

Post budget analysis of the Union budget

Wednesday,
February 1st 2023



India:
Union Budget
FY 24.

The budget for FY24 will focus on 7 priorities of



• **Inclusive development**



• **Green growth**



• **Reaching the last mile**



• **Youth power**



• **Agriculture and investment**



• **Financial sector**



• **Unleashing potential**

Here are the key takeaways from the budget for 2023-24:

Big Relief Under New Tax Regime The finance minister provided the much-awaited relief to taxpayers by raising slabs. Direct tax proposals:

If you opt for the new tax regime, income of:

- Rs 0-3 lakh will attract nil tax.
- Above Rs 3 lakh and up to Rs 6 lakh to be taxed at 5%.
- Above Rs 6 lakh and up to Rs 9 lakh to be taxed at 10%.
- Above Rs 9 lakh and up to Rs 12 lakh to be taxed at 15%.
- Above Rs 12 lakh and up to Rs 15 lakh to be taxed at 20%.
- Above Rs 15 lakh to be taxed at Rs 30%.
- The surcharge on those earning between Rs 50 lakh and Rs 1 crore from 37% to 25%.



Capex Push Continues with 33% Jump

The finance minister raised capital investment outlay by 33% to Rs 10 lakh crore in FY24, representing 3.3% of the GDP.

The effective capital expenditure of the central government has been pegged at Rs 13.7 lakh crore. Highest capital outlay for the railways stands at Rs 2.40 lakh.

The government will continue 50-year interest-free loans to states for one more year.

Fiscal Consolidation Continues, Borrowings Elevated

Budget was on fiscal consolidation path, pegging the FY24 figure at 5.9% of the GDP. And the government is likely to meet the budget estimate of 6.4% in Fy23.

The government will adhere to the fiscal deficit glide to below 4.5% by 2025-26.

The government is estimated to borrow Rs 15.45 lakh crore via bonds in FY24, with net borrowings at Rs 11.8 lakh crore.

Agri Focus, Farm Credit Target Raised

Agriculture credit target for FY24 has been set at Rs 20 lakh crore, up from Rs 18.5 lakh crore budget estimate for FY23.

Other measures for the sector are:

Atmanirbhar clean plant programme to improve availability of disease-free quality planting material for high-value horticultural crops at an outlay of Rs 2,200 crore.

Indian Institute of Millet Research to be supported as a centre of excellence to boost cultivation.

A sub scheme under PM Matsya Sampada Yojna with an outlay of Rs 6,000 crore will be launched to further enable activities of fishermen.

Rs 35,000 Crore for Transition to Green Energy

Budget 2023 provides Rs 35,000 crore for priority capital investment towards energy transition and net zero objectives and energy security.

Interstate transmission system for evacuation and grid integration of 13 GW renewable energy from Ladakh to be constructed with an outlay of Rs 20,700 crore including central support of Rs 8,300 crore

New Rs 10,000 Crore Fund For Urban Infrastructure

Finance minister proposed to set up an Urban Infra Development Fund with an outlay of Rs 10,000 crore.

The fund will be established to mitigate priority sector lending shortfall to the housing sector.

Credit Guarantee Scheme Gets Rs 9,000 Crore Infusion

The credit guarantee scheme for MSMEs has been revamped with infusion of Rs 9,000 crore.



Subsidies, MGNREGA Outlay Fall In Welfare Cut

The government targets to reduce welfare spends under subsidies and the rural jobs guarantee scheme in FY24.

Food subsidies have been budgeted at Rs 1.97 lakh crore, a decline of 31% from the revised estimate for FY23.

Fertiliser subsidy has been pegged at Rs 1.75 lakh crore, a drop of 22% from the revised estimate for FY23.

Fuel subsidies have been budgeted at Rs 2,257 crore, a fall of 75% from the revised estimate for FY23.

Lowered allocation to the Mahatma Gandhi National Rural Employment Guarantee Act to Rs 60,000 crore.

The estimate for the rural employment guarantee scheme for FY23 has been revised to Rs 89,400 crore, according to budget documents.

