



180Degrees
CONSULTING
— SGGSCC —

ANALYSIS OF

UNION BUDGET

2022-23

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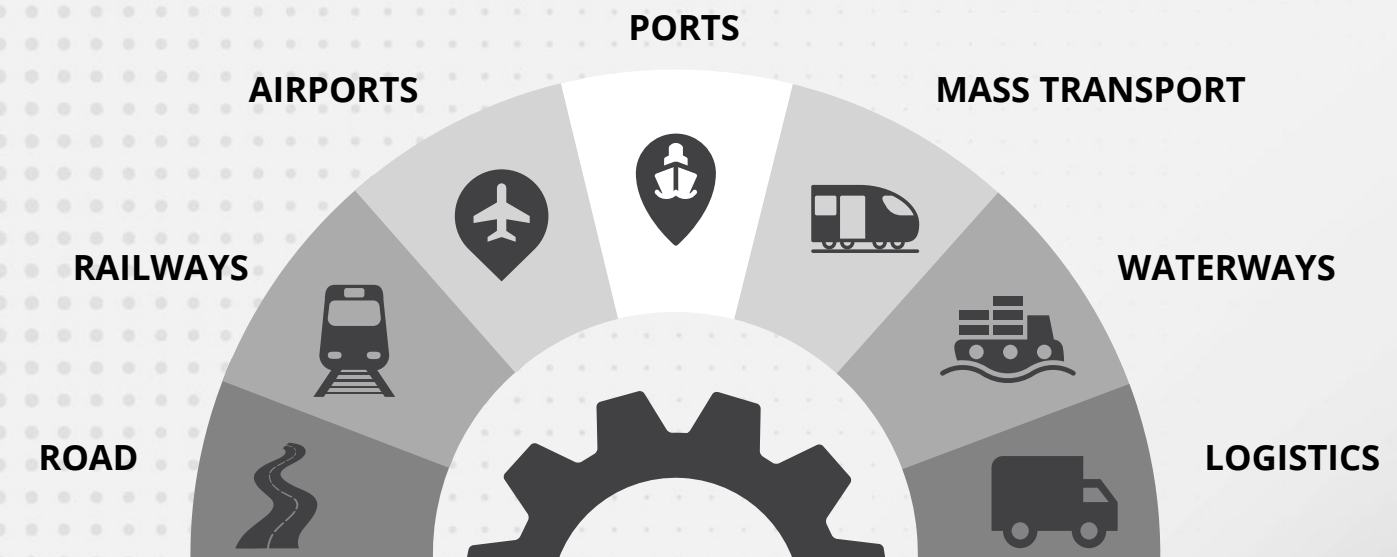
INTRODUCTION

Our Finance Minister Nirmala Sitharaman presented the Union Budget of 2022 in the Lok Sabha on 1st of February 2022, and the Prime Minister termed it as the **"People-friendly"** and **"progressive"** budget. According to our FM, this year's budget focuses on creating a blueprint for India for the next 25 years, From India @75 to India @100.

"We are marking Azadi ka Amrit Mahotsav and entering the Amrit Kaal", said the FM, referring to the next 25 years that lead us to the 100th anniversary of Independence. Much emphasis was given to the infrastructure, health and educational sectors. The Budget 2022-23 continues to provide momentum for development. To make the blueprint futuristic and inclusive, the government has laid the ensuing four priorities:

- **PM GatiShakti**
- **Inclusive Development**
- **Productivity Enhancement & Investment, Sunrise Opportunities, Energy Transition and Climate Action**
- **Financing of Investments**

7 ENGINES OF PM GATISHAKTI



KEY HIGHLIGHTS SUMMARY

No change in income tax slabs for 2022-23

Tax relief to persons with disabilities

Virtual digital assets to be taxed at 30%

National Master Plan on Expressways to be formulated

100 Gati Shakti cargo terminals to be developed in next years

Metro systems. Multi-modal connectivity to be facilitated on priority

Chemical free, natural farming to be promoted across the country

2022- to be the Year of Millet

Kisan drones to be used for crop assessment and spraying pesticides

Ken-Betwa river linking project to be taken up

Defence R&D to be opened up for start-ups and private industry

National Tele Mental Health program to be set up to focus on Mental Health

One Class, One TV channel to provide education in all regional languages

RBI to introduce 'digital rupee' using blockchain technology

E-passports with embedded chip and futuristic technology to be rolled out

Unique Land Parcel identification Number introduced for IT-based management of land records

Benefits to women and children through schemes like Mission Shakti, Poshan 2.0 etc

