

**Asit C. Mehta**  
INVESTMENT INTERMEDIATES LTD.

# UNION BUDGET 2020-21 REVIEW



## Union Budget 2020-21 Review

Finance Minister Nirmala Sitharaman presented the Union Budget 2020-2021 with longest speech. The Prominent themes of the Budget are Aspirational India, Economic Development and Caring Society. The Budget focuses on Agriculture, Irrigation, Rural development, Wellness, Water, Sanitation, Infrastructure, New Economy, Women and child, Social Welfare, Culture and Tourism, Environment and Climate Change, Structural reforms, Digital Revolution and Financial Sector. FM said this budget is for people of India to boost their incomes and enhance their purchasing power. The FY21 Divestment target said to be Rs.2.1Lakh Cr vs FY20 target of Rs.1.05 Lakh Cr. Also the Revised FY20 Fiscal Deficit to 3.8% from 3.3% & FY21 Fiscal Deficit target at 3.5% OF GDP.

### Budget Estimates (INR Cr)

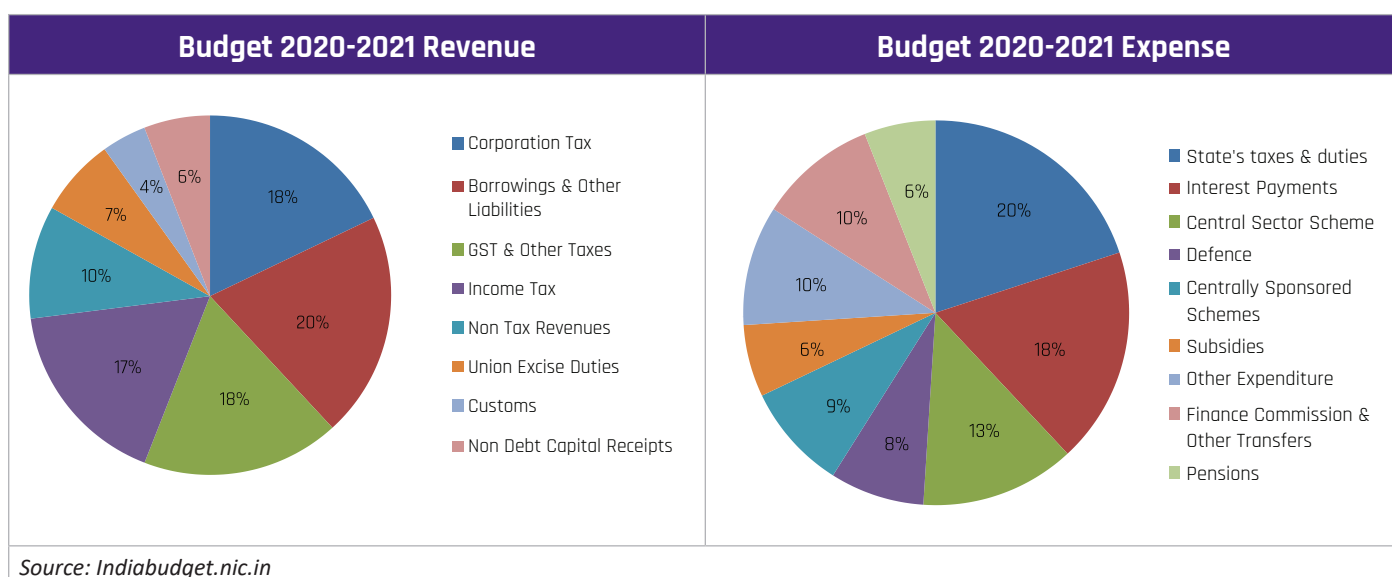
Particulars	BE 2019-2020	RE 2019-2020	BE 2020-2021
Revenue Receipts	1962761	1850101	2020926
Capital Receipts	119828	81605	224967
<b>Total Receipts</b>	<b>2082589</b>	<b>1931706</b>	<b>2245893</b>
Revenue Expenditure	2447780	2349645	2630145
Capital Expenditure	338569	348907	412085
<b>Total Expenditure</b>	<b>2786349</b>	<b>2698552</b>	<b>3042230</b>
<b>Fiscal Deficit</b>	<b>703760</b>	<b>766846</b>	<b>796337</b>
<b>Fiscal Deficit (% of GDP)</b>	<b>3.3</b>	<b>3.8</b>	<b>3.5</b>

Source: [indiabudget.nic.in](http://indiabudget.nic.in)

### Major Sector Expenditure (INR Cr)

Sectors	BE 2019-2020	RE 2019-2020	BE 2020-2021
Agriculture & Allied Activities	151518	120835	154775
Education	94854	94854	99312
Health	64999	63830	67484
Rural Development	140762	143409	144817
Social Welfare	50850	48210	53876
Transport	157437	158207	169637
Urban development	48032	42267	50040

Source: [indiabudget.nic.in](http://indiabudget.nic.in)



## Sector highlights of Union Budget 2020-21

### Agriculture

- A budget allocation of Rs.2.83 lakh Cr for the sector comprising agriculture and allied activities.
- Agri-credit availability set at Rs.15 lakh Cr for 2020-21.
- To double farmers' incomes by 2020.
- To expand fisheries and create 500 fish farmer producer organizations : **Positive for Avanti Feeds, Apex Frozen Foods and Waterbase.**
- Kisaan Rail to be launched by ministry of railway to setup refrigerated coaches for perishable goods and the government will provide viability gap funding for warehousing : **Positive for Concor.**
- Proposals to help farmers set-up standalone solar pumps : **Positive for Shakti Pump.**

### Economy and Finance

- Government plans to amend the Companies Act to decriminalise civil offences.
- Bank deposit insurance cover had been increased from Rs.1 lakh to Rs.5 lakh per depositor: **Negative for All Banks.**
- FY21 Divestment target said to be Rs.2.1Lakh Cr vs FY20 target of Rs.1.05 Lakh Cr.
- Government to sell part of its stake in LIC via public offering.

