Post budget analysis of the Union budget

India: Union Budget FY 24.

Thursday, February 2nd 2023

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Overview on Macro Economy:

Honestly speaking, Finance Minister Nirmala Sitharaman has come out with flying colors on her fifth Budget and most importantly, the economic blueprint meets the expectations of the country and should take Indian economy to the top three economic powers in the world over the next 10-15 years.

A) Budget highlights

Well, by retaining the thrust on capex-related spending to support and revive economic growth —— FM Nirmala Sitharaman has taken up the big responsibility of proving to the big investors across the globe that the Prime Minister Narendra Modi's magic is still on.

The big bang economic push with outlay for capital expenditure in the Union Budget 2023-24 is stepped up sharply by 33% from Rs 7.50 lakh crore in the current year to Rs 10 lakh crore or 3.3% of the GDP in 2023-24. The effective capital expenditure (Capex) will be Rs 13.7 lakh crore, 4.5% of GDP.

In a big step in modernising rail mobility and connectivity, the FM also announced the highest ever capital outlay for Railways at Rs 2.4 lakh crore, about nine times the outlay made in FY 2013-14. The Capex shall help create employment opportunities. Economy likely to show strong resilience and should come out with strong growth. FM in her speech also added that 50 additional airports will be developed to improve regional connectivity.

Capital expenditure will have its biggest share in total spending in nearly two decades.

Long story short: Sole emphasis on providing impetus to growth through higher capital spending is a big push and is crucial for India's growth dreams to become the third largest economy in the world.

B) Economic Performance:

India is expected to grow at 7% in the current financial year 2022-23. Well, that's lower than earlier forecast of 8-8.5% growth but above the RBI's projection of 6.8%. The positive takeaway is that the government sticks to its ground that India is still the fastest growing major economy.

Overview on Macro Economy:

The FM during her Budget 2023-24 speech said, "The world has recognised India as a bright star, our growth for the current year is estimated at 7.0%, this is the highest among all major economies, in spite of massive global slowdown caused by pandemic and the war,".

The fiscal deficit target for the current financial year (FY23) of 6.4 percent of GDP, and is targeting a fiscal deficit of 5.9 percent of GDP for FY24. FM intends to bring the fiscal deficit below 4.5 per cent of GDP by 2025-26.

The total budget size for FY24 (total expenditure) will be Rs 45 trillion, compared with revised estimates (RE) of FY23 of Rs 41 trillion. The budget estimate (BE) for FY23 was Rs 39 trillion.

In absolute terms, the fiscal deficit in Budget 2023-24 is expected to be at Rs 17.87 lakh crore as against Rs 17.55 lakh crore in RE 2022-23.

The total receipts other than borrowings and the total expenditure are estimated at Rs 27.2 lakh crore and Rs 45 lakh crore respectively. The net tax receipts are estimated at Rs 23.3 lakh crore.

India's forex reserves stood at $561.583 billion as on January 13, 2023. The Foreign Currency Assets stood at $503.65 billion.

At the start of 2022, the overall forex reserves were at $633.61 billion and dropped to a two-year low in October. Much of the decline can be attributed to RBI's intervention and a rise in the cost of imported goods. It is still down sharply from a peak of over $642 billion touched in September last year.

The gross GST revenue collection for January 2023 was at record ₹1,55,922 crore.

