



UNION (INTERIM) BUDGET 2019-20

(02.02.2019)



The Interim Budget 2019-20:

It has largely been oriented towards the farmers, rural population, middle/salaried class and the unorganised sector workers. The budget mainly focused on striving balance between being populist and at the same time importantly maintaining the fiscal consolidation target. The fiscal deficit for FY2019 is now expected at 3.4% of GDP (3.3% Budgeted), while that for FY2020 has been set at 3.4% of GDP (3.1% targeted last year) The increase in income level as a consequence of the income support schemes, interest subvention and tax exemptions would help stimulate consumption and thereby domestic economic output.

- **Income tax relief** was entirely confined to the lower income brackets and is marginal, but broad based. This will push consumption and discretionary spending sentiment.
- **Human development** spends like education and healthcare has been given due importance with allocation of both going up by 12.2% and 13.6% in FY20, though flagship programs like MGNREGA saw flattish allocation.
- Food subsidy at Rs 1.71 tn, a massive rise of 71% YoY.
- **Capital expenditure** is budgeted to increase by 6% to Rs. 3.4 lakh Crs in 2019-20. There has been an increase in CAPEX incurred since 2017-18. The government incurred Rs. 20,000 Crs more than the budgeted CAPEX of Rs. 3 lakh Crs in 2018-19.
- The total debt of the government (including other liabilities) for 2019-20 have been budgeted at Rs. 98 lakh Crs, 8.2% higher than 2018-19(RE).



AGRICULTURE

- Rs 6,000 per year assured income support for small and marginal farmers.
- Farmers having up to 2 hectare of lands will get Rs 6,000 per year in three equal instalment. The scheme will be effective from December 1, 2018.
- Farmers affected by natural calamities to get 2% interest subvention and additional 3% interest subvention upon timely repayment.
- 2% interest subvention to farmers who pursue animal husbandry, fisheries jobs through Kisan credit cards.
- Kamdhenu scheme for animal husbandry.
- Food subsidies hiked another 7.5% for FY20BE, after a whopping 71% in FY19RE (big and wide MSP hikes).



Stocks Under Focus: **Rallis India, UPL, Kaveri Seed**



INFRASTRUCTURE & RAILWAY

- Infra/Energy industry spend has been hiked only 6% for FY20BE after 22% in FY19RE.
- Including extra budgetary resources, Government capex set to actually fall ~1% in FY20BE. The Gross Budgetary Support is set to rise ~6%, though.
- Railway capex for FY20 set at record Rs 1.6 lakh Crs.
- The Operating Ratio is expected to improve from 98.4% in 2017-18 to 96.2% in 2018-19 and further to 95% in 2019-20.



ROAD

- Pradhan Mantri Gram Sadak Yojana (PMGSY) is being allocated 19,000 crore in 2019-20 as against 15,500 Crs in 2018-19.

Stocks Under Focus: **L&T, PSP Projects, Container Corporation**



DEFENCE

- The Government has announced substantial hike in the Military Service Pay of all service personnel and special allowances given to Naval and Air Force deployed in high risk duties.
- During 2019-20 Defence budget will be crossing Rs. 3,00,000 Crs. Government will provide additional funds for Defence, if needed.
- Government disbursed Rs 35,000 Crs under One Rank One Pension (OROP) scheme in the last few years.



Stocks Under Focus: **BEL, Hindustan Aeronautical, IEX, Powergrid**



ELECTRICITY

- In mission mode, have provided 143 crore LED bulbs with the participation of private sector. This has resulted into a savings of approximately Rs. 50,000 Crs per year in electricity bills of poor and middle class families.
- By March, 2019, all willing families will get electricity connection.



EMPLOYMENT

- New social security coverage scheme for unorganised sector workers.
- Assured monthly pension of Rs 3,000 rupees per month, with contribution of 100 rupees per month, for workers in unorganized sector after 60 years of age.
- Scheme to benefit 10 Crs workers in unorganized sector, may become the world's biggest pension scheme ('Pradhan Mantri Shram-Yogi Mandhan') for unorganized sector in five years.
- Women led development Government embarked upon a programme to deliver 8 crore free LPG connections under the Ujjwala Yojana.



