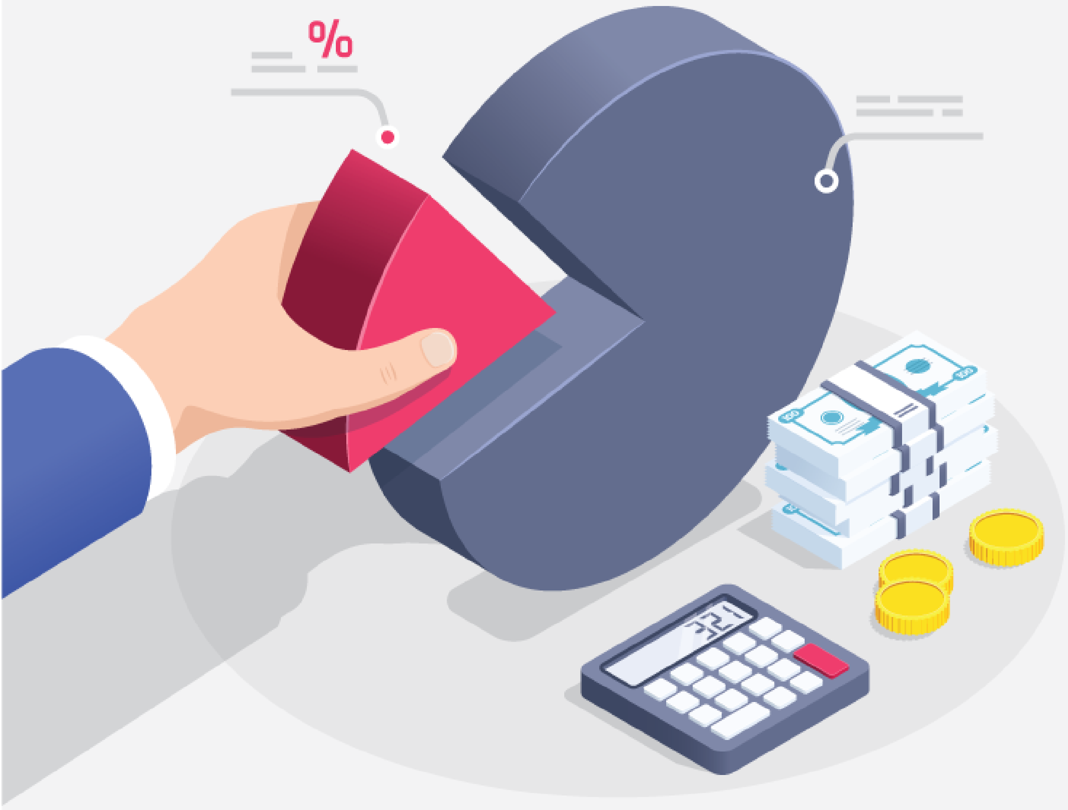
AXIS SECURITIES



Nivesh utsav

Presents

PRE-BUDGET EXPECTATIONS 2022-23

Focus Expected To Be On Stimulating Growth Through Higher government Spending

The impact of the Union budget on the equity market has reduced notably over the past few years with the government undertaking most of the reforms outside the purview of the Budget. Nonetheless, market participants continue to view the budget as a catalyst stimulating growth. This time around, the Union budget 2022-23 has gained utmost importance as the advent of new Covid-19 variants has posed a short term risk to the faster economic recovery along with pushing volatility at high levels. On a positive note, The fiscal situation for FY22 appears manageable in light of a positive surprise seen in the tax revenue with buoyant collection in the last few months. At this juncture, the Union Budget 2022-23 is expected to be growth-oriented given the state election lined up in over 5 states in 2022. The consequent higher government spending on infrastructure development will help the economy gain further growth momentum. The efforts are expected to continue around Defense, Railways, and Road Infra development. We believe policy reforms such as Atmanirbhar Bharat and the PLI scheme are likely to continue in FY23 and receive further impetus.

