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ANALYSIS OF UNION BUDGET 2022-23

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Quote

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"Though no one can go back and make a brand new start, anyone can start from now and make a brand new ending."

- Carl Bard

Eye on the Future

Two years into the pandemic, India's Finance Minister Nirmala Sitharaman, took quite a few by surprise with her shortest Budget speech so far. But her plans for the country's economy in FY23 and ahead kept most predictably happy. At CareEdge, we believe the Finance Minister and the government have taken a firm and forward-looking approach, focusing on three major elements for the country - infrastructure, sustainable development and all-inclusive welfare. All need of the hour.

With the nation still reeling under the pandemic's turmoil, a higher-than - expected Rs 10 trillion allocation to capital expenditure in the infrastructure sector will likely crowd-in private sector investments and uplift sentiment.

Drones in agriculture, organic farming, and wasteland development with an outlay of Rs 3 trillion will help build 'Bharat' and lead to transformation of life in rural India. The extension of ECLGS scheme by one more year and Rs 5 trillion allocation is an excellent step to support the MSME sector that took the brunt of the second wave of pandemic.

Taking learnings from the past few years, the government's bid to spearhead digitisation and take technological benefits to as many people as possible across the country is laudable. Plans to create portals for healthcare and education will go a long way in shaping the country's future and ensure inclusive growth.

All this will consume a larger dose of Rs 7.5 trillion rupees of capital expenditure next year. The flip side to which is a much larger-than-expected gross borrowing programme of Rs 14.3 trillion rupees, adjusting the announced number of Rs 14.95 trillion down by Rs 0.65 trillion switch of short-term with long-term securities with RBI. While this does spoil the sentiment for fixed-income markets in the short term, a similar issue cropped last year and the Reserve Bank and the government managed incremental borrowings very well through a slew of innovative measures. We also expect the government to collect far more tax revenues than budgeted, thus having a back-pocket to fund its programmes without having to push issuances at very high yields.

Though the Finance Minister touched upon most aspects expected, the inclusion in global bond indices and clarity on tax exemptions found no mention. This left the fixed income and forex players disappointed. Rupee took a little hit, bond yields certainly much higher.

Overall, we believe the Budget couldn't have been better given the current situation. There are challenges all around, but the Finance Minister has put forth a forward-looking Budget. Be it increased push on digitisation, commitment to build infrastructure or putting technology to use for a greener and cleaner future - the measures announced today will likely ensure sustained growth in the coming months and years.

Table of content

Focus areas of Budget

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Budget 2022-23

Blueprint for futuristic and inclusive development

Public Investment for modern infrastructure

Four Priorities

- Gati Shakti for creation of world class infrastructure
- Inclusive development
- Energy transition and climate action
- Financing Investments

Budget in a Nutshell

- Infrastructure to power economic growth
- Quality of expenditure towards asset creation with the underlying aim of stimulating private investment finetuned
- Gradual and calibrated fiscal consolidation
- No direct consumption stimulating measures. Boost likely from higher levels of activity (and employment) that would be generated from the public investments
- Focus on ease of doing business
- Continuity of policy measures that provide pandemic relief to the most vulnerable and impacted segments
- Fairly inclusive in terms of announcements for sectors and segments
- Formalisation (digitisation) of the economy to be accelerated
- Geared towards facilitating equitable growth
- Reasonable expectations for income generation, requiring higher market borrowings. This, in turn, would pressure bond yields just as global liquidity is drying
- No mention of inclusion of the government bonds in global bond indices
- No changes in tax rates/slabs

Nuanced Balancing of Finances

Central Government Finances - Snapshot						
	Unit	FY19	FY20	FY21	FY22(RE)	FY23(BE)
1. Revenue Receipts	Rs Lakh Crore	15.53	16.84	16.34	20.79	22.04
2. Capital Receipts	Rs Lakh Crore	7.65	10.02	18.76	16.91	17.40
3. Total Receipts (1 + 2)	Rs Lakh Crore	23.18	26.86	35.10	37.70	39.45
4. Revenue Expenditure	Rs Lakh Crore	20.07	23.51	30.84	31.67	31.95
5. Capital Expenditure	Rs Lakh Crore	3.08	3.36	4.26	6.03	7.50
6. Total Expenditure (4 + 5)	Rs Lakh Crore	23.15	26.86	35.10	37.70	39.45
7. Revenue Deficit (4 - 1)	Rs Lakh Crore	4.54	6.67	14.50	10.88	9.90
8. Gross Fiscal Deficit (GFD)	Rs Lakh Crore	6.49	9.34	18.18	15.91	16.61
9. GFD/GDP (%)	%	3.44	4.59	9.20	6.90	6.40
10. Gross Market Borrowings	Rs Lakh Crore	5.71	7.10	12.60	10.47	14.95
11. Outstanding Debt	Rs Lakh Crore	90.83	102.19	120.79	135.88	152.18
12. Debt/GDP (%)	%	48.0	50.2	61.1	58.5	59.0
13. GDP	Rs Lakh Crore	188.87	203.51	197.64	232.15	258.00

- The size of the FY23 budget has been raised by 5%, with a 24% increase in capital expenditure and a near stable revenue expenditure
- Revenues are expected to see a modest increase, necessitating higher market borrowings
- Despite the increase in the quantum of fiscal deficit (by 4%), as a proportion of GDP it is slated to be lower in FY23 (by 0.5%) given the higher GDP projections
- The outstanding debt of the central government is estimated to see a stable rate of increase of 12% in FY23. At Rs 152 lakh crore it would be 59% of GDP, 2.1% lower than FY21 and 0.5% higher than FY22

Key Highlights

No Change in Tax Slabs, Some Relief to Co-operative Societies

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- **Direct Tax Announcements:**
  - Reduction of alternate minimum tax for cooperatives from 18.5% to 15%
  - Reduction of surcharge of cooperative societies from 12% to 7% for those having total income of more than Rs 1 crore and up to Rs 10 crore
  - Existing tax benefits for startups that were offered redemption of taxes for 3 consecutive years to be extended by 1 more year
  - Tax deduction limit to be increased for state government employees from 10% to 14% in their contribution to NPS
  - Virtual digital assets to be taxed at 30% and 1 % TDS on transfer of virtual digital assets
  - Tax law to be amended to clarify that 'health and education cess" cannot be treated as business expenditure
  - Extension of concessional tax regime of 15% tax for newly incorporated manufacturing entities by one year till March 31, 2024
  - Surcharge on long term capital gains arising on transfer of any type of assets capped at 15%

- **Easing of compliances:**
  - Introduction of new updated return where people can file updated return within 2 years of the filed IT return

- **CareEdge View:**
  - Lower taxes for co-operative would enhance the income of cooperative societies and help in boosting rural demand
  - Bringing digital assets under tax ambit will help in regulating and providing legal status to cryptocurrencies in India. However, a steep 30% tax could disincentivise retail investors
  - Extension of tax incentives for startups will boost investor sentiment towards startups in India

Thrust on Financial Inclusion, Digital Banking

- **Financial Sector**
  - 1.5 lakh post offices to be integrated with core banking system in FY22
  - A proposal to set up 75 Digital Banking Units in 75 districts of the country by Scheduled Commercial Banks
  - A co-investment model fund to be facilitated through NABARD to finance startups for agriculture & rural enterprise
  - Introduction of Central Bank Digital Currency by the RBI using blockchain technology starting 2022-23
  - Necessary amendments in the IBC Code to enhance the efficacy of the resolution process and facilitate cross border insolvency resolution

- **Revitalising the MSMEs by extending credit support**
  - Extension of the Emergency Credit Line Guarantee Scheme (ECLGS) up to March 2023. The guarantee cover has been expanded by Rs 50,000 crore to a total of Rs 5 lakh crore
  - Credit Guarantee Trust for Micro and Small Enterprises scheme to be revamped with required infusion of funds. This is to facilitate additional credit of Rs 2 lakh crore for MSMEs and expand employment opportunities

- **CareEdge View:**
  - Extension of ECLGS scheme would help mitigate risks and offer the much-needed support to the pandemic battered MSME sector
  - Issuance of digital currency is a welcome move as it will help boost innovation and promote digitisation
  - CBS integration of post offices will enable interoperability and financial inclusion

Ease of Doing Business 2.0

- **MSMEs:**
  - Udyam, e-Shram, NCS and ASEEM portals to be interlinked
  - Raising and Accelerating MSME Performance (RAMP) programme with outlay of Rs 6,000 crore over the next 5 years
- **Corporates:**
  - Establishment of Centre for Processing Accelerated Corporate Exit (C-PACE) to speed up the corporate exit from currently required 2 years to less than 6 months
- **Startups:**
  - Proposal to extend the period of incorporation of eligible startups by one more year for providing tax incentives
- **Government Procurement:**
  - Launch of an end-to-end online e-Bill System to enhance transparency and to reduce delays in payments
  - Use of surety bonds as a substitute for bank guarantee to be made acceptable in government procurements
- **CareEdge View:**
  - Tax incentive extension for startups will boost entrepreneurship culture in the country and will create more employment opportunities
  - Rolling out of RAMP programme will help the MSME sector to become more resilient, competitive and efficient

