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SYSTEMATIX GROUP

Investments Re-defined

UNION BUDGET 2023-24

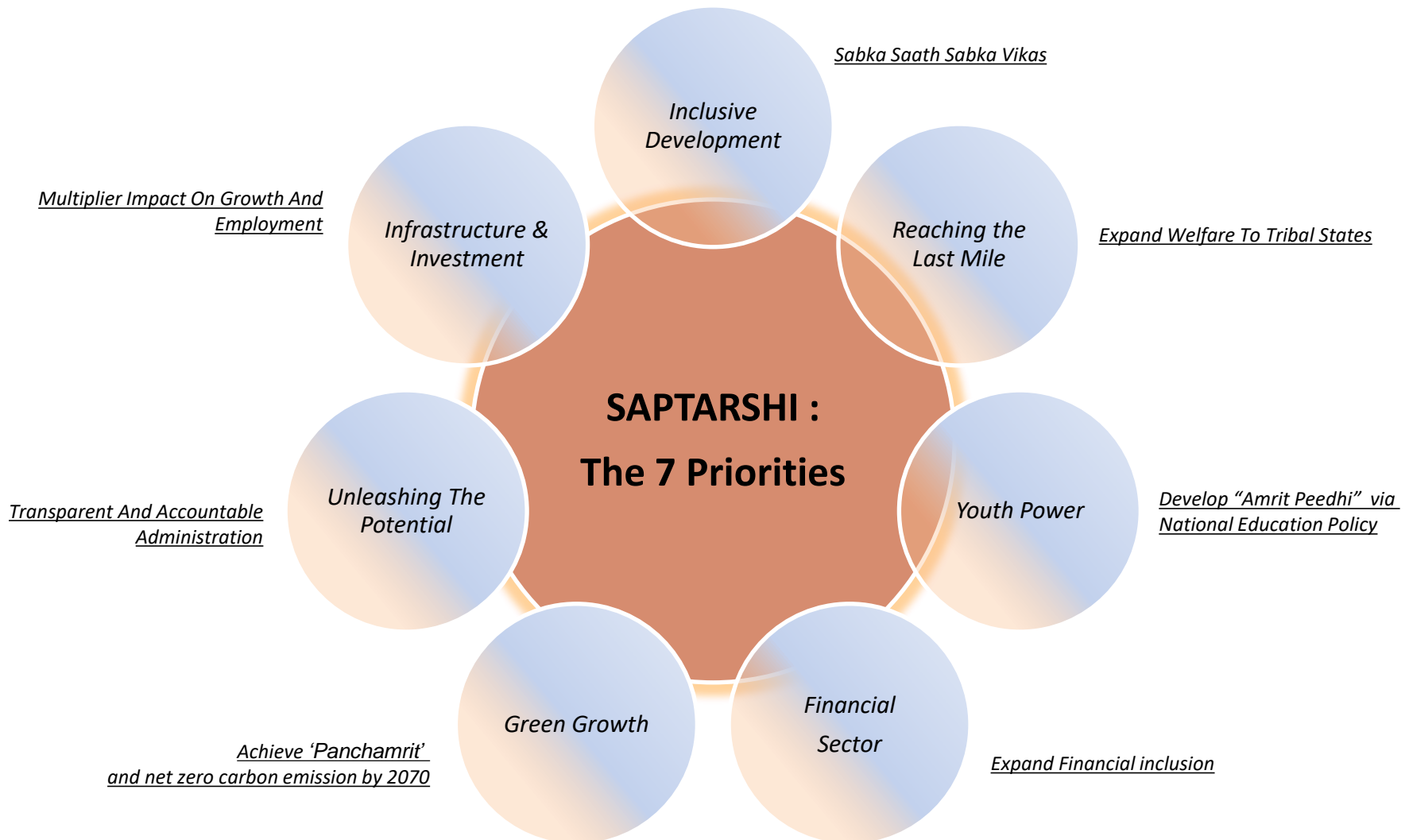


Budget At A Glance – Vision For Amrit Kaal

Indian Economy On The Right Track, And Heading Towards A Bright Future; Since 2014:

