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**POST COVID FIRST BUDGET FOR
INDIA LIKELY TO ADDRESS LONG
PENDING ISSUES FOR ENERGY &
INFRASTRUCTURE SEGMENT OF
COUNTRY**

POST **INDIA BUDGET** 2021 ANALYSIS



In the Union Budget 2021, the thrust on sustainable infrastructure development received a further push with a farsighted approach on enabling ease of living, infusing technology with inclusive and equitable growth



Solar sector got continued flair, however no big bang announcements were made in this budget as opposed to the sentiments towards amendments of EA 2003. Good push for infrastructure segment as scaled up investments under plan



Contents &
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INTRODUCTION

India Budget 2021
has set the tone for
future discourse



FY 2021-22
FINANCIALS



ANNOUNCEMENTS
& IMPLICATIONS

From Director's Desk

“GROWTH” was the buzz word and the intent of Government post the epochal global crisis of COVID 19 and the FM did justice by complementing through positive announcements which shall augur right momentum to the country setting the tone for augmenting “Indian Economy”. While growth focus was imperative the fiscal deficit widening was to be controlled with targets calling for a balance in measures for prudence as well. Frankly, the Union Budget 2021 did roll out a surprise for industry at large as the measures announced does not cover only the peripheral ends but is oriented towards breadth with deep routed growth focus.

What excites us the most being a market research and advisory firm is the tune of investments planned for energy and infrastructure segment which shall push the need for qualified research and diligence for the industry to plan better. Although, it was anticipated that the Government shall focus on energy and infrastructure segment as the road to recovery post COVID 19 had to factor the growth for which the said sectors are identified one's.

The result orientation being held at pinnacle by FM for the revival of power distribution segment can address the cascading woes for the power sector which has led to creation of NPAs.

For power sector to gain the impetus to grow in a manner that secures the investments with enticing RoI, measures to bolster revenue for discoms deems imperative. In line with global sentiments the growth pedal was also witnessed for renewable energy and dedicated planned outlays for the growth of sector was well anticipated and is also provided for in the budget. The Hydrogen Energy Mission from green energy sources initiative acts as an icing on the cake for the growth of renewable sector. The supply chain boost was also kept under consideration as domestic manufacturing for solar inverters and lanterns shall garner momentum courtesy BCD spike.

Dedicated O&G pipeline and CGD expansion for additional 100 cities shall see a desired thrust for the segment. With dedicated infra expansion plans for airports, port and shipping facilities, highways and freight corridors etc. are other welcome initiatives which shall push for growth in employment rate as well. Compounded with a heightened planned CAPEX for improvement and preparedness for health infrastructure augmentation is also well received as was anticipated post COVID 19.

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Financial Snapshots – Budget 2020-21



	FY 2017-18 (INR Crores)	FY 2018-19 (INR Crores)	FY 2019-20 (Provisional Actuals) (INR Crores)	FY 2020-21 (Budget Estimates) (INR Crores)
Revenue Receipts	1435233	1552916	1682107	2020926
Revenue Expenditure	1878835	2007399	2349618	2630145
Revenue Deficit	443602	454483	667511	609219
Capital Receipts	706742	762197	1004255	1021304
Capital expenditure	263140	307714	336744	412085
Non-Debt Receipts	1550911	1665695	1750727	2245893
Total Expenditure	2141975	2315113	2686362	3042230
Primary Deficit	62112	66770	324599	88134
Fiscal Deficit	591064	649418	935635	796337

Source: India Budget 2020-21



India Budget 2020– Automotive Sector – Announcements

- The voluntary vehicle scrappage policy along with mandatory vehicle fitness tests
- Augmentation of public bus transport by about 20,000 buses is a positive for bus manufacturers
- The customs duty rate has been increased from 7.5% to 15% on certain auto parts (such as ignition wiring sets, safety glass, parts of signalling equipment).

Sector Implications



Marginally Positive

The government has started giving more attention to safeguarding the environment. Thus, the voluntary vehicle scrappage policy with mandatory fitness tests will help in keeping air pollution under the limit. However, this policy, being voluntary in nature is expected to translate into a marginal demand for new private and commercial vehicles in the short term and increase the sales volume in the longer run. The increment in the custom duties on auto parts shall make the automobiles dearer in the short run. The augmentation of public transport will facilitate deployment of innovative PPP models to enable private sector players to finance, acquire, operate and maintain the buses. This move is aimed at improving the public bus transport services in urban as well as rural areas across India.