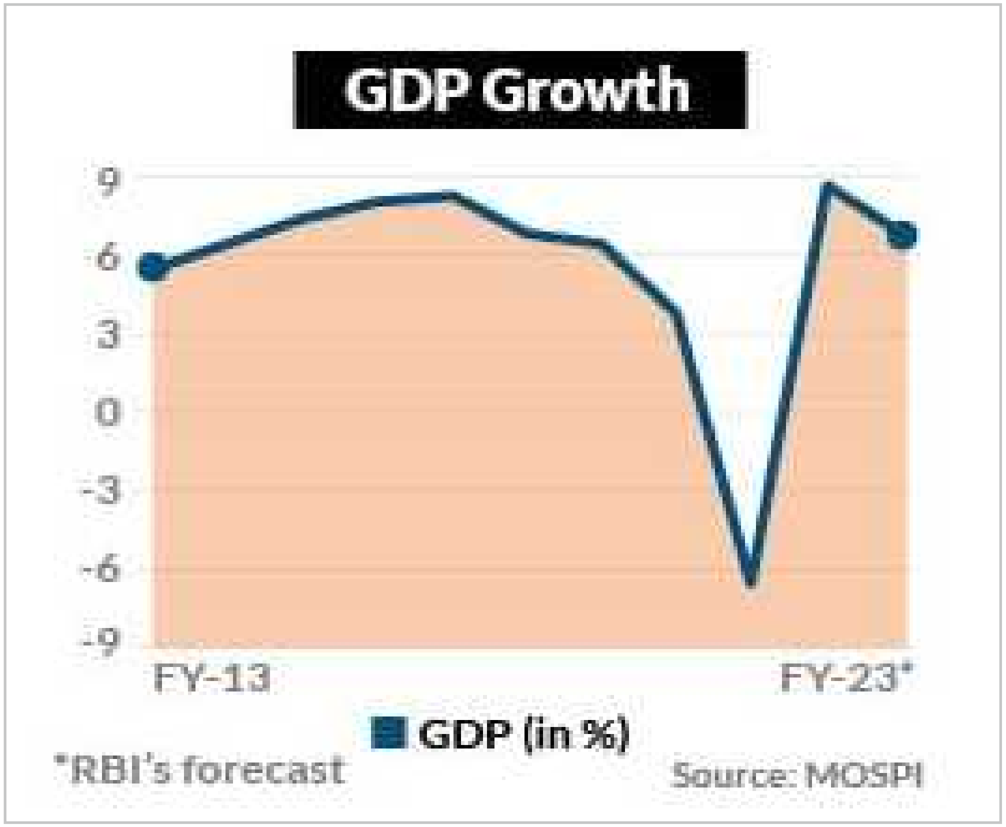
The revenues in the current financial year up to January 2023 are 24 per cent higher than the GST revenues during the same period last year.

This is for the third time, in the current financial year, GST collection has crossed ₹1.50 lakh crore mark. The GST collection in January 2023 is the second highest next only to the ₹1.68 lakh crore gross mop-up reported in April 2022.

Overview on Macro Economy:

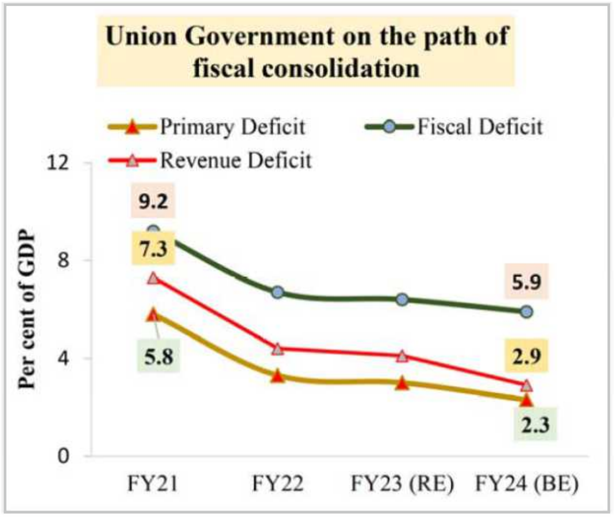
c) Story of economy performance in 7 charts:

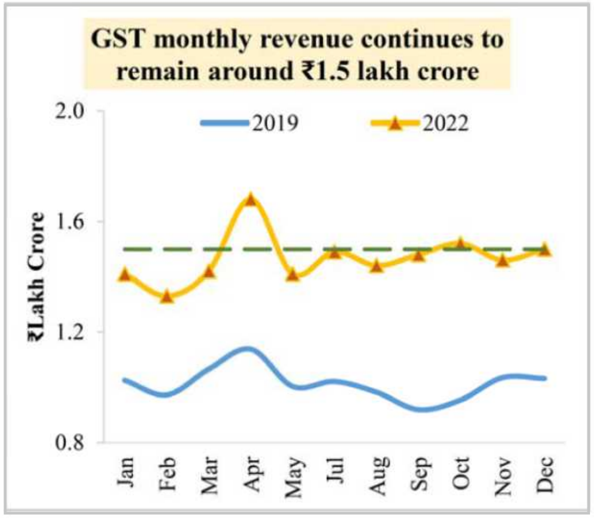
Indian economy: Recovery to resilient.

