

Union Budget 2018-19 Review

2nd Jan, 2018

Finance Minister Arun Jaitley presented the Union Budget for 2018-19 in the Parliament. The Budget is largely focused on uplifting of agricultural and rural economy while providing a major push to the healthcare and education sectors. In simple term, we believe, it's "A Budget for Bharat", as this is a populous budget. Moreover, the Indian society, politics, and economy had shown remarkable resilience in adjusting with the structural reforms. GDP growth at 6.3% in the second quarter signalled turnaround of the economy. The government hopes that the economy would grow at 7.2-7.5% during H2FY18. Further, the domestic economy is firmly on course to achieve high growth of more than 8% in the coming years.

Budget Estimates (INR Cr)

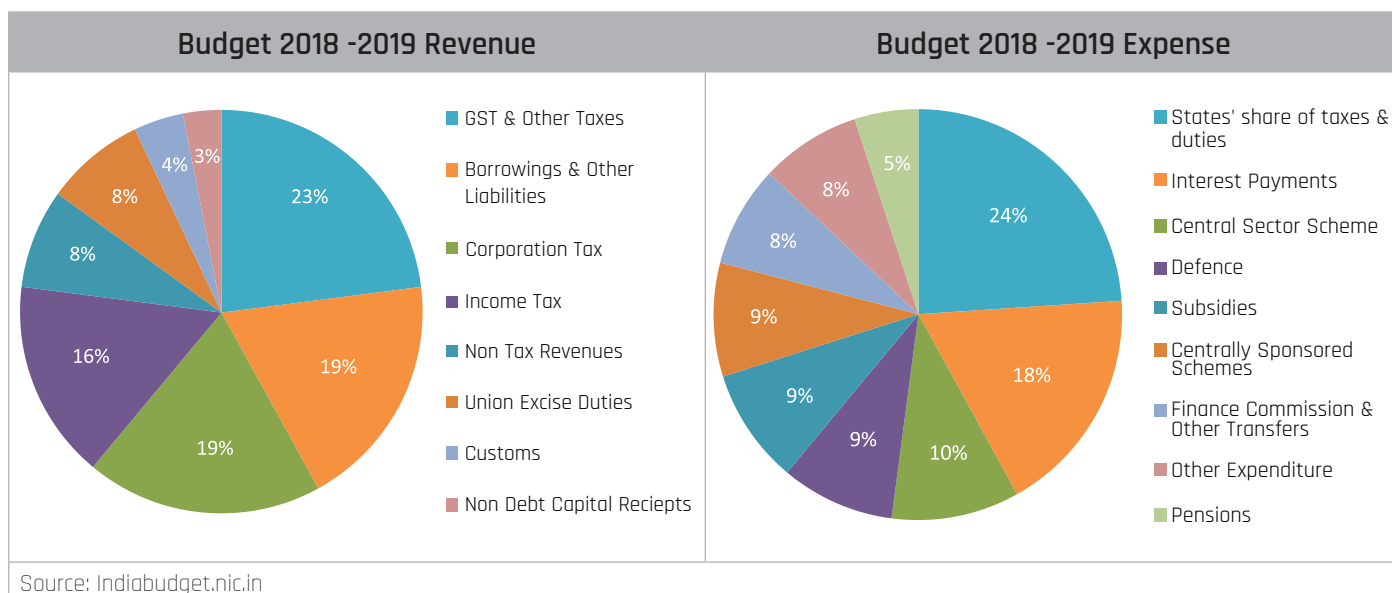
Particulars	BE 2017-2018	RE 2017-2018	BE 2018-2019
Revenue Receipts	1515771	1505428	1725738
Capital Receipts	84433	117473	92199
Total Receipts	1600204	1622901	1817937
Revenue Expenditure	1836934	1944305	2141772
Capital Expenditure	309801	273445	300441
Total Expenditure	2146735	2217750	2442213
Fiscal Deficit	546531	594849	624276
Fiscal Deficit (% of GDP)	3.2	3.5	3.3