India Budget 2021





India Budget 2020– Banking and Finance Sector – Announcements

- DFI amounting INR 20,000 Crores to be set for Infrastructure funding and shall have a lending portfolio of INR 5 Lakh Crores spread till 2023-24
- Securing Debt Financing through renewed interests in InvITs & REITs
- Asset Monetizing to gain momentum through an established monetization pipeline with the establishment of Asset Monetization Dashboard
- Stressed Asset resolution to be taken up by a dedicated SPV in the name of Asset Management Company to manage the stressed asset
- Recapitalization of Public Sector Banks planned at INR 20,000 Crores
- INR 5,000 Crore increase in NABARD Fund
- Ceilings for borrowings of states at 4% of GSDP with 3% of fiscal deficit for states planned by 2023-24
- Additionally INR 18,452 Crores as revenue deficit grant allocated to 17 states in FY 2021-22

Sector Implications

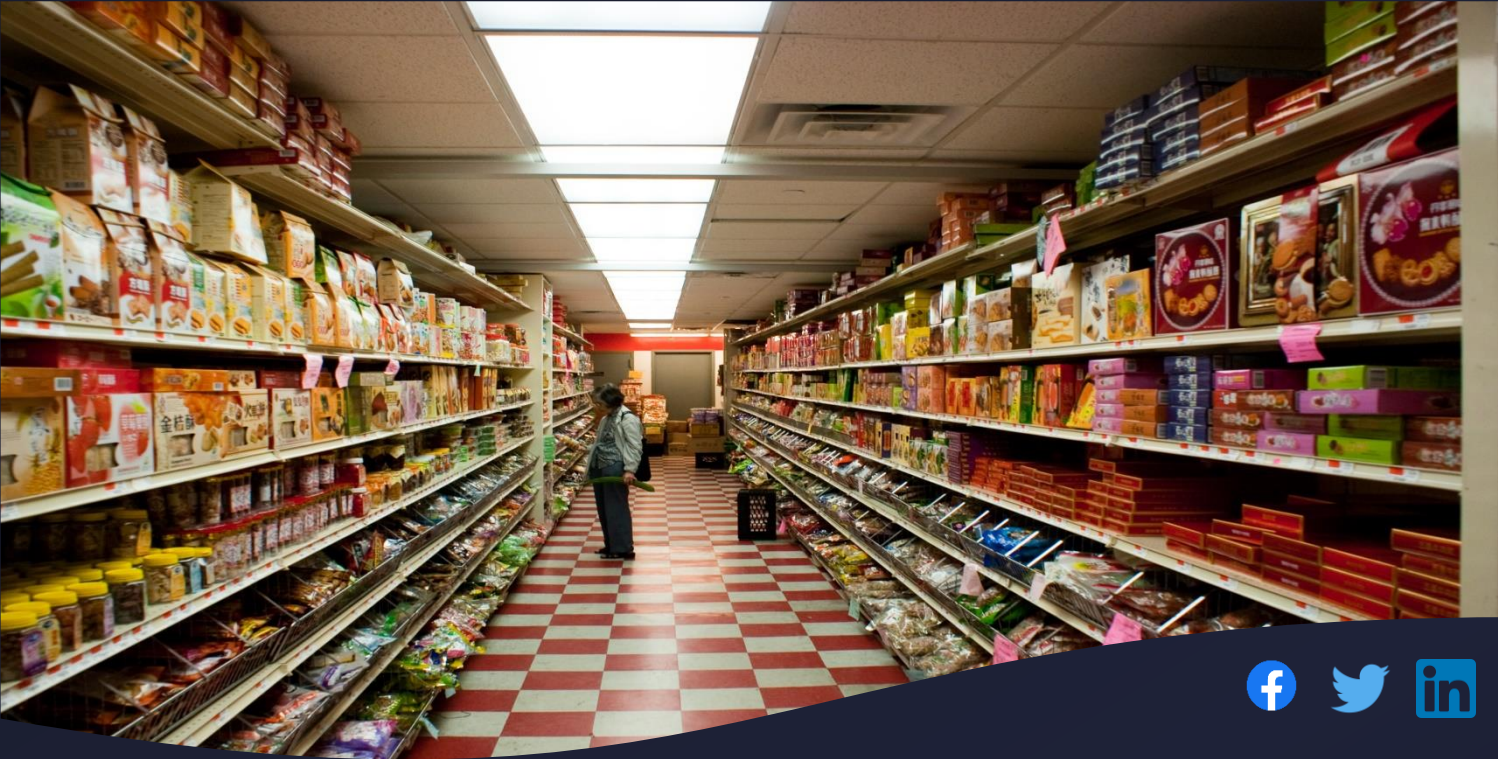


Marginally Positive

ARC set-up is a long-awaited reform to clean up Non Performing Assets (NPAs) in India. Moreover, Development Finance Institution (DFI) to be set up with INR 20,000 crore to raise INR 5 lakh crore funding for infrastructure projects shall be a big boon for those projects which are delayed due to the lack of availability of funds to complete the projects on time. This will likely to reduce the cost over-run of multiple infrastructure projects in India. Moreover, in order to improve upon the balance sheets of public sector banks, the recapitalisation of INR 20,000 crores is a vital step so that hat the lenders will raise funds from the market depending on their requirements.