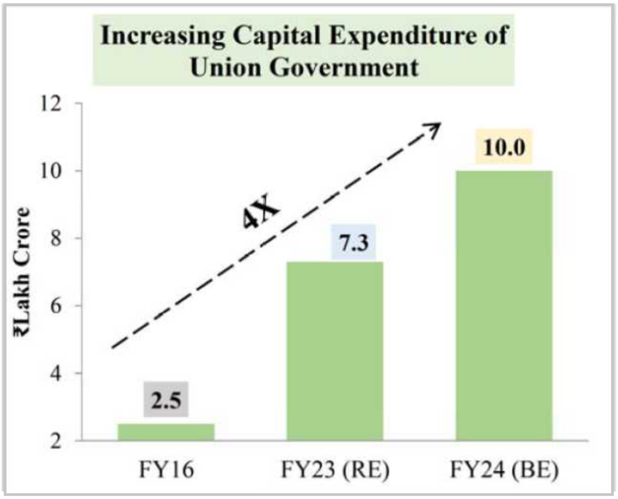


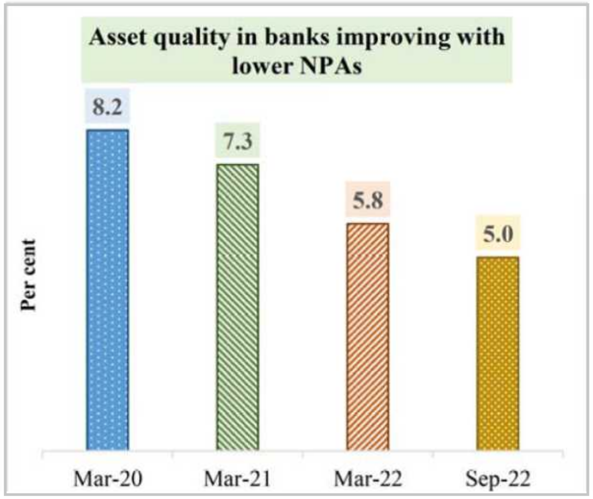
FY 19	6.5%
FY 20	3.7%
FY 21	-6.6%
FY 22	8.7%
FY 23*	7%

Overview on Macro Economy:









