



Haq, ek behtar zindagi ka.

Union Budget FY 2021-22

An Overview

February, 01 2021

Union Budget 2021-22: Key Highlights



Key Takeaways

- Focus is on strengthening the 'Sankalp of Aatmanirbhar Bharat'
 - Health & well-being
 - Physical & financial capital and infrastructure
 - Inclusive development for aspirational India
 - Reinvigorating human capital
 - Innovation and R&D
 - Minimum Government & Maximum Governance
- Continues to lay a focus on supporting the farmers and rural sector, with several micro-level initiatives
- Emphasis on privatization, digitization and infrastructure sector spends



Fiscal Policy Outlook

- The revised fiscal spend is pegged at ₹34.50 lakh crores (RE) for FY21 against of ₹30.42 lakh crores (BE)
- Fiscal deficit estimated at 9.5% of GDP for 2020-21 and at 6.8% for 2021-22
- BE estimates for expenditure in 2021-22, are ₹34.83 lakh crores, which includes ₹54 lakh crores as capital expenditure, an increase of 34.5% over the BE figure of 2020-21.
- Set the disinvestment target ₹1.75 lakh crore for 2021-22

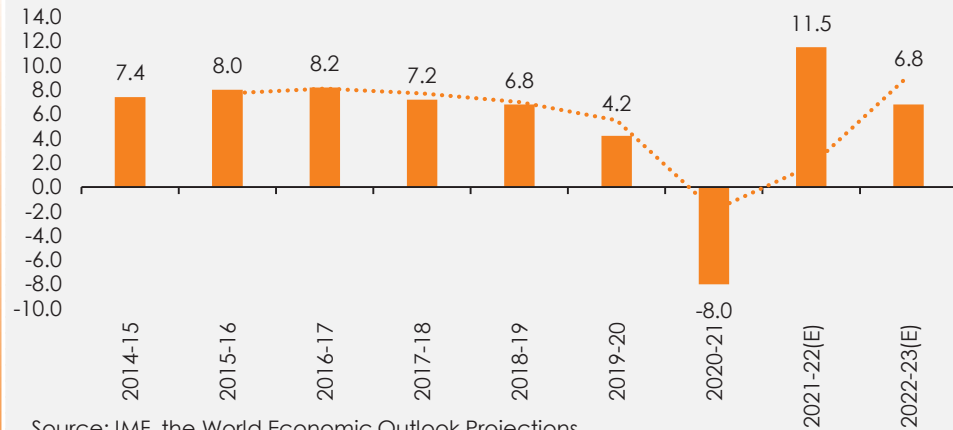


Specific Proposals

- An outlay for health and well-being at ₹2,23,846 crore in the 2021-22, a 137% increase from previous year.
- PLI launched across 13 sectors with amount committed ₹1.97 lakh crore in next 5 years.
- Increased permissible FDI limit from 49% to 74% in Insurance Companies
- Stressed asset resolution by setting by ARC and AMC
- Recapitalization of PSBs ₹ 20,000 crores

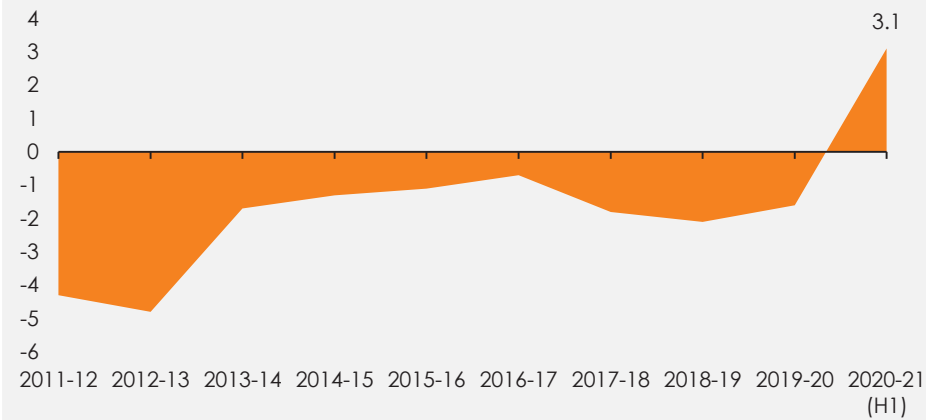
Growth & Macro Economic Stability

GDP Growth Rate (%)



