Azadi Ka Amrit Mahotsav

G20 भारत 2023 INDIA

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UNION BUDGET 2023-24




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FOREWORD

Continuity and incremental changes have become the hallmark of Union Budgets in the recent times. The Union Budget 2023-24 is no exception to this well-established trend. Further that Union Budget in previous year has set the strategic direction for Amrit Kaal, hence, large scale changes in economic strategy were not expected this year.

The Budget has retained its focus on seven broad areas of inclusive development, last mile connectivity, infrastructure development, youth (employment generation), unleashing potential (innovation), green growth and financial sector which mirrors the broad strategy of the last year but with wider scope and additional objective.

Starting with the macroeconomic imprints in the budget, the nominal GDP growth is projected at 10.5% which is a reasonable figure. The commitment to fiscal consolidation has been continued and the fiscal deficit is expected to stabilize below 6% at 5.9%. The thrust to capital expenditure has been encouraging with capital expenditure budgeted to rise by 33% to ₹10 lakh crore. All other fiscal parameters show encouraging trends ensuring that fiscal policy has enough headroom to accommodate any future shock if warranted.

On the taxation side, the tax structures on both direct and indirect taxes have remained stable. There are some changes in new personal tax regime with the intension to facilitate migration under the new exemption less tax structure. On the indirect taxes side, the changes range from routine to incentivizing green transition.

Focus on infrastructure has been an important feature of the budgets in the last few years. The trend is retained and thrust to infrastructure has been encouraging. The increased allocation to railways is a promising decision given the vast spans of this network and its backward and forward linkages. The budget has also identified 100 critical transport infrastructure projects for core sectors – coal, ports, fertilizer and steel sector.

Expanding the scope of urban infrastructure by asset creation in Tier 2 and Tier 3 towns and cities gels well with the objective of inclusivity and balanced growth. The proposal to create Urban Infrastructure Development Funds is a good initiative which along with recent successes in municipal bond markets can open opportunities in Tier 2 and Tier 3 towns. The outlay for PM Awas Yojana is also enhanced by 66 per cent to over ₹79,000 crore.

Since the outbreak of Russia-Ukraine War, global food security is in a delicate spot. The agriculture capacity of India clearly is in an advantageous position. The previous budget has focused on agriculture and to further capitalize on the opportunity in agriculture by way of exports and green transition, the current budget has expanded the scope of capital expenditure/capital infusion in this sector.

The agriculture credit target has been increased to ₹20 lakh crore with focus on animal husbandry, dairy and fisheries. The proposal to set-up Agriculture Accelerator Fund to encourage agri startups by young entrepreneurs in rural areas is a good move given the increased burden on agriculture on account of reverse migration. Cluster-based and value chain approach through Public Private Partnerships (PPP) in long staple cotton has the potential to address input cost pressures in cotton textile and reduce import dependency.

The advantageous position of agriculture has been equally counter balanced by addressing its vulnerability to climate change. The budget has clearly articulated its thrust to climate adaption in agriculture. Encouraging farmers to adopt natural farming and adopt practices of recycling cow waste and use alternate fertilizers will slowly transform the input structure of crops thus freeing valuable resources tied in fertilizer subsidy. The thrust to millets cultivation going forward is good in terms of adaptability and maintaining nutritional level of the population.

The emphasis on green transition and climate adaptation is a notable feature of this year's budget and the range of announcements include tax incentives to direct budgetary allocations. In light of the COP-26 this year's budget is a clear statement of intent on transition to net-zero. The Budget provides ₹35,000 crore for priority capital investments towards energy transition and net zero objectives, and energy security. A Battery Energy Storage Systems with capacity of 4,000 MWH will be supported with Viability Gap Funding. The Inter-state transmission system for evacuation and grid integration of 13 GW renewable energy from Ladakh, the solar capital of the world, will be constructed with investment of ₹20,700 crore.

A Green Credit Programme will be notified under the Environment (Protection) Act which will incentivize environmentally sustainable and responsive actions by companies, individuals and local bodies, and help mobilize additional resources for such activities. This measure will bridge the information gap which leads to problem of green washing and thus foster development of green bond markets in coming years.

On the taxation side to further 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.

Financial sector has been a strategic sector and this year the Budget includes a number of important announcements which are both incidental to banking operations and long term in nature. A national financial information registry will be set up to serve as the central repository of financial and ancillary information. This will facilitate efficient flow of credit, promote financial inclusion, and foster financial stability. Financial sector regulators will be requested to carry out a comprehensive review of existing regulations which can reduce the cost of compliance. Range of measure announced under GIFT city are also welcome measures.

In terms of sectors, the budget has covered a wide ground addressing concerns in education, health, backward and tribal population and sanitation. The budget has rightly emphasised on capitalising sunrise opportunity in lab grown diamonds as demand for natural rough diamonds has been impacted by Russia-Ukraine War. The digital economy will see creation of new digital public infrastructure for both individuals and companies and an overarching National Data Governance Policy which will balance the concern on privacy and data monetization.

In all, this budget has achieved a balanced demand stimulus to correct the output gap. The measures for ease of doing business, energy transition and infrastructure development have only gathered pace. The budget is sensitive to the immediate concerns of the economy. It is a very well-crafted statement of intent, drawing from the experience and enhances India's growth prospects in a post COVID world.

Dinesh Khara

Saloni Narayan
Dy Managing Director (Finance)
State Bank of India
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PREAMBLE

The Union Budget presented in the house today, with its visionary and global outreach, while remaining grounded in realistic commitments reminds me of the sapling that grows into a mighty tree over time, its leaves reaching out to the sky while remaining rooted steadfastly in the local ecosystem, imbibing the rich socio-cultural heritage. The seven priorities of the budget are well articulated and smartly interwoven, with special emphasis on traversing the last mile to ensure 'inclusive development' being its cornerstone, as the great country of ours embarks on a new journey, leveraging post pandemic opportunities emanating in a globally altered atmosphere.

The amalgamation and seamless connect of social infrastructure with physical/digital infrastructure through earmarking multiple priorities enumerated today should drive home durable changes for betterment of all strata as private participation would be the lynchpin to promote wider participation across pivots, building on the resilient public expenditure, drawing in people to capital to resources from diverse echelons, a meaningful proliferation of Jan Bhagidaari further. One can definitely see the sapling of a self-reliant India germinating today, oriented towards colossal growth.

The efforts of Economic Research Department team in compiling the budget document with insights, analysis and relevant data make it an interesting read into the unfolding future of immense possibilities.

Saloni Narayan

Section 1

The Macro Picture

KEY HIGHLIGHTS OF THE UNION BUDGET 2023-24

- The Budget 2023-24 has been presented with seven priorities. They complement each other and act as the '*Saptarishi*' guiding India through the Amrit Kaal. The seven priorities are: (i) Inclusive Development, (ii) Reaching the Last Mile, (iii) Infrastructure and Investment, (iv) Unleashing the Potential, (v) Green Growth, (vi) Youth Power, and (vii) Financial Sector. The entire budget is structured towards these priorities.
- Fiscal deficit for FY23 is estimated at the same level of 6.4% of GDP as was estimated last year (but in absolute terms it is an increase of Rs 94,123 crore). And as widely expected, for the next fiscal, the fiscal deficit is pegged at 5.9% of GDP (or Rs 16.6 lakh crore). The nominal GDP for FY24 is estimated at Rs 302 lakh crore, a 10.5% growth over FY23. Assuming a conservative 6% real GDP growth rate (Economic Survey projected real GDP growth of 6-6.8%), this translates into an inflation of around 4.0%. Given that inflation in FY24 is likely to decline and WPI that is primarily used to deflate nominal GDP will turn negative in Q1FY24, real GDP growth in FY24 could turn out to be a pleasant positive surprise.
- The Centre's gross tax revenue for FY23 has been revised upwards to Rs 30.4 lakh crore, which is almost Rs 3.2 lakh crore greater over the Budget estimate for FY23. Regarding FY24 projections, Government has budgeted 10.4% growth to Rs 33.6 lakh crore. The revenue target from taxation is supported by 11.0% growth in custom duty, 10.5% in income tax and 10.5% rise in corporation tax. The tax buoyancy for FY24 is estimated at 1.0 (based on gross tax revenue). GST collection target is budgeted to increase at 12% to Rs 9.6 lakh crore over FY23 revised estimates. Major subsidies will decline by 28% to Rs 3.7 lakh crore. The tax buoyancy numbers look reasonable, are lower than the historical trends and thus are likely to be more than achievable.
- Non-tax revenue for FY24 has been budgeted at Rs 3.02 lakh crore which is almost Rs 40,000 crore more than the revised estimates of FY23. The higher budgeted amount is owing to higher dividends and profits and other non-tax receipts.
- For FY24, the Gross Government Borrowing is budgeted at Rs 15.3 lakh crore and net borrowing requirement is pegged at Rs 11.8 lakh crore (66% of the Fiscal Deficit) considering repayments of Rs 3.62 lakh crore.
- Investments in infrastructure and productive capacity have a large multiplier impact on growth and employment and in view of this, capital investment outlay is being increased steeply for the third year in a row by 33% to Rs 10 lakh crore, which would be 3.3% of GDP. This will be almost three times the outlay in 2019-20. The 'Effective Capital Expenditure' of the Centre is budgeted at Rs 13.7 lakh crore, which will be 4.5% of GDP.
- For FY24, Government has set a modest target of Rs 51,000 crore of disinvestment as against Rs 50,000 crore revised estimate for FY23 (BE was Rs 65,000 crore).
- The total dividend from the Reserve Bank of India, nationalised banks and financial institutions is estimated at Rs 48,000 crore for FY24, almost 17% higher than revised estimated of FY23 (Rs 40,953 crores). Though, the FY23 BE was Rs 73,948 crore. We expect that the FY23 estimates could be overshot.
- The rebate limit in the new tax regime has been increased to ₹ 7 lakh, meaning that persons in the new tax regime with income upto ₹ 7 lakh will not have to pay any tax. The tax structure in the new personal tax regime has been changed by reducing number of slabs to five and increasing the tax exemption limit to ₹ 3 lakh. This will provide major relief to all tax payers in the new regime. The highest surcharge rate in personal income tax has been reduced from 37% to 25% in the new tax regime for income above ₹2 crore. This would result in maximum tax rate of personal income tax come down to 39% which was earlier 42.74%.

- The benefit of standard deduction has been extended to the salaried class and the pensioners including family pensioner under the new tax regime. Salaried individual will get standard deduction of ₹ 50,000 and pensioner ₹ 15,000 as per the proposal.
- The maximum deposit limit for Senior Citizen Savings Scheme will be enhanced from Rs 15 lakh to Rs 30 lakh. The maximum deposit limit for Monthly Income Account Scheme will be enhanced from Rs 4.5 lakh to Rs 9 lakh for single account and from Rs 9 lakh to Rs 15 lakh for joint account.
- The indirect tax proposals announced in the budget has emphasized on simplification of tax structure with fewer tax rates so as to help in reducing compliance burden and improving tax administration. The number of basic customs duty rates on goods, other than textiles and agriculture, have been reduced from 21 to 13.
- For better targeting of tax concessions and exemptions, deduction from capital gains on investment in residential house has been capped at ₹ 10 crore. Revenue of about ₹38,000 crore will be foregone as a result of changes in the direct and indirect taxes, while revenue of about ₹3,000 crore will be additionally mobilised.
- Digital public infrastructure for agriculture will be built as an open source, open standard and inter operable public good. An Agriculture Accelerator Fund will be set-up to encourage agri-startups by young entrepreneurs in rural areas.
- The agriculture credit target will be increased to Rs 20 lakh crore with focus on animal husbandry, dairy and fisheries.
- The Government has decided to continue the 50-year interest free loan to state Governments for one more year to spur investment in infrastructure and to incentivize them for complementary policy actions, with a significantly enhanced outlay of Rs 1.3 lakh crore.
- A capital outlay of Rs 2.40 lakh crore has been provided for the Railways, which is the highest ever outlay and about 9 times the outlay made in 2013-14.
- 100 critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified and they will be taken up on priority with investment of Rs 75,000 crore, including Rs 15,000 crore from private sources. 50 additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity.
- An Urban Infrastructure Development Fund (UIDF) will be established through use of priority sector lending shortfall, which 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.
- For enhancing ease of doing business, more than 39,000 compliances have been reduced and more than 3,400 legal provisions have been decriminalized. For furthering the trust-based governance, Government has introduced the Jan Vishwas Bill to amend 42 Central Acts.
- For realizing the vision of “Make A-I in India and Make A-I work for India”, three centres of excellence for Artificial Intelligence will be set-up in top educational institutions.
- An Entity DigiLocker will be set up for use by MSMEs, large business and charitable trusts for storing and sharing documents online securely, whenever needed, with various authorities, regulators, banks and other business entities.
- The Budget builds on the focus on green growth. The recently launched National Green Hydrogen Mission, with an outlay of Rs 19,700 crores, will facilitate transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports, and make the country assume technology and market leadership in this sunrise sector. The target is to reach an annual production of 5 MMT by 2030. The Budget also provides Rs 35,000 crore for priority capital investments towards energy transition and net zero objectives, and energy security by Ministry of Petroleum & Natural Gas.
- The 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.

- 500 new 'waste to wealth' plants under GOBARdhan (Galvanizing Organic Bio-Agro Resources Dhan) scheme will be established for promoting circular economy. These will include 200 compressed biogas (CBG) plants, including 75 plants in urban areas, and 300 community or cluster-based plants at total investment of Rs 10,000 crore.
- Pradhan Mantri Kaushal Vikas Yojana 4.0 will be launched to skill lakhs of youth within the next three years. On-job training, industry partnership, and alignment of courses with needs of industry will be emphasized. The scheme will also cover new age courses for Industry 4.0 like coding, AI, robotics, mechatronics, IOT, 3D printing, drones, and soft skills.
- To provide stipend support to 47 lakh youth in three years, Direct Benefit Transfer under a pan-India National Apprenticeship Promotion Scheme will be rolled out.
- The budget has proposed revamping of the credit guarantee scheme for MSMEs and has announced that the revamped scheme will take effect from 1st April 2023 through infusion of Rs 9,000 crore in the corpus. This will enable additional collateral-free guaranteed credit of Rs 2 lakh crore. Further, the cost of the credit will be reduced by about 1%.
- A National Financial Information Registry will be set up to serve as the central repository of financial and ancillary information. This will facilitate efficient flow of credit, promote financial inclusion, and foster financial stability.
- For commemorating Azadi Ka Amrit Mahotsav, a one-time new small savings scheme, Mahila Samman Savings Certificate, will be made available for a two-year period up to March 2025. This will offer deposit facility upto Rs 2 lakh in the name of women or girls for a tenor of 2 years at fixed interest rate of 7.5% with partial withdrawal option.

IN QUEST FOR AN ANTIFRAGILE MINDSET

At times of crises, policies and policy makers need to embrace an antifragile mindset.

Some things benefit from shocks; they thrive and grow when exposed to volatility, randomness, disorder, and stressors and love adventure, risk and uncertainty. Yet, in spite of the ubiquity of the phenomenon, there is no word for the exact opposite of fragile. For the sake of brevity, one can call it antifragile. Antifragility is beyond resilience or robustness. The resilient resists shocks and stays the same; antifragile gets better under duress, Nassim Nicholas Taleb wrote around a decade back in his seminal work Antifragile, drawing parallels from wide theories encompassing evolution to medicinal fields, tracing antifragility as a nonlinear response which improves with, not withstands, stressors, where the stressors are neither too large nor small.

The nuanced approach, adopted by the budget with an overarching 360 degree perspective to reinvigorate growth of India in days ahead bodes well to label it close to the theory of antifragility, we believe.

The year 2022 brought rapid escalation in prices of essential goods, commodities and energy, a direct corollary of the lingering war in Europe that gravely accentuated the precarious green shoots of growth, already eclipsed by deepening debt burden of many jurisdictions and reappearing variants of the virus. The frequent, long drawn shut down in China, the largest manufacturing supplier to many global behemoths across value chain played spoilsport with the supply chain statistics. Financial systems underwent a tailspin with sanctions on Russia amidst escalation in energy prices and food security looming large over Europe.

The digital public infrastructure of India has often been talked about but it got a seal of vindication of late with a fragile world order looking at the seamless capabilities interwoven at population scale, heralding a robust digitally anchored tomorrow.

World Bank estimates that India will need to invest $840 billion over the next 15 years—or an average of $55 billion per annum—into urban infrastructure if it is to effectively meet the needs of its fast-growing urban population, emphasizing urgent need to leverage more private and commercial investments to meet emerging financial gaps. Estimates put 600 million people will be living in urban cities in India by 2036, representing ~40% of the population. This would put additional pressure on the already stretched urban infrastructure and services of Indian cities – with more demand for clean drinking water, reliable power supply, efficient and safe road transport amongst others. Currently, the central and state Governments finance over 75% of city infrastructure, while urban local bodies (ULBs) finance ~15% through their own surplus revenues. The salient announcements in budget on infrastructure should bridge the viability gap in this regard.

The drying up of the credit markets in the USA, a knee jerk reaction to the unwavering Fed commitment to rise through the rate hikes till stubborn prices cracked durably witnessed some formidable signs in capital flows and allocation, with both FDI as also start-up funding feeling the heat here. That, in hindsight, could be the launchpad for our domestic financial ecosystem to rise and fill the void by attaining financial self-reliance.

Foreign Direct Investment (FDI) flows record the value of cross-border transactions related to direct investment during a given period of time, usually a quarter or a year. FDI creates stable and long-lasting links between economies. It may be noted that India continues to receive significant FDI inflows. For example, in current fiscal, gross FDI inflows till November is at $48.8 bn.

Truly, the enabling architecture embracing Antifragile should be able to endure the shocks and headwinds with minimum turbulence, we trust.

MACRO VIEW AND FISCAL MANAGEMENT

Continuity and incremental changes have become the hallmarks of Union Budgets in recent times. The Union Budget 2023-24 is no exception to this well-established trend. Further, since Union Budget in previous year had set the strategic direction for Amrit Kaal, hence large-scale changes in economic strategy was not expected this year.

The Budget has retained its focus on seven broad areas of inclusive development, last mile connectivity, infrastructure development, youth (employment generation), unleashing potential (innovation), green growth and financial sector which mirrors the broad strategy of the last year(s) but with wider scope and additional objectives, emanating in a new world order while making bold, pragmatic announcements to incubate innovation sans boundaries.

An analysis of weighted contribution of agriculture, manufacturing and services for the pre pandemic period shows that the weighted contribution of agriculture sector is around 50 basis points, Manufacturing at 190 basis points and Services at 420 basis points. All this adds up to give GDP growth at 6.7% before pandemic that might be construed as the potential growth rate of India. The growth projections in the Economic Survey thus looks reasonable against such numbers.

Starting with the macroeconomic imprints in the budget, the nominal GDP growth is projected at 10.5%, a reasonable figure indeed. The commitment to fiscal consolidation has been continued and the fiscal deficit is expected to stabilize below 6% at 5.9%. The thrust to capital expenditure has been encouraging with budgetary capital expenditure, creation of capital assets, and capital expenditure by CPSE budgeted to rise by 14.3% to ₹18.6 lakh crore. All other fiscal parameters show encouraging trends ensuring fiscal policy has enough headroom to accommodate and withstand future shock if, and as warranted.

On the taxation side, the tax structures on both direct and indirect taxes have remained stable. There are some changes in new personal tax regime with the intension to facilitate migration under the new exemption less tax structure. On the indirect taxes side, the changes range from routine to incentivizing green transition. Interestingly, the tax buoyancy numbers are lower than that achieved for the last 3 years. Thus, the revenue numbers in the budget are pragmatic and possibly could be even overshot as has been witnessed this fiscal.

Focus on infrastructure has been an important feature in the budgets during last few years. The trend is retained and thrust to infrastructure has been encouraging. The increased allocation to railways is a promising decision given the vast spans of this network and its capacity to augment backward and forward linkages, while ushering in next-gen reforms in both personal and commercial space. The budget has also identified 100 critical transport infrastructure projects for core sectors – coal, ports, fertilizer and steel sector etc.

Expanding the scope of urban infrastructure by asset creation in Tier 2/3 towns and cities gels well with the overarching objective of inclusivity and, balance growth. The outlay for PM Awas Yojana is also enhanced by 66% to over ₹79,000 crore, taking ‘Housing for All’ to wider arc of eligible households.

Since the outbreak of Russia-Ukraine aggression, the global food security is in a delicate spot. The current budget has expanded the scope of capital expenditure/capital infusion in this all-encompassing sector, capitalizing on India's advantageous position, bridging the gaps between capital, credit, infrastructure and collectivization across agri and allied niche areas, with incremental agri credit target of ₹20 lakh crore destined to bring transformative changes in Bharat.

Focus on review of laws in financial sectors while upending the gamut of services through IFSCA at GIFT City promise to herald new chapters in financial markets, giving regulators more authority, in sync with evolving global best practices should be a key differentiator as we take massive shift towards formalisation and financialization at colossal scale, especially at the lower echelons. The Budget takes a 360-degree overarching view from economic empowerment of women and artisans to channelling resources for green transition at a grandeur scale. Such a broad view clearly echoes of a self-reliant India, destined towards greater glories with equity and opportunity for all!

A new realization for the countries, across developed as also emerging economies is the need to embrace a self-fulfilling and circular architecture that promotes, re-invigorates and nurtures self-reliance. A key ingredient of such architecture would invariably be laying pathways that seamlessly bind and connect pivots that take MSMEs to new and stable highs. In this context, the budget announcements today ride high on building bridges that ensure availability of adequate and timely credit to MSMEs as envisioned through enhancing corpus of CGTMSE by ₹9000 crore enabling additional collateral-free guaranteed credit of Rs 2 lakh crore. Further, the cost of the credit will be reduced by about 1%, giving huge cost savings to eligible entities.

Facilitating Vivad se Vishwaas for a robust business environment, in cases of failure by MSMEs to execute contracts during the Covid period, 95% of the forfeited amount relating to bid or performance security, will be returned to them by Government and Government undertakings which should provide relief to MSMEs. Further, to settle contractual disputes of Government and Government undertakings, wherein arbitral award is under challenge in a court, a voluntary settlement scheme with standardized terms will be introduced. This will be done by offering graded settlement terms depending on pendency level of the dispute.

Building on the success of the Aspirational Districts Programme, the Government has also launched Aspirational Blocks Programme covering 500 blocks for saturation of essential Government services across multiple domains such as health, nutrition, education, agriculture, water resources, financial inclusion, skill development, and basic infrastructure. This should also build a solid lynchpin for MSMEs to leverage the opportunities and gain scale with little time lag.

For centuries, Vishwakarma or traditional artisans and craftspeople with their hands as unmatched tools have brought renown for India. The indigenous art and handicraft created by them represents the true spirit of Atmanirbhar Bharat. For the first time, a package of assistance, PM VIKAS scheme for them has been conceptualized. The new scheme will enable them to improve the quality, scale and reach of their products, integrating them with the MSME value chain.

The PM VIKAS scheme should bring score of artisans in the value chain, through adequate financial support as also access to advanced skill training, knowledge of modern digital techniques and efficient green technologies, brand promotion, linkage with local and global markets, digital payments, and social security. The success of this scheme can sure be implicated in other sectors going forward. This scheme will greatly benefit the Scheduled Castes, Scheduled Tribes, OBCs, women and people belonging to the weaker sections.

The digital ecosystem for skilling will be further expanded with the launch of a unified Skill India Digital platform linking with employers including MSMEs.

Among other notable initiatives in the budget, is the creation of a digital public infrastructure for agriculture to be built as an open source, open standard and inter operable public good. This will enable 6 inclusive, 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.

This initiative will help the Banks / Financial Institutions in rolling out end-to-end digital solutions using analytical models. This will substantially reduce cost of operations and the savings can be passed on to farmers by lowering lending rates.

Additionally, promoting computerization of PACS will help the PACS in reducing their operational cost and bring efficiency as well as increase in productivity.