400 new generation Vande Bharat trains to be manufactured

60 km of Ropeway projects under Parvat Mala project

Rs. 2.37 lakh crore allocated towards direct payments for minimum support price

Rs. 60,000 crore allocated for Har Ghar Jal se Nal scheme

Electric vehicle battery swapping policy to be implemented

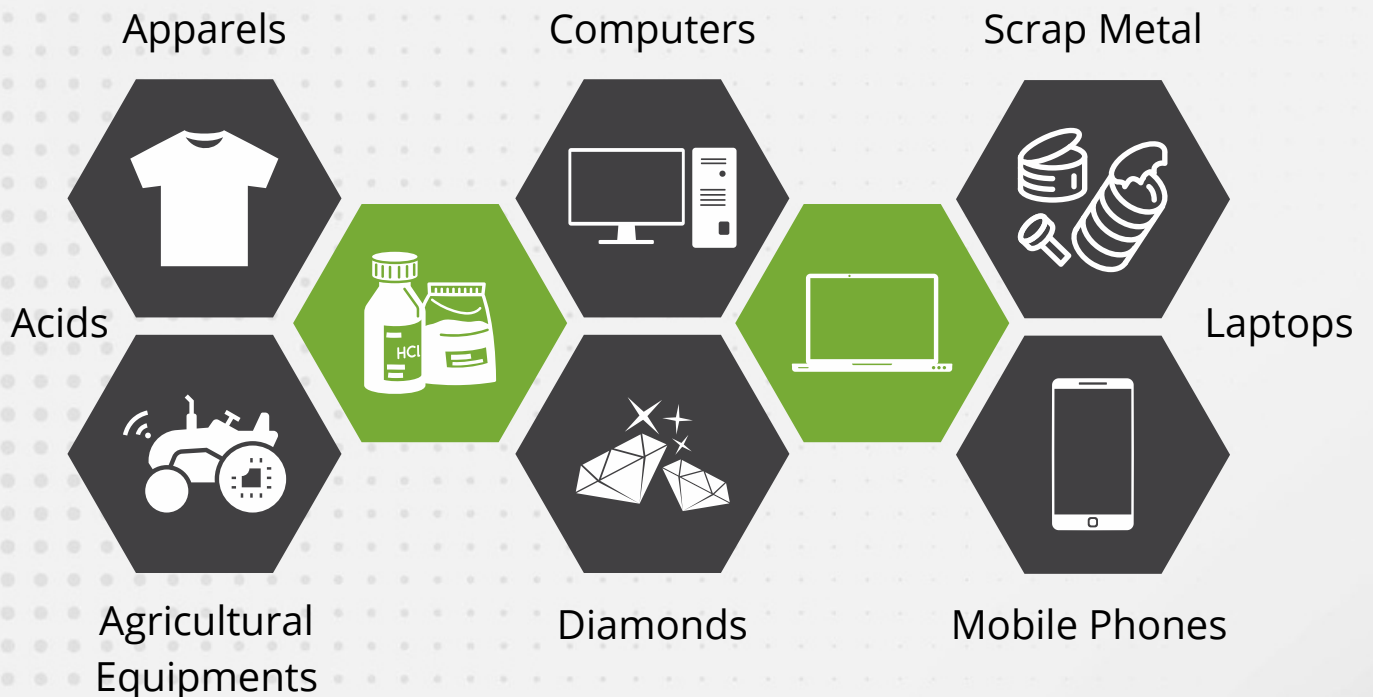
5G Telecom services to be rolled out in India by 2023

IMPACT ON PRICES

COSTLIER



CHEAPER



WHAT'S IN IT ?

FOR CORPORATES



Boost in growth through capex push

The government has announced a 35 percent increase in capital expenditure to Rs7.5 trillion, as well as an Rs1 trillion support package for states' capital expenditure commitments.

Liquidity assistance to MSMEs

The Emergency Credit Line Guarantee Scheme (ECLGS) would be extended until March 2023, and its guarantee cover will be increased by Rs50,000 crore, bringing the total protection to Rs 5 trillion.



Ease of doing business

The Centre is working towards Ease of Doing Business 2.0. 75000 Compliances have been abolished, and 1,486 union laws have been repealed.

Towards sustainable development

Increased funding for domestic solar module manufacturing , a proposal for a battery swapping policy, and the use of sovereign green bonds to raise financing will boost renewable energy and electric vehicles sectors



Status Quo

The tax slabs remain unchanged in the budget for 2022. The budget, on the other hand, has capped the surcharge at 15 percent on long-term capital gains tax on both listed and unlisted stocks

Legitimation of Crypto

Trading gains on digital assets such as cryptocurrencies will be subject to a 30% tax. In addition, a 1% tax deducted at source (TDS) has been applied on such transactions.



