

Strong Impetus for economic recovery with big push on Infra

This is a special budget delivered by FM which is pro growth and pro capex. Sometimes no news is good news and this budget proves this thesis as this budget doesn't have anything which the market has feared for as there was no cess, no tinkering of corporate taxes as it suggests continuity in government stance plus no changes in capital gains taxes. This is a great budget as it lacks everything the market feared for and it has a lot what the market was looking for in the budget.

This budget is growth driven and has a higher outlay for capital expenditure as Capital expenditure is estimated to increase from 1.6% of GDP in FY20 to 2.3% of GDP in FY21 (RE) and to 2.5% of GDP in FY22 BE. The benefits of higher capex would lead to focus on creating employment in sectors which have a multiplier impact like infrastructure which pushes other sectors also. The best thing about this budget is now focusing on infrastructure rather than direct consumption supported by finmin earlier which is pro growth. However fiscal deficit numbers were much higher due to higher spending by the government and shifting of off balance sheet items like food and farm subsidies to balance sheet in gradual manner, the higher capex outlay is the best thing the economy has asked for long term growth in the current environment.

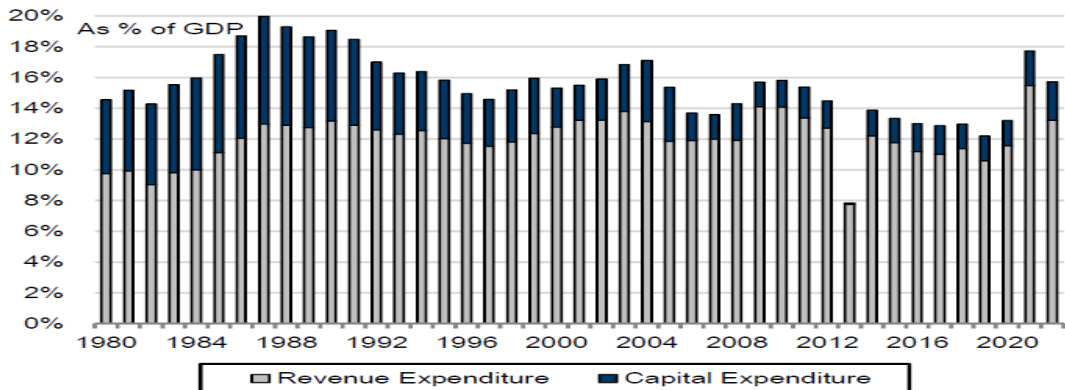
A large number for Disinvestment : Disinvestment plan has been planned for FY22 with receipts from disinvestment budgeted to increase to INR1.75 lakh crores from INR32,000 crores in FY21. Apart from earlier announcements of PSUs like LIC, BPCL, Concor etc, 2 PSU banks and one General insurance company to be added in this list.

Post this budget, we are shifting our focus from Consumption to Capex related theme. **Our Top picks:**

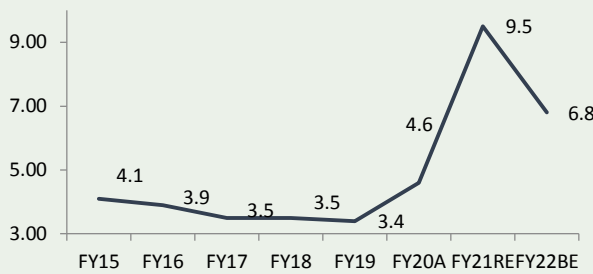
Stock Idea	CMP	Target	Rational for Stock idea
L&T	1449	1850	Accumulate between cmp and upto INR 1250 for price objective of INR 1850. Large beneficiary due to its size and capex spending by the government.
ABB Power	1383	1812	Play on Capex pick up, EV infrastructure, wastewater treatment opportunity & renewable energy segment. Accumulate between INR 1390 and INR 1250 for price objective of INR 1812.
Ashoka Buildcon	97	160	Strong order book, Balance Sheet improvement, pick up in road movement as it surpasses pre covid levels in most cases, asset monetization. Price objective of INR 160
Kalpataru power	323	480	Strong order book, aims to be standalone debt free in next few quarters, Strong order pipeline. Accumulate between INR 323 and INR 280 for price objective of INR 480.
Power mech	452	700	Pick up in execution with a strong order book. Valuations attractive on FY22e EPS of INR 70. Accumulate with a price objective of INR 700.
Raymond	324	600	Discretionary spending pick up; Demerger and asset monetization. Accumulate between price INR 300 -INR 327 for objective of INR 600
Techno Electric	254	360	Decent order book with strong balance sheet. Accumulate between INR 220- INR 250 for price objective of INR 360.