Source: Indiabudget.nic.in

Sector wise Expenditure (INR Cr)

Sectors	RE 2017-2018	BE 2018-2019
Agriculture & Allied Activities	56589	63836
Commerce & Industry	26310	27956
Education	81869	85010
Health	53198	54667
Rural Development	135604	138097
Social Welfare	38624	44220
Transport	107092	134572
Urban development	40754	41765

Source: Indiabudget.nic.in



Key Highlights Of Union Budget 2018-19

Agriculture and rural push

Arun Jaitley reiterated the government's commitment to the welfare of farmers and doubling farmers' income by 2022. Keeping this in mind, the FM announced a slew of new schemes and measures in Union Budget 2018-19, which include:

- The target for agricultural credit for the fiscal year 2018-19 set at Rs. 11 lakh crore, up from Rs. 10 lakh crore last fiscal 2017-18.
- The government has decided to keep MSP for all unannounced kharif crops at 1.5x of the production cost.
- After the establishment of Dairy Infrastructure Fund, Union Budget 2018-19 announced setting up a Fisheries and Aqua Culture Infrastructure Development Fund (FAIDF) for fisheries sector and an Animal Husbandry Infrastructure Development Fund (AHIDF) for financing infrastructure requirement of animal husbandry sector with a total corpus of Rs. 10,000 crore for the two new funds.
- Union Budget 2018-19 to support organized cultivation and associated industry, allocating Rs. 200 crore for this purpose.
- To boost the food processing sector, the government doubled allocation from Rs. 715 crore to Rs 1400 crore for FY2018-19.
- To realise the agri export potential, the government proposes to set up state-of-the-art testing facilities in all 42 Mega Food Parks.
- Terming Bamboo as 'Green Gold', government to launch Restructured National Bamboo Mission with an outlay of Rs. 1290 crore to promote bamboo sector.
- For creation of livelihood and infrastructure in rural areas, the total amount to be spent by the ministries will be Rs. 14.34 lakh crore.
- Under Saubahagya Yojana, 4 crore poor households are being provided with electricity connection with an outlay of Rs. 16,000 crore.
- To fulfil target of Housing for All by 2022, more than 1 crore houses will be built by 2019 in rural areas and 2 crores toiletries during 2019.

Stock to watch will be M&M, HeroMotocorp, Rallis India, Jain Irrigation, M&M Fin, Kajaria Ceramics, REC, Avanti feeds, HUL etc

Education, Health and Social Protection

The FM said that estimated budgetary expenditure on health, education, and social protection for 2018-19 is Rs. 1.38 lakh crore against estimated expenditure of Rs. 1.22 lakh crore in 2017-18. The government is steadily but surely progressing towards the goal of Universal Health Coverage. Following are the slew of measures

- The government to set up 24 new Government Medical Colleges and Hospitals by upgrading existing district hospitals in the country.
- The government announced investments in research and related infrastructure in premier educational institutions, including health institutions, a major initiative named "Revitalising Infrastructure and Systems in Education (RISE) by 2022" with a total investment of Rs. 100,000 crore in the next four years.
- Allocation on National Social Assistance Programme for the next year has been kept at Rs. 9975 crore.
- The Finance Minister also announced the world's largest government funded healthcare programme titled National Health Protection Scheme to cover more than 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing coverage up to Rs. 5 lakh per family per year for secondary and tertiary care hospitalization.
- To allot Rs. 1200 crore for the National Health Policy, 2017, which with 1.5 lakh Health and Wellness Centres will bring the healthcare system closer to the homes of people.
- The AMRUT programme focuses on providing water supply to all households in 500 cities. State level plans of Rs. 77,640 crore for 500 cities have been approved.

