Union Budget 2022-2023.

A bundle of expectations!

As we write, the good news is that there is growing confidence amongst investors that Omicron could be dashing India into the pandemic endgame.

That's clearly being reflected in the benchmark Nifty's performance which despite last week's disappointing performance is still up 1.52% in January 2022 and is seen flirting with its all-time-highs (just 5% away from 18605 mark).

Of course, the buying on dips are still the preferred investment strategy and the order of the day and most importantly, signalling lots of optimism as after the initial wave of Covid-19 in March 2020 and the Delta variant in the summer gone by, Omicron's threat to economies is seen as less severe.

But what comes next?

Firstly, bulls will pray and hope that with a snap of the fingers —— the virus simply disappears.

And if you are a big investor at Dalal Street, then we bet, your focus will shift to the biggest and the most awaited event of the year which is lined up on Tuesday, 1st of February 2022 at 11AM: Union Budget 2022-2023.

Well, India Budget 2022 comes at a time when the Indian economy appears to be recovering from the financial turmoil caused by the COVID-19 pandemic. But digging deeper, inflation is now seen raging. Actually, in a double whammy for the Indian economy: India's retail inflation rate shot up to a five month high in December to 5.59% and growth in factory output decelerated to a nine-month low in November at 1.4%.

In the U.S too, the key headline inflation hits 7%, the highest since 1982, while core CPI jumps to 5.5% —— cementing Fed's rate hike action.

The markets finally are waking up to the realization that the biggest concern for economies across the globe is inflation. In-fact, to curtain inflation, the Fed is serious about raising rates.

There is heightened speculation on the Fed's rate hike timing after the minutes of the FOMC's December policy meeting revealed that policymakers expect the balance sheet normalization to start sooner after the first rate hike than last time.

The Fed is set to hold its first meeting of the new year on Jan. 26-27.

As of recording the writing, the benchmark 10-year US Treasury bond yield continues to trade at 1.79% -- its strongest level since March 2020.

Union Budget Expectation 2022-23

Sensing concerns of inflation, Foreign institutional investors (FIIs) had turned cautious in the last quarter of 2021 as they sold shares worth Rs. 35,493.59 crores in December month on top of more than Rs 39,900 crore of offloading in November and worth Rs. 25,572.19 crores for the month of October.

Amidst this backdrop, the Finance Minister has the singular responsibility of proving to the big investors across the globe that the Prime Minister Narendra Modi's magic is still on. We suspect, expectations of benefits being doled out in the Union Budget are very high, way higher than those in the previous budget. Hence, the Union Budget has to be a game changer and should definitely represent the reforms that the BJP government had promised to make.

We will spy with one big eye —— if the Budget 2022 retains the thrust on capex-related spending to support growth.

So, from here on all anxious eyes will be on the most powerful and the most important minister in Narendra Modi's cabinet — Finance Minister Nirmala Sitharaman — known for her behind-the-scenes influence over the economic affairs in the country. This upcoming budget will be keenly watched as perma-bulls hope that the finance minister's Budget turns out to be a 'never before' like and most importantly, fuels expectations towards significant reforms which can see BSE Sensex scaling above its recent 62,245.43 points mark milestone.

Yes, Dalal Street will hope to witness a pretty decent blockbuster show. The benchmark Sensex will aim to nicely roll past the ambitious magical 65000 mark for the first time ever!

Honestly speaking, when the benchmarks at Dalal Street get going, it can surprise even the most ardent of Sensex/Nifty bulls. And odds are it's going to go on several more runs like this in the future. Investors' will be eager to pop the corks on the champagne bottles as there is a bright chance that FM Sitharaman's Union Budget 2022 shall be one in a century budget which takes Nifty straight above the 20,000 mark.

The Indian economy, which has logged an important milestone of being the world's 5th largest economy by achieving a size of $3.049 trillion (nominal; 2021 est.), is in the middle of making a very important transition to ready for the next phase of growth. So all anxious eyes will be on how this government turns its words into action. How they walk the talk. The countdown begins and this time investors' would love to have the results.

We suspect, urbanization and technologies are likely to play a key role that should improve efficiency and productivity.