Per Capita Income doubled to Rs.1.97 Lakh

Economy went from 10th to 5th largest in the world



Economic Snapshot

Observations

In run-up to elections next year, Budget sees a shrink as % of GDP from 18% to 16%

Clear agenda reflects growth-boost by increasing public investment and inducing private Capex

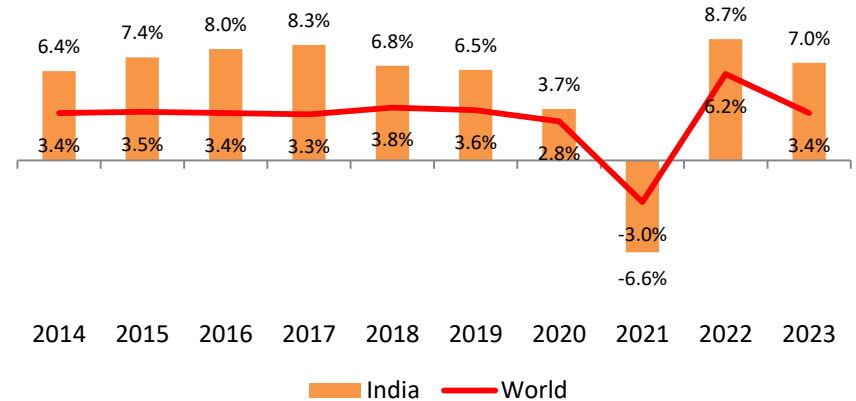
Incremental capex is witnessed in pro-job economic segments, with key focus on rural and infra segments

Fiscal consolidation in-lieu of global slowdown, highlights India's preparedness to maintain a healthy balance sheet

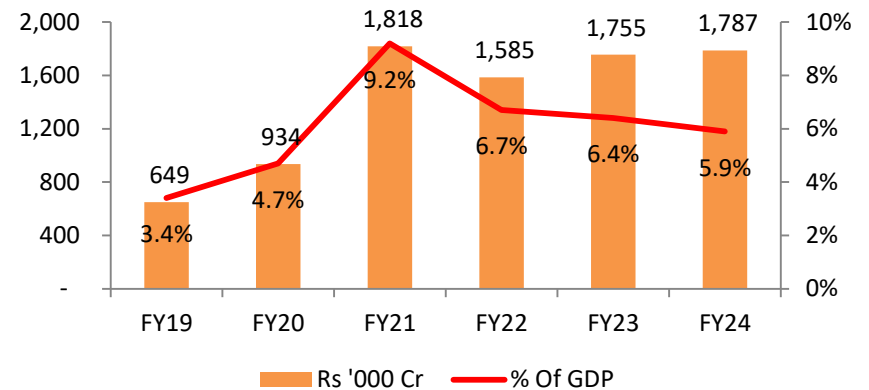
Intention to raise capital via market participants is reflected via similar capital-raising programs

