

BUDGET 2022



Budget Highlights 2022-23

India's growth currently is the highest among all major economies; we are now in a strong position to withstand challenges. The goal should now be to complement macro-growth with micro-all-inclusive welfare backed by digital economy and tech-enabled development. With this in mind, the FM laid down the focus areas of budget 2022: PM Gati Shakti, Inclusive Development, Productivity Enhancement, Sunrise Opportunities, Energy Transition, Climate Action, Financing of Investments.

The budget heralded the path on which the **Old and New India** would walk together to ensure it reaches the position of third largest economy in the world. The former was represented by continued focus on defense, water, housing, urbanization while the latter showed where new India will focus- optical fibre, EV battery, solar, 5G, Fintech, crypto regulation, digital rupee, startups etc. Some of major (corner)stones of this budget/path were:

Continued with its brave stance of choosing growth over fiscal deficit concerns

- Capex target was raised by 35.4% — from Rs5.5 lakh cr to Rs 7.5 lakh cr much higher than estimates of economists.
- Disinvestment proceeds in FY23 is pegged at a realistic Rs 65,000cr, lower than the current year's mobilisation of Rs 78,000 crore (originally targeted at 1.75lakh cr) which would include proceeds from IPO of LIC.
- The higher capex and lower disinvestment means fiscal deficit is now pegged at 6.4% of GDP in FY23 (vs 6.9% in FY22) while coming down over the years to 4.5% in FY26. Gross borrowing is also higher at Rs14.95lakh cr vs estimated 13lakh cr.

INCOME (Rs lakh cr)	FY21 A	FY22 BE	FY22 RE	FY23 BE
Net Tax Revenue	14.3	15.5	17.7	19.3
Non Tax Revenue	2.1	2.4	3.1	2.7
Recovery of Loans	0.2	0.1	0.2	0.1
Disinvestment (B)	0.4	1.8	0.8	0.7
Total Income	17.0	19.8	21.8	22.8
EXPENDITURE (Rs lakh cr)	FY21 A	FY22 BE	FY22 RE	FY23 BE
Revenue Expenditure	30.8	29.3	31.7	31.9
Capital Expenditure	4.3	5.5	6.0	7.5
Total Expenditure (A)	35.1	34.8	37.7	39.4
Fiscal Deficit (A-B) (Rs lk cr)	18.1	15.1	15.9	16.7
Fiscal Deficit as a % of GDP	9.2	6.8	6.9	6.4
Nominal GDP (Rs lakh cr)	198		232	258
Real GDP growth (%)	-7.3	9.2	9.2	8-8.5

A: Actual

BE: Budget Estimates

RE: Revised Estimates

Positioning India as self-reliant, preferred manufacturing destination & den for startups

- Focus on public investment to modernise infrastructure and leveraging tech platform of Gati Shakti via a multi-modal approach to pull forward the economy and lead to more jobs and opportunities for the youth
- Four multi-modal national parks contracts to be awarded in FY23, PM Gatishakti masterplan for expressways to be formulated in FY23, 100 PM Gati Shakti terminals to be set up in next three years
- Concessional corporate tax rate of 15% would be available for 1 more year till Mar'24 for newly incorporated manufacturing companies.
- Committed to reduce import and promote self-reliance in defence sector; 68% of capital for defence sector to be earmarked for local industry vs 58% earlier
- To encourage sunrise sectors such as climate actions, Deep-Tech, digital economy, pharma/agritech, government will promote thematic funds with their share limited to 20% and managed by private fund managers.
- Existing tax benefits for startups, which were offered tax relief for 3 consecutive years, to be extended by 1 year

Preparing for the new urban India

- A high-level committee for urban planners and economists to be formed for recommendations on urban capacity building, planning implementation, and governance
- NHA network to be expanded by 25,000km in FY23
- Rs 48,000 crore is allotted for PM Awas Yojana; 80 lakh households will be identified for the affordable housing scheme in FY23
- Rs60,000 crore allocated for providing access to tap water to 3.8 crore households

Building the new age connected India

- Spectrum auction will be conducted in 2022 for the rollout of 5G
- Scheme for design led manufacturing to be launched for 5G ecosystem as part of PLI scheme to enable affordable broadband and mobile communication in rural and remote areas
- Contracts for laying optical fibre in villages to be awarded under BharatNet project under PPP in FY23, completion in 2025
- Data centre and energy storage system to be given infrastructure status; move to provide easy financing