Stock Idea	CMP	Target	Rational for Stock idea
ISGEC	377	500	Strong order book and a good pipeline; Diversification in newer segment minimize its dependence on Sugar . Accumulate between INR 330-380 for price objective of INR 500.
LIC Housing Finance	438	500	In the Union Budget, Gol has proposed to extend the INR 1.5 lakh benefit on interest paid on affordable housing loans by one year to March 31, 2022. LIC Housing is one of the key beneficiary in housing finance sector. One can Buy the stock in a price range of INR 400-440 for a price objective of INR 500.
Mahindra Holidays	229	300	Huge pent up demand, gradually picking up. Accumulate between INR 180-217 for price objective of INR 300
Dollar Industries	234	360	New distribution model lead to gaining market share. Valuation attractive than large peers as huge discount . Accumulate for price objective of INR 360.
Century Textiles	434	600	Revival in paper biz.Pick up real estate segment with good booking. Accumulate with price objective of INR 600.
SBI	311	360	Recapitalisation of PSU banks, cleaning of stressed assets and spend on Infra is a big positive for SBI. The bank has strong liability franchise, reasonable capital position and very attractive valuation. One can Accumulate the stock in a price range of INR 290-310 for a price objective of INR 360.
ITC	216	300	No increase in cigarette taxes for ITC , compared to 11-16% increase last year. Cigarette volumes likely to improve consistently. Additional levers like restructuring, FMCG growth we are positive on the stock and aiming INR 300
ICICI bank	603	750	The bank has a strong capital position with strong liability profile coupled with market share gaining position. Asset quality of the bank is much under control. One can Buy the stock, INR 580-600 for a price objective of INR 750.
MCdowell	573	650	Gaining market share led by premium segment. Valuations attractive with price objective of INR 650.
Indian Bank	95	150	Now consolidation benefits to be seen ; book less stressed than peers. Valuations attractive. Accumulate with price objective of INR 150.
Apar Industries	367	600	Pick up in execution and good order pipeline. Valuations attractive. Accumulate with price objective of INR 600
Infosys Limited	1371	1543	Considering, company's significant contribution from cloud and digital, remains a major beneficiary of this tech upcycle. Accumulate with price target of INR 1543 per share.
Thomas cook	43	90	Strong parentage advantage; pick up in Discretionary travel as vaccine; Consolation lead to company gaining market share. Accumulate between INR 40- INR 48 for price objective of INR 90.

