BWR PRE-BUDGET EXPECTATION

www.brickworkratings.com

SEBI Registered
RBI Accredited
Credit Rating Agency

Balancing Fiscal Deficit Target and Growth – Key Challenge for the Finance Minister

Wednesday, 03 July 2019

Contacts

Dr M Govinda Rao
Chief Economic Advisor
+9180 40409940
govindarao.m@brickworkratings.com

B. K. Piparaiya
Senior Director-Ratings
+91 22 28311426
piparaiya.bk@brickworkratings.com

Vipula Sharma
Director - Ratings
+9180 40409940
vipula.s@brickworkratings.com

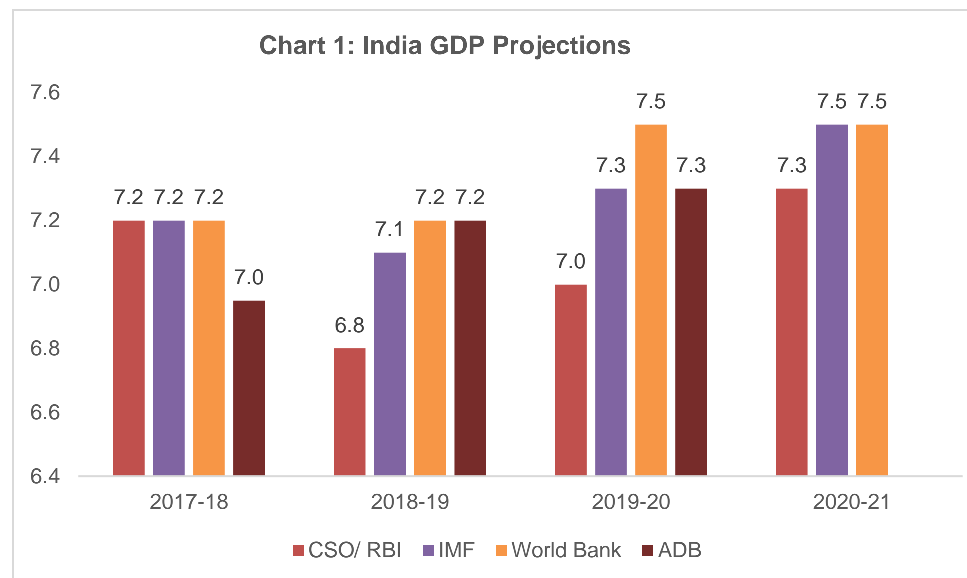
Anita Shetty
+91 22 28311426
anitashetty@brickworkratings.com

Praveen Pardeshi
+91 22 28311426
praveen.p@brickworkratings.com

Ria Matwani
+91 22 28311426
ria.m@brickworkratings.com

State of the Economy and Budget Expectations

While a full Budget would be presented on July 5th 2019 expectedly on the lines of the interim budget presented in February 2019, the reformist contours of policy making and the conundrum of fiscal prudence would be weighed-in. The challenges faced by the domestic economy particularly slowing trade, rising protectionism, trade conflict between United States and China, Brexit, US sanctions on Russia, Iran and Venezuela impacted the domestic economy. The International Monetary Fund (IMF) and others predict slowdown in the global growth to 3.5% in 2019 from 3.7% in 2018. The protectionist trend characterized by US – China trade dispute and the sanctions against Iran and Venezuela which pose external constraints and risks. However, the unprecedented mandate received by the government should help it to hit the reform road running. Therefore, the domestic economy is expected to provide a fillip in 2019-20 (See chart 1), through new policy initiatives and continued economic reforms to achieve accelerated growth and increase in employment.



Source: IMF, World Bank, ADB, RBI, BWR Research

Assessment of the Indian Economy - swinging between external strains and domestic slowdown

During the last few quarters, the Gross Domestic Product (GDP) has shown a continuous deceleration from 8.1% in Q4 of 2017-18 to 5.8% in the Q4 of 2018-19. This deceleration brought down the average growth for the year to 6.8%, below the earlier estimate of 7% and below the 7.2% growth recorded in the previous year. In Table 1 below, see the changing composition of sectors towards total GVA and their growth trends for the last few years.

Table 1: Growth and Share in GVA by Economic Activity (in % at Constant prices, Base year 2011-12)							
		2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 *
I. Agriculture, forestry & fishing	Growth	5.6	-0.2	0.7	6.3	5.0	2.9
	Share	***17.8***	***16.5***	***15.4***	***15.2***	***14.9***	***14.4***
II. Industry	Growth	3.8	7.0	9.6	7.7	6.0	6.9
	Share	***31.2***	***31.1***	***31.6***	***31.5***	***31.2***	***31.3***
Mining & quarrying	Growth	0.2	9.7	10.2	9.5	5.1	1.3
	Share	***2.9***	***3.0***	***3.0***	***3.1***	***3.0***	***2.9***
Manufacturing	Growth	5.0	7.9	13.1	7.9	5.9	6.9
	Share	***17.2***	***17.3***	***18.2***	***18.2***	***18.0***	***18.0***
Electricity, gas, water supply & other utility services	Growth	4.2	7.2	4.7	10.0	8.6	7.0
	Share	***2.2***	***2.2***	***2.1***	***2.2***	***2.2***	***2.2***
Construction	Growth	2.7	4.3	3.6	6.1	5.6	8.7
	Share	***8.8***	***8.6***	***8.3***	***8.1***	***8.0***	***8.2***
III. Services	Growth	7.7	9.8	9.4	8.4	8.1	7.5
	Share	***51.1***	***52.4***	***53.0***	***53.3***	***53.9***	***54.3***
Trade, hotels, transport, communication and services related to broadcasting	Growth	6.5	9.4	10.2	7.7	7.8	6.9
	Share	***18.2***	***18.6***	***19.0***	***19.0***	***19.1***	***19.2***
Financial, real estate & professional services	Growth	11.2	11.1	10.7	8.7	6.2	7.5
	Share	**20.6**	**21.4**	**21.9**	**22.0**	**21.9**	***22.1***
Public administration, defence and other services	Growth	3.9	8.3	6.1	9.2	11.9	8.6
	Share	***12.3***	***12.4***	***12.2***	***12.3***	***12.9***	***13.1***
GVA at Basic Price	Growth	6.1	7.2	8.0	7.9	6.9	6.6
**** Data for 2018-19 are** Provisional Estimates*							
Source: CMIE, BWR Research							

