Key Budget Highlights

The budget of 2023-24 lay down blueprint for steering growth with finance minister Ms. Nirmala Sitharaman talking about Amrit Kaal for Indian economy, This Amrit kaal targets on making economy strong with focus on youth's job creation and growth. This budget has more positives than few negatives with an eye on long term growth with another on 2024 budget. The fiscal deficit for Fy23 is expected to be better than last year budgetery proposal and target of 5.9% indicates that Indian economy has emerged stronger post last 2 years of Covid period. We are among the fastest growing economy in the world and inflation is below than peer countries. The budget has higher capex outlay for infrastructure, green energy and Make in India initiative.

Budget has given big boost to foreign investors if they set up in gift city. Via Gift city, in the Union Budget 2023-24 permitted acquisition financing, recognised offshore derivative instruments, and set up a single-window registration for approvals. The Budget provided acquisition financing by units of foreign banks set up at the International Financial Services Centre (IFSC) — a move that will bring down the cost of financing for outbound mergers and acquisitions (M&A). This is big positive for foreign investors also as embarks return of P Notes in New Avatar. For the equity markets, there has not been any changes in capital gain taxes for the time being and this would allay fear of market participants

This Budget adopts a focus on 7 priorities:

1. **Inclusive Development (Sabka Saath Vikas Program):** For farmers, women, youth, OBCs, SCs, STs, divyangjan and economically weaker / underprivileged sections of society. Agriculture and cooperatives will be benefitted through public infrastructure, the agriculture accelerator fund, setting up of widely available storage capacities, the launch of the Horticulture Clean Plant Program, and investments in research to make India the global hub for millets. There will be targeted funding of INR 20 Lakh Cr in agricultural credit toward Animal Husbandry, Dairy, and Fisheries. 157 new nursing colleges will be launched along with programs to promote pharmaceutical research, skilling of manpower for futuristic medical tech and initiatives to eliminate sickle cell anaemia. Digital library facilitating availability of books across geographies and languages along with setting up of physical libraries at panchayats and wards across the country.
2. **Reaching the Last Mile:** With a focus on the development of the north- eastern region, the government will develop the ministries of AYUSH, Fisheries, Animal Husbandry and Dairying, Skill Development, Jal Shakti and Cooperation. Initiatives such as Aspirational Blocks programme (to saturate government services covering 500 blocks), PM PVTG to facilitate vulnerable tribes with INR 150,000 Mn over 3 years, recruitment of teachers for Eklavya Model Residential Schools for tribal students, monetary assistance for drought prone areas of Karnataka and digital storage of ancient inscriptions.
3. **Infrastructure and Investment:** Working toward ramping up the cycle of investment and job creation. Capital Investment outlay at whopping INR 10 Tn for jobs and economic growth, extension of 50 year interest free loans (to be spent by FY24), Capital outlay for Railways at INR 2.4 Tn. INR .75 Tn for critical transport infra projects, INR 0.1 Tn to be managed by NHB for infrastructure in T2 & T3 cities, and lastly enhancing PM AWAS yojana to INR 790,000 Mn.
4. **Unleashing the Potential:** To provide transparent and accountable administration for the common citizen through reduction in compliances and legal provisions for ease of doing business, developing AI ecosystem through centres of excellence, simplification of KYC, Unified filing process, PAN based business identification, relief for MSME's in Vivad se Vishwas along with voluntary settlement of disputes, Result based financing for allocation of funds and encourage indigenous production of LGD seeds.
5. **Green Growth:** Set the goal of 'Net Zero Carbon Emission' by 2070 to create green industrial and economic transition. Initial steps consisting target of reaching 5 MMT annual production by 2030 in Green Hydrogen Mission, INR 0.35 Tn allocated for energy transition and security, Pumped storage projects for Battery Energy Storage Systems, ISTS evacuation of 13GW from Ladakh with INR 0.207 Tn, Green credit programme, encouraging use of alternative fertilizers, creation of 500 Waste to Wealth plants, promotion of natural farming, further pushing MISHTI plantation, promotion of Amrit Dharohar and furthering vehicle scrapping policy.
6. **Youth Power:** Formulated the National Education Policy focused on skilling and job creation. With the help of skilling youths, introducing Apprentice Promotion Scheme, promoting dekho Apna Desh initiative and set up Unity Mall.
7. **Financial Sector:** Reforms in the financial sector and innovative use of technology have led to financial inclusion at scale. This shall be further pushed by revamping of credit guarantee scheme for MSME's, creation of National Financial Info Registry to facilitate flow of credit and foster financial stability. Additionally, enhancing business activities in GIFT IFSC, enhancing deposit limit of Senior Citizen Savings Scheme from INR 1.5 Mn to 3 Mn. Setting aside funds specifically from 50 year loan to states will also foster the goal.