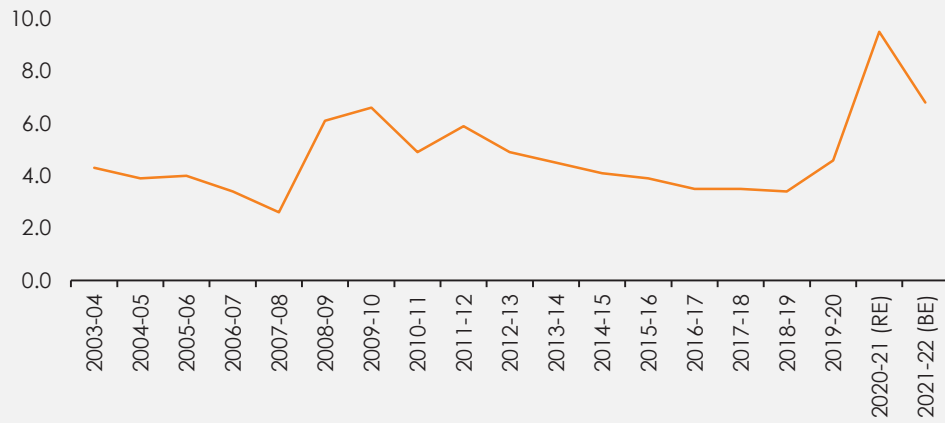
Source: IMF, the World Economic Outlook Projections

Current Account as % GDP



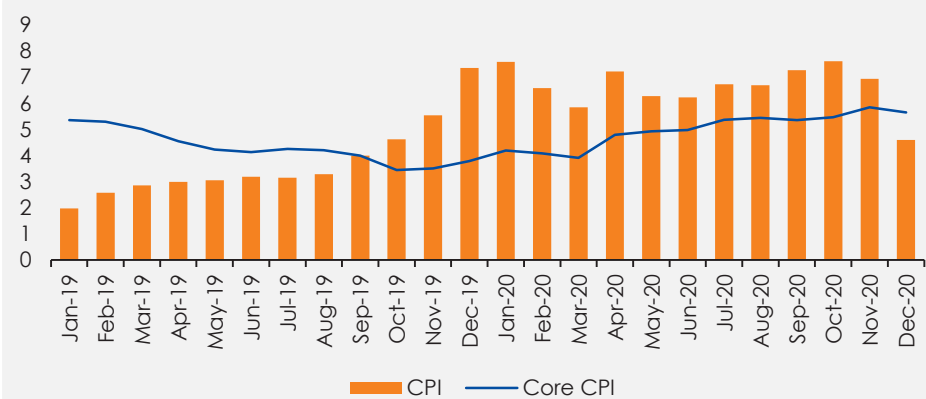
Source: CSO

Fiscal Deficit (% of GDP)