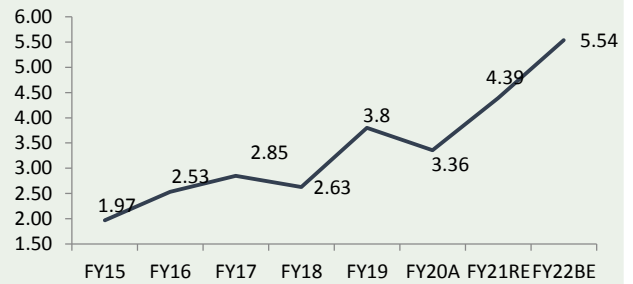
Statistical overview



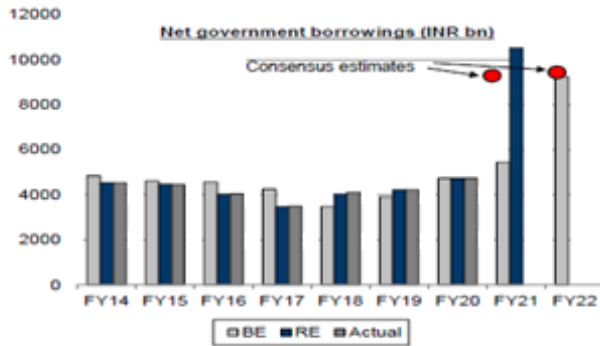
Fiscal Deficit as Percent of GDP



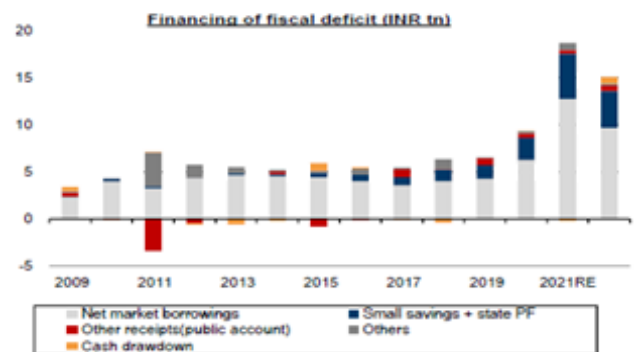
Capital Expenditure INR in Lakh Crore



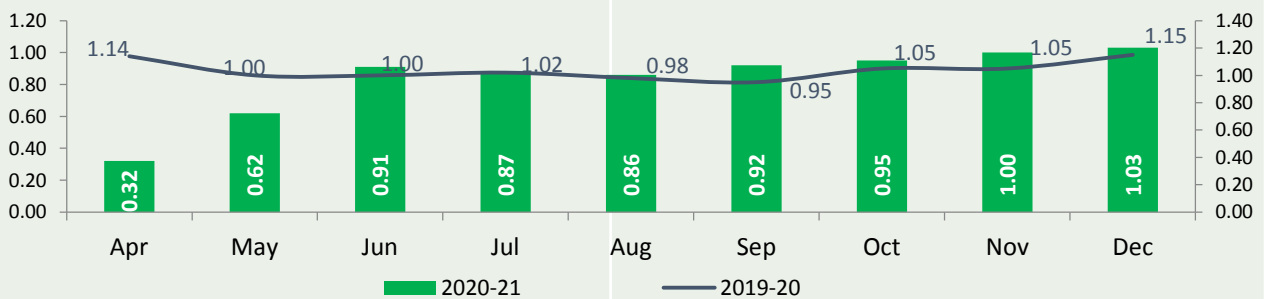
Government borrowing over the past few years



Non-market sources of financing deficit have risen



GST Collection (Rs in Lakh Crore)



Source: Arianth Research, Budget Filings

Budget Highlights

Income Tax

- Exemption from filing income tax returns for senior citizens (75 years and above) who only have pension and interest income.
- Constitution of a Dispute Resolution Committee for small tax payers.
- Income Tax Appellate Tribunal to be made faceless.
- Increase in limit for tax audit (to Rs.10 crore) for persons who carry out 95% of their transactions digitally.
- Dividend payment to REIT/InvIT to be exempted from TDS.
- Additional deduction of ₹1.5 lakh shall be available for loans taken up till 31 March 2022 for purchase of affordable house.
- Relief to Trusts – Charitable trusts running Hospitals and Educational Institutions relief increased from Rs.1 crore to Rs.5 crore.
- Pre filling of returns will also cover capital gains from listed securities, dividend income, etc.