MEDIUM, SMALL AND MICRO ENTERPRISES (MSMES)

- GST-registered SME units will get 2% interest rebate on incremental loan of Rs. 1 Crs.

TAX PROPOSALS

- Individual taxpayers having taxable annual income upto Rs 5 lakhs will get full tax rebate and therefore will not be required to pay any income tax.
- For salaried persons, Standard Deduction is being raised from the current Rs 40,000 to Rs 50,000.
- Increase in limit for deduction of TDS on Interest earned on bank/post office deposits u/s 194A from Rs 10,000 to Rs 40,000. Further, TDS threshold for deduction of tax on rent is proposed to be increased from Rs 1,80,000 to Rs 2,40,000 for providing relief to small taxpayers.
- The benefit of Capital Gains under section 54 of the Income Tax Act will be increased from investment in one residential house to two residential houses for a tax payer having capital gains up to Rs 2 Crs. This benefit can be availed once in a life time.
- Extension of 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.



FISCAL DEFICIT

- Total amount of Rs 27,84,200 Crs is estimated expenditure for 2019-20 BE.
- The allocation of Rs 76,801 Crs for schedule castes in BE for 2019-20, For the Scheduled Tribes, proposed allocation in 2019-20 BE is Rs 50,086 Crs.
- Government is targeting of Rs 80,000 Crs worth disinvestment's this year.
- They are expecting Fiscal deficit to be 3.4% of GDP, estimates increased because of income support to farmers.

Stocks Under Focus: **PNB Housing, HDFC Ltd, Cholamandalam**



OTHER KEY HIGHLIGHTS

- **Banks NBFCs/HFCs:** There was no specific package for the banking sector, as the Government had already announced recapitalization for banks. A day before the budget three PSU Banks came out of the PCA framework, during the Budget speech the minister has expressed that all banks will eventually come out of PCA. This indicates that the Government will subsequently come out with some or the other support for the banking sector.
- **Broking:** Administration of stamp duty collection through exchanges. Stamp duty lowered marginally (Instead of brokers, exchanges will be liable to collect and remit duty to the central government instead of brokers.)
- **Pharma:** Health-care spend is up 13% YoY to Rs 614 bn, which is 2.3% of the total budgeted expenditure in FY20BE. Pradhan Mantri Jan Arogya Yojana (AB-PMJAY): Provides a cover of Rs 0.5 mn per annum per family in empanelled hospitals. At present, AB-PMJAY targets to cover 108mn families. The government has provided Rs 64 bn for this scheme in FY20BE v/s Rs 24 bn in FY19RE.
- **Telecom:** Government will create digital infrastructure in 1 lac villages over the next five years.
- **Media:** Single window clearance for ease of shooting films to Indian filmmakers.



BUDGET AT A GLANCE

		2016-2017	2017-2018	2017-2018	2018-2019	2018-2019	2019-2020
		Actual	BE	RE	BE	RE	BE
1	Revenue Receipts	1374203	1515771	1505428	1725738	1729682	1977693
	2. Tax Revenue	1101372	1227014	1269454	1480649	1484406	1705046
	3. Non-Tax Revenue	272831	288757	235974	245089	245276	272647
4	Capital Receipts ¹	600991	630964	712322	716475	727553	806507
	5. Recovery of Loans	17630	11933	17473	12199	13155	12508
	6. Other Receipts	47743	72500	100000	80000	80000	90000
	7. Borrowings and Other Liabilities	535618	546531	594849	624276	634398	703999
8	Total Receipts (1+4)	1975194	2146735	2217750	2442213	2457235	2784200
9	Total Expenditure (10+13)	1975194	2146735	2217750	2442213	2457235	2784200
10	On Revenue Account of which	1690584	1836934	1944305	2141772	2140612	2447907
11	Interest Payments	480714	523078	530843	575795	587570	665061
12	Grants in Aid for creation of capital assets	165733	195350	189245	195345	200300	200740
13	On Capital Account	284610	309801	273445	300441	316623	336293
14	Revenue Deficit (10-1)	316381	321163	438877	416034	410930	470214
		(2.10)	(1.90)	(2.60)	(2.20)	(2.2)	(2.2)
15	Effective Revenue Deficit (14-12)	150648	125813	249632	220689	210630	269474
		(1.00)	(0.70)	(1.50)	(1.20)	(1.1)	(1.3)
16	Fiscal Deficit [9-(1+5+6)]	535618	546531	594849	624276	634398	703999
		(3.50)	(3.20)	(3.50)	(3.30)	(3.4)	(3.4)
17	Primary Deficit (16-11)	54904	23453	64006	48481	46828	38938
		(0.40)	(0.10)	(0.40)	(0.30)	(0.2)	(0.2)