Budget Estimates for FY23-24: Total receipts other than borrowings and the total expenditure are estimated at INR 27.2 lakh crore and INR 45 lakh crore respectively. The net tax receipts are estimated at INR 23.3 lakh crore. The fiscal deficit is estimated to be 5.9% vs 6.4% of GDP in the previous year. By 2025-26, the target is 4.5%. To finance the deficit, the net market borrowings from dated securities are estimated at INR 11.8 lakh crore. The balance is expected to come from small savings and other sources. The gross market borrowings are estimated at INR 15.4 lakh crore.

Tax Proposal: Proposal to reduce the number of basic customs duty rates on goods, other than textiles and agriculture. These include exemption in excise duty on GST compressed bio-gas, custom duty exemptions to imports related to manufacturing of lithium-ion batteries. Relief in custom duties for inputs like camera lens and cells of TV panels. Reduction in electric chimneys and heat coils, exempt customs on Denatured ethyl alcohol, reduction in duties on domestic manufacture of shrimp feed and seeds in manufacturing of LGDs, increasing import duties on precious metals, continuation in exemption of duties in raw materials of metal manufacturing. Increase in customs for compounded rubber and increase in NCCD on cigarettes. These have been provided in indirect taxes.

For direct taxes, benefit of presumptive taxation for MSME's, capping deduction from capital gains on investment in residential house under sections 54 and 54F amongst many others in gold conversion, online gaming etc. Personal tax rebate limit raise to INR 0.7 Mn in the new tax regime and a slew of other changes in tax slabs and mainly reduction in surcharge of highest tax bracket resulting in tax rate of 39%.

Overview on Budget

A very well calculated good budget overall in our view with key highlights being higher infrastructure spending by the government boosting economy and lower fiscal deficit reflecting lower gross market borrowings by government. Moderated borrowings will ensure yields are hardening which is positive for overall economy. There were couple of miss as well – 1) changes in the personal income tax slabs 2) life-insurance premiums >5 lacs will be taxable effective 1 April 2023.

Look at macros, economy, fiscal deficit and market borrowings

In RE 2022-23, the government has retained its fiscal deficit target at 6.4% in spite of global headwinds, mainly on account robust GDP growth, buoyant tax collection and better targeting of expenditure. As per the first advances estimate, real GDP is expected to grow by 7% and nominal GDP by 15.4% yoy in FY23. As per the revised estimates for FY23, there has been 10% increase in the gross tax revenues to INR 30.4 trillion from earlier budged estimates which was largely driven better corporate tax collection. Overall, economy has performed relatively better in FY23 than expected by the government. For FY24, tax revenue collection are reasonably estimated and not aggressive, in our view, which is positive. Broadly , nominal GDP is expected to grow by 10.5% in FY24. On the expenditure side, better revenues resulted in 6% higher expenditure than budgeted in FY23.

In nutshell, fiscal deficit is projected to be at 5.9% vs. 6.4% in FY23 (RE). In absolute terms, fiscal deficit is expected to be at INR 17.9 trillion vs. INR 17.6 trillion. Subsequently, gross and net borrowings of the central govt. is budgeted at INR 15.4 trillion/INR 12.3 trillion vs. at INR 14.2 trillion/INR 12.1 trillion in FY23 (RE). This, in our view, is not substantially large amount compared to FY23 levels which can crowd out private investments and also; interest rates are not anticipated to harden materially.