Other Key Highlights

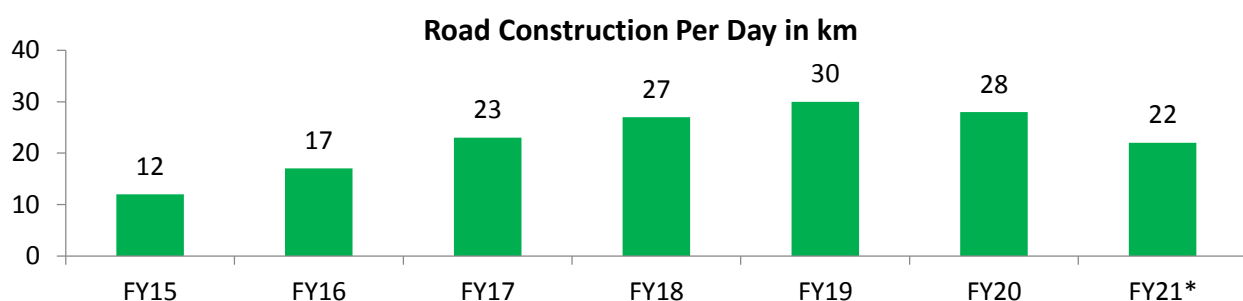
- | | |
|---|--|
| <ul style="list-style-type: none"> • Support for over 17,000 rural, 11,000 urban health centers, launch health scheme worth Rs 641.80 bln rupees over 6 yrs. • To strengthen National Centre for Diseases Control Expansion of integrated health database to all states • To launch urban Jal Jeevan Mission, Five-year outlay for Jal Jeevan Mission is Rs 2.87 trln rupees • To launch 7 mega investment textile parks over 3 yrs • To have big thrust on monetisation of assets • To enhance share of central, state capex in infra projects • Roads worth Rs 50K Cr being transferred to NHA InVit, To award 8,500 km of highways by Mar 2022, 11,000 km of national highway corridor to be completed (including 3 new freight corridors). • National Rail Plan for India – 2030, 100% electrification of broad rail routes by Dec 2023. • 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 with Two new technologies i.e., 'MetroLite' and 'MetroNeo'. • Government plans to add 139 Giga Watts of installed capacity, connected an additional 2.8 crores households and added 1.41 lakh circuit of transmission lines. Also did additional capital infusion of Rs 1,000 crores to Solar Energy Corporation of India. | <ul style="list-style-type: none"> • To provide 200 bln rupees for development-finance institution • 20 thousand Cr rupees for recapitalisation of PSU banks in FY22 • Decriminalise Limited Liability Partnership Act, 2008 • NCLT framework to be strengthened, to implement 'e-courts' • Propose to divest 2 PSU bks, 1 general insurance co FY22 • BPCL, Air India divestment to be completed in FY22 • NITI Ayog prepare list of PSUs to be disinvestment • BEML, Shipping Corp, CONCOR disinvestment to be completed FY22 • FY22 disinvestment seen 1.75 trln rupees • Govt committed to welfare of farmers • FY21 paddy MSP scheme spend seen 1.72 trln rupees • FY22 disinvestment seen 1.75 trln rupees • Govt committed to welfare of farmers, credit target Rs 16.5 trln rupees • To add 1,000 more mandis to e-NAM • To develop 5 major fishing hubs • FY21 fiscal deficit pegged at 9.5% of GDP • FY22 fiscal deficit pegged at 6.8% of GDP • FY21 spending seen 34.5 lakh rupees |
|---|--|

Due to Covid 19 lockdown, various infra sectors have posted huge losses in current FY due to loss in business which includes road transport & highways, Indian railways, aviation, ports and others etc. This Budget augurs well for long term infrastructure growth of country with higher allocation, easy of infra financing and PPP model.

Infrastructure	Budget Announcement	Key Beneficiaries
Road	The road construction activity was strong despite COVID issues and per day road construction at 22 km per day. We believe higher allocation for highways would lead to accelerate growth across roadways and allied sectors. (allocation Rs 1181trln)	Ashoka Buildcon, KNR Construction, PNC infratech, NCC etc.
Railways	Under National Rail plan, focus is on developing rail infrastructure by 2030 to cater the need for projected traffic requirements of 2050. The objective of increasing railways share in freight from 27 pc to 45 pc. (Already gained some share post COVID). (allocation Rs 1101 trln) It also aims for privatization of DFC assets. 100 pc electrification of Broad Guage routes by 2023	LnT, KEC International, RVNL, RITEs, Concor, Sail, Jspl
Ports	Focus is on ports, shipping and waterways with PPP model, ease of finance, subsidy support and recycling of ships act 2019 enacted with doubling recycling capacity by 2024. (allocation Rs 2000 crore)	GPPL, Adani Ports, Shreyas Shipping, G E Shipping
Other Developments	Some of the schemes to promote urban development like Public bus transport, metro, Swachh Bharat should also augur well for developing infrastructure of the country. (Swachh Bharata - llocation Rs 123 trln)	Vatech wabag, Lnt, BEML

With higher budgetary allocation across the infra segments, we believe infra offer very good opportunity across all the sectors post this budget which focus on infrastructure as an opportunity for country growth.

Indirectly it will also benefit government objective of higher job creation, support Cement, Capital goods & Auto sector (especially CV segment).