Stock to watch will be Apollo Hospitals, ICICI Lombard General Insurance, New india Insurance, Aptech, Navneet education etc

Infrastructure Push

Reiterating that creating job opportunities is at the core of government policies, the Finance Minister cited an independent study as showing that 70 lakh formal jobs will be created this year. To achieve this target, the government has made an all-time high allocation to rail and road sectors and is committed to further enhance public investment.

- Finance Minister estimated that investment in excess of Rs.50 lakh crore is needed to increase growth of GDP, job creation, and connect the nation with a network of roads, airports, railways, ports, and inland waterways.
- Budget announces increase of budgetary allocation on infrastructure for 2018-19 to Rs. 5.97 lakh crore against estimated expenditure of Rs. 4.94 lakh crore in 2017-18.
- Under the Bharatmala Pariyojana, about 35000 kms road construction in Phase-I at an estimated cost of Rs. 535,000 crore has been approved.
- The government has selected 99 cities for the Smart Cities Mission with an outlay of Rs. 2.04 lakh crore.
- The government also proposes to construct a tunnel under the Sela Pass.
- To further boost tourism, the Union Budget 2018 proposes to develop ten prominent tourist sites into Iconic Tourism destinations by following a holistic approach involving infrastructure and skill development, development of technology, attracting private investment, branding, and marketing.
- A total of 187 projects have been sanctioned under the Namami Gange program for infrastructure development, river surface cleaning, rural sanitation, and other interventions at a cost of Rs 16,713 crore. Around 47 projects have been completed and remaining projects are at various stages of execution.

Stock to watch will be L&T, Dilip Buildcon, Dalmia Bharat, Godrej Properties, Ultratech Cement, Indian Hotel etc

Railway Transport

Railways capex for 2018-19 has been pegged at Rs. 148,528 crore, up 14% from last year budget allocation of Rs. 1.3 lakh crore. A large part of the capex is devoted to capacity creation.

- 18,000 kilometers of doubling, third and fourth line works and 5000 kilometers of gauge conversion would eliminate capacity constraints and transform almost entire network into Broad Gauge.
- More than 3600 kms of track renewal is targeted during the fiscal 2018-19
- Redevelopment of 600 major railway stations is being taken up.
- Mumbai's local train network will have 90 kilometers of double line tracks at a cost of over Rs. 11,000 crore
- 150 kilometers of additional suburban network is being planned at a cost of more than Rs. 40,000 crore, including elevated corridors on some sections.
- A suburban network of approximately 160 kilometers at an estimated cost of Rs. 17,000 crore is being planned to cater to the growth of the Bengaluru metropolis.
- All railway stations and trains will be progressively provided with wi-fi. CCTVs will be provided at all stations and on trains to enhance security of passengers.

Stock to watch will be KEC Intl, DLink, BEML, TWL, Texmaco Rail etc

Aviation and Defence Sector

- The Budget proposes to expand the airport capacity more than five times to handle a billion trips a year under a new initiative - NABH Nirman.
- Under the regional connectivity scheme of UDAN (Ude Desh ka Aam Nagrik) initiated by the government last year, 56 unserved airports, and 31 unserved helipads would be connected.
- Balance Sheet of AAI would be leveraged to raise more resources for funding this expansion.
- To develop two defence industrial production corridors in the country. The government will also bring out an industry friendly Defence Production Policy 2018 to promote domestic production by public sector, private sector, and MSMEs.

Stock to watch will be Jet Airways, Indigo, Spice Jet, BEL etc

Divestment Target

The Finance Minister announced that 2017-18 disinvestment target of Rs. 72,500 crore has been exceeded and expected receipts of Rs. 100,000 crore. The government set disinvestment target of Rs. 80,000 crore for 2018-19. Further, three public sector insurance companies - National Insurance Co. Ltd, United India Assurance Co. Ltd, and Oriental India insurance Co. Ltd. will be merged into a single insurance entity and will be subsequently listed. The government has approved listing of 14 CPSEs including two insurance companies, on the stock exchanges. The government has also initiated the process of strategic disinvestment in 24 CPSEs. This includes strategic privatization of Air India. During 2018-19, DIPAM will come up with more ETF offers including debt ETF.