### Electronics Manufacturing

- A scheme to boost mobile, electronic manufacturing and semi-conductor packaging under the theme of economic development: **Positive for Dixon Technologies, Amber Enterprises.**

### Fertilizer

- To limit use of chemical fertilizers with a change in incentives: **Negative for Chambal Fertilizer, Mangalore Chemicals & Fertilizers, Madras Fertilizers.**
- A renewed focus on zero-budget farming

### Health and Sanitation

- An allocation of Rs.69, 000 Cr for the health sector.
- Expand Jan Aushadhi scheme to provide for all hospitals under Ayushman Bharat by 2025.
- Proposal to set up hospitals in Tier-II and Tier-III cities with the private sector using PPP: **Positive for Apollo Hospital, Narayan.**

### IT Firms

- To allow the private sector to build data center parks : **Positive for TCS, Infosys, Wipro, HCL Technologies, Tech Mahindra, LTI, Mindtree, Persistent, and Hexaware.**

### Online Educators

- The establishment of degree-level, fully-fledged online education programs to be offered by institutions who are ranked within the top 100 in the national institution ranking framework : **Positive for NIIT.**

### Pipeline & City Gas Suppliers

- To Expand national gas grid to 27,000 Km from 16,200 Km : **Positive for IGL, MGL, and Gujarat Gas.**

### Telcos

- One lakh gram panchayat to be linked with Bharat Net to bring broadband to villages.
- The government plans to provide 60 billion rupees for the project : **Positive for Reliance Industries, HFCL , Sterlite Technologies, Vindhya Telelinks**

## Transport Infrastructure

- 100 more airports will be developed by 2024 to support UDAN scheme : **Positive for GMR Infra.**
- Allocation of Rs.1.7 trillion for transport infrastructure that includes the accelerated development of highways and plans to monetize 12 lots of highway bundles of 6000Kms by 2024 : **Positive for Larsen & Toubro, KNR Constructions and IRB Infra.**

## Water

- The plan to provide piped water across Indian households by 2024 -- with 3.6 trillion rupees in funding.
- Jal Jeevan Mission allocation Rs.115 billion rupees in FY21 : **Positive for VA Tech Wabag.**

## Other Key announcement

- To sell government stake in IDBI bank to private bank.
- Milk processing capacity to be doubled by 2025.
- New Education Policy should be announced soon to look for funding via ECB, FDI for education.
- Allocation of Rs.27300Cr for development and promotion of industry and commerce for FY 2020 21.
- More Tejas like trains for iconic tourist destinations.
- Allocate Rs.22,000cr to power & renewable sector.
- Rs.8000Cr allocated over 5 years for National mission for Quantum Technology.
- Propose to provide 35,600 Cr to Nutritional related programme for FY 21.
- Allotment of Rs.85000Cr proposed for scheduled caste and other backward classes.
- Rs.3100cr allocated for Ministry of Culture in FY21.
- Rs.2500 Cr allocated for tourism promotion in FY 21.
- FDI limit in corporate bonds increased from 9% to 15%.

## Direct Tax

Individual earning up to Rs. 5 lakh shall not pay any tax either in the old regime or in the new regime.

### New Income tax Slab (new regime):

Total Income (Rs)*	Rate (%)
Upto 2,50,000	Nil
From 2,50,001 to 5,00,000	5
From 5,00,001 to 7,50,000	10
From 7,50,001 to 10,00,000	15
From 10,00,001 to 12,50,000	20
From 12,50,001 to 15,00,000	25
Above 15,00,000	30

Note\*: New Income Tax slabs shall be optional. No exemptions if you want to avail new rates.

**Dividend Distribution Tax:** Dividend Distribution Tax removed, companies will not be required to pay DDT; dividend to be taxed only at the hands of recipients, at applicable rates : **Positive for Colgate, HUL, Castrol, Coal India, ONGC.**

## Indirect Tax

Particulars	Impact	Stock in Focus
Increase of custom duty on Footwear from 25% to 35% and other Parts of footwear from 15 % to 20%	Positive for Footwear manufacturers	Bata, Relaxo
Decrease of custom duty on Newsprint, Uncoated paper used for newspapers & Lightweight coated paper used for magazines from 10% to 5%	Positive for Media companies	D B corp, HT Media, Jagran Prakashan
Increase of custom duty on Electrical Appliances from 10% to 20%	Positive for Electrical equipment manufacturer	Havells, Bajaj Electical, Orient Electric
Increase of custom duty on Completely Built Units of Electric Bus and Trucks from 25% to 40% and Increase of custom duty on commercial vehicles from 30% to 40%	Positive for Commercial Auto manufacturer	Ashok Leyland, Tata Motors
Increase in National Calamity Contingent duty(duty of excise) on Cigarettes and tobacco products from 45% to 60%.	Negative for Cigarettes manufacturer	ITC, Goldfrey Phillips

Source: [indiabudget.nic.in](http://indiabudget.nic.in), ACMIIL Research

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