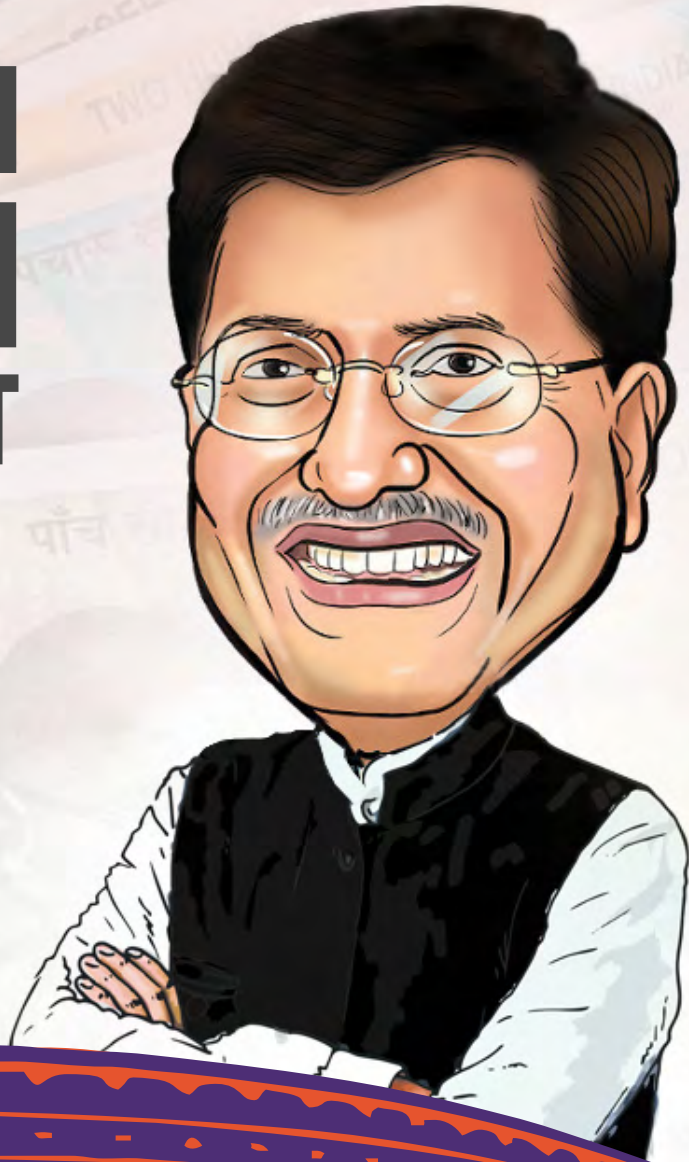




INTERIM UNION BUDGET 2019-20



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Interim Union Budget 2019-20 Review

Interim Finance Minister Mr. Piyush Goyal presented the National Democratic Alliance's (NDA) sixth & final budget for 2019-20 in the Parliament on Feb 01, 2019. The Budget clearly focused on boosting the agrarian economy via announcement of farm package as well as lifting consumption economy via announcement of full tax rebate of up to Rs. 5 lakh for the salaried middle-class. In simple terms, we believe this is "pro-election budget" ahead of Lok Sabha election. Further, Mr. Piyush Goyal stated that India is the fastest growing major economy in the world with an annual average GDP growth during the last five years higher than the growth achieved by any government since economic reforms began in 1991. From being the 11th largest economy in the world in 2013-14, today, India is the 6th largest economy in the world. Moreover, India is poised to become a \$5 trillion economy in the next five years and aspire to become a \$10 trillion economy in the next 8 years thereafter.

Budget Estimates (INR Cr)