We are sure, bulls must be keen to celebrate their exceptionally good fortune —— Hopefully, FM Sitharaman comes out with flying colors and meets the expectations of the country which takes Indian economy to the top three economic powers in the world over the next 10-15 years.

Union Budget Expectations 2022-2023:

As the countdown for the Union Budget 2022 begins, all eyes are now set on how the Hon'ble Finance Minister's attempts to walk the tightrope to strike a balance and play the role of a catalyst in the unprecedented time of the pandemic crisis. The good news is that the pandemic risks in India is largely capped and most importantly, India has experienced a faster-than-expected pace of economic normalization.

Here are the pre-budget expectations from Finance Minister Nirmala Sitharaman budget 2022 speech:

1. The biggest positive trigger for Dalal Street in the upcoming Union Budget 2022 to be presented on 1st Feb 2022 could be any abolition of Securities Transaction Tax (STT). Market participants will also look forward to re-examination of laws dealing with withholding tax on dividends, withdrawal of LTCG on all equity schemes, removing tax arbitrage between mutual funds and insurance in terms of switching, and clarifying tax aspects on F&O trades.

2. A long fiscal roadmap back to normalcy. The aam janta of India, corporates, industries, multinationals, investors and the world at large will be looking forward to this upcoming Union Budget with optimism and eagerly awaiting 'acche din' on expectations that the budget would be expansionary with the central government's fiscal deficit that could widen to 5.8% or at Rs. 15.2 trillion of GDP —— down from 9.4% in FY21. The street expects the FM to loosen the purse strings by relaxing the deficit target that's likely to print at ~9.3% of GDP in FY2023, necessitating gross market borrowings of Rs. 22.6 trillion.

3. Overall tax revenue growth is expected to be marginally higher than nominal GDP growth at ~15% YoY.

4. The theme of the budget will continue to revolve around COVID-19 (increase in healthcare spending). Extra provisioning for vaccine related costs likely. The government is expected to focus on stepping up spending in priority sectors such as healthcare, the social sector, education and support to sectors like hospitality, retail, aviation, infrastructure, agriculture, construction and housing.

5. The street will spy with one big eye if Nirmala Sitharaman is able to reverse economic downturn caused by COVID-19 which has led to severe financial disruption at both industrial and individual levels. So, commanding attention would be policy measures of Prime Minister Narendra Modi's vision of Aatmanirbhar Bharat (self-reliant India).

6. The government will also look to come out with aggressive policies to emerge as a viable option for foreign firms exiting China. To bolster the theme the Indian government will look to building and strengthening India's supply chain capacity, and most importantly, simplify legislations supported by liberal tax compliance regime. Production linked incentive (PLI) scheme details including investment and production thresholds for the extended sectors are awaited. The PLI scheme is currently extended to several sectors including auto components, telecom and networking

products, advanced chemistry cell batteries, textile, food products, solar modules, white goods, and speciality steel.

7. Ease of doing business is the need of the hour to lure big foreign firms eager to locate in India. The Government should consider curtailing the scope of transactions covered under TDS compliances, relaxations to non-resident taxpayers in return filing compliances where taxes have been appropriately withheld and provide clarifications on certain vexed issues particularly on the new charge of Equalisation levy and TDS/TCS provisions on e-commerce and also abolish applicability of Income Computation and Disclosure Standards. The industry needs efficient and sustained incentive policies to create a viable investment environment. The government should expedite and bring more clarity on PLI, PMP and FTP in the Union Budget.

8. Commanding attention would be revival of the economy especially thru employment creation especially for less-skilled workers, to boost income and demand. Creation of jobs is of paramount importance to revive the growth engine of India. We suspect, the government will give sops to laborintensive industries like construction, housing, road-building and irrigation.

9. On backdrop of the pandemic, schemes such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) will also get the desired attention and then fertiliser subsidies etc. are likely to see an increase in allocation.