Fiscal Consolidation

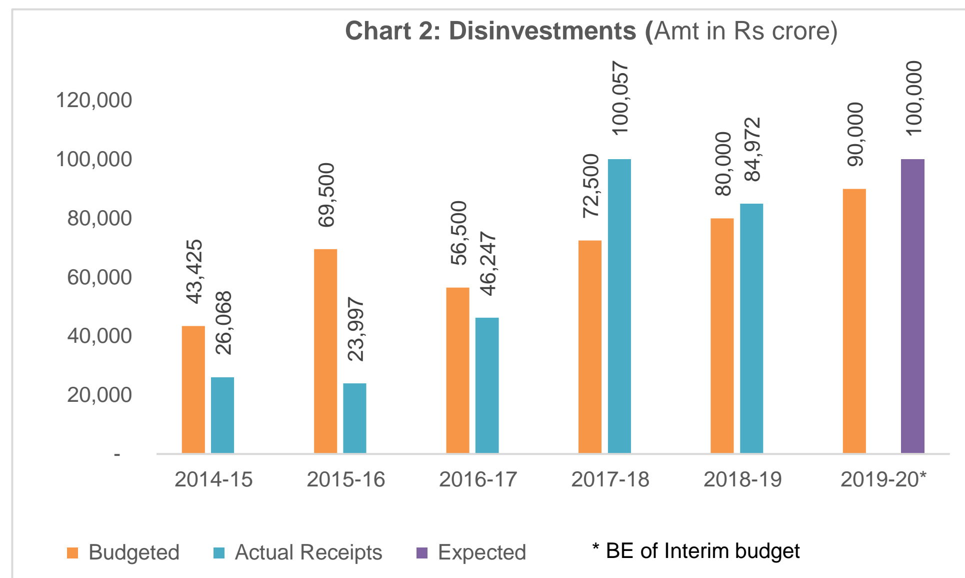
Average fiscal deficit as a percentage of GDP during 2014-19 has been brought down to 3.7% from 5.4% during 2009-14. There has been no further slippage in the fiscal deficit from the revised estimate of 3.4% for 2018-19 presented in the interim budget. There has been a shortfall in actual revenue collections from the revised estimates in 2018-19 as per the latest available data from Controller General of Accounts (CGA) by as much as Rs 1.67 trillion. This is a matter for concern as the projections for 2019-20 is based on the revised estimates of the previous year and are likely to undergo significant downward revision. To achieve the projected gross tax revenue collections of the Centre at Rs 25.5 trillion, it will have to record a growth rate of 22.6% and the net tax revenues will have to increase by 28.8% over the actuals in fiscal 2019 which is clearly unrealistic. In addition, resources will have to be found for PM-Kisan, Ayushman Bharat and many of the promises made in the election manifesto.

With the overwhelming preemption of household sector financial saving by the Central and State governments and public enterprises, there is very little borrowing space left for the private sector.

Expected way forward

With the gross domestic capital formation at just about 28.5%, reviving the investment climate is critical for accelerating economic growth. This must start with increase in public investment and with constrained fiscal space, the only way to achieve this seems to adopt an active disinvestment strategy. The NITI Aayog had identified about 40 enterprises for disinvestment and there are reports that the cabinet has already cleared divesting in about 10-12 enterprises. Hopefully, the process will be speeded up. Active disinvestment process will buoy the markets. In the interim budget the government announced Rs 90,000 crore disinvestment target for 2019-20 which is likely to be enhanced in the full budget to cut fiscal deficit (Chart 2).

Table 2: Public Finance - Fiscal Parameters (Rs in crore)					
	2017-18	**2018-19**	**2018-19**	**2018-19**	**2019-20**
	Actuals	(BE)	(RE)	Reported by CAG (March 2019)	(BE)
1. Revenue Receipt	1,435,233	1,725,738	1,729,682	1,563,170	1,977,693
1.1 Gross Tax Revenue	1,919,009	2,271,242	2,248,175	2,080,203	2,552,131
1.2 Tax Revenue Net to Centre	1,242,488	1,480,649	1,484,406	1,316,951	1,705,046
1.3 Non -Tax Revenue	192,744	245,089	245,276	246,219	272,647
2. Total Expenditure	2,141,975	2,442,213	2,457,235	2,311,422	2,784,200
2.1 Revenue Expenditure	1,878,835	2,141,772	2,140,612	2,008,463	2,447,907
2.2 Capital Expenditure	263,140	300,441	316,624	302,959	336,292
3. Revenue Deficit	443,602	416,034	410,930	445,293	470,214
4. Fiscal Deficit	591,064	624,276	634,398	645,367	703,999
GDP at current prices*	***17,095,005***	***18,722,302***	***18,840,731***	***19,010,164***	***21,007,439***
Fiscal Parameters As percentage of GDP					
1. Revenue Receipt	**8.4**	**9.2**	**9.2**	**8.2**	**9.4**
1.1 Gross Tax Revenue	11.2	12.1	11.9	10.9	12.1
1.2 Tax Revenue Net to Centre	7.3	7.9	7.9	6.9	8.1
1.3 Non-Tax Revenue	1.1	1.3	1.3	1.3	1.3
2. Total Expenditure	**12.5**	**13.0**	**13.0**	**12.2**	**13.3**
2.1 Revenue Expenditure	11.0	11.4	11.4	10.6	11.7
2.2 Capital Expenditure	1.5	1.6	1.7	1.6	1.6
3. Revenue Deficit	**2.6**	**2.2**	**2.2**	**2.3**	**2.2**
4. Fiscal Deficit	**3.5**	**3.3**	**3.4**	**3.4**	**3.4**
**** GDP for BE 2019-20 is projected estimate over the RE of 2018-19, Advance estimates for 2018-19 (Interim budget)***					
RE: Revised Estimate, BE: Budget Estimate. 2018-19 RE and 2019-20 BE as per interim Budget 2019-20					
Source: Budget Documents, www.cga.nic.in, BWR Research					



External Trade and Current Account Deficit

The current account deficit (CAD) as a ratio of GDP has declined from 3.3% in 2014-15 to 1.5%in 2018-19. India's external position worsened significantly in the first half of FY18-19, as large portfolio outflows were triggered by the US monetary policy and fears of contagion from stress in some emerging market economies. The nominal exchange rate depreciated and foreign reserves declined by over 6% in the first half of 2018-19, but returned to their earlier levels towards the end of the second half of the fiscal.