Source: www.indiabudget.gov.in

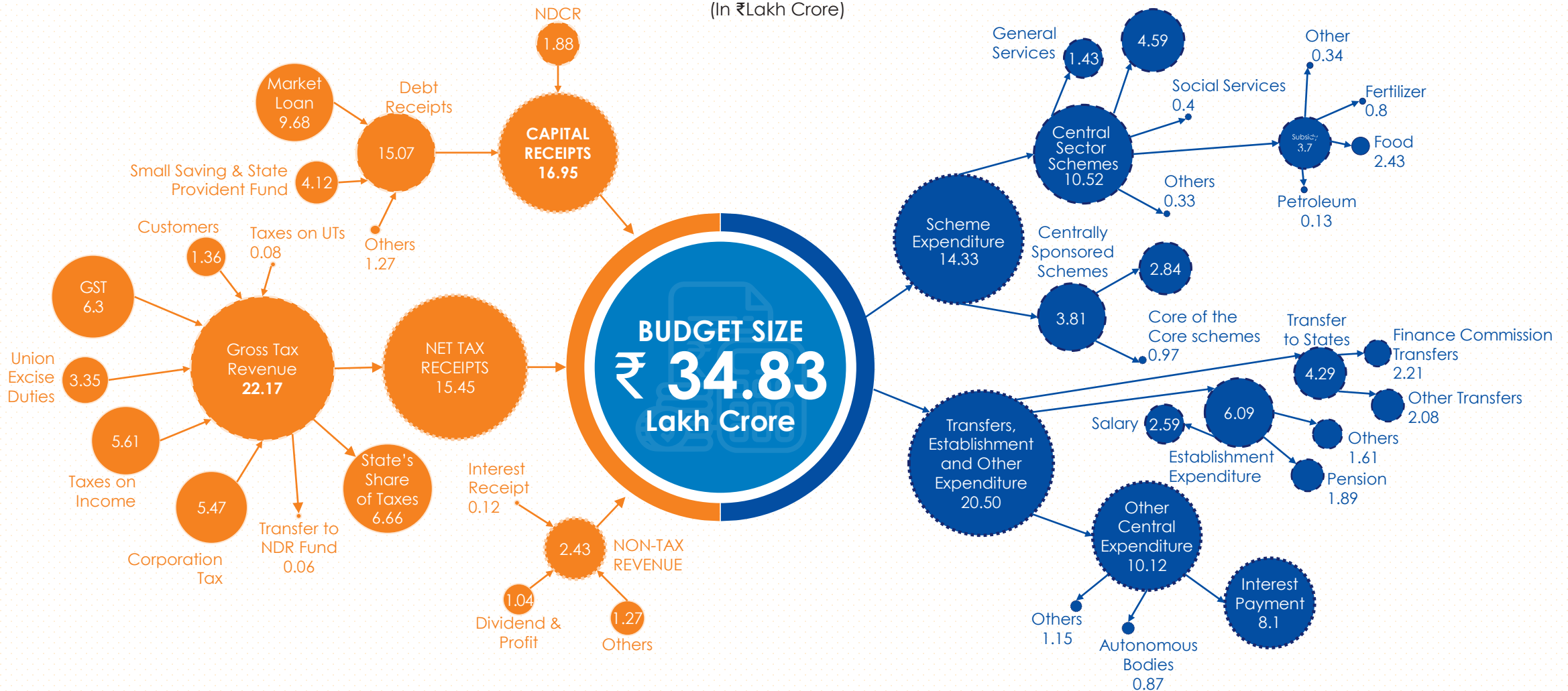
CPI and Core CPI Inflation (%YoY)



Source: CSO

Budget Profile – FY 2021-22

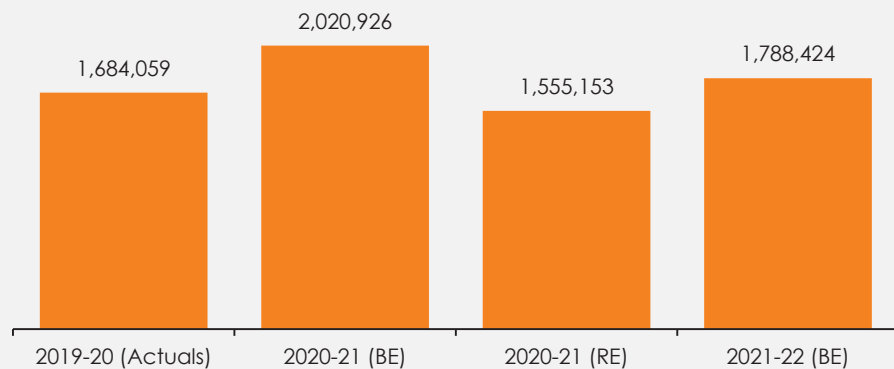
(In ₹Lakh Crore)



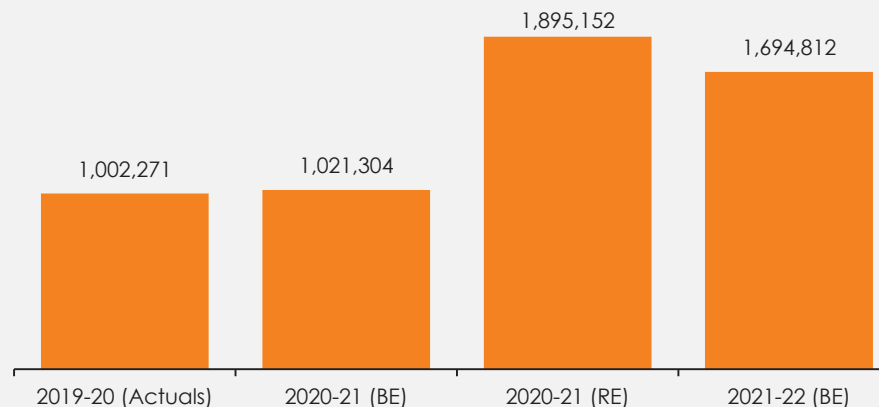
Sankalp of Aatmanirbhar Bharat is strengthen by Nation First, Doubling Farmer's Income, Strong Infrastructure, Healthy India, Good Governance, Opportunities for Youth, among others.

