

BUDGET

REPORT 2023-24



Moneywise. Be wise.

The Union Budget 2023-24 will be presented by the Finance Minister Nirmala Sitharaman on February 1. As the economy is slowly but surely making a post-Covid recovery, the entire country is awaiting the announcement of the budget for this financial year.

Any announcement in the budget may have positive or negative bearing on the sectors and the stocks listed on the bourses.

Automobile

- From initiating electric vehicle manufacturing to easing foreign direct investment (FDI) norms and starting a semiconductor mission, the auto sector has seen many firsts.
- The sector wants to see more allocation for electric vehicles, with most car makers coming up with EVs in their portfolios.
- The sector also expects uniform goods and services tax rates. It is expected that government should improve GST structure by bringing all components tax structure at standard 18 percent to avoid dispute and ambiguities.

Stocks likely to be in focus Maruti Suzuki, Mahindra & Mahindra, Uno Minda, Automotie Axles, etc.

Bank/Financial Services

- Banks would appreciate changes in capital gains tax rules that would encourage consumption in the economy.
- The banking sector want clarity on planned stake sale of government banks.
- NBFCs sector expects that the government gives priority to enable them to extend hassle-free credit access.
- The reintroduction of a partial credit guarantee scheme to cover onward lending to MSMEs. The Credit Guarantee Scheme (CGS) was launched to strengthen credit delivery system and to facilitate flow of credit to the MSE sector, create access to finance for unserved, under-served and underprivileged, making availability of finance from conventional lenders to new generation entrepreneurs.
- Reduction of the SARFAESI applicability from Rs 50 lakh to Rs 20 lakh is a welcome move. Ideally, if the ceiling is Rs 5 lakh, it will help in scaling up disbursement of small ticket loans and recovery thereof.

Stocks likely to be in focus Kotak Mahindra Bank, ICICI Bank, St Bk of India, Bank of Baroda, Canara Bank, etc.

Capital Goods

- There are high expectations that the government will continue to focus on allocating more funds in infrastructure space.
- In order to promote growth, the government is expected to incentivize spending on capital expenditure by the corporate.

Stocks likely to be in focus Larsen & Toubro, Siemens, Bharat Forge, Finolex Cables, etc.

Consumer Durables

- Proposals for cutting personal tax outlays may be brought to light in order to increase consumption and support higher discretionary income in the hands of individuals.
- The focus of the government is expected to be on infrastructure development, empowerment, digitization and incentivising new-age manufacturing through PLI schemes. This too will support the sector.

Stocks likely to be in focus Bajaj Electricals, TTK Prestige, Orient Electric, etc.

Energy/ Power

- Globally, a number of nations have experimented with cutting-edge tax breaks to promote investment in solar energy.
- The government must offer tax breaks and incentives to businesses building solar panel facilities as well as to citizens installing solar rooftop electricity systems in order to reach the 2030 solar mission aim.
- As a direct tax incentive, the current concessional tax regime of 15 percent which is available to organizations commencing the generation of electricity or manufacture/production of any article or thing before 31 March 2024 should be extended to encourage organizations to invest in new energy.
- Developing indigenous technology or technical collaborations is critical to producing renewable energy. Creating a tax incentive policy towards R&D expenditure incurred by organizations for the development of such technology either indigenous or acquired from overseas jurisdiction could be considered. As an indirect tax incentive, reimbursement of indirect taxes on account of non-creditable inputs could be considered to minimize tax leakage.
- The government could consider rolling out incentives in form of a PLI scheme also in the wind, green hydrogen/ ammonia sector. For developers of wind projects, investment-based incentives such as capital subsidies could be considered.
- To boost battery energy storage system (BESS), the sector has asked for a budgetary allocation of Rs 3,500 crore to offer VGF for BESS of a total capacity of 4,000 Mwh.

Stocks likely to be in focus NHPC, NTPC, JSW Energy, etc.

FMCG

- With the government's focus on improving the rural sentiments, an increase in the budgetary allocation under the MNREGA and other rural development schemes is expected. This would support growth of the FMCG sector.

Stocks likely to be in focus ITC, Britannia Inds, Dabur India, Varun Beverages, etc.