PM Gati Shakti to Steer Infrastructure Development

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- **Seven engines of Gati Shakti:** Roads, Railways, Airports, Ports, Mass transport, Waterways, Logistics infrastructure

- **National Infrastructure Pipeline to** be aligned with PM Gati Shakti framework

- **Roads and Highways**: Expansion of the National Highways network by 25,000 km in FY23, Rs 20,000 crore to be mobilised through innovative ways of financing

- **Multimodal Logistics Parks** at four locations through PPP mode contracts to be awarded in FY23

- **Railways**:
  - 'One Station-One Product' to help local businesses and supply chains
  - 400 new Vande Bharat trains to be developed in the next three years
  - 2,000 km of network to be brought under Kavach for safety and capacity augmentation in FY23
  - Development of 100 Cargo Terminals over the next few years

PM Gati Shakti to Steer Infrastructure Development

- **Telecom:**
  - 5G spectrum auctions to be conducted in 2022
  - Scheme for design-led manufacturing for 5G to be launched as a part of the PLI scheme
  - Contracts to lay optical fibre in rural areas under the BharatNet project through PPP in 2022-23

- **Evs:**
  - Formulation of a battery swapping policy and interoperability standards
  - Development of innovative business models for 'Battery or Energy as a Service' to improve efficiency

- **Housing:**
  - 80 lakh houses to be completed in FY23 under PM Awas Yojana scheme with an allocation of Rs 48,000 crore

- **CareEdge View:**
  - The agenda on infrastructure focus has been taken forward in this budget. These measures are focused on accelerating economic growth through virtuous cycle of investments
  - Battery swapping policy is a positive move as it is expected to boost India's EV ecosystem

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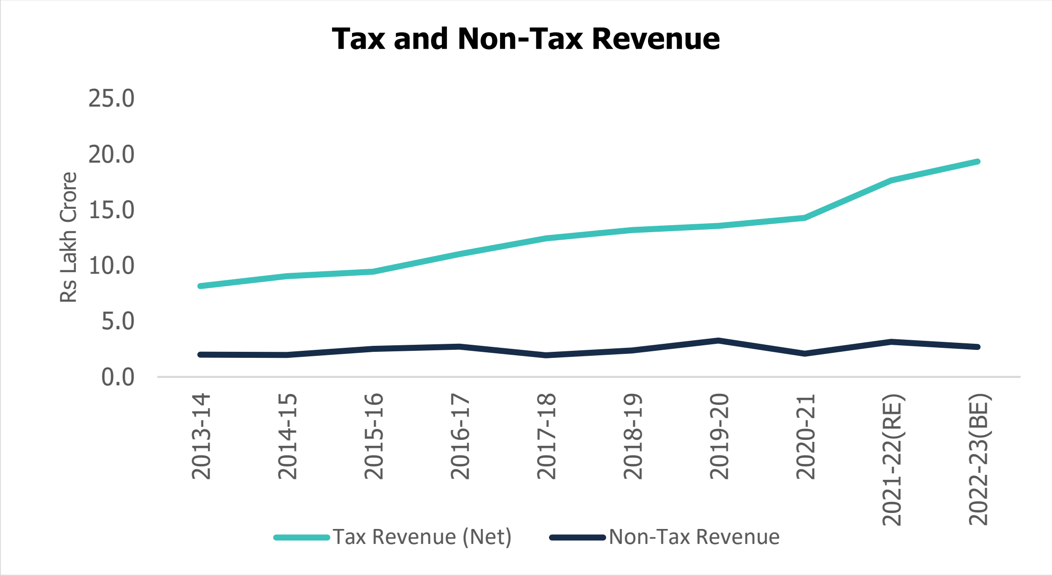
Analysis of Receipts, Expenditure and Debt

Receipts, Expenditure and Borrowings

- Income assumptions for the coming financial year are reasonable. The collections from the various tax sources are expected to see moderation in the growth rates and the disinvestment target has been trimmed.
- There has been a focus on expenditure management
- The government would be relying on market borrowings to fund the higher expenditure

Realistic Income Expectations

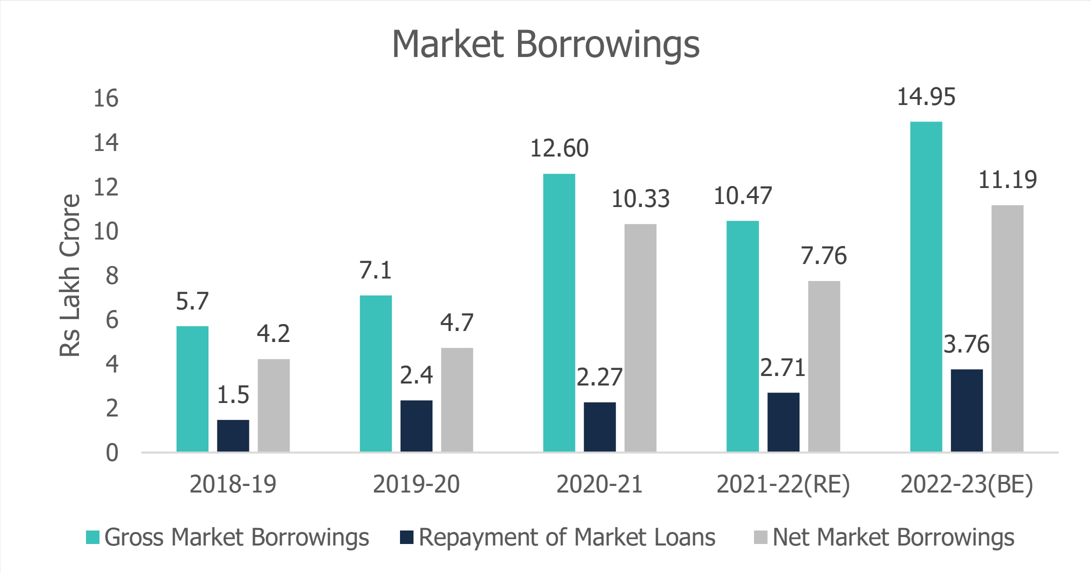
Key Components of Revenue Receipts					
Rs Lakh Crore	**2018-19**	**2019-20**	**2020-21**	**2021-22 (RE)**	**2022-23 (BE)**
1. Tax Revenue (Net)	**13.17**	**13.57**	**14.26**	**17.65**	**19.35**
1.1 Corporate Tax	6.64	5.57	4.58	6.35	7.20
1.2 Taxes on Income	4.73	4.93	4.87	6.15	7.00
1.3 Customs	1.18	1.09	1.35	1.89	2.13
1.4 Union Excise Duties	2.31	2.39	3.90	3.94	3.35
1.5 GST	5.82	5.99	5.49	6.75	7.80
2. Non tax revenue	**2.36**	**3.27**	**2.08**	**3.14**	**2.70**
2.1 Interest Receipts	0.12	0.12	0.17	0.21	0.18
2.2 Dividends & Profits	1.13	1.86	0.97	1.47	1.14
2.3 Grants-in-aid	0.01	0.004	0.02	0.01	0.01
2.4 Other Non Tax Revenue	1.08	1.27	0.90	1.42	1.34
2.5 Receipts of UTs	0.02	0.02	0.02	0.03	0.03
REVENUE RECEIPTS (1+2)	**15.53**	**16.84**	**16.34**	**20.79**	**22.04**



- The government's revenues are budgeted to grow at a moderate pace in FY23 i.e., 6% v/s the 27% rise of FY22
    - The increase is to be led by gains in tax revenues (88% share). Tax revenues are estimated to increase by 10%. Barring excise duties, the other major taxes are estimated to see double digit growth in FY23, albeit at a lower rate than FY22
    - Tax buoyancy is likely to be 0.9%, 0.5% lower than FY22
    - Non-tax revenues are projected to be 14% lower in the coming fiscal year mainly due to lower receipts from dividends and interest income