National pension system relief

The tax exemption for state employees on employer contributions to the national pension system (NPS) has been increased from 10% to 14% of basic income + dearness allowance

TDS on immovable property

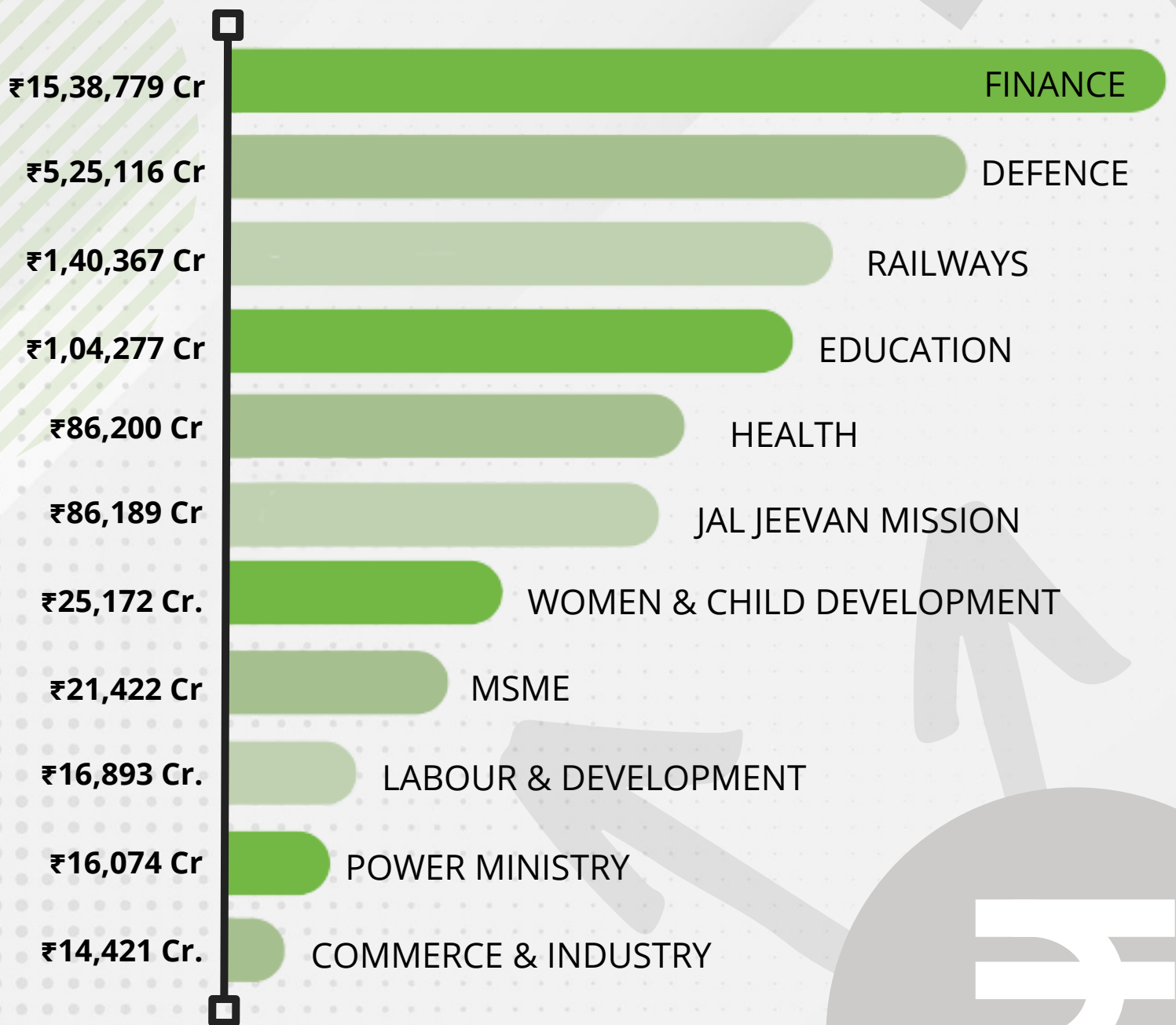
On sales of immovable property over Rs50 lakh, buyers of immovable property must deduct a 1% tax at source.