Revision of tax regime is as anticipated in abiding by populist measures

India Has Been One Of The Fastest Major Growing Economy



Fiscal Prudence Practices Will Result In Contained Deficits

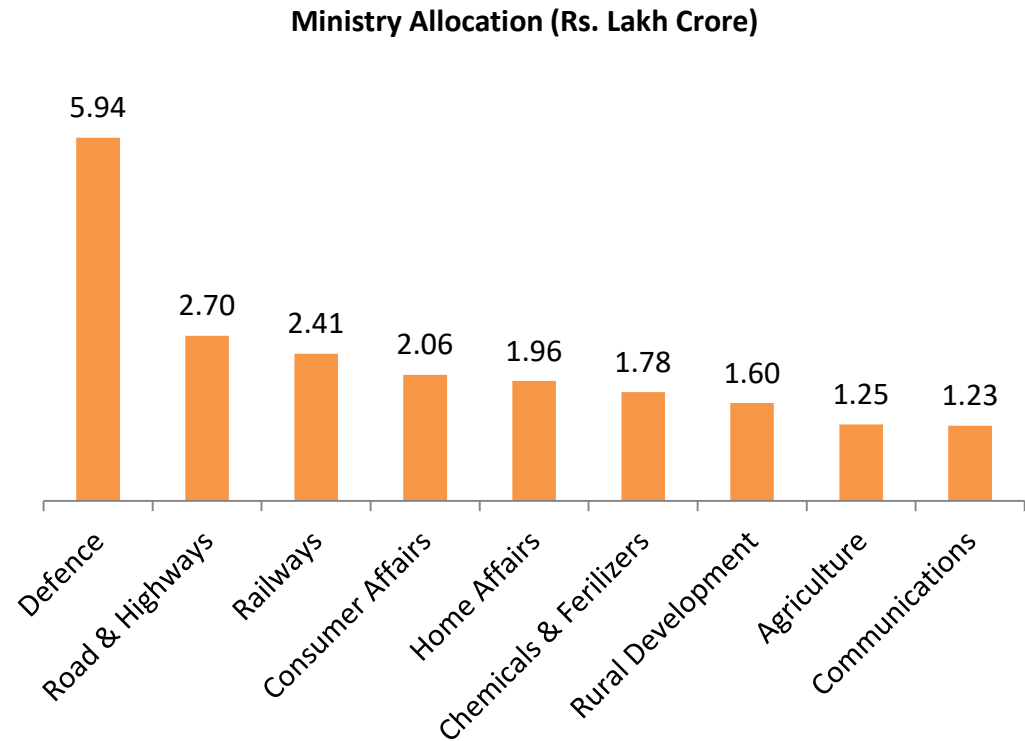


Investment Index – Where The Money Flows

Budget Focus	Target Area	Allocation	
		Value In Rs.Cr	% Of GDP
Infrastructure & Investment	Effective Capex	13.7 Lk	4.52%
	Growth Capital (increased 3 rd year in a row by 33%)	10 Lk	3.30%
	50-year int. free loan to states	1.3 Lk	0.43%
	Railways (highest ever @ 9 times outlay of 2013-14)	2.4 Lk	0.79%
	Logistics	75,000	0.25%
	Urban Infrastructure Development Fund	10,000	0.03%
Inclusive Development	Agri Credit	20 Lk	6.60%
	Education	8.8 Lk	2.90%
	Health	6.4 Lk	2.10%
Reaching the Last Mile	PM Awas Yojana (increased by 66%)	79,000	0.26%
	PVTG Development Mission	15,000	0.05%
	Death Of Drought	5,300	0.02%
Green Growth	Energy Transmission	35,000	0.12%
	Renewable Energy Evacuation	20,700	0.07%
	Green Hydrogen Mission (Target – 5 MMT by 2030)	19,700	0.07%
	GOBARdhan scheme	10,000	0.03%
Financial Sector	Credit Guarantee for MSMEs	9,000	0.03%