Fiscal Management

In 2017-18, the central government will receive GST revenue only for 11 months, and this will have a fiscal effect. The Revised Fiscal Deficit estimates for 2017-18 were put at Rs. 5.95 lakh crore at 3.5% of GDP. The Budget Revised Estimates for expenditure in 2017-18 are Rs. 21.57 lakh crore (net of GST compensation transfers to the States) as against the Budget Estimates of Rs. 21.47 lakh crore. Further, embarking upon the path of consistent fiscal reduction and consolidation, the Finance Minister projected a Fiscal Deficit of 3.3% of GDP for 2018-19. Moreover, the Union Budget proposed to accept key recommendations of the Fiscal Reform and Budget Management Committee relating to adoption of the Debt Rule and to bring down Central Government's Debt to GDP ratio to 40%.

Long-term capital gains (LTCG)

Currently, LTCG arising from transfer of limited equity share are exempted from tax. With reforms introduced by government, the equity market has become buoyant and the total amount that is exempted is Rs. 367,000 crore. Therefore, the Union Budget proposes to tax such long-term capital gains exceeding Rs. 1 lakh at the rate of 10% without allowing the benefit of indexation. However, all gains up to Jan 31, 2018 will be grandfathered. Moreover, short term capital gain tax continues to be 15%.

Medium, Small and Micro Enterprises (MSMEs) and Employment

The Union Budget has given a big thrust to Medium, Small and Micro Enterprises (MSMEs) to boost employment and economic growth.


- A sum of Rs. 3794 crore has been provided for giving credit support, capital, interest subsidy, and innovations.
- It is proposed to set a target of Rs. 3 lakh crore for lending under MUDRA for 2018-19 after having successfully exceeded the targets in all previous years.
- Corporate tax rate cut to 25% for company's turnover up to Rs. 250cr.

Direct Taxation

- A standard deduction of Rs.40,000 in lieu of the present exemption in respect of transport allowance and reimbursement of miscellaneous medical expenses will be implemented for salaried tax payer from FY19 onwards. However, the transport allowance at enhanced rate shall continue to be available to differently abled persons. Also other medical reimbursement benefits in case of hospitalization etc., for all employees shall continue. Even the pensioners who can't avail transport and medical allowance will get standard deduction.
- For Senior Citizens, exemption of interest income on deposits with banks and post offices has been increased from Rs.10,000 to Rs.50,000 under Sec 80C and further TDS shall not be required to be deducted on such income, under section 194A.
- Deduction amount for health insurance premium and/ or medical expenditure for Senior Citizens has been raised from Rs.30,000 to Rs.50,000 per annum under section 80D.
- Limit of deduction for medical expenditure in respect of certain critical illness under section 80DDB has been raised to Rs.1,00,000 p.a. from present deduction limit of Rs.60,000 p.a. in case of senior citizens and from Rs.80,000 p.a. in case of very senior citizens .
- Health and Education Cess on personal income tax and corporate tax of three percent has been raised to four percent. This will enable government to collect an estimated additional amount of Rs.11,000 Cr which will be utilized for education and health programs.
- Under the Pradhan Mantri Vaya Vandana Yojana an assured return of 8% will be given by Life Insurance Corporation of India. The existing limit on investment of Rs.7.5 lakh per senior citizen under this scheme is also being enhanced to Rs.15 lakh.
- For trusts and institutions, any cash payments exceeding Rs.10,000 shall be disallowed. Further, in order to improve TDS compliance, in case of non-deduction of tax, 30% of the amount shall be disallowed and the same shall be taxed.
- Under the Insolvency and Bankruptcy Code (IBC), 2016, companies shall be allowed to reduce aggregate amount of unabsorbed depreciation and brought forward loss from the book profit for the computation of MAT.
- All subscribers can get exemption for withdrawal up to 40% from National Pension System Trust (NPS) which was till now allowed for employees only.
- For encouraging start-ups, incorporation date has been extended to 31st March, 2021 from 31st March, 2019 for benefits of section 80-IAC.
- Trading in agricultural commodity derivatives on a recognized stock exchange shall not be treated as a speculative transaction even if no Commodities Transaction Tax (CTT) has been paid in respect of those derivative transactions.