The genesis of fiscal deficit in incremental terms (Rs lakh crore)				
Item		**FY22**	**FY23**	**FY24**
Gross Corporation Tax gain	A	0.8	1.2	0.9
Gross Income Tax gain	B	0.8	1.2	0.9
Gross Customs and Union Excise Duties surplus	C	0.1	-0.3	0.4
Gross Goods and Services Tax (GST) gain	D	0.2	0.7	1.0
Disinvestment receipts gain	E	-0.6	-0.1	0.0
Gain in other heads (Interest income, other non tax revenue, recovery of loans)	F	1.2	0.2	0.5
Gain on account of Dividend & Profits due from instituions	G	-0.6	-0.3	-0.3
Total Revenue Gain	H=Sum: A to G	1.9	2.6	3.3
Gain in Revenue Share for States	I	1.5	1.0	1.1
Net Revenue Gain to Center after adjusting for States transfer	J=H-I	0.3	1.6	2.3
Expenditure increase	K	0.2	2.4	3.2
Fiscal Deficit BE	L	15.9	16.6	17.9
Revised Fiscal Deficit	M = L+K-J	15.8	17.5	-
New Fiscal Deficit (% of GDP)	N	6.7	6.4	5.9

Source: Negative numbers indicate a shortfall; FY22 Actual over FY22RE, FY23 RE over FY23BE and FY24 BE over FY23 RE, SBI Research

Budget at a glance (Rs Crore and as a % of GDP)										
	FY 21	**FY 22**	**FY 23 (BE)**	**FY 23 (RE)**	**FY24 (BE)**	**FY24 (BE)/ FY23 (RE) (%Gr)**	**FY 23 (RE)/ FY 22 (%Gr)**	**FY22/ FY21 (%Gr)**	**5 Yr CAGR (FY 19-23 in %)**	**Decadal CAGR (FY 14-24 in %)**
1.1 Revenue Receipts	16,33,920	21,69,905	22,04,422	23,48,413	26,32,281	12.1	8.2	32.8	11.1	10.0
% of GDP	8.3	9.2	8.5	8.6	8.7					
1.1.1 Tax Revenue (Net to centre)	14,26,287	18,04,793	19,34,771	20,86,662	23,30,631	11.7	15.6	26.5	12.1	11.1
% of GDP	7.2	7.6	7.5	7.6	7.7					
1.1.2 Non-Tax Revenue	2,07,633	3,65,112	2,69,651	2,61,751	3,01,650	15.2	-28.3	75.8	5.1	4.3
% of GDP	1.0	1.5	1.0	1.0	1.0					
1.2 Capital Receipts	18,75,916	16,23,896	17,40,487	18,38,819	18,70,816	1.7	13.2	-13.4	19.7	13.1
% of GDP	9.5	6.9	6.7	6.7	6.2					
1.2.1 Recoveries of Loans	19,729	24,737	14,291	23,500	23,000	-2.1	-5.0	25.4	5.0	6.3
% of GDP	0.1	0.1	0.1	0.1	0.1					
1.2.2 Other Receipts	37,897	14,638	65,000	60,000	61,000	1.7	309.9	-61.4	-8.4	7.6
% of GDP	0.2	0.1	0.3	0.2	0.2					
1.2.3 Borrowings and other liabilities*	18,18,291	15,84,521	16,61,196	17,55,319	17,86,816	1.8	10.8	-12.9	22.4	13.5
% of GDP	9.2	6.7	6.4	6.4	5.9					
1. Total Receipts	35,09,836	37,93,801	39,44,909	41,87,232	45,03,097	7.5	10.4	8.1	14.2	11.2
% of GDP	17.7	16.0	15.3	15.3	14.9					
2. Total Expenditure	35,09,836	37,93,801	39,44,909	41,87,232	45,03,097	7.5	10.4	8.1	14.2	11.2
% of GDP	17.7	16.0	15.3	15.3	14.9					
2.1 Revenue Expenditure	30,83,519	32,00,926	31,94,663	34,58,959	35,02,136	1.2	8.1	3.8	11.8	9.8
% of GDP	15.6	13.5	12.4	12.7	11.6					
2.1.1 Grants for creation of Capital Assets	2,30,865	2,42,646	3,17,643	3,25,588	3,69,988	13.6	34.2	5.1	14.0	11.1
% of GDP	1.2	1.0	1.2	1.2	1.2					

Budget at a glance (Rs Crore and as a % of GDP)										
	FY 21	FY 22	FY 23 (BE)	FY 23 (RE)	FY24 (BE)	FY24 (BE)/ FY23 (RE) (%Gr)	FY 23 (RE)/ FY 22 (%Gr)	FY22/ FY21 (%Gr)	5 Yr CAGR (FY 19-23 in %)	Decadal CAGR (FY 14-24 in %)
2.1.2 Interest Payments	6,79,869	8,05,499	9,40,651	9,40,651	10,79,971	14.8	16.8	18.5	13.1	11.2
% of GDP	3.4	3.4	3.6	3.4	3.6					
2.2 Capital Expenditure	4,26,317	5,92,874	7,50,246	7,28,274	10,00,961	37.4	22.8	39.1	26.6	18.2
% of GDP	2.2	2.5	2.9	2.7	3.3					
3.Effective Capital Expenditure(2.1.1+2.2)	6,57,182	8,35,520	10,67,889	10,53,862	13,70,949	30.1	26.1	27.1	22.4	15.8
% of GDP	3.3	3.5	4.1	3.9	4.5					
4. Revenue Deficit (2.1-1.1)	14,49,599	10,31,021	9,90,241	11,10,546	8,69,855	-21.7	7.7	-28.9	13.9	9.3
% of GDP	7.3	4.4	3.8	4.1	2.9					
5. Effective Revenue Deficit (4-2.1.1)	12,18,734	7,88,375	6,72,598	7,84,958	4,99,867	-36.3	-0.4	-35.3	13.7	8.2
% of GDP	6.2	3.3	2.6	2.9	1.7					
6. Fiscal Deficit {2-(1.1+1.2.1+1.2.2)}	18,18,291	15,84,521	16,61,196	17,55,319	17,86,816	1.8	10.8	-12.9	22.4	13.5
% of GDP	9.2	6.7	6.4	6.4	5.9					
7. Primary Deficit (6-2.1.2)	11,38,422	7,79,022	7,20,545	8,14,668	7,06,845	-13.2	4.6	-31.6	60.3	18.6
% of GDP	5.7	3.3	2.8	3.0	2.3					
Revenue Deficit / Fiscal Deficit (%)	79.7	65.1	59.6	63.3	48.7					
Memo:										
Nominal GDP	1,98,00,914	2,36,64,637	2,58,00,000	2,73,07,751	3,01,75,065					
Growth rate	7.8	19.5	9.0	15.4	10.5					

Source: Source:Union Budget Documents & SBI Research.

Expenditure of Major Items (Rs crore and as a % of GDP)								
	FY 21	FY 22	FY 23 (BE)	FY 23 (RE)	FY 24 (BE)	FY 24 (BE)/ FY 23 (RE) (%Gr)	FY 23 (RE)/ FY 22 (%Gr)	FY 22/ FY 21 (%Gr)
Pension	2,08,473	1,98,946	2,07,132	2,44,780	2,34,359	-4.3	23.0	-4.6
% of GDP	1.1	0.8	0.8	0.9	0.8			
Defence	3,40,094	3,66,546	3,85,370	4,09,500	4,32,720	5.7	11.7	7.8
% of GDP	1.7	1.5	1.5	1.5	1.4			
Subsidy	7,07,707	4,46,150	3,17,866	5,21,585	3,74,707	-28.2	16.9	-37.0
% of GDP	3.6	1.9	1.2	1.9	1.2			
Agriculture & allied Activities (Excluding PM-KISAN)	1,34,420	76,492	83,521	76,279	84,214	10.4	-0.3	-43.1
% of GDP	0.7	0.3	0.3	0.3	0.3			
PM-KISAN*	-	66,825	68,000	60,000	60,000	0.0	-10.2	-
% of GDP	-	0.3	0.3	0.2	0.2			
Commerce and Industry	21,554	47,068	53,116	37,540	48,169	28.3	-20.2	118.4
% of GDP	0.1	0.2	0.2	0.1	0.2			
Education	84,219	80,352	1,04,278	99,881	1,12,899	13.0	24.3	-4.6
% of GDP	0.4	0.3	0.4	0.4	0.4			
Energy	32,728	53,696	49,220	70,936	94,915	33.8	32.1	64.1
% of GDP	0.2	0.2	0.2	0.3	0.3			
Finance	37,038	57,364	21,354	17,908	13,574	-24.2	-68.8	54.9
% of GDP	0.2	0.2	0.1	0.1	0.0			

Expenditure of Major Items (Rs crore and as a % of GDP)								
	FY 21	FY 22	FY 23 (BE)	FY 23 (RE)	FY 24 (BE)	FY 24 (BE)/ FY 23 (RE) (%Gr)	FY 23 (RE)/ FY 22 (%Gr)	FY 22/ FY 21 (%Gr)
Health	80,026	84,091	86,606	77,351	88,956	15.0	-8.0	5.1
% of GDP	0.4	0.4	0.3	0.3	0.3			
Home Affairs	96,652	1,12,301	1,27,020	1,24,872	1,34,917	8.0	11.2	16.2
% of GDP	0.5	0.5	0.5	0.5	0.4			
Interest	6,79,869	8,05,499	9,40,651	9,40,651	10,79,971	14.8	16.8	18.5
% of GDP	3.4	3.4	3.6	3.4	3.6			
Others	91,998	1,08,447	1,13,301	1,08,102	1,20,524	11.5	-0.3	17.9
% of GDP	0.5	0.5	0.4	0.4	0.4			
Rural Development	2,14,246	2,28,760	2,06,293	2,43,317	2,38,204	-2.1	6.4	6.8
% of GDP	1.1	1.0	0.8	0.9	0.8			
Social Welfare	37,563	40,595	51,780	46,502	55,080	18.4	14.6	8.1
% of GDP	0.2	0.2	0.2	0.2	0.2			
Tax Administration	1,46,439	1,77,144	1,71,677	1,77,343	1,94,749	9.8	0.1	21.0
% of GDP	0.7	0.7	0.7	0.6	0.6			
Transfer to States	2,11,475	2,74,580	3,34,339	2,70,936	3,24,641	19.8	-1.3	29.8
% of GDP	1.1	1.2	1.3	1.0	1.1			
Transport	2,16,795	3,32,238	3,51,851	3,90,496	5,17,034	32.4	17.5	53.2
% of GDP	1.1	1.4	1.4	1.4	1.7			
Urban Development	46,701	1,06,840	76,549	74,546	76,432	2.5	-30.2	128.8
% of GDP	0.2	0.5	0.3	0.3	0.3			
Grand Total	35,09,836	37,93,801	39,44,909	41,87,232	45,03,097	7.5	10.4	8.1
% of GDP	17.7	16.0	15.3	15.3	14.9			

Source: Union Budget Documents & SBI Research,*RE 2022-23 and BE 2023-24 is based on beneficiary data update.

Capex Arithmetic (Rs Cr)							
	FY 21	FY 22	FY 23 (BE)	FY 23 (RE)	FY 24 (BE)	FY 24 (BE)/FY 23 (RE) (% Grwt)	FY 23 (RE)/ FY 22 (% Grwt)
1. Budgetary capex	426317	592874	750246	728274	1000961	37.4	22.8
% of GDP	2.2	2.5	2.9	2.7	3.3		
2. Grants for creation of capital assets	230865	242646	317643	325588	369988	13.6	34.2
% of GDP	1.2	1.0	1.2	1.2	1.2		
3. Capex by CPSE(IEBR)	477650	437600	469453	401101.17	487745.28	21.6	-8.3
% of GDP	2.4	1.8	1.8	1.5	1.6		
4. Effective Capex (1+2)	657182	835520	1067889	1053862	1370949	30.1	26.1
% of GDP	3.3	3.5	4.1	3.9	4.5		
5. Capex by budget and CPSE (1+3)	903967	1030474	1219699	1129375.17	1488706.28	31.8	9.6
% of GDP	4.6	4.4	4.7	4.1	4.9		
6. Grand Total Capex (1+2+3)	1134832	1273120	1537342	1454963.17	1858694.28	27.7	14.3
% of GDP	5.7	5.4	6.0	5.3	6.2		

Source: Union Budget Documents & SBI Research.

DEBT DECOMPOSITION AND STOCK-FLOW ADJUSTMENTS

- Standard debt decomposition quantifies the extent to which the change in the stock of debt is explained by changes in overall deficits and how much remains unexplained. This can be numerically explained by the following formula:

  Δbt = gfdt + et

  Splitting the overall deficit into the primary deficit and interest expenditure,

  Δbt = bt-1(rt - gt)/ (1 + gt) + pdt + et

- where Δbt represents change in the debt-to-GDP ratio, gfdt is the gross fiscal deficit-to-GDP; bt-1 is the previous year's debt-to-GDP; (rt – gt) is the nominal interest rate (repo rate) minus the nominal GDP growth rate; pdt is the primary deficit-to-GDP ratio; and et is a residual that accounts for adjustments which are not fully captured by stock flow variations. Numerically it is calculated by taking the difference between the LHS and RHS of the debt-decomposition equation.

- An analysis of annual debt accumulation over 2004-05 to 2009-10, 2010-11 to 2015-16, and 2016-17 to 2022-23 by using above equation reveals the following:

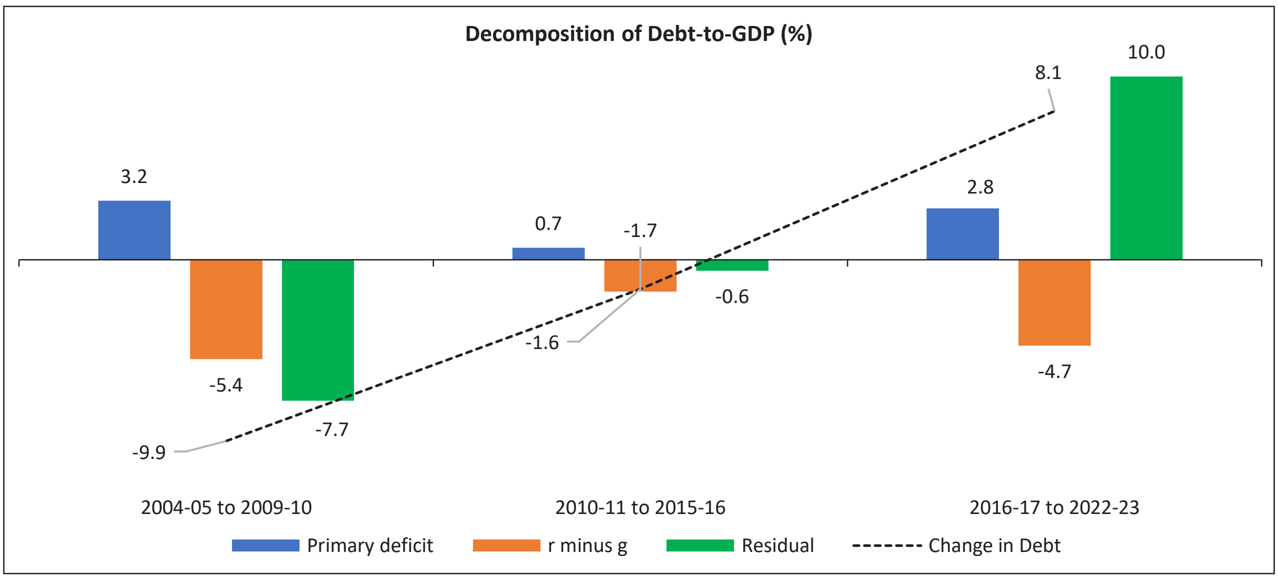
  (a) Centre debt declined over 2004-05 to 2009- 10 and 2010-11 to 2014-15, but increased by 8.1% in 2015-16 to 2022-23;

  (b) debt decomposition shows that r minus g has contributed towards lowering the stock of debt accumulation albeit with a lower contribution in the recent period;

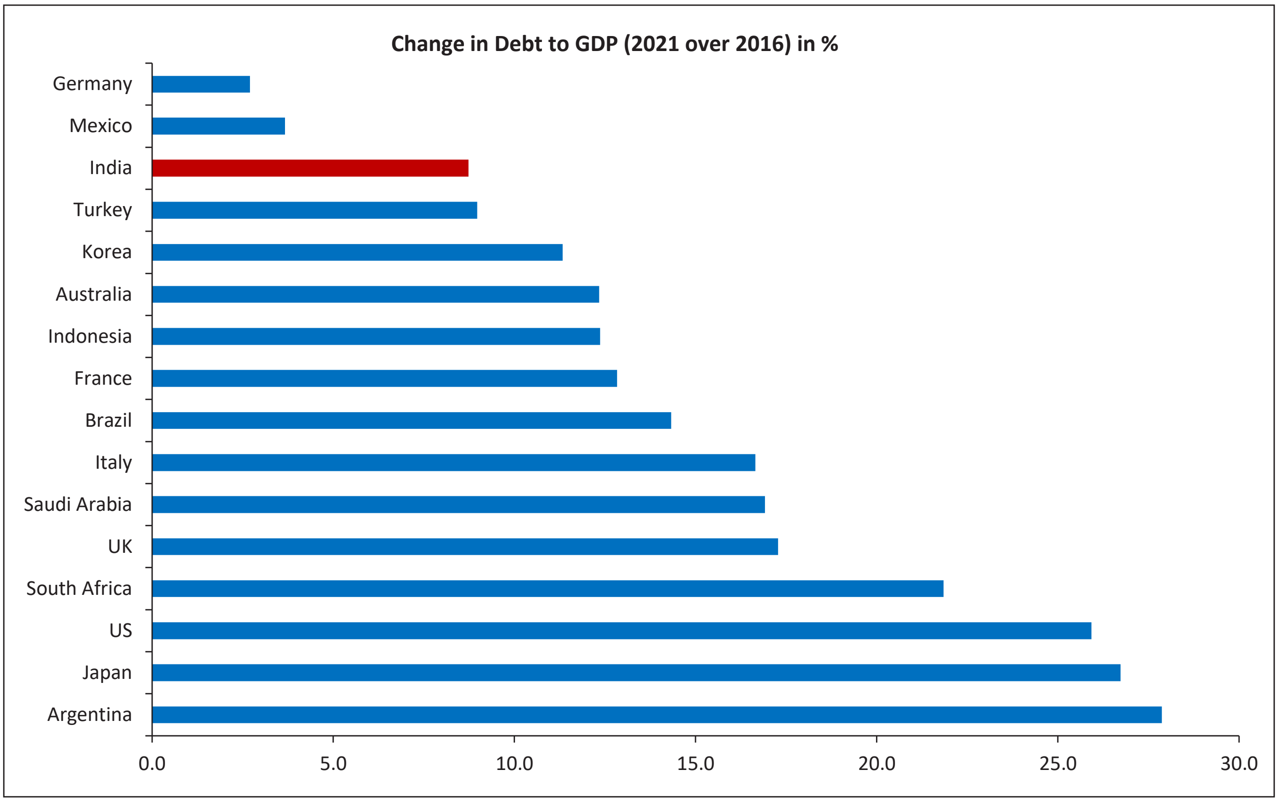
  (c) the contribution of primary deficits in raising debt has been muted across time periods;

  (d) after eliminating the effect of these two factors, the stock-flow component (residual term which is not explained by these macroeconomic and fiscal variables) has been positive in recent period, thus, indicating its importance as a source of debt accumulation.

- The main determinants of stock-flow adjustments are valuation effects, below the line items like capital injections into public companies, debt forgiveness/reduction, fiscal costs of banking crises (mostly for advanced economies), and/or other contingent liabilities, along with less transparent practices, mostly by EMEs.



- However, it is interesting to note that India is not an exception where debt-to-GDP has increased during 2016 to 2021. The best part, though is the increase in debt-to-GDP in the case of India is one of the lowest.



TAX REVENUE TRENDS

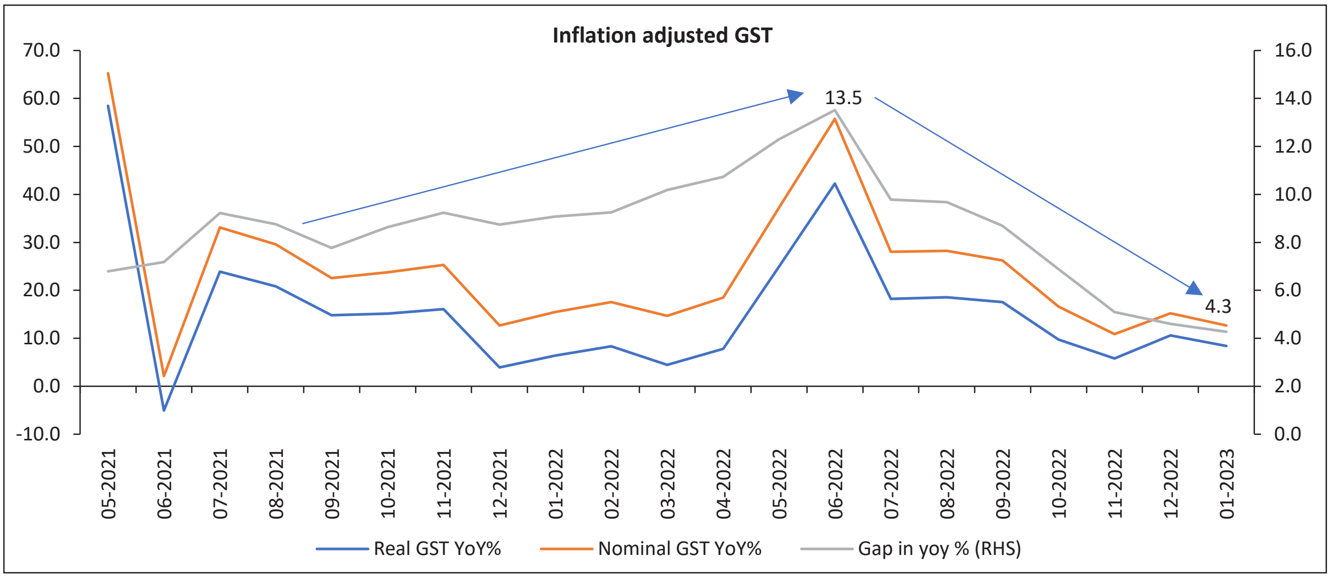
The Centre's gross tax revenue for FY23 has been revised upwards to Rs 30.4 lakh crore (12.3% increase over FY22), which is Rs 3.2 lakh crore more over the Budget estimate for FY23. All the heads under gross tax revenue have seen an upward revision from the Budget estimates of FY23 (except customs) as the economy gains momentum following the slowdown due to Covid-19.

Coming to FY24 projections, almost all components of taxes are expected to exhibit double digit growth (except excise and service tax). However, gross tax collection in FY24 is projected at 10.4% more than the FY23 (RE). For FY23 the GST revenue is projected at Rs 9.7 lakh crore or 12% yoy growth over FY23 RE.

GST REVENUE HIGHER DUE TO BETTER COMPLIANCE AND INCREASING TAX BUOYANCY

GST collections have increased significantly this year, with the monthly collection above Rs 1.4 lakh crore for the consecutive 11 months. The latest number has been a record high at Rs 1.56 lakh crore in Jan'22, 12.7% higher than the same month last year. Various reasons, including better compliance, economic recovery among others is considered as factors leading to higher GST revenue for the Government.

We have tried to estimate inflation adjusted GST revenues. Since the inception of GST, the two series have moved more or less together prior to the pandemic. However, the gap between the growth rate of nominal GDP and inflation adjusted GDP started rising from Sep'21 owing to higher inflation, though it has been falling since Jun'22 indicating lower component of inflation in rising GST revenue. Currently, only 4.3% of the increase in GST revenues can be attributed to higher inflation compared to 13.5% in Jun'22. Thus, it seems that the surge in GST collections is more related to better compliance and increased tax buoyancy.

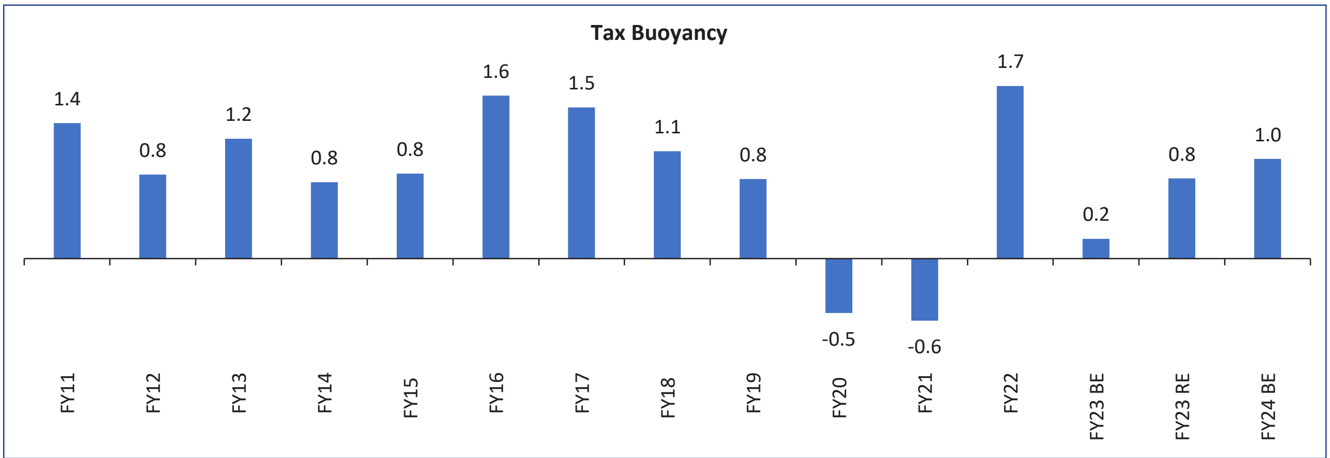


Direct and Indirect taxes (Rs crore and as a % of GDP)										
	FY 21	FY 22	FY 23 (BE)	FY 23 (RE)	FY 24 (BE)	FY 24 (BE)/ FY 23 (RE) (%Gr)	FY 23 (RE)/ FY 22 (%Gr)	FY 22/ FY 21 (%Gr)	5 Yr CAGR (FY 19-23 in %)	Decadal CAGR (FY 14-24 in %)
Gross Tax Revenue	20,27,104	27,09,215	27,57,820	30,43,067	33,60,858	10.4	12.3	33.6	10.1	11.4
% of GDP	10.2	11.4	10.7	11.1	11.1					
Direct Tax										
Corporation Tax	4,57,719	7,12,037	7,20,000	8,35,000	9,22,675	10.5	17.3	55.6	6.8	8.9
% of GDP	2.3	3.0	2.8	3.1	3.1					
Taxes on Income Other than Corporation Tax	4,87,144	6,96,243	7,00,000	8,15,000	9,00,575	10.5	17.1	42.9	13.7	14.2
% of GDP	2.5	2.9	2.7	3.0	3.0					
Total Direct Taxes	944863	1408281	1420000	1650000	1823250	10.5	17.2	49.0	10.3	11.9
% of GDP	4.8	6.0	5.5	6.0	6.0					
Indirect Taxes										
Customs	1,34,750	1,99,728	2,13,000	2,10,000	2,33,100	11.0	5.1	48.2	14.6	3.1
% of GDP	0.7	0.8	0.8	0.8	0.8					
Union Excise Duty	3,91,749	3,94,644	3,35,000	3,20,000	3,39,000	5.9	-18.9	0.7	8.0	7.2
% of GDP	2.0	1.7	1.3	1.2	1.1					
Service Tax	1,615	1,012	2,000	1,000	500	-50.0	-1.2	-37.3	-40.8	-43.6
% of GDP	0.0	0.0	0.0	0.0	0.0					
Goods and Services Tax	5,48,778	6,98,114	7,80,000	8,54,000	9,56,600	12.0	22.3	27.2	10.5	-
% of GDP	2.8	3.0	3.0	3.1	3.2					
Major Indirect taxes	1076892	1293498	1330000	1385000	1529200	10.4	7.1	20.1	10.3	11.9
% of GDP	5.4	5.5	5.2	5.1	5.1					

Source: Union Budget documents & SBI Research.

