

# India: Union Budget FY 23.



**FM Sitharaman's Union Budget should usher a 'new leg to the bull market'.**

**Tuesday,  
February 1st 2022.**

**Post budget  
analysis of the  
Union budget**



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# Overview on Macro Economy:

Finance Minister Nirmala Sitharaman has come out with flying colors on her fourth Budget and most importantly, the economic blueprint meets the expectations of the country and should take Indian economy to the top three economic powers in the world over the next 10-15 years.

## a) Budget highlights

Well, by retaining the thrust on capex-related spending to support and revive economic growth — FM Nirmala Sitharaman has taken up the big responsibility of proving to the big investors across the globe that the Prime Minister Narendra Modi's magic is still on.

The big bang economic push with outlay for capital expenditure in the Union Budget 2022-23 is stepped up sharply by 35.4% from Rs 5.54 lakh crore in the current year to Rs 7.50 lakh crore or 2.9% of the GDP in 2022-23. This has increased to more than 2.2 times the expenditure of 2019-20. Capital expenditure will have its biggest share in total spending in nearly two decades.

Sitharaman has said, "Capital expenditure holds key to sustainable and speedy economic revival and consolidation through its multiplier effect. Capex helps create employment opportunities. Economy has shown strong resilience to come out with strong growth. However, we need to sustain that level to makeup for the set back of 2020-21."

Long story short: Sole emphasis on providing impetus to growth through higher capital spending.

## b) Economic Performance:

- # India is expected to grow at 9.27% in the coming year, "highest among all large economies." (GDP growth for FY 22 expected to be 9.27%).
- # The FM further said that Union Budget 2022-23 "will steer the economy towards India @100".

# Overview on Macro Economy:

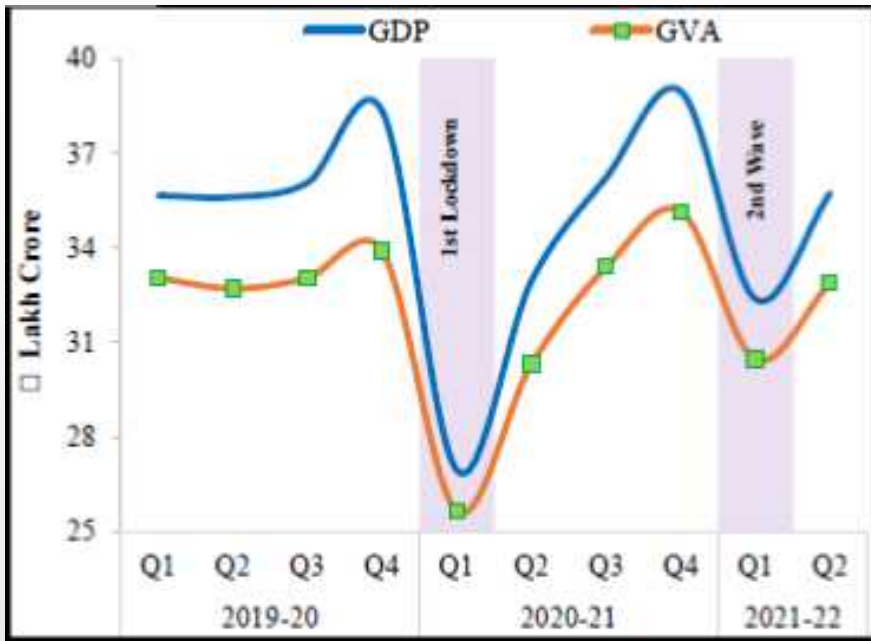
- # The fiscal deficit for FY22 is a tad higher at 6.9%; for 2022-23 — it's pegged at 6.4%.
- # The Revised Estimates for 2021-22 indicate a fiscal deficit of Rs 15,91,089 crore as against the Budget Estimates of Rs 15,06,812 crore.
- # The fiscal deficit of the government for 2022-23 is estimated to be Rs 16,61,196 crore.
- # The total expenditure in 2022-23 is estimated at Rs 39.45 lakh crore, while the total receipts other than borrowings are estimated at Rs 22.84 lakh crore.
- # India's foreign exchange reserves stood at a robust \$634 billion during the nine months of FY22. India currently has one of the highest forex reserves in the world (as of November 30, 2021) after China, Japan and Switzerland, equivalent to 13.2 months of import, and higher than the country's external debt. The positive takeaway is that the Balance of payments has remained in surplus throughout the last two years despite Covid-19-led disruptions.
- # Gross GST collection for January 2022 at a record Rs 1.41 trillion. January is the fourth month when Goods and Services Tax (GST) collection has crossed the Rs 1.30 lakh crore, and seventh month in a row when it crossed the Rs 1 lakh crore mark. Interestingly, the revenues for the month of January 2022 are 15% higher than the GST revenues in the same month last year and 25% higher than the GST revenues in January 2020.

