



**UNION BUDGET
2023 - 2024**

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KEY HIGHLIGHTS

The honorable finance minister presented the last full-fledged Union Budget 2023-24 before the 2024 general elections, amid fears of global slowdown due to aggressive rate hikes by central bankers, elongated geopolitical tensions and high inflation. The budget continued to build on the foundation laid in the previous Budget, and the blueprint drawn for India @ 100. The budget depicted its roadmap for 'Amrit Kaal' by prioritizing infrastructure & job creation, last mile connectivity, green energy, good governance, skill development among youths and tax rationalization. The budget has underlined the government's focus on long term impetus to growth. While being a balanced budget, it has emphasized on capital expenditure while contributing positively to the quality of fiscal policy.

With this background, we present the key highlights of the Union Budget 2023-24

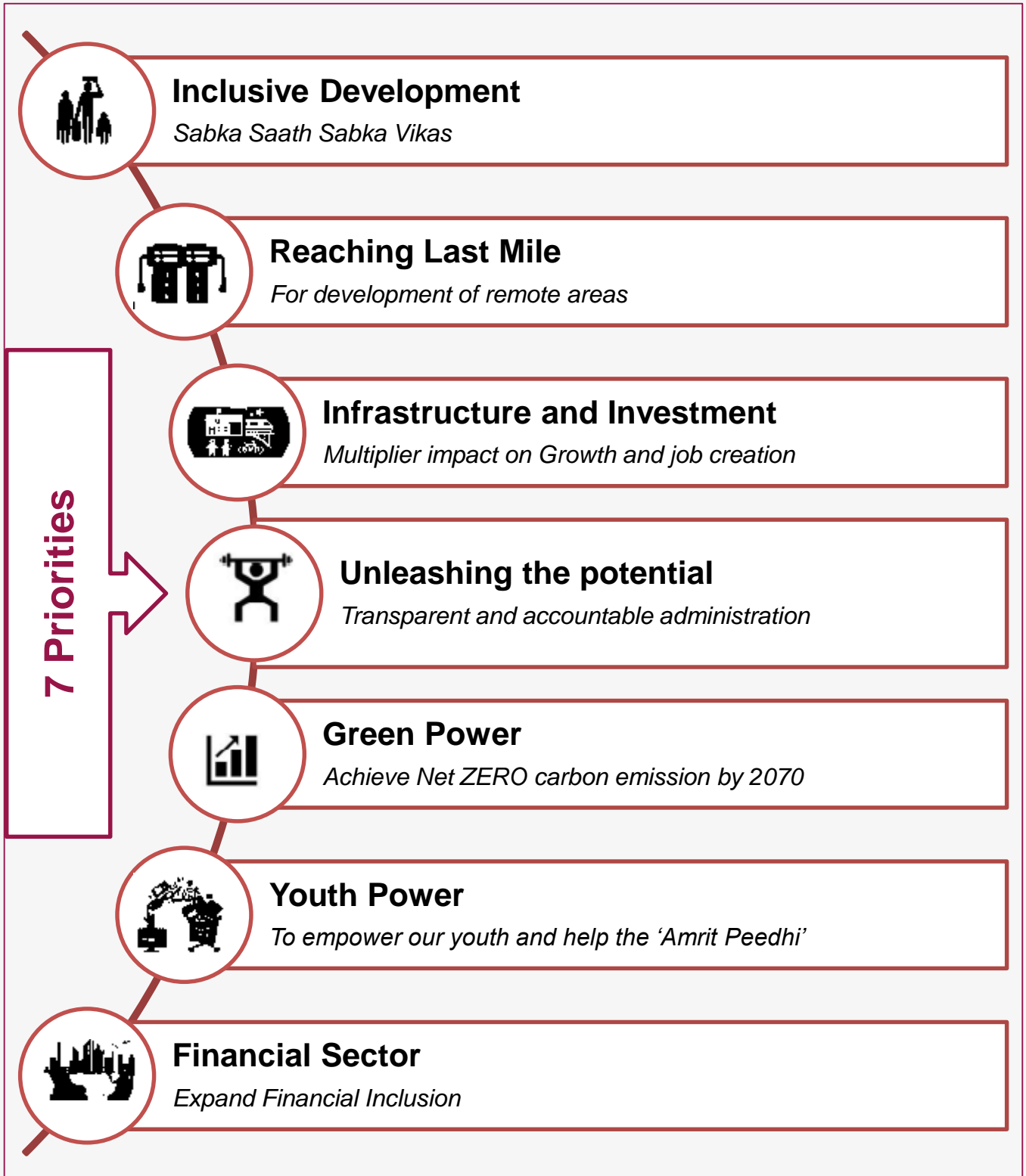
ECONOMY

- Total expenditure is pegged at Rs.45.03 lakh crore, up by 7.5% for FY24BE, whereas capital expenditure is pegged at Rs.10.01 lakh crore for FY24BE, a rise of 37.4% from FY23RE or 33.4% from FY23BE.
- Gross tax revenues are expected to grow by 10.4% in FY24BE, estimated to be at 11.1% of GDP for FY24BE and at par with the FY23RE.
- Effective Capital Expenditure of the Central Government is estimated at Rs.13.71 lakh crore in FY24BE, which will be about 4.5% of GDP.
- Nominal GDP growth for FY24 is pegged at Rs.301.75 lakh crore, 10.5% growth over FY23RE of Rs.273.01 lakh crore.
- Direct taxes for FY24BE are projected to grow at 10.5% over FY23RE, at Rs.18.23 lakh crore; Indirect taxes are pegged at Rs.15.33 lakh crore, an increase of 10.4%
- Fiscal deficit is projected at 5.9% of GDP for FY24BE as against the deficit of 6.4% for FY23RE, with an intent to reach a fiscal deficit level below 4.5% of GDP by 2025-26, with a fairly steady decline over the period.
- Disinvestment target for FY23BE marginally up to Rs.0.51 lakh crore from Rs.0.50 lakh crore of FY23RE.
- Gross market borrowings for FY24BE are slated at Rs.15.43 lakh crore, and net market borrowings at Rs.12.31 lakh crore, which is 8.6% and 1.9% higher than gross borrowings of Rs.14.21 lakh crore and net borrowing of Rs.12.08 lakh crore respectively, for FY23RE.