TAX BUOYANCY

The tax buoyancy (based on gross tax revenues) for FY24 is reasonably estimated at 1.0 as nominal GDP growth is projected by 10.5% while gross tax revenues are projected to grow by 10.4%. For FY23 (RE), the tax buoyancy is estimated at 0.80.



Interestingly, our estimation of decadal tax buoyancy for the last 50 years (total tax revenue and other individual tax revenues) using double log model reveals that tax buoyancy of total tax revenue and income tax and corporation tax has declined in the decade (2010-11 to 2019-20) compared to the previous decade (2000-01 to 2009-10). The most critical situation is regarding the corporation tax buoyancy and income tax buoyancy which is the lowest in five decades and three decades respectively.

However, the situation completely altered since 2019-20. In the last 4 fiscals, the tax buoyancy has increased for all tax categories as compared to last decade (except excise, which is logical due to advent of GST). This indicate the resilience of India's tax system though the period was marred with Covid-19 pandemic and Russia-Ukraine conflict.

We also estimated the long-run and short-run buoyancy for a 42-quarter period (since 2012 Q2) based on ARDL model. We found that the long-run and short-run buoyancy of total tax revenue are 1.12 and 1.06, respectively. The speed of adjustment, which is generally negative, measures the speed of adjustment towards the long-run equilibrium. The speed of adjustment for the total tax revenue came out at – 1.5, i.e., adjustment towards its long-term buoyancy is quite high. Similarly, more detailed analysis of buoyancies of individual taxes were also carried out for income tax, corporation tax, excise, custom duty and GST (since 2019 Q2) and the result reported in the below table. This gives both direction and magnitude of tax buoyancies in India.

Tax Buoyancy Coefficients						
Decade	Total Tax Revenue	Income tax	Corporation tax	Excise	Customs	GST
	Double Log Model					
1970-71 to 1979-80	1.3	1.9	1.3	1.1	1.6	
1980-81 to 1989-90	1.2	0.9	0.9	1.0	1.5	
1990-91 to 1999-00	0.9	1.5	1.3	0.7	0.7	-
2000-01 to 2009-10	1.3	1.5	2.0	0.5	0.9	
2010-11 to 2019-20	1.1	1.2	0.7	0.9	-0.2	
2019-20 to 2022-23	1.5	1.9	1.7	NA	2.2	1.7
2023-24 BE	1.0	1.0	1.0		1.0	1.1
	ARDL					
Long run	1.1	1.4	0.8	0.8	-0.2*	1.1
Short run	1.1	1.6	1.4	1.7	1.4	1.7
Speed	-1.5	-1.2	-1.4	-0.5	-0.4	-0.7

Source: SBI Research; All coefficients are significant at 1% significance level. * insignificant.

GOVERNMENT BORROWINGS

Central Government Borrowings

Gross market borrowing of the Centre for FY23 has been revised to Rs 14.2 lakh crore, with net borrowing at Rs 11.08 lakh crore as against Rs 11.18 lakh crore in BE. With Rs 8.85 lakh crore gross borrowing done so far till Dec'22, Rs 2.23 lakh crore more borrowing is remaining for this fiscal. The Government has undertaken switch of Rs 1.03 lakh crore against the budgeted Rs 1.0 lakh crore. Meanwhile, the buyback has been nil. Besides, abundant liquidity and demand for short-tenor bills being high, the Government has used the short-term borrowing more which has been increased to Rs 1.0 lakh crore through various modes (91-day- Rs 4,429 crore, 182 day- Rs 62,377 crore, 364 day- Rs 33,193 crore) treasury bills as against the budgeted Rs 50,000 crore.

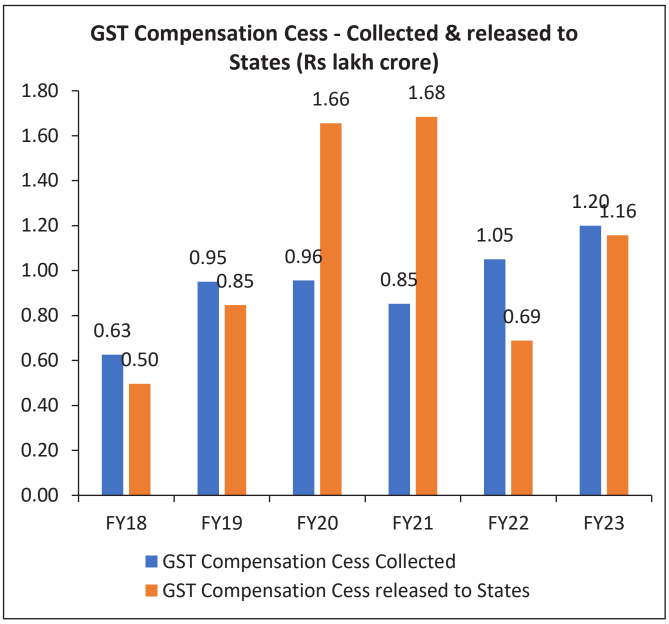
For FY24, gross market borrowing through dated securities has been budgeted at Rs 15.43 lakh crore and taking repayments of Rs 3.62 lakh crore (adjusted for recovery of Rs 78,104 crore from GST compensation fund), net market borrowing stands at Rs 11.8 lakh crore (66% of fiscal deficit). The Government has also announced switch of Rs 1.0 lakh crore in FY24 as against the revised Rs 1.03 lakh crore in the current fiscal. Notably, the Government stocks repurchased by means of switch will not have any impact on the fiscal situation.

The short-term borrowing for FY24 has been pegged at Rs 50,000 crore, that we expect, might be scaled up if need arises.

GST Compensation Cess and Government Borrowing

Amidst the pandemic, Government tax revenues were severely hit. GST Compensation Cess collection was also lower than expected. However, to ensure that States have adequate and timely resources to combat covid and related issues, Centre borrowed Rs 1.1 lakh crore in FY21 and Rs 1.59 lakh crore in FY22 and passed it on to States on a back-to-back basis. During FY22, Centre ensured that release of this amount of Rs 1.59 lakh crore was front loaded to ensure that States have adequate resources in the earlier part of the year. The data shows that in FY18 and FY20, the collections from the GST compensation cess were higher than the disbursement of compensation to States, but this reversed in 2019-20 and the Government had to borrow and give loans to States.

Of the market loans that the Government took to give these loans to states, about Rs 78, 000 crore of securities will mature in FY24. Thus, overall repayment in FY24 has been lower than Rs 4.4 lakh crore, by Rs 0.78 lakh crore. Accordingly, gross market borrowing has been lower.



Borrowing for providing back to back loan to State Governments/UTs during FY21 and FY22 to meet GST compensation shortfall (Rs crore)

Security	Date of maturity	FY22 (RE)	FY23 (BE)
5.22% Government Stock 2025	15.06.2025	6,000.00	
4.48% Government Stock 2023	02.11.2023	55104	
5.15% Government Stock 2025	09.11.2025	49104	
Total (FY21)		**1,10,208**	
5.63% Government Stock 2026	12.04.2026		136000
4.26% Government Stock 2023	04.26.2023		23000
Total (FY22)			**159000**

State Government Borrowings

States' gross borrowings were also revised downwards to Rs 7.6 lakh crore while net borrowings to Rs 5.2 lakh crore in FY23. For FY24, with ceiling of net borrowing at 3.5% of GDP, the net borrowings are pegged at Rs 5.4 lakh crore and gross borrowings are expected to come around Rs 8.2 lakh crore after taking a repayment of around Rs 2.9 lakh crore. The net borrowing of states could go up to Rs 5.8-Rs 6 lakh crore lakh crore if the states increase their capital expenditure.

Thus, total gross borrowing of the Centre and States for FY24 comes to Rs 23.6 lakh crore while net borrowing stands at Rs 17.2 lakh crore.

Based on the ownership pattern of Government of India dated securities as on Sep'22 and given the total net borrowings at Rs 17.6 lakh crore (G-sec, SDL and T-bill issuances), we believe demand of securities from banks to be in line with the incremental supply (around Rs 5.2 lakh crore) to ensure LCR compliance and also benefit from reasonably high carry. The insurance sector could subscribe to Rs 3.9 lakh crore. Good demand is also expected from other participants given expected growth in AUM. However, lower system liquidity, lack of additional HTM space, lower demand from insurance sector could pose challenges to smooth conduct of borrowing program. Taking the demand from different participants into consideration, there could still be a gap of Rs 2.8 lakh crore between the demand and supply of securities. This could be filled by RBI through OMOs or switches in the 2nd half to balance supply demand dynamics especially if small savings collection does not pick up pace. Since insurance sector and pensions funds are the key players for long-term securities of 15 years and above, we believe RBI can make some special arrangement with insurance sector or pension funds for long-term bonds and go for exclusive placement in long tenor bonds with these investors.

Market Borrowings through Dated Securities (Rs lakh crore)

	FY 22	FY 23(BE)	FY23 (RE)	FY 24 (BE)
Centre				
Gross Borrowing	9.7	15.0	14.2	15.4
Repayments	2.6	3.8	3.1	3.6
Net Borrowing	7.0	11.2	11.1	11.8
State				
Gross Borrowing	7.0	9.3	7.6	8.2
Repayments	2.1	2.4	2.4	2.9
Net Borrowing	4.9	6.9	5.2	5.4
Total				
Gross Borrowing	16.7	24.2	21.8	23.6
Net Borrowing	12.0	18.1	16.3	17.2

Source: SBI Research

Maturity Profile of Outstanding Central Government Dated Securities (% of total)

Maturity Bucket	End Mar 2015	End Mar 2016	End Mar 2017	End Mar 2018	End Mar 2019	End Mar 2020	End Mar 2021	End Mar 2022	End Jun 2022	End Sep 2022
Less than 1 year	3.7	4.0	3.3	3.2	4.3	3.9	3.7	3.9	4.1	2.9
1-5 years	24.6	22.9	21.7	23.0	24.0	25.1	25.6	25.4	24.8	26.7
5-10 years	30.4	29.6	33.3	32.1	31.2	30.0	29.0	28.8	28.2	20.8
10-20 years	28.3	30.3	29.3	28.6	26.0	24.1	22.5	22.9	23.2	29.3
20 years and above	13.1	13.3	12.4	13.3	14.5	16.9	19.2	19.0	19.7	20.3

Source: SBI Research, DEA.

State Development Loans have been lower in current fiscal with increasing compensation cess

In India, the borrowing cost (yield) of the State Development Loans (SDLs) varies differently from States to States and it's a common parlance that yield on SDLs trade at a premium to G-sec yields.

We estimated the following panel regression model to find out the determinants of 'State-wise Weighted average yield of SDLs.' The panel regression model was used to find out the determinants of yield on SDLs across 30 States/UTs during the period of 2011-12 to 2022-23. The 'State-wise weighted average yield of SDLs (yield)' was taken as dependent variable and 'fiscal deficit, average size of borrowing, number of times borrowed in a year, and State's share in total borrowing' as explanatory variables. The data sources include various publications and database of RBI and Budget Documents of State Governments.

YIELDit = alpha + Beta1*Size of Borrowing + Beta2* Number of Borrowing + Beta3*Fiscal Deficit + Beta4*Share in Borrowing + Uit + Eit

Uit is between entity error term

Eit is within entity error term

Dependent Variable: State-wise weighted average yield of SDLs			
Explanatory Variable	**Coefficient**	**Standard Error**	**P- value**
Size of Borrowing	-0.00004	0.000	0.000***
Number of Borrowing	-0.0082	0.008	0.309
Fiscal Deficit	0.0037	0.010	0.714
Share in Borrowing	18.2029	1.970	0.000***
Constant	7.9200	0.099	0.000***

The empirical results shows that the market condition does play a major role in determining the variation in cost of borrowing over the fiscal indicators. The States which raise resources from market in large size have a lower yield of SDLs than others. States with higher share in total borrowings have to pay higher yields. States which are frequently raising resources from market or running higher Fiscal Deficit are not being affected by increase or decrease in yields of SDL which supports our finding that fiscal indicators are less important in determining yield on SDLs.

Additionally whether GST compensation received from Centre is helping decrease the States' cost of borrowing was also tested with Dynamic panel data model on annual data for the period of 2019 to 2022. Empirical results showed that states cost of borrowing was also significantly dependent on GST compensation from Centre. However, Fiscal deficit has no impact in determining the yields of SDLs.

Dependent Variable: State-wise weighted average yield of SDLs			
Explanatory Variable	**Coefficient**	**Standard Error**	**P- value**
L1. Yield	0.3296	0.096	0.001***
L2.Yield	-0.2235	0.116	0.055*
Fiscal Deficit	0.0169	0.026	0.512
GST Compensation from Centre	-0.0002	0.000	0.029**
Constant	6.9756	1.269	0.000***

Since data is annual and that too for only 4 years period, robustness of the results can't be confirmed.

States should focus on reducing Committed Expenditures and increasing Capex

Total expenditure of States is budgeted to grow to Rs 47.6 lakh crore in FY23 (18.5% of GDP) compared to Rs 42.63 lakh crore in FY22 RE (18% of GDP). While revenue expenditure is expected to increase by 10.4% to Rs 39.41 lakh crore (15.3% of GDP), capital expenditure is budgeted to increase by 18% to Rs 8.19 lakh crore (3.2% of GDP). Within revenue expenditure committed expenditure comprising of administrative services, pension and interest payments is expected to increase further to 4.8% of GDP. Certain states including Kerala, Punjab, Tamil Nadu, Uttar Pradesh pension form more than 15% of their Revenue receipts. It is also higher when seen as % of own tax revenue.

Meanwhile, Capital outlay of States is budgeted at Rs 7.54 lakh crore (2.9% of GDP) compared to Rs 5.45 lakh crore (2.3% of GDP) in FY22 RE, meaning strong yoy growth of 38.4%. However, the actual capex spending of 19 major states in FY23 (till Nov'22) is only 37% of the budgeted amount. States including Andhra Pradesh, Jharkhand, Maharashtra, Punjab, Uttar Pradesh and Uttarakhand have not even spent 30% of their BE during Apr-Nov'22. This is despite the fact that the Centre had announced Rs 1 lakh crore interest free loan with a tenure of 50 years in FY23 budget. The states have thus borrowed lower amount this year. Thus, states with distorted expenditure patterns like low social sector spending, low capital expenditure and high committed expenditure relative to comparable cohorts should undertake corrections through rationalization/ rebalancing of expenditure.

Committed Expenditures of Major States in FY23(BE)

States/UT	Pension as % of RR	Pension as % of States own tax revenue	Committed Expenditures* as % of RR	Internal Debt as % of GSDP
Andhra Pradesh	9.0	19.0	26.9	25.3
Bihar	12.3	58.6	28.7	28.1
Chhattisgarh	8.5	26.2	24.6	17.9
Gujarat	9.7	15.3	29.4	15.2
Haryana	10.5	15.2	37.8	24.3
Jharkhand	9.7	32.4	26.5	22.2
Karnataka	12.6	18.9	33.8	16.9
Kerala	20.0	36.2	44.7	23.7
Madhya Pradesh	9.9	26.6	28.2	20.2
Maharashtra	14.0	21.9	33.2	14.6
Odisha	11.1	39.6	21.8	8.7
Punjab	15.9	33.2	47.1	37.1
Rajasthan	11.4	24.9	29.5	28.5
Tamil Nadu	15.6	25.2	43.6	24.7
Telangana	5.9	10.5	21.3	23.7
Uttar Pradesh	15.4	34.9	32.6	27.7
Uttarakhand	13.0	43.6	32.4	21.8
West Bengal	11.6	29.0	38.2	28.6
North East	11.5	70.9	31.1	23.0

Source: RBI, SBI Research;*Committed Expenditures is defined as administrative services, pensions and interest payments.

Off Balance Sheet Borrowings

Extra budgetary resources (EBR) for PSUs have increased modestly to Rs 2.73 lakh crore in FY23 (RE) as compared to budgeted Rs 2.58 lakh crore. EBR for Housing & Urban Affairs, Power and Railways all have increased while that of Petroleum and Natural gas and others has declined. For Railways, the EBR has been increased from nil in FY23 BE to Rs 85,000 crore. For FY24 the Government has budgeted Rs 3.50 lakh crore (21% yoy) with increase in EBR of Petroleum and Natural gas and Power.

This year again the Government has budgeted the EBR which was mobilised through NSSF and fully serviced bonds to nil. When we look at NSSF, the Government has projected net increase in collection of Rs 4.09 lakh crore in FY24 from the revised Rs 3.48 lakh crore in FY23. Interestingly, when the investment of NSSF funds is looked at, it is observed that investment in public agencies like FCI and BMTPC has reduced to nil. This is good for transparency.

Extra Budgetary Resources for PSUs (Rs Crore)				
	FY 23(BE)	FY 23(RE)	FY 24(BE)	FY24(BE)/FY23(RE) (%Gr)
Coal	2616	2584	2508	-2.9
Ministry of Housing and Urban Affairs	15788	17523	14932	-14.8
Petroleum and Natural Gas	43008	30729	45910	49.4
Power	29505	32614	41286	26.6
Steel	2852	2545	1562	-38.6
Railway	0	85019	36733	-56.8
Others	121009	118162	207457	75.6
Total	214777	289175	350388	21.2
% of GDP	0.8	1.1	1.2	
GDP	25800000	27307751.34	30175065	10.5

Source: Union Budget Documents & SBI Research.

NSSF Fund allocation (Rs crore)				
	FY22	FY 23 BE	FY23 RE	FY 24 BE
Net collection during the year	**333197**	**386322**	**348501**	**409542**
Net additional allocation during the year	**486627**	**428870**	**646334**	**786873**
Central Government securities (Budgetary borrowing from NSSF)	**551269**	**425449**	**438919**	**471317**
Special Central Government Securities	422566	238554	255028	247248
Reinnvestment in Central Government Special Securities	128703	186895	183892	224069
Special State Government Securities	**-24576**	**-26579**	**-35081**	**-30128**
Public Agencies	**-40066**	**30000**	**350**	**0**
Air India	-7636	0	0	0
BMTPC	-33000	0	0	0
Other Public Agencies	0	30000	0	0

Source: SBI Research, Union Budget Documents.

Total Borrowing Requirements including EBR (Rs lakh crore)			
	FY23 (BE)	FY23 (RE)	FY24 (BE)
Net market borrowing of Centre	11.2	11.1	11.8
Net market borrowing of State	6.9	5.6	5.4
Extra Budgetary Resources for PSUs	2.1	2.9	3.5
Total Borrowing	20.2	19.6	20.7
Total Borrowing (% of GDP)	7.8	7.2	6.8

Source: Union Budget Documents & SBI Research.

Financing of Fiscal Deficit

The Government continues to rely on small savings for financing its fiscal deficit, with the revised number at Rs 4.39 lakh crore compared to Rs 4.25 lakh crore in BE FY23. However, the CGA numbers show that the collection from securities against small savings stood at Rs 1.72 lakh crore, 40% of the BE. Thus, it means the Government is expecting to collect Rs 2.67 lakh crore during the last quarter of FY23.

For FY24 again financing from small savings is pegged at a significant Rs 4.71 lakh crore or 26.38% of the fiscal deficit. This, in turn, underlines the importance of small savings collections for the Government and bond market. The new deposit programme for women would help the government to achieve the target.

Sources of Financing Fiscal Deficit (Rs Crore)								
	FY 21	FY 22	FY 23(BE)	FY 23(RE)	FY24(BE)	FY24(BE)/ FY23(RE) (%Gr)	FY23(RE)/ FY22 (%Gr)	FY22/ FY21 (%Gr)
External Debt	70,181	36,147	19,251	23,874	22,118	-7.4	-34.0	-48.5
% of GDP	0.4	0.2	0.1	0.1	0.1			
Net Market Borrowing	11,46,740	7,04,097	11,18,612	11,08,183	11,80,911	6.6	57.4	-38.6
% of GDP	5.8	3.0	4.3	4.1	3.9			
Short Term Borrowings	2,03,205	77,438	50,000	1,00,000	50,000	-50.0	29.1	-61.9
% of GDP	1.0	0.3	0.2	0.4	0.2			
Market Borrowing(Gsec+ Tbills)	1239737	814567	1158719	1195866	1230911	2.9	46.8	-34.3
% of GDP	6.3	3.4	4.5	4.4	4.1			
Securities against Small Savings	4,83,733	5,51,269	4,25,449	4,38,919	4,71,317	7.4	-20.4	14.0
% of GDP	2.4	2.3	1.6	1.6	1.6			
State Provident Funds	18,514	10,317	20,000	20,000	20,000	0.0	93.9	-44.3
% of GDP	0.1	0.0	0.1	0.1	0.1			
Other Receipts (Internal Debts and Public Account)	13,315	1,69,677	37,025	79,902	54,258	-32.1	-52.9	1174.3
% of GDP	0.1	0.7	0.1	0.3	0.2			
Draw-Down of Cash Balance	-7,188	2,543	752	-3,241	-11,787	263.7	-227.4	-135.4
% of GDP	0.0	0.0	0.0	0.0	0.0			
Fiscal Deficit	18,18,291	15,84,519	16,61,196	17,55,319	17,86,816	1.8	10.8	-12.9
% of GDP	9.2	6.7	6.4	6.4	5.9			
Memo:								
Net Borrowing as a % of FD	68.2	51.4	69.8	68.1	68.9			

Source: Union Budget Documents & SBI Research.

DISINVESTMENT

Government has set a target to garner Rs 50,000 crore from divestment in FY24. The divestment target for FY23 has been lowered to Rs 50,000 crore from Rs 65,000 crore. The Government has collected Rs 38,671 crore through disinvestment between Apr'22-Dec'22.

Disinvestment – Target vs. Actual (in Rs crore)			
Year	**Budget Estimate**	**Revised Estimate**	**Actual**
FY16	69,500	25,312	42,132
FY17	56,500	45,500	34,939
FY18	72,500	1,00,045	1,00,057
FY19	80,000	80,000	94,727
FY20	1,05,000	65,000	50,304
FY21	2,10,000	32,000	37,897
FY22	1,75,000	78,000	13627
FY23	65,000	50000	-
FY24	51,000	-	-

Source: Union Budget Documents, SBI Research.

SUBSIDY TRENDS

The subsidy expenditure under three major heads is budgeted at Rs 3.7 lakh crore for FY24, a massive decline of 28.2%. As compared to FY23 (RE) almost all subsidies are postulated to decline.

