

Budget Overview

With the economy still recovering from Omicron, we have seen a budget that is focusing on creating a conducive environment for private & public capex, gradual fiscal consolidation with no major tax overhaul, and supporting rural recovery also.

This budget believes in continuity with the government supporting infrastructure with national infrastructure pipeline and Gati Shakti and it is futuristic also as it supports creating digital environment also with legalizing cryptos with tax and proposal to launch its digital currency, supporting the digital environment and boosting private equity funding.

Divestment continues to remain a theme for the year with big-ticket divestment pipeline for the current and next year which would bring fiscal prudence and boost investor confidence.

This budget would strengthen the economy in the long term also with an attempt to strengthen long-term pillars of Industries, MSME & Agriculture. We believe the market would take it positively with sectors like infrastructure, financials, discretionary spending would outperform on an overall basis. Divestment remains a theme for next year also

Key Highlights

- India's economic growth is projected at 9.2% and will be highest among major economies.
- Revenue Receipts and Capital Receipts budgeted for the Financial Year 2022-23 are INR 22,04,422 crore and INR 17,40,487 crore respectively.
- Revenue Expenditure and Effective Capital Expenditure budgeted for the Financial Year 2022-23 are INR 31,94,663 crore and INR 10,67,889 crore respectively.
- Fiscal deficit for the Union Government is projected at 6.9% of GDP for Financial Year 2021-22 and at 6.4% for Financial Year 2022-23.
- Tax deduction limit for Centre and State Government employees to be increased from 10% to 14% to help their social security benefits and bring them at par with the Central Government employees.
- The government reduced the divestment target for FY2022 to INR 78,000 crore compared to INR 1.75 lakh crore. It has pegged the FY2023 disinvestment target at INR 65,000 crore. As of now, the proceeds from divestment for the current financial year is around INR 12,000 crore.
- With the aim to develop enterprises and hubs, the budget announced that Special Economic Zone (SEZ) Act will be replaced with new legislation.
- The government launched Production Linked Incentive (PLI) scheme in 14 sectors which will create 60 lakh new jobs.

Tax Proposal

- There is no change in personal income tax slabs.
- On payment of additional tax, the budget provides for filing an updated return within two years from the end of the relevant assessment year.
- In relation to incentives for Start-ups, the period of incorporation to be extended by 1 year, up to March 31, 2023 for eligible start-ups to avail tax benefit.
- For Health and Education Cess, any surcharge or cess on income, profits not allowable as business expenditure.
- Alternative Minimum Tax paid by co-operatives to be brought down from 18.5% to 15%.
- Surcharge on long term capital gains arising on transfer of any type of assets to be capped at 15%.
- Payment of annuity and lump sum amount from insurance scheme to be allowed to differently-abled dependent during the life-time of parents/guardians, that is on parents/guardian attaining the age of 60 years.

Recommended Stocks	Investment Rationale
ITC Limited CMP: INR 228 TP: INR 280	<ul style="list-style-type: none"> - Eligible for PLI Scheme under the categories of ready to cook, ready to eat, fruits and vegetables, and marine segments. - Plans to premiumize its portfolio by adding value-added adjacent, mostly in their personal care and FMCG segments.
Heranba Industries CMP: INR 699 TP: INR 1,073	<ul style="list-style-type: none"> - Capacity expansion to facilitate volume growth. - Penetration into newer and higher margin markets. - Robust Balance sheet.
Cipla Ltd. CMP: INR 946 TP: INR 1,050	<ul style="list-style-type: none"> - Expanding product portfolio. - Robust Balance sheet.
Ambuja Cement Limited CMP: INR 380 TP: INR 449	<ul style="list-style-type: none"> - Cement demand likely to remain robust. - MSA agreement will continue to yield good results. - Capacity Expansion.
Orient Cement CMP: INR 169 TP: INR 238	<ul style="list-style-type: none"> - Cost efficiency in terms of being lowest cost producer. - Premiumization strategy to support growth supported by healthy financials
Infosys CMP: INR 1,772 TP: INR 2,124	<ul style="list-style-type: none"> - Better guidance on revenue for FY22 to 19.5%-20.0%. - Upward revision in hiring. - Growth broad-based
Birlasoft CMP: INR 472 TP: INR 550	<ul style="list-style-type: none"> - Strong partnership with hyperscalers like AWS, Microsoft Azure, and Google Cloud due to which revenue growth is expected to be healthy going ahead. - We believe the company's margins to better led by higher revenue growth, higher fixed price projects and operational efficiencies.
Bajaj Auto CMP: INR 3,534 TP: INR 4,075	<ul style="list-style-type: none"> - Bajaj auto is seeing traction in exports and is expects to end the fiscal with 2.5 mn exports units. - Chetak currently has bookings of 10k units. - Better visibility on the supply chain side.
Hero MotoCorp Ltd. CMP: INR 2,727 TP: INR 2,987	<ul style="list-style-type: none"> - Hero MotoCorp gears up to launch its EV by March'22. - LEAP-II savings program. - Aggressive Investment on the EV fronts.
HDFC Life CMP: INR 624 TP: INR 752	<ul style="list-style-type: none"> - Increase in gross premium and asset under management. - Launched new product in the deferred annuity segment. - Synergy from Exide life acquisition is expected over 18-24 months
LIC Housing finance CMP: INR 388 TP: INR 550	<ul style="list-style-type: none"> - Demand was strong across all regions (metro cities as well as in tier 2 and 3 cities). - Management is confident about a complete rebound in consumer sentiments once the impact of wave 3 recedes.
Indostar Capital Finance CMP: INR 242 TP: INR 439	<ul style="list-style-type: none"> - The company is targeting 4-5x growth in AUM over the medium term. - Indostar is looking to have a PAN India presence. - The company is looking to double the branch count by Mar'22
State Bank of India CMP: INR 532 TP: INR 628	<ul style="list-style-type: none"> - The bank maintains its asset quality at 5% in the past six quarters. - Well-diversified asset book, large distribution network and a strong liability franchise. - Strengthened its balance sheet with higher provisions.