"GST has been a landmark reform. We can now take pride on IT driven and progressive GST regime. GST revenues are buoyant despite the Covid-19 pandemic," Sitharaman added.

# Overview on Macro Economy:

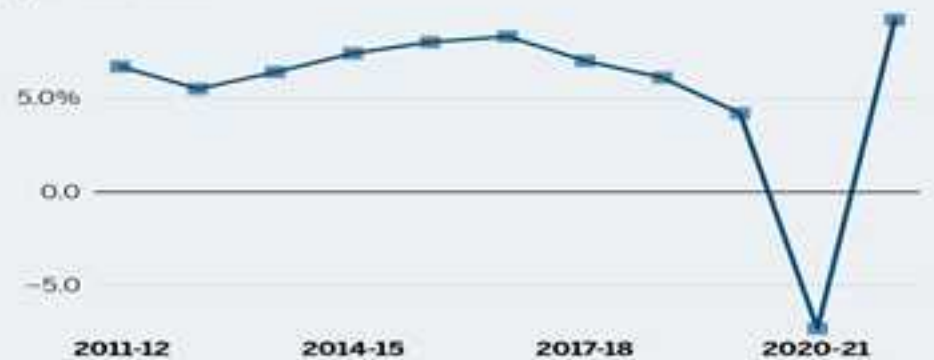
## c) Story of economy performance in 9 charts:

Indian economy: Recovery to resilient.



### First advance estimate of GDP for FY22

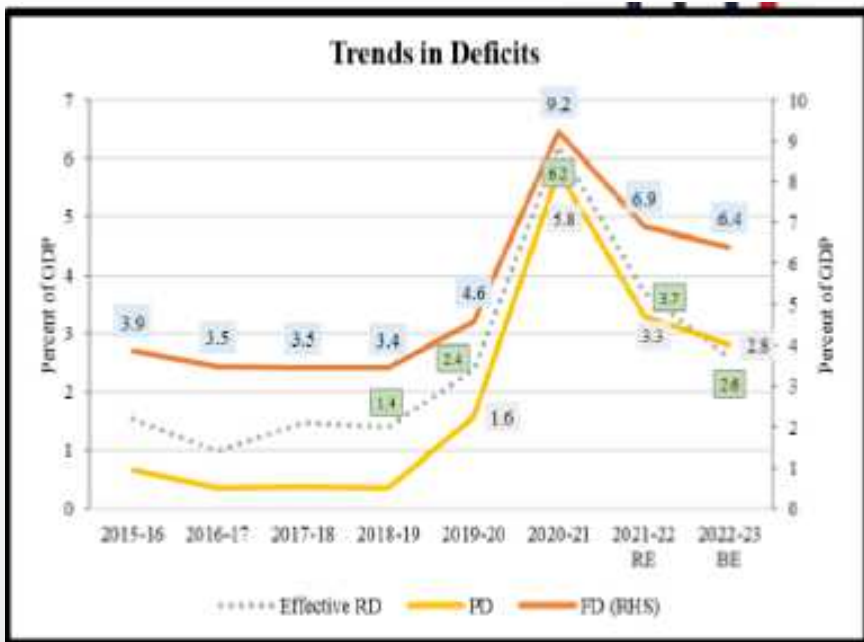
Amid a third wave of Covid-19, govt estimates FY22 real GDP growth to jump to 9.2% from a contraction of 7.3% witnessed in previous fiscal.