India Budget 2021





India Budget 2020– FMCG Sector – Announcements

- Increment in customs duty on cotton from nil to 10%
- Increase in custom duty on raw silk and silk yarn from 10% to 15%
- Withdrawal of end-use based concession on denatured ethyl alcohol
- Imposition of custom duty on Edible oil of 15%
- Proposal to impose Agriculture Infrastructure and Development Cess on import of specified items

Sector Implications



Marginally Positive

Agriculture Infrastructure and Development Cess (AIDC) has been imposed for the purposes of financing the agriculture infrastructure and other development expenditure. Moreover, to safeguard the interest of farmers in India, the custom duty has been imposed on cotton, raw silk and silk yarn and edible oil.

India Budget 2021





India Budget 2020– Healthcare Sector – Announcements

- Overall Budgetary Outlay for health & well being for 2021-22 shall see a jump of 137% and shall be at INR 2,23,846 Crores
- Pradhan Mantri Atma Nirbhar Bharat Swasthya Yojana to have an outlay of INR 64,180 Crores over the span of 6 Years
- National Health Scheme to see additional 3,382 block health units and critical care units in 602 districts
- Approval for setting up of 9 biosafety level 3 labs along with 4 labs of virology
- INR 35,000 Crores outlay planned for COVID 19 vaccine roll-out, additional funds to be provided on need basis