BE=Budget Estimates, RE=Revised Estimates; GDP=Gross Domestic Product

Source: Union Budget 2023-24, Axis Bank Investment Research

Goals of AMRIT KAAL



Source: Union Budget 2023-24, Axis Bank Investment Research

1. INCLUSIVE DEVELOPMENT:

Agriculture & Fisheries

- Outlay of Rs.1.25 lakh crore for Ministry of Agriculture & Farmer's Welfare.
- Outlay of Rs.1.38 lakh crore for Ministry of Rural Development.
- Atmanirbhar Clean Plant Program for high value horticultural crops at an outlay of Rs.2,200 crore.
- Agriculture Credit Target to be increased to Rs.20 lakh crores, with focus on animal husbandry, dairy and fisheries.
- New sub-scheme of PM Matsya Sampada Yojana with targeted investment of Rs.6,000 crore.
- The Indian Institute of Millet Research, Hyderabad will be supported as the Centre of Excellence for sharing best practices, research and technologies at the international level to make India a global hub for 'Shree Anna'.

Healthcare

- 157 new nursing colleges will be established.
- Mission to eliminate sickle cell anaemia by 2047
- New programme to promote research and innovation in pharmaceuticals through centers of excellence.
- Facilities in select ICMR Labs will be made available for research by public and private medical college faculty and private sector R&D teams.
- Dedicated multidisciplinary courses for medical devices will be supported in existing institutions

Education

- National Digital Library for children and adolescents will be set-up for facilitating availability of quality books across geographies, languages, genres and levels, and device agnostic accessibility

2. REACHING THE LAST MILE:

- Aspirational Blocks Programme covering 500 blocks for saturation of essential government services across multiple domains such as health, nutrition, education, etc.
- Pradhan Mantri Primitive Vulnerable Tribal Group mission to improve socio-economic condition. Tribals to get Rs.15,000 crore over next 3 years for safe housing, sanitation, drinking water, and electricity.
- Eklavya Model Residential Schools to be set up in the next 3 years.
- Provide Rs.5,300 Crore Assistance To Drought-Prone Region Of Karnataka
- Outlay for the PM Awas Yojana is being enhanced by 66% to Rs 79,000 crore

3. INFRASTRUCTURE AND INVESTMENT:

- Capital investment outlay of Rs.10 lakh crore (3.3% of GDP in FY24BE), a steep hike of 33% for third consecutive year to enhance multiplier on growth and job creation, crowd-in private investments, and provide a cushion against global headwinds.
- Of which, Rs.2.70 lakh crore for Ministry of Road Transport and Highways and Rs.2.40 lakh crore for Ministry of Railways.
- Outlay of Rs.5.94 lakh crore for Ministry of Defence.
- Extension of 50-year interest free loan to state governments by another year to spur investment in infrastructure and to incentivize them for complementary policy.
- Identified 100 critical transport infrastructure projects for last & first mile connectivity.
- 50 additional airports, heliports, water aero drones, advanced landing grounds will be revived to improve regional air connectivity
- Cities to be incentivized to improve creditworthiness for municipal bonds.
- Urban Infrastructure Development Fund of Rs.10,000 crore per year to be set-up.
- All cities and towns will be enabled for 100% transition of sewers and septic tanks.

4. UNLEASHING THE POTENTIAL:

- PAN will be used as the common identifier for all digital systems of specified government agencies.
- Phase 3 of E-courts projects to be launched with outlay of Rs 7,000 crore.
- Jan Vishwas Bill to amend 42 Central Acts introduced to further trust-based governance.
- More than 39,000 compliances have been reduced and over 3,400 legal provisions decriminalised to enhancing ease of doing business
- 3 centres of excellence for Artificial Intelligence will be set-up in top educational institutions.
- National Data Governance Policy to be framed to unleash innovation and research by start-ups and academia.
- One stop solution for reconciliation and updating identity maintained by various agencies to be established using digilocker and Aadhaar as foundational identity.
- 100 labs for developing applications to use 5G services to be set up in engineering institutions
- To encourage the indigenous production of lab-grown diamonds, a research and development grant is to be provided to one of the IITs for 5 years

5. GREEN POWER

- Outlay of Rs.19,700 crore for National Green Hydrogen mission which will facilitate the transition of the economy to low carbon intensity.
- Outlay of Rs.35,000 crore for priority capital investments towards energy transition and net zero objectives, and energy security by Ministry of Petroleum & Natural Gas.
- Government to support setting up of battery energy storage of 4,000 MWH.
- Green credit programme will be notified under the Environment Protection Act
- 500 new 'waste to wealth' plants under GOBARdhan scheme to be established for promoting circular economy at total investment of Rs.10,000 crore.
- 10,000 Bio-Input Resource Centres will be set-up, creating a national-level distributed micro-fertilizer and pesticide manufacturing network.
- Mangrove Initiative for Shoreline Habitats & Tangible Incomes will be taken up for mangrove plantation along the coastline and on salt pan lands.
- Funds have been allocated for scrapping & replacing old government vehicles.

6. YOUTH POWER

- Pradhan Mantri Kaushal Vikas Yojana 4.0 to skill lakhs of youth within the next 3 years.
- To skill the youth for international opportunities, 30 Skill India International Centres will be set up across different states.
- Direct Benefit Transfer under a pan-India National Apprenticeship Promotion Scheme to be rolled out to provide stipend support to 47 lakh youth in 3 years.
- 50 tourist destinations will be selected through challenge mode to be developed as a whole package for domestic and international tourism.

7. FINANCIAL SECTOR

- Rs 9,000 crore to be infused in revamped credit guarantee scheme for MSMEs.
- Initiatives to promote business activities in GIFT IFSC.
- One-time new saving scheme - Mahila Samman Saving Certificate for women to be made available for 2 years up to March 2025
- Maximum Deposit limit for Senior Citizen Savings Scheme will be enhanced from Rs.15 lakh to Rs.30 lakh.
- Monthly Income Scheme limit doubled to Rs.9 lakh and Rs.15 lakh for joint accounts.