FOR CONSUMERS

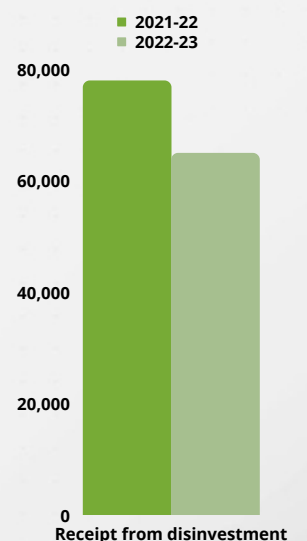
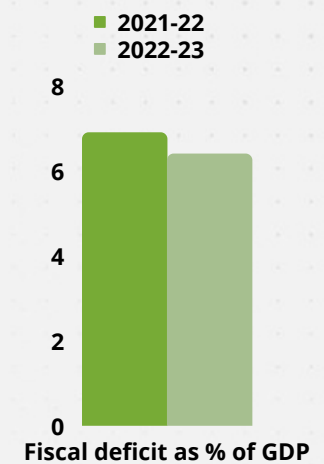
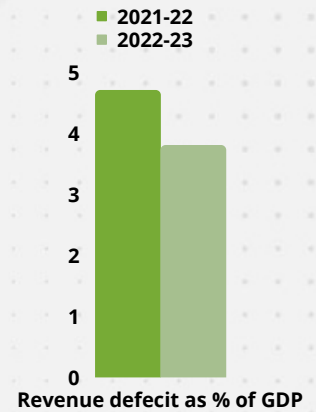
EXPENDITURE & ALLOCATION

The Government proposes to spend **Rs 39,44,909 crore in 2022-23**, which is an increase of 4.6% over the revised estimate of 2021-22. In 2021-22, total expenditure is estimated to be 8.2% higher than budget estimate.



DEFICIT DISINVESTMENT PRIVATISATION

-  Revenue deficit in 2022-23 is targeted at 3.8% of GDP, which is lower than the revised estimate of 4.7% in 2021-22.
-  Projected fiscal deficit of 6.4% of GDP in 2022/23, lower than the revised estimate of 6.9% of GDP in 2021- 22 (marginally higher than the budget estimate of 6.8% of GDP)
-  The target for primary deficit (which is fiscal deficit excluding interest payments) in 2021-22 is 2.8% of GDP.
-  States will be allowed a 4% fiscal deficit of GDP in FY23
-  Proposed fiscal deficit of 4.5% of GDP by 2025/26
-  Interest expenditure at Rs 9,40,651 crore is estimated to be 43% of revenue receipts.
-  50-year interest-free loans over and above normal borrowing allowed for states
-  Scheme for financial assistance to states for capital investment outlay to be Rs 1 lakh crore for 2022/23
-  Public issue of Life Insurance Corporation expected shortly
-  Receipt from disinvestment proceeds in next financial year pegged at Rs 65,000 crore, lower than the current year's mobilisation of Rs 78,000 crore.



LOSERS

State run Banks

Crypto Investors

Coal & Thermal plants

Stainless Steel

Automobile makers

IT Firms

Agriculture

WINNERS

EV Battery Makers

Transport Infrastructure

Solar

Cement & Construction

Telecom

Defense Manufacturers

Healthcare

KEY HIGHLIGHTS OF THE ECONOMIC SURVEY 2021-22



9.2 percent growth expected in real terms 2021-2022

GDP projected to grow 8.0-8.5 percent in 2022-23

Expenditure on **social services** as a proportion of **GDP** increases to **8.6 percent in 2021-22** (BE) as compared to **6.2 percent in 2014-15**



SOCIAL SECTOR

- **Bank credit** accelerates to **9.2 percent** as on 31st December, 2021. **Rs 89,066 crore raised via 75 IPOs**; significantly higher than any year in the last decade
- **CPI-C inflation** moderates to **5.2 percent** in 2021-22 (April-December)
- **Food inflation** averages at a low of **2.9 percent** in 2021-22 (April-December)

Government's supply side reforms preparing economy for **sustained long term expansion**

- **CAPEX** grows by **13.5 percent** (YoY) during April-November, 2021
- **Foreign exchange reserves** touch **US\$ 633.6 billions** 31st December, 2021

Capital expenditure sees substantial increase to Rs. 155,181 crore in 2020-21; **budgeted to further increase to Rs. 215,058 crore** in 2021-22, **five times** increase as compared to 2014 level

- **Per day road construction** increases to **36.5 kms** in 2020-21 – **rise of 30.4 percent** compared to the previous year



PANDEMIC



RAILWAYS

The Union Minister for Finance & Corporate Affairs, Smt. Nirmala Sitharaman presented the Economic Survey 2021-22 in the Parliament. The highlights of the Economic Survey are as follows:

FISCAL DEVELOPMENTS:



- During April-November 2021, **Capex** has grown by **13.5 percent** with focus on **infrastructure-intensive sectors**.
- With the enhanced borrowings on account of COVID-19, the **Central Government debt** has gone up from **49.1 percent** of GDP in 2019-20 to **59.3 percent** of GDP in 2020-21, but is expected to follow a declining trajectory with the **recovery of the economy**.