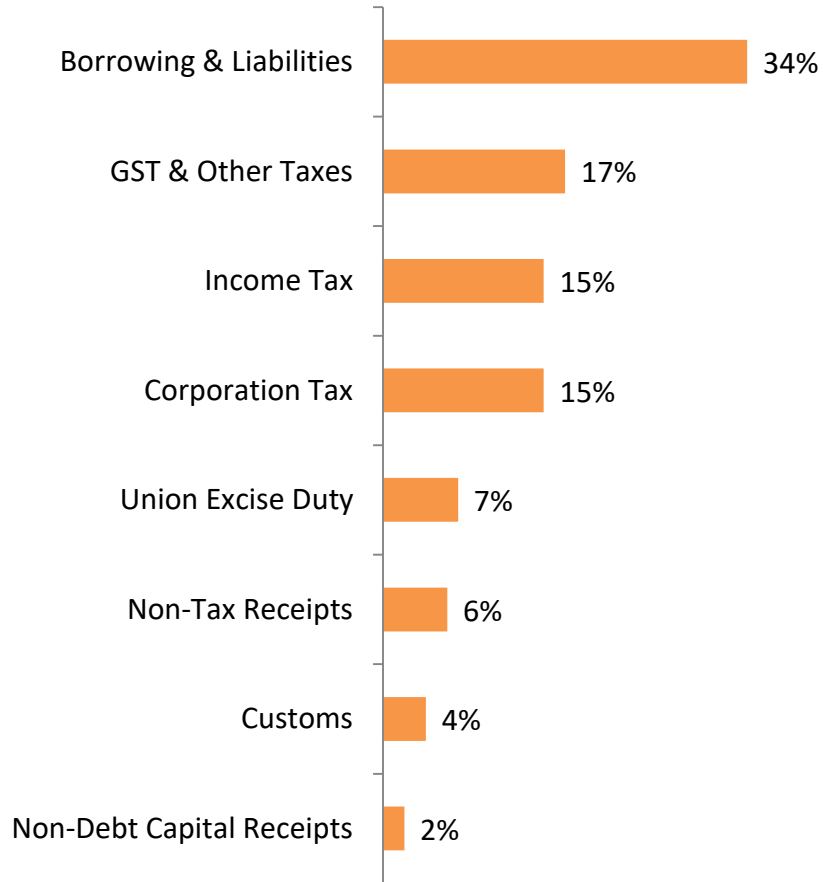
Allocation Appendix

Major Schemes	FY23 (Rs Cr)	FY24 (Rs Cr)
Jal Jeevan Mission	60,000	70,000
Pradhan Mantri Awas Yojana	48,000	79,590
EV Development	2,908	5,172
Eklavya School Model	2,000	5,943
North-East Infra Development	1,419	2,491
Pharma Development	100	1,250