Source: Union Budget 2023-24, Axis Bank Investment Research

DIRECT TAX PROPOSALS

Tax Proposals for individuals

- Income tax slabs, rates, surcharge, cess and rebate remain unchanged under the old tax regime.
- Changes proposed under new tax regime:
 - The new tax regime to become the default tax regime unless the taxpayer opts otherwise
 - Basic exemption limit enhanced to Rs.300,000 from existing Rs.250,000

New Tax Regime (Earlier)		New Tax Regime (Proposed)	
Income (Rs. Lakhs)	Tax Slab	Income (Rs. Lakhs)	Tax Slab
0.0 – 2.5	NIL	0.0 – 3.0	NIL
2.5 – 5.0	5%	3.0 – 6.0	5%
5.0 – 7.5	10%	6.0 – 9.0	10%
7.5 – 10.0	15%	9.0 – 12.0	15%
10.0 – 12.5	20%	12.0 – 15.0	20%
12.5 – 15.0	25%		
>15.0	30%	>15.0	30%

- Propose to increase the rebate limit to Rs.7 lakh in the new tax regime from the earlier Rs.5 lakh
- Individuals with an annual income of Rs.9 lakh will be required to pay tax of Rs.45,000 i.e. 5% of the income. Similarly, with an annual income of Rs.15 lakh, the individual would be required to pay tax of Rs.1.5 lakh or 10% of income.
- Reduce the highest surcharge rate from 37% to 25% in the new tax regime.
- Standard deduction for salaried individuals and pensioners made available under new tax regime

DIRECT TAX PROPOSALS

Other Tax Proposals:

- It is proposed to provide that where aggregate of premium for life insurance policies (other than ULIP) issued on or after 1st April, 2023 is above Rs.5 lakh, income from only those policies with aggregate premium up to Rs.5 lakh shall be exempt. This will not affect the tax exemption provided to the amount received on the death of person insured. It will also not affect insurance policies issued till 31st March, 2023.
- Tax exemption on leave encashment on retirement of non-government salaried employees hiked to Rs 25 lakh from the current Rs 3 lakh.
- TDS rate to be reduced from 30% to 20% on taxable portion of EPF withdrawal in non-PAN cases.
- Propose to enhance limits for MSMEs and professionals with turnover of Rs.3 crore and Rs. 75 lakh to benefit of presumptive taxation, whose cash receipts are no more than 5%.
- The date of incorporation for eligible start-ups for claiming tax holiday extended by one more year i.e. start-ups incorporated till 31 March 2024 to be now eligible
- Benefit for carry forward of business losses on change in shareholding of eligible start-ups increased from seven years of incorporation to ten years.
- Concessional tax regime of 15% for setting-up of new manufacturing units extended to cooperative societies set up and registered on or after 1 April 2023, and which commence manufacturing on or before 31 March 2024.
- Capital gains arising on account of sale of market linked debentures to be taxed as short-term capital gains at applicable rates without allowing deduction of Securities Transaction Tax (STT) paid.
- Deduction under sections 54 and 54F available for reinvestment in a residential house to be capped at Rs.10 crore

INDIRECT TAX PROPOSALS

Indirect tax proposals aim to promote exports, boost domestic manufacturing, enhance domestic value addition, and encourage green energy and mobility:

Items where duty has reduced:

- Extend customs duty relief on imports of certain parts & inputs like camera lens of mobile phones from 2.5% to Nil.
- Concessional duty on lithium-ion cells for batteries extended for another year.
- To promote TV manufacturing, customs duty on open cells of TV panels reduced to 2.5% from 5%.
- Heat coils to manufacture electric kitchen chimney, the basic custom duty reduced from 20% to 15%.
- Denatured ethyl alcohol used in manufacture of industrial chemicals, the basic customs duty reduced from 5% to Nil.
- Basic customs duty is being reduced on acid grade fluorspar from 5% to 2.5%, to make the domestic fluorochemicals industry competitive.
- Basic customs duty on crude glycerine is reduced to 2.5% from 7.5%.
- Customs duty exemption is being extended to import of capital goods and machinery required for manufacture of lithium-ion cells for batteries used in electric vehicles.

Items where duty has increased

- To encourage manufacturing of electric kitchen chimneys, the basic customs duty is being increased from 7.5% to 15%.
- Import duty increased on silver dore, bars and articles to align them with that on gold and platinum.
- National Calamity Contingent Duty (NCCD) on specified cigarettes rate hiked by about 16%.

MARKET MOVEMENT

EQUITY MARKET

- The expectation from the Union Budget has reduced notably over the past few years with the government undertaking most of the reforms outside the purview of the Budget. Over the past two pre-election year budgets, the government has shifted its focus to increasing capex spending to give a much-needed thrust to infra spending and accelerate the development of the country's foundational infrastructure. Like the preceding budgets, this budget, too, primarily focused on job creation and achieving investment-driven growth along with fiscal management. The FY23 Union Budget indeed lived up to the expectations of being a growth-focused one that rightly emphasized on the quality of expenditure while aiming to achieve robust economic growth.
- The broader equity market indices ended on a mixed note on Budget day. The S&P BSE Sensex closed at 59,708, an uptick of 0.3% while the Nifty 50 Index was down by 0.3% at 17,616.
- Among the Nifty sectors, FMCG (+1.1%) and IT (+0.9%) were the gainers, while PSU Banks (-5.7%), Metals (-4.5%) and Media (-2.7%) were among the laggards.
- Among Nifty 50 companies, ITC (+2.6%), Tata Steel (+2%) and ICICI Bank (+1.9%) were the top gainers, while Adani Enterprise (-28.2%), Adani Ports (-19.2%) and HDFC Life (-10.9%) were among the major losers.

DEBT MARKET

- The budget took the opportunity to consolidate India's macroeconomic fundamentals. It gave a boost to growth while keeping fiscal prudence in check.
- The Centre remains committed to the glide path for reducing fiscal deficit to 4.5% in FY26; it is budgeted at 5.9% of GDP (from 6.4% for FY23). Relatively modest market borrowing of ₹15.4 lakh crore (lower than consensus estimates) will also ease pressure on the sovereign yield curve, helping sustain credit demand.
- The 10 year benchmark yields were volatile and traded in a 7.28%-7.40% range on the budget day. Initially, the announcement of high capital expenditure of Rs10L crore led to a sell off as markets feared higher borrowings to fund the same. However, as the fiscal deficit / borrowings numbers were announced, it became apparent that the fears were unfounded, and market recovered sharply. It closed the day on a positive note and the yield was down by 7 bps at 7.2760%.
- With monetary policy scheduled for next week, markets would be going with positive sentiment, and in absence of any surprises from MPC, market yields may continue to soften.

ECONOMIC UPDATE

Minor risks in subsidy reduction and small savings collections offset by potential for larger dividend receipts

The budget indicated consolidation from a confirmed estimate of 6.4% for the current year to 5.9% for FY24BE

- Small increase of fiscal deficit of Rs.0.3 tn powered by increase in tax collections by Rs.2.4 tn and reduction in subsidies of Rs.1.6 tn, with the bulk of savings allocated to increased capital outlay of Rs.2.7 tn.
- Nominal growth of 10.5% assumed for calculations are realistic, and close to Axis Bank Economic Research assumptions.