Notes:

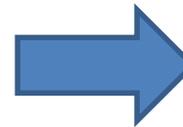
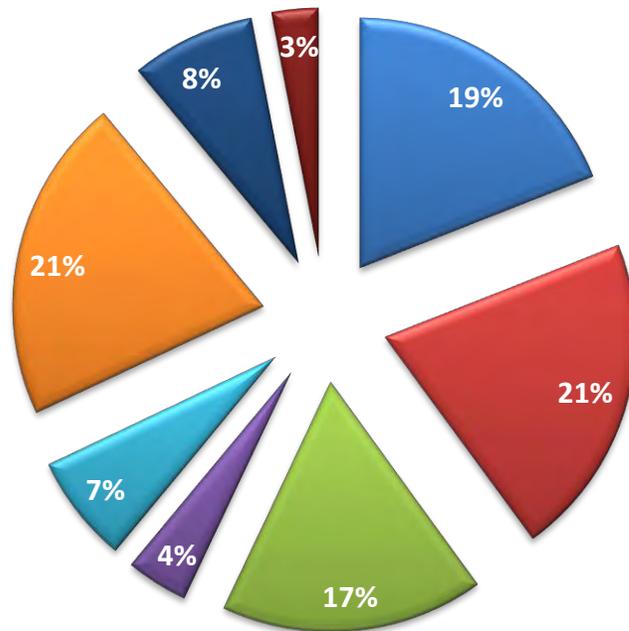
- Individual items in this document may not sum up to the totals due to rounding off
- Figures in parenthesis are as a percentage of GDP



BUDGET 2019-2020

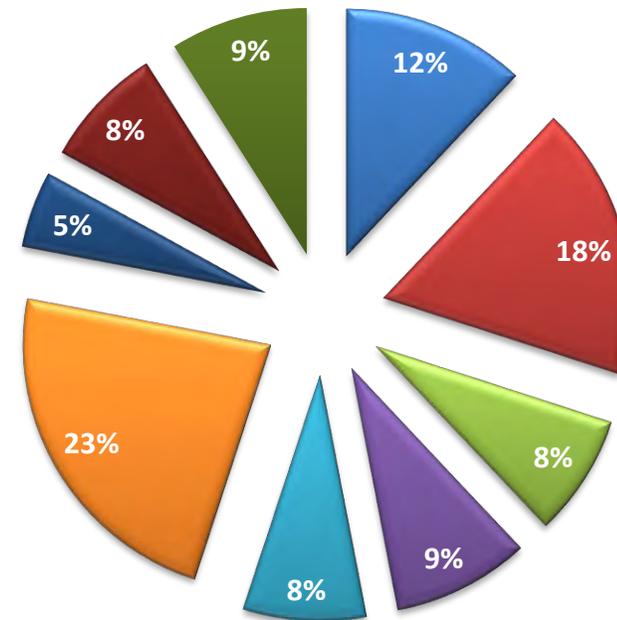
Rupee comes from

- Borrowing & other liabilities
- Corporation Tax
- Income Tax
- Customs
- Union Excise Duty
- GST & other Taxes
- Non Tax Revenue
- Non-Debt Capital Receipts



Rupee goes to

- Central Sector Scheme
- Intrest Payment
- Defence
- Suubsidies
- Finance Commision & other transfers
- States share of taxes & duties
- Pensions
- Other Expenditures
- Centrally sponsored scheme



OUR VIEW

Overall the budget was positive from the view point of stock market. Tax savings, increased subsidies, interest subvention, support to farmers, and many more tax benefits given will lead to savings which will then boost spending and push consumption. FMCG, Entertainment, Agriculture, Auto, Infrastructure, Oil Exploration and Housing Finance Companies appear to benefit from the announced measures.



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Thank You

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