

Highlights of Union Budget for 2020-21

The Union Budget was announced on Saturday. While realistic revenue budgeting was a pleasant surprise, the thrust on capital expenditure seems unabated, which is welcome. However, the Budget relegated immediate growth concerns to the background, with little focus on lifting stresses.

Let's Have a look at the numbers:

A) FY20 EXPECTED NUMBERS BY GOVERNMENT

- * Net market borrowing pegged at 4.99 trln rupees
- * Fiscal deficit seen at 3.8% of GDP
- * Receipts 19.32 trln rupees
- * Spending revised to 26.99 trln rupees

B) FISCAL HEALTH

- * Expected tax buoyancy will take time
- * Good part of govt borrowing to be used for capex
- * Fully provided for all flagship schemes of govt
- * To activate FRBM Act escape clause on structural reforms
- * Fundamentals of economy strong
- * Centre's debt down to 48.7% of GDP Mar 2019 vs 52.2% Mar 2014

C) GROWTH AND INFLATION NUMBER GAME

- * India now 5th largest economy in the world
- * FY14-19 average GDP growth 7.4%
- * Financial structure must keep evolving to become \$5-trln economy
- * Stable, predictable business environment a key objective
- * Reliable, robust, clean financial sector critical for economy

D) DIRECT TAX

- * Looking at inverted duty structure under GST
- * Introducing Aadhaar-based verification for indirect taxes
- * Instant allotment of PAN on basis of Aadhaar
- * To amend Income Tax Act to help merged PSU banks to absorb losses
- * To waive interest on tax disputes if amount paid by Mar 31

- * Propose scheme to settle old direct tax cases
- * To amend laws to allow faceless tax appeals
- * Propose to abolish dividend distribution tax
- * Dividend to be taxed only in hands of recipient
- * Revenue forgone on dividend distribution tax 250 bln rupees
- * To review, rationalise tax exemptions over next few years
- * New power cos to attract 15% corporate tax
- * Cooperatives can be taxed at 22% without exemptions
- * Concessional 4% withholding tax on bonds listed in GIFT City
- * Proposes some tax sops on ESOPs of staff at startups
- * Deferring tax payment on sale of ESOP for 5 yrs in start-ups
- * Concessional 5% withholding tax extended to municipal bonds
- * Can avail new tax rates if not availing some exemptions
- * Tax holiday for affordable housing extended by 1 year
- * Turnover threshold for audit of MSMEs hiked to 50 mln rupees
- * Tax on income above 1.5 mln rupees at 30%
- * Person with income of 1.5 mln rupees to get 78,000-rupee relief
- * No tax on income below 500,000 rupees
- * Cut tax on income of 1.25-1.50 mln rupees to 25%
- * Cut tax on income of 1.00-1.25 mln rupees to 20%
- * Cut tax on income of 750,000-1 mln rupees to 15%
- * Cut tax on income of 500,000-750,000 rupees to 10%
- * New direct tax scheme optional for taxpayers
- * Large benefits for taxpayers under new direct tax regime
- * Propose to significantly reduce income tax in new regime
- * To bring simplified personal income tax regime
- * Tax proposals to bring ease of compliance, reduce litigation
- * Tax proposals focused on stimulating growth
- * Want to enshrine taxpayers' charter into statute
- * Tax harassment can't be tolerated
- * 100% tax exemption on sovereign wealth funds' infra investment
- * Removed 70 of 100 income tax exemptions in new regime
- * Revenue foregone on income tax cut at 400 bln rupees/year

E) INDIRECT TAX

- * Propose nominal health cess on import of medical devices
- * Customs duty on footwear, furniture raised
- * To review remaining customs duty exemptions
- * Some customs duty exemptions being withdrawn
- * To review rules of origin for imports under free trade deal
- * Amending laws to ensure no undue gains for imports under FTA
- * To transfer FY17, FY18 cess balance to GST compensation fund
- * GST compensation to states to be limited to cess collection
- * GST helped add 6 mln tax payers in 4 years
- * Average household saves 4% of monthly spend due to GST
- * Effective tax for all commodities came down due to GST
- * GST did face certain challenges
- * Turnaround time for trucks cut by 20% due to GST
- * Inspector Raj has vanished due to GST
- * GST has resulted in efficiency gains
- * GST has been gradually maturing
- * GST has facilitated formalisation of economy
- * GST extended 1-trln-rupee benefit annually to consumers

F) REFORMS

- * Accepted substantial recommendations of 15th finance panel
- * To improve quality of life through national infra pipeline
- * Already provided 220 bln rupees for national infrastructure pipeline
- * To encourage states to follow model laws made by Centre