Non-debt receipts based on reasonable growth in taxes, with room left in dividends for a greater number

- Growth in central tax collections at 10.4%, implying no overall buoyancy over the 10.5% assumed GDP growth.
- Both direct and indirect taxes growing at similar rates, with GST collections growing somewhat faster in line with recent trends.
- Slowing growth in excise collections on normalisation of duty levels, and fading of windfall taxes.
- Growth in customs duty of 11% might be on the higher side, given FTAs and likely slower growth in imports (high base in FY23), along with duty harmonization announced in the budget.
- Taxes net to the centre growing at 11.7%, this is due to lower devolution to states, adjusting for excess devolved in FY22 and FY23RE

Non-tax revenue mildly higher than in FY23, though upside potential to dividend collections

- Dividends in FY23 were low owing to the RBI's need to use income to replenish market risk buffers rather than transfer to the government.
- Heavy profits booked this year along with INR depreciation indicate the pool for distribution might be larger.
- Increases in collections also on account of 5G spectrum fees to be paid by telcos.

Source: Union Budget 2023-24, Axis Bank Economic Research

ECONOMIC UPDATE

Non-debt capital receipts - realistic collections, with proceeds from asset monetisation adding onto disinvestments and loan recoveries

- IDBI and BPCL are potential disinvestment avenues for the year

Major shift in expenditure pattern, favouring capex

- Growth in capital expenditure of 37% YoY with growth driven by road, railways, increase in loans and grants to states, and others
- Growth in revenue expenditure at 9.4%, incorporating an increase in spending ex subsidy and interest of 12.5%.
- Increase in revenue expenditure commensurate with focus on soft capital among the 7 pillars of the FY24 budget.
- Interest expenditure remains high, and is budgeted at 24% of total expenditure, the highest since FY19 in line with the turn in the rates cycle.

Financing: G-sec issuance close to our projected levels, facilitated by strong small savings collections and continued T-bill issuance

- Net G-sec issuance at Rs.11.8 bn or 66% of the fiscal deficit close to levels assumed by us and lower than most market expectations.
- The number is enabled by assumptions of high small savings collections, as well as decent collections in others - partly emanating from monetisation of assets.
- Potential for small savings collections to underperform estimates, given lower collections seen of late - tracking higher rates available elsewhere.
- Net T-bill issuance has also been high for the past few years, skewing reinvestment risk in a rising rate environment - non-competitive bidding amounts will help guide actual collections, with higher rates on banking instruments potentially hurting T-bill demand

Source: Union Budget 2023-24, Axis Bank Economic Research

ECONOMIC UPDATE

Tone of the budget: Continues the capex thrust from FY23, but with an increasing skew towards soft, social capex outcomes

- Inclusive development, delivery of services and infrastructure towards the last mile, knowledge capital and network effects, Green growth and youth skilling add to traditional hard capex focus on roads, rails, power, ports etc.
- Overarching vision of creating opportunities especially for the youth, boosting employment and fostering macro stability.
- Initiatives encouraging long term goals of millet production and pisciculture are main agriculture and inclusion drivers.
- Last mile connectivity in terms of delivery of government services and infrastructure, as well as boosting development in aspirational blocks also a key focus
- Skilling in conjunction with academia and business, with focus on AI and new tech combined with R&D and digital network effects seek to raise productivity
- Green energy, eco-resource conservation, improving fertiliser mix and improving biogas production and use are major green initiatives
- Hard capex on roads, rail, ports, air transport, etc. finds mention, but even here, focus on developing urban infra in tier 2 and 3 towns is seen

Source: Union Budget 2023-24, Axis Bank Economic Research

ECONOMIC UPDATE

Minor increase in absolute fiscal deficit with strong growth in capex – offsetting tax collection increases and reduction of subsidy outgo

Rs. Tn	FY21 (A)	FY22 (A)	FY23 (RE)	FY24 (BE)		FY21 (A)	FY22 (A)	FY23 (RE)	FY24 (BE)
GDP	198.0	236.6	273.1	301.8		-1.4%	19.5%	15.4%	10.5%
Tax Receipts (Net)	14.26	18.05	20.87	23.31		5.1%	26.5%	15.6%	11.7%
Non Tax Revenue	2.08	3.65	2.62	3.02		-36.5%	75.8%	-28.3%	15.2%
Divestments & Others	0.58	0.39	0.83	0.84		-16.0%	-31.7%	112.1%	0.6%
Total Receipts	16.92	22.09	24.32	27.16		-3.5%	30.6%	10.1%	11.7%
Revenue Expenditure	30.84	32.01	34.59	35.02		31.2%	3.8%	8.1%	1.2%
Capital Expenditure	4.26	5.93	7.28	10.01		27.0%	39.1%	22.8%	37.4%
Total Expenditure	35.10	37.94	41.87	45.03		30.7%	8.1%	10.4%	7.5%
Fiscal Deficit	18.18	15.85	17.55	17.87		9.2%	6.7%	6.4%	5.9%

Source: Budget Document (Various Years), CGA, MOSPI, Axis Bank Economic Research , Axis Bank Investment Research

ECONOMIC UPDATE

Tax collections growing with nominal GDP a reasonable assumption, though excise slows and customs growth might be overstated