Recent widening of the trade deficit on account of falling exports is a drag on CAD, while net services exports in Q4:2018-19 were broadly comparable to their level a year ago which bode well for the current account balance. On the financing side, net foreign direct investment flows were stronger in Q4:2018-19 than a year ago.

Expected measures

The year 2018-19 has also seen recovery in the exchange rate. There were also excess accumulation of forex exchange reserves in the second half of 2018-19. The price of oil, after showing high volatility also has stabilized. India’s foreign exchange reserves increased substantially and amounted to US$ 421.9 billion as on May 31, 2019. However, the withdrawal of the Generalised System of Preferences (GSP) by the US comes as an additional setback on the external front. The general protectionist tendency and the sanctions on Iran pose additional risks.

Promotion of exports should be one of the major agendas for the new government with a relook at the protectionist measures taken by the government in the name of “Make in India”.

Agriculture Sector

There has been a steady deceleration in Agriculture GVA during 2018-19. Following this, agriculture share in total GVA also came down to 14.7% in Q4 from 18.2% in Q3 2018-19. As per the third advance estimates, total production of foodgrains for 2018-19 shrink by -0.6% to 283.37 million tonnes compared to previous year (Table 2). Foodgrains production improved in Kharif season by 1.6% over the year, whereas Rabi season reported 2.7% fall in production. Pulses production dwindled in both the seasons by 8.8% and 8.5% y-o-y, respectively, whereas cereals output improved by 2.3% in Kharif, but shrank by 2% in Rabi season. The shortage of foodgrains production poses the risk of inflationary expectations though there is considerable leeway on this front in the flexible inflation targeting regime.

For 2019, the India Meteorological Department (IMD) has predicted a “near-normal" monsoon at 96% which is encouraging, but normal, well-distributed monsoon is crucial for better farm output which helps to keep food inflation in check. Unevenly-distributed rains, even if normal, can hurt agricultural production. The benign inflation helped the MPC to lower repo rates thrice since 2019. If agriculture production fall further in 2019-20, given the current monsoon behavior, the burden on government to manage both farm income and inflation becomes challenging.

Table 3: Total Foodgrains production (in 000 tonnes)

	Foodgrains			Cereals		Pulses	
	Total	Rabi	Kharif	Rabi	Kharif	Rabi	Kharif
2014-15	252,025	123,956	128,069	112,534	122,336	11,422	5,733
2015-16	251,542	126,450	125,092	115,657	119,562	10,793	5,530
2016-17	275,112	136,784	138,328	123,238	128,743	13,546	9,585
2017-18	285,020	144,550	140,470	128,440	131,160	16,110	9,310
2018-19	283,370	140,620	142,750	125,920	134,230	14,700	8,520

Note: Data for 2017-18 is as per Final estimates. Data for 2018-19 is as per third advance estimates.
Source: agricoop.nic.in, BWR Research

Expected measures to boost productivity in agriculture and support farmers

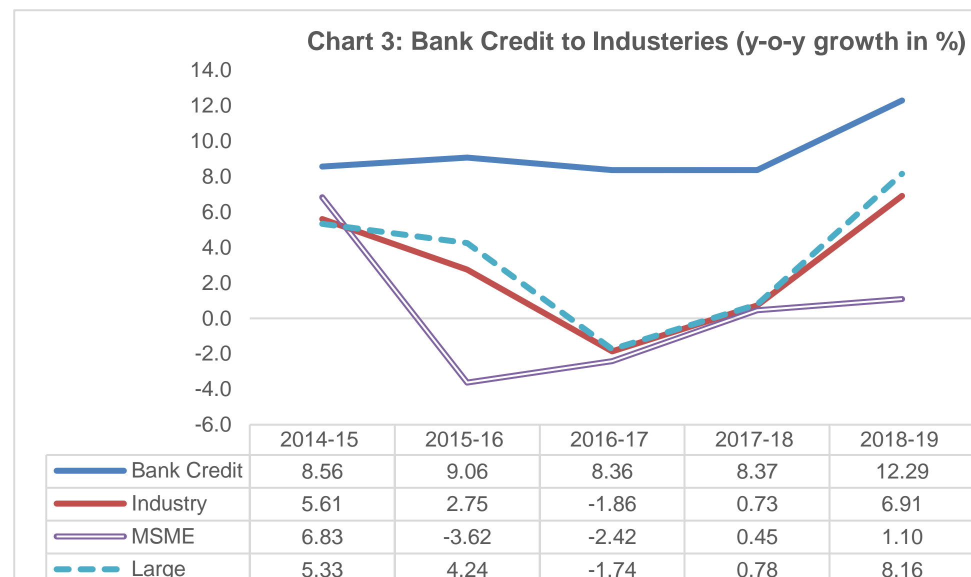
Recent policy measures by the government to improve income support to farmers though income transfers under PM-KISAN and hikes in procurement prices for food grains would add to farmers' disposable income. This is expected to provide some relief to farmers' distress and also increase consumption in the rural economy. The income support for farmers (Pradhan Mantri Krishi Samman Nidhi) is expected to continue.

With the notification on the extension of benefits to all 14.5 crore farmers in the country irrespective of the size of their landholding is expected to cost Rs 87,000 crore in 2019-20.

In its election manifesto, the BJP has stressed its commitment to the promise of doubling farmer incomes by 2022. Further, it plans to create a National Warehousing Grid, invest Rs 25 lakh crores in farm/rural productivity, introduce interest free Kisan Credit Cards and extend the Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) to all farmers and to ensure adequate warehousing and marketing opportunities are made available to farmers. On these lines, the budget may announce more farmer friendly measures aimed at improving agriculture income.