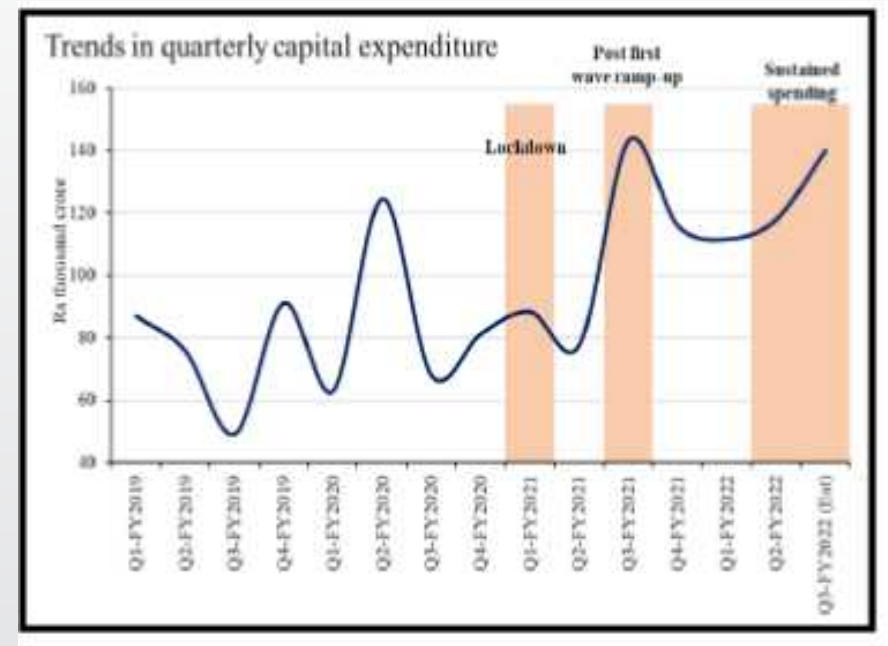
① From 2012-13 onwards, new series data

# Overview on Macro Economy:

An ambitious decision amidst stressed fiscal scenario.

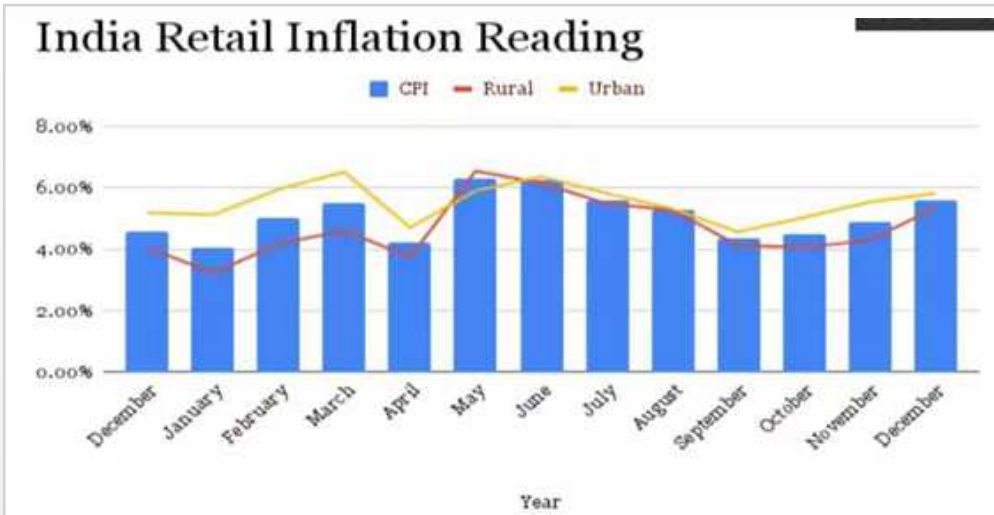


FM pushing for enhanced capex allocation.