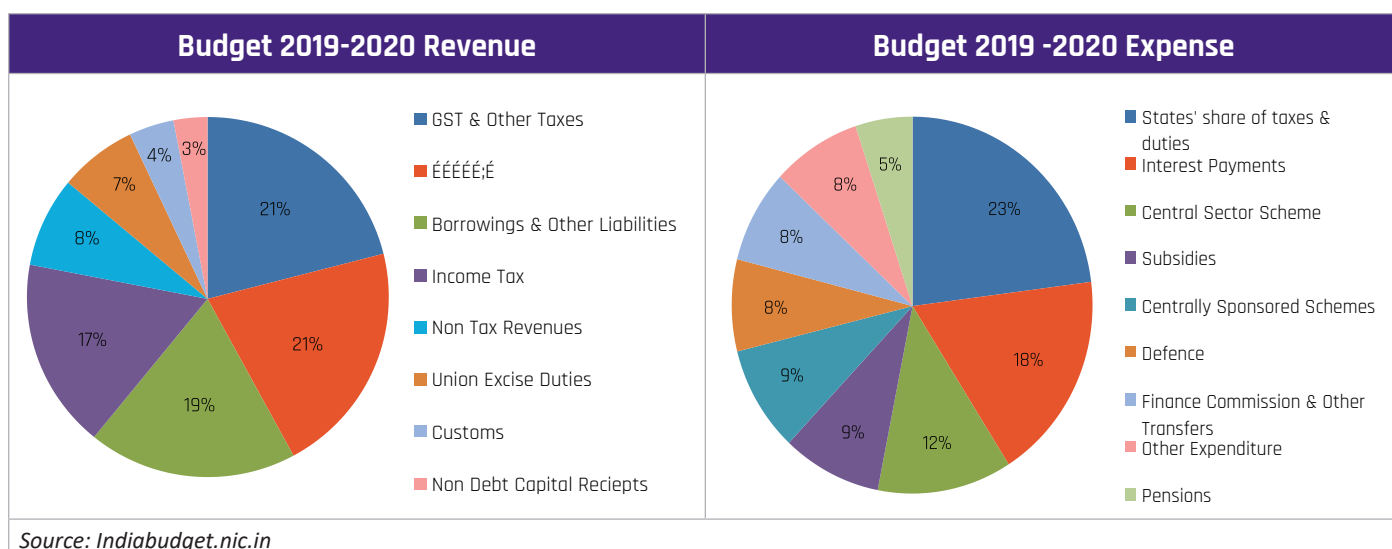
Particulars	BE 2018-2019	RE 2018-2019	BE 2019-2020
Revenue Receipts	1725738	1729682	1977693
Capital Receipts	92199	93155	102508
Total Receipts	1817937	1822837	2080201
Revenue Expenditure	2141772	2140612	2447907
Capital Expenditure	300441	316623	336293
Total Expenditure	2442213	2457235	2784200
Fiscal Deficit	624276	634398	703999
Fiscal Deficit (% of GDP)	3.3	3.4	3.4

Source: indiabudget.nic.in

Sector wise Expenditure (INR Cr)

Sectors	RE 2018-2019	BE 2019-2020
Agriculture & Allied Activities	86602	149981
Commerce & Industry	28394	27660
Education	83626	93848
Health	55949	63538
Rural Development	135109	138962
Social Welfare	46492	49337
Transport	145399	156187
Urban development	42965	48032

Source: indiabudget.nic.in



Source: indiabudget.nic.in

Key Highlights of Interim Union Budget 2019-20

- Government revises Fiscal Deficit target for FY19 from 3.3% earlier to 3.4% due to farm income support for the current fiscal, which is worth Rs. 20,000cr for the period between December 2018 to March 2019.
- For FY20, Fiscal Deficit target set at Rs 3.4%. However, excluding farmer support scheme, Fiscal Deficit would be less than 3.1% for the year 2019-20.
- Fiscal Deficit target for FY21 has been set at 3% of GDP.
- India's debt to GDP was 46.5% in 2017-18. Keeping in mind Fiscal Deficit consolidation programme, government to focus on debt consolidation and to bring down debt to GDP to 40% by 2024-25.
- Government is confident of meeting Rs.80,000cr divestment target for FY19. For FY20, government set divestment target of Rs.90,000cr.
- Average monthly GST tax collection in the current fiscal is at Rs.97,100cr per month compared with Rs.89,700cr per month during the previous fiscal.
- For FY20, budget expects Rs.7.1 lakh cr of gross market borrowing and net market borrowing of Rs.4.48 lakh cr.
- Stamp duties would be levied on one instrument relating to one transaction and get collected at one place through the Stock Exchanges. The duty so collected will be shared with the State Governments seamlessly on the basis of domicile of buying client.
- All returns will be processed in twenty-four hours and refunds issued simultaneously. Within the next two years, almost all verification and assessment of returns selected for scrutiny will be done electronically without any personal interface between taxpayers and tax officers.

Sectors highlights of Interim Union Budget 2019-20

Agriculture And Rural Push

Piyush Goyal reiterated the government's commitment to the welfare of agriculture economy as well as the rural sector. Keeping this in mind, the interim FM announced a slew of new schemes and measures in Interim Union Budget 2019-20, which include:

- Budget provided an assured income support to the small and marginal farmers under the launch of historic programme namely "Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)"
- Under this programme, farmers holding cultivable land of up to 2 hectares will be provided direct income support at the rate of Rs.6,000 per year.
- The programme would be made effective from 1st December 2018. This programme will entail an annual expenditure of Rs.75,000cr.
- Increased allocation under MNERGA from Rs.55,000cr in FY19 to Rs.60,000cr in FY20.
- Increase in urea subsidy from Rs.44,995cr in FY19 to Rs.50,164cr in FY20, up 11.5% over YoY basis.
- Increased allocation under Pradhan Mantri Krishi Sinchai Yojna from Rs.8,251cr in FY19 to Rs.9,516 in FY20, up 15.3% on YoY basis.
- Setting up of Rashtriya Kamdhenu Aayog to upscale sustainable genetic upgradation of cow resources and to enhance production and productivity of cows.
- 2% interest subventions to farmers pursuing activities of animal husbandry and fisheries who avails loan through Kisan Credit Card. In case of timely repayment of loan, they will also get an additional 3% interest subvention.
- Under natural calamities, farmers to benefit from interest subvention of 2% and prompt repayment incentive of 3% for the entire period of re-schedulement of their loans.

Stock to benefit would be HUL, Dabur, Hero MotoCorp, M&M, Rallis India, RCF, Jain Irrigation, Finolex Ind, Avanti feeds, etc.