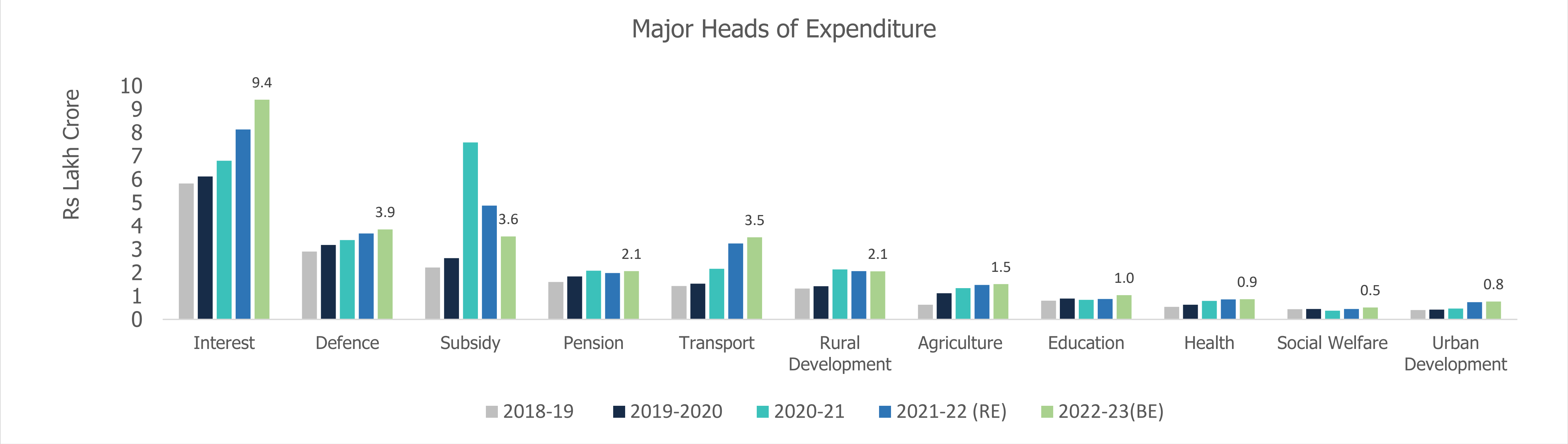
Higher Borrowings Amid Toned Down Disinvestment Targets

Capital Receipts					
Rs Lakh Crore	**2018-19**	**2019-20**	**2020-21**	**2021-22 (RE)**	**2022-23 (BE)**
1. Non-debt Receipts	**1.13**	**0.69**	**0.58**	**1.00**	**0.79**
1.1 Recoveries of Loans & Advances	0.18	0.18	0.20	0.22	0.14
1.2 Disinvestment	0.95	0.50	0.38	0.78	0.65
2. Debt Receipts	**6.52**	**9.34**	**18.15**	**15.91**	**16.71**
2.1 Net Market Loans	4.23	4.74	10.33	7.76	11.19
2.2 Short term borrowings	0.07	1.50	2.03	1.00	0.50
2.3 External Debt	0.06	0.09	0.70	0.20	0.19
2.4 Securities against Small Savings	1.25	2.40	4.84	5.92	4.25
2.5 State Provident Funds	0.16	0.12	0.19	0.20	0.20
2.6 Other Receipts	0.74	0.44	0.13	-0.90	0.37
CAPITAL RECEIPTS (1+2)	**7.65**	**10.02**	**18.76**	**16.91**	**17.40**



- Given the inability to meet the budgeted target for FY22 (Rs 1.75 lakh crore), the disinvestment target has been scaled down significantly for FY23 – by 63% from the budget estimate and 17% from the revised estimate for FY22
- The market borrowings are slated to increase by over 40% in FY23 (gross as well as net borrowings)

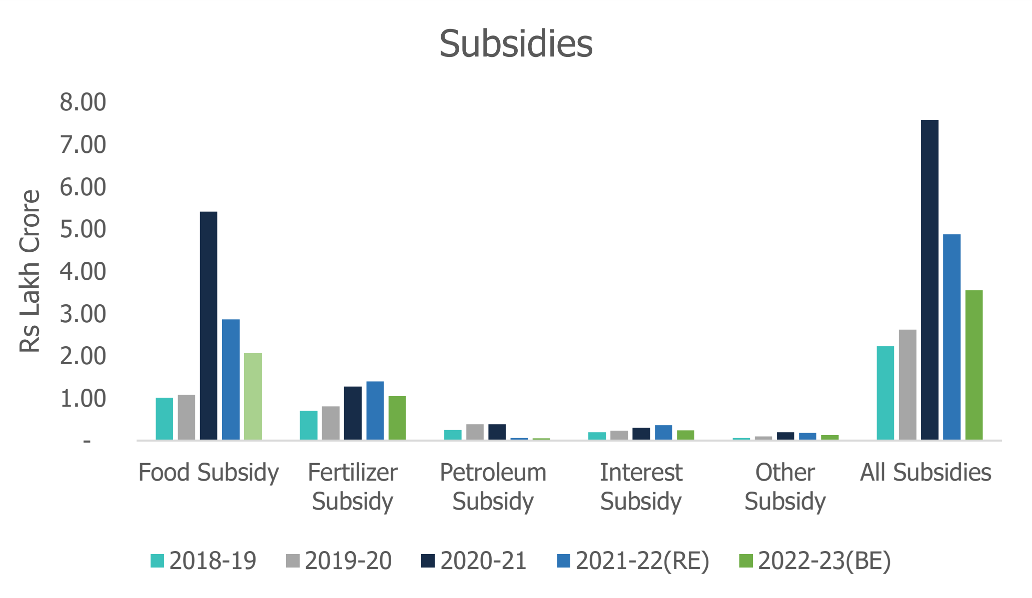
Interest Expenditure on the Rise



- Interest payments continue to be the single largest head of expenditure, accounting for a quarter of the total expenditure in FY23 and an annual growth of 16%
- The high expenditure being expended towards interest payments calls for measures to limit the fiscal deficit
- Expenditure towards defence is to see a lower rate of increase (5% v/s 8% in FY22). Defence spending has been contained at 10% of the total expenditure since FY21
- Spending on subsidies has been reduced (by 27%) for the coming fiscal
- Education and social welfare have seen increased allocations (y-o-y) of 18% and 15% respectively, while that to rural development have been retained at FY22 level
- Urban development saw higher allocation in FY22 (by 58%) and a 4% increase has been budgeted for FY23
- Allocations towards agriculture are budgeted to increase by 3% (to Rs.1.5 lakh crore) in FY23

Lower Allotment Towards Revenue Expenditure

Key Components of Revenue Expenditure					
Rs Lakh Crore	**2018-19**	**2019-20**	**2020-21**	**2021-22 (RE)**	**2022-23 (BE)**
Revenue Expenditure	20.07	23.51	30.84	31.67	31.95
of which					
Interest	5.83	6.12	6.80	8.14	9.41
Subsidy	2.23	2.62	7.58	4.88	3.56
Pension	1.60	1.84	2.08	1.99	2.07
Defence	1.96	2.08	2.06	2.30	2.33



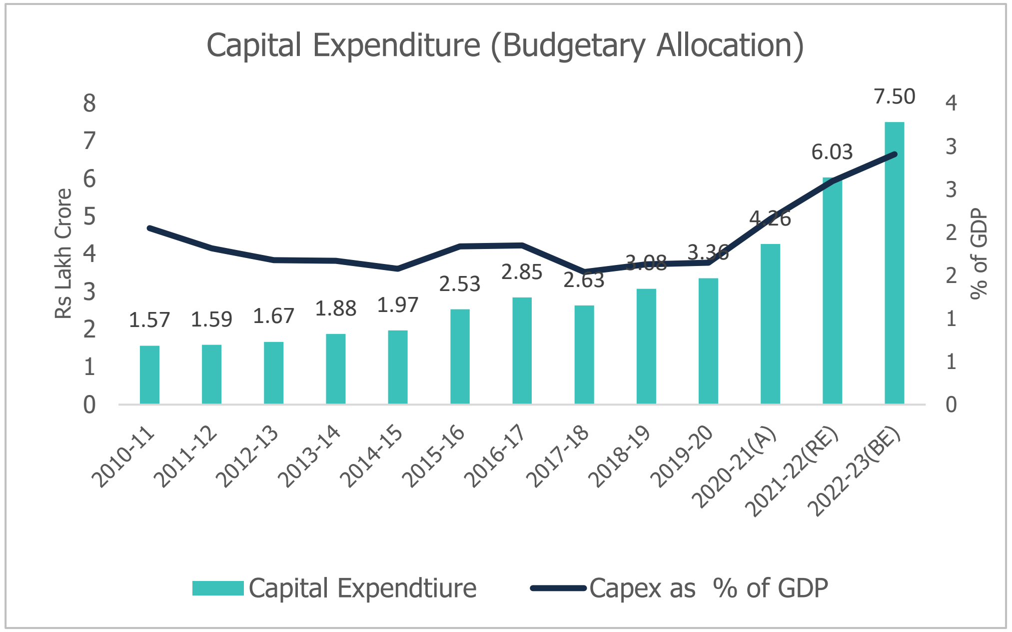
- The proportion of revenue expenditure in the total expenditure has been brought down to 81% for FY23, the lowest in 18 years. The annual allocation is only marginally higher at 0.9% in FY23
- Rationalisation of expenditure on subsidies by 27% in FY23. Subsidies have been cut across the board. Food and fertilizer subsidy is lowered by 28% and 25% respectively in FY23. Both these have a near 90% in the government subsidy bill