STATE OF THE ECONOMY:

- The Indian economy is estimated to grow by **9.2 percent** in real terms in **2021-22** (as per first advance estimates) subsequent to a contraction of **7.3 percent** in **2020-21**.
- **GDP** projected to grow by **8- 8.5 percent** in real terms in **2022-23**.
- The year ahead is poised for a pickup in **private sector investment** with the **financial system in a good position** to provide support for the economy's revival.



EXTERNAL FACTORS:



1. India's **merchandise exports** and **imports** rebounded strongly and **surpassed pre-COVID levels** during the current financial year.
2. **Net capital flows** were higher at **US\$ 65.6 billion** in the first half of 2021-22, on account of continued inflow of foreign investment, revival in net external commercial borrowings, higher banking capital and additional (SDR) allocation.

Monetary Management and Financial Intermediation:



- The **liquidity** in the system remained in surplus.
 - Repo rate** was maintained at **4 per cent** in 2021-22.
 - RBI** undertook various measures such as **G-Sec Acquisition Programme** and **Special Long-Term Repo Operations** to provide further liquidity.
- The economic shock of the pandemic has been weathered well by the **commercial banking** system:
 - Exceptional year for the capital markets:
 - Rs. 89,066 crore was raised via 75 Initial Public Offering (IPO)** issues in April-November 2021, which is much higher than in any year in the last decade.
 - Sensex and Nifty** scaled up to **touch peaks** October 18, 2021.

61,766

NIFTY



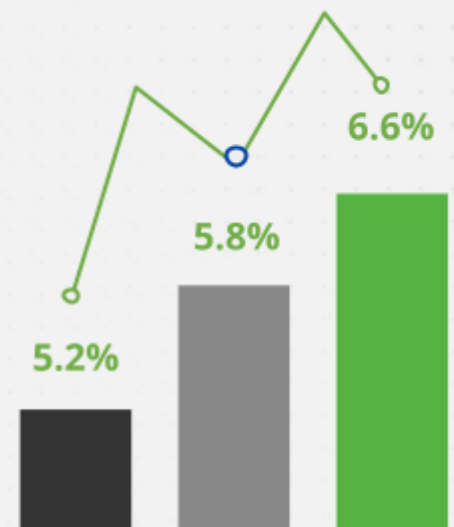
SENSEX

18,477

Price Inflation :

The average headline **CPI-Combined inflation** moderated to **5.2 per cent** in 2021-22 (April-December) from **6.6 per cent** in the corresponding period of 2020-21.

- The decline in **retail inflation** was led by easing **food inflation**.
- Effective supply-side management** kept prices of most essential commodities under control during the year.
- Reduction in **central excise** and subsequent cuts in **Value Added Tax** by most States helped **ease petrol and diesel prices**.



Wholesale inflation based on **Wholesale Price Index (WPI)** rose to **12.5 per cent** during 2021-22 (April to December). This has been attributed to:

- Low base** in the previous year,
- Pick-up** in economic activity,
- Sharp increase in **international prices** of **crude oil** and other imported inputs, and
- High **freight costs**.

Sustainable Development and Climate Change :

- India's overall score on the **NITI Aayog SDG India Index** and Dashboard improved to **66 in 2020-21** from 60 in 2019-20 and 57 in 2018-19.
- In August 2021, the **Plastic Waste Management Amendment Rules, 2021**, was notified which is aimed at phasing out single use plastic by 2022.
- The Compliance status of **Grossly Polluting Industries (GPIs)** located in the Ganga main stem and its tributaries **improved** from **39% in 2017 to 81% in 2020**.
- The Prime Minister, as a part of the national statement delivered at the 26th Conference of Parties (**COP 26**) in **Glasgow in November 2021**, announced ambitious targets to be achieved by 2030 to enable further reduction in emissions.



Agriculture and Food Management :



- The **Agriculture sector** experienced buoyant growth in past two years, accounting for a sizeable **18.8% (2021-22)** in **Gross Value Added (GVA)** of the country
- **Minimum Support Price (MSP)** policy is being used to **promote crop diversification**.
- Government has further **extended the coverage** of the food security network through schemes like **PM Gareeb Kalyan Yojana (PMGKY)**.