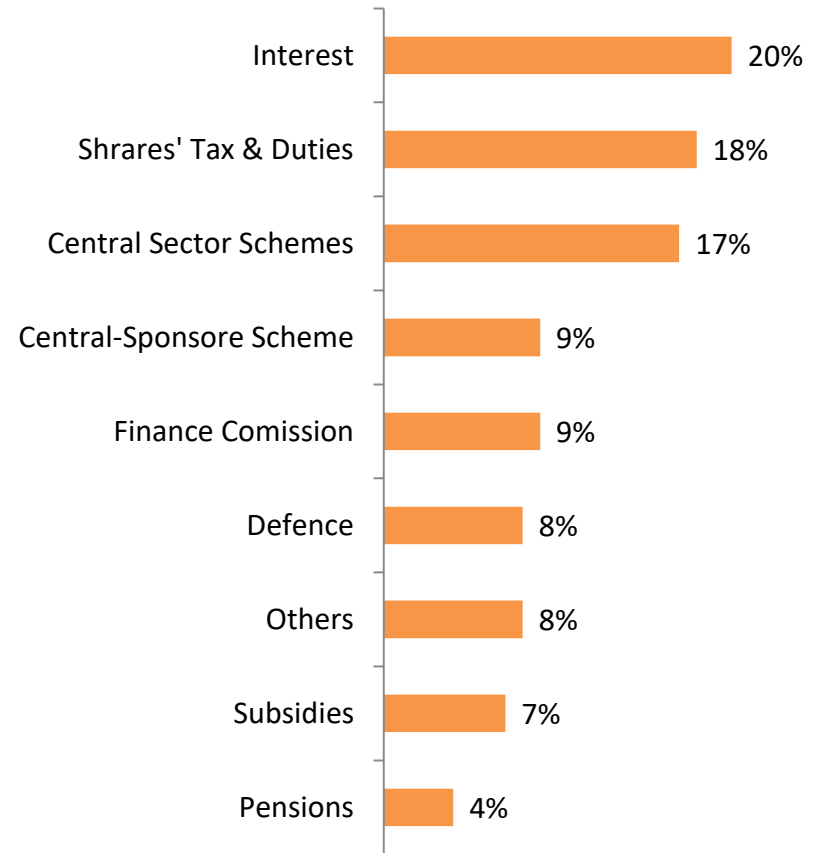


Rupee Flow Chart

Rupee Comes From



Rupee Goes To



Direct Tax – New Regime Wears A Newer Face

Observations	New Regime (earlier)		New Regime (proposed)		
	Income (Rs Lakhs)	Tax Slab	Income (Rs Lakhs)	Tax Rate	
<i>Limits to avail presumptive tax benefit for Micro Enterprises and certain professionals revised to Rs. 3 cr / Rs. 75 lakhs</i>	2.5-5	5%	0-3	NIL	
	5-7.5	10%	3-6	5%	
	7.5-10	15%	6-9	10%	
	<i>Cap deduction from capital gains on investment in residential house under sections 54 and 54F to Rs. 10 cr</i>	10-12.5	20%	9-12	15%
		12.5-15	25%	12-15	20%
	<i>New co-operatives commencing manufacturing activities till Mar'24 shall get the benefit of a lower tax rate of 15%</i>	>15	30%	>15	30%
Tax Benefit (illustration)					
<i>A higher limit of Rs. 3 cr for TDS on cash withdrawal is being provided to co-operative societies</i>	Income (Rs.)	Earlier	Current	Benefit	
	7 Lakh	33,800	0	33,800	
	8 Lakh	46,000	35,000	11,000	
	9 Lakh	62,400	45,000	17,400	
	10 Lakh	78,000	60,000	18,000	
	12 Lakh	1,19,600	90,000	26,900	
	15 Lakh	1,95,000	1,50,000	45,000	
<i>In the new regime, the tax rebate has been increased to Rs. 7 lakhs from the earlier Rs.5 lakhs.</i>					

Indirect Tax – Customizing The Custom Duties

Target Area	From (%)	To (%)
Denatured ethyl alcohol for use in manufacture of industrial chemicals	5	Nil
Specified cap goods/machinery for manufacture of lithium-ion cell for EVs	As applicable	Nil (Till Mar'24)
Camera lens and its inputs for use in manufacture of camera module of phone	2.5	Nil
Specified parts for manufacture of open cell of TV panel	5	2.5
Vehicles + said ancillaries imported by notified agencies, for testing / certification.	As applicable	Nil
Naphtha	1 (+ 0.1**)	2.5 (+0.25**)
Silver (includes with gold/platinum), unwrought or in semi-manufactured, powder	7.5 (+2.5* +0.75**)	10 (+ 5*)
Silver Dore	6.1 (+2.5*+ 0.61**)	10 (+4.35*)
Articles of Precious Metals such as gold/silver/platinum	20 (+2**)	25
Imitation Jewellery	20 or Rs. 400/kg., whichever is higher	25 or Rs. 600/kg., whichever is higher
Vehicle (including EVs) in Semi-Knocked Down (SKD) form .	30 (+3**)	35
Vehicle in Completely Built Unit (CBU), excluding CIF >\$40,000, engine capacity >3000 cc for petrol-run, and >2500 cc for diesel-run vehicles, or with both	60 (+6**)	70
EV in Completely Built Unit (CBU) form, other than with CIF >\$40,000	60 (+ 6**)	70