Broad estimates on macro parameters

(in %)	Revised Estimates FY23	Budgeted Estimates FY24
Fiscal Deficit	6.4	5.9
Revenue Deficit	4.1	2.9
Primary Deficit	3.0	2.3
Tax Revenues (Gross)	11.1	11.1
Non-tax Revenues	1.0	1.0
Central Govt. Debt	57.0	57.2

Source: India Budget website

Recommended Stocks	Investment Rationale
TCS CMP: INR 3,408 TP: INR 3,725	- Softening in attrition led to margin improvement - Strong demand in Cloud Space- won serval Cloud transformational deals in Q3FY23 from Boston Scientific. - we remain constructive on TCS from the medium to long term with its ability to engage with large clients.
TVS Motor Company CMP: INR 1,018 TP: INR 1,122	- Strong demand in EV Segments with expectations of doubling sales in Q4FY23e - The company also highlighted that it plans to launch an Electric 3W in the coming months. - We expect TVS to continue to outperform the 2W industry.
Bajaj Auto. CMP: INR 3,811 TP: INR 4,449	- EV Strategy-. Its focus is on i) Building a strong R&D and supply chain, ii) Expanding the portfolio to adequately cover emerging segments iii) Building Chetak to be a premium and the perfect choice in the top 100 cities. Bajaj will set up an independent retail network (incl services) for EVs (currently sold through a pro-bike network) to offer a differentiated retail experience. - At a retail level, the company has gained ~2% MS on a sequential basis in the 125cc+ segment. The company's exports pick up from Q3FY24 will be the key monitorable and key trigger. - EV launches over the next 12 months will be watched.
Alicon Castalloy Limited CMP INR 870 TP: INR 1,079	- Given the order book and the anticipated start of production expect to close the year with 32-35% growth on a YoY basis. Growth guidance is 14-15% for FY24. - Sustained cost reduction initiatives using Kaizen principles that enabled cost reduction at a micro-level across operations. - Toyota hybrid Hyryder- 5-6 month waiting period and good response form the customer, Alicon is supplying cylinder head for this vehicle. So, can count on exciting volume growth from here.
Heranba Industries CMP: INR 326 TP: INR 1,073	- Capacity expansion to facilitate volume growth. - Penetration into newer and higher margin markets.
Cipla Ltd. CMP: INR 1,032 TP: INR 1,175	- Expanding product portfolio - Robust Balance sheet - Strong presence in growing India business
Rallis India Ltd. CMP: INR 204 TP: INR 336	- Commissioning of Multi-Purpose facility - Product Registration in Brazilian market - Recovery in seeds business
Granules India Ltd. CMP: INR 293 TP: INR 377	- Strong traction in paracetamol sales in regulated markets - Backward integration to manufacture raw materials - Capacity expansion and PLI scheme
Ircon International Ltd CMP: INR 57.7 TP: INR 99	- Order book stood INR 40,020cr (5.4x of FY22 revenue). - The bid pipeline is around INR 3,000cr; INR 2,000cr from Highways and INR 700cr to 800cr from Railways. - Ircon is maintaining minimum IRR and RoE is 14% to bid projects.
Pitti Engineering CMP: INR 312 TP: 446	- Capacity expansion will drive growth. The capacity is expected from 50,200 MTPA to 72,000 MTPA by H1FY24. - The company is expected to receive ~INR 32cr/year as incentives over next 5 to 7 years. - The company is expected to be benefited from Railway Capex.