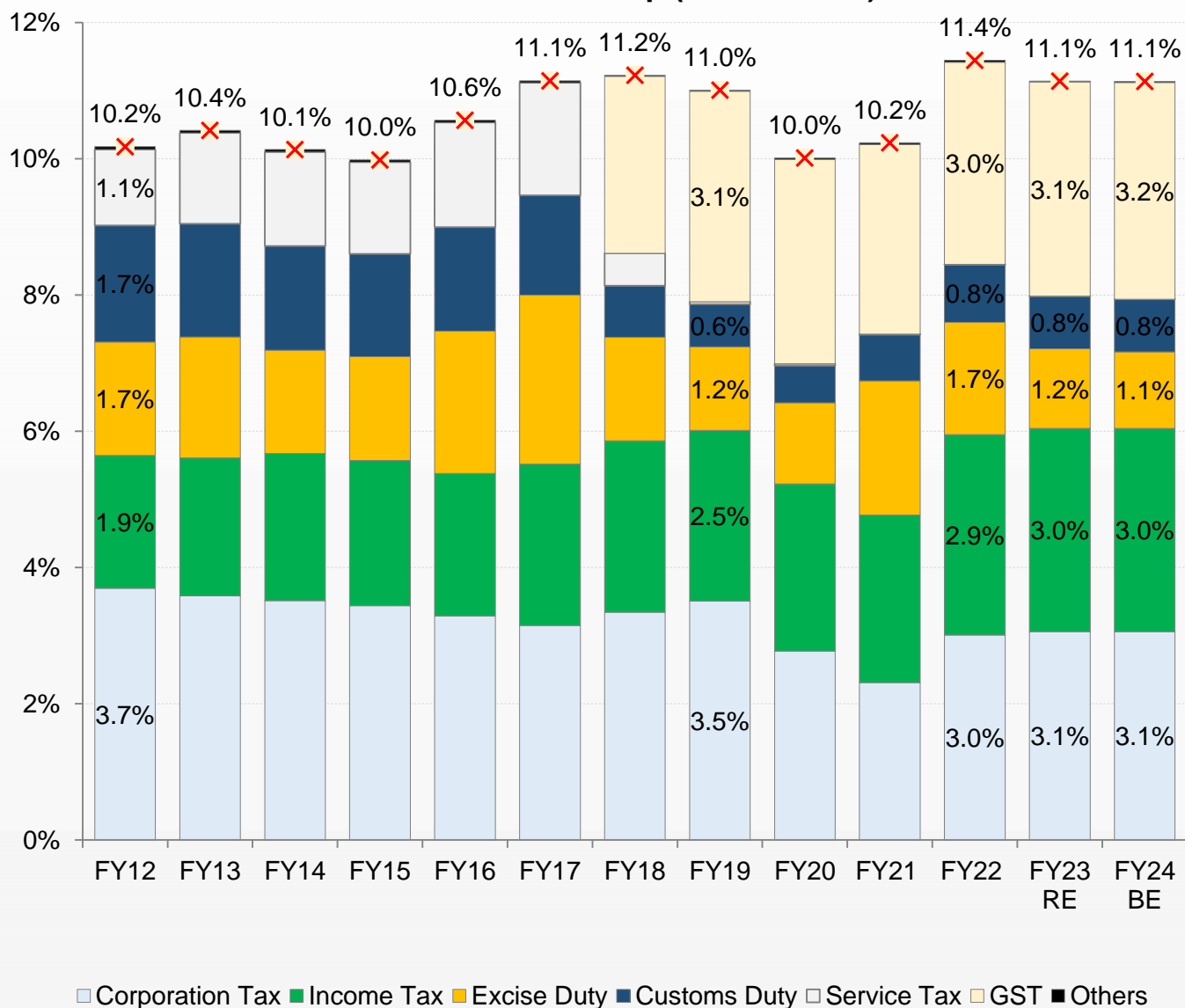
Rs. Tn	FY21 (A)	FY22 (A)	FY23 (RE)	FY24 (BE)		FY21 (A)	FY22 (A)	FY23 (RE)	FY24 (BE)
Gross Tax Revenue	20.27	27.09	30.43	33.61		0.8%	33.7%	12.3%	10.4%
Income	4.87	6.96	8.15	9.01		-1.1%	42.9%	17.1%	10.5%
Corporation	4.58	7.12	8.35	9.23		-17.8%	55.6%	17.3%	10.5%
Excise	3.90	3.91	3.20	3.39		62.7%	0.3%	-18.1%	5.9%
Customs	1.35	2.00	2.10	2.33		23.3%	48.2%	5.1%	11.0%
Service	0.02	0.01	0.01	0.01		-73.2%	-37.3%	-1.2%	-50.0%
Central GST	4.56	5.91	7.24	8.12		-7.6%	29.6%	22.5%	12.1%
UT GST	0.03	0.04	0.04	0.04		-8.9%	55.5%	-8.6%	0.2%
Compensation Cess	0.85	1.05	1.30	1.45		-10.8%	23.0%	24.1%	11.5%
Total GST	5.52	7.02	8.58	9.61		-8.3%	27.4%	22.1%	12.0%
Direct Tax	9.45	14.08	16.50	18.23		-10.0%	49.0%	17.2%	10.5%
Indirect Tax	10.82	12.98	13.89	15.38		13.1%	19.9%	7.0%	10.4%
Tax Revenues (Net to Centre)	14.26	18.05	20.87	23.31		5.1%	26.5%	15.6%	11.7%

Source: Budget Documents, Axis Bank Economic Research , Axis Bank Investment Research

ECONOMIC UPDATE

Tax collections assumed to grow at the same rate as nominal GDP – keeping tax/GDP constant – but slight skew favouring GST