Our broad expectations from the Union Budget 2022-23:

Focus on job creation amidst normalcy to continue: The overall focus of the budget is likely to be on job creation and investment-driven growth, implying encouraging thrust to infrastructure development. This will include public infrastructure Capex towards roads, water, metro, railways, defence, digital infrastructure, and green technologies. Though private Capex has been sluggish for the last several years, it is expected to receive a push in the upcoming budget. Moreover, the base of the PLI scheme is expected to broaden further beyond 13 sectors. Policy measures and new investment to the development of Agri and allied activities along with rural employment schemes are here to stay and are expected to gather pace moving forward.

Disinvestment and privatization likely to gain further traction: In the near term, the government is likely to speed up the process of strategic disinvestment and PSU privatization which stood slower than expected in the past few years (LIC IPO, if not materialized in the remaining months of current fiscal, would be pushed in FY23). Asset monetization and higher disinvestment will continue to offer funding support in FY23.

Tax structures to be maintained: Corporate taxes were reduced in 2019 and this structure is likely to be maintained in FY23 to encourage private investments. Personal income tax structures are also likely to be maintained as additional taxes will disrupt consumption. However, consumption demand may receive a positive boost via increasing the limit of the standard deduction as well as home loan tax deductions.

FY22 fiscal situation seems to be manageable: Led by Covid-19 led disruptions, fiscal deficit stood challenging during the year and stood at an all-time high level in FY21. The situation for FY22, however, seems to be manageable given the positive surprises in the tax revenue with buoyant collection in the past several months. Keeping this in view, major slippage in the fiscal deficit is unlikely. Fiscal consolidation is expected in FY23 with the deficit for the year expected to be lower than FY22 on account of higher nominal GDP growth and improved tax buoyancy.

Our Positive Budget Play: Maruti, Minda Corp, Polycab India, Canfin Homes, SBI Life, KNR Const, HG infa, Welspun India, Dalmia Bharat

Negative: ITC, Godfrey Phillip, VST Industries

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Our Key Sector View

Infrastructure, Building Materials and Consumer Durables will be in focus: Focus on the infrastructure development activities such as roads and construction will continue enabling infrastructure companies and building materials segments such as cement, tiles and others to post robust performance. Real estate is another key sector that needs a further push and the affordable housing segment may see more government schemes. All these will help a wide range of household durables segments.

Services sector likely to gain additional support: High contact sectors were materially impacted during COVID 2.0. The business operations for these sectors continue to go through a challenging time even today due to the rising risk of the Omicron variant. Against this backdrop, sectors such as Travel & Leisure, Hotels, Transport, Trade, Education, and Entertainment are expected to gain special attention in the Union Budget.

Auto & Ancillaries: Increased focus on rural spends by the government as well as steps to boost rural income will lead to an increase in the disposable income benefiting tractor OEMs, select two-wheeler, and four-wheeler OEMs, as well as auto ancillary companies supplying to such OEMs. Thrust is expected on sustainable technologies with certain benefits aimed at accelerating the adoption of EVs in India. Moreover, the EV charging infrastructure segment is expected to receive a boost to support EV adoption further.

BFSI: Further clarity on the roadmap of the privatization of PSU banks is required. Any such announcement will be positive, especially for the lower-tier PSU banks. Moreover, the continued push for affordable housing will benefit housing finance companies significantly. MSME sector is also expected to be incentivized further through tax rebates and a simplified investment process. The government may look at providing more tax incentives to promote the pick-up of adequate health insurance which has gained prominence in the prevailing pandemic times.

FMCG & Retail: Investments in the digital infrastructure, skill up-gradation, job creation, and MSME development are expected to indirectly revive and boost consumption spending. Increased allocation to MGNREGA and proactive agriculture sector schemes are expected to support the farm economy, which in turn, support healthy rural household income. Increased investment in Agri-infrastructure such as establishing cold chain, warehousing, logistics, and irrigation, reducing post-harvest losses, and improving rural connectivity may have a bearing on boosting consumption demand further in rural areas. Raising Excise Duty or NCCD duty on cigarettes and tobacco products will be negative for certain companies operating in these sectors.