Budget at a Glance

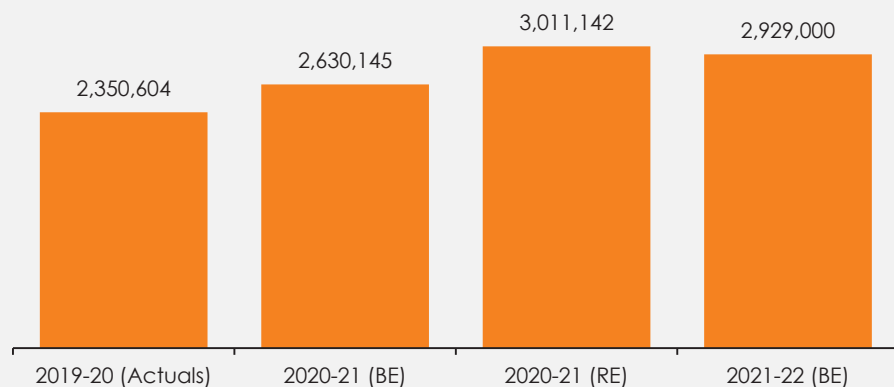
Revenue Receipts (in ₹ crore)



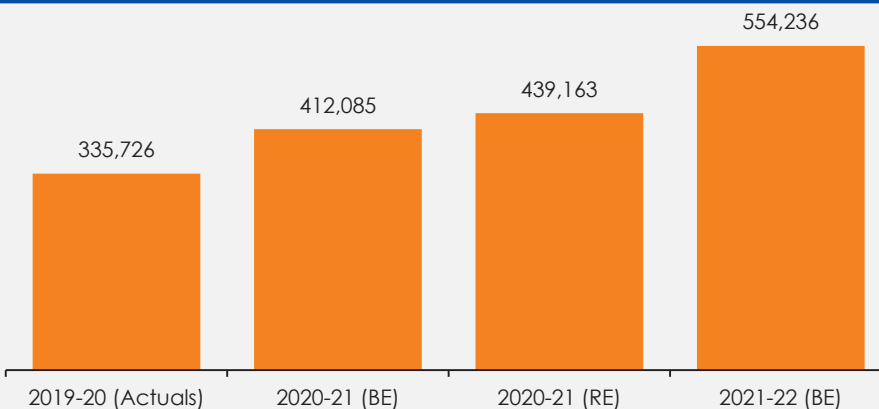
Capital Receipts (in ₹ crore)



Revenue Expenditure (in ₹ crore)