66% Jump In PM Awas Yojana Allocation

The overall expenditure outlay for the Pradhan Mantri Awas Yojana or the mission for 'housing for all' has been increased by 66% for the fiscal 2024 to Rs 79,000 crore



Budget 2023-2024 Sector & Impact

Sector	Key Announcements	Impacts
Automobile	<ul style="list-style-type: none"> Customs duty exemption extended on import of equipment to manufacture of lithium-ion cell for electric vehicles (EVs) till 2024. Allocation to faster adoption and manufacturing of EVs (FAME) scheme increased by 78% to Rs 57100 crore. Funds allocated for scrapping & replacing old government vehicles. 	<ul style="list-style-type: none"> Positive for auto companies which manufactures Evs Positive for lithium-ion battery makers. Will boost replacement demand for vehicles and hence its positive for vehicle financiers
BSFI	<ul style="list-style-type: none"> Fiscal deficit target of 6.4% for FY23 to be met and 5.9% target for FY24 is in line with expectation. Income from newly issued high value life insurance policies (excluding ULIPs) w.e.f April 1, 2023 with aggregate premium of above Rs 0.5mn will be taxable. Revamped credit guarantee scheme for MSMEs will take effect from April 1, 2023 through infusion of Rs 9000 crores in the corpus. This will enable additional collateral-free guaranteed credit of Rs 2tn. Further, the cost of the credit will be reduced by about 1%. 	<ul style="list-style-type: none"> Government continuing its path of fiscal consolidation, will keep bond yields under control and will be a relief for the treasury books of banks. Negative for life insurance companies as this will dampen the interest of individuals to buy high value traditional insurance plans. However, it will increase the focus on term plans and pure risk covers. Honourable FM's renewed thrust on new tax regime where deductions u/s 80C and 80D are not allowed, will also impact insurance companies. Will be positive for growth and asset quality of banks and NBFCs in the MSME segment.
FMCG	<ul style="list-style-type: none"> Reduction in customs duty on shrimp feed 15% to 5% to promote exports. Launch a new sub-scheme of PM Matsya Sampada Yojana with targeted investment of Rs 6000 crore to further improve value chain efficiencies, and expand the market. Announcement: NCCD on cigarettes increased by 16%. 	<ul style="list-style-type: none"> Positive for Aquaculture stocks Positive for shrimp manufacturing companies. Negative Impact cigarette manufacturing companies.
Railways	<ul style="list-style-type: none"> Capital outlay of Rs 2.40 lakh crore for railways in FY24 with a focus on construction of new lines, doubling of exiting lines and purchase of rolling stocks. 	<ul style="list-style-type: none"> Positive for railway stocks

Budget 2023-2024 Sector & Impact

Sector	Key Announcements	Impacts
Infrastructure	<ul style="list-style-type: none"> 100 critical transport infra projects for steel, ports, fertiliser, coal, food grain sectors have been identified with an investment of Rs 75,000 crore, including Rs 15,000 crore from private sources. Outlay of Rs 10,000 crore per year set for Urban Infra Development Fund to be established to make up for priority sector lending shortfall. Allocation to Pradhan Mantri Awas Yojana increased from 48000 crores to Rs 79600 crore. Increase in allocation to Har Ghar, Nal Se Jal scheme by 16.7% to Rs 70000 crore. Four multimodal logistics parks through public-private partnership to be awarded. Capex allocation increased by 33% to Rs 10 lakh crore or 3.3% of GDP. 	<ul style="list-style-type: none"> Positive for infrastructure and steel companies. Positive for affordable home construction companies Positive for pipe manufacturing companies Positive for logistic companies Positive for construction firms in road, water, urban development and cement sectors
Electric Equipment	Approval of 13 GW of Ladakh renewable projects involving a capex of Rs 20,700 crore.	<ul style="list-style-type: none"> Positive for transmission Positive for high-voltage direct current players largely
Chemicals & Fertilizers	<ul style="list-style-type: none"> The government has reduced customs duty on basic acid base fluorspar from 5% to 2.5%. Denatured ethyl alcohol exempted from basic custom duty. PM Pranam Scheme will promote the balanced use of fertilisers, reducing subsidy bill. This will encourage use of organic farming and micro fertiliser. Also, one crore farmers will be facilitating to adopt natural farming over the next 3 years. 	<ul style="list-style-type: none"> Positive for fluorine chemistry players. Negative for ethanol suppliers Positive for fertilizer companies Stocks

Budget 2023-2024 Sector & Impact

Sector	Key Announcements	Impacts
Diamond & jewellery	To enhance indigenous production for lab grown diamonds and reduce import dependency, financial support to be provided to IITs for research and development.	Positive for gems and jewellery sector.
Consumer Durables	Reduction on customs duty on open cells used in production of televisions to 2.5% from 5% and reduction in customs duty on import of certain inputs for mobile phone manufacturing.	Positive for television and mobile manufacturing companies
Green Hydrogen & Renewables	Support of Rs 19700 crore to National Green Hydrogen Mission with an aims to reach an annual production of 5 MMT by 2030.	Positive for the pioneers in green hydrogen technology
Telecommunication & technology	100 labs for developing applications for 5G services to be set up.	Positive for telecom and optic fibre companies





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