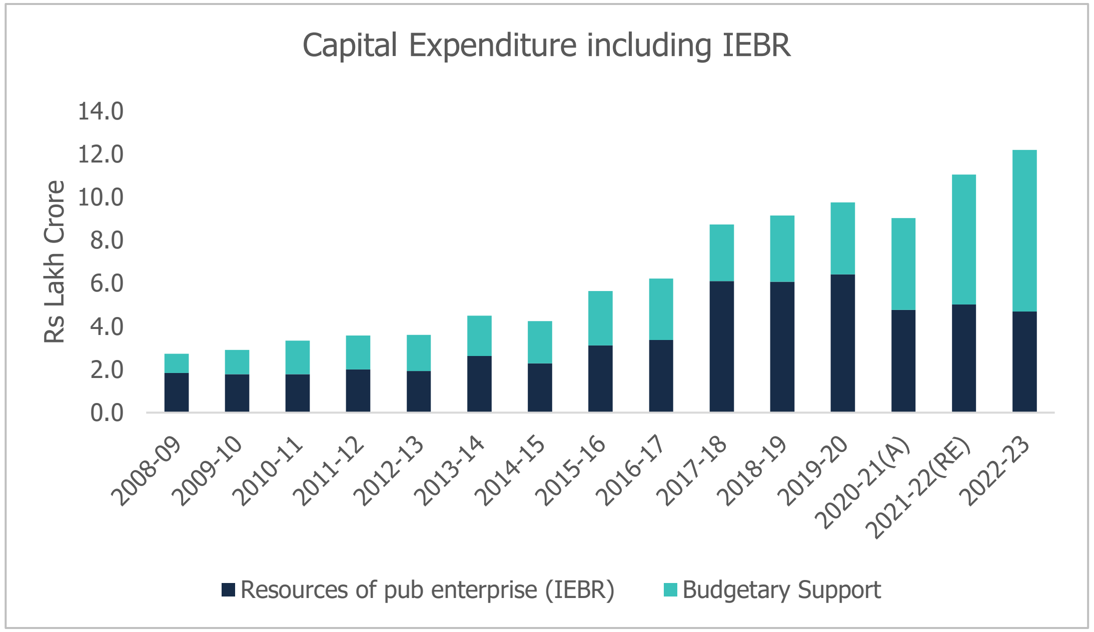
Higher Allocation Towards Infra Related Schemes

Rs Crore	2018-19	2019-20	2020-21	2021-22 (RE)	2022-23 (BE)
Mahatma Gandhi National Rural Employment Guarantee Program	61,815	71,687	1,11,170	98,000	73,000
National Health Mission	31,502	35,155	37,478	34,947	37,800
National Education Mission	30,830	33,654	28,088	30,796	39,553
Pradhan Mantri Awas Yojna (PMAY)- Affordable Housing	25,443	24,964	40,260	47,390	48,000
Pradhan Mantri Gram Sadak Yojna	15,414	14,017	13,688	14,000	19,000
National Livelihood Mission - Ajeevika	6,282	9,755	10,025	12,505	14,236
Urban Rejuvenation Mission: AMRUT and Smart Cities Mission	12,085	9,599	9,754	13,900	14,100
Swachh Bharat Mission (Gramin)	15,374	8,213	4,945	6,000	7,192
Pradhan Mantri Krishi Sinchai Yojna	8,143	8,199	7,877	12,706	12,954
Jobs and Skill Development	6,065	5,593	3,682	2,753	2,688
Food Subsidy to FCI	70,098	75,000	4,62,789	2,10,929	1,45,920
Urea Subsidy	46,514	54,755	90,549	75,930	63,222
Transfer to National Investment Fund	1,196	50,587	5,000	57,400	50,000
Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	1,241	48,714	60,990	67,500	68,000
Road Works	37,811	46,292	53,093	65,687	64,568
Food Subsidy for Procurement of Foodgrains	31,029	33,508	78,338	75,290	60,561
National Highways Authority of India	39,287	31,691	46,062	65,060	1,34,015
Direct Benefit Transfer - LPG	16,478	29,628	23,667	3,400	4,000
Nutrient Based Subsidy	24,090	26,369	37,372	64,192	42,000
Crop Insurance Scheme	11,937	12,639	14,161	15,989	15,500

- Even as the existing schemes have been continued, allocations towards schemes centered around infrastructure building, health and education have been higher
- Rural welfare and income related schemes (MNREGA and PM-KISAN) have seen either lower or near stable allocations for FY23

Highest-ever Allocations for Capital Asset Creation





- Capital Expenditure for FY23 is at an all time high and 24% over the revised estimate of FY22. The expenditure for FY22 is likely to be higher than the budgeted amount by 9%
- CAPEX as a percentage of GDP at 2.5% is the highest in 24 years (since FY99)
- On including the CAPEX to be undertaken by the public sector undertakings through their internal and external resources (Rs 4.7 lakh crore in FY23), the to push CAPEX would be over Rs. 12 Lakh Crore, a 10% increase over FY22

Asset Creation Centered around Transport Infra

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Key Components of Capital Outlay					
Rs. Lakh crs	**2018-19**	**2019-20**	**2020-21**	**2021-22(RE)**	**2022-23(BE)**
Capital Outlay (A+B+C)	2.79	3.11	3.16	5.47	6.10
General Services A)	1.13	1.25	1.43	1.54	1.73
Social Services (B)	0.09	0.09	0.07	0.10	0.12
Economic Services (C)	1.56	1.76	1.66	3.83	4.25
(i) Agriculture and allied activities	0.03	0.03	0.02	0.09	0.04
(ii) Special area programmes	0.001	0.01	0.003	0.13	0.14
(iii) Industry & minerals	0.04	0.06	0.05	0.07	0.08
(iv)Transport - Railways	0.52	0.68	0.30	1.17	1.37
(v)Transport - Roads and Bridges	0.70	0.71	0.92	1.14	1.80
(vi)Communications	0.03	0.05	0.05	0.06	0.54
(vii)Science, technology & environment	0.07	0.09	0.06	0.09	0.11
(viii)General economic services	0.09	0.10	0.20	0.37	0.10

- Allocations towards asset creation is increased by 11% for FY23 following the 73% increase of FY22
- Asset creation is centered around roads and railways. Over half (51%) the capital outlay in FY23 is allocated to these segments. Spending on road transport is 58% more than in FY22

Sectoral Announcements and Analysis

Agri and Allied - Fertilisers

Positive

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India is the largest importer of phosphoric acid and urea and has a large share in the trade of rock phosphate, ammonia, potash, and diammonium phosphate. In recent times, these commodities have seen a very unusual rise in prices in the international markets due to which the industry was expecting a higher allocation to fertilizer subsidy bill.

Agri and Allied - Fertilisers

Positive

Extending Support

Subsidy support of over Rs 1 lakh crore continues

Proposal

- The fertiliser industry has received Rs 1.05 lakh crore as subsidies where Rs 0.63 lakh crore is earmarked as the urea subsidy and the remaining Rs.0.42 lakh crore is earmarked as the Nutrient Based Subsidy
- Enhancing of agriculture credit and direct payment of MSP value to farmer's account

Impact

- High subsidies continue to support the agriculture sector while taking care of the massive spurt in prices of input commodities during the year
- In the last two fiscal years, GOI has been revising its budget upwards for fertilizers during the fiscal year giving due credence to the needs of the sector. In line with that development, the increased Budget allocation (from the BE of 2021-22) towards the fertiliser subsidy shall augur well for the sector
- Direct payment of MSP to farmers will lead to enhanced credit availability with the farmers, giving fillip to fertiliser demand and it shall also promote farmers to use more complex and organic fertilisers

Agri and Allied - Sugar & Ethanol

Positive

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Ethanol is a by-product of sugar manufacturing. In FY21, the government took several favourable policy measures for the sugar sector such as the advancement of ethanol blending target of 20% to 2025 from 2030, a clear road map involving various stakeholders for the roll out of E20, and further hike in ethanol prices.