Service Sector :

- **GVA of services crossed pre-pandemic level** in July-September quarter of 2021-22; however, GVA of contact intensive sectors like trade, transport, etc. still remain below pre-pandemic level.
- Overall service **Sector GVA** is expected to **grow by 8.2 percent in 2021-22**.
- During the first half of 2021-22, the service sector received over **\$16.7 billion FDI** – accounting for almost **54 percent of total FDI** inflows into India.
- India has become the **3rd largest start-up ecosystem in the world** after the US and China. Number of **new recognized start-ups** increased to over **14000 in 2021-22** from **733 in 2016-17**.

SOCIAL INFRASTRUCTURE AND EMPLOYMENT :

- **157.94 crore doses** of COVID-19 vaccines administered as on 16th January 2022; **91.39 crore first dose** and **66.05 crore second dose**.

- Expenditure on **social services** (health, education and others) by Center and States as a proportion of **GDP** increased from **6.2 % in 2014-15** to **8.6% in 2021-22** (BE)

- As per the **National Family Health Survey-5:**

Total Fertility Rate (TFR) came down to 2 in 2019-21 from **2.2** in 2015-16. **Infant Mortality Rate** (IMR), under-five mortality rate and **institutional births** have improved in 2019-21 over year 2015-16

- Increased allotment of funds to **Mahatma Gandhi National Rural Employment Guarantee Scheme** (MGNREGA) to provide **buffer** for **unorganized labor** in rural areas during the pandemic.

SECTOR WISE

AGRICULTURE



- Under MSP operations, the government will pay Rs.2.37 lakh crore for wheat and paddy procurement.
- Kisan Drones for crop evaluation, land records, and insecticide spraying are projected to generate a wave of technology in the agriculture sector.
- NABARD will assist the creation of a co-investment fund to finance agriculture and rural enterprise startups that are related to the farm produce value chain.
- A policy will be implemented to facilitate EV charging infrastructure and battery swapping.

CLEAN ENERGY & SUSTAINABILITY



- Funds will be allocated to green infrastructure projects through the issuance of sovereign green bonds.
- PLI has received an additional allocation of Rs19,500 crore for the manufacture of high-efficiency solar modules.

Over 15,000 schools to be qualitatively strengthened under National Education Policy.

- ✔ Digital university to be set up to provide education; to be built on a hub and spoke model to give access to students for world-quality education with ISTE Standards.



1-Class-1-TV Channel to be implemented to provide supplementary education to children to make up for the loss of formal education due to Covid

- ✔ A National Skill Qualification Framework (NSQF) to be launched to cater to the dynamic industry needs.

A National Tele Mental Health Program to be launched, for quality mental health counselling and care services.



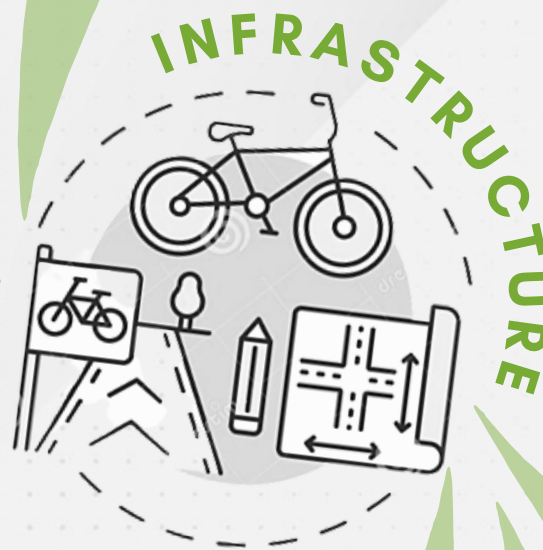
An open platform for National Digital Health Ecosystem to be established, Under the Ayushman Bharat Digital Mission, It will consist of digital registries of health providers and health facilities, unique health identity, consent framework, and universal access to health facilities.



National Highways Network to be expanded by 25000 km in 2022-23 to facilitate faster movement of people and goods.

400 new generation Vande Bharat Trains with better efficiency and passenger riding experience to be developed during the next 3 years.