Promoting indigenous digital currency and curbing rampant use of digital assets

- Launch of digital rupee by RBI using blockchain technology during FY23
- Income from virtual digital assets will be taxed at 30%, no deduction allowed while computing income except cost of acquisition, Loss cannot be set off from any other income, Gift to be taxed at receiver's end

Electric Vehicles, Climate & Net Zero

- Battery swapping policy to allow EV charging stations for automobiles will be framed
- Private sector will be encouraged to create sustainable and innovative business models for battery and energy as a service, improving the efficiency in the EV ecosystem
- Energy transition and action on climate to be major priority for govt
- Risks of climate change are strongest externalities for the world; Funds will be used for projects that will help reduce carbon intensity of the economy
- Sovereign green bonds to be launched to fund green infra, to be part of government's borrowing programme in FY23; Proceeds to be deployed in public sector projects
- 400 energy efficient trains to be manufactured over next three years
- Rs 19,500cr additional allocation for PLI for manufacturing high efficiency solar modules taking total allocation to Rs24,000cr

Finance & inclusion

- Rs 1 lakh crore financial assistance to states to be provided in 2022-23 to catalyse investments
- Measures will be taken to step up private capital in infra sector
- 100% of 1.5 lakh post offices will come on the core banking system, enabling financial inclusion and access to accounts through net banking, mobile banking, ATMs, and also provide online transfer of funds between post office accounts and bank accounts. This will be helpful especially for farmers and senior citizens in rural areas, enabling inter-operability, and financial inclusion.
- 75 digital banks in 75 districts will be set up by scheduled commercial banks to encourage digital payments
- ECLGS extended till Mar'23 and cover expanded from Rs4.5lakh cr to 5lakhcr and additional credit of Rs2 lakh cr to benefit MSMEs announced
- Surcharge on long-term capital gains capped at 15% across assets

AUTO



Announcement	Impact
Battery Swapping policy to be announced for EV charging stations.	Will help to push demand for EV's, as we are lacking in terms of charging Infrastructure and fast charging remains the issue due to unavailability of fast chargers and power unavailability in tier-2 and tier-3 cities. Hence battery swapping is the immediate solution to drive an EV smoothly.
Clean & Sustainable Mobility	Shift and promoting towards usage of public transport, will lead to increase demand for E-buses. Government focuses to promote zero fossil fuel based vehicles and EV's.

BFSI



Announcement	Impact
ECLGS extended up to March 2023 and guarantee cover expanded by Rs. 50,000 cr to total cover of Rs. 5 lakh cr, additional amount being earmarked exclusively for the hospitality and related enterprises.	To benefit Banks, NBFCs, Fintechs and the hospitality sector.
Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) scheme facilitated with additional credit of Rs. 2 lakh cr for Micro and Small Enterprises and expand employment opportunities.	To benefit MSME sector and mid-sized banks, NBFCs and Fintechs focussed on MSME lending.
1.5 lakh post offices will come under the core banking system and provide access to accounts through net banking, mobile banking, ATMs, and also provide online transfer of funds between post office accounts and bank accounts.	Will boost financial inclusion and enhance volume of financial transactions, benefiting entire BFSI sector.
An open platform, for the National Digital Health Ecosystem will be rolled out. It will consist of digital registries of health providers and health facilities, unique health identity, consent framework, and universal access to health facilities.	Similar to Account Aggregator concept, it will deepen the penetration of Insurance.
Set up 75 Digital Banking Units (DBUs) in 75 districts of the country by Scheduled Commercial Banks.	To boost Fintech companies.
Necessary amendments in the Code will be carried out to enhance the efficacy of the IBC resolution process and facilitate cross border insolvency resolution.	Will benefit PSU Banks and Large Private Banks.
Surety bonds as a substitute for bank guarantee will be made acceptable in government procurements.	Will benefit General Insurance and Infrastructure companies.