# Overview on Macro Economy:

Retail inflation spikes to a 5-month high of 5.59% in Dec 2021.

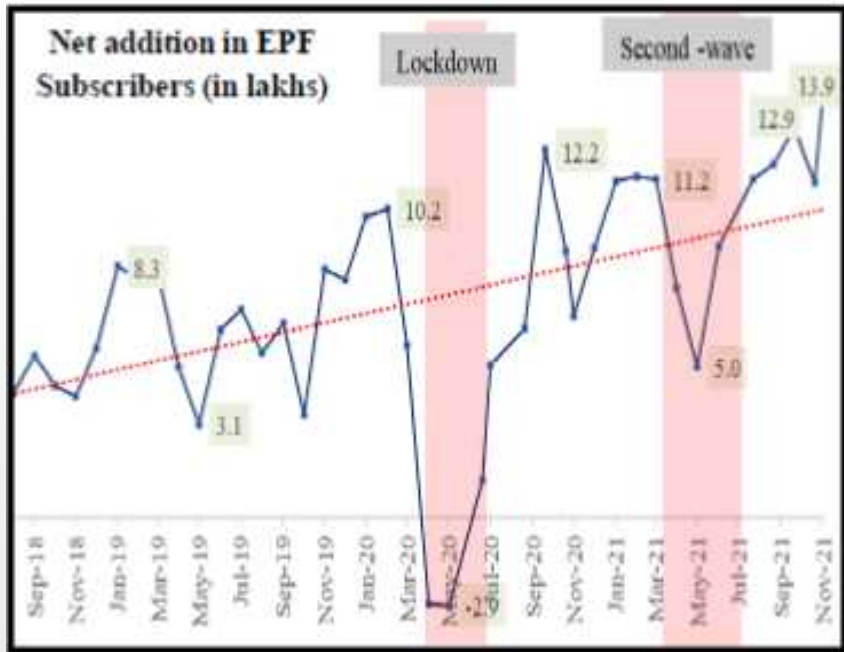


The consumer sentiment, which had collapsed May 2019 onwards, have not yet recovered to pre-COVID levels. The consumer confidence index stood at 60.1 in January 2022.



# Overview on Macro Economy:

EPFO data suggests a significant acceleration in formalisation of the job market.