Industry and Credit

The Industry reported better growth in terms of GVA during 2018-19 compared to previous year (refer Table 1). The industrial sector is estimated to grow at 6.9% against the last year's growth of 6.0%. Revival in manufacturing and construction activity supported the overall industrial growth. Falling public investment due to compression of capital expenditures to conform to the fiscal deficit target constrained further growth in manufacturing sector during the last quarter of 2018-19. Credit flows from banks to large industries strengthened in 2018-19 compared to previous year, though they remained muted for micro, small and medium industries (Chart 3). The share of industry in total outstanding bank credit came down from 35% to 33% during the same review period reflecting structural shifts with banks preferring to lend more to retail sector than industries owing to higher levels of NPAs.



	2014-15	2015-16	2016-17	2017-18	2018-19
Bank Credit	8.56	9.06	8.36	8.37	12.29
Industry	5.61	2.75	-1.86	0.73	6.91
MSME	6.83	-3.62	-2.42	0.45	1.10
Large	5.33	4.24	-1.74	0.78	8.16

Source: RBI, CMIE, BWR Research

In 2018-19, IIP has reported continuous slowdown in production and reported mere 0.4% annual increase in total production indicating weakness in both consumption and investments. However, revival in IIP during the first month of fiscal 2019-20 (IIP posted 3.4% increase in production) is largely attributed to pick-up in the manufacturing production. The capacity utilisation in the industrial sector is at all time high (77% in Q4:2018-19), which means, additional growth will have to come from fresh investments. It could be noted that the Gross Fixed Capital Formation (GFCF), a proxy for private investment has declined from 33.4% in Q3 to 30.7% in Q4.

Expected support

The industrial sector needs support in the form of better GST implementation. In its election manifesto, BJP has mentioned capital investment of Rs 100 lakh crore in the infrastructure sector is needed by 2024 for investment driven growth. A higher budget allocation for the infrastructure would help the sectors like auto, steel, cement, power and real estate.

The revival of investment climate holds the key to accelerating the GDP growth in the manufacturing sector. The growth largely remains dependent on the public investments. The increase in public expenditure is subject to the headroom available, maintaining fiscal prudence, a conundrum the government has to grapple with.

The RBI constituted committee on MSME, in its report has recognized the MSME challenges in accessing credit and recommended slew of measures to boost credit delivery mechanisms. The authorities should adopt the recommendations which will not only support job growth but also improve broad-based economic activities.

Banking Sector Developments

Pace of growth in the banking sector was somewhat constrained in the recent past owing to deteriorating asset quality of banks, liquidity crisis faced by NBFCs etc. This has led to higher provisioning requirements, falling profitability and weak capital position. RBI has undertaken several initiatives to strengthen the regulatory and supervisory frameworks to increase the resilience of the banking system.

The government on its part has infused Rs 2.61 lakh crore since 2017 through recapitalisation of banks, but has made no provision in the interim budget. Recapitalisation helped the PSBs to improve their credit profile significantly. This is evident from the recent decline in NPA levels of some PSBs which helped them to come out of Prompt corrective Action (PCA) framework. Gross NPA ratio declined to 9.3% as on March 2019 from a peak of 11.5% in March 2018.

Increased lending by banks particularly to industrial and infrastructure sectors in 2018-19 also attributed to improved credit profile of the banks. It has also helped the capital to risk weighted assets ratio (CRAR) of scheduled commercial banks (SCBs) to maintain at 14.2% as of March 2019, well above the regulatory requirement of 9.0%. However, mounting expectation of CRAR falling below the minimum stipulated level in few PSBs, maintaining this ratio will be challenging.

The recent NBFC crisis has highlighted the vulnerability of the sector in general and on the asset liability management (ALM) framework in particular. The RBI has recently come out with draft guidelines for a robust liquidity framework for the NBFCs. RBI has been proactively taking necessary regulatory and supervisory steps, keeping in mind the requirements of the time.

Funds for Recapitalising Banks

The Bimal Jalan committee, which is looking into the size of capital reserves that the RBI should hold is expected to submit its report after Budget. The six-member panel to review the economic capital framework (ECF) for the Reserve Bank after the Finance Ministry wanted it to follow the global best practices and transfer more surplus to the government. The Finance Ministry was of the view that the buffer of 28% of gross assets maintained by the central bank is well above the global norm of around 14%.

According to media reports, the Jalan committee is likely to identify an excess buffer of up to Rs 3 lakh crore. This includes the excess capital in contingency reserves and also revaluation of reserves. If press reports to be believed, the money will come in over three years and is most likely used for regular government spending. The prospects for recapitalization of banks will increase if the RBI transfers the said amount to the government.

Services Sector

The Services sector's contribution is above 50% to GDP, and is rising steadily since the last few years. India still remains one of the fastest-growing major economies in the world with the strong services sector growth. Services sector is estimated to grow at a rate of 7.5% in 2018-19 and the share in total GVA improved to 54.3% during 2018-19 from 52.4% in 2014-15 (Table 1).

Financial, real estate and professional services reported better growth in 2018-19 (7.4%) compared to last year, whereas other two sub sectors of services reported a slight fall in growth during the same review period (refer Table 1).