INFRASTRUCTURE



Announcement	Impact
PM Gati Shakti Master Plan for Expressways will be formulated in FY23 to facilitate faster movement of people and goods. The National Highways network will be expanded by 25,000 km in FY23. Rs. 20,000 cr will be mobilized through innovative ways of financing to complement the public resources.	The target of 25,000 km is much higher than 13,000 km achieved in FY21 and 10,000 km achieved in FY20. Positive for infrastructure and Cement companies.
Contracts for implementation of Multimodal Logistics Parks at four locations through PPP mode will be awarded in FY23. 100 Cargo Terminals for multimodal logistics facilities will be developed during the next three years.	To benefit Infrastructure and Logistics companies.
Implementation of the Ken-Betwa Link Project, at an estimated cost of Rs. 44,605 cr will be taken up. This is aimed at providing irrigation benefits to 9.08 lakh hectare of farmers' lands, drinking water supply for 62 lakh people, 103 MW of Hydro, and 27 MW of solar power.	To benefit solar and infrastructure companies.
68 per cent of the capital procurement budget will be earmarked for domestic industry in 2022-23, up from 58 per cent in 2021-22.	To boost defence companies.
Defence R&D will be opened up for industry, startups and academia with 25 per cent of defence R&D budget earmarked. Private industry will be encouraged to take up design and development of military platforms and equipment in collaboration with DRDO and other organizations through SPV model.	To boost defence companies.
Additional allocation of Rs. 19,500 cr totalling Rs. 24,000 cr for Production Linked Incentive (PLI) for manufacturers of high efficiency modules, with priority to fully integrated manufacturing units from polysilicon to solar PV modules.	Announcement to enhance PLI scheme was already made in November 21. As such the current announcement is more of formal budgetary support. To benefit solar module manufacturing companies.
Sovereign Green Bonds will be issued for mobilizing resources for green infrastructure.	Will benefit infrastructure companies focussed on Clean Energy.
Energy Storage Systems including dense charging infrastructure and grid-scale battery systems will be included in the harmonized list of infrastructure.	To benefit power companies with renewables focus.
Jal Jeevan Mission aims to provide tap water to all households. It has covered 5.5cr households in the past 2 years with an aim to cover 3.8cr households in FY23. Budgetary allocation of Rs. 60,000cr FY23BE v/s Rs. 45,000cr FY22RE	To benefit water treatment, irrigation, EPC contractors and pipe companies.
Railways budget allocation increased to Rs. 1.4 lakh cr FY23BE v/s Rs. 1.2 lakh cr FY22RE. 400 energy efficient trains to be manufactured over the next 3 years.	To benefit infrastructure and railways focussed companies.
MoRTH budget allocation significantly increased to Rs. 1.99 lakh cr FY23BE v/s Rs. 1.31 lakh cr FY22RE with incremental allocation largely towards NHAI	To benefit road EPC construction companies.
PM Awaas Yojana, the scheme is targeted towards affordable housing. Government is targeting to build ~80 lakh homes with total allocation of Rs. 48,000 crores for FY22-23 (previous year ~Rs. 43,000 crores)	Positive for Real estate, Building material players such as Paints, Pipes, and FMEG etc.

DIGITAL/TECHNOLOGY/ TELECOM

Announcement	Impact
Digital Rupee i.e. CBDC (Central Bank Digital Currency) to be rolled out in FY23 using blockchain and other technologies, to be issued by RBI	Positive as introduction of CBDC will give a big boost to digital economy and also result in low cost currency management system for the government. Positive for IT software companies that have invested in blockchain technology.
Startups will be promoted to facilitate 'Drone Shakti' through varied applications and for Drone-As-A-Service (DrAAS) and Kisan Drones to be used for agriculture	Positive as the use of drone technology in agriculture represent an important step towards actualising India's huge Agri-tech potential.
Digital university be set up to make India a top-notch world- class education.	Positive as digital initiatives will provide for the adoption of ed-tech
Issuance of e-passports using embedded chip and futuristic technology by FY23	Positive for IT companies as it would entail using technologies such as biometrics, AI, advanced data analytics, chatbots, auto-response, and the cloud.
Animation, Visual Effects, Gaming, and Comics promotion task force will be set up in India to boost domestic capacity for the booming industry	Positive for gaming companies, technology companies and entertainment companies
Data centres to get infrastructure status to provide easy financing.	Positive for technology companies having data centres and as it will enable the companies to get credit at competitive rates on long term basis
Spectrum Auction for 5G Rollout to be conducted in FY22-23 Contracts for laying optical fibres via PP in FY23 Production linked benefits will be extended for 5G equipment 5% of USO Fund (Universal Service Obligation Fund) to be provided for R&D and technology upgradation for 5G rollout in villages. Bharatnet will be rolled out to all villages till 2025	Positive for telecom companies and technology companies as most of them are already piloting various 5G use cases with their telecom equipment and enterprise partners using the 5G trial spectrum allotted by the government On Negative side, the rollout could impact already stressed balance sheets of telecom players Scheme to enable affordable broadband and mobile communication and promote digitalization in rural and remote areas
Defence R&D will be made available to start-ups, industry, and academia, with 25% of the defense R&D budget set aside for advanced technologies	Positive for engineering R&D companies as it will entail the usage of design and development of military platforms and equipment.