Sector Implications

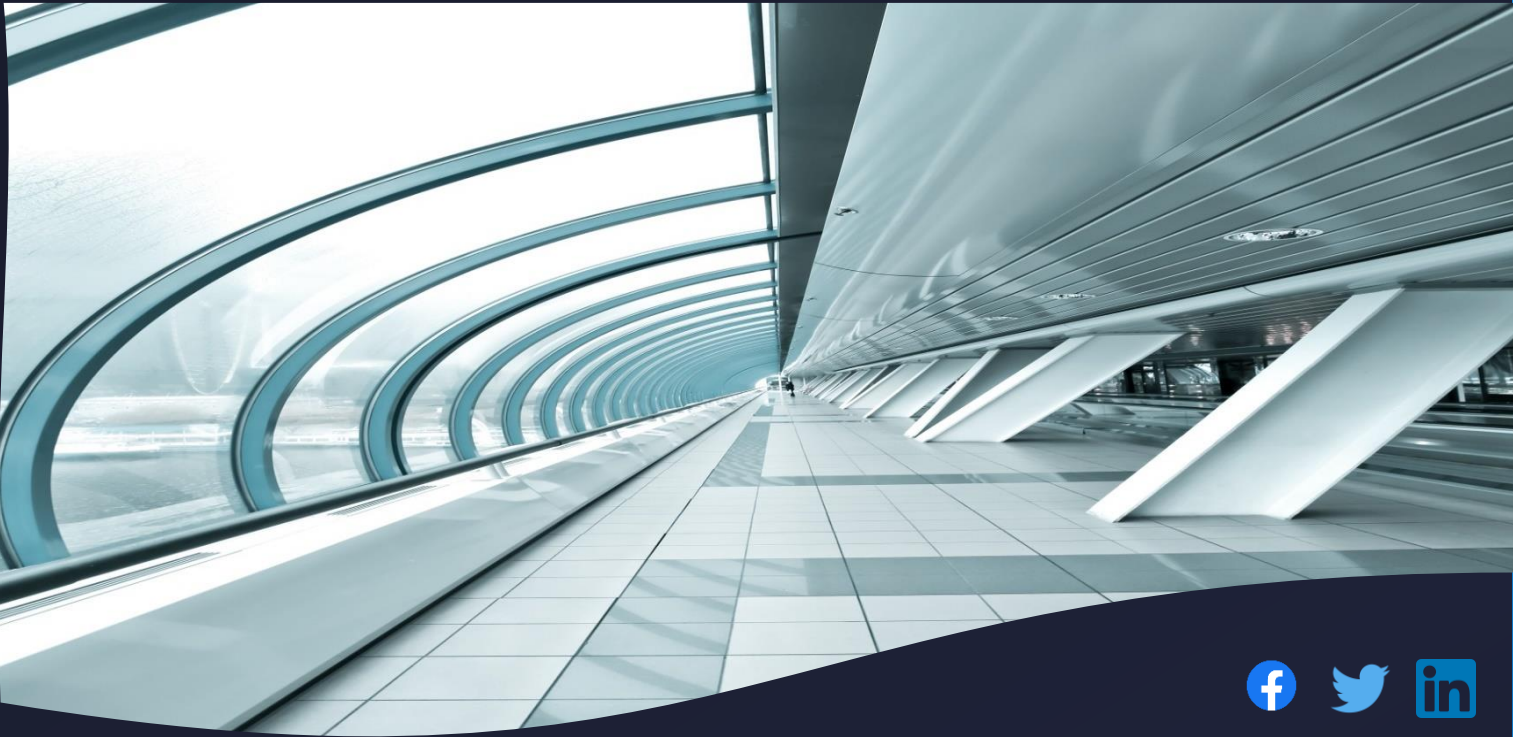


Positive Plus

The budgetary allocation of INR 2.23 lakh crores is a vital step towards improving the healthcare sector in India. A jump of 137% increase in the budgetary allocation is a vital move for strengthening the better capability, the supply chain infrastructure and combating the challenges posed by the pandemic COVID 19. Furthermore, additional outlay of INR 35,000 crores is planned for world largest vaccination rollout programme in India is a big plus that shall aid its reach to the remotest location of the country. In addition to this, the PLI program for pharmaceutical companies shall create job opportunities and attract the global players in the pharma and medical devices manufacturing sector.

India Budget 2021





India Budget 2020– Infrastructure Sector – Announcements

- Capital expenditure of INR 5.45 Lakh Crores in BE 21-22 planned for Infra Investments
- INR 1.181 Lakh Crores sanctioned for Ministry of Roads, Transport & Highways, of which INR 18,320 Crores planned for CAPEX
- 9,000 km dedicated economic corridors proposed to be developed with 2,000 km of coastal roads and 2,000 km of highways
- An asset reconstruction company and asset management company to be set up
- DFI amounting INR 20,000 Crores to be set for Infrastructure funding and shall have a lending portfolio of INR 5 Lakh Crores spread till 2023-24
- National Infrastructure Pipeline (NIP) to see 900 more projects added and stands at 7400 projects for 2021-22. Funding to be secured for NIP through creating institutional structure, monetization of assets, and enhancement of state funding in a CAPEX model
- Mega Investment Textile Parks announced. First phase of 7 such parks to come by 2023-24
- National Logistics Policy to be announced soon to enable issues & challenges witnessed by logistics industry of India

Sector Implications



Positive

There is a significant increment (35% over FY20) in the budgetary allocation for infrastructure segment indicating more infra projects will be announced in upcoming years. The increase in the NIP projects by over 900 projects shall improve the overall infrastructure of the country. However, almost 450 infra projects worth INR 150 crore or more have been hit by cost overruns totalling more than INR4.28 trillion. Hence, Setting up of the ARC and AMC is likely to address bad assets while recapitalising lending intuitions and creating a new development finance institution can help trigger lending for infra sectors. This shall help in bringing in more private lenders and infuse more money in the sector. Moreover, the national logistics policy shall help in regulating the sector and help in solving the issues and challenges faced by the logistics industry in India.