Source: Arihant Research, Government Filings

Sector	Budget Announcement	Key Beneficiaries
<p>Banking</p>	<p>Followings are the key announcement for the banking sector:</p> <p>A. Recapitalisation of PSU banks: Government has announced further capital infusion of Rs 20,000 cr in 2021-22 to support the public sector banks.</p> <p>B. Setting up of ARC and AMC for stressed asset resolution: Given the high quantum of stress and high level of provisioning of PSU banks, Government of India (GoI) has announced setting up of an ARC and an AMC to consolidate and take over the existing stressed debt and then manage and dispose of the assets to Alternate Investment Funds and other potential investors for eventual value realization.</p> <p>As expected set up of ARC and AMC is in right direction, the details on which is awaited and implementation of these announcement need to be watch. This move will help to i) solve stressed asset recovery, ii) will increase the transparency and iii) balance sheet improvement with higher visibility on asset quality of PSU banks thus helping them to raise capital externally.</p> <p>C. Privatisation of 2 public sector banks: Government has proposed to privatise 2 PSU banks (Other than IDBI Bank) in FY22. While the details on this has not announced, we believe the UCO Bank, Central Bank of India and Indian Overseas Bank will be most likely candidate for privatisation as these banks were not the part of consolidation that happened in Apr'20.</p> <p>D. Gol has announced a set up of new institutional framework which would purchase investment grade debt securities both in stressed and normal times. This step will enhance the secondary market liquidity in corporate bond market and instil the confidence amongst the investors during times of stress.</p>	<p>Positive for Public Sector Banks (SBI is our preferred pick in this space)</p>
<p>Insurance</p>	<p>The government in its big step has announced increase in FDI limit in insurance sector from 49% to 74%.</p> <p>This step will help the private insurers to get access to more foreign capital, which is expected to accelerate their growth and improve the insurance penetration in India.</p>	<p>Positive for HDFC Life, SBI Life, ICICI Pru and ICICIGI</p>

Indirect Taxation	Budget Announcement	Key Beneficiaries
GST	<p>Several measures to further simplify GST . Some of the measures include:</p> <ol style="list-style-type: none"> I. Nil return through SMS, II. Quarterly return and monthly payment for small taxpayers, III. Electronic invoice system, IV. Validated input tax statement, V. Pre-filled editable GST return, and VI. Staggering of returns filing. 	Indian Economy
Custom duty	<p>Government Proposes to review more than 400 old exemptions to customs duty, and from October 1 and plans to put in place a revised customs duty structure free of any distortion. Govt plans on reducing customs duty uniformly to 7.5% on products of non-alloy, alloy and stainless steel, exempting duty on steel scrap till March 2022. The FM added that to provide relief to copper recyclers, the government will be reducing duty on copper scrap from 5% to 2.5%.</p> <p>For greater domestic value addition, Government plans to withdraw a few exemptions on parts of chargers and sub-parts of mobiles. Further, some parts of mobiles will move from ‘nil’ rate to a moderate 2.5%.</p> <p>In order to rationalize duties on raw material inputs to manmade textiles. Government plans nylon chain on par with polyester and other man-made fibers. Government is uniformly reducing the BCD rates on caprolactam, nylon chips and nylon fiber & yarn to 5%. This will help the textile industry, MSMEs, and exports, too.</p> <p>Gold and silver presently attract a basic customs duty of 12.5%. Since the duty was raised from 10% in July 2019, prices of precious metals have risen sharply. To bring it closer to previous level Government plans rationalizing custom duty on gold and silver.</p>	Indian Economy