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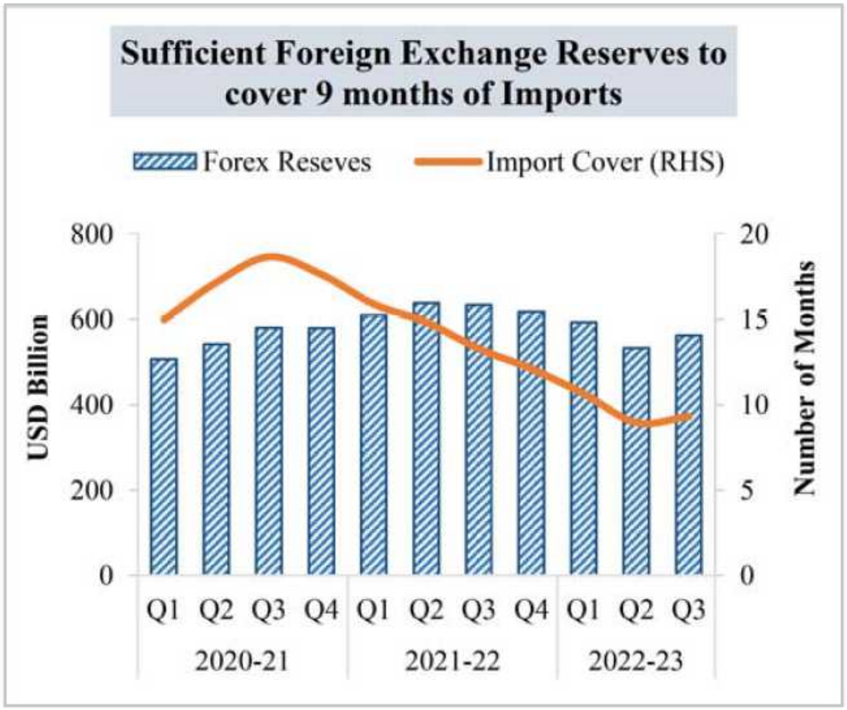
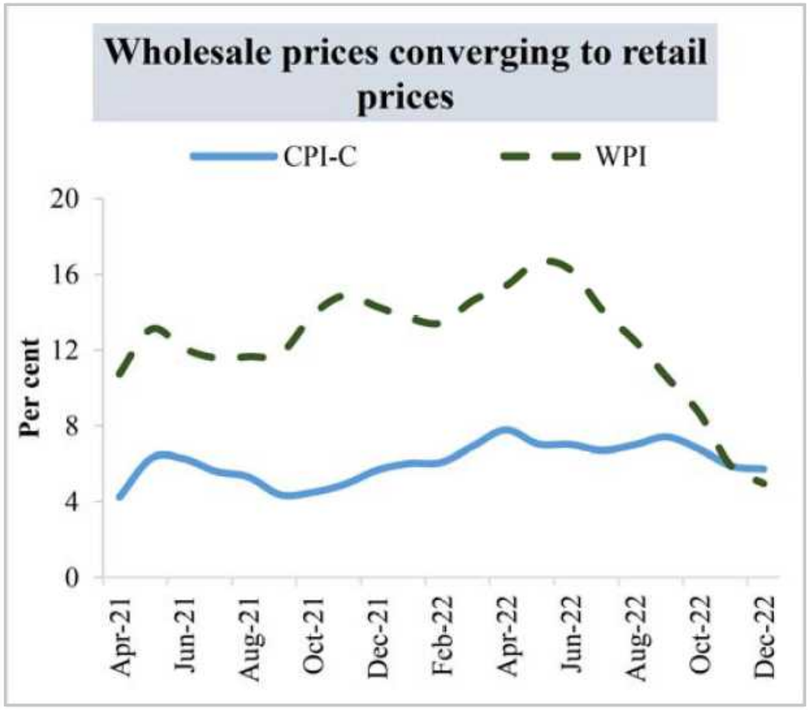
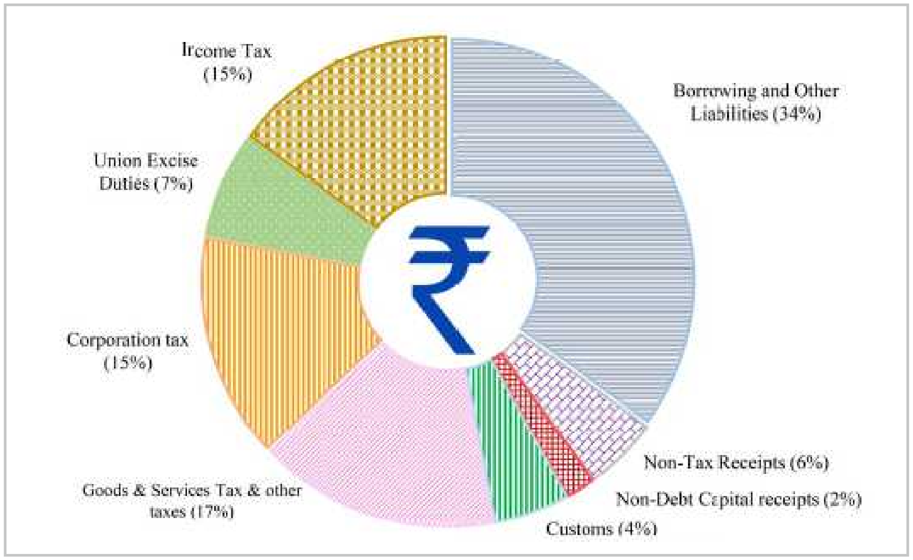


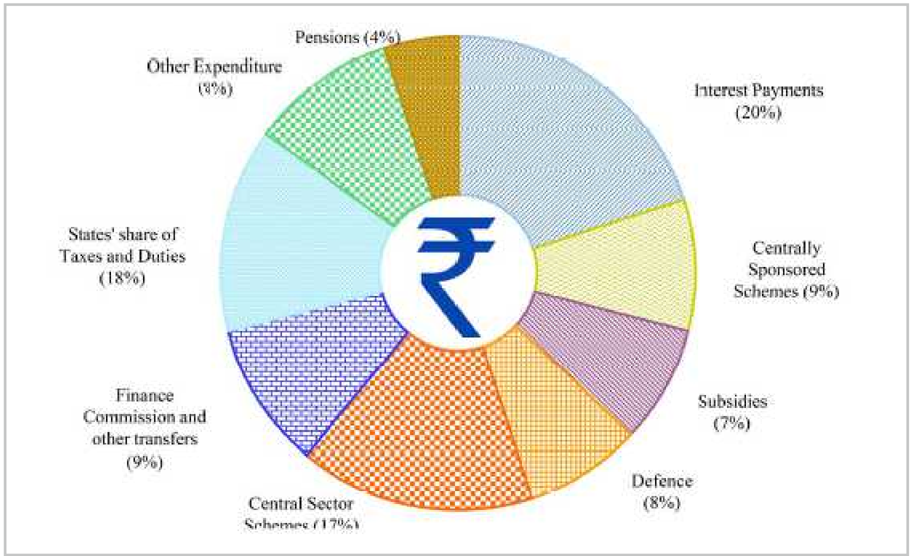


Overview on Macro Economy:

