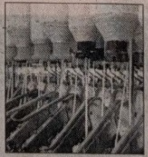


A revamped reforms-based result-linked scheme of ₹305,984 cr for five years will be launched, which is expected to result in an upgrade of distribution company infrastructure. Investment in network upgrade is likely to improve collections and AT&C loss levels of distribution companies, which in turn shall benefit generation companies by way of timely receipt of energy bills.

RENEWABLE ENERGY

Increase in basic customs duty (BCD) on solar inverters and lanterns from 5% to 20% and 15%, respectively shall help domestic solar inverter manufacturers.

TEXTILES



Seven mega investment textile parks over a three-year implementation period, in addition to the PLI scheme, shall have a positive impact for the textile industry. Allocations towards textile infrastructure increased by 44%, which will be positive for fresh capex.

NEGATIVE IMPACT

STEEL

On the demand side, many announcements have been made to strengthen demand for steel. Railway capex augmentation, metro rail project, city gas distribution pipeline proposal, city bus transport service, are positive. However, the removal of anti-dumping duties and countervailing duty removes the protection that the domestic integrated steel players enjoyed from cheaper imports. This will increase import of steel and finished steel prices will soften.

NEUTRAL IMPACT

AUTO AND AUTO COMPONENTS

Augmentation of public bus transport services in urban cities using PPP model will create demand for commercial vehicle passenger carriers and ancillary products. Higher allocation for FAME will encourage investments in electric vehicles. Higher import duty on lithium-ion batteries is negative, as India does not have required infrastructure to produce these at present.

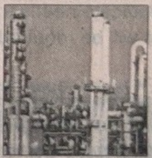
FMCG

Allocation to MGNREGA has been reduced by 36.4% to ₹0.7 lakh crore in 2021-22. Allocation proposed for PM Kisan is same as last year, ₹0.7 lakh crore. Rural demand for FMCG products could potentially be adversely affected due to these.

CONSUMER DURABLES – ELECTRONICS

Customs duty on several mobile phone parts has been raised, which will increase cost in the short to medium term. However, these measures are aimed at promoting domestic manufacturing of electronics and mobile phones in the long run.

PETROCHEMICALS



Reduction in customs duty on naphtha to 2.5% from 4% will benefit domestic manufacturers of petrochemicals, since naphtha is one of the most common feedstock used by crackers to make petro-based products. It will also improve the domestic output of petrochemicals, since a significant proportion of ethylene capacity in India is based on naphtha.

MUMBAI