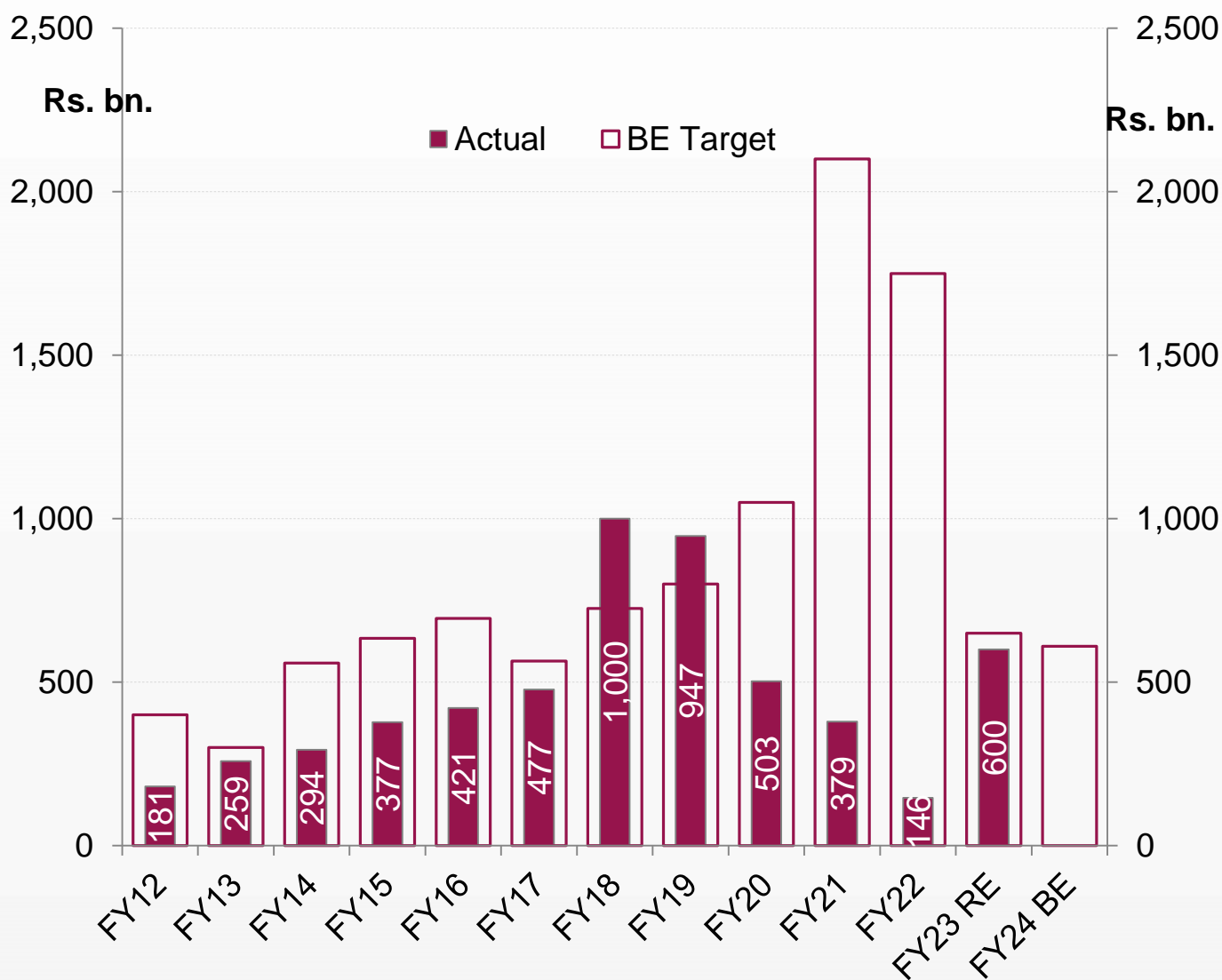
Tax Revenue Break-up (as % of GDP)



Source: Budget Document (Various Years), CGA, MOSPI, Axis Bank Economic Research

ECONOMIC UPDATE

Disinvestment target for FY24 appears realistic and achievable, though evolution of capital market conditions needs to be watched



Source: Budget Document (Various Years), CGA, Axis Bank Economic Research

ECONOMIC UPDATE

Financing: Assumptions of strong small savings collections and T-bill issuance limits G-sec supply in FY24

Financing of Debt (Rs. Tn.)	FY21 (A)	FY22 (A)	FY23 (RE)	FY24 (BE)
Fiscal Deficit % GDP	9.2%	6.7%	6.4%	5.9%
Fiscal Deficit	18.18	15.85	17.55	17.87
Financing of Deficit				
Market Borrowings (Net)	12.40	8.15	11.96	12.31
Small Savings	4.84	5.51	4.39	4.71
State PFs	0.19	0.10	0.20	0.20
Others	0.13	1.70	0.80	0.54
External Assistance	0.70	0.36	0.24	0.22
Cash Surplus	-0.07	0.03	-0.03	-0.12
Mkt borrowings / fiscal deficit	68%	51%	68%	69%
Net G-Sec. / fiscal deficit	57%	47%	62%	66%
Borrowing for GST Comp.	1.10	1.59	0.00	0.00
G-Sec (Net) incl. GST Comp.	11.47	8.96	10.96	11.81

Market Loans (Rs. Tn.) (incl. buyback & switch)	FY21 (A)	FY22 (A)	FY23 (RE)	FY24 (BE)
Central Govt.				
Gross G.Sec. Supply	13.70	11.55	14.21	15.43
Redemption (incl. bb sw)	2.24	2.65	3.15	3.62
Net	11.47	8.91	11.06	11.81
State Govts.				
Gross	7.99	7.02	6.96	8.27
Redemptions	1.47	2.09	2.40	2.52
Net	6.52	4.92	4.56	5.75
Centre + States				
Gross	21.69	18.57	21.17	23.70
Net	17.99	13.83	15.62	17.56

Note: Centre arrangement (back-to-back loans) of borrowings to compensate States for shortfall in assured GST collections of Rs. 1.1 tn. in FY21 and Rs.1.59 tn. in FY22 is kept outside the budget

Source: Budget Document, Axis Bank Economic Research, Axis Bank Investment Research

SECTOR UPDATES

Auto:

Positive

Key Budget Measures	Impact and Beneficiaries
<ul style="list-style-type: none"> The budget's thrust on Infrastructure development with the total Capex outlay of Rs.10 lakh crore which is up 33% bodes well for the Auto sector, particularly the CV industry. Logistics focus on 100 critical transport infrastructure projects, for last and first-mile connectivity for ports, coal, steel, fertilizer, and food grains sectors is positive for the auto sector. This will be taken up on priority with investments of Rs.75,000 crore, including Rs.15,000 crore from private sources. 	<p>Positive for CV auto OEMs</p>
<ul style="list-style-type: none"> With a focus on the green economy and in furtherance to vehicle scrapping policy as mentioned in the Budget 2021-22, adequate funds to scrap old vehicles of the central government have been allocated. 	<p>Positive for 2-Wheeler OEMs and Passenger Vehicle OEMs having the EV product portfolio .</p>
<ul style="list-style-type: none"> To further provide impetus to green mobility, customs duty on the import of capital goods and machinery required for the manufacture of lithium-ion cells for batteries used in electric vehicles has been fully exempted up to 31st Mar'24. 	<p>Positive for Battery Manufacturers</p>
<ul style="list-style-type: none"> Customs Duty has been increased for Vehicles (including electric vehicles) in (1) Semi-Knocked Down – from 30% to 35%. (SKD) form (2) Completely Built Unit (CBU) form other than with CIF more than USD 40,000 or with engine capacity of more than 3000cc for petrol-run vehicles and more than 2500 cc for diesel-run vehicles, or with both – from 60% to 70%. 	<p>Positive for 2-Wheeler OEMs and Passenger Vehicle OEMs having the EV product portfolio .</p>

SECTOR UPDATES

Banks and Housing Finance :