Agri and Allied - Sugar & Ethanol

Positive

Sweet Deal

Roadmap for ethanol blending receives further policy support

Proposal

- Blending of fuel is the government's priority. To encourage the efforts for blending of fuel, unblended fuel shall attract an additional differential excise duty of Rs 2/ litre from the October 1, 2022

Impact

- The announcement is in line with CareEdge's expectations that the policy measures and incentives to promote biofuel that aim to support ethanol blending are likely as the government aims to increase the diversion of sugarcane towards ethanol and fix higher ethanol supply targets
- The levy of additional excise duty on unblended fuel would encourage ethanol blending of fuel. It's a definite boost to the sector and will be positive for sugar companies

Agri and Allied - Oil & Oilseeds

Neutral

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India is the second largest consumer and top importer of edible oils in the world. As the country moves towards urbanisation, eating habits and traditional dietary patterns are likely to shift towards processed foods. Such foods have high amount of edible oil. Thus, oil consumption in India is expected to remain high backed by an increase in population and consequent urbanisation. However, in order to cut import dependence, the government aims to increase domestic edible oil production.

Agri and Allied - Oil & Oilseeds

Neutral

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Cultivate Locally

Focused on increasing domestic oilseed output

Proposal

- A rationalised scheme to increase domestic oilseed production will be brought in to cut down imports

Impact

- To enhance the production and productivity and to make India self-sufficient in the next 5 years, the focus on edible oil-oilseeds continues from the government
- Additional oilseeds area will be brought under oil seeds cultivation through rice fallow, inter cropping, high potential districts and non-traditional states/season
- It will support the domestic production and aid in reduction in edible and other oil import dependency

Automobile & Auto Components

Neutral

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The automobile industry has been grappling with shortage of semiconductors, inconsistent sales volumes, rising raw material prices followed by Covid-19 pandemic. The industry is expected to benefit with government reforms like PLI schemes for semiconductors and batteries linked schemes in the EV segment.

Automobile & Auto Components

Neutral

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Changing Gears

Battery swapping policy to drive EV segment

Proposal

- Battery swapping policy for EVs to focus on clean tech and sustainable mobility along with formulation of interoperability standards
- The private sector will be encouraged to develop sustainable and innovative business models for 'battery or energy as a service'
- Push towards public transportation in urban areas complemented by clean tech and governance solutions, special mobility zones with zero fossil-fuel policy and EV
- Tariff measure to encourage blending of fuel as unblended fuel are expected to attract additional differential excise of rupees 2 per litre from October 1, 2022

Impact

- This policy is formulated due to the inconvenience of vehicle owners considering the long time taken to charge the vehicle at the charging stations. Interoperability standards will lead to interchangeability of batteries between vehicles of different models, which is more convenient for the owners and is less time consuming
- The manufacturers and entrepreneurs will be encouraged to set up battery stations. Since the battery replacement establishment is on pan-India basis, it will lead to expansion of support infrastructure providing impetus to EV sales
- Public transport is expected to benefit from lower operating costs along with a reduction in emissions with the focus on clean technology. It will further lead to increase in adoption of EV passenger carriers and buses in the commercial vehicle space
- The price increase of unblended fuel will result in for the car owners to switch over to cheaper blended fuel. Blending of fuels has been a key focus area by the government targeted towards reduction in emissions

Neutral

SCBs have reported improvement in their capital buffers and profitability, notwithstanding the disruptions of the pandemic. While credit offtake remained subdued, elevated deposit growth on the liabilities side was matched by growth in investments on the assets side. Higher restructured advances are still a cause of stress even as NPAs have declined.

The ongoing pandemic has deeply impacted the NBFC sector. However, NBFCs consolidated their balance sheets with credit deployment, thus gaining traction and enhanced capital buffers notwithstanding the testing challenges imposed by the pandemic. Consequently, NBFCs' credit intensity measured by the credit/GDP ratio has risen consistently, reaching a high in 2021.

BFSI - Banking

Neutral

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Focus on MSMEs and CBDC

Proposal

- Announced plans to launch a Central Bank Digital Currency (CBDC) in FY23
- Core banking system to be implemented for 1.5 lakh post offices in 2022
- SCBs to set up 75 Digital Banking Units in 75 districts
- Emergency Credit Line Guarantee Scheme (ECLGS) extended up to March 2023 and guarantee cover expanded by Rs 50,000 crore to total cover of Rs 5 lakh crore, with the additional amount being earmarked exclusively for the hospitality and related enterprises.
- Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) scheme will be revamped with required infusion of funds. This will facilitate additional credit of Rs 2 lakh crore and expand employment opportunities.
- Recapitalization of RRBs reduced from Rs 4,084 crore in FY21-22 to Rs 1,361 crore in FY22-23
- After several years, fresh infusion of central government funds for PSU Banks is not envisaged

Impact

- CBDC launch follows trials in China and similar thoughts in the US and UK. This would incentivise blockchain tech and along with taxing of gains will bring in more accountability of digital payments/assets
- This would bring postal deposits into the mainstream financial system and improve financial inclusion, especially in the rural area and senior citizens.
- Will enable local units to advance the digitisation initiatives
- Extension of the scheme's timing would enable additional companies to access required funds, a welcome measure given the detrimental impact of multiple waves of Covid on high contact sectors such as hospitality
- Enable banks and NBFCs increase funding to MSMEs
- Indicates that RRB's performance has improved indicating lower fund requirements
- Indicates government's confidence that PSU banks have turned around and can now raise the required capital from the markets

BFSI - Financial Services

Neutral

Increase in credit flows

Proposal

- A fund with blended capital, to be raised under the co-investment model, via NABARD to finance startups for agriculture & rural enterprise, relevant for farm produce value chain. The activities for these startups will include, inter alia, support for FPOs, machinery for farmers on rental basis at farm level, and technology including IT-based support
- For encouraging important sunrise sectors such as climate action, deep-tech, digital economy, pharma and agri-tech, the government will promote thematic funds for blended finance with the government share being limited to 20% and the funds being managed by private fund managers.
- The government has allocated Rs 5,003 crore to the National Investment and Infrastructure Fund (NIIF), which is the same amount allocated last year
- Allocation to the Export-Import Bank of India has doubled to Rs 1,500 crore from last year’s Rs 750 crore
- In 2022-23, Rs 48,000 crore has been allocated to the PM Awas Yojana. Last year the budget had allocated Rs 27,500 crore and increased to Rs 47,390 crore in revised Budget estimates

Impact

- The funds would boost the investment in these sectors and increase capital availability to entrepreneurs. However, given that the government's share would be restricted to 20% and with no mention of the quantum of the total fund size, additional information would be required to quantify the impact of such funds
- Would expand investments in infrastructure assets
- Increase credit for affordable housing

BFSI - Insurance

Neutral

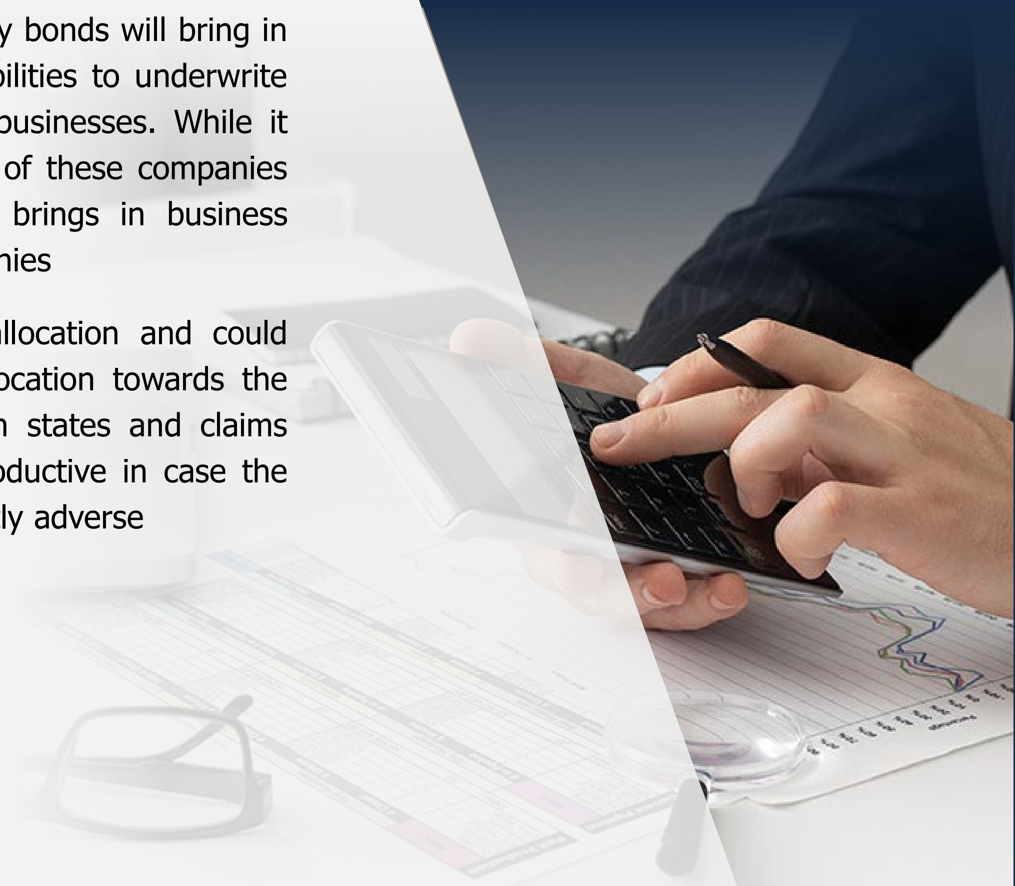
LIC divestment expected to support markets and prop finances