Now let's have a sector wise outlook of Budget provisions:

A) FINANCIAL SECTOR, STOCK MARKETS

- * Propose to divest LIC via IPO
- * GIFT City to set up international bullion exchange
- * To enhance credit guarantee scheme for NBFCs
- * To allow NRIs to buy certain govt securities
- * To float new debt ETF comprising primarily of gilts

- * Some gilts to be completely available to overseas investors
- * FPI limit in corporate bonds to be raised to 15% from 9%
- * To amend Factoring Regulation Act to cover NBFCs
- * Asked RBI to mull extending MSME recast window by 1 more year
- * Encourage PSU banks to approach capital mkt for fund raising
- * Have robust system to check health of scheduled commercial banks
- * To amend Banking Regulation Act to strengthen co-op banks
- * "Depositors money absolutely safe"
- * Deposit insurance cover hiked to 500,000 rupee/depositor
- * To sell govt stake in IDBI Bank to private investors
- * FY14-19 saw twin focus on structural reforms, inclusive growth
- * Banks saw clean-up, recapitalisation during FY14-19
- * Aim for seamless delivery of svcs via digital governance
- * Recognise need to support energised spirit of entrepreneurs
- * Note there is global discussion on monetary policy efficacy
- * To carry out governance reforms in PSU banks
- * To mull strengthening National Contracts Act
- * Propose new national policy on national statistics
- * To ensure civil offence has no criminal penalty in Cos Act

B) INFRASTRUCTURE

- * Allocate 273 bln rupees in FY21 to develop commerce, industry
- * To allot 14.8 bln rupees on national technical textile mission
- * Plan project preparation facility for infra pipeline
- * India needs to boost domestic manufacturing
- * To launch new export credit scheme NIRVIK
- * NIRVIK to have higher insurance cover, lower premiums
- * NIRVIK scheme for small exporters
- * Moot new manufacturing scheme for medical devices
- * Need to boost manufacturing of electronic items in India
- * Scheme for mobile phone manufacture, semiconductor packaging
- * Scheme also for electronic equipment manufacturing
- * Plan five new smart cities via PPP mode

- * Propose to set up an investment clearance cell
- * Investment clearance cell to work through a portal
- * To create single window for e-logistics market
- * To soon release national logistics policy
- * To digitally refund duties to exporters
- * All ministries to issue quality standard orders
- * Propose 1.7 trln rupees for transport infra FY21
- * To seek external funds for Bengaluru suburban rail network
- * To develop 100 more airports by 2024 to support UDAAN scheme
- * To mull listing at least 1 key port on bourses
- * Plan more Tejas-type trains to connect tourist locations
- * Moot large solar capacity alongside tracks on railway land
- * To actively pursue Mumbai-Ahmedabad high-speed train
- * Aim to achieve 27,000 km electrification for railway tracks
- * Need commercialisation of highways for NHAI to raise funds
- * To monetise over 12 lots of highway bundles before 2024
- * Delhi-Mumbai expressway to be completed by 2023
- * To start Chennai-Bengaluru Expressway
- * Allocate 220 bln rupees for power, renewable sector in Fy21
- * To expand national gas grid to reach 27,000 km
- * To announce more reforms for transparent price discovery in gas
- * To develop Bengaluru city rail network for 186 bln rupees
- * Intend to promote pre-paid smart electricity metering
- * 100,000 gram panchayats to be linked with Bharat Net this year
- * Propose 60 bln rupees for Bharat Net programme in Fy21
- * Policy to enable pvt sector to set up data centre parks
- * Moots 80 bln rupees for quantum technology plan for 5 years
- * Two national-level science schemes to map India genetic landscape
- * Propose 25 bln rupees to promote tourism in Fy21
- * To provide 31.5 bln rupees for culture ministry in FY21
- * Propose to set up tribal museum in Ranchi
- * Propose 44 bln rupees for clean air in Fy21
- * Advised to shut thermal power units if emission above limit

- * Propose to set up national recruitment agency
- * Propose national recruitment agency for non-gazetted posts
- * To decriminalise some norm violations under Companies Act
- * To set up international bullion exchange in GIFT City