Subsidy Trends (Rs crore and as a % of GDP)

	FY 21	FY 22	FY 23 (BE)	FY 23 (RE)	FY24 (BE)	FY24 (BE)/ FY23 (RE) (%Gr)	FY 23 (RE)/ FY 22 (%Gr)	FY 22/ FY 21 (%Gr)	5 Yr CAGR (FY 19-23 in %)	Decadal CAGR (FY 14-24 in %)
Total 3 Major Subsidies	707707	446149	317866	521585	374707	-28.2	16.9	-37.0	13.7	4.4
% of GDP	3.6	1.9	1.2	1.9	1.2					
Fertiliser Subsidy	127922	153758	105222	225220	175100	-22.3	46.5	20.2	19.9	10.0
% of GDP	0.6	0.6	0.4	0.8	0.6					
Food Subsidy	541330	288969	206831	287194	197350	-31.3	-0.6	-46.6	14.3	7.9
% of GDP	2.7	1.2	0.8	1.1	0.7					
Petroleum Subsidy	38455	3423	5813	9171	2257	-75.4	167.9	-91.1	-38.1	-30.5
% of GDP	0.2	0.0	0.0	0.0	0.0					

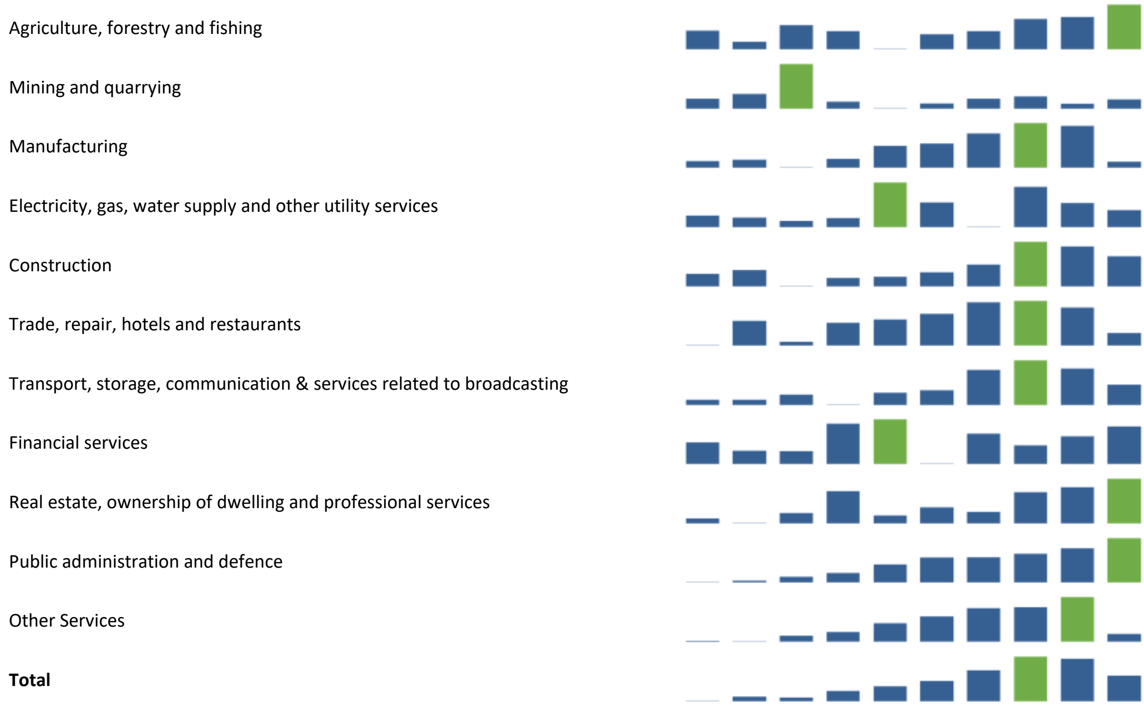
Source: Union Budget documents & SBI Research.

INVESTMENT OUTLOOK FOR FY23-24: PUBLIC INVESTMENT CONTINUES TO BE A FLAGBEARER

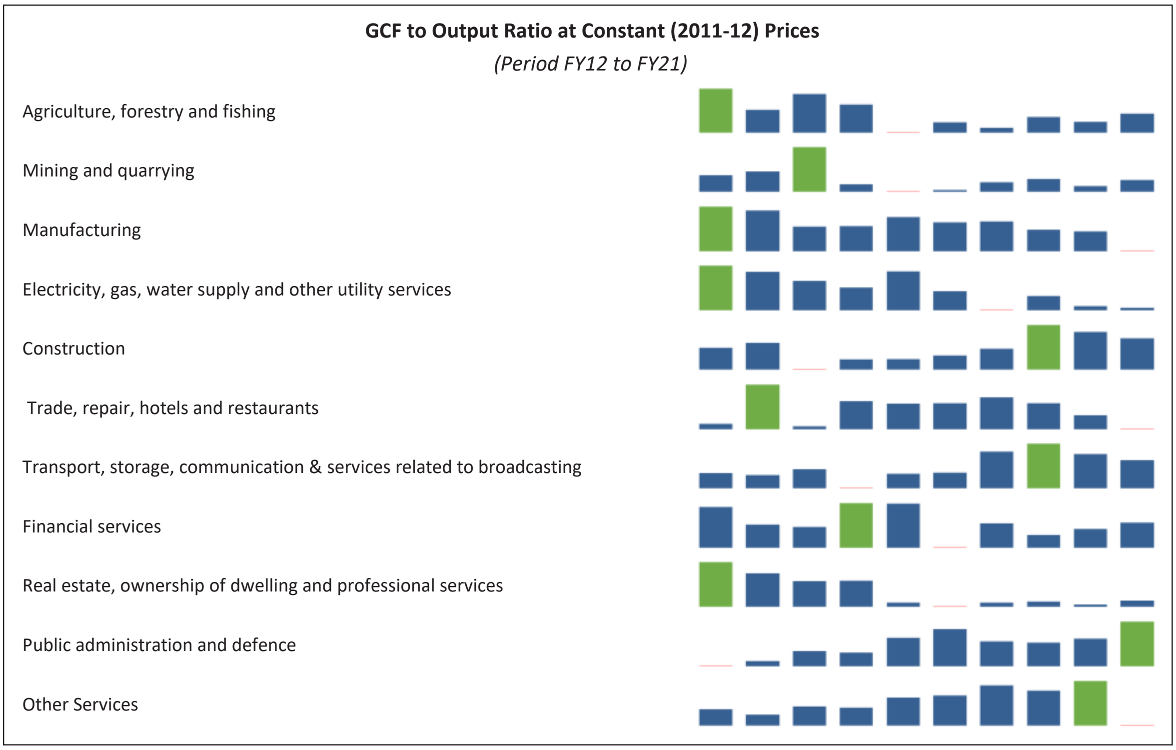
The trends in gross capital formation or investments have been impacted by COVID-19 pandemic and the subsequent escalation in input cost following the Russian-Ukraine War. The long-term trends in gross capital formation available till FY21 show that investment attained a low in 2021.

Capital Formation by Industry of Use at Constant (2011-12) Prices

(Period FY12 to FY21)

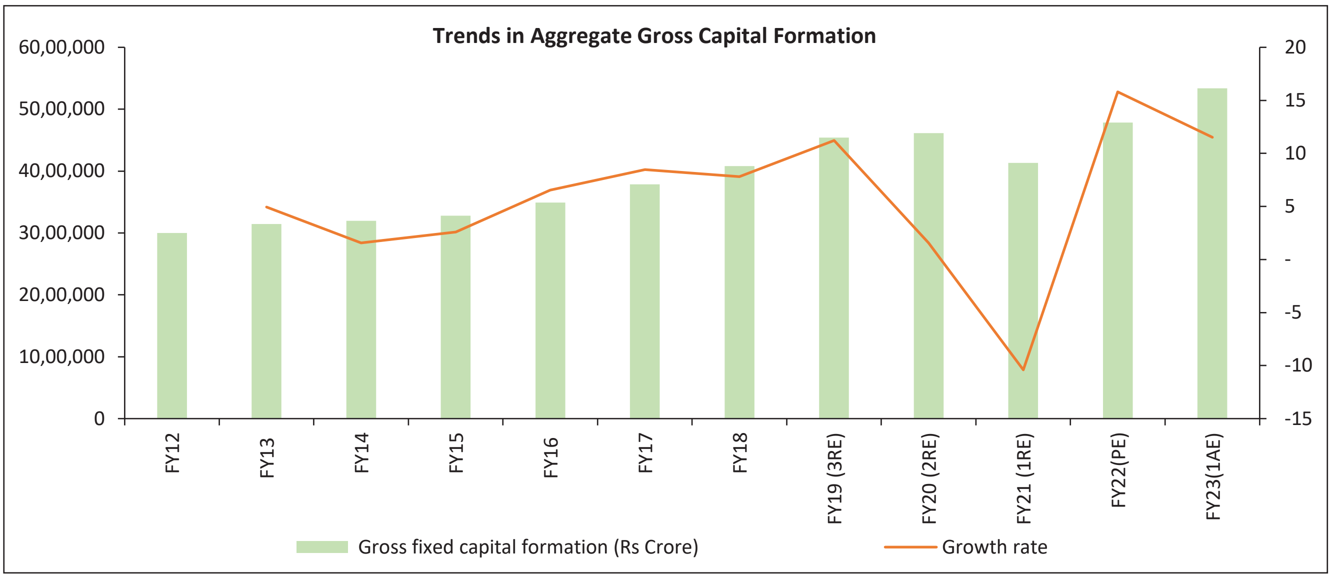


The loss in momentum was significantly compensated by public investments in infrastructure following the COVID-19 pandemic. The loss in output due to pandemic affected the respective sector's ability to plough back and the ratio of gross capital formation to total output also declined in the FY21 with manufacturing suffering the major brunt of the loss of output.



Since the itemized data for gross capital formation will only be available in subsequent months, a clearer picture will emerge later.

The aggregate quarterly data as per advance estimates indicates that capital formation has picked up since the opening of the economy. The recent trends indicate that domestic component of capital formation is expected to increase to 11%.



Another aspect of the gross capital formation is that under the influence of rearrangement in global supply chains and climate change policy will undergo change in composition. A boom in investment in warehouses for storage and hubs for distribution is expected in coming years. Investing in renewables is also becoming a win-win proposition.

Gross inward foreign direct investment (FDI), the foreign component of investment, moderated to US$ 48.8 billion during April-November 2022 from US$ 55.3 billion a year ago. The majority of FDI equity inflows was received by manufacturing, computer services, financial services, retail and wholesale trade and communication services.

On the whole, 2023 is likely to be a year of moderating capital expenditure, with businesses deterred by the uncertainties surrounding geopolitical dynamics and green transition. Still-elevated costs and increased expenditures on inventories and receivables to the detriment of capital spending. The thrust to capital expenditure will moderate any slowdown in investment in the current fiscal year.

CHINESE ECONOMIC OUTLOOK TO IMPACT GLOBAL GROWTH

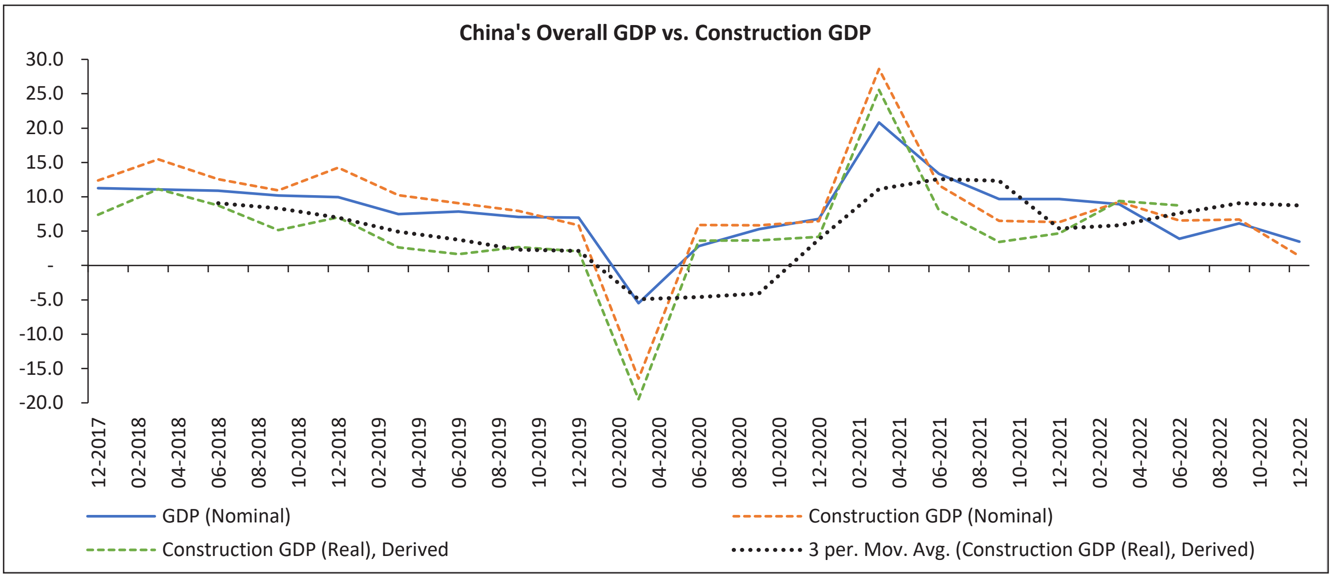
Since the outbreak of COVID-19 pandemic, China's economy has entered a phase of low growth. To add to this, the net decline in population of China going forward will structurally alter the source of growth with high end value added contributing more growth than tradition growth in population.

Aging of population will also lead to structural transformation of investments and consumption in China leading to new epoch in China's growth story. The rebalancing from investment to consumption, from manufacturing to services, and from rural to urban migration have all been set back by the pandemic but need to restart to make growth sustainable and inclusive.

In terms of sectors, the construction sector being the mainstay of China's growth story in the last decade is clearly in decline and high value-added sectors such as semi-conductors may face external headwinds.

In terms of GDP growth, the IMF revised China's growth outlook sharply higher for 2023, to 5.2% from 4.4% in the October forecast after "zero-COVID" lockdown policies in 2022 slashed China's growth rate to 3.0% - a pace below the global average for the first time in more than 40 years. China's growth will fall to 4.5% in 2024 before settling at below 4% over the medium term amid declining business dynamism and slow progress on structural reforms.

The opening up of the China's economy in 2023 is good news but with limited upside potential. A resurgent Chinese demand may push up the commodity prices which may delay the end of monetary tightening.



GREEN TRANSITION

The emphasis on green transition and climate adaptation is a notable feature of this year's budget and the range of announcements include tax incentives to direct budgetary allocations. In light of the COP-26, this year's budget is clear statement of intent on transition to net-zero. The Budget provides ₹35,000 crore for priority capital investments towards energy transition and net zero objectives, and energy security. A Battery Energy Storage Systems with capacity of 4,000 MWH will be supported with Viability Gap Funding. The Inter-state transmission system for evacuation and grid integration of 13 GW renewable energy from Ladakh, the solar capital of the world, will be constructed with investment of ₹20,700 crore.

A Green Credit Programme will be notified under the Environment (Protection) Act which will incentivize environmentally sustainable and responsive actions by companies, individuals and local bodies, and help mobilize additional resources for such activities. This measure will bridge the information gap which leads to problem of green washing and thus foster development of green bond markets in coming years.

On the taxation side, to further 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 EVs.

BOOST TO IFSC

The budget has made a bouquet of announcements regarding the IFSC /Gift city. There have been related initiatives also in the area of SEZs.

- Bridge financing/Leverage financing opportunities for IFSC based Banking Units (IBUs) is likely to act as an enabler to fund acquiring companies/AIFs once all systems are in place
- Improving Ease of Doing Business will attract more corporates, banks and development of financial eco system
- Promote the entry of more AIFs resulting in broad basing of opportunities
- Additional liquidity source for Trade Finance through EXIM Bank

HEALTH

- The Budget has laid an emphasis on creating a groundwork for a widened health infrastructure, tech-aided solutions and eliminating diseases through smart public health management
- Government has given a massive push to millets; the coarse grain already being recommended by doctors as having the capability of reducing the burden of diabetes in a country where it has reached epidemic proportions. This is the first time that nutrition gets a big push with a special programme called the PM Programme for Restoration Awareness Nourishment and Amelioration of Mother Earth (PM-Pranam). The question is; can the cost factor work for the extremely poor for whom rice and wheat continue to be cheaper?
- FM has also announced a mission to eliminate sickle cell anaemia by 2047. It will entail awareness creation, universal screening of seven crore people in the age group 0 to 40 years in affected tribal areas and counselling through collaborative efforts.

EDUCATION AND SKILL DEVELOPMENT

To empower youth and help the 'Amrit Peedhi' realize their dreams, Government has formulated the National Education Policy, focused on skilling, adopted economic policies that facilitate job creation at scale and have supported business opportunities.

- The budget has announced that Pradhan Mantri Kaushal Vikas Yojana 4.0 will be launched to skill lakhs of youth within the next three years. The scheme will emphasize On-job training, industry partnership, and alignment of courses with needs of industry. Budget further highlighted that the scheme will also cover new age courses for Industry 4.0 like coding, AI, robotics, mechatronics, IOT, 3D printing, drones, and soft skills
- The budget has proposed to set up 30 Skill India International Centres across different States to skill the youth for international opportunities
- Roll-out of Direct Benefit Transfer under a pan-India National Apprenticeship Promotion Scheme to provide stipend support to 47 lakh youth in three years
- The digital ecosystem for skilling will be further expanded with the launch of a unified Skill India Digital platform
- 157 new nursing colleges will be established in core locations with the existing 157 medical colleges established since 2014. This is a welcome step as there is a huge shortage of qualified nurses (of around 22,000) in our country, much more than doctors
- Setting up of a National Digital Library for Children and Adolescents for facilitating availability of quality books across geographies, languages, genres and levels, and device agnostic accessibility
- In the next three years, Government will recruit 38,800 teachers and support staff for the 740 model Eklavya Model Residential Schools, which are serving 3.5 lakh tribal students. That apart, three Centres of Excellence for artificial intelligence will be set up in top educational institutions

MSME & START-UPS

The Budget has announced several measures for the Micro, Small and Medium Enterprises (MSMEs) sector that included:

- For micro, small and medium enterprises (MSMEs), the Credit Guarantee Scheme for MSMEs (CGTMSE) will be extended with an infusion of Rs 9,000 crore. The scheme is expected to lower cost of credit by 1% and allow MSMEs to avail additional collateral free credit guarantee of Rs 2 lakh crore. The MSME segment accounts for 30% of GDP and employs nearly 11 crore people and this infusion of Rs 9,000 crore corpus significantly addresses the credit gap and is aimed at enhancing credit access thereby paving the way to encourage entrepreneurship in the country
- We expect digitization and API based automation across loan life cycle as a part of such revamping, as most of the processes are presently manual. We expect better coverage of loans under enlarged availability of CGTMSE's guarantee cover. New to Bank borrowers with viable business ventures will be supported under the scheme and will enhance credit flow to MSMEs. We expect premium to be reduced significantly in order to make the revamping successful
- The proposed scheme will take effect from April 1, 2023. The Government's Emergency Credit Line Guarantee Scheme (ECLGS) was earlier extended up to March 2023 from March 2022. Its guarantee cover was also expanded by Rs 50,000 crore to a total cover of Rs 5 lakh crore with the additional amount being earmarked exclusively for hospitality and related enterprises
- The Government will bring another dispute resolution scheme under Vivad Se Vishwas-II to settle commercial disputes. Also, a one stop solution for reconciliation and updating of identity of individuals would be established. The Vivad Se Vishwas scheme provides for settlement of disputed tax, disputed interests, disputed penalty or disputed fees in relation to an assessment or reassessment order on payment of 100% of the disputed tax and 25% of the disputed penalty or interest or fee

- The budget enhanced the turnover limits for presumptive taxation. Now, micro enterprises with a turnover up to Rs 3 crore from earlier Rs 2 crore and certain professionals with a turnover up to Rs 75 lakh from earlier Rs 50 lakh will be eligible to be taxed presumptively provided their cash receipts are not more than 5% of total receipts. Under presumptive taxation, small businesses and professionals are not required to maintain their books of account and get their accounts audited, providing relief from tedious tax filing exercises. Enhancing presumptive taxation limits and recognition of expenditure as they occur will improve compliance further for MSMEs and reduce the time and cost for it, bringing more MSMEs to the formal sector
- Building on the success of the Aspirational Districts Programme, the Government has also launched Aspirational Blocks Programme covering 500 blocks for saturation of essential Government services across multiple domains such as health, nutrition, education, agriculture, water resources, financial inclusion, skill development, and basic infrastructure. This should also build a solid lynchpin for MSMEs to leverage the opportunities and gain scale with little time lag

Start-ups

- Asserting the importance of entrepreneurship for the economic development of the country (India is now the third largest start-up ecosystem globally, with 100+ unicorns and over 80,000 start-ups), Finance Minister proposed to extend the period of incorporation for income tax benefits to eligible start-ups by one more year till March 31, 2024. Tax benefits were available for start-ups incorporated until March 2023, up till now
- The budget has also proposed to extend the benefit of carry forward of losses on change of shareholding of start-ups to 10 years of incorporation, from the current seven years
- These are welcome moves and give impetus to start-ups. For example, SBI has already launched a credit product “MSME UDAAN’ for financing start-ups

BANKING, FINANCE & INSURANCE

- **Simplification of Know Your Customer (KYC) process:** The KYC process will be simplified adopting a ‘risk-based’ instead of ‘one size fits all’ approach. The financial sector regulators will also be encouraged to have a KYC system fully amenable to meet the needs of Digital India. It was imperative to have a customized KYC approach based on suitable risk-metrics and linked to digital India centralized KYC platform. This will help almost all the people are under the banking/finance sector.
- **National Financial Information Registry:** This will serve as the central repository of financial and ancillary information for facilitating efficient flow of credit, promoting financial inclusion, and fostering financial stability. A new legislative framework to be designed in consultation with RBI to govern this credit public infrastructure.
- **Mahila Samman Bachat Patra:** To commemorate Azadi Ka Amrit Mahotsav, a one-time new small savings scheme, Mahila Samman Savings Certificate is announced, which will offer deposit facility upto Rs 2 lakh in the name of women or girls for tenure of 2 years (up to March 2025) at fixed interest rate of 7.5% with partial withdrawal option. This is a good step to encourage savings in the country, along with help the Govt to finance fiscal deficit. It remains to be seen how the offer rate of 7.5% plays out when compared to the present Bank FD rate at 6.75%. The Government may mark the MSSC as an Exempt-Exempt-Exempt (EEE) investment.
- **Senior Citizens:** The maximum deposit limit for Senior Citizen Savings Scheme (SCSS) will be enhanced from Rs 15 lakh to Rs 30 lakh. While the maximum deposit limit for Monthly Income Account Scheme (MIAS) to be enhanced from Rs 4.5 lakh to Rs 9 lakh for single account and from Rs 9 lakh to Rs 15 lakh for joint account.
- **Improving Governance and Investor Protection in Banking Sector:** To improve bank governance and enhance investors’ protection, certain amendments to the Banking Regulation Act, the Banking Companies Act and the Reserve Bank of India Act are proposed.

- **Reclaiming of shares and dividends:** For investors to reclaim unclaimed shares and unpaid dividends from the Investor Education and Protection Fund Authority with ease, an integrated IT portal will be established.
- **Digital Payments:** Digital payments continue to find wide acceptance. In 2022, they show increase of 76% in transactions and 91% in value. Fiscal support for this digital public infrastructure will continue in 2023-24.
- **Insurance:** Section 10(10D) of the Income Tax Act provides for exemption of Maturity proceeds of life insurance policy. Finance Bill had proposed that the exemption under Sec 10(10D) shall not be available for non-unit linked policies purchased on or after 1st April 2023 if the annual premium of the policy (all policies together) is greater than Rs 5 lakhs per annum. Similar removal of exemption has already been implemented for ULIP policies purchased on or after 1st April 2020 for annual premium greater than Rs 2.5 lakh. The number of policies is a few thousand. Initial estimate is premium less than 1% is impacted.

DATA GOVERNANCE & DIGITAL IDENTITY

- **One stop solution for identity and address updating:** A one stop solution for reconciliation and updating of identity and address of individuals maintained by various Government agencies, regulators and regulated entities will be established using Digi-Locker service and Aadhaar as foundational identity. This aims at 'Digital Empowerment' of citizen by providing access to authentic digital documents to every citizen's digital document wallet, being a secure cloud-based platform for storage, sharing and verification of documents & certificates. This will be a milestone movement towards the truly 'paperless' system, saving big on time and channelling resources efficiently
- **National Data Governance Policy:** To unleash innovation and research by start-ups and academia, a National Data Governance Policy will be brought out. This will ease the KYC process and reduce privacy breaches. It will also enhance the use, access and quality of data and improve the Government's data collection and management while enabling inclusive development. This is still at a very nascent stage and will require consistent efforts to truly create a digital economy.
- **Unified Filing Process:** For obviating the need for separate submission of same information to different Government agencies, a system of 'Unified Filing Process' will be set-up. Such filing of information or return in simplified forms on a common portal, will be shared with other agencies as per filer's choice.
- **Fintech Services:** Fintech services in India have been facilitated by digital public infrastructure including Aadhaar, PM Jan Dhan Yojana, Video KYC, India Stack and UPI. To enable more Fintech innovative services, the scope of documents available in DigiLocker for individuals will be expanded. The two-way connect between fin-tech and DigiLocker should herald a new era in furthering innovation.
- **Central Data Processing Centre:** A Central Processing Centre will be setup for faster response to companies through centralized handling of various forms filed with field offices under the Companies Act.

TAX PROPOSALS

In the Budget, the rationalization of the personal income tax structure is expected to lead to two things (i) raise disposable incomes for the middle class and particularly younger taxpayers (ii) transition the taxpayers to the new tax regime with minimal exemptions and lower and simpler tax slabs. This is expected to give a moderate boost to domestic consumption. However, these proposals expected revenue forgone of about Rs 37,000 crore in direct taxes and Rs 1,000 crore in indirect taxes. While, revenue of about Rs 3,000 crore will be additionally mobilized and thus the total revenue forgone is about Rs 35,000 crore annually.

Personal Income Tax: In the Budget 2023-24, FM has announced some of the major income tax rules which are as under:

- **Tax rebate limit raised to ₹7 lakh from ₹5 lakh:** The enhancement of this limit means that the person whose income is less than ₹7 lakhs need not invest anything to claim exemptions and the entire income would be tax-free irrespective of the quantum of investment made by such an individual. This will result in giving more consumption power to the middle-class income group as they could spend the entire amount of income without bothering too much about investment schemes to take the benefit of exemptions.