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Whirlpool of India Ltd CMP: INR 1,350 TP: INR 1,895	- Whirlpool has focused on kitchen appliances like kitchen hoods, gas hobs, and cooktops through Elica. - The company has a 10% to 15% market share across categories and gaining market share at a slower pace. - Whirlpool's direct distribution network accounts for 70% to 72% of the total distribution network which helps to increase the sales.
Voltas Ltd CMP: INR 794 TP: INR 1,148	- Voltas has ~24% market share in the RAC segment and holds the No 1 position in market share and 750 bps higher than the 2nd player. - Voltas has Capex investments of around INR 500cr in FY23 to increase the Chennai plant's capacity of ACs and commercial refrigerators. The company also additionally investing INR 500cr for a compressor plant in partnership with China's Highly International. The compressor plant will reduce imports from China. - The Indian AC market penetration is around 7% to 8% and is expected to increase to 10% to 12% over the medium term. The increase in market penetration in the AC segment will be a big opportunity for Voltas.
IIFL Finance CMP – INR 516 TP – INR 645	- Benefit from increase in outlay of PMAY Scheme - Strong AUM growth outlook of 20-25% over the next 2-3 years time across segments like gold, home loans, MFI & small business loans - The NBFC is being delivering consistently good numbers from last couple of quarters - Asset quality outlook stable - Going forward, we expect PAT to grow at 32% CAGR during FY22-25e led by higher asset growth of 24%, better margin profile and stable asset quality mix - We continue our BUY rating on the stock with TP of INR 645, according target multiple of 2x on FY25e ABV, upside of ~26% from current levels - We expect rerating to continue going forward as well.
Can Fin Homes CMP – INR 547 TP – INR 710	- Benefit from increase in outlay of PMAY Scheme - Outlook positive on credit growth going forward - . Credit is expected to grow by of 18-20% in FY24 - Margin outlook bullish - margins are expected to be at 3.5% and spreads of 2.4% in FY24 as 72% of the book is likely to get repriced at2% higher rate - CEO has been hired which is likely to join in current fiscal, which was one of the major hangover on the stock - It is trading at 1.7x FY24e ABV. Can Fin Homes is good franchise to own in lower ticket size affordable housing loan segment which can deliver 18-20% ROE and 2% ROA on sustainable basis
Piramal Enterprises CMP – INR 845 TP – INR 1500	- Focus on retail and retail share to touch 70 pc with the acquisition of DHFL from 35 pc in next 5 years which was ~10 pc pre-merger of Dhfl portfolio. - The company has been launching new products like a Gold loan, BNPL & MFI to strengthen its retail portfolio.
Welspun Corp Ltd CMP – INR 205 TP - 394	- Allocation for Jal Jeevan Mission at INR 0.7 Tn (higher by ~17% as compared to FY23). This will help the HSAW and DI pipe facility of the company to run at optimum capacity.
Tata Power Ltd CMP: 206 TP: 265	- The GoI approved an initial outlay of ~INR197 bn for India's National Hydrogen Mission 2030. The aim is to annually product 5 MMT by 2030.
Hindustan Unilever CMP: INR 2,578 TP: INR 2,962	- Increased focus on premiumization and market development activities aid in margin expansion. - HUL recently completed the investments in OZiva & Wellbeing Nutrition, adding two new health & lifestyle brands to their portfolio. This will significantly scale up the business.

Recommended Stocks	Investment Rationale
Thomas Cook India CMP: INR 71 TP: INR 163	- With a pick up in domestic and corporate travel, the company is seeing stellar recovery over pre- covid levels. - Asset light expansion of the settling resort network has led to impressive margin expansion. - Digiphoto entertainment Imaging is rapidly growing its marquee client network across the globe. - TCIL purchased the right to use the brand ‘Thomas Cook’ indefinitely, ensuring brand continuity.
Britannia CMP: INR 4,369 TP: INR 4,468	- For 38 consecutive quarters, the company has experienced market share gains. This is due to constant product and market developmental activities. - Unlike its peers, the company has recognized rural demand as a huge contributor to revenue growth this year and share gains were 1.5x that of all India share gains. This was because of the company’s aggressive expansion of the distributor network into small rural areas, growing the rural distributor network by 1,000 in Q2, bringing the total to 28,000
Gokaldas Exports CMP: INR 356 TP: INR 479	- -Opening of a unit in Bangladesh is on the radar, and they are in talks to set it up with their local partner. The country has duty-free access to Europe which makes it a suitable investment. - Any increases in cotton prices are passed on, hence margins are kept relatively stable.
Dollar Industries CMP: INR 377 TP: INR 479	- -Distributors under Project Lakshya have reported impressive volume growth of 43% and value growth of 100% over the last 6 months There are a total of 189 active distributors under the project and there are consistent monthly additions being made. - The spinning capacity has been fully constructed and will be commissioned by March 2024.