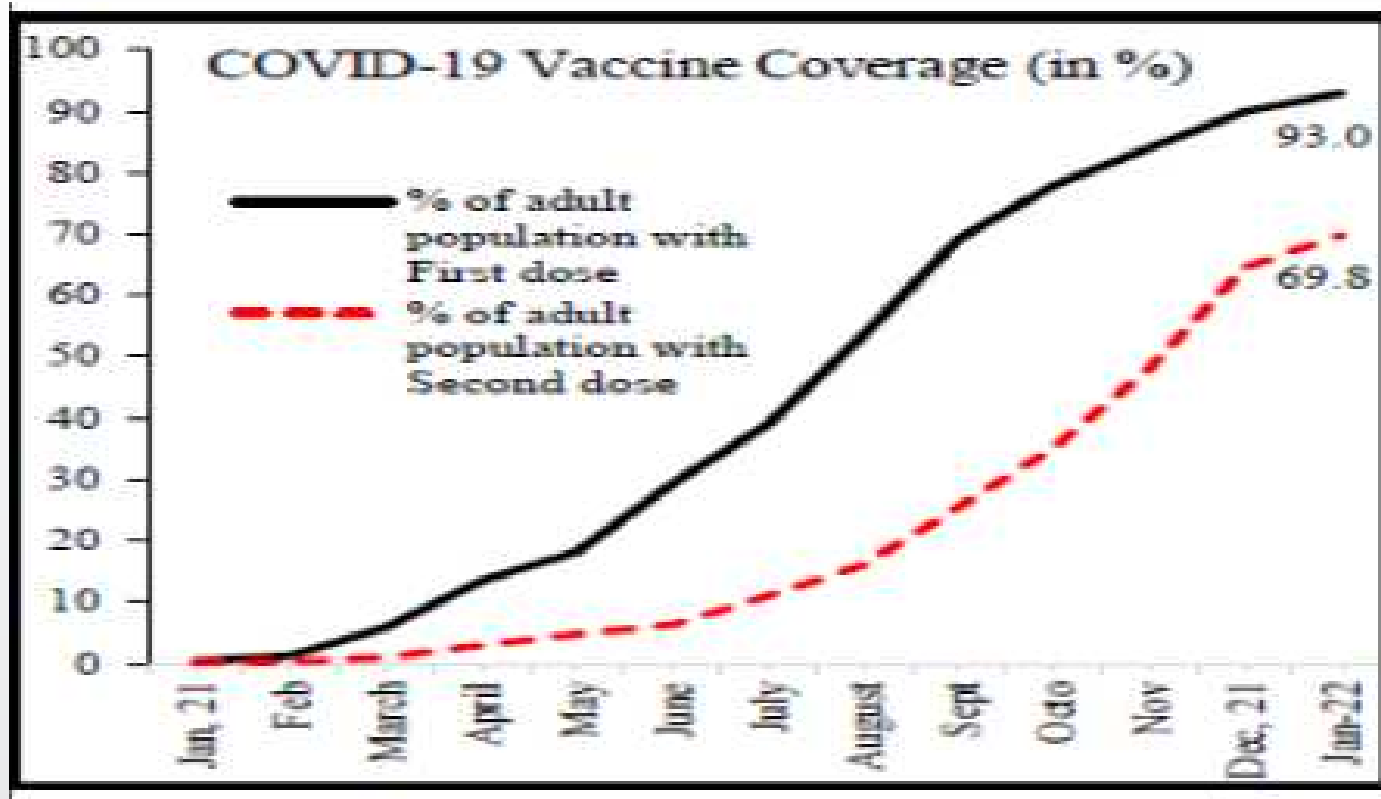
Forex reserves at all-time-high.





# Overview on Macro Economy:

Vaccination success:



### Vaccinations Statistics...

Country	Doses given	Fully Vaccinated	% of population fully vaccinated
India	165 Cr	70.1 cr	50.8%
China	296 Cr.	122 Cr	86.50%
United States	53.8 Cr.	21.1 Cr.	64%

# Does the budget meet our expectations?

This Budget definitely aims to provide impetus to growth as focus on infrastructure. Also, the Budget was not at all populist as was feared by the street. We say so because the announcement of a digital rupee was another big news item in the budget that saw no major populist giveaways.

The government will spend a total of Rs 39.45 lakh crore in FY23, a rise of 4.6% from the revised spending target of 2021-22 at Rs 37.7 lakh crore.

Top focus of the budget: PM Gati Shakti, Inclusive Development, Productivity Enhancement, Sunrise Opportunities, Energy Transition, Climate Action, Financing of investments.

Interestingly, India's growth is highest among all major economies; we are now in a strong position to withstand challenges.

It was also nice to see that there were hardly any changes to the personal income tax structure, especially in times of a pandemic that had seen demands from various quarters for some sort of relief.

The upward trend in GST collections augurs' optimism for the Indian economy as buoyant tax collections only indicate that the Indian economy may well be on trajectory for double digit growth.

Lastly, budget 2022 has finally paved way to legitimizing crypto sector in India. A new digital rupee powered by blockchain technology will be issued by the Reserve Bank of India starting 2022-23. FM stated, "Introduction of the Central Bank Digital Currency will give a big boost to the digital economy. Digital currency will also lead to a more efficient and cheaper currency management system,"

Amidst all enthusiasm, Dalal Street too gave a big thumb's up to the policy announcements and the budget allocations. Consequently, the benchmark Nifty zoomed 237 points or 1.37% indicating that FM Sitharaman's Union Budget ushers a 'new leg to the bull market'.

**Bottom-line:** The Union Budget could be a game changer and represents the reforms of the BJP government as all bullish eyes now aim for — India's ambition to reach the \$5 trillion economy goal.