- **Changes in Income Tax slabs:** The new system will decrease the six income categories to five and increasing the tax exemption limit to ₹3 lakh which will now be the default tax regime. Tax assessors will still be able to choose from the prior regime.

OLD and NEW Tax Regime			
	OLD Tax Regime	NEW Tax Regime (Existing)	NEW Tax Regime (Proposed)
Deductions	80C, 80D, 80Tta, etc.	Not Available	Standard deductions on salary/family pension, Deduction under proposed 80CCH
Exemptions	House Rent Allowance, etc.	Not Available	No Change
Tax slab	Upto 2.5 lakh = 0%	Upto 2.5 lakh = 0%	Upto 3.0 lakh = 0%
	2.5-5.0 lakh = 5%	2.5-5.0 lakh = 5%	3.0-6.0 lakh = 5%
	5.0-10.0 lakh = 20%	5.0-7.5 lakh = 10%	6.0-9.0 lakh = 10%
	> 10 lakh = 5%	7.5-10 lakh = 15%	9.0-12.0 lakh = 15%
	-	10-12.5 lakh = 20%	12.0-15.0 lakh = 20%
		12.5-15 lakh = 25%	>15 lakh = 30%
		>15 lakh = 30%	-

Source: SBI Research

- **Salaried Class and the Pensioners:** Propose to extend the benefit of standard deduction to the new tax regime.
- **Maximum tax, along with surcharge, will be 39%:** The highest tax rate in our country is 42.74%, which is among the highest in the world. Government proposed to reduce the highest surcharge rate from 37% to 25% in the new tax regime. This would result in reduction of the maximum tax rate to 39%.
- **Leave encashment:** The limit of ₹3 lakh for tax exemption on leave encashment on retirement of non-Government salaried employees was last fixed in the year 2002, when the highest basic pay in the Government was ₹30,000 p.m. In line with the increase in Government salaries, it is proposed to increase this limit to ₹25 lakh.

New Tax Regime (NTR) Demystified

The Budget proposes to move to a clutter free new tax regime. Currently, the current incentives tend violates the principle of equity and efficiency without generally enhancing savings at macro level. Therefore, the continuation of different tax incentives on various financial assets needed a relook and the budget has made the right move in making the new tax regime the default option. The new tax regime distinguishes between long-term savings, and short- and medium-term savings as far as the tax treatment are concerned. Further, Government proposes to make NTR as the default tax regime supports the Government's initiative to digitise and simplify the tax process for individuals. This would also mean significant changes in the payroll procedures of employers for salaried taxpayers.

For the purpose of tax treatment, there should be a clear-cut distinction between long term (more than 5 years) savings and short/medium term (up to 5 years) savings as there impacts are different. Deductions, exemptions and tax rebates are three kinds of financial instruments under the Indian tax system.

Tax incentives with short to medium term lock in provisions re-channel savings on the preferred instruments for tax avoidance. In contrast, tax incentives in long term instruments channel the savings towards long run anticipated fall in income (retirement) and increase in consumption (children's education, marriage), thereby increasing the financial assets and general level of savings in the economy.

The tax treatment for financial instruments having long-term maturity should differ from that of short- and medium-term maturity, considering the special role of these instruments in promotion of long-term financial accumulation by way of social security.

Thus, for example, while individuals investing in Sukanya Samriddhi Yojana for their girl child will continue to receive tax-exempted interest in the account under the new tax regime and the maturity proceeds received from the scheme's account will remain exempted from tax. However, investment under this scheme will not be available for tax-break under section 80C under the new tax regime. Thus, long term savings will continue to be encouraged and thereby promoting long term financial accumulation and social security.

The Government has addressed the issue that the new tax regime could be regressive, with the exemption limit at the lower end increased significantly from Rs 5 lakh to Rs 7 lakh. We believe, the movement to a new tax regime will be a smart move by existing taxpayers in search of simplicity and more disposable income. The overall impact of consumption multiplier will be significant.

There are two alternative ways of devising an income tax which uses consumption as a tax base, viz., - (a) TEE (taxed, exempted and exempted) - contributions is taxed, while investment income and benefits are not or (b) EET (Exempted, exempted, taxed) - the contributions and investment income are exempted while the benefits are taxed. Both these methods avoid double taxation of saving and provide equal tax incentives.

Under EET, an individual having income of Rs 100 can either choose to spend now, paying Rs 30 as income tax and consume goods worth Rs 70 or save Rs 100 now and consume goods worth Rs 77 (Rs 70+Rs 7) one year later. Extra consumption of Rs 7 after one year represents interest income (at the rate of 10 per cent) over his forgone current consumption (Rs 70).

Under TEE, that the new tax regime proposes, the post-tax saving of an individual, with same income of Rs 100 would be lower at Rs 70. However, the future consumable income, in both the cases, remains the same at Rs 77.

Use of consumption as a tax base, eliminates the problem of double taxation of saving. Accordingly, the twin principles of fiscal neutrality, viz., (a) imposition of tax should not distort the choice between different forms of saving i.e., neutrality of relative rate of return on different financial instruments in pre and post-tax periods and (b) tax should not distort the choices between consumption and saving, i.e., neutrality of tax between present and future consumption, are entirely followed under this type of tax treatment of long-term saving.

Under the existing tax regime, there is bias in favor of investment in short term instruments rather than long term instruments which impose cost on economy. New tax regime will address the problem of tax regime by acting against arbitrage opportunities and saving the economy from misallocation of financial resources.

Another consequence of the old tax regime is that where the concessions take the form of deduction from income as in the case of Section 10, Section 80L and the provisions relating to rollover of capital gains tax, these favour upper bracket taxpayers disproportionately. The post-incentive rates of return vary substantially across taxpayers with different marginal tax rates. In general, the post incentive rate of return increases with the marginal tax rate of the saver. These provisions are, therefore, regressive. The provisions discriminate between taxpayers and non-taxpayers in as much as the rates of return are significantly lower for non-tax-payers. To the extent exemption is allowed for roll over of capital gains, the scheme is biased in favour of taxpayers with income on capital gains.

Therefore, the scheme distorts horizontal equity. Further, since the large taxpayers generally have a larger proportion of their incomes from capital gains, the rollover provisions are biased in favour of the rich thereby distorting the vertical equity of the tax structure. Inequity also arises from asymmetric information about the various tax concessions for savings. To the extent information is available with a taxpayer, he is able to avail of the tax concession. This problem is particularly aggravated in the absence of any meaningful taxpayer education and assistance program by the tax administration. (Source: SBI research & RBI)

Hypothetical Example of Individual <60 Years of Age			
Particulars	Old Tax Regime	New Tax Regime (Existing)	New Tax Regime (Proposed)
Income: Rs 7.5 Lakh			
Income Tax (Without Deduction)*	52500	37500	25000
Income Tax (With 80C Rs 2 Lakh Deduction)	0		
Income: Rs 9 Lakh			
Income Tax (Without Deduction)*	82500	60000	40000
Income Tax (With 80C Rs 2 Lakh Deduction)	42500	60000	40000
Income: Rs 15.5 Lakh			
Income Tax (Without Deduction)*	262500	207500	150000
Income Tax (With 80C Rs 2 Lakh Deduction)	202500		

Source: SBI Research. * includes standard deduction as per tax regime.

Indirect Taxes

- Number of basic customs duty rates on goods, other than textiles and agriculture, reduced to 13 from 21. Minor changes in the basic custom duties, cesses and surcharges on some items including toys, bicycles, automobiles and naphtha. Customs Duty on specified capital goods/machinery for manufacture of lithium-ion cell for use in battery of electrically operated vehicle (EVs) extended to 31.03.2024
- Customs duty exempted on vehicles, specified automobile parts/components, sub-systems and tyres when imported by notified testing agencies, for the purpose of testing and/ or certification, subject to conditions.
- Customs duty on camera lens and its inputs/parts for use in manufacture of camera module of cellular mobile phone reduced to zero and concessional duty on lithium-ion cells for batteries extended for another year.
- Excise duty exempted on GST-paid compressed bio-gas contained in blended compressed natural gas.
- Basic customs duty reduced on parts of open cells of TV panels to 2.5 %.
- Basic customs duty on electric kitchen chimney increased to 15 % from 7.5 %. Basic customs duty on heat coil for manufacture of electric kitchen chimneys reduced to 15 % from 20 %.
- Basic customs duty on crude glycerine for use in manufacture of epichlorohydrin reduced to 2.5 % from 7.5 %.
- Duty reduced on key inputs for domestic manufacture of shrimp feed. Basic customs duty reduced on seeds used in the manufacture of lab grown diamonds.
- Basic Customs Duty exemption on raw materials for manufacture of CRGO Steel, ferrous scrap and nickel cathode continued.
- Concessional BCD of 2.5% on copper scrap is continued.
- Basic customs duty rate on compounded rubber increased to 25 % from 10 % or 30 per kg whichever is lower.
- National Calamity Contingent Duty (NCCD) on specified cigarettes revised upwards by about 16%.

AGRICULTURE & ALLIED SECTOR

A number of measures to strengthen Agri & Allied Sector:

- **Economic Empowerment of Women:** Over a period, NRLM led SHG mission has become most successful intervention in the world. Now, further empowerment of SHGs through formation of large producer enterprises would pave the way for creation of successful FPOs. This will lead to increased economic activity, job creations, livelihood, and noticeable impact on GVA through rural India can be achieved. The efficient ecosystem created by NRLM / SRLM in SHGs will further percolate in formation of FPOs wide SHGs through minimum efforts would also ensures sustainability of FPOs. The new job creation, enhanced livelihood would prevent exodus of rural population to urban areas for seeking livelihood. This will create new market in rural India which should provide opportunity for Corporates to provide input support, direct buying, farmgate procurement and limits intermediation.
- **Agriculture Credit:** The agriculture credit target has been increased to Rs 20 lakh crore with focus on animal husbandry, dairy and fisheries, compared to Rs 18.5 lakh crore in 2022-23. The focus on animal husbandry, dairy and fisheries will help the farmer in adopting "Comprehensive / Integrated Approach" to make farming activity a sustainable and economically viable. This will increase household income of the farmer and creates jobs in rural market. The focus on animal husbandry, dairy and fishery sector would help in diversifying the Agri loan book of banks and it will be growth accretive.
- **Agriculture Accelerator Fund:** An Agriculture Accelerator Fund will be set-up to encourage agri-startups by young entrepreneurs in rural areas. Most of the young entrepreneurs face difficulties in seeking equity support for setting-up of start-ups and largely depending on personal borrowings / private equity / venture funds, which are difficult and expensive. Therefore, many start-ups fail to sustain. This measure will help the young talents in setting-up of new ventures and creation of new jobs in Agri Market and will aim to bring in modern technologies to transform agricultural practices, increase productivity and profitability.
- **Global Hub for Millets - 'Shree Anna':** To make India a global hub for 'Shree Anna', the Indian Institute of Millet Research, Hyderabad will be supported as the Centre of Excellence for sharing best practices, research and technologies at the international level. Modern India as well as many parts of the world has accepted 'millets' as new food habit due to health benefits. This will create new value chains, assured markets, exports, etc. and a new business opportunity.
- **Fisheries:** Under PMMSY, Government has drawn a plan to enhance fish production to 220 lakh MT by FY25. The scheme is to bring about "Blue Revolution" through sustainable and responsible development of fisheries sector in India. Considering the vast coastline of 7,516 kms and Inland fisheries under 2.36 million hectares, PMMSY provides unique support for Inland and Marine fisheries. The entire value chain, including aqua exports may be open for financing.
- **Digital public infrastructure for agriculture** to be built as an open source, open standard and inter operable public good to enable inclusive farmer centric solutions and support for growth of agri-tech industry and start-ups. At present, the source data on Agriculture is largely in physical mode due to non-availability of proper digital infrastructure. Also, wherever, the data is available in digital form, it is not uniform across India and not available on open-source basis. This would help in accessing reliable data by market players which would help in bringing contemporary / modern technology in improving agriculture output. This will substantially reduce cost of operation for various market players, who are largely depending on data for offering right solution to farming community. Further, this will attract young talents to float / bring technology-oriented enterprises in providing solution for rural segment. Therefore, more and more Tech-based Start-ups / Entrepreneurs will venture out in setting of new entities. The lending ecosystem will help the Banks / Financial Institutions in rolling out end-to-end digital solutions which are data driven using analytical models. This will substantially reduce cost of operations and the savings can be passed on to farmers by lowering lending rates.

- **Horticulture Clean Plant Program:** Budget announced to launch an Atmanirbhar Clean Plant Program to boost availability of disease-free, quality planting material for high value horticultural crops at an outlay of Rs 2,200 crore. Horticulture Crop plays a vital role in Agriculture Output (341.63 million tonne in FY22). The disease-free, quality planting material ensures early yielding, higher and quality output and gets better value in upmarket. This would help in boosting exports. This would encourage the farmer to switch over to / diversity to horticulture crops and seeking financial support for bringing out orchards. Traditionally, farm lending by banks in India is largely titled towards seasonal agriculture credit operations (crop loan). This will open new vista for financing Agriculture Exports.
- **Enhancing productivity of cotton crop:** To enhance the productivity of extra-long staple cotton, budget has announced to adopt a cluster-based and value chain approach through Public Private Partnerships (PPP). This will mean collaboration between farmers, state and industry for input supplies, extension services, and market linkages.

COOPERATION

- For farmers, especially small and marginal farmers, and other marginalized sections, the Government is promoting cooperative-based economic development model. A new Ministry of Cooperation was formed with a mandate to realize the vision of 'Sahakar Se Samriddhi'. To realize this vision, the Government has already initiated computerization of 63,000 Primary Agricultural Credit Societies (PACS) with an investment of Rs 2,516 crore. In consultation with all stakeholders and states, model bye-laws for PACS were formulated enabling them to become multipurpose PACS. A national cooperative database is being prepared for country-wide mapping of cooperative societies. Promoting computerization of PACS will help the PACS in reducing their operational cost and brings efficiency as well as productivity, as fully computerized PACS are eligible for KCC Interest Subvention, thereby crop loans to member farmers will be at lower rate.
- A plan to set up massive, decentralized storage capacity will help farmers store their produce and realize at remunerative prices through sale at appropriate times. The Government will also facilitate setting up of a large number of multipurpose cooperative societies, primary fishery societies and dairy cooperative societies in uncovered panchayats and villages in the next 5 years.

HOUSING AND REAL ESTATE

The Budget announcements are the extension of Government's existing commitment towards infrastructure growth, spurred urbanization, and affordable housing projects. The proposals will be beneficial to the real estate industry, as it will set the tone for increased growth and demand.

- The outlay for Pradhan Mantri Awas Yojana (PMAY) has been enhanced by 66% to over Rs 79,000 crore. In the last years' budget Rs 48,000 crore was allocated for the completion of 80 lakh houses under PMAY. Further, the programme has been extended to December 31, 2024, to complete the houses sanctioned till March 31, 2022. As of November 2022, more than 1.20 crore houses have been sanctioned under PMAY, of which more than 64 lakh have been completed. We believe that the PMAY allocation increase would boost demand for home loans from the EWS and MIG segment. Affordable housing needed a boost since the sector had faced rising input costs. However, the broadening the definition of affordable homes would have given even a bigger boost to the housing industry.
- A dedicated Urban Infra Development Fund with an outlay of Rs 10,000 crore to be established under National Housing Bank (NHB) to promote sustainability in Tier 2 and Tier 3 cities. This would result in overall development of the RE ecosystem in Tier 2 and Tier 3 as this move would lead to efficient use of land resources and affordability of urban land.
- A cap on deduction from capital gains on investment in residential house under sections 54 and 54F is placed at Rs 10 crore. This may have a marginal impact on demand for Ultra Luxury homes, since capital gains of more than Rs 10 crore cannot be claimed as deduction, upon re-investment.
- The budgetary allocation for smart city mission has been increased to Rs 16,000 crore from Rs 14,100 crore in the current fiscal. This shall benefit developers and home buyers as it would lead to better living conditions in the city.

INFRASTRUCTURE

- The Central Government is working in a mission mode to provide first and last-mile connectivity to ports, coal, steel, fertilizer, and foodgrains sectors. For this, the need for private investment in various infrastructure sectors arises. The Government has also identified 100 critical transport infrastructure projects for connectivity. This project will be taken up on a priority basis with an investment of Rs 75,000 crore, out of which Rs 15,000 crore will come from private sources.
- To support this, the Budget proposed to raise investment outlay in infrastructure by more than three times to Rs 10 lakh crore for FY24 crore compared with the FY19 outlay. In FY23, the Budget had proposed an investment outlay of Rs 7.5 lakh crore in the infrastructure sector. This amounts to a jump of 33% in investment outlay for FY24.
- Also, like the RIDF, an Urban Infrastructure Development Fund (UIDF) will be established through use of priority sector lending shortfalls to create urban infrastructure in tier 2 & 3 cities. The Government expects to make available Rs 10,000 crore per annum for this purpose.
- The Budget has also a plan to revive fifty additional airports, heliports, water aerodromes, and advanced landing grounds for improving regional air connectivity. Coastal shipping will also be promoted through the Public-private-Partnership (PPP) model.
- The Government will also form an expert committee to review the Harmonized Master List of Infrastructure. The main task of the committee is to recommend the classification and financing framework suitable for Amrit Kaal.

TOURISM

- As many as 50 destinations will be developed as a 'complete package of tourism'. These destinations will be selected through challenge mode, using an integrated and innovative approach, while the focus of development of tourism would be on domestic as well as foreign tourists. Domestic tourist visitors fell from 232 crore across the country in 2019 to 68 crore in 2021, as the Covid-19 pandemic severely impacted the tourism industry in the country severely.
- Going forward, for these selected 50 destinations, information on physical connectivity, virtual connectivity, tourist guides, food streets and tourist security and other relevant aspects of the visitor experience would be made available through an app. India's G-20 presidency will also be used as an opportunity to push India as a preferred tourist destination.
- In keeping with that goal, the promotion of tourism will be taken up on mission mode, with the active participation of states, the convergence of Government programmes, and public-private partnerships.
- Besides, connectivity is likely to give a major boost to tourism. Fifty additional airports, heliports, water aerodromes and advanced landing grounds will be revived for improving regional air connectivity.
- The approach to tourism will also integrate with the art and craft sector. Unity Mall, to promote and sell each state's own One District, One Product (ODOPs), Geographical Indication (GI), and other handicraft products will be set up. States will be encouraged to set up such Unity Mall in the capital city or most prominent tourism centre or the financial capital and also provide space for ODOPs & GI products of other states as well at these outlets.
- However, the Government has increased tax collection at source for overseas packages. The TCS (tax collection at source) for overseas tour packages has been increased from 5% to 20%. This may impact the tour and travel industry especially since the industry has just started recovering after Covid-19.

RAILWAYS

The major highlights of Railways financial for FY24 are as follows:

- Gross tariff receipts will increase by only 9.0% to Rs 2.65 lakh crore in FY24 due to high base.
- Operating Ratio is expected to decline marginally from 98.2% in FY23 to 98.5% in FY24.
- Budget has allocated a capital outlay of Rs 2.40 lakh crore for the Indian Railways. This highest-ever outlay is about nine times the outlay made in FY14. Till 2014, Railways' capital expenditure was barely Rs 45,980 crore annually.
- The railways will also witness more private investment in the infrastructure sector. For this, the newly established Infrastructure Finance Secretariat will assist all stakeholders including railways, roads, urban infrastructure, and power, which are predominantly dependent on public resources.

Railway Financial (Rs Crore)

Components (Rs Cr)	FY 21	FY 22	FY 23 (BE)	FY 23 (RE)	FY 24 (BE)	FY 24 (BE)/FY 23 (RE) (%Gr)	FY23 (RE)/ FY22 (%Gr)	FY22/ FY21 (%Gr)	5 Yr CAGR (FY 19-23 in %)	Decadal CAGR (FY 14-24 in %)
1. Total Railway Receipts(2+3)	140784	191367	240000	242893	265000	9.1	26.9	35.9	6.1	6.3
2. Gross Traffic Receipts	140571	191206	239600	242693	264600	9.0	26.9	36.0	6.1	6.6
2.1 Passenger Earnings	15248	39214	58500	64000	70000	9.4	63.2	157.2	6.1	6.7
Passenger Earnings / Gross Traffic Receipts (%)	10.8	20.5	24.4	26.4	26.5					
2.2 Freight Earnings	117232	141096	165000	165000	179500	8.8	16.9	20.4	6.7	6.7
Freight Earnings / Gross Traffic Receipts (%)	83.4	73.8	68.9	68.0	67.8					
2.3 Other Earnings*	8090	10896	16100	13693	15100	10.3	25.7	34.7	0.2	5.2
3. Total Miscellaneous Receipts	213	161	400	200	400	100.0	24.6	-24.6	-4.4	-19.8
4. Total Expenditure from railway revenues	138236	206392	234640	240500	262790	9.3	16.5	49.3	6.6	7.2
5. Revenue net of dividend payouts	2547	-15025	5360	2393	2210	-7.6	-115.9	-689.8	-18.1	-5.1
Memo:										
Gross Traffic Receipts (% of GDP)	0.71	0.81	0.93	0.89	0.88					
Net Revenue (% of GDP)	0.01	-0.06	0.02	0.01	0.01					
Operating Ratio	97.5%	107.4%	97.0%	98.2%	98.5%					

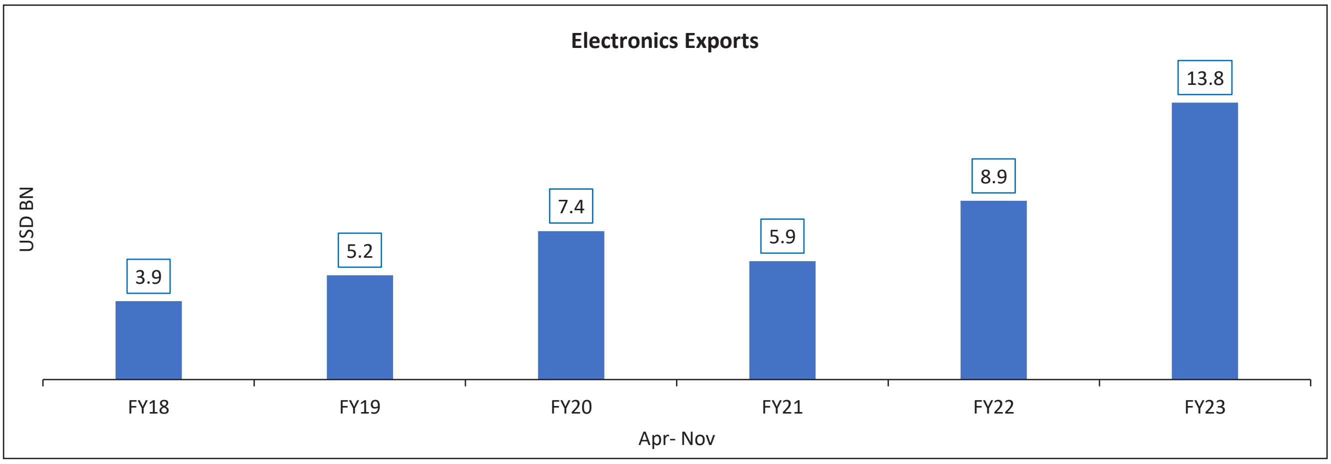
Source: Budget Documents & SBI Research, *Other earnings are defined as the sum of other coaching earnings, sundry other earnings and suspense.

DESMYSTIFYING THE PLI SCHEME

PLI Scheme was announced with a total outlay of Rs 1.97 lakh crore across 14 key sectors, to create national manufacturing champions and to create 60 lakh new jobs, and an additional production of 30 lakh crore during next 5 years. The scheme can enhance India's annual manufacturing capex by 15 to 20% from FY23. These 14 sectors currently constitute around 40% of the total imports. As per the Economic Survey, as on December 2022, 717 applications have been approved under 14 Schemes and more than 100 MSMEs are among the PLI beneficiaries in sectors such as Bulk Drugs, Medical Devices, Telecom, White Goods and Food Processing. The recent reporting from implementing Ministries/ Departments shows around ₹47,500 crore (US$ 6 billion) of actual investment has been made; production/ sales of ₹3.85 lakh crore (US$ 47 billion) of eligible products and employment generation of around 3 lakh has been reported and 106% achievement of actual investment reported versus the corresponding projections of FY22.

Some of the latest developments under the PLI programme include the launch of a design-led PLI in June 2022 to promote the entire value chain in telecom manufacturing and to build a strong ecosystem for 5G as part of the PLI Scheme for Telecom & Networking products. As per the Economic Survey, approvals under this Scheme have already been granted to eligible companies. In September 2022, the Cabinet approved PLI Scheme (Tranche II) on 'National Programme on High-Efficiency Solar PV Modules', with an outlay of ₹19,500 crore to build an ecosystem for manufacturing of high-efficiency solar PV modules in India, thus reducing import dependence in the area of renewable energy.