Job creation

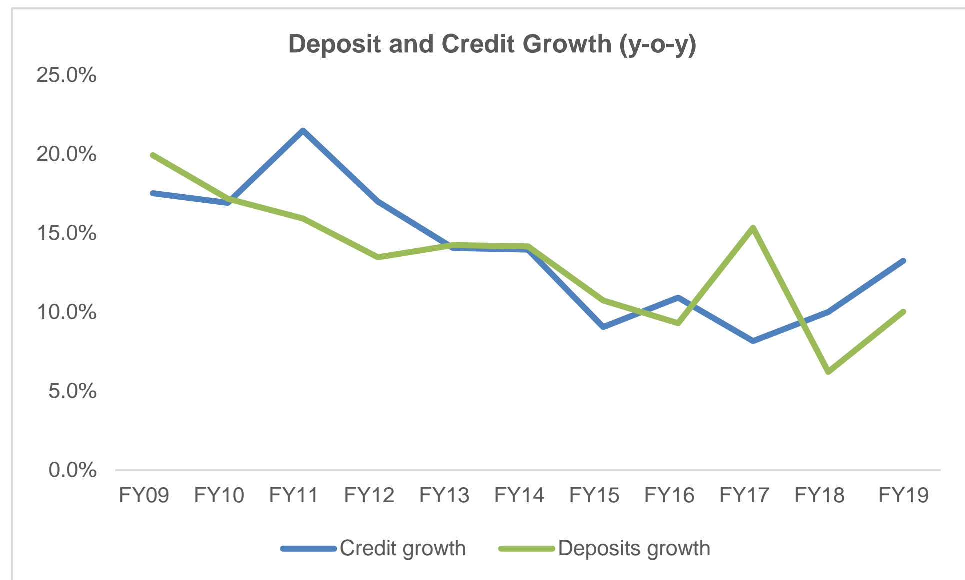
The recently released survey on unemployment reveals that the unemployment rate at 6.1% in 2017-18 was the highest in the last 40 years. So, creation of productive employment is of paramount importance. The government may announce schemes and measures aimed to foster job creation and likely to increase allocation of funds for skill development so as to increase self-employment.

Road Ahead

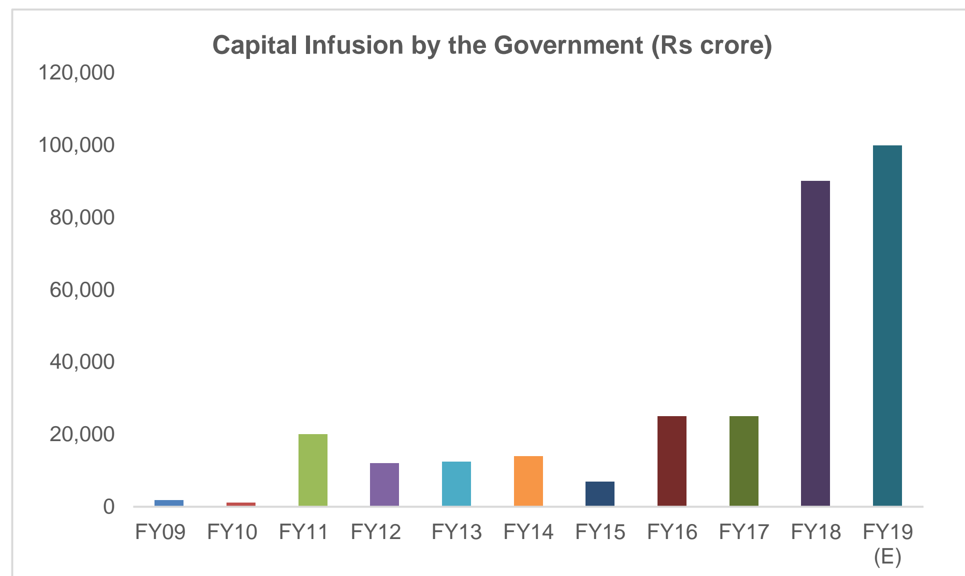
The policy challenges for the new government include acceleration of growth and to improve the employment or job creation. Reforms, decisiveness in policy making and its implementation will determine the future course of the economy. Measures to increase investment in storage, marketing and processing, ensuring direct access to markets, legal and regulatory framework for land consolidation and collective farming are important to improve the long terms growth prospects. In the short term, in the event of a subnormal monsoon, the government will have to widen and deepen farm insurance under the Pradhan Mantri Fasal Bima Yojana. Given the overall constraints of household sector's financial saving, it seems advisable to stick to the fiscal deficit target set out in the interim budget. While there is a strong case for increasing public investment, it should be financed mainly through disinvestment proceeds rather than preemption of the borrowing space.

Banking

Bank credit growth has been rather subdued largely due to slowdown in private investments and cautious lending approach by Public Sector Banks (PSBs). Deteriorating asset quality, falling profitability and weak capital position kept the banking sector developments constrained in the recent years. Amid rising bad loans some banks were put into Prompt Corrective Action (PCA) framework, thereby limiting the lending by these banks. In terms of lending to major sectors are concerned, industrial sector witnessed a major slump in growth.



Asset quality of banks especially of PSBs have deteriorated sharply during FY15 to FY18 period and started improving from FY19 due to capital infusion by the government, higher provisioning and lower fresh slippages.

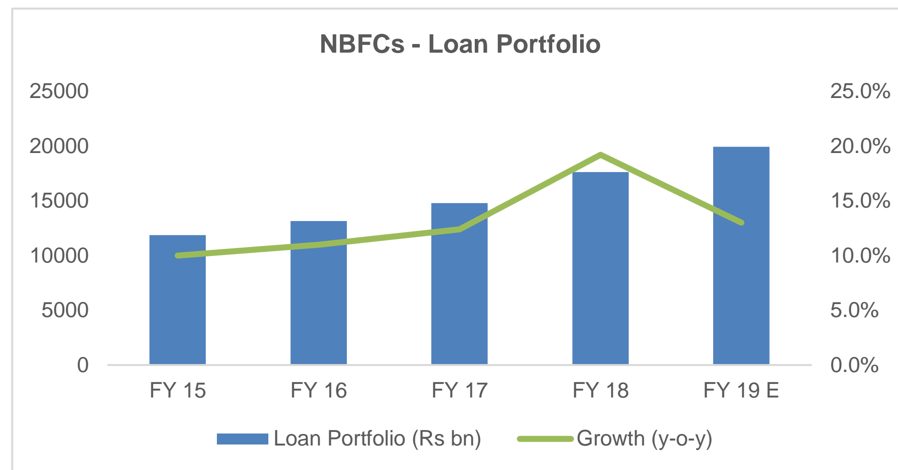


Source: PIB, BWR Research

Brickwork Ratings expect fresh capital infusion by the government in the banking sector for revival of the capital base.