Proposal

- Announced in the last Budget, LIC IPO listing is expected to be completed shortly
- IRDAI has issued a framework for surety bonds by insurance companies. Government to reduce indirect cost for suppliers and work-contractors, by making acceptance of surety bonds as a substitute for bank guarantee.
- The government has reduced the allocation to the Pradhan Mantri Fasal Bima Yojana by 3.1% to Rs 15,500 crores in FY22-23 from the revised Rs 15,989 crore in FY21-22

Impact

- The LIC listing announced a couple of years ago would support government finances and increase investor participation in Indian insurance sector
- Would enable reduce the finance cost of corporations. Prevalence of Surety bonds will bring in requisite expertise and risk capabilities to underwrite performance risk of EPC/supply businesses. While it will help reduce the dependence of these companies on the banking system, it also brings in business opportunities for insurance companies
- This is a modest decrease in allocation and could indicate the rationalisation of allocation towards the scheme given the exit of certain states and claims experience. Could be counter productive in case the weather conditions turn significantly adverse



BFSI - Other Announcements

Neutral

Announcements to support insolvency resolution and promote investments

Proposal

- IBC amendments to enhance the efficacy of the resolution process and facilitate cross border insolvency resolution
- Speed up the voluntary winding-up of companies from the currently required 2 years to less than six months
- As a part of the government's overall market borrowings in 2022-23, sovereign Green Bonds will be issued for mobilising resources for green infrastructure. The proceeds will be deployed in public sector projects which help in reducing the carbon intensity of the economy
- An expert committee will be set up to examine and suggest appropriate measures for promoting Venture Capital and Private Equity investments
- National Bank for Financing Infrastructure and Development has become operational

Impact

- To speed up the insolvency resolution process and faster closure of companies could ease the cost of doing business and enhance recovery.
- Such bonds would deepen the bond market, increase the variety of bonds available to investors and increase investor participation. Liquidity in India designated green bonds will also open opportunities for other green initiatives to access those markets independently
- The DFI was announced in the last Budget. The same would help achieve the NIP targets by providing long term funds for infrastructure projects

Capital Goods

Positive

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The capital goods sector is poised for growth in demand with the continued focus of the government on infrastructure development, significant increase in allocation for capital expenditure and measures to promote and incentivise domestic production of capital goods.

Capital Goods

Positive

Forward Momentum

Increase in planned capital expenditure and measures to promote domestic industry and boost demand

Proposal

- Increase in capital expenditure outlay by 35.4% to Rs 7.50 lakh crore
- Expansion in National Highways by 25,000 km and the implementation of four multimodal logistics parks
- 400 Vande Bharat Trains to be manufactured in next three years and 100 cargo terminals to be developed
- 68% of budgeted capital procurement for armed forces from domestic industry. Private players encouraged for design/development of military platforms and equipment
- Additional allocation of Rs 19,500 crore for PLI for manufacture of high efficiency modules, with priority to fully integrated manufacturing units
- Phasing out of concessional rates in capital goods/project imports. Exemptions on inputs such as specialised castings, ball screw and linear motion guide

Impact

- Higher allocation for capital outlay and planned expenditure on road development, logistics parks, and cargo terminals to increase demand for capital equipment and construction machinery
- Train components manufacturers to benefit from the plan for making new trains
- Domestic manufacturers of defence equipment to gain with the planned increase in domestic procurement. Opportunity for private sector players in offing
- PLI scheme inclusion to promote domestic manufacturing of solar modules
- Phasing out of concessional rates will increase domestic procurement of capital goods. Exemptions in inputs will bring down the cost of domestic manufacturers to compete with imports

Cement

Positive

Helped by a low base and demand from end users, the demand for cement industry is expected to clock double-digit growth in FY22. Key drivers of the sector's growth include recovery in the urban housing sectors, upcoming general elections in 2024, infrastructure projects and rural demand. However, any potential halt on the construction activities amidst fresh Covid infections could delay growth

Cement

Positive

Cementing Growth

Infrastructure push and Housing for All to aid demand in the sector

Proposal

- Increased allocation towards capital expenditure by 35.4% from Rs 5.54 lakh crore as per 2021-22 (RE) to Rs 7.5 lakh crore as per 2022-23 (BE). The effective capital expenditure (including provisioned Grants-in-Aid to States for capital assets creation) is estimated to be Rs 10.68 lakh crore in 2022-23
- Housing for All (Pradhan Mantri Awas Yojana)
- In 2022-23, 80 lakh houses to be completed for both rural and urban. Allocation for this to be Rs 48,000 crore
- Promotion of affordable housing through faster approvals and clearances
- Infrastructure development through PM GatiShakti scheme
- Development driven by seven engines - roads, railways, airports, ports, mass transport, waterways and logistics infrastructure including infrastructure development by States
- Assistance to states for PM Gati Shakti related investments and other capital expenditure through allocation of 1 lakh crore through a 50 year, interest-free loans to states
- Some initiatives - Aim to expand National Highways network by 25,000 km, Master Plan for expressways to be formulated, Contracts for multimodal logistics parks in 4 locations to be awarded, 100 cargo terminals to be developed in next three years, Innovative ways of financing metro projects, development initiative for North East etc

Impact

- While there are no specific Budget announcements for the cement industry, demand for the commodity will pick up due to the government's continued focus on infrastructure development through PM GatiShakti and various schemes for housing and rural development
- Capital outlay for Pradhan Mantri Awas Yojana (both rural & urban) at Rs 48,000 crore as per 2022-23 (BE) is marginally higher than Rs 47,390 crore as per 2021-22 (RE). This would aid in sustenance of demand for cement from the housing sector
- Major increase in outlay towards infrastructure would play a key role to drive the cement demand
- Outlay towards NHAI and other Road works increased by over 50% from Rs 1.31 lakh crore as per 2021-22 (RE) to Rs 1.98 lakh crore as per 2022-23 (BE)
- Outlay to Metro projects at Rs 19,130 crores as per 2022-23 (BE) as compared to Rs 18,978 crore as per 2021-22 (RE)
- AMRUT and Smart Cities Mission-budgeted allocation of Rs 14,100 crore as per 2022-23 (BE) as compared with Rs 13,900 crore as per 2021-22 (RE)
- CareEdge reiterates the expectation of cement demand growth in the range of 7-8% in 2022-23 driven by the government programs, Housing for all, and infrastructure projects

Gems & Jewellery

Neutral

Gems and jewellery sector is one of the crucial sectors of the Indian economy, given its contribution to GDP and foreign exchange earnings. Further, India is a net exporter of cut and polished diamonds. The sector has seen an unprecedented growth in its CPD exports in the recent past. The import of CPD, meeting trade requirements, continues to be relatively small, accounting for 5-7% of total G&J imports.

Gems & Jewellery

Neutral

Missing Sheen

The Budget announcements are likely to have minimal impact on the sector

Proposal

- The custom duty on Gemstone and CPD is proposed to be reduced from 7.5% to 5%
- To disincentive import of undervalued imitation jewellery, the customs duty on imitation jewellery is being prescribed
- To facilitate export of jewellery through e-commerce, a simplified regulatory framework shall be implemented by June this year

Impact

- Given the relatively small share of import of CPD on a total import of G&J, the reduction in custom duty to have minimal impact on the sector as a whole
- Simplified regulatory framework a welcome step

Education

Positive

The pandemic threw the education industry completely off-track with its restrictions. Students, teachers and administrations were overnight made to think of online ways to keep the classes going. Delay in new admissions and changes to the system have not only caused hurdles to cash flow, but also forced educational institutions to undergo restructuring.

Education

Positive

By the Book

Online learning takes centre stage

Proposal

- The budgetary allocation for education increased from Rs 88,002 crore for 2021-22 (RE) to Rs 1,04,278 crore for 2022-23 (BE)
- **PM eVIDYA:** One class One TV Channel programme to be expanded from 12 to 200 channels
- In vocational courses, 750 virtual labs in science and mathematics, and 75 skilling e-labs for simulated learning environments to be set-up in 2022-23
- High-quality e-content in all spoken languages to be delivered through digital teachers
- A digital university to be set up based on a networked hub-spoke model to provide access to education
- Digital Ecosystem for Skilling and Livelihood (DESH-Stack e-portal) to be launched to promote online training

Impact

- Majority of the announcements are aimed at making e-learning and online training more accessible to people from diverse backgrounds

Hospitality & Tourism

Positive

One of the top contributors to India’s foreign exchange earnings and employment generation, the hospitality industry has been under stress for a prolonged period due to uncertainty around the Covid-19 pandemic and the restrictions that follow. International tourism declined by 74% globally in 2020. The road to this industry's return to normalcy is still unclear, but pertinent effort to bring it on track is seen in the Budget.