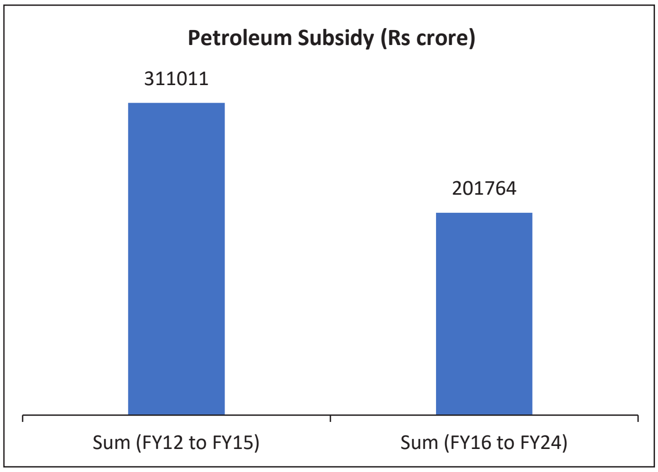
We believe, PLI has started yielding the intended results. For example, export in Electronics space reported a 2.3x jump in FY23 (April to Nov) as compared to the same period in FY21. Further, investment announcements in Electronics sector increased to Rs 2.63 lakh crore in FY23 (April to Dec) from Rs 0.75 lakh crore in FY22 reflects traction in the space post PLI.



PLI Scheme - Major Sectors				
Sector	Outlay (Rs Cr)	Export Growth (YoY%) in FY23*	% Share	
			Apr-Nov 21	Apr-Nov 22
Automobile & Auto Components	57,042	10%	4.2	4.2
Advance Chemistry Cell (ACC) Battery	18100	47%	1.01	1.35
Food Products	10900	15%	8.77	9.13
Textile Products: MMF segment and technical textiles	10683	-15%	10.12	7.76
Telecom & Networking Products	12195	72%	1.74	2.72
Pharmaceuticals drugs	15000	4%	5.70	5.34
Specialty Steel	6322	6%	2.83	2.73
White Goods (ACs & LED)	6238	58%	34.12	49.03
Electronic/Technology Products	45831	52%	3.44	4.75
Total	197291			

* Apr-Nov22 Major sectors.

The amount announced by the Government is not even 1% of the GDP (only ~0.7% of GDP) and that too spread over 5 years. The number of jobs and incremental production that it is expected to bring is huge. Some have suggested that the scheme amounts to unnecessary subsidy burden on the Government and the cost of this scheme is much more than the benefits. However, if we look at the petroleum subsidy it has declined over the years. During FY12 to FY15, the total petroleum subsidy amounted to Rs 3.11 lakh crore, it has reduced to Rs 2.01 lakh crore during FY16-FY24, a reduction of Rs 1.09 lakh crore. Meanwhile fertiliser subsidy has remained range bound 0.4%-0.6% of GDP. The current fiscal has witnessed an increase in fertiliser subsidy amidst increase in oil prices. However, it is expected to moderate in the next fiscal. Thus, it seems that there has been adjustment in terms of subsidy distribution.



PLI and China

India continues to reduce its dependence on China for imports as shown by the declining share of China in India's total imports. It has declined from 15.5% in FY21 to 15.4% in FY22 and further to 13.7% in FY23 (Apr-Nov).

At 8-digit level, in FY23 Apr-Nov 22 there were 6386 products with total value of $55 billion (or 13.7% of the total imports) imported by India from China. We estimated the import dependence of each product on China, by checking the share of Chinese imports in India's overall imports of these categories. The maximum aggregate value ($10.8 billion) is of the products in which our import dependence on China is between 70-80%, although the number of products is lower. Although number wise the imports were highest in the category where our dependence was lowest (0-10%), the value is not that high at around $1.8 billion.

India's Import dependence on China				
% Share of Chinese Imports in total imports	Apr-Nov 21		Apr-Nov 22	
	No of products	Amount ($ mn)	No of products	Amount ($ mn)
0-10	1287	1894	1675	1791
10-20	816	4018	730	4792
20-30	706	5237	604	4313
30-40	550	8898	556	5423
40-50	461	9139	439	8571
50-60	476	9724	441	5121
60-70	428	6556	379	4923
70-80	386	9088	341	10824
80-90	364	5486	381	4235
90-100	893	7588	840	5485

Source: Ministry of Commerce, SBI Research.

When we look at the data where the import value was between $100 million and $500 million, where the import dependence was more than 50%, the sectors in which the imports are concentrated are Chemicals especially Organic, Machinery and Mechanical appliances and Electrical Machinery, Textiles and Textile Articles, Motorcycle Accessories, Oxygen Therapy Apparatus etc.

Sectors with concentration of more than $ 100 million product imports with more than 50% import dependence		
HS Section	Description	Amount ($ million)
16	Machinery & mechanical appliances; electrical equipments, sound recorders & reproducers, television image & sound recorders and reproducers, parts and acessories of such articles	10544
6	Products of the chemicals or allied industries	4607
11	Textile & Textile articles	599
15	Base Metals & articles	265
17	Vehicles, aircraft, vesseles and transport equipment	262
5	Mineral Products	166
7	Plastic, Rubber & articles	141

Source: Ministry of Commerce, SBI Research.

Amidst the increasing imports from China, the PLI scheme deserves to be mentioned. In FY23 Apr-Nov'22 period, of $55 billion of imports from China, around $38 billion is commodities and goods where PLI scheme has been announced (textile, agri, electronics goods, pharmaceuticals & chemicals). Projecting imports for the full year FY23 total imports of these goods could be $57 billion. If by leveraging PLI scheme we can reduce our dependence on China even to the extent of 10%, then we can add around $6 billion to our GDP and overtime if our dependence is further reduced by 30%, we can add $17 billion to GDP because of the incentives to domestically manufacture these goods owing to the PLI scheme.

Imports from China in sectors where PLI has been announced ($ mn)

	Apr-Nov 22	FY 23 (P)
Agriculture goods	291	437
Electronics	21328	31992
Textiles	2254	3380
Chemicals	14251	21377
Total imports from China in PLI sectors	38124	57186
If we reduce our dependence by 10%, addition to GDP	3812	5719
If we reduce our dependence by 20%, addition to GDP	7625	11437
If we reduce our dependence by 30%, addition to GDP	11437	17156

Source: SBI Research, CMIE.

INDIAN EXPORTS ARE TURNING BUSINESS CYCLE AGNOSTIC: GOOD FOR EXPORT GROWTH

Despite sluggish global environment, our export performance has been robust growth. Total exports between Apr-Dec'22 grew by 10.3% to Rs 336 billion. Some of the sectors including electronics, agri and allied products, plantation, machinery, petroleum products, office equipment, optical and medical equipment have increased by more than 10% so far this fiscal. Even our services exports have performed well growing 28% yoy.

Exports are continuously expanding without paying heed to upturns or downturns of business cycles. To test this this hypothesis, we have examined whether there is long run cointegrating relationship between Principal Commodity Exports and Nominal GDP for the period of 2013Q2 to 2022Q3.

The results show that out of all principal commodities, exports of only 5 commodities Gems and Jewellery, Chemical Products, Plastic products, Base metals and Textile Exports have cointegrating relationship with Nominal GDP and the export growth of the rest of the principal commodities are not in sync with the Business Cycle.

Export Growth (yoy %)

Commodity	Apr-Mar 2022	Apr-Dec 2022 (P)
Goods		
Petroleum Crude & Products	161.5	59.4
Electoronics Items	40.5	52.4
Office Equipments	38.7	43.3
Optical, Medical & Surgical Instruments	30.4	31.1
Agri & Allied Products	16.4	14.8
Leather & Leather Manufactures	33.6	14.6
Plantation	19.2	14.6
Others	33.0	13.6
Machinery	36.1	12.1
Transport Equipments	28.2	7.3
Sports Goods	40.1	6.5
Chemicals & Related Products	16.7	4.2
Marine Products	30.4	2.7
Gems & Jewellery	50.2	0.3
Articles Of Stone, Plaster, Cement etc	13.9	-1.3
Paper & Related Products	54.4	-3.7
Plastic & Rubber Articles	31.8	-8.8
Textiles & Allied Products	41.4	-15.4
Base Metals	70.9	-21.0
Ores & Minerals	-13.6	-30.6
Project Goods	66.5	-46.6
Services	**23.4**	**28.1**

Source: Ministry of Commerce and Industry.

S. No.	Principal Commodity	Difference order	Lags selection (AIC)	rank	Trace Statistic	Critical Value At 5% level	Cointegrating relationship with Nominal GDP
1.	Agri and Allied Products	1	4	0	15.35	15.41	No
2.	Marine products	1	4	0	3.75	15.41	No
3.	Ores and Minerals	1	4	0	10.22	15.41	No
4.	Leather Products	0	-	-	-	-	-
5.	Gems and Jewellery	1	4	1	1.96	3.76	Yes
6.	Sports Goods	1	4	0	3.82	15.41	No
7.	Chemical Products	1	2	1	3.48	3.76	Yes
8.	Plastic and Rubber products	1	4	1	0.63	3.76	Yes
9.	Stone, plasters, cement, ceramic products	1	3	0	6.67	15.41	No
10.	Paper Products	1	4	0	14.5	15.41	No
11.	Base Metals	1	4	1	0.0002	3.76	Yes
12.	Optical, Medical and Surgical Products	1	4	0	6.8	15.41	No
13.	Electronic products	1	4	0	13.68	15.41	No
14.	Machinery	1	4	0	9.9	15.41	No
15.	Office Equipment	1	4	0	12.26	15.41	No
16.	Transport Equipment	1	4	0	12.21	15.41	No
17.	Project goods	0	-	-	-	-	-
18.	Textile products	1	4	1	0.91	3.76	Yes
19.	Petroleum Products	1	4	0	10.13	15.41	No

Indian Commodity Exports are becoming more Business Cycle Agnostic

Source: SBI Research.

BUBBLE OR BOOM: NAVIGATING THE US HOUSING MARKET

The US Housing Market seems headed towards the crossroads; on the cusp of a breakthrough though with an uncertain trajectory as it weighs the impact of decadal high mortgage rates on the appetite and wherewithal of home buyers basking in the afterglow of a resilient job market with average hourly earnings still in green zone (y-o-y) as employers continue to add new hirings, albeit the pace decelerating with the Fed stepping up the pedal.

S&P/Case-Shiller U.S. National Home Price Index vaulted to ~308 by mid-2022, gaining handsomely from its previous lows of ~134 in early 2012 (Incidentally, the index had tumbled from a then all-time high of ~184 during mid-2006 to a low of ~134 by early 2012, as the strong undercurrents of the sub-prime crisis hit its very foundation. The home price index took more than a decade in regaining its mid-2006 levels, scaling back there by the end of 2016. The index is however cracking as the steam builds up from Fed's aggressive actions.

2021 was probably the best year, in recent memories, for the housing sector as U.S. housing market nearly doubled in value since the financial crisis and resultant slump in building activities, gaining close to $6.9 trillion in the year 2021 alone. The

biggest single annual growth ever also propelled the U.S. housing market to worth more than $43 trillion. Ironically, the top one-third of most-expensive homes accounted for more than 60% of the market's total value. At that time, market puritans appeared gung-ho, pumping up expectations of another double-digit growth for the industry.

As the Fed accelerated on its rate raising pedestal, the seemingly abundant liquidity evaporated quickly and both Fixed Rate Mortgages (FRM) as well as Adjustable Rate Mortgages (ARM) shot through the roof, more than doubling in a short span from their levels of early 2022 though some retraction has taken place in recent days with Fed expected to taper its aggressive hike going forward even though the rates could remain in the 'new normal' zone for quite some foreseeable time.

Mortgage Rate	Rate %	APR %#
30-Year Fixed	5.88	6.11
20-Year Fixed	5.75	6.03
15-Year Fixed	5.00	5.39
10Y/6M ARM variable	5.88	6.47
7Y/6M ARM variable	5.63	6.53
5Y/6M ARM variable	5.63	6.70

#APR (Annual Percentage Yield) is the annual cost of a loan to a borrower, and it includes other charges or fees (such as mortgage insurance, most closing costs, mortgage points and loan origination fees) to reflect the total cost of the loan.

(All data as on 30 Jan 2023 by **BofA**)

Zillow Home Value Index (ZHVI), built by measuring monthly changes in property level captures both the level and home values across a wide variety of geographies and housing types in the US. As per latest data available, the typical home value of homes in United States is close to $357319 with US home values having gone up ~10.8% over the past year in 2022. Going forward, market analysts remain divided on the pace of growth with those favouring at least mild contraction (~5-10% y-o-y) gaining currency as indicated by existing as also new home sales data.

Existing home sales in the US (which include completed transactions of single-family homes, town homes, condominiums and co-ops), fell 1.5% to a seasonally adjusted annual rate of 4.02 million in December'2022, though slightly above market forecasts of 3.96 million. It marked an eleventh straight month of falling home sales, the longest stretch since 1999, and the lowest level since November of 2010, as buyers appeared flummoxed by limited inventory as also higher mortgage rates. Total housing inventory was 970,000 units, which was down 13.4% from November but up 10.2% from one year ago. The median existing-home price for all housing types was $366,900, an increase of 2.3% from December 2021, as prices rose in all regions. The moderation in mortgage rates, falling from their late 2022 peaks, is hailed as an anchoring motive to push sales for home buyers.

Sales of new single-family houses in the US increased 2.3% (m-o-m) to a seasonally adjusted annualised rate of 6,16,000 in Dec'22, the highest value in four months, missing the market forecasts of 6,17,000 by a whisker. Sales soared in the Midwest (35.2% to 73,000) and the South (6.5% to 3,92,000) but fell in Northeast (-19.4% to 29,000) and the West (-15.3% to 1,22,000). The median price of new houses sold was $442,100 while the average sales price was $528,400. There were 461,000 houses left to sell, the same as in November corresponding to 9 months of supply at the current sales rate. Considering full 2022, an estimated 6,44,000 new homes were sold, 16.4% below the 2021 figure of 7,71,000, and the lowest levels in four years, chiefly a collateral effect of galloping mortgage rates.

With the economy showing signs of resilience, the crucial housing market too seems to be the harbinger of optimism for the largest economy likely to emerge with little scathes in days ahead.

US FED RAISES RATES

- As widely believed and priced by markets, FOMC today hiked the interest rates by a 0.25 percentage points, the first in 2023 clearly asserting the days of Big Bang hikes are over though the war on inflation may keep the FFR in an elevated band in foreseeable future in 2023.
- The move takes the fed funds rate to a target range of 4.5%-4.75%, the highest since October 2007 as its efforts to restore price stability nears peak. Markets are pricing in at least another quarter point and possibly the last hike in the next meeting slated in March.
- The implications of the tapered increase may surely find echoes in the RBI MPC meet scheduled next week as central banks this year will have to choose divergence, albeit with varying degrees and manoeuvres, in balancing tightening with tapering growth globally.

Section 2
Corporate & Industry

IMPROVING CAPEX CYCLE - INCREASING PRIVATE PARTICIPATION IN NEW INVESTMENT ANNOUNCEMENTS

- New investment announcements which were around Rs 10 trillion during 2020/21, as per Projects Today, improved to Rs 20 trillion in FY22 and further crossed Rs 21 trillion in first nine months of FY23 (April – Dec), and can cross Rs 25 trillion in the full year FY23.

New Investment Announcements					
Year	Amount Rs lakh crore			Share (%)	
	Govt.	Private	Total	Govt.	Private
FY17	10.17	4.08	14.25	71.36	28.64
FY18	8.23	3.92	12.16	67.72	32.28
FY19	10.24	7.01	17.25	59.37	40.63
FY20	5.57	5.28	10.85	51.34	48.66
FY21	5.28	5.43	10.71	49.30	50.70
FY22	6.26	13.75	20.01	31.28	68.72
FY23	7.60	13.81	21.41	35.50	64.50

Source: Projects Today; SBI Research; FY23 for 9M (April-Dec).

- The share of private participation in the investment announcements also improved during last two years from around 50% in FY21 to around 65% in first nine months of FY23.
- Major industries where new announcements were made during last nine month includes Basic Chemicals (Rs 4.11 lakh crore), Roadways (Rs 3.05 lakh crore), Electronics (Rs 2.63 lakh crore), Community Services (Rs 1.70 lakh crore), Real Estate (Rs 1.60 lakh crore), and Non-Conventional power (Rs 1.20 lakh crore).

New Investment Announcements Sectorwise (major sector) FY23		
Sectors	**Number of Projects**	**Amount Rs Crore**
Basic Chemicals	562	4,11,742
Roadways	1,217	3,05,317
Electronics	36	2,63,043
Community Services	1,904	1,70,279
Real Estate	1,181	1,59,695
Non Conventional Energy	155	1,19,593
Hydel Based Power	54	86,677
Non Metallic Mineral Products	44	63,528
Iron & Steel	165	59,599
Shipping Infrastructure	36	54,314
Automobiles	37	49,372
Non Ferrous Metals	23	44,531
Power Distribution	411	39,783
Commercial Complexes	286	33,082
Storage & Distribution	214	25,831
Paper & Paper Products	25	23,791
Metallic Ore, Slag, etc.	33	19,167
Food Products	161	17,491
Coal	66	15,127
Railways	191	13,518
Electrical Machinery	39	10,527
Automobile Ancillaries	60	9,370
All Sectors	**7,608**	**21,40,601**

Source: Projects Today; SBI Research; (April-Dec 22)

IMPROVEMENT IN CREDIT RATIO (UPGRADE TO DOWNGRADE)

Sector wise rating upgrades to downgrades reflects improvement in credit ratios across various sectors. Sectors such as IT, Auto Ancilliary, Fertilisers and Chemicals, Energy, Automobiles, Telecom Services, Tyre & Rubber, etc. reported better and improved U/D ratio in FY23 (upto Dec) as compared to last year.

A comparative table of credit ratios (upgrade to downgrade) FY22 and 9MFY23 is mentioned in the table below.

Rating Upgrades and Downgrades							
Major Sector	FY22			FY23 (upto Dec)			Change in U/D ratio
	Rating Upgrades	Rating Downgrades	Upgrade to Down Grade Ratio	Rating Upgrades	Rating Downgrades	Upgrade to Down Grade Ratio	
Capital Goods-Non Electrical Equipment	627	2381	0.26	562	1703	0.33	0.07
Construction & Engineering	253	1158	0.22	266	801	0.33	0.11
Healthcare	217	294	0.74	146	263	0.56	-0.18
Consumer Durables & Apparel	335	1341	0.25	342	926	0.37	0.12
Textiles	199	937	0.21	221	602	0.37	0.15
Metals and Mining	260	550	0.47	144	333	0.43	-0.04
Pharmaceuticals	104	146	0.71	59	122	0.48	-0.23
Steel	231	450	0.51	111	255	0.44	-0.08
Capital Goods - Electrical Equipment	54	281	0.19	43	201	0.21	0.02
IT	72	188	0.38	57	124	0.46	0.08
Sugar	38	56	0.68	17	41	0.41	-0.26
Auto Components and Ancilliaries	66	186	0.35	69	93	0.74	0.39
Fertilizers & Agriculture chemicals	26	43	0.60	27	21	1.29	0.68
Cement	33	17	1.94	8	16	0.50	-1.44
Energy	26	47	0.55	18	27	0.67	0.11
Gas Distribution Utilities	10	12	0.83	3	3	1.00	0.17
FMCG	10	17	0.59	9	17	0.53	-0.06
Automobiles	3	11	0.27	7	8	0.88	0.60
Telecommunication Services	10	17	0.59	6	9	0.67	0.08
Hotels Restaurants & Leisure	26	193	0.13	37	116	0.32	0.18
Tyres & Rubber	11	23	0.48	5	9	0.56	0.08
Gems & Jewellery-Diamonds Jewellery Retailing	31	62	0.50	23	53	0.43	-0.07
Retailing	152	865	0.18	128	533	0.24	0.06
NBFC	59	75	0.79	56	93	0.60	-0.18
Total	**3286**	**10318**	**0.32**	**2576**	**6802**	**0.38**	**0.06**

Source: CRISIL; numbers are for all rating agencies; SBI Research.

SECTOR : IRON & STEEL

OVERALL IMPACT : POSITIVE

Budget Proposals and Impact

- 100 critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors will be taken up on priority with investment of Rs 75,000 crore
- 50 additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity.
- To create urban infrastructure in Tier 2 and Tier 3 cities through Urban Infrastructure Development Fund (UIDF) with expected available corpus of Rs 10000 crore per annum for this purpose
- Capital outlay of Rs 2.40 lakh crore has been provided for the Railways
- Capital outlay for Road Transport and Highways increased to Rs 2.59 lakh crore
- Capital outlay of Rs 1.6 lakh crore for defense
- Constructions of Unity Mall in state capital or most prominent tourism centre or the financial capital for promotion and sale of their own ODOPs (one district, one product)

Backdrop

In FY2022, India reported crude steel production of 120.01 MT, a growth of around 16% YoY as compared to production of 103.55 MT in FY2021. The performance of Steel sector during April-December, FY23 has been encouraging. The cumulative production of crude steel at 92.46 MT, finished steel at 87.87 MT and consumption of finished steel at 85.53 MT during April-December, FY23 has exceeded their respective levels achieved over the corresponding period of not only COVID affected last two years but also pre COVID years as well.

The Government has taken various steps to boost the sector including the introduction of National Steel Policy 2017 and allowing 100 per cent Foreign Direct Investment (FDI) in the steel sector under the automatic route. The National Steel Policy 2017 (NSP) was adopted with the vision to create a globally competitive steel industry in India. The NSP aims at achieving objectives such as building a globally competitive industry with a crude steel capacity of 300 million tonnes by FY2031, increasing the per capita steel consumption to 160kg by FY2031, meeting domestically the entire demand of various types of steel by FY2031 etc. Rural steel consumption to act as a catalyst in achieving domestic demand and production target of 300 million tonnes in line with NSP-2017.

According to the data released by the Department for Promotion of Industry and Internal Trade (DPIIT), between April 2000-September 2022, Indian metallurgical industries attracted FDI inflows of US$ 17.09 billion.

PLI scheme for domestic production of speciality steel with an outlay of Rs 6322 crore was approved by the Union Cabinet on 22.07.2021, which was notified on 29.07.2021 and detailed guidelines were published on 20.10.2021. Out of total of 79 applications received from 35 small and large steel-making companies, 67 applications from 30 companies have been selected under the Production Linked Incentive (PLI) Scheme for Specialty Steel. This will attract committed investment of Rs 42500 Crore with a downstream capacity addition of 26 million tonne and employment generation potential of 70000.

Ministry of Steel has introduced Steel Quality Control Order thereby banning substandard/ defective steel products both from domestic & imports to ensure the availability of quality steel to the industry, users and public at large.

Steel Scrap Recycling Policy aims to promote circular economy in the steel sector with envisaging of 35-40% share from scrap-based steel production in the journey of 300 million tonnes by 2030, ensuring that quality scrap is available for the steel industry.

Further, the Rs 1 trillion Gati Shakti Master Plan scheme which will offer multi-modal connectivity to more than 1200 industrial clusters, including two defence corridors across the country is expected to largely benefit the steel sector owing to the large demand for building the infrastructure under the scheme.

Performance of Indian Steel industry						
Category	**April-Mar (2021-22)* (mt)**	**April-Mar (2020-21) (mt)**	**% change**	**April-Nov 2022 * (mt)**	**April-Nov 2021(mt)**	**% change**
Crude Steel Production	120.01	103.55	15.9	81.96	77.59	5.6
Hot Metal Production**	78.12	69.27	12.8	25.88	25.56	1.2
Pig Iron Production	5.76	4.88	18.0	3.94	3.91	0.8
Sponge Iron Production	39.03	34.38	13.5	28.12	25.86	8.7
Total Finished Steel (alloys/stainless + non alloys)						
Production	113.60	96.20	18.1	78.09	73.02	6.9
Import	4.67	4.75	-1.7	3.75	3.06	22.5
Export	13.49	10.78	25.1	4.30	9.53	-54.9
Consumption	105.75	94.90	11.4	75.34	67.33	11.9

Source: JPC, CEIC; * provisional; mt = million tonnes, **Apr-Jul.

The steel industry has emerged as a major focus area given the dependence of a diverse range of sectors on its output as India works to become a manufacturing powerhouse through policy initiatives like Make in India. With the industry accounting for about 2% of the nation's GDP, India ranks as the world's second-largest producer of steel. Huge scope for growth is offered by India's comparatively low per capita steel consumption and the expected rise in consumption due to increased infrastructure construction and the thriving automobile and railways sectors.

Some of the key previous announcements for the sector

- PM Gati Shakti master plan driven by seven engines - Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure.
- National Master Plan aimed at world class modern infrastructure and logistics synergy
- 4 Multimodal Logistics parks through PPP to be awarded in 2022-23
- Integration of Postal and Railways Network facilitating parcel movement.
- 400 new generation Vande Bharat Trains
- Multimodal connectivity between mass urban transport and railway stations
- National Ropeways Development Plan as sustainable alternative to conventional roads.
- PM Awas Yojana - 80 lakh houses to be completed in 2022-23
- Rs 48000 crore allocated to housing scheme under PM housing scheme for FY23
- Extension of customs duty exemption to steel scrap
- Allocation to Ministry of Defence Rs 5.25 lakh crore

Credit Ratios

Sector Credit Ratios (Upgrade vis-à-vis downgrades) during 9MFY2022 as compared to previous year for the same period.

Credit ratio in steel sector deteriated by 5 bps during 9MFY2023 as compared to 9MFY2022. With 111 upgrades and 255 downgrades during 9MFY2023 credit ratios stood at 0.44 as compared to 0.49 in 9MFY2022.