Positive

Key Budget Measures	Impact and Beneficiaries
MSMEs: Revamping the credit guarantee scheme under the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) with the infusion of Rs 9,000 crore. This revamp will enable additional collateral-free credit of Rs.2 lakh crore to MSMEs while the cost of credit will be reduced by 1%.	Positive for mid-sized MSME lenders
<ul style="list-style-type: none"> Capital outlay increased: Capex outlay to increase by ~33% 	An increase in capital outlay should boost credit growth in the Banking sector. Positive for the entire Banking sector.
<ul style="list-style-type: none"> Housing Finance Companies: The outlay for PMAY has been enhanced by 66% to ~Rs 79,000 crore in extension to the government's vision of providing 'Housing for All' 	Positive for Affordable housing Financiers

Cement :

Positive

Key Budget Measures	Impact and Beneficiaries
<ul style="list-style-type: none"> Increased investment in the country's infrastructure to drive cement demand as higher capital allocation will lead to building of more roads, airports, and highways. Increased fund allocation under PM Awas Yojna to give a substantial boost to the cement demand. The allocation has been raised from Rs.48,000 crore to Rs.79,000 crore. Proper monitoring of the Gati Shakti Plan will enable efficient implementation of the overall infrastructure development program, facilitate long-term growth, and thereby increase cement demand. 	Positive for cement industry

SECTOR UPDATES

Consumer Durables:

Neutral

Key Budget Measures	Impact and Beneficiaries
<ul style="list-style-type: none"> Allocation under the PM Awas Yojana enhanced by 66% to over Rs 79,000 crore. 	Positive for Wires & Cables Companies (being ancillary to the housing development)
<ul style="list-style-type: none"> Increased rebate limit to Rs.7 lakh in the new tax regime Restructuring the tax slabs in the new tax regime Reduction in the highest surcharge rate in personal income tax from 37% to 25% under the new tax regime 	Positive for all Consumer Durables & Discretionary companies as it will result in increase in disposable income in the hands of the tax payers
<ul style="list-style-type: none"> Customs Duty changes: <ul style="list-style-type: none"> Reduction in Customs duty Of Camera lens and its inputs used in Mobile Phones to 'Nil' from 5% Open Cell of TV panel to 2% from 5% 	Neutral for contract manufacturers

Infrastructure :

Positive

Key Budget Measures	Impact and Beneficiaries
<ul style="list-style-type: none"> Increase in Capital expenditure by 33% to Rs.10 lakh crore to boost overall infrastructure of the country. Allocation of fund to MoRTH increased from Rs.1.99 lakh crore to Rs.2.70 lakh crore, which would boost road infrastructure. Continuation of 50-years interest free loan to state government to incentivize infrastructure investment Higher capital outlay of Rs.2.4 lakh crore for Railways to boost railway infrastructure. Creating Urban infrastructure in Tier 2 & 3 cities via establishment of the UIDF (Urban Infrastructure Development Fund) Higher allocation under Jal Jivan Mission from Rs.60,000 crore to Rs.70,000 crore to benefit infrastructure companies. 	Positive for road & railway construction companies

SECTOR UPDATES

Insurance :

Negative

Key Budget Measures	Impact and Beneficiaries
<ul style="list-style-type: none"> Income from traditional insurance policies (except for ULIPs) where the premium is over Rs.5 lakh will no more be exempt from taxes. This will not affect the tax exemption provided to the amount received on the death of the person insured. It will also not affect insurance policies issued till March 31, 2023 No special tax incentives for tax-payers for insurance premiums under 80C 	<p>Negative impact on life insurance companies.</p>

Information Technology :

Positive

Key Budget Measures	Impact and Beneficiaries
<ul style="list-style-type: none"> Digital infrastructure for agriculture will be built as an open source. This will aid IT services to build infrastructure for creating farmer centric solutions. 3 centers of Excellence for Artificial Intelligence (AI) will be build to facilitate the improvement in AI. Leading players will partner in conducting interdisciplinary research and cutting edge applications. This will help to galvanize AI ecosystem To facilitate fintech services in India government will help to increase the scope of digilocker with various authorities, banks and other business entities. Allocation of digital payments promotion remains stagnant at Rs.1500 crore for last three years. We believe digitization initiatives will help IT services companies to get multi-year implementation contracts. 	<p>Positive for all IT services companies</p>

SECTOR UPDATES

Metals & Mining :

Positive

Key Budget Measures	Impact and Beneficiaries
<ul style="list-style-type: none"> The Union Budget's focus on infrastructure development will be supportive of the Metals & Mining sector. The government announced a steep increase in capital investment outlay (for the third year in a row) of 33% to Rs.10 lakh crore, which stands at 3.3 % of the country's GDP. This will be almost three times the outlay it undertook in 2019-20. Specifically, Capex on i) Railways (capital outlay of Rs.2.4 lakh crore), ii) Logistics (Rs.0.75 lakh crore): One hundred critical transport infrastructure projects for the first and last mile connectivity of ports, coal, steel, fertilizer, and food grains sectors have been identified. iii) Regional Connectivity: Fifty additional airports to be developed; iv) Urban Infrastructure Development Fund (Rs.10,000 crore/p.a.): To create urban infrastructure in Tier 2 and Tier 3 cities, and v) PM Awas Yojana (Rs.0.79 lakh crore) would support metal demand moving forward. 	<p>Higher budgetary allocation towards construction and infrastructure is positive for metal companies.</p>
<ul style="list-style-type: none"> To facilitate the availability of raw materials for the steel sector, exemption from BCD on raw materials for the manufacture of CRGO Steel, ferrous scrap and nickel cathode is being continued. Moreover, the concessional BCD of 2.5% on copper scrap is also being continued to ensure the availability of raw materials for secondary copper producers who are mainly in the MSME sector. 	<p>Positive for Steel and Aluminium companies as domestic demand will continue in line with the higher infrastructure and housing Capex.</p>

Pharma :

Neutral

Key Budget Measures	Impact and Beneficiaries
<ul style="list-style-type: none"> A corpus of Rs.1,250 crore has been allocated to incentivise the R&D in Pharma Sector. 	<p>Larger pharma players might benefit due to R&D incentives.</p>

SECTOR UPDATES

Retail & FMCG :