TRAVEL AND HOSPITALITY



Announcement	Impact
<ul style="list-style-type: none"> E-passport with embedded chip will be rolled out in 2022-23. 	Favourable and will facilitate convenience in international travel. Positive for aviation and travel related sectors.
<ul style="list-style-type: none"> ECLGS (Emergency Credit Line Guarantee scheme) will be extended till March 2023 The guarantee cover will be extended by Rs.50,000 crore to total a cover of 5 lac crore. 	The additional amount will be earmarked for hospitality and related sectors. The extension and increased allocation of the ECLGS scheme (provides credit to MSMEs) is positive for Hospitality and related sectors that have faced a liquidity crunch due to Covid.

CONSUMPTION STAPLES AND DISCRETIONARY



Announcement	Impact
<ul style="list-style-type: none"> Rs. 2.37 lakh cr worth of MSP direct payments to wheat and paddy farmers (vs 2.5 lakh cr budgeted last year). 	MSP payments leading to assured income to farmers. Positive for consumption as most FMCG companies derive 30-40% revenue from rural.
<ul style="list-style-type: none"> Duty on cut and unpolished diamonds and gemstones to be reduced to 5% from 7.5%. To facilitate export of jewellery through e-commerce, a simplified regulatory framework shall be implemented by June'22. 	The reduction in duty of diamonds (inputs for domestic jewellery companies) and the facilitating of e-commerce exports will help boost the gems and jewellery sector.
<ul style="list-style-type: none"> No tax hike on cigarettes and tobacco products 	Positive for cigarette manufacturing companies as no change in pricing for end products

TEXTILE



Announcement	Impact
<ul style="list-style-type: none"> To incentivise exports, exemptions of import duty on items such as embellishment, trimming, fasteners, buttons, zipper, lining material, specified leather, furniture fittings and packaging boxes needed by bonafide exporters of handicrafts, textiles and leather garments, leather footwear and other goods as long as final product is exported. 	<p>Positive for exporters of handicrafts, textiles, leather garments, leather footwear and other goods.</p>

HEALTHCARE AND WELL-BEING



Announcement	Impact
<p>Total allocation towards Health and Wellness sector is 1.07 Lakh Cr (Including provision for department of Health and Family Welfare, AYUSH, Vaccination and Grants for Health sector)</p>	<p>Positive for healthcare players.</p>
<p>Allocation for covid vaccination has been reduced drastically from Rs.35000 crs to Rs.5000 crs</p>	<p>Positive, as proper allocation has been made by the government. Currently ~75% of the adult population has been fully vaccinated hence it does not require a huge allocation like last year. (Negative for vaccine manufacturers)</p>
<p>Launch of National Tele Mental Health program – which will include a network of 23 tele-mental health centres of excellence with NIMHANS being the nodal centre and International Institute of Information Technology-Bangalore (IIITB) providing technology support.</p>	

AGRICULTURE AND ALLIED ACTIVITIES



Announcement	Impact
<ul style="list-style-type: none"> Unblended fuel will have additional excise duty of Rs.2/litre from Oct-22. 	<ul style="list-style-type: none"> Positive for sugar companies as it reaffirms Govt. push towards blending of fuel with ethanol (EBP20 by 2025).
<ul style="list-style-type: none"> Duty being reduced on certain inputs required for shrimp aquaculture from ~30% to 10-15% to promote its exports. 	<ul style="list-style-type: none"> Positive for shrimp exporting companies as their inputs will get cheaper.
<ul style="list-style-type: none"> Scheme to increase domestic production of oilseeds to reduce dependence on import of oilseeds. 	<ul style="list-style-type: none"> The rising demand for edible oil can be catered through domestic production lowering the impact of volatility in international prices. Positive for FMCG sector.
<ul style="list-style-type: none"> Chemical-free natural farming to be promoted throughout the country. 	<ul style="list-style-type: none"> To promote organic farming and income of the farmers.
<ul style="list-style-type: none"> States will be encouraged to revise syllabi of agricultural universities to meet the needs of natural, zero-budget and organic farming, modern-day agriculture, value addition and management. 	<ul style="list-style-type: none"> Will help promote development and produce of natural and organic farming. Beneficial for farmers and rural incomes.
<ul style="list-style-type: none"> Strengthening the delivery of digital and hi-tech services to farmers through the public-private partnership model 	<ul style="list-style-type: none"> Agri-Tech initiatives to help boost efficiency of the sector and improve farmer incomes
<ul style="list-style-type: none"> Fund to be set up through NABARD to finance start-ups for agriculture & rural enterprise, relevant for farm produce value chain. 2023 has been announced as the International Year of Millets. Support will be provided for post-harvest value addition, enhancing domestic consumption, and for branding millet products Nationally and internationally. 	<ul style="list-style-type: none"> Positive for companies in sector deriving income from rural areas – FMCG, agri inputs, irrigation, fertilizers, two-wheelers, etc.