Sector	Budget Announcement	Key Beneficiaries
Healthcare (Vaccines)	<p>The Pneumococcal Vaccine, a Made in India product, is presently limited to only 5 states will be rolled out across the country. This will avert more than 50,000 child deaths annually.</p> <p>Government has allocated Rs35,000 crores for Covid-19 vaccine in BE 2021-22. Government is committed to provide further funds if required.</p> <p>The Budget outlay for Health and Wellbeing is Rs 2,23,846 crores in BE 2021-22 as against this year's BE of Rs 94,452 crores an increase of 137 percentage.</p>	<p>Cadila Healthcare, Serum Institute, Wockhardth, Panacea biotech, Strides pharma</p>
Healthcare (Other Pointers)	<p>A new centrally sponsored scheme, PM AtmaNirbharSwasth Bharat Yojana, will be launched with an outlay of about Rs64,180 crores over 6years. This will develop capacities of primary, secondary, and tertiary care.</p> <p>Health Systems, strengthen existing national institutions, and create new institutions, to cater to detection and cure of new and emerging diseases.</p> <p>To strengthen nutritional content, delivery, outreach, and outcome, government plans to merge the Supplementary Nutrition Programme and the PoshanAbhiyan and launch the Mission Poshan 2.0. It plans to adopt an intensified strategy to improve nutritional outcomes across 112 Aspirational Districts</p> <p>To tackle the burgeoning problem of air pollution, Government propose to provide an amount of Rs2,217 crores for 42 urban centres with a million-plus population in this budget.</p> <p>The JalJeevan Mission (Urban), will be launched. It aims at universal water supply in all 4,378 Urban Local Bodies with 2.86 crores household tap connections, as well as liquid waste management in 500 AMRUT cities. It will be implemented over 5 years, with an outlay of ofRs2,87,000 crores</p> <p>The Urban Swachh Bharat Mission 2.0 will be implemented with a total financial allocation of Rs1,41,678 crores over a period of 5 years from 2021-2026.</p>	<p>Apollo Hospital, Fortis Healthcare, Shalby, Aster DM</p>

Sector	Budget Announcement	Key Beneficiaries
AtmaNirbhar Bharat – (PLI Scheme)	<p>To help the manufacturing sector grow in double digits, PLI schemes to create manufacturing global champions for an AtmaNirbhar Bharat have been announced for 13 sectors. For this, the government has committed nearly Rs1.97 lakh crores, over 5 years starting FY 2021-22. This initiative will help bring scale and size in key sectors, create and nurture global champions and provide jobs to our youth.</p>	Galaxy Surfactants, Alkyl Amines
Power	<p>Government plans to add 139 Giga Watts of installed capacity, connected an additional 2.8 crores households and added 1.41 lakh circuit of transmission lines.</p> <p>Provide choice to consumers by promoting competition. A framework will be put in place to give consumers alternatives to choose from among more than one Distribution Company.</p> <p>Power distribution sector scheme will be launched with an outlay of Rs 3,05,984crores over 5 years. The scheme will provide assistance to DISCOMS for Infrastructure creation including pre-paid smart metering and feeder separation, up gradation of systems, etc., tied to financial Improvements.</p> <p>To give a further boost to the non-conventional energy sector, government proposed to provide additional capital infusion of Rs 1,000 crores to Solar Energy Corporation of India.</p>	Kalpataru Power, Tata Power, Techno Electric, NTPC, L&T Sterling and Wilson Solar Limited
Agriculture	<p>The government has enhanced the agricultural credit target to Rs 16.5 lakh crores in FY22. It will focus on ensuring increased credit flows to animal husbandry, dairy, and fisheries.</p> <p>Enhancing the allocation to the Rural Infrastructure Development Fund from Rs30,000 croresto 40,000 crore.</p> <p>Agricultural credit targetset toRs16.5 lakh crores in FY22. Government will focus on ensuring increased credit flows to animal husbandry, dairy, and fisheries.</p> <p>The Micro Irrigation Fund, with a corpus of Rs5,000 crores has been created under NABARD, Government propose to double it by augmenting it by another `5,000 crores.</p> <p>Government proposes substantial investments in the development of modern fishing harbors and fish landing centers. To start with, 5 major fishing harbor’s – Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat – will be developed as hubs of economic activity. Government also plans to develop inland fishing harbor’s and fish-landing centers along the banks of rivers and waterways.</p>	DhanukaAgritech, Kaveri Seeds, Rallis,Deepak Nitrate,