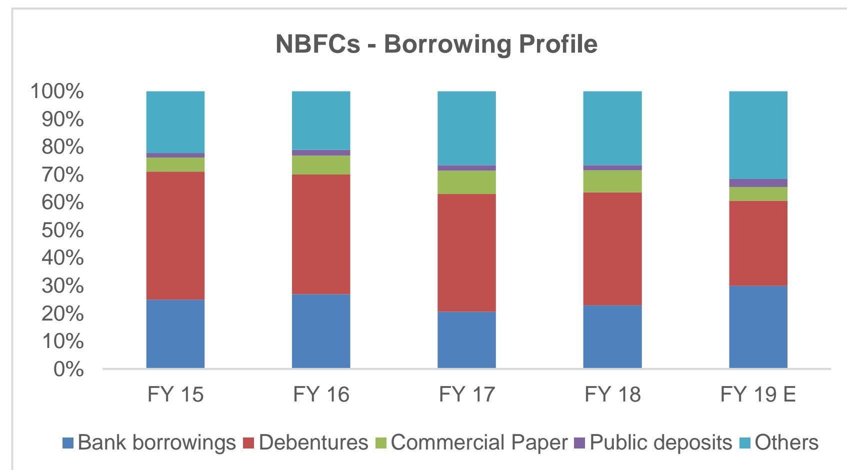
NBFCs

The NBFC's share in market borrowings have increased over the years as they raised money from the market through debentures and commercial papers extensively. Unlike banks, NBFCs have a relatively better asset quality and its major challenge lies on the liability side. The recent NBFC crisis has highlighted the vulnerability of the sector in general and on the asset liability management (ALM) framework in particular. The RBI has recently come out with draft guidelines for a robust liquidity framework for the NBFCs. RBI has been proactively taking necessary regulatory and supervisory steps, keeping in mind the requirements of the time. However, post IL&FS crisis, this preferred mode of funding for NBFCs have dried up as investors like mutual funds have become wary of investing in such instruments issued by NBFCs.



Source: RBI, BWR Research

NBFCs are increasingly dependent on bank borrowings in the second half of FY19. Some of the banks are in the PCA framework and are slowly emerging out of that; while others are lending cautiously due to asset quality concerns. This has resulted in slower growth in loan book for NBFCs in FY19.

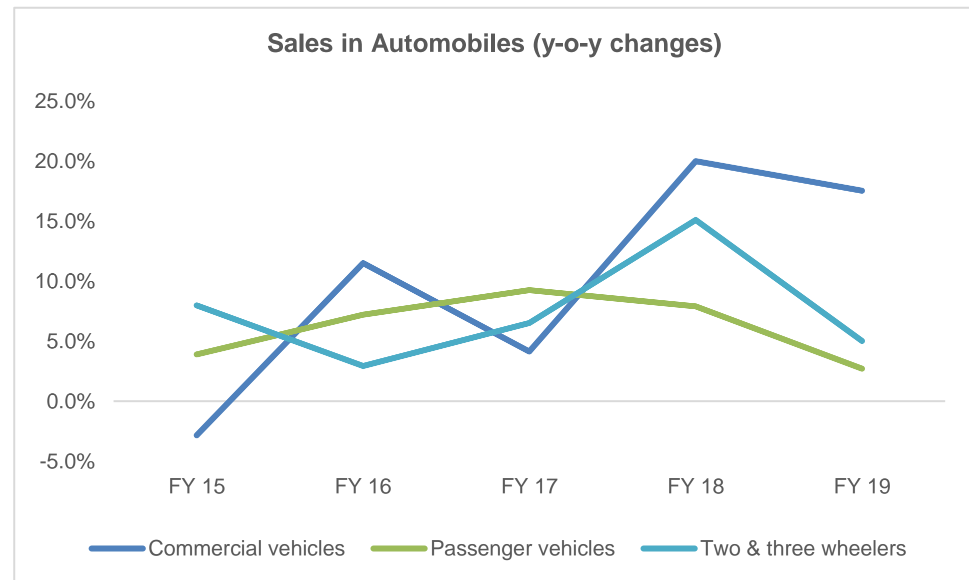


Source: RBI, BWR Research

Brickwork Ratings expects RBI and other financial sector regulators to provide NBFCs with a special liquidity window to help them face liquidity pressures due to their asset-liability mismatches.

Automobiles

Overall slowdown in the automobile sector is reflected in the falling trend in Auto sales. Total automobile sales have declined and in May 2019, the sales fell by 8.6% y-o-y driven by weak sales in passenger vehicles segment. High cost of ownership due to increased insurance cost hampered the passenger vehicles and two-wheeler sales segment. On the other hand, revised axle norms and financing issues due to NBFC crisis have hit the commercial vehicle segment.

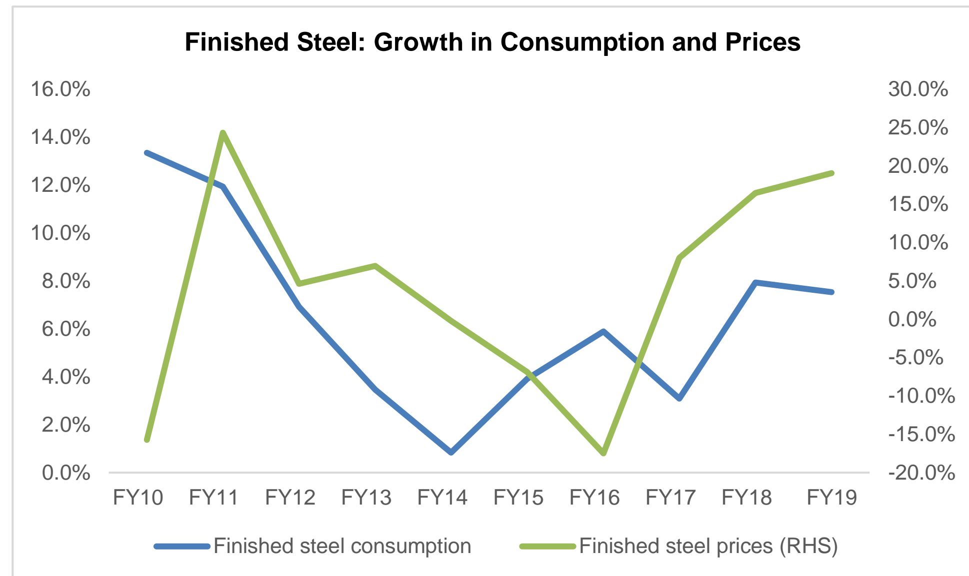


Source: CMIE, BWR Research

Brickwork Ratings Brickwork Ratings expects the automobile sector to receive some spillover benefits.