Agri & Chemical: Fertilizer subsidy is likely to be higher with the government earmarking it at ~Rs 1.4 Lc Cr. This would compensate fertilizer companies for selling products at lower than market prices to farmers despite sharply elevated RM prices. The inclusion of chemicals under the PLI scheme and providing financial support or incentives for capacity addition will reduce dependence on imports to the specialty chemical companies under the 'Make in India' program.

Macro Picture

Fiscal Account FY21-22: Revenue Receipt

In Cr	2019-20 Actuals	2020-21 Budget Estimates	2020-21 Revised Estimates	2021-22 Budget Estimates
Gross Tax Revenue	**20,10,042**	**24,23,020**	**19,00,280**	**22,17,059**
1) Direct Tax	**10,49,530**	**13,19,000**	**9,05,000**	**11,08,000**
Personal Income Tax	4,92,654	6,38,000	4,59,000	5,61,000
Corporation tax	5,56,876	6,81,000	4,46,000	5,47,000
2) Indirect Tax	**9,60,512**	**11,04,020**	**9,95,280**	**11,09,059**
GST	5,98,750	6,90,500	5,15,100	6,30,000
Excise Duties	2,40,615	2,67,000	3,61,000	3,35,000
Custom Duty	1,09,283	1,38,000	1,12,000	1,36,000
Union Territories	5,835	7,500	5,780	7,059
Service Tax	6,029	1,020	1,400	1,000
Less: To states & NCCD transfer	6,53,158	7,87,111	5,55,779	6,71,663
Net Tax Revenue	**13,56,884**	**16,35,909**	**13,44,501**	**15,45,396**
Non Tax Revenue (Interest, Dividend, Grants)	3,27,157	3,85,017	2,10,653	2,43,028
Non-Debt Receipts (Loans And Disinvestments)	68,620	2,24,967	46,497	1,88,000
Total Receipts	**17,52,661**	**22,45,893**	**16,01,651**	**19,76,424**
Borrowings & other Liabilities	**9,33,651**	**7,96,337**	**18,48,655**	**15,06,812**
Total Receipts inc Borrowings	**26,86,312**	**30,42,230**	**34,50,306**	**34,83,236**
Fiscal Deficit	**4.60%**	**3.50%**	**9.50%**	**6.80%**

- **Gross tax revenue is expected to exceed in FY22 vis-à-vis the budget estimates on account of higher tax collections.**
- GST collection stood robust in Dec'21 at over 1 Lc Cr, marking sixth consecutive month for >1 Lc Cr collection, and is an encouraging sign.
- Till Dec'21, 85% of the budgeted central government GST has already been collected and expected to recover further in the upcoming months.
- Fiscal Deficit for FY22 is likely to be **manageable given the encouraging tax collections.** Major slippage in the fiscal deficit is unlikely.
- FY23 fiscal deficit is expected to be lower than FY22 on account of higher nominal GDP growth and improved tax buoyancy

Fiscal Account FY21-22: Subsidy & non tax receipt

Subsidy (In Cr)	2019-20 Actuals	2020-21 Budget Estimates	2020-21 Revised Estimates	2021-22 Budget Estimates
Food	**1,08,688**	**1,15,570**	**4,22,618**	**2,42,836**
Fertiliser	**81,124**	**71,309**	**1,33,947**	**79,530**
Urea	54,755	*47,805*	*94,957*	*58,768*
Nutrition based	26,369	23,504	38,990	20,762
Petroleum	**38,529**	**40,915**	**38,790**	**12,995**
LPG	*34,085*	*37,256*	*36,072*	*14,073*
Kerosene	*4,443*	*3,659*	*2,982*	-
Interest Subsidies	23,702	28,179	32,024	26,282
Other	10,260	6,136	21,091	7,177
Total	**2,62,303**	**2,62,109**	**6,48,470**	**3,68,820**