Credit Ratio							
Sector	Total No. of Companies (o/s as on Jan 2023)	9MFY22			9MFY23		
		Upgrades	Downgrades	Ratio	Upgrades	Downgrades	Ratio
Iron & Steel	2082	155	316	0.49	111	255	0.44

Source: CRISIL; SBI Research; numbers are for all rating agencies.

Sectors Performance - Key Financials of Select Companies (Standalone)

Key Financials of Select Iron & Steel Companies for H1FY23 vis-à-vis H1FY22 (Rs in Crore)									
Name of the Company	H1FY23			H1FY22			Growth H1FY23 on H1FY22		
	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
Tata Steel Ltd	63547	14338	8769	59812	26728	17488	6%	-46%	-50%
JSW Steel Ltd	62731	5094	865	53098	18164	10641	18%	-72%	-92%
Steel Authority of India Ltd	50275	3033	391	47469	13580	8154	6%	-78%	-95%
Jindal Steel & Power Ltd	25956	5149	6150	23646	9043	5372	10%	-43%	14%
Jindal Stainless Ltd	10779	934	476	8656	1290	634	25%	-28%	-25%

Source: CLine; SBI Research.

All the major steel companies have reported growth in top line in H1FY22. However, companies have reported de-growth in EBIDTA primarily on moderation in steel realization and increase in benchmark interest rate. Tata Steel reported revenue growth of 6% in H1FY23 with EBIDTA and PAT degrowth of 46% and 50% respectively. Similarly, JSW Steel Ltd. also reported revenue growth of 18% with degrowth in EBIDTA and PAT.

Q3 Result early trend and expectations - We expect revenue to grow by 10-12% YoY in Q3FY23 as compared to Q3FY22. However, we expect, with high input cost and low realization, sector will continue to face EBIDTA pressure in the Q3 and Q4 also. JSW Steel reported 7.5% growth in top line with around 40% degrowth in EBIDTA in Q3FY23 as compared to Q3FY22.

Market Reaction

Market Movement from Previous Budget (1st Feb'22) and on Budget Day (1st Feb'23)							
Sector - Iron & Steel Name of the Companies	01-Feb-22	31-Jan-23	1-Feb-23	Movement Over 01-Feb-22		Movement on Budget Day	
				Price	%	Price	%
Tata Steel Ltd	1167.35	119.70	122.05	-1045.30	-89.54%	2.35	1.96%
JSW Steel Ltd	654.3	716.45	731.45	77.15	11.79%	15.00	2.09%
Steel Authority of India Ltd	103.3	90.60	88.9	-14.40	-13.94%	-1.70	-1.88%
Jindal Steel & Power Ltd	411.15	583.55	608.75	197.60	48.06%	25.20	4.32%
Jindal Stainless Ltd	207.00	254.65	262.95	55.95	27.03%	8.30	3.26%

Source: NSE; closing price as on date.

SECTOR : AUTOMOBILE

OVERALL IMPACT: POSITIVE

Budget Proposals and Impact

- Exempt excise duty on GST-paid compressed biogas contained in it. To further 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.
- Replacing old polluting vehicles - In continuation of the vehicle scrapping policy, this budget reiterates allocation of adequate funds to scrap old vehicles of the Central Government. Further, States will also be supported in replacing old vehicles and ambulances.

Backdrop

In the 9MFY23 (April to Dec'2022) domestic auto sector reported excellent growth of around 25%, across categories, as compared to same period previous year. Two-wheeler segment, which reported degrowth 9MPY, also reported YoY growth of more than 20% during the same period i.e. 9MFY23 on 9MFY22. While PV reported growth of 33%, Commercial Vehicle reported excellent growth of 46% with 6.83 lakh unit salles in 9MFY23.

However, export sales reported de-growth of around 10% in 9MFY23 as compared to the same period last year due to overall slowdown in global market. However, passenger vehicle export grew by around 15% in 9MFY23 to 4.91 lakh units as compared to 4.24 lakh units in 9MFY22. Tables showing growth in each category is as under: -

Automobile - Domestic Industry 9MFY23 vis-à-vis 9MFY22			
Category	**9MFY23**	**9MFY22**	**YoY %**
Two Wheeler	12257494	10180216	20.4%
Three Wheeler	335123	177998	88.3%
Four Wheeler - PV	2871695	2148838	33.6%
Commercial Vehicle	683310	466760	46.4%
Total All Auto	16147622	12973812	24.5%

Source: SIAM; SBI Research.

Automobile - Export Industry 9MFY23 vis-à-vis 9MFY22			
Category	**9MFY23**	**9MFY22**	**YoY %**
Two Wheeler	2951358	3341235	-11.67%
Three Wheeler	303495	386047	-21.38%
Four Wheeler - PV	491037	423997	15.81%
Commercial Vehicle	60950	64942	-6.15%
Total All Auto	3806840	4216221	-9.71%

Source: SIAM; SBI Research.

It is estimated that the PLI Scheme for Automobile & Auto components will, over a period of five years, lead to fresh investments of over Rs 42,500 crores, incremental production of over Rs 2.3 lakh crore and will create additional employment opportunities of over 7.5 lakh jobs. Further this will increase India's share in global automotive trade.

The Indian automobile industry has historically been a good indicator of how well the economy is doing, as the automobile sector plays a key role in both macroeconomic expansion and technological advancement. The two wheelers segment dominates the market in terms of volume, owing to a growing middle class and a huge percentage of India's population being young.

Moreover, the growing interest of companies in exploring the rural markets could further aid the growth of the sector. The rising logistics and passenger transportation industries are driving up demand for commercial vehicles. Future market growth is anticipated to be fueled by new trends including the electrification of vehicles, particularly three-wheelers and small passenger automobiles.

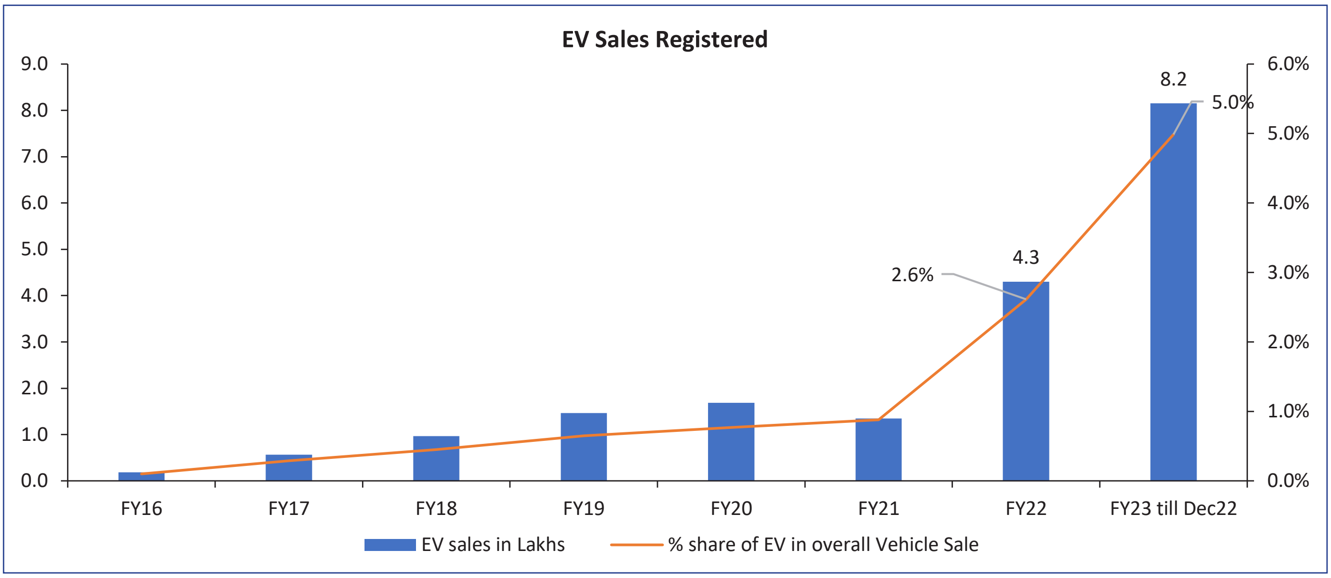
India is also a prominent exporter and has strong export growth expectations for the near future in the sector. Further, various initiatives by the Government of India such as the Automotive Mission Plan 2026, scrappage policy and production-linked incentive scheme in the Indian market are expected to make India one of the global leaders in the two-wheeler and four-wheeler market.

This PLI Scheme for automotive sector along with the PLI scheme for Advanced Chemistry Cell (ACC) and Faster Adaption of Manufacturing of Electric Vehicles (FAME) will enable India to leapfrog from traditional fossil fuel-based automobile transportation system to environmentally cleaner, sustainable, advanced, and more efficient Electric Vehicles (EV) based system in the times to come.

Electric vehicles have increasingly become an integral part of the automotive industry. They represent a pathway toward achieving energy efficiency, and reduced emissions of pollutants and greenhouse gases. Increasing environmental concerns and favorable government initiatives are the major factors driving this growth.

EV Sales registered exponential growth in last few years. The share of registered EV vehicle to total vehicle sale increased from just 0.1% in FY16 to 5% in FY23 (upto Dec) with total EV sales of 8.2 lakh units in 9MFY23.

The proposed draft Battery Swapping Policy envisages to Promote swapping of batteries with Advanced Chemistry Cell (ACC) batteries to decouple battery costs from the upfront costs of purchasing EVs, thereby driving EV adoption. The draft policy proposes that demand side incentives offered under existing or new schemes for EV purchase can be made available to EVs with swappable batteries. The size of the incentive could be determined based on the kWh rating of the battery and compatible EV. An appropriate multiplier may be applied to the subsidy allocated to Battery Providers to account for the float battery requirements for battery swapping stations in different battery swapping ecosystems.



Source: SBI Research; CEIC.

Some of the key previous announcements for the sector

- Battery Swapping Policy – big push for Electric Vehicles (EVs)
- Unified Logistics Interface Platform allowing data exchange among all mode operators
- Open-Source Mobility Stack for seamless travel of passengers

An alternative battery recharging method that is receiving global attention is battery swapping, in which a depleted EV battery is removed from the vehicle and replaced with a fully charged one. The technology is being tried out for various EV segments, including e-2Ws, e-3Ws, e-cars and even e-buses. Announcement of Battery swapping policy is a positive step for the EV space.

Swapping standardization is expected to go a long way in easing the woos of end users. The Ministry of Road Transport and Highways (MoRTH) has allowed the sale and registration of EVs without batteries, which should provide a huge boost to battery swapping solutions ecosystem.

Credit Ratios

Sector Credit Ratios (Upgrade vis-à-vis downgrades) during 9MFY22 (April'2022 to Dec'2022) as compared to previous year for the same period is as under:

Credit Ratio							
Sector	Total No. of Companies (o/s as on Jan 2023)	9MFY22			9MFY23		
		Upgrades	Downgrades	Ratio	Upgrades	Downgrades	Ratio
Automobile	93	3	11	0.27	7	8	0.88

Source: CRISIL; SBI Research; numbers are for all rating agencies.

Credit ratios for the sector improved to 0.88 bps in 9MFY2023 as compared to 0.27 in 9MFY2022. The ratio, though still much below 1, but has shown an improvement of 61 bps in last 9Months.

Sectors Performance - Key Financials of Select Companies (Standalone)

Key Financials of Select Automobile Companies for H1FY23 vis-à-vis H1FY22 (Rs in Crore)									
Name of the Company	H1FY23			H1FY22			Growth H1FY23 on H1FY22		
	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
Maruti Suzuki India Ltd	53830	4681	3074	36097	1676	916	49%	179%	236%
Mahindra & Mahindra Ltd	40452	4549	3520	25068	2958	2287	61%	54%	54%
Tata Motors Ltd	29644	1150	-474	17397	-359	-1980	70%	LTP	Loss
Bajaj Auto Ltd	17680	3056	2703	15602	2521	2336	13%	21%	16%
Hero MotoCorp Ltd	17468	1979	1341	13940	1581	1160	25%	25%	16%
Ashok Leyland Ltd	15413	858	267	7361	-7	-365	109%	LTP	LTP

Source: CLine; SBI Research; LTP = Loss to profit.

All major players, across sector, reported excellent growth in top line during H1FY2023 as compared to H1FY2022, reflecting robust demand for the sector. Further, majority of the player reported double digit growth in EBIDTA as well as PAT during the same period. Maruti reported 49% growth in Top line while other Industry leaders such as Mahindra, Tata, Ashok Leyland etc. reported more than 50% growth in revenue in H1FY23 as compared to H1FY22.

Initial trend in Q3FY2023 – In Q3FY2023, 5 listed entities, reported more than 20% growth in revenue as compared to Q3FY2022 with around 70% growth in EBIDTA and PAT. Maruti Suzuki India Ltd. reported 25% growth in revenue, while Tata Motors reported 28% growth in revenue during the same period as compared to Q3FY22.

Market Reaction

Market Movement from Previous Budget (1st Feb'22) and on Budget Day (1st Feb'23)							
Sector - Automobile Name of the Companies	**01-Feb-22**	**31-Jan-23**	**1-Feb-23**	**Movement Over 01-Feb-22**		**Movement on Budget Day**	
				Price	**%**	**Price**	**%**
Maruti Suzuki India Ltd	8559.40	8895.30	8764.95	205.6	2.40%	-130.35	-1.47%
Mahindra & Mahindra Ltd	869.70	1378.75	1350.10	480.4	55.24%	-28.65	-2.08%
Tata Motors Ltd	504.30	452.10	446.35	-58.0	-11.49%	-5.75	-1.27%
Bajaj Auto Ltd	3534.45	3818.25	3795.05	260.6	7.37%	-23.20	-0.61%
Hero Motocorp Ltd	2726.75	2763.25	2731.00	4.3	0.16%	-32.25	-1.17%
Ashok Leyland Ltd	130.45	149.50	147.80	17.4	13.30%	-1.70	-1.14%
NIFTY AUTO INDEX	11,616.10	13,323.90	13,206.85	1590.8	13.69%	-117.0	-0.88%

Source: NSE; closing price as on date.

SECTOR : FMCG

OVERALL IMPACT: MODERATELY POSITIVE

Budget Proposals and Impact

- No major direct impact except for increased allocation for agriculture, irrigation, PM Matsya Sampada Yojana and rural development will percolate down to increasing farmers income.
- Improving logistics and higher agriculture credit is also likely to spur spending. Proposal to raise seamless national cold storage chain would also help some farmers
- To facilitate one crore farmers to adopt natural farming. For this, 10,000 Bio-Input Resource Centres will be set-up, creating a national-level distributed micro-fertilizer and pesticide manufacturing network.
- Global Hub for Millets: 'Shree Anna' such as jowar, ragi, bajra, kuttu, ramdana, kangni, kutki, kodo, cheena, and sama will boost the sector with increase demand in this space.

Set up of Agriculture Accelerator Fund (AAF) to encourage Agri startups by young entrepreneurs in rural areas. The Fund will aim at bringing innovative and affordable solutions for challenges faced by farmers. It will also bring in modern technologies to transform agricultural practices, increase productivity and profitability will serve as enablers for the sector.

FMCG sector's growth trajectory and consumer demand trends are closely connected. When customers have more disposable income, voluntary spending and sales of fast-moving consumer goods (FMCG) rise. Lowering personal income tax rates would raise disposable income levels and stimulate the demand cycle.

Backdrop

Fast-moving consumer goods (FMCG) sector is India's fourth-largest sector and has been expanding at a healthy rate over the years as a result of rising disposable income, a rising youth population, and rising brand awareness among consumers. With household and personal care accounting for 50% of FMCG sales in India, the industry is an important contributor to India's GDP. The FMCG market in India is expected to increase at a CAGR of 14.9% to reach US$ 220 billion by 2025, from US$ 110 billion in 2020.

Government of India has approved a Production Linked Incentive Scheme for Food Processing Industry (PLISFPI) for implementation during 2021-22 to 2026-27 with an outlay of Rs. 10,900 crore, for four segments namely (i) Ready to Cook/ Ready to Eat (RTC/ RTE) foods including Millet products, (ii) Processed Fruits & Vegetables, (iii) Marine Products and Mozzarella Cheese, (iv) Innovative/ Organic products of SMEs in these segments.

The Government has allowed 100% Foreign Direct Investment (FDI) in food processing and single-brand retail and 51% in multi-brand retail. This would bolster employment, supply chain and high visibility for FMCG brands across organised retail markets thereby bolstering consumer spending and encouraging more product launches.

Credit Ratios

Sector Credit Ratios (Upgrade vis-à-vis downgrades) during 9MFY2023 as compared to previous year for the same period.

Credit Ratio							
Sector	Total No. of Companies (o/s as on Jan 2023)	9MFY22			9MFY23		
		Upgrades	Downgrades	Ratio	Upgrades	Downgrades	Ratio
FMCG	161	10	17	0.59	9	17	0.53

Source: CRISIL; SBI Research; numbers are for all rating agencies; includes Power utilities, IPP and Energy Traders.

With 9 upgrades and 17 downgrades, credit ratios for the 9MFY2023 stood at 053 against 0.59 for the same period previous year.

Sectors Performance - Key Financials of Select Companies (Standalone)

Key Financials of Select FMCG Companies for H1FY23 vis-à-vis H1FY22 (Rs in Crore)									
Name of the Company	H1FY23			H1FY22			Growth H1FY23 on H1FY22		
	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
Hindustan Unilever Ltd	28530	6584	4905	24246	5953	4248	18%	11%	15%
Britannia Industries Ltd	7615	1157	814	6552	1055	833	16%	10%	-2%
Dabur India Ltd	4447	900	746	4103	918	748	8%	-2%	-0.2%
Marico Ltd	3885	690	721	3959	637	592	-2%	8%	22%
Godrej Consumer Products Ltd	3767	824	648	3430	884	682	10%	-7%	-5%

Source: CLine; SBI Research.

Around 100 listed FMCG companies reported 18.6%, growth in topline in the H1FY23 as compared to H1FY22. Further, the same set of companies reported EBIDTA and PAT growth of 7% and 10% respectively during the same period.

Sector leaders like Hindustan Uniliver Ltd. (HUL) reported 18% growth in top line, while Britannia reported 16% growth during the H1FY23 as compared to H1FY22. Though, EBIDTA grew by 11% and 10% respectively for HUL and Britannia, HUL reported 15% growth in PAT while Britannia reported 2% degrowth during the same period.

Q3FY23 early trend – Around 13 listed entities in the space, reported 14% growth in revenue with PAT growth of 10% in Q3FY23 as compared to Q3FY22. HUL reported 16% growth in revenue and 12% growth in PAT in Q3FY23 as compared to the same period previous year.

Market Reaction

Market Movement from Previous Budget (1st Feb'22) and on Budget Day (1st Feb'23)							
Sector - FMCG Name of the Companies	01-Feb-22	31-Jan-23	1-Feb-23	Movement Over 01-Feb-22		Movement on Budget Day	
				Price	%	Price	%
Hindustan Unilever Ltd	2305.65	2576.75	2572.85	267.20	11.59%	-3.90	-0.15%
Britannia Industries Ltd	3656.60	4317.60	4389.95	733.35	20.06%	72.35	1.68%
Dabur India Ltd	546.45	557.75	562.80	16.35	2.99%	5.05	0.91%
Marico Ltd	497.65	498.10	506.00	8.35	1.68%	7.90	1.59%
Godrej Consumer Products Ltd	900.40	913.25	927.00	26.60	2.95%	13.75	1.51%

Source: NSE; closing price as on date.

SECTOR: TEXTILE

OVERALL IMPACT: NEUTRAL

Budget Proposals and Impact

- To enhance the productivity of extra-long staple cotton, adoption of cluster-based and value chain approach through Public Private Partnerships (PPP) is being proposed.
- This will mean collaboration between farmers, state and industry for input supplies, extension services, and market linkages.

Backdrop

The Indian textile industry is one of the largest in the world with a huge, unmatched raw material base and manufacturing strength across the value chain. India is the 6th largest exporter of Textiles & Apparel in the world. India's textiles and clothing industry is one of the mainstays of the national economy.

Moreover, textile industry is one of the country's most significant sources of employment generation, with an estimated 4.5 crore people directly engaged in this sector, including a large number of women and the rural population.

In the current financial year, the textile industry has been facing the challenge of moderating exports compared to FY22. However, the levels in the eight six months still prevail, 9.5 per cent higher than the corresponding pre-pandemic level of FY20. FDI inflows into the textile sector are yet to recover to pre-pandemic levels.

India's textile and apparel exports (including handicrafts) stood at US$ 44.4 billion in FY22, a 41% increase YoY. Exports of readymade garments including cotton accessories stood at US$ 6.19 billion in FY22. In 9MFY23 (P) export textile and apparel exports (including handicrafts) stood at US$ 32.03 billion as compared to US$ 22.39 billion in the same period previous year, reporting YoY growth of 43%.

In the raw material consumption basket of the Indian textile industry, the proportion of cotton is around 60% Raw Material. Cotton is one of the most important cash crops and accounts for around 25% of the total global fibre production. India occupies first position in the world in cotton acreage with around 133lakh hectares under cotton cultivation which is around 41% of the world area of 320.54 lakh hectares.

Apart from being the provider of a basic necessity of life i.e. clothing which is next only to food, cotton is also one of the largest contributor to India's net foreign exchange by way of exports in the form of raw cotton, intermediate products such as yarn and fabrics to ultimate finished products in the form of garments, made ups and knitwear. **Due to its economic importance in India, it is also termed as "White-Gold."**

To develop integrated large-scale and modern industrial infrastructure facilities for the entire value chain of the textile industry, the government has approved the setting up of seven PM Mega Integrated Textile Region and Apparel (PM MITRA) Parks. The parks will not only reduce logistics costs and improve the competitiveness of Indian Textiles but also boost employment generation, attract domestic investment and FDI, and position India firmly in the global textile market. The parks are expected to create a total of one lakh direct and two lakh indirect employment. Other Government schemes includes Scheme for Integrated Textile Parks (SITP), Technology Upgradation Fund Scheme (TUFS) etc.

Further, to boost the production capacity, the government has launched the Textile PLI Scheme with an approved outlay of Rs 10683 crore over five years starting from 1st January 2022 to promote investments and increase the production of Man-Made Fibre (MMF) Apparel, MMF Fabrics and Products of Technical Textiles. This will enable the textile sector to achieve size and scale, enhancing export competitiveness. In the approved 64 applications so far, the proposed total investment commitment is Rs 19798 crore, with projected turnover and employment generation of Rs 1.9 lakh crore and 2.5 lakh, respectively.

Indian government has come up with several export promotion policies for the textiles sector. It has also allowed 100% FDI in the sector under the automatic route. Cumulative FDI inflows in the Textiles (including Dyed, Printed) sector stood at over USD 4.05 bn between April 2020 to Sept'2022.

Some of the key previous announcements for the sector

- Customs exemptions and tariff simplification - simplifies the customs rate and tariff structure for textiles sector
- To incentivise exports, exemptions are being provided to bonafide exporters of textiles goods
- Raising and Accelerating MSME Performance (RAMP) programme and revamping CGTMSE scheme will benefit many MSME players in the textile sector

Credit Ratios

Sector Credit Ratios (Upgrade vis-à-vis downgrades) during 9MFY2023 as compared to previous year for the same period

Credit Ratio							
Sector	Total No. of Companies (o/s as on Jan 2023)	9MFY22			9MFY23		
		Upgrades	Downgrades	Ratio	Upgrades	Downgrades	Ratio
Textile	4414	156	724	0.22	221	602	0.37

Source: CRISIL; SBI Research; numbers are for all rating agencies.

With 221 upgrades as compared to 602 downgrades during 9MFY2023, credit ratio stands at 0.37 as compared to 0.22 during 9MFY2022 showing an improvement of 15 bps.

Sectors Performance - Key Financials of Select Companies (Standalone)

Key Financials of Select Textile Companies for H1FY23 vis-à-vis H1FY22 (Rs in Crore)									
Name of the Company	H1FY23			H1FY22			Growth H1FY23 on H1FY22		
	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
Grasim Industries Ltd	13998	2189	1773	8696	1541	1461	61%	42%	21%
Vardhman Textiles Ltd	5118	860	508	4223	1145	771	21%	-25%	-34%
Arvind Ltd	4169	357	216	3317	290	77	26%	23%	182%
Trident Ltd	3086	397	163	3140	782	432	-2%	-49%	-62%
Welspun India Ltd	2911	131	23	3513	590	295	-17%	-78%	-92%

Source: CLine; SBI Research.

In H1FY23, 300 listed entities reported 21% growth in top line while EBIDTA decreased by 28% on YoY basis reflecting margin pressure on account of higher input cost/ lower realizations. Grasim reported net sales of Rs 13998 crore in H1FY23 as compared to Rs 8696 crore in H1FY22, reporting a growth of 61% over H1FY22. Similarly, Vardhman Textile and Arvind Ltd. also reported 21% and 26% growth in revenue in H1FY23 as compared to H1FY22.

Q3FY23 early trend and expectations – Around 27 listed entities in the Textile space declared their Q3FY22 results reported more than 10% de-growth in revenue. Though it's an early trend, we expect overall growth in Q3 may not be different from the early trend.