Steel

Domestic steel consumption has slowed in FY19 due to slump in industrial activity in the country during this period. The domestic economy is facing a consumption slowdown.



Source: CMIE, BWR Research

Steel demand has been low on account of relatively slower growth in major consumption sectors such as automobiles and consumer durables.

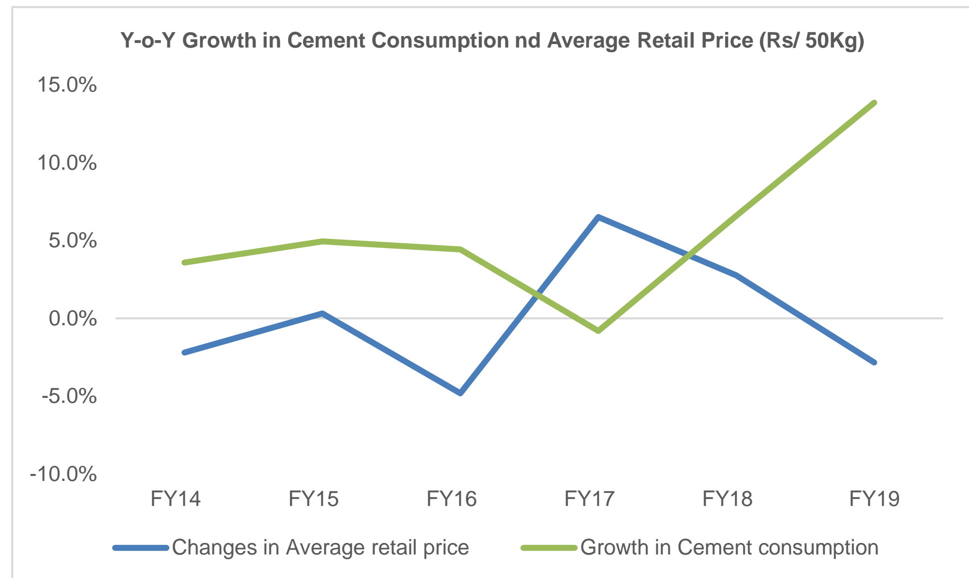
Domestic steel prices have increased on the back of increase in raw material prices, particularly iron ore and coking coal.

BWR Budget Expectations

- Increased allocation towards infrastructure sector would generate significant rise in demand for commodities (steel, cement and others) in the coming months and would result in other associated benefits originated from the multiplier impact to generate more income and employment.
- Domestic steel industry has sought an increase in basic customs duty for certain steel materials from the government in the full-budget 2019-20.
- Reduction in import duty on raw materials to nil rate and rectification of inverted duty structure.
- Reduction in customs duty on pet coke from 2.5% to nil, similarly, it has been demanded that customs duty on anthracite coal be reduced from 2.5% to nil.
- Remove import duties on other raw materials used in steel making (iron ore, zinc, paint, oils and lubricants, refractory etc.).

Cement

Cement demand in India picked up pace owing to increasing construction activity, especially through government projects. The growth has been driven by Pradhan Mantri Awas Yojana and multiple infrastructure projects such as metros, highways and irrigation projects. Cement prices remained range- bound during the year.

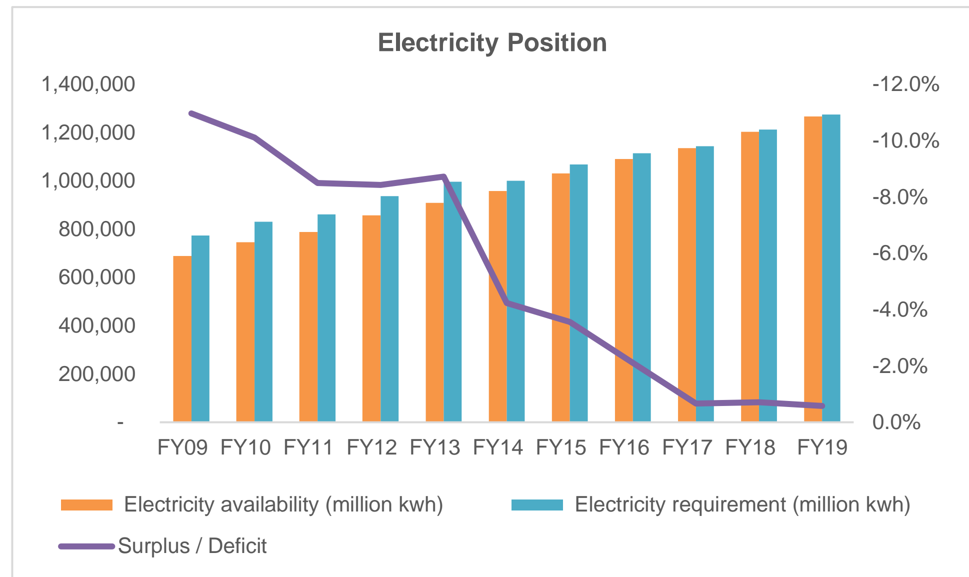


Source: CMIE, BWR Research

Brickwork Ratings expects increased allocation towards infrastructure sector is expected to generate significant rise in demand for commodities (steel, cement and others) in the coming months which would also result in other associated benefits originating from the multiplier impact to generate more income and employment.

Power

India is still not a power surplus country, although the deficit has narrowed down considerably over the years. The deficit is primarily due to DISCOMS not being able to buy power as they are saddled with large debts amid huge losses on their books.