Non Tax and Capital Receipt (In Cr)	2019-20 Actuals	2020-21 Budget Estimates	2020-21 Revised Estimates	2021-22 Budget Estimates
Interest	12,349	11,042	14,005	11,541
Dividends	1,86,132	1,55,394	96,543	1,03,537
From Public Enterprises	*35,543*	*65,746*	*34,717*	*50,027*
From RBI & Financials Institutions	1,50,589	89,648	61,826	53,510
Disinvestment	50,304	2,10,000	32,000	1,75,000

Subsidy bill likely to reduced in FY23

- Food Subsidy is likely to go up in current financial year on account of extension of free food grain scheme under PMGKAY (Pradhan Mantri Garib kalyan Anna Yojana) until Mar'22. Higher food subsidy is likely to decline in FY23 if PMGKAY support is not extended beyond Mar'22.
- Urea subsidy is likely to be doubled in FY22 vs. the estimates with an availability of extra funds due to supply side disruptions and hike in the prices of the fertilizers.

- Budgetary disinvestment target will likely to be missed in FY22 with the delay in the LIC IPO, which most likely would get rolled over in FY23 budget if not materialized in remaining months of current fiscal.
- RBI Dividends are likely to be higher vs. FY22 estimates on account of higher-than-budgetary surplus transferred by the RBI.

Government Schemes: Major Outlay

In Cr	2018-19 Actuals	2019-20 Actuals	2020-21 Budget Estimates	2020-21 Revised Estimates	2021-22 Budget Estimates
Centrally sponsored Schemes					
Core of the Core Schemes	84,038	93,628	85,160	1,65,950	96,773
National Social Assistance Program	*8,418*	*8,692*	*9,197*	*42,617*	*9,200*
MNREGA	*61,815*	71,687	*61,500*	1,11,500	73,000
Others	*13,805*	*13,249*	*14,463*	*14,463*	*14,463*
Core Schemes	2,12,991	2,16,454	2,54,259	2,21,723	2,83,871
Green Revolution	*11,758*	9,895	*13,320*	10,474	13,408
Pradhan Mantri Krishi Sinchai Yojna	*8,143*	8,200	*11,127*	7,954	11,588
Pradhan Mantri Gram Sadak Yojna	*15,414*	14,017	*19,500*	13,706	15,000
Pradhan Mantri Awas Yojna (PMAY)	*25,443*	24,964	*27,500*	40,500	*27,500*
Jal Jeevan Mission / National Rural Drinking Water Mission	*5,484*	10,030	*11,500*	11,000	50,011
Swachh Bharat Mission	*2,462*	1,256	*2,300*	1,000	*2,300*
Swachh Bharat Mission (Gramin)	*12,913*	8,213	*9,994*	6,000	9,994
National Health Mission	*31,502*	35,155	*34,115*	35,554	37,130
National Education Mission	*30,830*	33,654	*39,161*	28,244	34,300
Jobs and Skill Development	*6,126*	5,609	*5,372*	3,885	3,482
Environment, Forestry and Wildlife	*978*	768	*926*	556	766
AMRUT and Smart Cities Mission	*12,085*	9,599	*13,750*	9,850	13,750
Modernisation of Police Forces	*3,260*	4,637	*3,162*	1,864	2,803
Others	*46,595*	*50,457*	*62,533*	*51,136*	*61,839*
Total Centrally sponsored schemes	**2,96,029**	**3,09,553**	**3,39,895**	**3,87,900**	**3,81,305**
Major Central sector Schemes					
Crop Insurance Scheme	*11,937*	12,639	*15,695*	15,307	16,000
Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	*1,241*	48,714	*75,000*	65,000	65,000
Agricultural Universities and Institutions	*526*	*450*	*480*	*319*	*355*

Key Expectation:

- Jobs creation likely to be a key focus area
- Rural oriented schemes continue to be in focus and may attract higher allocation
- Infrastructure will be a key focus area: PMAY, AMRUT, Smart cities, NHAI, Metro, Shipping, Port likely to gain higher share.
- Affordable housing may see a boost
- Public health has become very critical and further investments in the infrastructure seem quite possible.
- Relief is expected for urban poor by widening the scope of MNREGA to urban poor.
- Expansion of scope under priority sector lending to Agriculture sector for medium term loans.

