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BY ASIT C. MEHTA INVESTMENT INTERMEDIATES LTD.



# 2021-22 UNION BUDGET REVIEW

## Union Budget 2021-22 Review

Finance Minister Nirmala Sitharaman presented the Union Budget 2021-2022 based on six focus area. The six pillars as per FM Sitharaman include Health and wellbeing, physical & financial capital and infrastructure, inclusive development for aspirational India, reinvigorating human capital, innovation and R&D, and minimum govt and maximum governance. This Budget assumes greater significance as it comes amid the novel coronavirus pandemic, which has led to massive economic disruption in India and around the world. The Union Budget came out with a host of demand-side measures, with an intention to create jobs primarily through big infrastructure announcements. Overall the budget is better for the Economy which majorly focuses on capital expenditure towards sectors like infrastructure, power and health sector which will boost employment and infrastructure development.

### Budget Estimates (INR Cr)

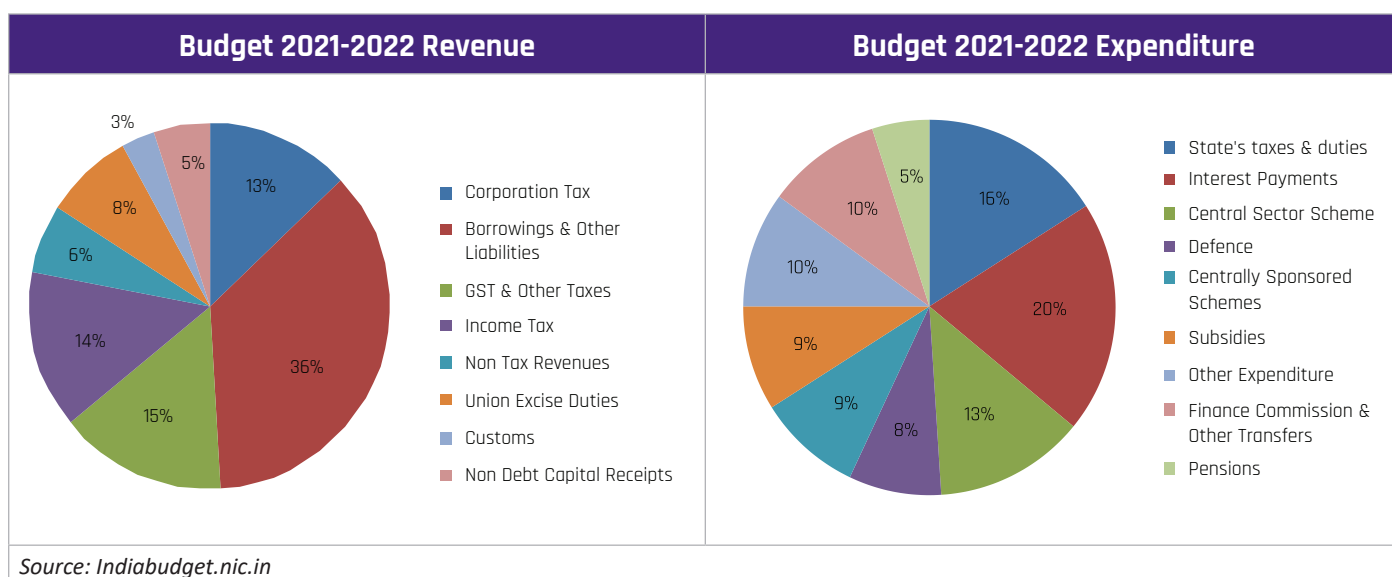
Particulars	BE 2020-2021	RE 2020-2021	BE 2021-2022
Revenue Receipts	2020926	1555153	1788424
Capital Receipts	224967	46497	188000
<b>Total Receipts</b>	<b>2245893</b>	<b>1601650</b>	<b>1976424</b>
Revenue Expenditure	2630145	3011142	2929000
Capital Expenditure	412085	439163	554236
<b>Total Expenditure</b>	<b>3042230</b>	<b>3450305</b>	<b>3483236</b>
<b>Fiscal Deficit</b>	<b>796337</b>	<b>1848655</b>	<b>1506812</b>
<b>Fiscal Deficit (% of GDP)</b>	<b>3.5</b>	<b>9.5</b>	<b>6.8</b>

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

### Major Sector Expenditure (INR Cr)

Sectors	BE 2020-2021	RE 2020-2021	BE 2021-2022
Agriculture & Allied Activities	154775	145355	148301
Education	99312	85089	93224
Health	67484	82445	74602
Rural Development	144817	216342	194633
Social Welfare	53876	39629	48460
Transport	169537	218622	233083
Urban development	50040	46791	54581

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



## Sector Highlights of Union Budget 2021-22

### Automobiles

- A voluntary scrappage policy for vehicles to be launched, aimed at reducing vehicular pollution.
- Vehicles to undergo fitness test after 20 years for personal vehicles, 15 years for commercial vehicles.
- Rs. 18,000 crore provided to support bus transport scheme.