Healthcare

- Expects the Government to provide tax incentives for both new and existing healthcare projects, push for infrastructure development and simplified regulations.
- Sector wants policies that focus on promoting research and development.
- The medical technology industry is counting on the Centre to increase the ambit of the Production-Linked Incentive (PLI) scheme to boost research and development.
- The Healthcare industry seeks simplified regulations, research-based incentives.

Stocks likely to be in focus Sun Pharmaceuticals, Cipla, Alkem Labs, Torrent Pharma, etc.

Metal & Mining

- Clarity on the Indian Bureau of Mines (IBM) pricing formula has been an industry demand for a while.
- The government may sought suo moto safeguard in terms of import duty of up to 25 per cent on ad-valorem basis, in the forthcoming union budget.
- The sector expects reinstatement of anti-dumping measures on HR coil, sheets and plates as well as colour coated and wire rods.
- In sync with the 'Make in India' policy to boost domestic manufacturing, the PLI scheme for manufacturing high-grade specialty steel will further provide impetus and benefit both major integrated steel manufacturers as well as downstream manufacturing MSMEs in the sector.
- The PLI scheme has huge potential to attract further investment in the steel sector.
- Increased spending on electric vehicles will be positive for steel and aluminium. Positive changes in the scrappage policy would be a positive for secondary steel makers, as it will increase the availability and reduce the cost of raw materials for that segment.

Stocks likely to be in focus Coal India, Hindalco, etc.

Oil & Gas

- The industry's expectation is for adequate budgetary provision to compensate for losses incurred on the sale of auto fuels and LPG
- With the softening of crude prices and reduction in the gross refining margins, the industry has been demanding that the SAED be discontinued
- Industry wants inclusion of Natural gas, crude oil and other petroleum products (MS, HSD and ATF) in GST to enable free flow of input tax credits and avoid stranded taxes. The upstream industry expects GST exemption for exploration activity.

Stocks likely to be in focus Reliance Inds, ONGC, BPCL, HPCL, IOC, etc.

Realty

- Realtors expect easier and cheaper home loans for homebuyers.
- The sector is also looking for government incentives that can decrease the prices for first-time home buyers and thus make housing affordable for the masses.
- Real estate stakeholders are hoping Budget 2023 will focus on providing a push to both affordable and rental housing.
- They also hope that the Budget 2023 should strengthen the existing financing systems to provide liquidity to stuck real estate projects.
- Steps such as reducing GST rates on raw materials such as cement & steel, offering better credit for developers, and single window clearance can immensely help the overall sector.
- Proactive steps such as increasing the limit of home loan interest deduction on income tax returns and reducing capital gain tax can give a further push to consumer spending and hence will be beneficial to the sector in the longer run.

Stocks likely to be in focus DLF, Phoenix Mills, Prestige Estates, Brigade Enterprises, etc.

Telecommunication

- Fiscal incentives for driving domestic innovation and indigenous manufacturing and promoting the development of an ecosystem around new technologies like artificial intelligence, machine learning, etc are the expectations of the sector.
- The Telecom industry is seeking government support for the expansion of infrastructure, such as the rollout of 5G networks and the development of internet connectivity in rural areas.
- Telecom companies currently have to pay 5% of the adjusted gross revenue (AGR) as Universal Service Obligation (USO) to the government. COAI wants this levy to be suspended till the existing USO fund is exhausted. It also wants the government to reduce the licence fee to 1% from 3%.

Stocks likely to be in focus Bharti Airtel, etc.

Insurance

- The government should look at offering GST credit to small and medium-sized businesses that sponsor the cost of insurance and wellness for their employees. This will further boost and motivate SME employers to provide adequate healthcare to their employees and in turn, reduce the burden on the government to provide the necessary healthcare to the country's missing middle.
- Composite license is another aspect that the government should push for because this will benefit the industry as well as policyholders alike. It will give insurers the necessary economies of scale and customers the option to buy multiple products from the same insurer, in turn lowering the cost of distribution (40% - 50% of premium) which is one of the major costs of operating an insurance business.

- GST rate rationalization from the current rate of 18 per cent on term products may also help make it more affordable for the masses, who are keen on buying protection-oriented products like life insurance.

Stocks likely to be in focus HDFC Life, ICICI Prudential Life Ins. and, General Insurance Corp., etc.

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