Major Announcements on Infrastructure in the Last Fiscal

Infrastructure Budget (In Cr)	2017-18 Actuals	2018-19 Actuals	2019-20 Actuals	2020-21 Budget Estimates	2020-21 Revised Estimates	2021-22 Budget Estimates	% Increase over FY21 BE
Roads	61,000	78,630	78,248	91,820	1,01,823	1,18,101	29%
NHAI	23,890	37,320	31,690	42,500	49,000	57,350	35%
Railways	45,230	55,140	69,972	72,220	1,11,230	1,10,054	52%
Urban development	34,020	36,460	42,054	50,040	46,791	54,581	9%
Smart Cities+AMRUT	9,520	12,570	9,599	13,750	9,850	13,750	0%
Metro Projects	13,980	15,600	18,162	17,480	6,484	18,998	9%
Shipping	1,490	1,940	1,569	1,800	1,433	1,702	-5%
Sagar Mala Port	480	380	376	300	247	401	34%
Pradhan Mantri Awas Yojna (PMAY)	31,160	26,410	24,964	27,500	40,500	27,500	0%
Pradhan Mantri Gram Sadak Yojna	16,860	15,500	14,017	19,500	13,706	15,000	-23%
Swachh Bharat	19,250	16,980	9,469	12,290	7,000	12,294	0%

Focus on Infra likely to continue in FY23

Key highlights of FY22 Budget:

- Roads allocation of over 1 Lc Cr under this NHAI share of 57,000 Cr.
- Allocation of railways has increased by 52% over FY21 BE; Allocation of 1,10,054 Cr for FY22.
- Urban development continues to be the focus area
- PMAY received Rs 27,500 Cr
- Swachh Bharat allocation of Rs 12,294 for FY22.

Fiscal Account FY21-22: Expenditure budget

In Cr	2019-20 Actuals	2020-21 Budget Estimates	2020-21 Revised Estimates	2021-22 Budget Estimates
Pension	1,83,955	2,10,682	2,04,393	1,89,328
Defence	3,18,665	3,23,053	3,43,822	3,47,088
Subsidy				
Fertiliser	81,124	71,309	1,33,947	79,530
Food	1,08,688	1,15,570	4,22,618	2,42,836
Petroleum	38,529	40,915	38,790	12,995
Agriculture & Allied Activities	1,12,452	1,54,775	1,45,355	1,48,301
Commerce and Industry	27,299	27,227	23,515	34,623
Development of North East	2,658	3,049	1,860	2,658
Education	89,437	99,312	85,089	93,224
Energy	43,542	42,725	33,440	42,824
External Affairs	17,246	17,347	15,000	18,155
Finance	18,535	41,829	50,566	91,916
Health	63,425	67,484	82,445	74,602
Home Affairs	1,19,850	1,14,387	98,106	1,13,521
Interest	6,12,070	7,08,203	6,92,900	8,09,701
IT & Telecom	20,597	59,349	32,178	53,108
Others	79,523	84,256	94,371	87,528
Planning & Statistics	5,479	6,094	2,164	2,472
Rural Development	1,42,384	1,44,817	2,16,342	1,94,633
Scientific Department	27,367	30,023	22,352	30,640
Social Welfare	44,649	53,876	39,629	48,460
Tax Admin	1,69,331	1,52,962	1,47,728	1,31,100
Transfer to GST compensation fund	1,53,910	1,35,368	1,06,317	1,00,000
Transfer to states	1,48,907	2,00,447	2,07,001	2,93,302
Transport	1,53,437	1,69,637	2,18,622	2,33,083
Union Terr	15,128	52,864	51,282	53,026
Urban Development	42,054	50,040	46,791	54,581
Grand Total	**26,86,330**	**30,42,230**	**34,50,305**	**34,83,236**