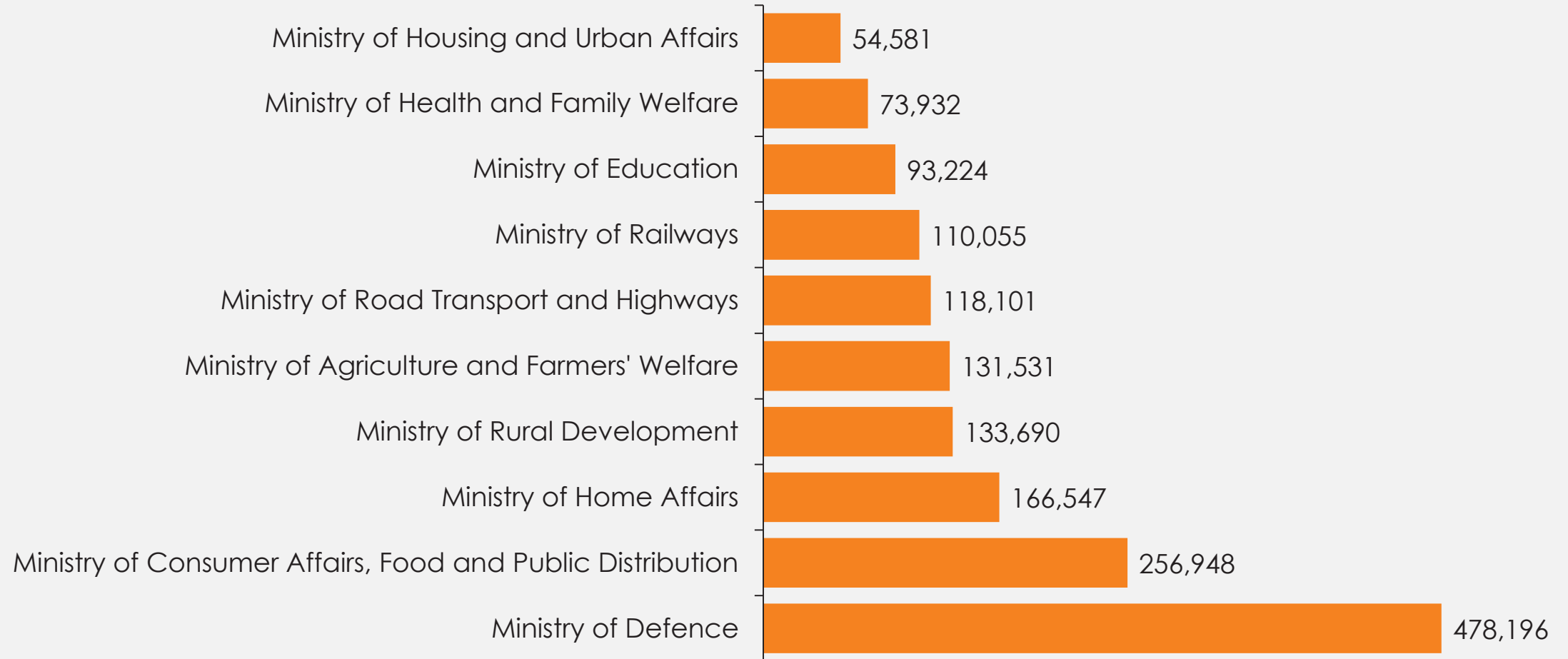


Capital Expenditure (in ₹ crore)



Expenditure of major items

Revenue Receipts (In ₹ crore)

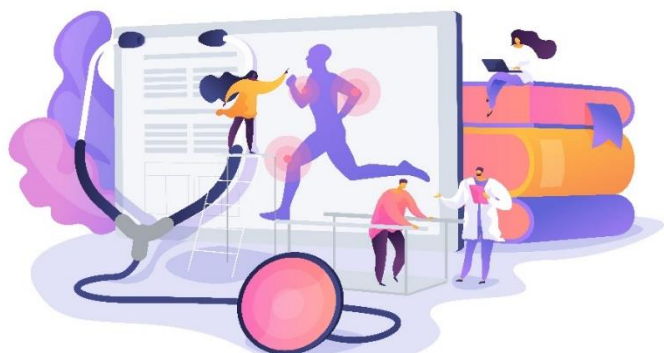


Overview

- The first budget of this new decade and also a digital one in the backdrop of unprecedented COVID-19 crisis was presented by Smt. Nirmala Sitharaman, Honorable Finance Minister, Government of India
- The budget seems to have targeted growth with a strong fiscal stimulus and several micro-level initiatives with a mix of welfare and infrastructure investment measures
- **Some of the key reforms included where:**
 - A new centrally sponsored scheme, **PM AatmaNirbhar Swasth Bharat Yojana**, is proposed to be launched with an outlay of about **₹ 64,180 crore** over 6 years to develop capacities of primary, secondary, and tertiary care Health Systems, strengthen existing national institutions (in addition to the National Health Mission)
 - **₹ 2.87 lakh crore** over 5 years for **Jal Jeevan Mission (Urban)** - to be launched with an aim to provide: **2.86 crore household tap connections**, Universal water supply in all 4,378 Urban Local Bodies and Liquid waste management in 500 AMRUT cities
 - **₹ 1.42 lakh crore** over 5 years for **Urban Swachh Bharat Mission 2.0**
 - **₹ 1.97 lakh crore** in next 5 years for PLI schemes in **13 Sectors**; to create and nurture **manufacturing global champions** for an **AatmaNirbhar Bharat**



Health and Well-being



- ₹ 2,23,846 crore outlay for Health and Wellbeing in BE 2021-22 as against ₹94,452 crore in BE 2020-21 – an increase of 137%
- Focus on strengthening three areas: **Preventive, Curative, and Wellbeing**
- ₹ 35,000 crore for COVID-19 vaccine in BE 2021-22
- Expansion of the **Integrated Health Information Portal** to all States/UTs to connect all public health labs
- **Mission Poshan 2.0** to be launched; To strengthen nutritional content, delivery, outreach, and outcome