Rupees Comes From



Rupees Goes To



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Overview on Macro Economy:

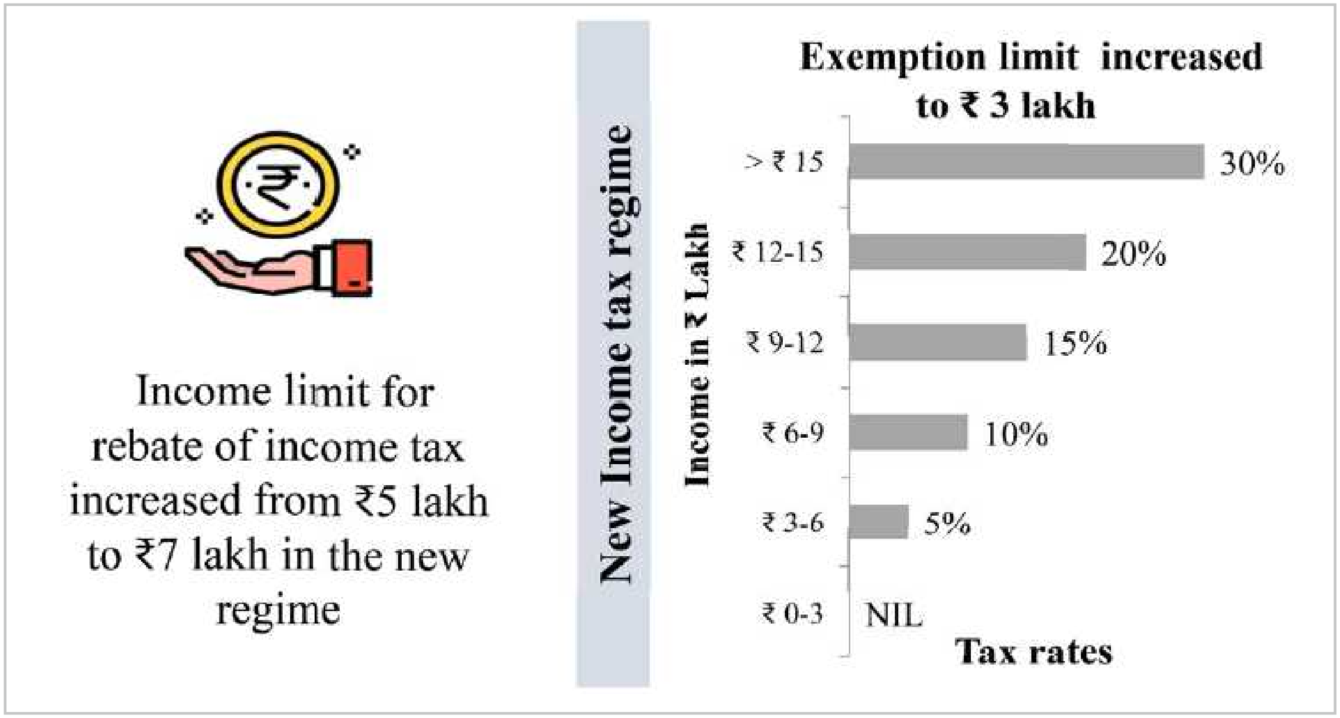
Allocation for Specific Ministries

₹ in Lakh Crore

Ministry	₹ in Lakh Crore
Ministry of Defence	5.94
Ministry of Road Transport and Highways	2.70
Ministry of Railways	2.41
Ministry of Consumer Affairs, Food & Public Distribution	2.06
Ministry of Home Affairs	1.96
Ministry of Chemicals and Fertilizers	1.78
Ministry of Rural Development	1.60
Ministry of Agriculture and Farmer's Welfare	1.25
Ministry of Communications	1.23

Overview on Macro Economy:

Further Simplifying Personal Income Tax



- Highest surcharge rate on income above 25 crore to be reduced from 37% to 25% under new regime
- Extending benefits of standard deduction to new tax regime for salaried class and pensioners
- Increasing tax exemption limit to Rs. 25 lakh on leave encashment on retirement for non-government salaried employees

Does the budget meet our expectations?