10. The budget should go a long way in doubling farmers' income by addressing incentives for the fertilizers, more thrust on irrigation, food processing, logistics, and most importantly on the research & development. The key expectations of farmers are export curbs such as the imposition of minimum export price, a quantitative limit on shipment, export duty, and an outright ban tend to negatively impact farmers' incomes. The street will also spy with one big eye on the ongoing farmer protests against the introduced new farm laws. Commanding attention would be the government's commitment towards minimum support prices. We expect spending on rural schemes to remain largely unchanged from Budget 2021, although actual spending in FY22 will be higher than budgeted.

11. The organizations which have remained inoperative on backdrop of COIVD-19 nationwide lockdown; and continued to pay the salary to their employee during the partial lockdown should be eligible for additional deduction i.e. 150% to 200% of the salaries paid during the nationwide lockdown as an incentive for enduring employment.

12. The new normal these days are 'Work-from-home'. The budget should introduce standard deduction for additional expenditure incurred by salaried class to meet communication and infrastructure requirements. Also, the Government should consider increasing the limit of interest deduction paid on home loan as the pandemic has accelerated demand for bigger new homes to accommodate working space. So, incentives to support the real estate sector may include higher tax exemptions on interest and principal payments on housing loans. This will help the real estate sector immensely.

13. To propel growth, the government will focus on making credit available easily, thereby boosting economic growth and households' savings in the long run.

14. It has been seen that there is a disparity in the pace of recovery between the organized and unorganized sectors indicating some serious policy support in the upcoming budget to those industries which are lagging to recoup.

15. The budget could address the issue pertaining to collection of GST payments from MSME's on cash basis instead of accrual or bill basis to reduce working capital crunches.

16. Disinvestment revenue is likely to be Rs. 1.75tn in FY23; factoring in divestment of ~Rs1tn in FY22, assuming the LIC divestment goes through. The street will eventually look to the strategic disinvestment in four public sector enterprises — Minerals & Metals Trading Corporation, National Mineral Development Corporation, MECON & Bharat Heavy Electricals. These disinvestments will be an avenue to fill the government's coffers and make the fiscal math easier for Hon'ble Finance Minister Sitharaman. Meanwhile, the Cabinet Committee on Economic Affairs has also given "in-principle" nod for all the four public sector enterprises.

17. The Auto sector will anxiously look forward to reduction in GST rates that makes costs more competitive amid sharp rise in vehicle prices over the last 2 years. Also, all eyes will be on the roadmap for scrapping old vehicles and most importantly, on the sops for electric vehicle industry.

18. Lastly, the budget 2022-23 will most likely increase expenditure on infrastructure to recover the economy and generate more employment. To make capital readily available for large infrastructure spending, the government may announce a special nationalised bank to finance infrastructure. Setting up Development Finance Institutions (DFIs) to finance greenfield projects. The main purpose of the bank will be to finance National Infrastructure Pipeline (NIP), which is a mega investment worth Rs. 111 lakh crore, and it will play a main role in facilitating easy and longterm loans to infrastructure projects.

What Technical Tells Us on Nifty: The technical landscape of Nifty continues to be positive on backdrop of sequence of higher high/lows. The 'buy-on-dips' mentality should continue. Key supports are at psychological 15,000 mark. The prospects of Nifty's building on above 18605 (Nifty's all-time-high hurdle) is quite bright. Yes, please note, please note positive bias as long as Nifty is trading above its make-or-break support area at 15000 mark with immediate targets at 19,000 mark and then logical targets seen at 20,000 mark.

Best Stocks to buy before Union Budget 2022-2023: We suspect, sectors which are expected to flourish post budget are Infrastructure, defense and manufacturing. It is also likely that the Government may announce major projects for national highways, railways, rural roads, housing etc. Tax sops also likely for manufacturing sector in budget.

Our best plays for Union Budget 2022-2023 are:

Company	Sector	CMP	Target	Potential Upside	Investment Horizon
ORIENT CEMENT	Cement	170	207.50	22%	12-15 Months
EASY TRIP PLANNERS	Travel Services	568	821	45%	9-12 Months
NAZARA TECHNOLOGIES	IT Software	2512	3501	39%	12-15 Months
LINDE INDIA	Industrial Gases	2774	3251	26%	6-9 Months
SBI	Banks	503	571	14%	12-15 Months

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Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.