Sector	Budget Announcement	Key Beneficiaries
Chemicals/Agro chemicals	-The Union Budget has proposed to exempt basic customs duty on denatured ethyl alcohol.	Positive for India Glycol Ltd.
	- Basic customs duty is being reduced on acid grade fluorspar from 5 per cent to 2.5 per cent to make the domestic fluoro-chemicals industry competitive.	Positive for Laxmi Organics
	- Basic customs duty on crude glycerin for use in manufacture of epicholorhydrin is proposed to be reduced from 7.5 per cent to 2.5 per cent	Positive for Meghmani Finechem
	- The Union budget has increased the agriculture credit target to INR 20 lakh crore for FY24, which is highest ever increase for the sector.	Positive for agricultural related companies like agrochemicals, seed companies. Stocks: Rallis India
Pharmaceutical	- The Union Budget has increased the allocation of funds to the development of Pharmaceutical Industry from INR 1,000 Mn in FY23 to INR 12,500 Mn in FY24.	Positive for Pharmaceutical companies like Cipla, Dr. Reddy's, etc.
Automobile	-Scrappage of old government vehicles, and shift towards cleaner vehicles remains a key focus area. States will also be supported in replacing old vehicles and ambulances. -Rural Consumer Demand to get a boost from schemes for last mile	Positive for PV and CV companies.
	-Customs duty exemption being extended for capital goods used for manufacturing lithium batteries. The government will support setting up of battery storage capacity of 4,000 MWH in India with viability gap funding. -Provide impetus to green mobility, customs duty exemption is being extended to import of capital goods and machinery required for manufacture of lithium-ion cells for batteries used in electric vehicles	Positive for Amara Raja Batteries and Exide Industries
	-Investments in Infrastructure and productive capacity have a large multiplier impact on growth and employment -Increased capex plan should positively support infra spending and manufacturing growth.	Positive for CV companies like Ashok Leyland