India Budget 2021





India Budget 2020– Manufacturing Sector – Announcements

- Production linked incentive scheme announced for 13 Industrial Sectors. An outlay of INR 1.97 Lakh Crores planned over a spread of 5 years from 2021-22
- For electronics and mobile phones, a few exemptions on parts of chargers and sub parts of mobile phones are being withdrawn.
- In addition to this, some parts of mobiles which had 'nil' custom duty rate will now be charged at a moderate rate of 2.5%
- Reducing Customs duty uniformly to 7.5% on semis, flat, and long products of non-alloy, alloy, and stainless steels
- Reducing customs duty on Naptha to 2.5% to correct inversion
- Outlay to the MSME sector doubled to INR 15,700 crore

Sector Implications



Marginally Positive

The Production linked incentive (PLI) scheme for 13 sector is likely to foster manufacturing growth in India. This shall bring a level playing field to the domestic as well as the global players further enhancing the competition in these sectors. Apart from this, reducing the custom duties across multiple products like iron and steel, naptha shall reduce the overall cost of the final products which will definitely improve the margins of the companies. Furthermore, the outlay of INR 15,700 crores shall uplift the sector which was among the worst hit during the pandemic. The outlay shall help in skill development and infrastructure development within the sector.

India Budget 2021





India Budget 2020– Oil & Gas Sector – Announcements

- Additional 100 districts to be identified for City Gas Distribution Network (CGD) by 2023-24
- Fresh Gas Pipeline Project planned for the UT of J&K
- Basic & Special Additional Excise Duty on Petrol & High-Speed Diesel both branded & unbranded is reduced
- AIDC has been newly imposed on Petrol & Diesel at INR 2.5/Litre & INR 4.0/Litre respectively
- Independent Gas Transport System operator will be set up for facilitation & coordination of booking for common carrier capacity in all Natural Gas Pipelines on a non-discriminatory Open Access basis
- Additional Assets added for monetization include O&G Pipelines of GAIL, IOCL & HPCL
- BPCL disinvestment will be completed in FY 2021–22

Sector Implications



Marginally Positive

Planning new gas pipelines, introduction of the Independent Gas Transport System Operator for coordinated supply and expansion of City Gas Distribution (CGD) network to 100 more districts clearly indicates that India is moving towards building a gas-based economy. Gas transportation capacity will get unlocked with an independent Transmission System Operator (TSO). Also, with expansion of CGD network, the industrial sector having the gas requirement will be benefitted immensely. Moreover, the end price of petrol and diesel will become dearer due to introduction of AIDC cess.

India Budget 2021





India Budget 2020– Power Sector – Announcements

- Framework soon for Electricity Consumers to choose from more than One DISCOM in the country which shall help DISCOMs reduce their losses and ensure Power For All
- Allocation of INR 3.058 Lakh Crores for revamping DISCOMs on a result-oriented basis through feeder segregation & smart metering
- Ujjawala scheme to be extended for additional 1 Crore recipients

Sector Implications



Positive

The budgetary allocation of INR 3.058 lakh crores in revamping the discoms infrastructure through smart metering and feeder segregation clearly indicates the result-oriented approach to improve the financial condition of the distribution companies. As a result, the efficiency in the payment mechanism to power generating and transmission companies can be improved, thus reducing the NPA assets in power sector. Also, introduction of framework to choose the more than one DISCOM in the country is a welcome step. However, the implementation at the ground level would be of greater challenge

India Budget 2021





India Budget 2020– Renewable Sector – Announcements

- To boost Domestic Solar Manufacturing the Basic Customs Duty on Solar Inverters raised from 5% to 20% and on solar lanterns from 5% to 15%
- To boost non-conventional energy in the country additional budget of INR 1,000 Crores to SECI & INR 1,500 Crores for IREDA granted
- Large solar power capacity mulled to be set alongside railway tracks

Sector Implications



Marginally Positive

The budgetary allocation of INR 1000 crores to SECI and INR 1500 crores to IREDA indicate continued policy support and thrust towards meeting funding requirements for the renewable energy segment, including that for building a green energy transmission corridor. Moreover, in order to give boost to the domestic solar manufacturing, the custom duty on solar inverter has been raised from 5% to 20% and solar lanterns from 5% to 20%. Thus, phased plan for boosting domestic manufacturing of cells and modules capacity can be notified in the near future. Moreover, the installation of solar panels is being planned alongside railway tracks which can be used for station electricity requirement or building a micro grid around the solar power project.