Positive

Key Budget Measures	Impact and Beneficiaries
<ul style="list-style-type: none"> Revamped MSME credit guarantee scheme with an infusion of Rs.9,000 crore. The announced infusion is expected to enable additional collateral-free guaranteed credit of Rs.2 lakh crore along with the credit cost reduction of 1% 	Positive for employment generation as well as for ensuring multiplier effect
<ul style="list-style-type: none"> The agriculture credit target increased to Rs 20 lakh crore with a greater focus on animal husbandry, dairy, and fisheries 	Positive for major FMCG companies with more growth driven from rural regions
<ul style="list-style-type: none"> The outlay for PM Awas Yojana is increased by 66% to Rs.79,000 crore 	Positive for Consumer discretionary companies
<ul style="list-style-type: none"> A Reduction in basic customs duty for LGD seeds to Nil from 5% earlier and setting up R&D to encourage the production of Lab Grown Diamonds would reduce import dependency. 	Positive for retail industry
<ul style="list-style-type: none"> The income tax rebate under the new tax regime has been increased to Rs.7 lakh from Rs.5 lakh. Moreover, the tax exemption limit has been increased from Rs 2.5 lakh to Rs 3 lakh. 	Neutral for branded jewellers players
<ul style="list-style-type: none"> NCCD on cigarettes hike by 16% while there was no hike on other Cess or taxation 	Neutral for Cigarette manufacturing companies

Telcom :

Neutral

Key Budget Measures	Impact and Beneficiaries
<ul style="list-style-type: none"> One hundred labs will be set up for developing applications using 5G services to realize new range of opportunities, business models etc. This will cover creations of applications covering sectors like Farming, digital classrooms and Healthcare. 	Neutral on all Telecom services providers.

SECTOR UPDATES

Renewable & Bio Energy :

Positive

Key Budget Measures	Impact and Beneficiaries
<ul style="list-style-type: none"> Allocated Rs 35,000 Cr for priority capital investments such as energy transition, net-zero objectives, and energy security by the Ministry of Petroleum & Natural Gas. 500 new 'waste to wealth' plants under GOBARdhan (Galvanizing Organic Bio-Agro Resources Dhan) scheme will be established for promoting a circular economy. These will include 200 compressed biogas (CBG) plants, including 75 plants in urban areas, and 300 community or cluster-based plants with a total investment of Rs 10,000 Cr. In due course, a 5% CBG mandate will be introduced for all organizations for marketing natural and biogas. For the collection of bio-mass and distribution of bio-manure, appropriate fiscal support will be provided. To avoid cascading of taxes on blended compressed natural gas, excise duty is proposed to be exempted on GST-paid compressed biogas contained in it. Denatured ethyl alcohol is used in the chemical industry. Basic customs duty is proposed to be exempted on the same, which will support the Ethanol Blending Program while facilitating energy transition. 	<ul style="list-style-type: none"> Positive for Bio Gas producing entities and Capital Good providers for Bio Gas sector. This will have a very positive impact on rural incomes which will support rural growth and spending theme

EQUITY MARKET OUTLOOK AND STRATEGY

- The budget has been crafted in the backdrop of global uncertainties and slowing growth rates. Even as developed economies are likely to slow down, India is likely to remain a bright spot, with falling inflation and robust growth.
- The budget faced a difficult exercise this year - balancing multiple objectives when the global environment was challenging. Underlying assumptions of growth and revenue receipts are realistic, with nominal GDP growth assumed at 10.5% (down from 15.4% in FY23), leaving room to absorb the impact of potential reversals.
- Sustained growth will be facilitated by rising capital spend outlays, which will include transfers and incentives to states' investment projects, given the larger multipliers versus revenue expenditure. This will help to drive GDP, create employment and boost consumption. On direct tax proposals, announcements were made to simplify and rationalize various provisions to reduce the compliance burden, promote the entrepreneurial spirit and provide tax relief measures.
- The market will continue to focus on near term earnings. We believe that the Indian economy is structurally well positioned given the country's positive macro-backdrop which will come to the fore as global macroeconomic challenges recede over the next few quarters. Our belief on domestic economic up-cycle stems from the fact that the enabling factors are in place viz. 1) Strong corporate and bank balance sheets which will help drive capex and credit respectively, 2) Consumer spending remains resilient given our demographics, 3) Govt is focused on growth through capex spending as well as through multiple reforms like GST, lower corporate tax and ease of doing business, and PLIs and 4) Accentuated benefits to India due to global supply chain re-alignments due to geopolitics.
- Volatility is expected to remain in the near term, as the economy is in a transition phase due to the pandemic and the geo-political backdrop. Any sharp corrections caused by any extraneous events should be treated as an opportunity to accumulate quality stocks and MFs.
- Overall the budget proposals are well balanced and have successfully set India on a fiscal consolidation path while simultaneously maintaining the right balance between growth and macro stability.
- **Investors can consider accumulating equities with a 3 to 5 years investment horizon; having said that, volatility is expected to remain in the near term. Any interim volatility / correction caused by extraneous events should be treated as an opportunity to accumulate equity in a staggered manner over the next 3 to 6 months (via STP or SIP route). They can also consider hybrid asset allocation funds as such funds allow investors to free themselves from market timing as well as asset allocation calls.**

DEBT MARKET OUTLOOK AND STRATEGY

- The finance minister has delivered the budget in line with '*Amrit Kaal*' which focuses on the long term sustainable growth of India @ 100. The Budget therefore seeks to build on the foundation laid earlier, and aims to provide stability and continuity, improve ease of doing business and augment Atmanirbhar Bharat.
- The government is on track to achieve its fiscal deficit target for FY23 in spite of additional fiscal constraints that were presented by the global geopolitical scenario. The fiscal performance was aided by a rebound in economic activity and buoyancy in tax revenues. The government continued to march towards fiscal consolidation, comforted by a broad based recovery of the Indian economy. Furthermore, it has pegged the fiscal deficit target at 5.9% for FY24, with a commitment to bring the fiscal deficit below 4.5% of GDP in FY26.
- The budget was positive for bond markets as the gross borrowing number of Rs.15.43 lakh crore was lesser than expectation of around Rs.16 lakh crore, while net borrowings were projected at Rs.12.31 lakh crore as against Rs.12.08 lakh crore FY23RE. However, gross borrowing numbers are less unfavourable than last year – with a turn in global rates market potentially supporting demand.
- While a fall in fiscal is positive for MPC committee members, a rate hike of 25bps is built-in for the February 2023 policy meeting. The 10 year benchmark yield may remain range bound in the near term. We expect yields to trade in the range of 7.10% - 7.40%.
- **We remain constructive on the short to medium end of the yield curve. Short Duration funds, Corporate Bond funds, Debt Index funds (Target Maturities), Banking & PSU Debt funds, Floating Rate funds, Money Market funds, Low Duration funds and Ultra Short Duration funds** can be considered by investors with an investment horizon commensurate with the maturity and duration of the schemes. **Having said this, one should consider aspects such as exit load, capital gains tax and asset allocation amongst others while evaluating their investment options.**

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