Key Highlights

- Total Expenditure: Rs 34.83 Lc Cr
- Interest payments: 23%
- Grants to state: 16%
- Capital Exp (Ex Defense): 11%
- Defense Allocation: 10%
- Rural development: 2%
- Medical & Public Health: 2%

Sectoral Expectations

Sectoral expectations

Sector	Key Budget Expectations	Impact
Auto & Ancillaries	• Thrust on sustainable technologies and green vehicle adoption along with certain benefits aimed at accelerating the adoption of EVs in India. Boost from the government, especially in the EV charging infrastructure segment to aid in the EV adoption. • Additional efforts towards boosting technology adoption and local manufacturing beyond current PLI to increase domestic manufacturing of components and higher auto exports from India. • Execution of the Scrappage Policy and increased spending for infrastructure projects will see positive effects on the Commercial Vehicle Industry. • The government's increased focus on rural spends coupled with steps undertaken to boost rural consumption will support 2W segment recovery as well as benefit tractor OEMs and rural-focused 4W OEMs along with auto ancillary companies supplying to such OEMs. • Reconsideration and upward revision of RoDTEP rates to enhance the competitiveness of Indian players. • Any relief with regards to personal income tax will lead to an increase in personal disposable income which will aid in higher demand for lower-ticket items (2Ws). • Reduced and uniform GST rates (18%) on auto components to minimize the issue of grey operations and counterfeits due to the high (28%) GST rate. Reduction in GST rates (especially 2Ws) to make costs more competitive amid a sharp rise in vehicle prices over the last 2 years.	**Positive** • Hero Motocorp • Bajaj Auto • Escorts • Maruti Suzuki India • Ashok Leyland • Endurance Tech. • Minda Industries • Minda Corp.

Sectoral expectations

Sector	Key budget expectations	Impact
Agriculture and Specialty Chemicals	• Fertilizer subsidy to be higher as the government may earmark nearly Rs 1.4 Lc Cr. Higher subsidy would be to compensate fertilizer companies for selling products at lower than market prices to farmers despite sharply elevated RM prices. • Inclusion of chemicals under the PLI scheme and extending a financial support or incentives for capacity addition to reduce dependence on imports to the specialty chemical companies under 'Make in India' programme. • Relief to the chemical companies in the form of changes in custom duty structure for raw materials and intermediates to boost domestic production. • Any relief or push to the infrastructure and the housing sector may prove to be beneficial for the chemical companies catering to the Paints & Coatings segment. • Any relief to the automobile sector may benefit the companies in the rubber chemicals and carbon black sectors.	**Positive** • PI Industries, Dhanuka Agritech • All companies in the Specialty Chemical sector

Sectoral expectations

Sector	Key Budget Expectations	Impact
BFSI	**PSU Banks** • **Privatization of PSU banks:** Roadmap clarity on privatization of PSU banks is required. Any such announcement will be positive, especially for the lower tier PSU banks. Capital infusion is unlikely.	**Positive** • PSU Banks
	Housing Finance • **Extension of CLSS scheme under PMAY:** The government may extend the PMAY-CLSS scheme in-line with government's vision to provide Housing for All by 2022 as the pandemic has resulted in project delays • Increase in tax benefits on housing loans for interest payment and principal repayment. • Redefining 'Affordable Housing' slab to expand benefits for homebuyers	**Positive** • Housing Finance Companies

Sectoral expectations

Sector	Key Budget Expectations	Impact
BFSI	**MSME sector** • The MSME sector has been one of the most impacted sectors due to the Covid-19 pandemic. Under the Atmanirbhar Bharat scheme and within the Covid-19 relief package, the government has undertaken several initiatives like ECLGS to promote the sector. Similar to the first and second wave, the current predicament with the Omicron variant can prove to be dire for MSMEs and their daily functioning. Rebate in taxation, simplifying investment, and offering further incentives to MSMEs are some expectations from the upcoming Budget. • Reducing compliance (GST) burdens and registration norms for online players would enable faster digitization of MSMEs.	**Positive** • For most Banks and NBFCs