Hospitality & Tourism

Positive

Extension and increased outlay for ECLGS to ease hospitality sector's constraints

Proposal

- Extension of Emergency Credit Line Guarantee Scheme (ECLGS) will be extended by a year to March 2023
- The guarantee cover under the scheme enhanced from Rs 4.5 lakh crore to Rs 5 lakh crore with the additional outlay earmarked exclusively to the hospitality sector
- Among other announcements, as part of railway infrastructure, introduction of 400 Vande Bharat trains over the next 3 years is proposed
- Construction of 25,000-km length of road planned

Impact

- The extension of the ECLGS will ensure continued support to the hospitality sector, which is one of the most affected sectors by the pandemic
- The increase in the scheme's guarantee cover exclusively for the hospitality industry will ensure adequate availability of credit backed by the government for the sector and the extension in the scheme itself will ensure sustained capital support to the sector. This will help companies meet their operational liabilities and restart their business
- The introduction of 400 Vande Bharat trains will improve connectivity and aid in tourism in the country
- The construction of road and highway infrastructure could indirectly promote domestic travel in the long run

IT Services

Positive

While the industry was initially impacted due to the outbreak of Covid, the pandemic accentuated the need to adopt technology and this, coupled with higher demand for digital support, cloud services and infrastructure modernisation, enabled the industry to remain resilient.

Positive

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Technological Shift

Technology to be one of the key pillars for growth

Proposal

- Proposals to encourage e-learning such as Digital University to be set up
- Digital Ecosystem for Skilling and Livelihood (DESH-Stack eportal) to be launched to encourage on-line training for skill development
- Startups to be promoted to facilitate 'Drone Shakti' through varied applications and for Drone-As-A-Service
- National Digital Health Ecosystem to be set up
- Introduction of digital currency by RBI and infrastructure status to be accorded by the government to data centers
- Other proposals such as setting up of 75 Digital Banking Units (DBUs), e-passports, digitisation of manual processes and measures to ensure rural areas to have the same access to digital resources as urban areas etc

Impact

- The announced proposals will help in creating a conducive environment for accelerating adoption of tech and supporting emerging technologies

Pharma & Healthcare

Neutral

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The healthcare sector in India has remained buoyant aided by various schemes introduced by the government which is deepening the access to health in semi-urban and rural areas by way of improved infrastructure. Even the Indian pharmaceutical sector is expected to exhibit healthy growth of about 10-12% going forward.

Pharma & Healthcare

Neutral

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Booster Shot

Further push for healthcare and pharma industry

Proposal

- Considerable increase in allocation towards the scheme Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (PMJAY) i.e. from Rs 3,199 crore during last budget to Rs 6,412 crore
- Over 33% increase in the allocation of budget towards **Pardhan Mantri Swasthya Suraksha Yojana** i.e. to Rs. 10,000 crore
- Rolling out of **National Digital Health Ecosystem** - an open platform which comprises digital registries of health providers and health facilities, unique health identity and universal access to health facilities
- Allocation of Rs 1,629 crore under Production linked Incentive scheme (PLI) towards the pharmaceutical sector

Impact

- The ability to treat the total number of patients under the ambit of this scheme increases significantly especially for the Tier II and Tier III cities along with rural populace, which also augurs well for pharma industry.
- This would help in building the infrastructure facilities in order to aid in providing the increasing requirement of services under PMJAY scheme.
- This initiative would nudge the sector towards digitalization, it will also enhance and promote the role of health tech business along with providing the effective means of medication to the patient.
- For past over a decade India's import of bulk drugs especially from China has remained at about 65% to 70%. The effective implementation of the PLI scheme is expected to bring down the high import dependency for some of the Key Starting Materials (KSM) and solvents from China.

Power (Excluding Renewables)

Neutral

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To support climate action, budgetary announcements on the power sector (excluding renewables) focused on funding state governments towards reforms apart from measures to reduce emissions and transition to carbon a neutral economy.

Power (Excluding Renewables)

Neutral

Focus on power sector reforms and reduction in emissions

Proposal

- State governments will be allowed 4% of gross fiscal deficit with 0.5% to be tied to power sector reforms. Conditions have already been communicated in FY22
- Phase out the concessional rates in capital goods and project imports gradually and apply a moderate tariff of 7.5%
- 5-7% biomass pellets to be co-fired in thermal plants

Impact

- Continued fiscal support to state governments to carry out much-needed reforms in the power sector, including creation of distribution infrastructure and reduction of AT&C losses
- Phasing out of concessional rates are likely to impact project economics for power projects even while domestic manufacturers are likely to benefit from the level playing field
- Co-firing with biomass pellets provides additional fuel sources for thermal plants, enabling reduction of stubble burning and thus an overall reduction of carbon emissions of 38MMT annually

Renewable Power

Positive

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As climate change becomes more and more real by the minute, the Budget sees a push for the power sector focused on strengthening the frameworks and financial incentives on meeting overall targets of going green.

Renewable Power

Positive

CareEdge
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Going Green

Focus on climate action to strengthen domestic manufacturing and support financing

Proposal

- Additional allocation of Rs 19,500 crore for Production Linked Incentive for manufacturing of high-efficiency modules, with priority to fully integrated manufacturing units from polysilicon to solar PV module
- Energy storage systems including dense charging infrastructure and grid scale battery systems to be included in harmonised list of infrastructure
- As a part of the government's overall market borrowings in 2022-23, sovereign green bonds will be issued for mobilising resources for green infrastructure. The proceeds will be deployed in public sector projects that help in reducing the carbon intensity of the economy

Impact

- Additional PLI provides the push towards domestic manufacturing in line with government's vision of developing domestic ecosystem to reach 280 GW of installed solar capacity by 2030
- Inclusion of clean energy technology into the harmonised list of infrastructure sectors is expected to support further credit availability for these newer technologies
- Push from central government will enable further financing availability and investor participation

Real Estate

Neutral

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Real-estate sector is one of the major pillars of the Indian economy, given its contribution to GDP, employment opportunities and support to other ancillary industries. Going through a recovery phase after the deadly pandemic, the sector is set to benefit from the government's consistent focus on infrastructure and affordable housing.

Real Estate

Neutral

Real Picture

Affordable housing continues to take center stage

Proposal

- Rs 48000 crore is set aside for housing under PM Awas Yojna
- Revocation of anti-dumping duty and countervailing duty on certain steel products as well as reduction of customs duty by 2.5%-5% to bring it uniformly to 7.5% for semi, flat and long products of non alloy, alloy and stainless steel.
- Five existing academic institutions for urban planning to be designated as Centres of Excellence with endowment fund of Rs 250 crore
- Data centres will be given infrastructure status to provide easy financing to the sector

Impact

- The allocation towards PM Awas Yojna is in line with the steady focus of the government on affordable housing since the past few years and is set to take forward its initiative of housing for all
- The reduction in custom duty for steel products may result in overall reduction in input prices
- Overall, increased focus towards infrastructure spending, setting up centers of excellence and data centers to augur well for the sector. When implemented, these are expected to help construction activities in cities and towns. However, the key here will be a timely implementation of the same
- With most of the proposals focused towards improving supply of real estate spaces, demand in the segment will be driven by the overall macro economic scenario

Road & Highways (Construction /EPC)

Positive

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Government initiatives under the Atmanirbhar Bharat scheme and NIIP led to a steady increase in the pace of award and execution for the National Highways Authority of India during FY20 and FY21. Road construction per day increased to 36.5 kms during 2020-2021 from 28 during 2019-2020. However, relaxation of bidding criteria has intensified the competition with participation from mid-size contracting companies. Other transportation and logistics are also set to fuel infrastructure growth.