Source: Union Budget, Systematix PCG Research

*AIDC – Agriculture, Infra, & Development Cess

**SWS – Social Welfare Surcharge

Sector Impact

Infrastructure

Subject	Announcement	Impact
○ Logistics	100 critical infra projects have been identified for first and last mile connectivity for the ports, coal, steel and fertilizer sectors – to be taken up on a priority basis. Funds to be infused for the same is Rs. 75,000 cr, of which Rs. 15,000 cr. to be from private sources	
○ Urban Infrastructure Development	Urban Infrastructure Development Fund to be created to boost infrastructure development in Tier 2 and Tier 3 cities that will be managed by the National Housing Bank. Rs. 10,000 cr. shall be made available for this purpose	
○ Regional Connectivity	Regional air connectivity to be improved by reviving 50 additional identified airports, heliports, water aerodromes and advance landing grounds. Rs.3,114cr allocated to aviation ministry	Positive IRB Infrastructure Developers, Dilip Buildcon, Ashoka Buildcon, Container Corp, InterGlobe
○ Road Transport	Allocation to the Ministry of road transport and highways hiked by 36% from Rs. 1.99 lakhs cr to Rs. 2.70 lakhs cr.	
○ Rural Development	Allocation to the Ministry of rural development is Rs. 1.60 lakhs cr	

Cement

Subject	Announcement	Impact
<ul style="list-style-type: none"> ○ Pradhan Mantri PVTG Development Mission 	<p>Providing particularly vulnerable tribal groups (PVTGs) with basic facilities such as safe housing, clean drinking water and sanitation, improved access to education, health and nutrition, road and telecom connectivity, and sustainable livelihood opportunities</p> <p>An amount of Rs. 15,000 crore will be made available to implement the Mission.</p>	
<ul style="list-style-type: none"> ○ PM Awas Yojana 	<p>The outlay for PM Awas Yojana is being enhanced by 66 per cent to over Rs. 79,000 crore.</p>	
<ul style="list-style-type: none"> ○ Effective Capital Expenditure 	<p>The direct capital investment by the Centre is complemented by the provision made for creation of capital assets through Grants-in-Aid to States. The 'Effective Capital Expenditure' of the Centre is budgeted at Rs. 13.7 lakh crore, which will be 4.5 per cent of GDP.</p>	<p>Positive</p> <p>Ultratech Cement, Dalmia Bharat, Birla Corp</p>
<ul style="list-style-type: none"> ○ Regional Connectivity 	<p>Fifty additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity.</p>	
<ul style="list-style-type: none"> ○ Urban Infrastructure Development Fund 	<p>Like the RIDF, an Urban Infrastructure Development Fund (UIDF) will be established through use of priority sector lending shortfall. This will be managed by the National Housing Bank, and will be used by public agencies to create urban infrastructure in Tier 2 and Tier 3 cities. Expect to make available Rs. 10,000 crore per annum for this purpose</p>	

Subject	Announcement	Impact
<ul style="list-style-type: none"> ○ Taxation of Market Linked Debentures 	<p>Transfer or redemption of MLD shall be taxed as capital gains arising from the transfer of a short term capital asset at investor’s marginal tax rate. Plugged the tax arbitrage gap.</p>	<p>Negative HDFC Life, SBI Life, ICICI Prudential Insurance</p>
<ul style="list-style-type: none"> ○ Credit Guarantee for MSMEs 	<p>Infusion of Rs. 9,000 crore in the corpus, this will enable additional collateral-free guaranteed credit of Rs. 2 lakh crore. Cost of the credit shall reduce by about 1 per cent.</p>	<p>Positive HDFC Bank, ICICI Bank, Kotak Mahindra Bank</p>
<ul style="list-style-type: none"> ○ PM Awas Yojana 	<p>The outlay for PM Awas Yojana is being enhanced by 66 per cent to over Rs. 79,000 crore.</p>	<p>Positive Home First Finance, AAVAS Financiers, Can Fin Homes</p>

