

PRE-BUDGET REPORT 2021 - 22



**Major Announcements Expected
Major Beneficiary Sector**



Moneywise. Be wise.

There has been lot of expectations from the budget after the economic growth nosedived seeing contraction of 23.9 percent in quarter ending June 2020 and thereafter improving to 7.5 percent contraction for quarter ending September 2020 post pandemic. It is to be noted that economic growth will see contraction in current fiscal and would see double digit growth next year owing to a low base of this fiscal. This budget can lay foundation of growth fiscal 2022 – 23 by boosting demand, stimulating growth and employment and reprioritizing resources. By raising resources without raising taxes and by doing asset monetization and spending money where sectors are struggling can pull the levers. India has always showed that it's a consumption story to the investor's world over and that is something missing for last so many years. In the recent months there have been some green shoots witnessed driven by combination of pent-up and festive demand and even production of industries are back near to pre-pandemic levels.

Some of the areas where we expect the budget would deliver on the expectations:

Increase in infrastructure spending which is employment intensive. The Finance Minister may announce setting up of a mega Development Finance Institution (DFI) in the Union Budget to fund new projects and revive stalled projects worth at least Rs 10 lakh crore. As a matter of fact, Finance Minister Nirmala Sitharaman in the last budget had proposed to set up DFIs for promoting infrastructure funding. As per the National Infrastructure Pipeline (NIP), infrastructure investment of over Rs 111 lakh crore is envisaged between FY2020 and FY2025 which translates to roughly Rs 22 lakh crore to be spent every year. The bulk of spending will be from private sector but at least 10-15 percent should come via government sources. It is expected that there should be provision of about 3 lakh crore towards infrastructure in the budget.

Recapitalisation of public sector banks to support economic growth. There may be rise in the non-performing loans going forward, as indicated by RBI's financial stability report. The K V Kamath committee report too indicated that there are about 26 sectors undergoing stress that may need restructuring. So the Finance Minister is expected to make some announcements in this regard in order support loan and credit growth.

Support to Real Estate, especially affordable housing segment. Finance Minister may choose to announce enhancement in the price cap for affordable housing from Rs 45 lakh which may help in getting benefit of reduced GST of 1 percent and also the benefit of tax exemption for such projects. The Real Estate sector has always made a request for awarding its infrastructure status as that would allow developers to access low cost funds.

With the global pandemic significantly affecting the country, the need to have an adequate healthcare infrastructure has come to the forefront. It is expected that government may allocate a huge quantum of funds towards the Healthcare sector in the forthcoming budget, to provide for the cost of COVID-19 vaccination. Healthcare expenditure by the Government of India needs to be increased significantly. Ayushman Bharat is no doubt a highly positive step towards attaining the objective of universal healthcare, however, more budgets need to be apportioned for its continued success. Besides, it is expected that the government may focus on stimulating all-round private sector investment in infrastructure development along with healthcare R&D as well as medical education in advanced disciplines. Higher tax incentives to the private sector towards modernizing medical facilities will go a long way in ensuring better healthcare, more investments and thereby generate more employment. India's exports are losing their share in gross domestic product (GDP).

As India's exports fell fastest among emerging nations, the sector needs strong budget boost. In the last budget the government had taken several steps, including tax refund scheme and enhanced credit to exporters, to boost outbound shipments. However, it is expected that this time too government would announce measures to boost the sector. The government may tweak customs duty in the Budget next week on several goods, including furniture raw materials, copper scrap, certain chemicals, telecom equipment and rubber products, to promote domestic manufacturing and exports. On the e-commerce front, the government in the budget next week is expected to announce some measures such as extending the facility of bulk clearance for e-commerce imports and exports with a view to promoting the growth of this fast-growing segment in the country.

The upcoming Budget should enunciate agricultural strategies that promote new-age technologies, encourages data-driven solutions for intelligent farming and market connect. Besides, measures like improving warehousing and cold storage facilities for farmers; the government is expected to announce some measures regarding the farmer welfare in this upcoming budget.

One of the sectors directly and severely hit due to pandemic-led travel restrictions has been tourism. With vaccination against the coronavirus underway, the sector is finally hopeful of a turnaround. To boost consumption in a pandemic-battered economy, the Budget 2021 must focus on pushing consumption. The Union Budget 2021-22 should make some tweaks in the taxation slab for individuals; the increase in tax slab limit can improve consumption as there will be more disposable income at salaried individual's end.

BUDGET 2021

Sector	Key Stocks to focus related to Budget
Information Technology	Tata Consultancy services, Infosys, HCL Technologies and Tech Mahindra
Realty	DLF, Godrej Properties, Prestige Estates Projects and Sobha
Banking	ICICI Bank, Kotak Mahindra Bank, State Bank of India, Bank of Baroda and Canara Bank
Capital Goods	Larsen & Toubro, Havells India, Bharat Electronics and Cummins India
Infrastructure	KNR Constructions and PNC Infratech
Automobile	Bajaj Auto, Hero MotoCorp, Ashok Leyland and Escorts
FMCG	Dabur and Tata Consumer Products
Pharmaceuticals	Dr Reddy's Laboratories, Cipla and Natco Pharma
Consumer Durables	Titan Company, TTK Prestige and Orient Electric

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