Road & Highways (Construction /EPC)

Positive

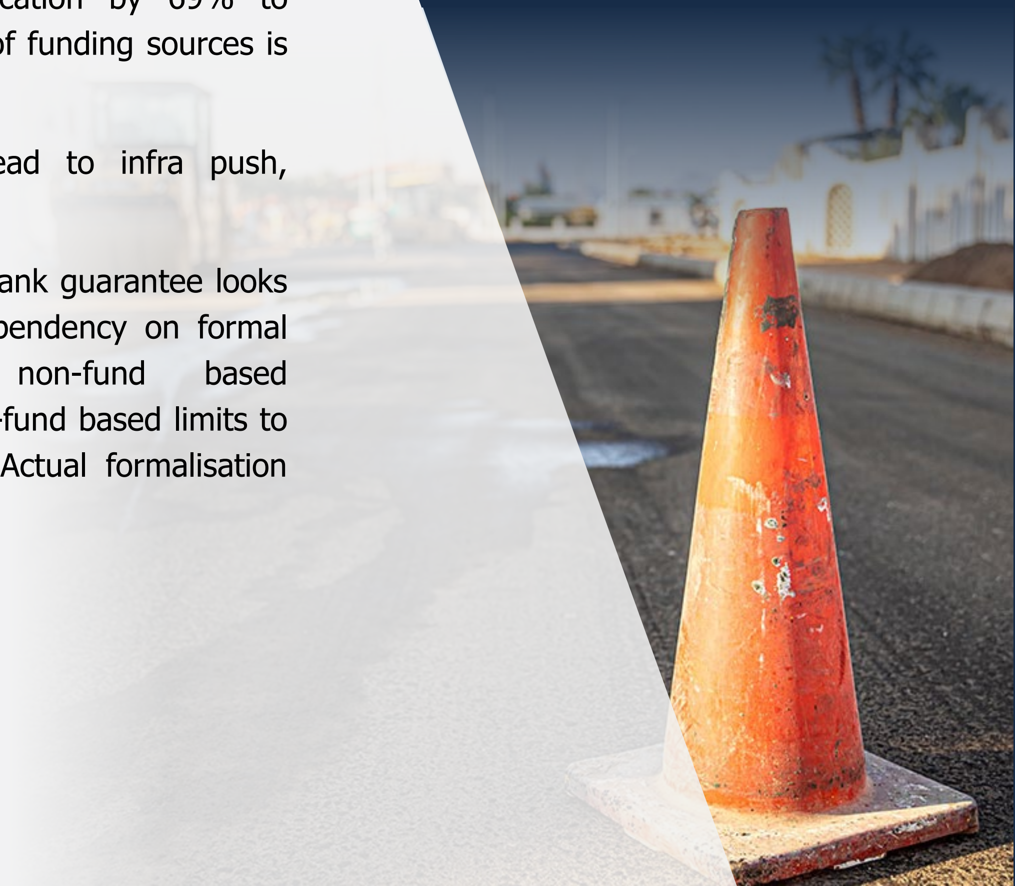
Increased infra spend holds key for transportation & logistics sector

Proposal

- National highway network is planned to be expanded by 25,000 km in 2022-23 as part of PM Gati Shakti
- Budgetary allocation of Rs Rs.2 lakh crore to MoRTH
- Increased financial assistance of Rs 1 lakh crore from centre to states
- Acceptance of surety bonds in lieu of bank guarantees for contracts

Impact

- Plan aims to facilitate seamless movement of people and goods. Creation of employment opportunities in focus too
- Increase in the Budgetary allocation by 69% to MoRTH on yoy basis. Availability of funding sources is a precursor for bolstering growth
- Financial aid to states shall lead to infra push, especially transportation
- Substitution of surety bonds for bank guarantee looks promising, as it shall reduce dependency on formal banking arrangement for non-fund based limits. Increased avenues of non-fund based limits to mid-size contracting companies. Actual formalisation of the process holds the key



Road & Highways (Construction /EPC)

Positive

Other Transportation & Logistics

Proposal

- Alignment of PM GatiShakti National Master Plan and National Investment Pipeline
- 4 Multimodal logistic parks through PPP
- 400 Vande Bharat trains & 100 PM Gati Shakti cargo terminals to be introduced in 3 years
- PM-DevINE- Prime ministers Development Initiative for North-East

Impact

- To aid in debottlenecking hurdles for faster execution
- Improvement in multi modal connectivity, railways, to reduce transit time and logistic costs
- Funding focus on various infrastructure projects in North-East- promoter better access and development

Iron and Steel

Positives

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Global steel industry has demonstrated strong momentum in CY21, continuing a very strong upcycle as reflected by recovery in consumption and sharp uptick in prices. In recent months, though, there has been some moderation in prices, largely due to a slowdown in Chinese steel production and resultantly sharp correction in global iron ore prices. However, volatile iron ore and coking coal prices has ensured a gradual decline in global steel prices, keeping it elevated for a longer gestation period.

On the domestic front, it is imperative that the demand-supply situation will remain favourable, which coupled with higher raw material prices and low exportable surplus from China will keep the steel prices at elevated levels, thereby impacting the end-users of the industry.

Iron and Steel

Positive

Steely Push

Further boost to the infrastructure sector, augers well for the steel industry

Proposal

- Significant increase in capital expenditure target from Rs 5.54 lakh crore in FY22 to Rs 7.50 lakh crore in FY23, which effectively works out to Rs 10.7 lakh crore including state's capex
- Allocation of Rs 48,000 crore for PM Housing scheme
- 400 new generation Vande Bharat trains to be manufactured over 3 years
- Rs.60,000 crore allocated towards Jal Jeevan Mission to provide tap water to households
- Deadline to commission new capacities in separately incorporated companies extended to March 2024
- Customs duty exemption on steel scrap extended for another year
- Anti-dumping and CVD on stainless steel and coated steel flat products, bars of alloy steel and high-speed steel revoked

Impact

- Infrastructure push through seven engines (roads, railways, airports, ports, mass transport, waterways and logistic infra) will ensure sustained long-term growth in domestic steel demand
- Positive for long steel players
- Positive for speciality and alloy steel producers
- To create substantial demand for flat steel and pipes sector
- To benefit companies undergoing capex in the form of lower tax rate of 15%
- To provide relief to MSME and secondary steel producers
- No immediate concerns. May be negative in long run due to import threats

Telecom

Neutral

The Union Cabinet in September 2021 approved the much-awaited reforms for the telecom sector and announced a revival package that addressed the liquidity woes of the industry to a large extent.

The sector is poised for an aggressive capex strategy for 4G network expansion, 5G rollouts and a significant growth of passive infrastructure.

Telecom

Neutral

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Clear Connection

India to get 5G services by 2023; ‘Make in India’ to drive penetration in rural areas

Proposal

- Required spectrum auction for 5G to be conducted in 2022
- Rollout of 5G mobile services by private telecom providers by 2023.
- PLI schemes for 5G equipment manufacturing
- 5% of annual collection under Universal Service Obligation (USO) fund to be allocated
- Contract for laying optical fibre in all villages, including remote areas, to be awarded under PPP under BharatNet; to be completed by 2025

Impact

- Telecom service providers to gain momentum with focus on network upgradation (5G), boosting digital performance
- PLI schemes to push ‘Make in India’ drive for indigenous manufacturing of 5G equipment, creating a strong ecosystem and employment opportunities. Passive telecom infrastructure companies poised to benefit
- To facilitate affordable digital services -- broadband and mobile communication -- in rural and remote areas paving the way for inclusive growth
- Deployment of 5% of the annual collections of the USO funds, shall promote indigenous R&D, domestic manufacturing and commercialisation of technologies
- BharatNet project through PPP targeted towards rural areas:
    - Expected to generate significant employment opportunities
    - Better access to internet services shall
    - Bolster the entrepreneurial potential
    - Bridge the digital gap between rural & urban areas

Neutral

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Textile and apparel industry accounts for around 2% of GDP and contributes 13% to industrial production and 11-12% to exports of India. The industry witnessed a rebound after the adverse impact of the pandemic, supported by strong exports, pent-up domestic demand during the festive and wedding season. The government has already announced various schemes towards increasing global competitiveness of the industry which includes RoDTEP, PLI, and PM MITRA. During FY22, the size of the Indian domestic textile and apparel industry is expected to be around $95 billion, while the exports are likely to be around $38 billion. The sector employs around 45 million workers.

Textile

Neutral

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In Stable Fashion

Substantial allocation towards Cotton Corporation of India procurement

Proposal

- **Significant increase in allocation towards CCI procurement**
- The finance minister has increased the budget allocation from Rs 3,632 crore in Budget proposal 2021-22 (revised budget estimates of Rs 11,449 crore) to Rs 12,382 crore under its budget proposal 2022-23. Of this, the majority (Rs 9,243 crore) allocation is towards the financial assistance to Cotton Corporation of India under price support scheme
- **Introduction of few textiles item (certain type of fabrics) under the import duty regime**
- It is proposed to levy import duty of 10% or 20% on certain types of textile products with maximum cap per unit of value. The proposed import duty rates are also in-line with existing rates applicable to the majority of fabric categories

Impact

- It is likely to act as a catalyst to support both the farmers and textile sector as it would provide stability to cotton prices. While higher allocation to CCI ensures the minimum support price to farmers for their produce, it also ensures adequate supply in the market as and when need arises. This would also provide more stability to cotton prices in the domestic market
- The introduction of import duty shall encourage domestic production to become 'Atamanirbhar'. This would also incentivise the domestic textile sector

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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