Agriculture

Subject	Announcement	Impact
○ Agriculture Accelerator Fund	Fund will be set-up to encourage agri-startups by young entrepreneurs in rural areas. It will aim at bringing innovative and affordable solutions for challenges faced by farmers.	
○ Digital Public Infrastructure for Agriculture	Enable farmer-centric solutions through relevant information services for crop planning and health, improved access to farm inputs, credit, and insurance, help for crop estimation, market intelligence, and support for growth of agri-tech industry and start-ups.	
○ PM-PRANAM	Launched to incentivize States and Union Territories to promote alternative fertilizers and balanced use of chemical fertilizers	Positive Coromandel International, Chambal Fertilizers, RCF, UPL, Bayer CropScience, Sharda Cropchem
○ Logistics	One hundred critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors	
○ Bhartiya Prakritik Kheti Bio-Input Resource Centres	Facilitate 1 crore farmers to adopt natural farming by setting up 10,000 Bio-Input Resource Centres. This will be achieved by creating a national-level distributed micro-fertilizer and pesticide manufacturing network.	

Energy

Subject	Announcement	Impact
○ OMC's	As per the Expenditure Profile, Capital support to OMC's of Rs. 30,000 crores	Positive IOCL, BPCL, HPCL
○ Energy Transition	Budget provides Rs. 35,000 crore for priority capital investments towards energy transition and net zero objectives, and energy security	Positive Reliance Industries, Tata Power, Adani group, L&T, BPCL, HPCL and NTPC
○ Energy Storage Project	Battery Energy Storage Systems with capacity of 4,000 MWH will be supported with Viability Gap Funding.	Positive Exide Industries, Amara Raja
○ Renewable Energy Evacuation	Inter-state transmission system for evacuation and grid integration of 13 GW renewable energy from Ladakh will be constructed with investment of Rs. 20,700 crore including central support of Rs. 8,300 crore.	Positive Power Grid Corporation, Adani Group
○ Naptha	Increase in custom duty from 1% to 2.5%	Positive Reliance Industries

Metals

Subject	Announcement	Impact
<ul style="list-style-type: none"> Railways 	<p>A capital outlay of Rs. 2.40 lakh crore has been provided for the Railways</p>	<p>Positive SAIL, Vedanta, Jindal Stainless, National Aluminium Co</p>
<ul style="list-style-type: none"> Continuing exemption in Custom Duty of raw materials for the steel sector 	<p>To facilitate availability of raw materials for the steel sector, to manufacture CRGO Steel, ferrous scrap and nickel cathode</p>	<p>Positive Voltamp Transformers, Hind Rectifiers</p>
<ul style="list-style-type: none"> Regional Connectivity 	<p>Fifty additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity.</p>	<p>Positive APL Apollo, Surya Roshni</p>
<ul style="list-style-type: none"> Increase in Custom Duty 	<p>Gold: Customs Duties on dore and bars of gold and platinum were increased earlier this fiscal. Now proposed to increase the duties on articles made therefrom to enhance the duty differential.</p> <p>Silver: Increase to align them with that on gold and platinum</p>	<p>Negative Titan, TBZ, Kalyan Jewellers</p>

Miscellaneous

Sector	Highlights	Impacts
○ FMCG	National Calamity Contingent Duty (NCCD) on specified cigarettes to be revised upwards about 16%.	Negative ITC, Godfrey Philips, VST industries
○ Auto Ancillary	Custom duty brought to Zero till 31.03.2024 on specified capital goods and machinery for manufacture of lithium-ion cell for use in battery of electrically operated vehicle (EVs)	Positive Exide Industries, Amara Raja Batteries
○ Chemicals	Denatured ethyl alcohol for use in manufacture of industrial chemicals is proposed to be fully exempt. This will also support the Ethanol Blending Programme and facilitate the endeavor for energy transition Acid grade fluorspar's Basic customs duty is proposed to be reduced from 5 % to 2.5 % to make the domestic fluoro chemicals industry more competitive	Positive Navin Fluorine, SRF, Deepak Nitrate, Atul, Chambal Fertilizers
○ Real Estate	Cap deduction from capital gains on investment in residential house under sections 54 and 54F to Rs. 10 cr Any distribution received by the unit-holder from a business trust shall now be taxed in the hands of the unit-holder (includes debt repayment)	Negative Oberoi, DLF, REITS, INVITS

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