Sectorwise Outlook

Industry	Proposed	Impact	Stocks in Focus
Auto & Auto Ancillaries 	Increased custom duty on Truck & Bus Radial tyres from 10% to 15%	Positive for all tyres cos as this will protect domestic tyre industry	Apollo Tyres, MRF, JK Tyres, HeroMoto, Bajaj Auto, M&M etc
	Increase custom duty on imported motors & motor components	Positive for 2W & 4W industry & this will improve domestic volume	
Textiles & Footwear 	Increased custom duty on Silk fabrics from 10% to 20%. Increased allocation of Rs 7148cr for comprehensive textile package	Positive for textile cos	Himatsingka Siede, Trident Ltd, Nitin spinners, Siyaram Silk, KPR Mills etc
	Increase custom duty on footwear & footwear parts	Positive for Footwear companies	Bata India, Relaxo Footwear, Khadim India
FMCG 	No increase in cess on cigarettes	Positive for Cigarettes Companies	ITC, Godfrey Philips & VST Industries
	Increased custom duty on Fruits Juices & Vegetables Juices, Perfumes & Deodorizers, Cosmetics & Pre Shave, Shavings & After Shaves preparations	Positive for Consumer Staples	HUL, Gillette, Dabur, Manpasand Beverages, Emami etc
Oil & Gas 	Fuel subsidy at Rs 24,963cr	Negative for Upstream cos as higher crude prices to put sharing burden on cos	ONGC, Oil India & IOC Ltd
	Construction of gas pipelines	Positive for steel pipe cos	Jindal Saw, Welspun Corp, Ratnamani metal, Man Industries & Maharashtra Seamless
Consumer Electronics 	Increase custom duty on mobiles phones, TVs, Watches etc	Positive for domestic consumer durables cos	Mirc electronics, Dixon technology, PG electroplast etc

<p>Banks & Financial Services</p> 	<p>Exemption of interest income on deposits with banks and post offices to be increased from Rs 10,000/- to Rs 50,000/-</p> <p>Medical insurance cover of Rs. 5 lakh for 50 crore people</p> <p>No tax on ULIPS scheme</p> <p>Gold Monetization Scheme will be revamped to enable people to open a hassle free gold deposit account</p>	<p>Positive for Banks</p> <p>Positive for General Insurance Cos</p> <p>Positive for Life Insurance cos</p> <p>Positive for Gold Finance cos</p>	<p>SBI, PNB, ICICI Bank, HDFC Bank, HDFC Life, ICICI Lombard, New India Insurance, Muthoot Finance, Manappuram Finance etc</p>
<p>Fertilizers</p> 	<p>Subsidy unchanged at Rs 70,000cr</p>	<p>Negative for fertilizers cos</p>	<p>RCF, Chambal Fertilizers</p>
<p>Credit ratings</p> 	<p>SEBI will mandate large companies to use bonds to finance one-fourth of their funding needs.</p>	<p>Positive for Rating Agencies cos</p>	<p>Crisil, ICRA & CARE ratings</p>
<p>Logistics</p> 	<p>New cold storages under Rashtriya Krishi Vikas Yojana and announcement of Rs 1,000cr scheme for Cold Chain and Value.</p>	<p>Positive for Warehousing Cos</p>	<p>Snowman Logistics</p>
<p>Telecom</p> 	<p>Allocations for Bharatnet Project increased to Rs. 10,000cr from FY17-18 revised allocation of Rs. 7,000cr</p>	<p>Positive for optical fibres cos</p>	<p>Sterlite techno, Aksh Optibre, tejas network & Vindhya telelinks</p>

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