This Budget definitely aims to provide impetus to growth as focus on infrastructure. Also, the Budget was not at all populist as was feared by the street. We say so because the announcement of a digital rupee was another big news item in the budget that saw no major populist giveaways.

The total budget size for FY24 (total expenditure) will be Rs 45 trillion, compared with revised estimates (RE) of FY23 of Rs 41 trillion. The budget estimate (BE) for FY23 was Rs 39 trillion.

The government will spend a total of Rs 45 lakh crore in FY24, compared with revised estimates (RE) of FY23 of Rs 41 lakh crore. The budget estimate (BE) for FY23 was Rs 39 lakh crore.

Top focus of the budget: Nirmala Sitharaman said the Union Budget 2023 is largely focussed on four major points: empowering women, tourism, helping “vishwakarma” (artisans) and green growth.

Interestingly, India's growth is highest among all major economies; we are now in a strong position to withstand challenges.

It was also nice to see the rebate limit in the new tax regime increased from Rs 5 lakh to 7 lakh and there is a corresponding easing of the tax slabs. The new tax regime is the default. Sitharaman has proposed an increase in capex by 33 per cent to Rs 10 lakh crore. States are also being incentivised to spend more on infrastructure. Rs 2.40 lakh crore has been allocated for Indian Railways, which is the highest it has ever been.

The upward trend in GST collections augurs’ optimism for the Indian economy as buoyant tax collections only indicate that the Indian economy may well be on trajectory for double digit growth.

Meanwhile, the government has set a target of Rs 51,000 crore through the divestment route in FY 2023–24. The move was on expected lines on the back of unfavourable market conditions and a sluggish privatisation drive in 2022.

Net-net, amidst all enthusiasm, Dalal Street initially gave a big thumb’s up to the policy announcements as also there were no change in the long-term capital gains tax (LTCG) and the short-term capital gains tax (STCG) structures.

What can break the back of this bull market?

But traders shrugged-off the optimism as markets tumbled amidst heightened volatility due to distress selling in Adani group stocks which simply tumbled despite Adani Enterprises' FPO success.

Anyway. We firmly believe FM Sitharaman's Union Budget ushers a 'new leg to the bull market'.

The budget has given lots of impetus for domestic-led growth on backdrop of higher capex.

So obviously, India domestic shinning story will be into play. **Hence focus should be consumption boom, defence, electronics, hotels, services and electronics**

Bottom-line: The Union Budget could be a game changer and represents the reforms of the BJP government as all bullish eyes now aim for —— India's ambition to reach the $5 trillion economy goal

Now, that brings us to the big question: What can finally kill this bull market at Dalal Street?

Well, going forward, the only big black swan could be if oil prices spike.

Also, honestly speaking — stock markets across globe are fundamentally divorced from the real economy. Naturally, this perilous backdrop makes investors suspicious amidst key disparity ever between growth and value strategies.

So, expect volatility to rule the roost and choppiness will prevail at Dalal Street for the rest of 2023 primarily as investors brace for a tug of war battle between the bulls and the bears.

To put it straight, there could be nervousness due to:

1. Recession concerns.
2. Relentless run of interest rate hikes from the Federal Reserve.
3. Persistent FIIs selling.
4. Lingering concerns about corporate India’s earnings which could come under heavy pressure from inflation.

Long story short: Stay cautious as long as rates, recession, and inflation are on the front pages…

INFRASTRUCTURE:

Impact: Positive

As per the Union Budget, “Capital investment outlay is being increased steeply for the third year in a row by 33 per cent to ₹ 10 lakh crore ($122 bn), which would be 3.3 per cent of GDP. This will be almost three times the outlay in 2019-20.”

This will not just crowd-in private investments, enhancing growth potential and job creation, but also provide a cushion against global headwinds.

In a big step in modernising rail mobility and connectivity, the FM also announced the highest ever capital outlay for Railways at Rs 2.4 lakh crore, about nine times the outlay made in FY 2013-14. The Capex shall help create employment opportunities. Economy likely to show strong resilience and should come out with strong growth. FM in her speech also added that 50 additional airports will be developed to improve regional connectivity.

Bullish Looking Stocks: LARSEN, SIEMENS.

The best two stocks to buy...

Company	Sector	CMP	Target	Potential Upside	Investment Horizon
LARSEN	Engineering	2145	2651	24%	9-12 Months
SIEMENS	Engineering	2945	3651	24%	9-12 Months

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)
Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.

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