Sectoral expectations

Sector	Key Budget Expectations	Impact
BFSI	**Insurance** • The government may also look at providing further tax incentives to enable people to buy adequate health insurance which has gained importance amidst the pandemic. A separate bucket for investment in life insurance for tax rebates under section 80 (C) is expected.	**Positive** • Insurance companies

Sectoral expectations

Sector	Key Budget Expectations	Impact
Cement	• We expect rural infrastructure development through Pradhan Manti Gram Sadak Yojna, Pradhan Mantri Awas Yojna (Rural) and MNREGA to get more fund for development. Increased fund allocation in the government schemes will also enhance cement consumption. • Real estate demand is reviving gradually. We expect the government would continue interest subvention on home loans, extend tax holiday on profits from affordable housing projects, and allocate more funds to Pradhan Mantri Awas Yojna (Urban). Furthermore, we expect income tax deduction on housing loan interest to increase from the present Rs 2 Lc to Rs 3 Lc and extend Credit Linked Subsidy Scheme (CLSS) under Pradhan Mantri Awas Yojana for middle income groups until December 31, 2022. All these initiatives will positively impact the cement demand. • Under the NIP (National Infrastructure Plan), the government has ambitious plans to develop infra landscape of the country. Fast tracking of major highway projects will create more demand for cement. • Transportation and Logistic segments need prompt attention and we expect budget to provide measures to improve and bring down the logistic cost. This will positively impact the cement industry.	**Positive:** We expect budget to facilitate and expand overall infra which will positively benefit cement companies with higher demand for their products. **Stocks:** ACC, Dalmia Bharat Ltd, JK Cement, Birla Corp & Orient Cement.

Sectoral expectations

Sector	Key Budget Expectations	Impact
Consumer Durables	**Direct Taxes** : • Increase in the amount of standard deduction to salaried employees from Rs 50,000 to Rs 1,00,000. **Indirect taxes** : • Rationalization of GST rates on consumer Durables such as AC's & Large Screen TV's from 28% to 18%. • Raising the export incentive for Air Conditioners under the Remissions of Duties and Taxes on Exported Products (RoDTEP) scheme.	**Positive** • Amber Enterprises • Dixon Technologies • Polycab India • Sheela Foam

Sectoral expectations

Sector	Key Budget Expectations	Impact
FMCG & Retail	• Investments in digital infrastructure, skill up-gradation, job creation, and MSME development to indirectly reignite consumption spending in the economy • Increased allocation to MGNREGA and agriculture sector schemes to support farm economy and rural household income is expected to be healthy. • Increased investment in Agri-infrastructure such as cold chain, warehousing, logistics, and irrigation along with developing infrastructure for reducing post harvest losses and improving rural connectivity may have a bearing on boosting consumption demand in rural areas. • Relaxation of production targets in the recently announced PLI scheme for food and textiles • Increased allocation to urban development projects leading to job creation may potentially drive demand • Raising the limit for tax saving investments under Sec 80C from current Rs 1.5 Lc. • Raising Excise Duty or NCCD duty on cigarettes and tobacco products will be negative for certain companies operating in these sectors	**Positive** • Dabur, HUL, Britannia, Asian Paints, Jyothy Labs, Emami • FMCG, Retail and Apparel companies • Nestle, Britannia, Marico, Godrej Consumer Products **Negative** • ITC, Godfrey Phillip, VST Industries