Infrastructure Push

Reiterating that infrastructure is backbone of any nation's development, the FM announced a slew of measures to boost infrastructure activity for various sectors like metro, railway, renewable, roads, water, power etc in Interim Union Budget 2019-20, which include:

- Development of Container cargo movement in North East of India. Allocation of Rs.58,166cr for North Eastern areas, increased by 21% over 2018-19 budget.

- Capital support for railways sector is proposed at Rs.64,587cr in 2019-20 (BE), up 21% over FY19 budget (RE).
- Increased allocation for power sector under Integrated Power development scheme and Deen Dayal Upadhyaya Gram Jyoti Yojana by 33% and 7% respectively to Rs.5,280cr and Rs.4,066cr respectively.
- Under Amrut and Smart Cities mission, budget allocation increased by 11% to Rs.13,900cr
- Increase allocation under Metro Projects from Rs.14,865cr in FY19 to Rs.17,714cr in FY20, up 19.2% on YoY basis.
- Increased allocation for road sector under Pradhan Mantri Gram Sadak Yojana by 22.5% i.e. from Rs.15,500 in FY19 to Rs.19,000cr in FY20.
- Increased allocation under green energy corridor from Rs.500cr in FY19 to Rs.700cr in FY20.
- Increased allocation under Sagarmala Projects by 44% from Rs.381cr in FY19 to Rs.550cr in FY20.

Stocks to benefit would be L&T, KEC Intl, Power Grid, NCC Ltd, KEI Ind, Apar Ind, Container Corporation, Crompton Consumer, Bajaj electrical, NTPC, Kalpataru Power, etc.

Digital Push

Budget has given importance to the government's vision to create Digital India that reaches all sectors of the economy and all parts of the country. Keeping this in mind, FM has announced slew of measures, which include:

- Government to make 1 lakh villages into Digital Villages over next five years.
- Increased in allocation for optical fibre cable- based network for defence network from Rs.2,500cr in FY19 to Rs.4,725cr in FY20, up 89% on YoY basis.
- Expansion of rural industrialisation using modern digital technologies.

Stock to benefit would be Bharti Airtel, Tata Communication, Sterlite techno, Vindhya telelink, D-Link, etc.

Real Estate Push

Looking at the stress faced by real estate sector due to high inventory and RERA implementation, Interim FM also announces slew of measure in Interim Union Budget 2019-20, which include:

- Under affordable housing, the benefits under Section 80-IBA of the Income Tax Act is being extended for one more year, i.e. to the housing projects approved till 31st March, 2020.
- Budget also proposes to extend the period of exemption from levy of tax on notional rent, on unsold inventories, from one year to two years, from the end of the year in which the project is completed.
- TDS threshold for deduction of tax on rent increased from Rs.1,80,000 to Rs.2,40,000.
- Rollover of capital gains tax benefit under section 54 of the Income Tax Act increased from investment in one residential house to two residential houses for a tax payer having capital gains up to Rs.2cr.

Stock to benefit would be HDFC Ltd, LIC Housing, Brigade Enterprise, Oberoi Realty, Godrej Properties, etc.

Defence Push

Defence Budget will be Rs.3,00,000cr for 2019-20 highest ever for strengthening India's defence system. If required additional funds would be provided.

Stocks to benefit would be BEL, HAL, L&T, Bharat Dynamics, Cochin Shipyard.

Direct Tax

- Individual taxpayers having taxable annual income up to Rs.5 lakhs will get full tax rebate. Its interpretation is tax rebate provided U/S 87A has been increased to Rs.12,500 from existing Rs.2,500. Even a person having gross income up to Rs.6.50 lakhs would not be required to pay any income tax if he makes investments which are deductible under Chapter VIA of Income Tax Act. There is no modification in tax slabs.
- Standard Deduction is being raised from the current Rs.40,000 to Rs.50,000. This will provide additional tax benefit of Rs.4,700 cr to more than 3cr salary earners and pensioners.
- TDS threshold on interest earned on bank/post office deposits has been raised from Rs.10,000 to Rs.40,000. This will benefit small depositors and nonworking spouses.

Stocks to benefit: HUL, Dabur, Marico, Jubilant Foodwork, Crompton Consumer, Hero Moto, HDFC bank, SBIN, etc.

Informal Sector Push

Post demonetization and implementation of GST, the informal sector had taken a hard beating & thus FM has announced slew of measures for job creation as well as formalisation of economy which includes:

- The requirement of sourcing from SMEs by Government enterprises has been increased to 25%. Of this, the material to the extent of at least 3% will be sourced from women owned SMEs.
- GST registered SME units will get 2% interest rebate on incremental loan of Rs.1cr.
- Government propose to launch a mega pension yojana namely "Pradhan Mantri Shram-Yogi Maandhan" for the unorganised sector workers with monthly income upto Rs.15,000. A sum of Rs.500 crore has been allocated for the Scheme.
- This pension yojana shall provide them an assured monthly pension of Rs.3,000 from the age of 60 years.

Source: indiabudget.nic.in, ACMIIL Research

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