Sector	Budget Announcement	Key Beneficiaries
EV Battery Makers	<ul style="list-style-type: none"> - Providing a battery swapping policy as an alternative to setting up charging stations in urban areas. -Government to Focus on promoting a shift to green mobility. - Pvt sector encouraged in battery and Electric vehicle use cases. -The government will develop special mobility zones for Electric vehicles. 	Positive for Amara Raja Batteries, Exide Industries and RIL
Chemicals	<ul style="list-style-type: none"> -The Union Budget is promoting chemical-free natural farming. Initial planning is to start the practice with farmer's land close to river Ganga. 	Positive for crop protection companies which also have biological product portfolio, eg.UPL.
	<ul style="list-style-type: none"> -The Union Budget is allocating INR 107,715.38 Cr.to the Ministry of Chemicals and Fertilizers 	Positive for Chemical & Fertilizer sector
	<ul style="list-style-type: none"> -Custom duty on certain critical chemicals namely methanol and acetic acid is being reduced. 	Deepak Fertilizers and Petrochemicals Corporation Ltd.
Infra, Road and Railways	<ul style="list-style-type: none"> -India's government aims to expand the national highways network by 25,000 kilometres in the upcoming fiscal as part of PM Gati Shakti plan, a platform to track infrastructure projects. -The master plan for expressways will be formulated in 2022-23 to facilitate faster movement of people and goods -Union Budget is allocating INR 199,107.71 cr to Ministry of Road Transport and Highways. Key Highlights on PM Gatishakti Master plan -Railways will offer new products for small farmers and MSMEs, integrate coastal and railway network. -One station, one product' concept will be popularized to help local businesses. -400 new-generation Vande Bharat trains will be developed and manufactured in the next three years. -100 PM Gati Shakti cargo terminals will be developed in the next three years. -2,000 km under Kavach for safety and capacity augmentation. 	Positive for Cement companies like Ultratech, Ambuja and Ramco
	<ul style="list-style-type: none"> -Unified Logistics Interface Platform allowing data exchange among all mode operators -Open Source Mobility Stack for seamless travel of passengers -4 Multimodal Logistics parks through PPP to be awarded in 2022-23 -Multimodal connectivity between mass urban transport and railway stations -National Ropeways Development Plan as sustainable alternative to conventional roads. 	Positive for logistic companies like Allcargo, VRL Logistics and Adani Port
	<ul style="list-style-type: none"> -Capacity building for infrastructure Projects 	Positive for Infra companies like L&T, Ashoka Buildcon and KNR construction