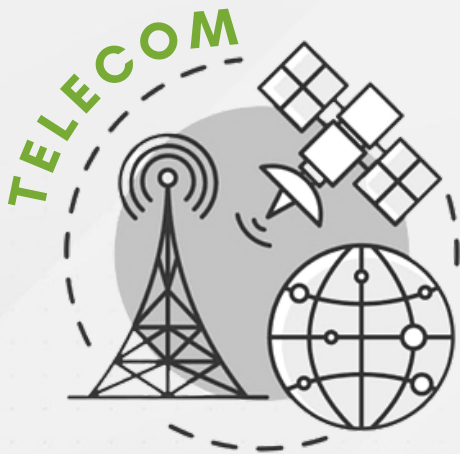
100 PM Gatishakti cargo terminals for multimodal logistics facility to be developed in next 3 years






2,000 KM of rail network to be brought under 'Kavach' in 2022-23, the indigenous world-class technology for safety and capacity augmentation.

Contracts for implementation of Multimodal Logistics Parks at four locations through PPP mode will be awarded in 2022-23

Five river linking projects, namely Damanganga-Pinjal, Par-TapiNarmada, Godavari-Krishna, Krishna-Pennar and Pennar-Cauvery to be taken up.



-  A spectrum auction for 5G deployment will be held in 2022.
-  As part of the PLI initiative to provide cheap broadband and mobile connectivity in rural and remote locations, a design-led manufacturing scheme for the 5G ecosystem will be introduced.
-  Contracts for laying optical fibre in villages will be awarded through a Public-Private Partnership under the BharatNet project.

Raising and Accelerating MSME Performance (RAMP) programme with outlay of 6,000 crore over 5 years to be rolled out.

Emergency Credit Line Guarantee Scheme (ECLGS) to be extended up to March 2023 and its guarantee cover to be expanded by 50,000 crore to total cover of 5 lakh crore, with the additional amount being earmarked exclusively for the hospitality and related enterprises.

The National Skill Qualification Framework (NSQF) to be aligned with dynamic industry needs.



“

Any income generated from virtual assets to be taxed at 30%

A blockchain based digital rupee to be launched by the Central Bank Digital Currency and to be issued by the RBI.

”

Income tax slabs and rates remain unchanged

Employers' contributions to the NPS of state government employees are now eligible for a tax deduction of up to 14%, up from 10%

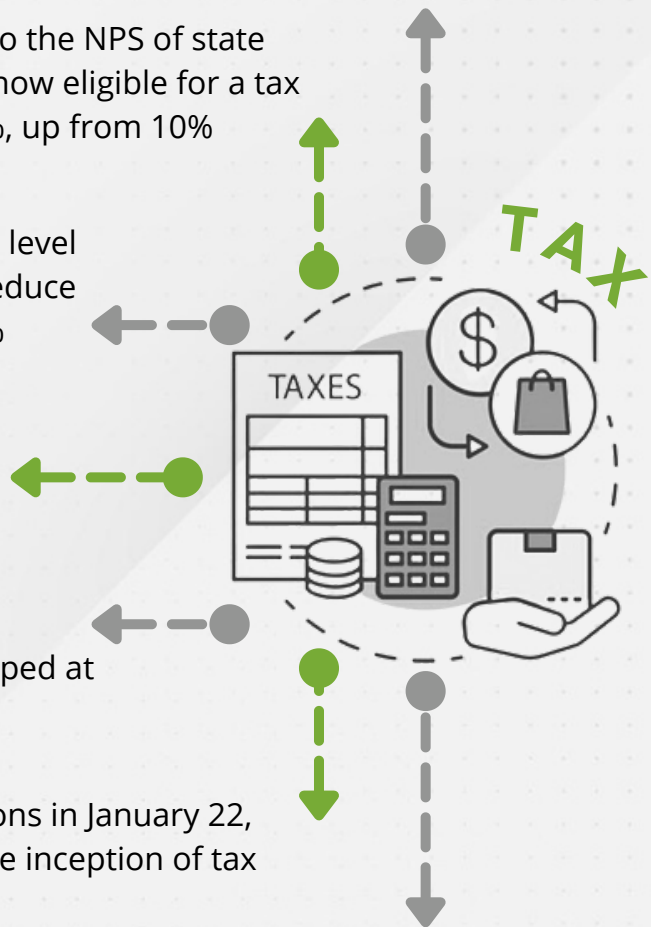
For cooperative societies with an income level between ₹1-10 crore, the proposal will reduce the surcharge to 7%, previously 12%

A new provision allows taxpayers to update their returns. Within two years of the conclusion of the applicable assessment year, an updated return can be filed.

Surcharge on long-term capital gains capped at 15 per cent

1.4 lakh crores of GST collections in January 22, highest ever recorded since the inception of tax

Alternate Minimum Tax for cooperative societies is reduced to 15% from 17.5% to align it with corporates.