# What can break the back of this bull market?

There is an upbeat mood post FM Sitharaman's 2022 Union Budget. The benchmarks Nifty & Sensex ended the Budget day with strong gains:

# Nifty (+237, 17577)

# Sensex (+848, 58863)

It's now most likely that the positive baton from Budget's super-bullish session will usher in a 'new leg to the bull market'.

The bulls at Dalal Street are clearly seen cheering the pro-growth Union Budget 2022.

**Now, that brings us to the big question: What can finally kill this bull market at Dalal Street?**

Well, going forward, the only big black swan could be the spiking crude oil prices. Oil prices have potential to zoom above the \$100 mark on backdrop of a conflict between Russia and Ukraine which could push the Indian economy into a treacherous direction.

**Long story short:** Keep a close eye on the oil prices.

**Bottom-line:** Investors can ignore chatters surrounding around reduction of its \$9 trillion balance sheet by the Federal Reserve, shrug off the relentless FIIs selling...but need to spy with one big eye if inflation rages amidst geopolitical developments.

## AGRICULTURE & FOOD PROCESSING:

- # Natural farming will be promoted along Ganga river corridor. Promoting chemical free natural farming starting with farmers' lands close to river Ganga.
- # Ken Betwa river linking project worth Rs 44,605 crore announced.
- # Promoting post-harvest value addition, consumption and branding of millet products. 2022-23 has been announced as International Year of Millets.
- # Delivery of Digital and Hi-Tech services to farmers in PPP mode. A wave of technology in agri sector like, Kisan Drones for crop assessment, land records, spraying of insecticides expected to drive.
- # A completely paperless, e-bill system will be launched by ministries for procurement
- # Financial support will be provided to farmers to take up agro-forestry.
- # Launching fund with blended capital to finance agriculture start ups.
- # Govt to pay Rs 2.37 lakh crore towards procurement of wheat and paddy under MSP operations.
- # Railways will develop new products for small farmers and MSMEs.

### **Bullish Looking Stocks:**

AVANTI FEEDS, BALRAMPUR CHINNI,  
DCM SHRIRAM.

#### **Impact: Positive**

If implemented in the right spirits, Union Budget 2022-23's agri-related policies could certainly be a game-changer for the agriculture sector. Agriculture can be transformed with the use of technology and the step towards digitising land records, could significantly help in linking farmers to a lot of businesses, which would mean additional incomes.

## INFRASTRUCTURE:

- # 'Gati Shakti' plan, a massive infrastructure development program to ease the movement of people and goods.
- # The government will expand the national highway network by 25,000 km in 2022-23, under the PM Gati Shakti master plan, to improve connectivity. The ₹100 lakh crore project will incorporate the infrastructure schemes of various ministries and state governments like Bharatmala, Sagarmala, inland waterways, dry/land ports, UDAN etc.
- # 100 cargo terminals in three years.
- # Desh stack e-portal to be launched to promote digital infra.
- # Strategic transfer of ownership of Air India completed now.
- # 2,000 kms to be brought under Kavach by FY 22-23.
- # Four multi-modal national parks contracts will be awarded in Fy23.
- # One product one railway station will be popularised, 400 new Vande Bharat trains to be introduced.

### **Bullish Looking Stocks:**

LARSEN, ADANI PORTS

#### **Impact: Positive**

The Union Budget of 39.45 trillion rupees for the coming fiscal year is focused on stepping up investment on infrastructure and digitalisation to put growth on a firmer footing. The public private partnerships will mark the escalation of economic prosperity. Raising capex target to Rs 7.50 lakh crore is an excellent move.

## ELECTRIC VEHICLES:

With respect to announcements related to electric vehicles, Finance Minister Nirmala Sitharaman in her Budget 2022 speech that the govt will come out with a battery-swapping policy which will develop special mobility zones for Evs.