**Positive for Ashok Leyland, Tata Motors, Mahindra & Mahindra, Maruti, HeroMotoCorp, Eicher Motor.**

### Banks & Financial Services

- To provide Rs.20,000 crore in FY22 for recapitalisation of public sector banks.
- To set up an asset management company up for stressed asset management of public sector banks.

**Positive for PSU companies: SBI, Bank of Baroda, PNB etc.**

### Construction

- Outlay of Rs.1.18 Lakh Crore For Ministry Of Road Transport And Highways.
- To set up a Development Financial Institution with an initial capital of Rs.20,000 crore.
- A national monetizing pipeline for brownfield assets will be set up.
- NHAI and PGCIL have sponsored 1 InvIT each, to attract foreign investors.
- 5 operational roads with est. enterprise value of Rs 5,000 cr being transferred to NHAI InvIT.
- Transmission assets worth Rs 7,000 crore to be transferred to PGCIL InvIT.

**Positive for KNR Constructions, Sadbhav Engineering, Ashoka Buildcon.**

### Health and Sanitation

- Government to Spend Rs.64,180 Crore on healthcare over six years.
- Government to Spend Rs.1.41 Lakh Crore for Urban Clean India Mission.
- Integrated public health labs to be set up in each district, 3,382 block public health units in 11 states.

**Positive for Apollo Hospital, Dr. Lal pathlab, Metropolis, VA Tech Wabag.**

### Infrastructure

- Capital expenditure will exceed FY21 BE of Rs.4.21 lakh crore. Revised estimate stands at Rs 4.39 lakh crore.
- FY22 capital expenditure pegged at Rs 5.54 lakh crore (up 34.5%).

**Positive for L & T, Ultra Tech Cement, ACC, Ambuja.**

### Insurance

- To amend Insurance Act, 1938 to increase FDI limit from 49% to 74% in insurance companies, and allow foreign ownership and control with safeguards.

**Positive for SBI Life, HDFC life, ICICI Pru life, Max Financial Services, ICICI Lombard.**

### Pipeline & City Gas Suppliers

- To add 100 more cities to the City Gas Distribution network.
- An independent gas transport system operator to be set up.

**Positive for IGL, MGL.**

### Railway

- To provide Rs.1.1 lakh crore to Indian Railways in FY22 of which Rs 1.07 lakh crore is for capital expenditure.

**Positive for RITES, IRCON, RVNL, IRFC, IRCTC, KEC International.**

## Ship Building and Ports

- Government to Double Ship Recycling Capacity by 2024.
- Seven port projects worth more than Rs 20,000 crore will be undertaken in FY22 via PPP.

### Positive for Cochin Shipyard, Adani Ports.

## Textiles

- The establishment of seven mega textile parks to be launched in three years.

### Positive for Century Textiles, Raymond, Trident, Arvind.

## Other Key announcement

- Government sets aside Rs.35,000 Crore For Covid-19 Vaccine In FY22.
- Ujjwala Scheme to be extended to cover 1 crore more beneficiaries.
- To privatise two public sector banks, along with IDBI Bank.
- Government to Launch Initial Public Offering for Life Insurance Corp of India.
- Government sets agriculture credit target of Rs 16.5 lakh crore for FY22.
- India to launch Deep Ocean Mission, with allocation of Rs 4,000 crore over 4 years.
- The government of India has set aside Rs 15,700 crore for medium and small enterprises in FY22 -- double of what was budgeted in the previous fiscal.
- The central government aims to garner Rs 1.75 lakh crore through divestments in 2021-22.
- FY21: Fiscal deficit seen at 9.5% of GDP.
- FY22: Fiscal deficit seen at 6.8% of GDP.
- FY22: Market borrowing seen at Rs 12 lakh crore.

## Direct Tax

- No change in the income tax slabs for individuals & company.
- Senior citizens above 75 years of age with only interest income and Pension will not have to file income tax returns.
- To reduce time limit for reopening of tax records to three years from six years.
- Tax holidays for startups extended by one year, till 31st March 2022.
- To extend eligibility of provision for additional deduction of Rs 1.5 lakh for loans taken to purchase affordable housing by one more year.

## Indirect Tax

Particulars	Impact	Stock in Focus
Decrease of custom duty on Gold and Silver reduce from 12.5% to 7.5%*	Positive for Jewellery and gold finance company.	Titan, Manappuram Finance, Muthoot Finance.
Decrease of custom duty on Components or parts, including engines, for manufacture of aircrafts by Public Sector Units of Ministry of Defence from 2.5% to 0%	Positive for Defence PSU companies.	Hindustan Aeronautics.
Exempting duty on steel scrap till March 2022.	Positive for Steel manufactures.	Jindal Steel, Jindal Stainless (Hisar).
<b>Other Changes in Custom duty</b>		
Raising customs duty on some auto parts to 15%.		
To raise customs duty on cotton from 0% to 10%, on raw silk and silk yarn from 10% to 15%.		

\* to attract Agriculture Infrastructure and development Cess at the rate of 2.5%.

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

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