C) AGRICULTURE

- * Agri services need copious investments
- * Farm markets need to be liberalised
- * To unveil 16 action plans to focus on farm sector
- * Committed to doubling farmers' income by 2022
- * To help 1.5 mln farmers to solarise grid connected pump sets
- * Solar power from farms to be sent to grids
- * Expanding KUSUM plan to 2 mln farmers for solar powered pumps
- * Provided energy sovereignty through KUSUM scheme
- * Moot comprehensive steps for 100 water stressed districts
- * Rural road plan, fincl inclusion helped raise farm income
- * To launch Krishi Udaan scheme for domestic, global routes
- * Krishi Udaan to help value realisation in tribal areas
- * Krishi Udaan to help value realisation in northeast
- * Railways to form kisan rail for perishable cold supply chain
- * Kisan rail for perishables' cold supply chain through PPP
- * Viability gap funding for warehousing at block, taluk levels
- * NABARD to map, geo-tag farm warehouses, cold storage
- * To further strengthen NABARD refinance
- * Must change regime incentivising excessive chemical fertiliser use
- * To have framework for development, mgmt of marine resources
- * To raise fish output to 20 mln tn by Fy23
- * Target 500 fish farmer producer organisations
- * To double milk processing capacity to 108 mln tn by 2025
- * MGNREGA to be used to develop fodder farms
- * To expand NABARD refinance scheme to NBFCs, co-operatives
- * Negotiable warehousing receipts to be integrated with e-NAM
- * Give support to states for cluster-based horticulture farm

- * Agri credit target for FY21 set at 15 trln rupees
- * To strengthen online national farm products market
- * Zero-budget farming is govt's focus area
- * To support states adopting 'one fruit for one district' plan
- * Integrated farming systems in rain-fed areas to be expanded
- * To set up warehouse regulatory, development authority
- * Allocation for farm, irrigation, rural development 2.83 trln rupee
- * Farmer Producer Organisation to now include fish farmers

FY21 FUND ALLOCATIONS

- * Allocate 993 bln rupees for education sector in Fy21
- * Jal Jeevan Mission allocation 115 bln rupees in Fy21
- * Swachh Bharat Mission allocation 123 bln rupees in Fy21
- * Govt scaled up programmes that aided poor, underprivileged
- * Hope to address hopes, aspirations of youth, women, SC/STs
- * Govt committed to serve people with humility
- * 271 mln people out of poverty
- * Strive to bring ease of living for every citizen
- * A caring society, humane and compassionate, a Budget theme
- * Economic development for all a theme for the Budget
- * Antyodaya an article of faith
- * Aspirational India a theme for the Budget
- * To use proceeds from tax on medical devices for health infra
- * Viability gap funding via PPP for setting up hospitals
- * Allocate 1.23 trln rupees for rural development
- * Indradhanush plan expanded to cover 12 new diseases
- * To eradicate tuberculosis by 2025
- * New education policy to be announced soon
- * Holding talks with states on new education policy
- * Want India to be preferred destination for higher education
- * Moots 1-year internship for engineers by urban local bodies
- * To take steps to enable FX borrow, FDI for education sector
- * India to have largest working population in world by 2030

- * Propose bridge courses for nurses, teachers for jobs abroad
- * Viability gap funding for medical college-local hospital link
- * Plan to attach medical college to district hospital via PPP
- * To set up national police varsity, forensic varsity
- * To have graduate-level online education plan for poor
- * Allocate 95 bln rupees for senior citizens, handicapped Fy21
- * To provide 537 bln rupees for programmes for STs in Fy21
- * To allocate 850 bln rupees for schemes for SCs, OBCs in Fy21
- * To provide 286 bln rupees for women-specific plans in Fy21
- * Propose 356 bln rupees for nutrition-related plans in Fy21
- * Identified tech for eliminating manual cleaning of sewers

MISCELLANEOUS

- * National security top priority
- * "Wealth creators will be respected in this country"
- * To host G20 presidency in 2022
- * To allot 1 bln rupees for hosting G20 Summit in 2022
- * To provide 307.6 bln rupees for J&K, Ladakh in FY21
- * Five archaeological sites to be developed as iconic sites
- * Aim to set up Indian Institute of Heritage and Conservation
- * FY21 Budget woven around three themes
- * Wish to open up vistas for vibrant economy
- * To boost income, enhance purchasing power
- * People have reposed faith in our economic policy
- * PM Modi received massive mandate for economic stability
- * Sitharaman tables Finance Commission's report for FY21
- * Sitharaman skips rest of the speech after feeling uneasy



Mehta Equities Ltd

903, 9th Floor, Lodha Supremus, Dr. E. Moses Road,
Adjacent to Konark Empress Building,
Worli Naka, Worli, Mumbai - 400018

info@mehtagroup.in

For Grievances

grievance@mehtagroup.in

T : +91 22 61507101

F : +91 22 61507102

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