India Budget 2021





India Budget 2020– Railways & MRTS Sector - Announcements

- Railways to work upon National Rail Plan by 2030, involving both East-West & North-South Corridors
- 72% of Broad Gauge Rail Network to be Electrified amounting to 46,000 rkms, by the end of 2021. Further, 100% electrification of broad gauge network envisaged by 2023
- For passenger safety an outlay of INR 1.1 Lakh Crores have been planned by Railways of which INR 1.07 Lakh Crores is towards capital expenditure
- 1,016 km of metro in RRTS on the floor in 27 cities. Introduction of metrolite & metroneo services in Tier II and peripheral areas of Tier I cities as well
- INR 18,600 Crores Bengaluru Local Train Project planned with 20% central equity
- Bengaluru metro Phase 2A & 2B planned at an outlay of INR 14,788 Crores
- Nagpur & Nashik metro phases planned at an outlay of INR 5,926 Crores & INR 2,092 Crores respectively

Sector Implications



Positive

The efforts are being taken to fully electrify the rail network by 2023 which shall help in reducing the dependence on diesel locomotives. Furthermore, multiple MRTS projects with Budgetary expenditure of INR 18,998 across India have been planned. This shall help in speedy construction of railway as well as MRTS projects. Thus, Railway capex augmentation and metro rail project augur well for steel sector and is likely to increase the demand for steel products, especially long steel products.

India Budget 2021





India Budget 2020– Shipping & Port Sector – Announcements

- For Port & Shipping Infra subsidy support of INR 1,624 Crores over a span of five years to be provided
- Modern fishing harbors to be developed
- Piloting of 5 shipping harbors to promote fisheries, in addition to setting up of seaweed park in Tamil Nadu
- Seven major ports worth ₹2,000 crore will see their operations privatised in the year 2021-2022

Sector Implications

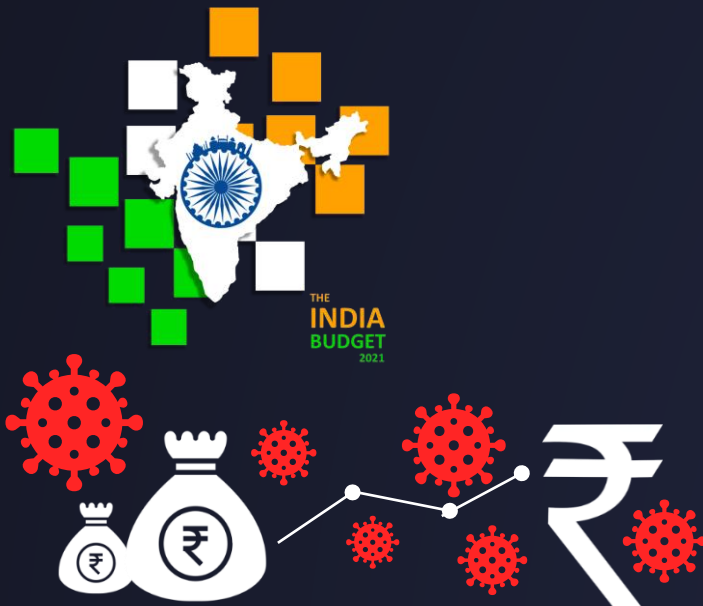


Marginally Positive

Launching a subsidy support scheme of INR 1624 crore in global tenders would enable greater training and employment opportunities for Indian seafarers besides enhancing Indian companies share in global shipping industry. Moreover, provision to privatise 7 major ports shall help in infusion of more money through private players in ports sector in order improve the physical infrastructure. This shall help in setting up of special economic zones and industries in the vicinity of the ports.

India Budget 2021





THANK YOU!

Happiness does not come from doing easy work but from the afterglow of satisfaction that comes after the achievement of a difficult task that demanded our best

- Theodore Isaac Rubin