Sector	Budget Announcement	Key Beneficiaries
FMCG	No increase in the tax rate on cigarettes.	Positive for cigarette stocks like ITC, Godfrey
Auto-Ancillaries	Raising customs duty on certain auto parts to 15% to bring them on par with general rate on auto parts.	Negative for auto-ancillaries company
Auto	<p>voluntary vehicle scrapping policy, to phase out old and unfit vehicles. This will help in encouraging fuel efficient, environment friendly vehicles, thereby reducing vehicular pollution and oil import bill. Vehicles would undergo fitness tests in automated fitness centres after 20 years in case of personal vehicles, and after 15 years in case of commercial vehicles.</p> <p>Government will work towards raising the share of public transport in urban areas through expansion of metro rail network and augmentation of city bus service. A new scheme will be launched at a cost of `18,000 crores to support augmentation of public bus transport services. The scheme will facilitate deployment of innovative PPP models to enable private sector players to finance, acquire, operate and maintain over 20,000 buses. The scheme will boost the automobile sector, provide fillip to economic growth, create employment opportunities for our youth and enhance ease of mobility for urban residents.</p>	<p>Positive for Ashok Leyland, Tata Motors, M&M & Maruti</p> <p>Tata Motors, JBM Auto Limited, Olectra Limited Ashok Leyland, M&M.</p>
IT/ITES	<p>The government has proposed a Rs 1,500 crore-scheme to promote digital transactions in the country, a move that the industry believes will drive adoption of e-payments in smaller cities and spur innovation by fintech firms.</p> <p>Incorporation of one person companies to incentivize innovation in startups. Reducing residency limit for Indian citizen to set up 1 person company from 182 to 120 days.</p>	<p>Positive for HCL Tech, Wipro, Tech Mahindra, Mindtree etc</p> <p>Big boost for startups & Positive for IT/ITES Industry. Xelpmoc can be big beneficiary.</p>

Sector	Budget Announcement	Key Beneficiaries
Human Capital (Skills/Education)	Realigning National Apprenticeship Training scheme for graduates and diploma holders in Engineering Partnership with UAE and Japan in area of skill development and recognition Revamped Post Matric Scholarship Scheme for welfare of SCs 100 new Sainik schools 750 Eklavya schools in tribal areas	na
R&D	National Research Foundation with outlay of ₹50,000 crore over 5 years National Language Translation Mission to boost internet access Deep Ocean Mission for ocean exploration and biodiversity conservation	na
Social	National Digital Health Blueprint Additional Allocation for MGNREGS Technology driven education: PM eVidya, National Foundational Literacy and Numeracy Mission Migrant Workers: <ul style="list-style-type: none"> • One Nation One ration Card scheme under implementation in 32 states and UTs. • Free food grain Supply to migrants • A portal to be launched for gig, building and construction workers. • Social security benefits will be extended to gig and platform workers 	Navneet Educat.
Petroleum/Natural Gas	Independent gas transport system operator to be set up. 100 more districts under city gas distribution network . Ujjwala scheme to cover 1 crore more beneficiaries . Higher CESS On Diesel	Mahanagar Gas, Indraprastha Gas,

Particular (In Crore)	2019-2020 Actuals	2020-2021 Budget Estimates	2020-2021 Revised Estimates	2021-2022 Budget Estimates
1. Revenue Estimates	1684059	2020926	1555153	1788424
2. Tax Revenue (Net Centre)	1356902	1635909	1344501	1545396
3. Non Tax Revenue	327157	385017	210652	243028
4. Capital Receipts	1002271	1021304	1895152	1694812
5. Recovery of loans	18316	14967	14497	13000
6. Other Receipts	50304	210000	32000	175000
7. Borrowing and other Liabilities	933651	796337	1848655	1506812
8. Total Receipts (1+4)	2686330	3042230	3450305	3483236
9. Total Expenditure (10+13)	2686330	3042230	3450305	3483236
10. On Revenue account of which	2350604	2630145	3011142	2929000
11. Interest Payments	612070	708203	692900	809701
12. Grants in Aid for creation of capital assests	185641	206500	230376	219112
13. On Capital account	335726	412085	439163	554236
14. Revenue Deficit (10-1)	666545	609219	1455989	1140576
15. Effective Revenue Deficit (14-12)	480904 -2.4	402719 -1.8	1225613 -6.3	921464 -4.1
16. Fiscal Deficit [9-(1+5+6)]	933651 -4.6	796337 -3.5	1848655 -9.5	1506812 -6.8
17. Primary Deficit (16-11)	321581 -1.6	88134 -0.4	1155755 -5.9	697111 -3.1

Source: Finance Ministry

Arihant Research Desk

Email: research@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880