Sectoral expectations

Sector	Key Budget Expectations	Impact
Infrastructure	• With the government focusing on increasing road capex, we expect 25%-30% higher allocation YoY to the Ministry of Road Transport & Highways. This would greatly speed up the construction of highways and expressways. • NHAI asset monetization plan is expected to gain further pace as it eyes monetizing more road assets. The aggregate length of assets considered for monetization under NMP in the road sector over FY22-FY25 is estimated to be 26,700 Km and garner over 1.5 Lc Cr over the same period. Capital released from the said monetization to be deployed in the road construction moving forward. • Under the NIP (National Infrastructure Plan), the government has ambitious plans to develop Infra landscape of the country. Fast tracking of major highway projects will create more projects awards for road development companies. • The infrastructure space is at the inflection point with both central and state government focusing on ambitious infra projects to stimulate growth. Moreover, the Capex cycle is coming back. The government has articulated renewable energy, roadways, railways and water sources to be notable targets for expansion of capex layout.	**Positive:** With the heightened government focus on developing overall infrastructure of the country and particularly highways and expressways, companies operating in this segment to have massive opportunities. **Stocks:** KNR Const, PNC Infratech and H.G. Infra Engineering.

Sectoral expectations

Sector	Key Budget Expectations	Impact
Metals & Mining	• Higher steel prices have impacted the MSME sector. The government has reduced basic customs duty on steel imports to 7.5% in the previous budget and may keep the steel import duty intact or ease the import duty further to support the MSME sector. However, the government will need to do a balancing act in the upcoming Budget to protect domestic manufacturers. • The Indian Steel Association (ISA) wants the basic customs duty on Coking coal, Stainless Steel (SS) scrap, Nickel to be reduced to nil from the current 1%+1.5% agriculture cess since the availability of these input raw materials is very low. • FICCI has requested the government to reduce the customs duty on ferronickel to zero from 2.5% as its one of the raw materials for SS production which is mainly imported. Levy a higher duty of 12.5% from 7.5% on the import of SS flat products (to protect the domestic SS players). • Aluminum industry demand to cut import duty by 2.5% on critical raw materials such as calcined pet coke, caustic soda, aluminum fluoride and pre baked anodes and elimination of cess on coal may improve cost competitiveness of domestic smelters. • Measures to improve domestic availability of scrap and higher duty on import of scraps.	**Positive** • Higher budgetary allocation towards construction and infrastructure (60% of steel demand) would drive domestic steel demand . • Reduction in raw materials import duty cut may improve cost structure. • **Stocks:** SAIL, and Hindalco.

Sectoral expectations

Sector	Key Budget Expectations	Impact
Pharma	• The government may look to enhance its PLI scheme and would try to chart incentives for novel drug R&D as well. • Widen the scope of Section 80D to allow all age groups a deduction for expenditure incurred on medical treatment of Covid-19 for themselves or family members. • Raise public investment in healthcare infrastructure (currently at 1.29% of GDP) **Our view** • Encourage continued investments in the capacity expansion of sensitive APIs, complex excipients, drug intermediates, biopharmaceuticals, and medical devices • Stimulus packages to families impacted by the prevailing pandemic. • Improving Healthcare accessibility	**Neutral:** • **Positive**: Gland Pharma, KIMS, HCG • Negative: None

Sectoral expectations

Sector	Key Budget Expectations	Impact
Textile	• The Apparel Export Promotion Council (AEPC) has proposed enhancing the interest equalization scheme to all apparel exporters (not only the Micro, Small and Medium Enterprises (MSMEs). The council has also sought procedural simplification by Tax Collected at Source (TCS) and concessional tax regime (CTR) for expansion to boost investment in the sector. • AEPC expects central government to encourage investment in green energy and eco-friendly technologies by offering tax benefits along with simplifying the clearance of import goods from FTA countries. • No changes in the Goods and Services Tax (GST) on hosiery segment. The government has rolled back the increase in GST which was to be implemented from 1st January 2022 and sent it to the rate rationalization committee. An update on the same would be expected. • The apparel industry urges the government to abolish 5% import duty and impose an Export Duty as raw cotton have been steeply increasing. This will help stabilize the price of cotton in the domestic market. • Further details on PLI and MITRA initiatives are expected in budget.	**Positive** • Welspun India • Indo Count • Trident • Gokaldas Exports • Himatsingka Seide

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