Railway Infrastructure



- ₹ 1,10,055 crore for Railways of which ₹1,07,100 crore is for capital expenditure
- **National Rail Plan for India (2030)**: to create a 'future ready' Railway system by 2030
- **100% electrification** of Broad-Gauge routes to be completed by December, 2023
- Broad Gauge Route Kilometers (RKM) electrification to reach 46,000 RKM, i.e. 72% by end of 2021
- Western Dedicated Freight Corridor (DFC) and Eastern DFC to be commissioned by June 2022, to bring down the logistic costs – enabling **Make in India strategy**

Urban Infrastructure



- Raising the share of public transport in urban areas by **expansion of metro rail network** and augmentation of city bus service
- **₹ 18,000 crore** for a new scheme, to augment public bus transport; Innovative **PPP** models to run more than **20,000 buses**
- A total of 702 km of conventional metro is operational and another 1,016 km of metro and RRTS is under construction in 27 cities

Power Infrastructure



- **₹3,05,984 crore** over 5 years for a revamped, reforms-based and result-linked new **power distribution sector scheme**
- A comprehensive **National Hydrogen Energy Mission 2021-22** to be launched

Petroleum & Natural Gas



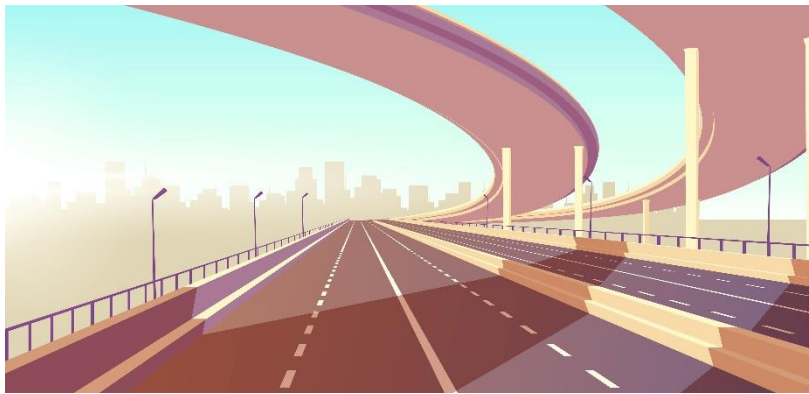
- Extention of **Ujjwala Scheme** to cover **1 crore more beneficiaries**
- To add **100 more districts** to the City Gas Distribution network in next 3 years
- A **new gas pipeline project in J&K**
- An independent **Gas Transport System Operator** to be set up for facilitation and coordination of booking of common carrier capacity in all-natural gas pipelines on a non-discriminatory open access basis

Financial Capital



- A single **Securities Markets Code** to be evolved
- Support for development of a **world class Fin-Tech hub at the GIFT-IFSC**
- **Capital infusion** of **₹1,000 crore** to Solar Energy Corporation of India and **₹1,500 crore** to Indian Renewable Energy Development Agency
- Setting up a system of **Regulated Gold Exchanges**: SEBI to be notified as a regulator and Warehousing Development and Regulatory Authority to be strengthened
- To increase the permissible **FDI limit from 49% to 74%** and allow foreign ownership and control with safeguards

Roads and Highways Infrastructure



- **₹ 1,18,101 lakh crore**, highest ever outlay, for Ministry of Road Transport and Highways – of which ₹1,08,230 crore is for capital
- Under the **₹5.35 lakh crore Bharatmala Pariyojana**, more than 13,000 km length of roads worth ₹3.3 lakh crore awarded for construction:
 - **3,800 km** have already been constructed
 - Another **8,500 km** to be awarded for construction by March 2022
 - Additional **11,000 km of national highway corridors** to be completed by March 2022
- **Economic corridors** being planned across states vis., Tamil Nadu, Kerala, West Bengal, Assam etc.,

Tax Proposals

■ Direct Taxes

- **Exemption from filing tax returns** for senior citizens over 75 years of age and having only pension and interest income; tax to be deducted by paying bank
- **Time limit for re-opening cases** reduced to **3 years** from 6 years
- **Limit of turnover for tax audit** increased to **₹10 crore** from ₹5 crore for entities carrying out 95% transactions digitally
- Additional deduction of interest, up to ₹1.5 lakh, for loan taken to buy an affordable house extended for loans taken till March 2022
- Exemption limit of annual receipt revised from ₹ 1 crore to ₹ 5 crore for small charitable trusts running schools and hospitals