MISCELLANEOUS

Announcement	Impact
<p>Direct tax:</p> <ul style="list-style-type: none"> ➤ No change in individual or corporate taxes ➤ Provision to file updated returns within 2 years from the end of the relevant assessment year ➤ Surcharge on long term capital gains arising on transfer of any type of assets capped at 15% ➤ Existing tax benefits for eligible start-ups which were offered tax incentives for 3 consecutive years extended by 1 more year (upto 31.03.23) ➤ Last date for commencement of production for newly incorporated manufacturing companies to avail concessional tax regime of 15% extended by 1 year (upto 31.3.2024) ➤ Surcharge on AOPs capped at 15% ➤ Tax deduction benefit to persons passing benefits to agents as business promotion strategy if aggregate value of such benefits exceeds Rs.20,000 during the financial year 	<p>Tax slabs remained unchanged; hence it is a no negative budget</p> <p>Extension of reliefs will further boost the start-up economy</p> <p>Extension of benefits for new manufacturing companies will lead to an increase in the number of new manufacturing facilities/companies and domestic production</p>
<p>Regulations on Crypto:</p> <ul style="list-style-type: none"> ➤ Transfer of digital assets including NFTs and cryptocurrencies to be taxed at 30% to take effect from 01st April-22. ➤ No deduction allowed while computing income except cost of acquisition ➤ Loss cannot be set off from any other income ➤ Gift of cryptocurrencies to be taxed in the hands of the recipient ➤ Tax deductible at source applicable at the rate of 1% above a certain threshold w.e.f 01-July-2022 	<p>Positive for equity market as the higher burden of taxation of cryptocurrency will lead to shift towards traditional modes of investments such as stocks, mutual funds which are subjected to relatively lower taxation.</p>
<p>Steel – Custom duty exemption given last year to MSME players for scrap steel extended for one more year</p>	<p>It will help to mitigate the carbon footprint of the steel sector and benefit the MSME secondary producers.</p>
<p>Anti-dumping duty and CVD on stainless steel and coated steel flat products, bars of alloy steel and high-speed steel revoked</p>	<p>Negative for stainless steel manufactures in India</p>
<p>Reduction in subsidies for FY22-23 (Food+Fuel+Fertilizers)</p> <p>2021- Rs.7.08 lakh crore</p> <p>2022- Rs.4.33 lakh crore</p> <p>2023- Rs. 3.18 lakh crore</p>	<p>Food relief packages formed a major part of the subsidies in 2021 (5.4 lakh crores) owing to covid. This number has now been reduced to 2.1 lakh crores. Similarly, petrol subsidy has been reduced from 38,000 crores in 2021 to 5,800 crores in 2023. Thus, the overall subsidy shows a reduction of ~27% with the share of fertilizer subsidies increasing marginally (Positive for agro-chemical players)</p>
<p>Increase in custom duties -</p> <ul style="list-style-type: none"> ➤ Chemicals- Sodium Cyanide (7.5% to 10%) 	<p>Positive for domestic chemical players</p>
<p>Decrease in custom duties -</p> <ul style="list-style-type: none"> ➤ Chemicals- Methyl Alcohol Methanol (10% to 2.5%), Acetic Acid (10% to 5%) 	<p>Changes in custom duty to enhance domestic value addition.</p>



THANK YOU

We would love to hear from you...

Contact us at:

MUMBAI OFFICE

Contact No : 022-61013818

Marathon Futurex, A-603 6th Floor, Mafatlal Mills Compound,
N M Joshi Marg, Lower Parel East, Mumbai 400013

DELHI OFFICE

Contact No : 0120-6675900

A-40, Office No. 202, 2nd Floor, I-Thum Tower, Sector 62, Noida 201301, India

BENGALURU OFFICE

Contact No : 080-46013333

3rd, Floor, Unit No-302, PALMS SQUARE, 125, Brigade Road, Bengaluru-560025

THANE OFFICE

Contact No : 022 – 62327101

Unit No.306, 3rd Floor, CentrumPlot C-3, S.G. Barve Road,
Wagle Estate, Thane (West) – 400604