Sector	Budget Announcement	Key Beneficiaries
Dairy	-The agriculture credit target will be increased to INR 20 lakh crore with a focus on animal husbandry, dairy, and fisheries. -They will implement a plan to set up massive decentralized storage capacities to help farmers store produce and realize remunerative prices through sales at appropriate times. The government will also facilitate the setting up of a large number of multipurpose cooperative societies, primary fishery societies, and dairy cooperative societies in panchayats and villages in the next 5 years.	Positive for Dodla Dairy, Heritage Foods, and Parag Milk Foods.
Foods/ FMCG	-The lowering of personal income tax rates would increase disposable income and stimulate the demand cycle. -The capital investment outlay is being increased by 33% to INR 10 lakh crore-3.3% of GDP. This is 3x the outlay in 2019-20. These investments in infrastructure will encourage employment and lead to job creation. -100 critical transport infrastructure projects, for ports, coal, steel, fertilizer, and food grains sectors will be taken up on priority with an investment of INR 75,000 crore. This will improve supply chain efficiency at the local level.	Positive for Dabur, Marico, Britannia, and Hindustan Unilever.
Textiles	-To enhance the productivity of extra-long staple cotton which is in great demand in the textile industry, they will adopt a cluster-based and value chain approach through Public Private Partnerships (PPP) which imply collaborations between farmers, state, and industry for input supplies, extension services, and market linkages.	Positive for Dollar Industries, Gokaldas Exports, Indo Count Industries, and Raymond.
Travel & Tourism	-Promotion of tourism will be taken up with the active participation of states, the convergence of government programs, and PPPs. -The focus of the development of tourism would be on domestic as well as foreign tourists. A minimum of 50 destinations will be selected. Aspects like physical connectivity, virtual connectivity, tourist guides, high standards for food streets and tourists' security, and other relevant aspects will be made available on an App to enhance the tourist experience. Every destination will be developed as a complete package. -Sector-specific skilling and entrepreneurship development are objectives of the 'Dekho Apna Desh' initiative. This was launched as an appeal to the middle class to prefer domestic tourism over international tourism. For the integrated development of theme-based tourist circuits, the 'Swadesh Darshan Scheme' was also launched. Under the Vibrant Villages Programme, tourism infrastructure and amenities will also be facilitated in border villages. -All states will be encouraged to set up a Unity Mall in the capital/ most prominent tourism center/ financial capital for the promotion and sale of ODOPs (one district, one product), GI products, and other handicraft products.	Positive for Thomas Cook India.
Railways, Road and Infra	- A capital outlay is around INR 2.4 lakh cr for railways. The capex is 9x of 2013-14 capital outlay. - Continuation of 50-year free loan to state governments to incentivize infrastructure investment. - 100 transport infrastructure projects identified for end-to-end connectivity for ports, coal, steel, fertilizer sectors. The capital outlay to be INR 75,000cr.	Positive for Railway companies like Ircon International, KEC international, Pitti Engineering etc.

Sector	Budget Announcement	Key Beneficiaries
Banking & NBFC Sector	-Corpus expanded by INR 90 bn for the credit guarantee scheme for MSMEs. This will enable additional collateral-free guaranteed credit of INR 2 trillion -Increase in the deposit limit for the Senior Citizens Deposit Scheme from INR 15 lacs to 30 lacs -Introduce one-time new small savings scheme for 2 yr period with deposit limit of upto INR 2 lacs for womens 50 yr interest free loans -Pradhan Mantri Awas Yojana (PMAY) benefits (affordable housing) increased from INR 480 bn in FY23 to INR 795.9 bn in FY24 (positive for IIFL Finance, Can Fin Homes, Home First, Aptus) -Agriculture credit target raised to INR 20 trillion (Neutral) -Capital investment outlay is being increased by 33% yoy to INR 10 trillion. More the capex more will be the demand for the loans – positive for all the banks put together -Formation of Urban Infrastructure Development Fund (UIDF), similar to RIDF, for the use of priority sector lending shortfall which will be managed by NHB in Tier 2 & 3 cities. -Changes in the Banking Regulation Act -Gross market borrowings are INR 15.4 trillion and net borrowings of INR 11.8 trillion. Moderated borrowings will enable will not harden the interest rates in the economy; which is benefical for all the banks	Capex investments and moderated borrowings; positive for all the banks
Insurance	- Aggregate premium for life insurance policies (other than ULIPs) issued post 1st April 2023 will be taxable.	Negative for all life insurance cos viz. SBI life, ICICI Pru Life, HDFC Life, LIC
Capital Goods & Defence	- A capital outlay is around INR 5.94 lakh cr for Defence, which is higher compared to other sectors. The highest capital outlay focused on indigenization, strengthen the defence system and exports.	Positive for BEL.
Consumer Durables	- Customs duty cut on mobile components like cameras and batteries and offered concession on lithium-ion batteries. Duty on open cells used televisions was cut to 2.5 percent, which is likely to make TVs cheaper and boost demand.	Positive for Dixon Technologies and Voltas.
	- Capex outlay increased by 33% to INR 10lakh cr which is 3.3% of GDP.	Positive for Consumer Durable Companies.
	- The customs duty increased 7.5% to 15% for electric kitchen chimneys to encourage manufacturing. The customs duty for heat coils to be reduced from 20% to 15% which leads to reduce input costs, deepen value addition, to promote export competitiveness.	Positive for Whirlpool.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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