Market Reaction

Market Movement from Previous Budget (1st Feb'22) and on Budget Day (1st Feb'23)							
Sector - Textile Name of the Companies	01-Feb-22	31-Jan-23	1-Feb-23	Movement Over 01-Feb-22		Movement on Budget Day	
				Price	%	Price	%
Grasim Industries Ltd	1771.35	1590.20	1578.55	-192.80	-10.88%	-11.65	-0.73%
Vardhman Textiles Ltd	2399.55	303.30	295.15	-2104.40	-87.70%	-8.15	-2.69%
Welspun India Ltd	143.10	67.20	64.70	-78.40	-54.79%	-2.50	-3.72%
Arvind Ltd	141.25	84.60	84.70	-56.55	-40.04%	0.10	0.12%
Trident Ltd	60.30	34.45	33.10	-27.20	-45.11%	-1.35	-3.92%

Source: NSE; closing price as on date.

SECTOR : CEMENT

OVERALL IMPACT: POSITIVE

Budget Proposals and Impact

- 100 critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors will be taken up on priority with investment of Rs 75,000 crore
- 50 additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity.
- To create urban infrastructure in Tier 2 and Tier 3 cities through Urban Infrastructure Development Fund (UIDF) with expected available corpus of Rs 10000 crore per annum for this purpose
- Coastal shipping will be promoted as the energy efficient and lower cost mode of transport, both for passengers and freight, through PPP mode with viability gap funding
- Capital outlay of Rs 2.40 lakh crore has been provided for the Railways
- Capital outlay for Road Transport and Highways have increased to Rs 2.59 lakh crore
- Constructions of Unity Mall in state capital or most prominent tourism centre or the financial capital for promotion and sale of their own ODOPs (one district, one product)

Backdrop

India is the second-largest producer of cement in the world, accounting for more than 7% of the global installed capacity. As India has a high quantity and quality of limestone deposits through-out the country, the cement industry promises huge potential for growth.

In FY 2022, domestic production of cement stood at 356 million tons, up from 296 million tons in FY 2021. In terms of volume, cement consumption reached 355.46 million tons in FY 2022 and is expected to reach 450 million tons by the end of FY 2027 because of the expanding demand from different sectors, i.e., housing, commercial construction, and industrial construction. The housing sector is the key contributor to cement market growth. It is estimated that about 60% of cement is consumed by the sector. South India has the maximum production capacity among the five zones (north, south, central, west and east). It has about 33% share of the overall cement production of the country.

Indian government is firmly focused on infrastructure development to spur economic growth and is striving for full infrastructure coverage to establish smart cities. The government plans to increase the capacity of railways and the facilities for handling and storage to enable the transfer of cement and cut out on transportation costs. These measures are expected to result in an increased construction activity in the country, thereby boosting demand for cement. Several government initiatives such as the low-cost housing (housing for all) project under the PMAY scheme are expected to drive the industry during the forecast period.

According to the data released by Department for Promotion of Industry and Internal Trade (DPIIT), cement and gypsum products attracted Foreign Direct Investment (FDI) worth US$ 5.5 billion between April 2000 and September 2022.

Some of the key announcements in last budget

- PM Gati Shakti Driven by seven engines: Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure.
- National Master Plan aimed at world class modern infrastructure and logistics synergy
- Formulation of Master Plan for expressways - completing 25000 km national highways in 2022-23
- 4 Multimodal Logistics parks through PPP to be awarded in 2022-23

- Integration of Postal and Railways Network facilitating parcel movement.
- Multimodal connectivity between mass urban transport and railway stations
- PM Awas Yojana - 80 lakh houses to be completed in 2022-23
- Rs 48000 crore allocated to housing scheme under PM housing scheme for FY23

Credit Ratios

Sector Credit Ratios (Upgrade vis-à-vis downgrades) during 9MFY2023 as compared to previous year for the same period.

Credit Ratio							
Sector	Total No. of Companies (o/s as on Jan 2023)	9MFY22			9MFY23		
		Upgrades	Downgrades	Ratio	Upgrades	Downgrades	Ratio
Cement	148	27	14	1.93	8	16	0.50

Source: CRISIL; SBI Research; numbers are for all rating agencies.

With 8 upgrades and 16 downgrades during 9MFY2023, credit ratio stands at 0.50, as against 1.93 during 9MFY2022.

Sectors Performance - Key Financials of Select Companies (Standalone)

Key Financials of Select Cement Companies for H1FY23 vis-à-vis H1FY22 (Rs in Crore)									
Name of the Company	H1FY23			H1FY22			Growth H1FY23 on H1FY22		
	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
UltraTech Cement Ltd	28197	4645	2272	23025	5772	2981	22%	-20%	-24%
Shree Cement Ltd	7984	1342	505	6655	1912	1239	20%	-30%	-59%
J K Cements Ltd	4308	697	306	3469	729	377	24%	-4%	-19%
Nuvoco Vistas Corporation Ltd	4164	392	-51	3246	583	75	28%	-33%	-168%
The Ramco Cements Ltd	3503	484	124	2658	758	686	32%	-36%	-82%

Source: CLine; SBI Research.

In H1FY23, 34 listed companies reported 21% growth in top line. However, both EBIDTA and PAT declined by 30% and 51% respectively as compared to H2FY22. Ultratech reported 22% growth in topline and degrowth in both EBIDTA and PAT at 20% and 24% respectively. while Shree Cement reported 20% growth in topline with 30% and 59% decline in EBIDTA and PAT respectively during H1FY23 as compared to H2FY22.

Q3 Result early trend and expectations - We expect revenue to grow by 15-20% YoY in Q3FY23 as compared to Q3FY22 with strong sales. However, we expect, with high input cost, sector will continue to face EBIDTA pressure in the second half of the year also. Ultratech Cement reported 20% growth in top line with 5% degrowth in EBIDTA in Q3FY23 as compared to Q3FY22.

Market Reaction

Market Movement from Previous Budget (1st Feb'22) and on Budget Day (1st Feb'23)							
Sector - Cement Name of the Companies	01-Feb-22	31-Jan-23	1-Feb-23	Movement Over 01-Feb-22		Movement on Budget Day	
				Price	%	Price	%
UltraTech Cement Ltd	7516.25	7085.55	7119.00	-397.25	-5.29%	33.45	0.47%
Shree Cement Ltd	25489.65	23684.55	23860.00	-1629.65	-6.39%	175.45	0.74%
J K Cements Ltd	3358.85	2710.15	2670.00	-688.85	-20.51%	-40.15	-1.48%
Nuvoco Vistas Corporation Ltd	460.95	361.35	359.45	-101.50	-22.02%	-1.90	-0.53%
The Ramco Cements Ltd	895.50	675.70	676.90	-218.60	-24.41%	1.20	0.18%

Source: NSE; closing price as on date.

SECTOR : CONSTRUCTION

OVERALL IMPACT: POSITIVE

Budget Proposals and Impact

- One hundred critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified. They will be taken up on priority with investment of Rs 75,000 crore.
- Fifty additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity.
- To create urban infrastructure in Tier 2 and Tier 3 cities through Urban Infrastructure Development Fund (UIDF) with expected available corpus of Rs 10000 crore per annum
- All cities and towns will be enabled for 100 per cent mechanical desludging of septic tanks and sewers to transition from manhole to machine-hole mode.
- Capital outlay of Rs 2.40 lakh crore has been provided for the Railways
- Capital outlay for Road Transport and Highways have increased to Rs 2.59 lakh crore
- Capital outlay of Rs 1.6 lakh crore for defense
- Constructions of Unity Mall in their state capital or most prominent tourism centre or the financial capital for promotion and sale of their own ODOPs (one district, one product)

The newly established Infrastructure Finance Secretariat will assist all stakeholders for more private investment in infrastructure, including railways, roads, urban infrastructure and power, which are dependent on public resources.

Backdrop

Infrastructure sector is a key driver for the Indian economy and developing India's infrastructure will play a vital role in achieving USD 5 trillion economy. The sector is distinctly responsible for driving India's overall development and accordingly enjoys intense focus from Government from all front whether it is policy measures or announcements of new projects for creation of world class infrastructure in the country.

Infrastructure space in the country is currently one of the Government focus areas and having huge scope for development. In recent years, Government has made substantial investments to modernize the country's aging infrastructure and realize its goals of making India as self-sufficient economy with a larger share of global exports.

India's National Infrastructure Pipeline was launched in 2019 with a pledge to invest Rs 111 tn between 2020 and 2025 to construct infrastructure projects across the country. The primary objective of the government's infrastructure initiatives is the construction of additional roads, railroads, urban projects, and clean energy infrastructure.

Construction capex to be driven by infrastructure segment in the medium term; public funds to carry heavy load. Roads and railways sectors to lead growth in infrastructure. New launches by developers, completion of under-construction houses and of PMAY scheme to drive investments. Further, PLI scheme announced by GoI to provide a boost to industrial investments

Government's Make-in-India initiative has facilitated investment, fostered innovation and built world-class infrastructure while addressing the gaps in domestic manufacturing capabilities and enabler for the construction sector.

Further, Gati Shakti will incorporate the infrastructure schemes of various Ministries and State Governments like Bharatmala, Sagarmala, inland waterways, dry/land ports, UDAN etc. Economic Zones like textile clusters, pharmaceutical clusters, defence corridors, electronic parks, industrial corridors, fishing clusters, agri zones will be covered to improve connectivity & make Indian businesses more competitive. Robust growth in the production of capital goods and infrastructure/construction goods is indicative of the beginnings of an investment cycle in the private sector in the next financial year.

Some of the key announcements in previous budget for the sector

- PM Gati Shakti master plan driven by seven engines - Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure.
- National Master Plan aimed at world class modern infrastructure and logistics synergy
- Formulation of Master Plan for expressways. Completing 25000 km national highways in 2022-23
- 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.
- PM Awas Yojana - 80 lakh houses to be completed in 2022-23
- Har Ghar, Nal Se Jal: 3.8 crore households to be covered in 2022-23
- Vibrant Villages Programme - Targeting development of villages on the Northern Border left out from the development gains
- Allocation to Ministry of Road Transport and Highways Rs 1.99 lakh crore for 2022-23
- Allocation to Ministry of Railways Rs 1.40 lakh crore for 2022-23

Credit Ratios

Sector Credit Ratios (Upgrade vis-à-vis downgrades) during 9MFY2023 as compared to previous year for the same period

Credit Ratio							
Sector	Total No. of Companies (o/s as on Jan 2023)	9MFY22			9MFY23		
		Upgrades	Downgrades	Ratio	Upgrades	Downgrades	Ratio
Constructions	4579	197	868	0.23	266	801	0.33

Source: CRISIL; SBI Research; numbers are for all rating agencies; Constructions & Engineering.

With upgrades of 266 and downgrades of 801 during 9MFY2023, credit ratio improved by 10 bps to 0.33 from 0.23 for 9MFY2022.

Sectors Performance - Key Financials of Select Companies (Standalone)

Key Financials of Select Constructions Companies for H1FY23 vis-à-vis H1FY22 (Rs in Crore)									
Name of the Company	H1FY23			H1FY22			Growth H1FY23 on H1FY22		
	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
Larsen & Toubro Ltd	45981	3454	3021	37896	3086	3155	21%	12%	-4%
Rail Vikas Nigam Ltd	9550	597	582	7895	455	433	21%	31%	34%
NCC Ltd	5962	570	242	4092	436	156	46%	31%	55%
Macrotech Developers Ltd	3964	-380	-803	3635	769	421	9%	PTL	PTL
PNC Infratech Ltd	3319	465	298	2866	397	229	16%	17%	30%

Source: CLine; SBI Research; PTL= profit to loss.

In H1FY23, most of the companies, in listed space, reported double digit growth in revenue as well as EBIDTA as compared to H1FY22. L&T and Rail Vikas Nigam Ltd. reported revenue growth of 21% each in H1FY23 as compared to H1FY22.

Initial trend Q3FY23 - Around 16 listed companies, which have declared Q3FY23 results, reported around 18% growth in revenue. We expect the sector to report double digit growth number in revenue in Q3FY23 as compared to Q3FY22.

Market Reaction

Market Movement from Previous Budget (1st Feb'22) and on Budget Day (1st Feb'23)							
Sector - Construction Name of the Companies	01-Feb-22	31-Jan-23	1-Feb-23	Movement Over 01-Feb-22		Movement on Budget Day	
				Price	%	Price	%
Larsen & Toubro Ltd	1990.50	2124.40	2150.00	159.5	8.01%	25.6	1.21%
Rail Vikas Nigam Ltd	35.70	76.10	72.75	37.1	103.78%	-3.3	-4.40%
Dilip Buildcon Ltd	367.75	214.15	212.10	-155.7	-42.32%	-2.1	-0.96%
NCC Ltd	75.15	90.20	89.00	13.9	18.43%	-1.2	-1.33%
PNC Infratech Ltd	297.90	328.55	334.00	36.1	12.12%	5.4	1.66%
NIFTY INFRA INDEX	5,109.90	5,061.35	5,009.45	-100.5	-1.97%	-51.9	-1.03%

Source: NSE; closing price as on date.

SECTOR : POWER

OVERALL IMPACT : POSITIVE

Budget Proposals and Impact

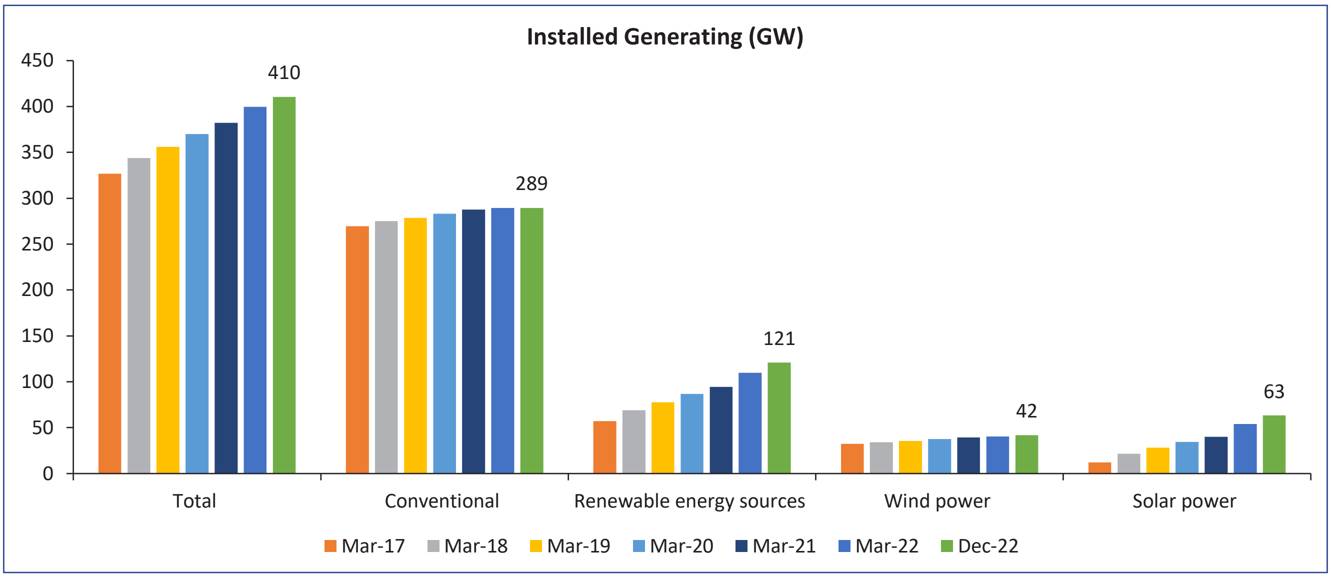
- Provides Rs 35,000 crore for priority capital investments towards energy transition and net zero objectives, and energy security by Ministry of Petroleum & Natural Gas.
- Battery Energy Storage Systems with capacity of 4,000 MWH will be supported with Viability Gap Funding.
- Inter-state transmission system for evacuation and grid integration of 13 GW renewable energy from Ladakh will be constructed with investment of Rs 20700 crore including central support of Rs 8300 crore.
- India is moving forward firmly for the 'panchamrit' and net-zero carbon emission by 2070 to usher in green industrial and economic transition

The recently launched National Green Hydrogen Mission, with an outlay of Rs 19,700 crores, will facilitate transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports, and make the country assume technology and market leadership in this sunrise sector. Target is to reach an annual production of 5 MMT by 2030.

Backdrop

Infrastructure sector is a key driver for the Indian economy and Power sector is the heart of it. Indian power sector has evolved over the years and so does the share of fuel mix, comprising conventional sources such as coal, hydro etc. and environmentally sustainable sources including solar and wind. Sustained economic growth will continue to drive electricity demand in India. The share of renewable energy (RE) increased from 17.5% in March 2017 to 30% in Dec'2022 and the share of solar power increased from 3.76% to 15.4% during the same period.

Total installed generation capacity, as on December'2022, is 410 GW comprises of 70% conventional (289 GW) and 30% (121 GW) from Renewable energy sources.

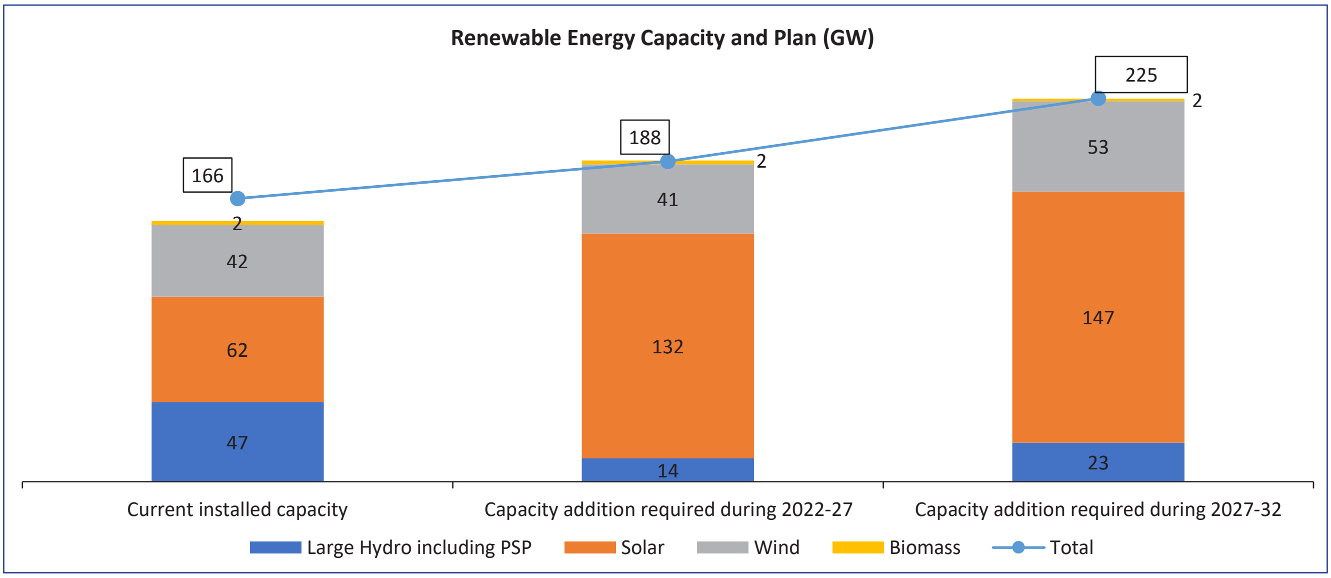


It is important to note that while conventional capacity is growing at a CAGR of 3.86% in last six years, renewable energy grew at a CAGR of 13.2% and within which solar power grew at a CAGR of 31.4% during the same period.

India is progressively becoming a favoured destination for investment in renewables. As per the Renewables 2022 Global Status Report, during the period 2014 -2021, total investment in renewables stood at US$ 78.1 billion in India. Investment in renewable energy has been close to or higher than US$ 10 billion per year since 2016, except for a dip in 2020 due to various Covid-19 restrictions.

The government has announced its intent to achieve renewable energy capacity of 500 GW by 2030, at COP26. India's current RE capacity is at 121 GW as on Dec'2022. This means another 380 GW of RE has to be added by 2030 to meet the commitment. The 500 GW mission is translating a target of nearly 50 GW of RE capacity to be added per annum over the next eight years, that is by 2030, suggesting huge opportunity in the renewable space.

Further, as per the draft National Electricity Plan 413 GW of renewable capacity (including large Hydro) to be added in two phases from 2022-32.



Source: CEA; draft National Electricity Plan.

The Government of India has allocated Rs 111 lakh crore under the National Infrastructure Pipeline till FY25. The energy sector is likely to account for 24% capital expenditure

India's distinct advantage in low-cost renewable energy generation makes green hydrogen the most competitive form of hydrogen in the long run. India's Green Hydrogen Policy provides for the waiver of inter-state transmission charges for a period of 25 years to the producer of Green Hydrogen and Green Ammonia from the projects commissioned before 30th June 2025. Green Hydrogen / Green Ammonia production plant can be set up in any of the Manufacturing Zones, and Land in Renewable Energy Parks can also be allotted for the manufacture of Green Hydrogen / Green Ammonia. Independent reports suggest adoption of green hydrogen will also result in 3.6 giga tonnes of cumulative CO2 emissions reductions between 2020 and 2050. Further, Energy import savings from green hydrogen can range from $246 billion to $358 billion within the same period.

Credit Ratios

Sector Credit Ratios (Upgrade vis-à-vis downgrades) during 9MFY2023 as compared to previous year for the same period.

Credit Ratio							
Sector	Total No. of Companies (o/s as on Jan 2023)	9MFY22			9MFY23		
		Upgrades	Downgrades	Ratio	Upgrades	Downgrades	Ratio
Power	1368	152	94	1.62	144	107	1.35

Source: CRISIL; SBI Research; numbers are for all rating agencies; includes Power utilities, IPP and Energy Traders.

With 144 upgrades and 107 downgrades during 9MFY2023, credit ratio detoriated slightly by 27 bps. However, sector reported healthy credit ratio of 1.35 during 9MFY23 as compared to 1.62 during 9MFY2022.

Sectors Performance - Key Financials of Select Companies (Standalone)

Key Financials of Select Power Companies for H1FY23 vis-à-vis H1FY22 (Rs in Crore)									
Name of the Company	H1FY23			H1FY22			Growth H1FY23 on H1FY22		
	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
NTPC Ltd	81041	19267	7048	56551	15591	6418	43%	24%	10%
Power Grid Corporation of India Ltd	21102	17760	7417	19706	17357	9424	7%	2%	-21%
Torrent Power Ltd	9668	1984	974	6447	1518	555	50%	31%	75%
Tata Power Company Ltd	9381	304	1622	3657	1038	2073	157%	-71%	-22%
NHPC Ltd	5482	3233	2483	4916	3075	2217	12%	5%	12%

Source: CLine; SBI Research.

Around 35 listed entities in the sector reported revenue growth of 35% while EBIDTA grew by around 12% in H1FY23 as compared to H1FY22. However, PAT remains flat for the same set of companies. NTPC reported 43% growth in revenue with 24% and 10% growth in EBIDTA and PAT respectively.

Market Reaction

Market Movement from Previous Budget (1st Feb'22) and on Budget Day (1st Feb'23)							
Sector - Power Name of the Companies	01-Feb-22	31-Jan-23	1-Feb-23	Movement Over 01-Feb-22		Movement on Budget Day	
				Price	%	Price	%
NTPC Ltd	141.15	171.15	169.85	28.70	20.33%	-1.30	-0.76%
Power Grid Corporation of India Ltd	214.65	216.65	216.00	1.35	0.63%	-0.65	-0.30%
Torrent Power Ltd	545.60	449.95	440.50	-105.10	-19.26%	-9.45	-2.10%
Adani Green Energy Ltd	1904.00	1223.90	1160.40	-743.60	-39.05%	-63.50	-5.19%
NHPC Ltd	29.90	43.90	42.55	12.65	42.31%	-1.35	-3.08%

Source: NSE; closing price as on date.

MARKET MOOD: MOVEMENT IN KEY INDICES FROM PREVIOUS BUDGET DAY AND ON BUDGET DAY

Market Movement of Key Indices from Previous Budget (1st Feb'22) and on Budget Day (1st Feb'23)							
Indices	01-Feb-22	31-Jan-23	1-Feb-23	Movement Over 01-Feb-22		Movement on Budget Day	
				Price	Percentage	Price	Percentage
BSE SENSEX	58,862.57	59,549.90	59,708.08	845.51	1.44%	158.18	0.27%
NIFTY 50	17,576.85	17,662.15	17,616.30	39.45	0.22%	-45.85	-0.26%
NIFTY MIDCAP 100	30,611.60	30,676.45	30,386.65	-224.95	-0.73%	-289.80	-0.94%
NIFTY AUTO	11,616.10	13323.9	13,206.85	1590.75	13.69%	-117.05	-0.88%
NIFTY BANK	38,505.50	40,655.05	40,513.00	2007.50	5.21%	-142.05	-0.35%
NIFTY FMCG	37,183.80	44,456.90	44,958.30	7774.50	20.91%	501.40	1.13%
NIFTY INFRA	5,109.90	5,061.35	5,009.45	-100.45	-1.97%	-51.90	-1.03%
NIFTY PHARMA	13,744.50	12,360.25	12,355.80	-1388.70	-10.10%	-4.45	-0.04%
NIFTY REALITY	488.65	411.55	407.70	-80.95	-16.57%	-3.85	-0.94%
NIFTY MEDIA	2,247.20	1,898.60	1,847.30	-399.90	-17.80%	-51.30	-2.70%
NIFTY METAL	5,719.40	6,468.40	6,177.05	457.65	8.00%	-291.35	-4.50%

Source: NSE; BSE; closing points as on date.

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