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Telecom	<ul style="list-style-type: none"> -Ministry of communication allocation of INR 105,406.82 Cr - To conduct 5G spectrum auction in FY23 - To boost rural broadband. All villages should have same access to eServices and digital resources as urban areas 	Positive for Sterlite Technologies, Tejas Network and ITI
IT/ITES	<ul style="list-style-type: none"> -Set up ABGC Task Force to be set up to serve global and local demand <p>A fund will be facilitated through NABARD to finance start-ups for agriculture and rural enterprises. The activities of these start-ups will include, inter alia, support for FPOs, machinery for farmers on rent, and IT-based support.</p>	Positive for Nazara Technologies
FMCG	<ul style="list-style-type: none"> -The budget for FY22 involves INR 2.37 lakh Cr for MSP to be directly paid to farmers- namely for wheat and paddy. -Implementation of the Ken Betwa Linking project for INR 44,605 Cr. with irrigation benefits to 9 lakh hectare farmland, drinking water to 62 lakh people, 103 MW hydropower. 27 MW solar power generation. -Promoting tech usage and chemical-free natural farming, beginning with a 5Km stretch of land along the river Ganga. To encourage natural farming, a package for the participation of state governments and MSMEs with farmers will be introduced. -Promoting oilseed cultivation to reduce dependence on exports. -Supporting post-harvest value addition, consumption and branding of millet products nationally and internationally. -Start-ups funded through NABARD for inter alia, support for FPOs, machinery for farmers on rent, and IT-based support. -There will be the delivery of Digital and Hi-Tech services to farmers in PPP mode with the involvement of the public sector in research. -The use of Kisan Drones to aid farmers with crop assessment, maintaining land and spaying of pesticides. 	Positive for rural-centric companies such as ITC, Hindustan Unilever, Dabur India.
Defense	<ul style="list-style-type: none"> Defence R&D through Private means will be encouraged. There is an allocation increase in the defence sector -68% Of Defence Capex to Be Kept for Domestic Consumption. -Defence R&D Will Be Opened Up for Industry, Start-ups, and Academia. 	Positive for companies like MTAR, Paras defence, L&T, M&M, and Bharatforge
Education	<ul style="list-style-type: none"> -Allocation for National Education Mission scheme increased from INR 30796 cr against INR 39553 cr 	Positive for Navneet Education
Power	<ul style="list-style-type: none"> -Additional allocation of Rs 19,500 cr for solar modules under PLI scheme 	Positive for Borosil Renewables Ltd
BFSI	<ul style="list-style-type: none"> -Extending ECLGS with focus on hospitality and related enterprises. The scheme provides 100 percent guarantee coverage to Banks and NBFCs to enable them to extend emergency credit facilities to Business Enterprises/MSMEs in view of COVID-19 crisis. <p>Government wants to ensure benefits of Digital Banking reach every consumer Propose to set up 75 digital banking units in 75 districts by scheduled commercial banks</p>	Positive for ICICI Bank and Axis Bank

Sector	Budget Announcement	Key Beneficiaries
Oil & Gas	-The Union Budget has proposed to initiate four pilot projects for coal gasification and conversion of coal into chemicals required for the industry will be set up for technical and financial viability.	Positive for JSPL, Coal India, L&T
Pumps/Pipes	Har Ghar Nal Se Jal Yojana Scheme -The allocation of INR 60,000cr for clear water to 3.8cr households in 2022-23 under the scheme of Har Ghar Nal Se Jal Yojana..	Positive for Tata Steel Ltd. and JSW Steel Ltd
Real estate/ Housing	-The allocation of INR 48,000cr for affordable housing under Pradhan Mantri Awas Yojana (PMAY). The scheme will cover urban and rural areas. -The corporate surcharge reduced from 12% to 7% which is positive sign for developers.	Positive for Macrotech Developers (Lodha), Sunteck Realty Ltd and Arihant Superstructures Ltd.
Digital finance	Digital financial services providers in India are set to gain after budget focused on expanding such services.	These include PB Fintech Ltd., the parent of PolicyBazaar, Paytm's, eClerx Services Ltd. and Paisalo Digital Ltd.
Crypto	Union budget 2022 proposed that the transfer of any virtual or cryptocurrency asset will be taxed at 30%. No deduction cos of acquisition will be allowed and no loss in transaction will be allowed to be carried forward.	Negative for WazirX ZebPay, CoinDCX and Coinswitch Kuber
Textile	The Union Budget has proposed reduction in custom duty of cotton yarn from 25% to 10% which will facilitate Textile players.	Positive for Page Industries, ABFRL
Gems and Jewellery	The import duty on diamonds will be reduced to 5% from the current rate of 10%.On the other hand, imported imitation jewellery will now attract customs duty of INR 400 per kg.	Positive for Titan and DP Abhushan

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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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