This step will aim to promote a shift to the use of public transport in urban areas. Along with that special mobility zones with zero fossil fuel policy will also be introduced.

the Finance Minister while presenting the budget for 2022-23 said, "To promote a shift to the use of public transport in urban areas...special mobility zones with zero fossil fuel policy to be introduced...Considering space constraints in urban areas, a 'Battery Swapping Policy' will be brought in,"

Private sector will be encouraged to create sustainable and innovative business models for battery and energy as a service, improving the efficiency in the EV ecosystem

### **Bullish Looking Stocks:**

TATA POWER, ASHOK LEYLAND,  
TATA MOTORS.

#### **Impact: Positive**

The Union Budget 2022-23 lays emphasis on the Battery swapping or battery-as-a-service process as it helps electrical vehicle owners save purchase costs and address shorter range issues. The swapping service is less time consuming and also requires minimum infrastructure compared to charging the battery at a station.

Under the Battery Swapping Policy, the government will roll out battery swapping centres where EV owners will be able to refuel their electric vehicles by replacing exhausted batteries with charged ones. This will also save the time taken during recharging the batteries. Also the charging stations take up a lot of space in urban areas. So this policy will save space too.

## DEFENCE:

Finance Minister Nirmala Sitharaman has said that the government is committed to reduce imports and promote self-reliance in the defence sector. India has earmarked Rs. 1.03 lakh crore or 68% of capital procurement budget in defence will be earmarked for domestic industry in 2022-23 (up from the 58% last fiscal)

Defense R&D will be opened up for industry, startups and academia with 25% of defense R&D budget.

5% of Universal Service Obligation (USO) Fund would be provided for R&D and technology upgradation.

Private industry will be encouraged to take up the design and development of military platforms and equipment in collaboration with DRDO and other organizations through SPV model.

### **Bullish Looking Stocks:**

BEL, BHARAT DYNAMICS, HAL, GRSE,  
PARAS DEFENCE.

### **Impact: Positive**

The Union Budget 2022-23 lays emphasis on reduce imports and promote self-reliance in the defence sector. Government is encouraging private sector in defence equipment manufacturing through Make in India scheme. China-India stand off is still not resolved completely. Digging deeper, India as a country is one of the biggest importer of defence equipment in the world. India's imports, accounts for 14% of global arms imports.

## TELECOMMUNICATION:

- # The governments' vision is that all villages and their residents should have the same access to e-services, communication facilities, and digital resources as urban areas.
- # The government will auction telecom spectrum in 2022, which will facilitate private players to roll out 5G services before March 2023. FM Nirmala Sitharaman stated, "Telecommunication in general, and 5G technology in particular, can enable growth and offer job opportunities".
- # Scheme for design led manufacturing to be launched for 5G ecosystem as part of PLI scheme to enable affordable broadband and mobile communication in rural and remote areas.
- # To enable affordable broadband and mobile service proliferation in rural and remote areas, 5% of annual collections under the Universal Service Obligation Fund (USOF) will be allocated. This will promote R&D and commercialisation of technologies and solutions.
- # Contracts for laying optical fibre in villages to be awarded under BharatNet project under PPP in 2022-23.
- # Data centre and energy storage system to be given infrastructure status; move to provide easy financing.
- # The government will make a capital infusion of ₹44,720 crore in state-owned BSNL in 2022-23
- # According to the Budget documents, the government has lowered its estimates of revenue from the telecom segment to ₹52,806 crore for the upcoming financial year (2022-23).

**Bullish Looking Stocks:**  
BHARTI AIRTEL, VODAFONE IDEA.

### Impact: Positive

The 5G spectrum auction, 100 percent fiberisation with PPP model will provide the required impetus to build upon universal and reliable internet connectivity. India could a major global manufacturing hub on backdrop of design-led initiatives for 5G under the PLI scheme and 5% of USOF for R&D purposes will strengthen the 'Make in India' initiative.



# The best three stocks to buy...

Company	Sector	CMP	Target	Potential Upside	Investment Horizon
EASY TRIP PLANNERS	Travel Services	583	821	41%	9-12 Months
LARSEN	Infrastructure	1991	2501	26%	12-15 Months
TATA POWER	Electric Utilities	250	351	40%	9-12 Months



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