■ Indirect Taxes

• GST:

- **Electronic invoice system; Pre-filled editable GST return**
- Use of **deep analytics** and **AI to identify tax evaders**

• Custom Duty Rationalization:

- Proposal to review more than 400 old exemptions this year
- **Customs duty reduced** uniformly to 7.5% on semis, flat, and long products of non-alloy, alloy, and stainless steels
- Basic Customs Duty (BCD) on caprolactam, nylon chips and nylon fiber & yarn reduced to 5%
- Custom duty on gold and silver to be rationalized
- **Duty on some parts of mobiles revised to 2.5% from 'nil' rate**
- Customs duty on cotton increased from nil to 10% and on raw silk and silk yarn from 10% to 15%.



Reinvigorating Human Capital



- **15,000 schools** to be strengthened by implementing all NEP components. Shall act as exemplar schools in their regions for mentoring others
- Legislation to be introduced to setup **Higher Education Commission of India** as an umbrella body with 4 separate vehicles for standard-setting, accreditation, regulation, and funding
- **Central University** to come up in **Leh** for accessibility of higher education in Ladakh
- **750 Eklavya model residential schools** in tribal areas; Unit cost of each school to be increased to **₹ 38 crore**
- **₹35,219 crore** enhanced Central Assistance for 6 years till 2025-2026; **4 crore** SC students to benefit

Agriculture



- **SWAMITVA Scheme** to be extended to all States/UTs, 1.80 lakh property-owners in 1,241 villages have already been provided cards
- **Rural Infrastructure Development Fund** to be enhanced to **₹40,000 crore** from ₹30,000 crore
- To **double the Micro Irrigation Fund to ₹10,000 crore**
- **'Operation Green Scheme'** to be extended to **22 perishable products**, to boost value addition in agriculture and allied products
- APMCs to get access to the **Agriculture Infrastructure Funds** for augmenting infrastructure facilities

Vision for AatmaNirbhar Bharat

AatmaNirbhar Bharat – an aspiration of 130 crore Indians who have full confidence in their capabilities and skills

Strengthening the Sankalp

Nation First

Doubling Farmer's Income

Strong Infrastructure

Healthy India

Good Governance

Opportunities for Youth




Education for All

Women Empowerment




Inclusive Development

Sector Overview





Sector level actions

Sector	Impact	Outlook
Banking 	Positive	<ul style="list-style-type: none"> Additional deduction on Interest on affordable home loans; for loan sanctioned up to March 2022. ARC and AMC will be set up to consolidate and takeover existing stressed assets ₹ 20,000 crore recapitalization for public sector banks (PSBs) and 2 PSBs to be privatized in FY22 Development financial institution (DFI) will be set up with ₹20,000 crore capital to fund infrastructure With push on the growth, this space is likely to get incremental opportunity to lend
NBFCs 	Neutral to Marginally Positive	<ul style="list-style-type: none"> Decrease in Debt recovery limit : NBFCs with minimum asset size of Rs1bn (v/s 5 bn), the minimum loan size eligible for debt recovery under SARFAESI reduced from ₹50 lakhs to ₹20 lakhs Extension of affordable housing and rental housing is expected to benefit the sector Proposal to increase safe harbour limit from 10% to 20% for primary sale of residential units Increase in opportunity to resolve credit issue as well as grow the balance sheet through lending
Insurance 	Neutral to Marginally Positive	<ul style="list-style-type: none"> FDI limit in insurance increased from 49% to 74%: neutral impact on large & listed players, positive for smaller, unlisted players looking to raise capital or divestment A general insurance company to be privatized in FY22 Proposed to allow tax exemption for maturity proceed of only those ULIPs having annual premium of up to ₹ 2.5 lakh; marginally negative for life insurance companies




Sector level actions (contd.)