DEFENCE



68 per cent of the capital procurement budget to be earmarked for domestic industry in 2022-23, up from 58 per cent in 2021-22.

Defence R&D to be opened up for industry, startups and academia with 25 per cent of defence R&D budget earmarked.

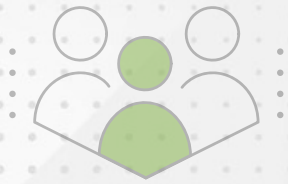
SCHEMES AND POLICY SNAPSHOTS



Three programmes were created to ensure integrated **development for women and children**, recognizing the relevance of '**Nari Shakti.**'



2 lakh Anganwadis to be upgraded for improving child health.



A new scheme called **PM Development Initiative for North East** to be launched.

The **National Ropeways Development Program** will be implemented in a **PPP model** with the goal of **improving connectivity** and **encouraging tourism.**



The government will begin a **National Telemental Health Service** to give **free counselling and care** to people **24 hours a day, seven days a week.** The plan will feature a network of **23 world-class tele-mental health centres**, with the National Institute of Mental Health and Neurosciences serving as the nodal centre.

STOCK MARKET REACTIONS

- **Airtel's stock price** **shot up** after the announcement of 5G spectrum auction as the company claims it is ready for 5G technology Deployment.



- **Tata Steel** was the **top gainer**, up 7.46 percent. Other gainers on the day included Sun Pharma, IndusInd Bank, Shree Cement, L&T, Hindalco Industries, UltraTech Cement, and JSW Steel.
- For the second day in a row, **Bharat Petroleum** was the **top loser** in the Nifty pack, **plunging 4.46 percent**. Other stocks that closed in the red were Indian Oil, Tata Motors, M&M, ONGC, SBI Life Insurance, and Eicher Motors.
- The 30-share pack **Sensex rose 848.40 points** or 1.46 per cent to **close at 58,862.56** while **NSE Nifty** advanced **237 points** or 1.37 per cent to **close at 17,576.85**.

POST BUDGET PRESS CONFERENCE

LIC IPO likely to go through this year

Finance minister stated that they've been successful in achieving previous targets and expecting to reach their present goals this fiscal year as well.

We've not increased the tax burden on the common man

the budget has not made any attempts to get more revenue through tax hikes

Finance minister said that the Union Budget 2022 is continuing the agenda laid out in the previous budget.



The Government is taking several steps to increase farmers' income.

- Y-o-y initiative to Inc agricultural credits, subsidies, etc.
- Food processing scheme to improve the quality of their grains.

2022 Green Bonds Will Be Part Of Total Borrowings

- Sovereign green bonds announced in the budget are part of the government's overall borrowing programme, not additional, the Economic Affairs Secretary said.
- Proceeds from green bonds will be used on specific sectors and projects
- Green bonds for domestic market at this point of time
- In conversation with RBI, market participants will determine size in.

EXPERTS REVIEW ON BUDGET

Chairman of Indian cellular and electronics association (ICEA), Pankaj Mohindroo, stated: The Hon'ble Prime Minister's bold and robust extension of the PLI Schemes, which were pioneered by ICEA, including the latest one declared for high-efficiency PV module (solar) with a budget of Rs.19,500 crores, is remarkable.

While ICEA welcomes the reduction in duty on parts of transformers of chargers, as well as a lens as part of the camera module, a long road remains, especially for the continued high basic customs duty for high-end mobile phones (i.e. phones with a CIF value higher than Rs. 20,000). We emphasize that rationalization of the BCD is essential to curb the grey market, increase revenue generation, and give a fillip to the industry.

"As announced by the Hon'ble Finance Minister in the Union Budget, the focus on using drones to drive sustainable development through Drone Shakti and Kisan Drones initiatives is a welcome move by the Indian government. This will kickstart the fourth industrial revolution by leveraging drone technology for digitization in agriculture, infrastructure and rural development and generate new-age employment opportunities for the youth of the country," said Neel Mehta, Co-Founder & Director, Asteria Aerospace



"Today's Union Budget presented by Finance Minister Smt. Nirmala Sitharaman is an inclusive and growth-oriented balanced budget with a clear focus on strengthening physical and digital infrastructure, boosting the 'Make in India' start-up ecosystem, and providing a strong digital push. The various initiatives will significantly contribute to the Indian dream of creating a 5 trillion-dollar economy. The creation of the technology and innovation-based Unified Logistics Interface platform, and the development of cargo terminals will further boost an efficient supply chain ecosystem in India and create millions of new livelihood opportunities," said Kalyan Krishnamurthy, CEO, Flipkart Group.

REACH US