Sector	Impact	Outlook
Consumer Goods 	Neutral Overall/ Marginal Positive for Cigarettes	<ul style="list-style-type: none"> No change in Cigarette taxation after an increase last year – Marginal positive Customs duty (including AIDC) on Gold decreased from 12.5% to 10% (7.5% BCD + 2.5% cess) - Positive for organized Jewellery industry Broader economic recovery is likely to result in improving growth
Oil and Gas 	Neutral	<ul style="list-style-type: none"> LPG subsidy provision has been reduced to ~₹140 bn in FY22 (vs ₹360 bn in FY21 revised estimates) while Kerosene subsidy provision has been reduced to NIL (vs ₹30 bn in FY21 revised estimates) This implies crude assumption at close current levels, not leaving headroom for any increase in crude price. Though there will be an option to increase the LPG prices Ujjwala scheme to be extended to 10 mn more households – this will drive LPG demand.
Infrastructure 	Positive	<ul style="list-style-type: none"> Increase in total capital expenditure by 34% YoY to ₹550 bn is significant positive. Setting up of Development Finance Institute (DFI) with corpus of ₹200 bn was long pending need for the infra development National monetisation pipeline will pave way for self-financing of the infra projects Capital outlay of ₹2.87 tn/ ₹1.42 tn over 5 years on Jal Jeevan /Urban swachh Bharat mission positive for EPC companies Roads (ex rural roads)/rail/defence capex is up 18%/34%/19% vs FY21 budgeted estimates. However, when compared with FY21 revised estimates railway capex will be down 11%, defence will be flat, and road will increase 10% Improved capital expenditure should result in growth in order booking



Sector level actions (contd.)

Sector	Impact	Outlook
Engineering 	Positive	<ul style="list-style-type: none"> Increased customs duties for products vis., solar inverters and promoting national hydrogen energy mission would help impetus for make in India initiate
Auto & Auto components 	Neutral to Marginally Positive	<ul style="list-style-type: none"> Intend to introduce voluntary scrappage policy but details are not available Custom duty changes are proposed in select components Increased spend on infrastructure would support demand in commercial vehicles and tractors
Healthcare 	Neutral	<ul style="list-style-type: none"> Healthcare expenditure budget increased by ~10% YoY (from FY21RE) to ₹713bn. Additionally, ₹350bn allocated for Covid-19 vaccination. Budgetary allocation for Jan Aushadhi increased to ₹0.65bn from ₹0.50 bn in FY21 Significant thrust on improving healthcare infrastructure
Fertilizer 	Positive	<ul style="list-style-type: none"> Fertilizer subsidy allocation for 2020-21 revised at ₹1,340bn (with additional allocation of ₹650bn) is likely to benefit the industry as fertilizer subsidy arrears are expected to be cleared.

Sector level actions (contd.)

Sector	Impact	Outlook
Cement 	Positive	<ul style="list-style-type: none"> Boost to affordable housing as additional deduction of interest amounting to INR1.5lakhs for loans taken extended upto March 2022. Also, affordable housing projects can avail tax holiday for one more year-till March 2022. Allocation towards Pradhan Mantri Awas Yojana (PMAY) stands at INR275bn, reduction of 32% over FY21RE. Awarding of 8500kms and completion of 11000kms of national highways by March 2022. Allocation towards metro projects increased to INR190bn, ~3x over FY21RE. FY21 spend was much lower than originally budgeted. Overall, demand outlook remain positive
Building Materials 	Positive	<ul style="list-style-type: none"> Jal Jeevan outlay of Rs 2,87,000Cr for next 5 years; beneficial for plastic pipe players Focus on affordable housing, Swachchha Bharat resulting in higher demand for the sector
Metals 	Marginally Negative	<ul style="list-style-type: none"> Reduction in customs duty on various steel products; marginally negative for steel players, lower impact due to most imports happen from FTA countries Duty exemption on steel scrap & no CVD on few steel products; marginally negative for long steel players Higher allocation towards infrastructure and Jal Jeevan scheme should benefit from overall demand

Sector level actions (contd.)

Sector	Impact	Outlook
Real Estate 	Marginally positive	<ul style="list-style-type: none"> ▪ Deadline for ₹1.5 lakh extra deduction for housing loans taken for affordable housing extended by another year ▪ Deadline for tax holiday for developers of affordable housing extended by another year ▪ Safe harbour limit for primary sales increased from 10% to 20%; marginally beneficial for residential real estate developers ▪ Proposals from the budget is likely to benefit the real estate developers at large
Power Utilities 	Neutral	<ul style="list-style-type: none"> ▪ Renewables: Equity infusion of Rs 10bn to SECI and Rs 15bn to IREDA; positive for renewable developers ▪ Proposed allocation and changes in distribution sector should provide for capital expenditure and growth opportunities for players in this sector

THANK YOU

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