BWR Budget Expectations

- Measures for reduction in the financial cost for power projects especially renewable energy projects in order to facilitate achievement of the renewable energy target of 175 GW for 2022 and further to 500GW by 2030.
- Bringing electricity under the ambit of GST for a rational tax structure for the sector.
- As the Government is planning to revive Ultra Mega Power Projects (UMPP) announcements with respect to ease of acquisition of land, water and coal linkages are expected to generate investors' interest.
- Incentives for the promotion of electric vehicles which will eventually boost the demand for power which is in run expected to improve the operating PLF levels in the existing and new power units.
- Strengthening of grid infrastructure by ensuring faster execution of the grid transmission
- Network projects to ensure overall grid stability and enable efficient evacuation of the power generated in the proposed increase in the renewable energy sector.

Telecom

The biggest challenge industry is facing is the huge amount of debt amounting Rs.8 lakh crore and intense competition which is pushing tariffs southwards.

BWR Budget Expectations

Government support in implementation of right of way especially where states are involved, fiberization of towers and bringing down certain Government Levies.

- Currently Taxed @ ~ 32% to 33%, Telecom companies expect this rate should be - lowered.
- Support from Government in terms of allocating 'Infrastructure Status' to telecom which will help in making of digital India enabling reduction in finance costs for the sector.
- Focus on support from Government for connectivity to the last mile. This will help in laying the foundation for 5G.
- The government should relook at Spectrum Usage charges, license fees and other taxes especially GST. Bring down GST from 18% to 12%.
- The Government should relook the applicability of GST on various things spectrum usage charges, license fee, etc.
- Exemption of telecom equipment from custom duty.

Urban Infrastructure

In the Interim Budget, the Government has announced the creation of Special Purpose Vehicle (SPV) under the Ministry of Housing & Urban Affairs (MoHUA) for acting as a nodal entity for Government of India's investment (equity & debt) and monitoring for all the metro projects. It is expected that the budget will give more details regarding the funding and budgetary allocations/provision to be made.

BWR Budget Expectations

- BWR expects that there would be an additional increase in the allocation in PMAY scheme as during interim budget, the allocation has been increased by 5%. (Rs 6,853.26 crore as against Rs 6,505 crore in Union Budget 2018-19).
- It is expected that there will be an increase in the allocations related to AMRUT Scheme, smart mission, metro projects and completion of the ongoing infrastructure projects.

BRICKWORK RATINGS (BWR) IS INDIA'S HOME GROWN CREDIT RATING AGENCY BUILT WITH SUPERIOR ANALYTICAL PROWESS FROM INDUSTRY'S MOST EXPERIENCED CREDIT ANALYSTS, BANKERS AND REGULATORS.ESTABLISHED IN 2007, BRICKWORK RATINGS AIMS TO PROVIDE RELIABLE CREDIT RATINGS BY CREATING NEW STANDARDS FOR ASSESSING RISK AND BY OFFERING ACCURATE AND TRANSPARENT RATINGS. BRICKWORK RATINGS PROVIDES INVESTORS AND LENDERS TIMELY AND IN-DEPTH RESEARCH ACROSS THE STRUCTURED FINANCE, PUBLIC FINANCE, FINANCIAL INSTITUTIONS, PROJECT FINANCE AND CORPORATE SECTORS.BRICKWORK RATINGS HAS EMPLOYED OVER 350 CREDIT ANALYSTS AND CREDIT MARKET PROFESSIONALS ACROSS 8 OFFICES IN INDIA. OUR EXPERIENCED ANALYSTS HAVE PUBLISHED OVER 12,000 RATINGS ACROSS ASSET CLASSES.BRICKWORK RATINGS IS COMMITTED TO PROVIDE THE INVESTMENT COMMUNITY WITH THE PRODUCTS AND SERVICES NEEDED TO MAKE INFORMED INVESTMENT DECISIONS. BRICKWORK RATINGS IS A REGISTERED CREDIT RATING AGENCY BY SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) AND A RECOGNISED EXTERNAL CREDIT ASSESSMENT AGENCY (ECAI) BY RESERVE BANK OF INDIA (RBI) TO CARRY OUT CREDIT RATINGS IN INDIA.BRICKWORK RATINGS IS PROMOTED BY CANARA BANK, INDIA'S LEADING PUBLIC SECTOR BANK. MORE ON CANARA BANK AVAILABLE AT WWW.CANARABANK.CO.IN

BWR RATING CRITERIA IS AVAILABLE AT HTTPS://WWW.BRICKWORKRATINGS.COM/RATINGSCRITERIA.ASPX

Copyright © 2019 by Brickwork Ratings India Pvt Ltd.,3rd Floor, Raj Alkaa Park, 29/3 & 32/2, Bannerghatta Main Rd, Kalena Agrahara, Bengaluru, Karnataka 560076.Telephone: +91 80 4040 9940. Fax: +91 80 4040 9941. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and/or research, Brickwork Ratings relies on factual information it receives from issuers, reliable third party sources and from other sources Brickwork Ratings believes to be credible.Brickwork Ratings conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or such research. The manner of Brickwork Ratings' factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, and/or the research it undertakes. Brickwork Ratings may also rely on the availability and nature of relevant public information, access to the management of the issuer, the availability of audit reports, engineering reports, legal opinions and other reports provided by third parties. Users of Brickwork Ratings' should agree that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Brickwork Ratings relies on in connection with a rating and/or research will be accurate and complete. Ultimately, the issuer and the third party data sources are responsible for the accuracy of the information they provide to Brickwork Ratings and to the market in offering data and other reports. In issuing its ratings Brickwork Ratingsrelies on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and factors in assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed and/or this research report was published.

The information in this report is provided "as is" without any expression, representation or warranty of any kind. A Brickwork Ratings' rating is an opinion as to the creditworthiness of a security and/or research report its opinion of the themes/issues discussed in the report. This opinion is based on established criteria and methodologies that Brickwork Ratings is continuously evaluating and updating. Therefore, ratings and/or research are the collective work product of Brickwork Ratings and no individual, or group of individuals, is solely responsible. The rating and/or research does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Brickwork Ratings is not engaged in the offer or sale of any security and/or instrument/credit facility. All Brickwork Ratings reports have shared authorship. Individuals identified in a Brickwork Ratings report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Brickwork Ratings' is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at anytime for any reason at the sole discretion of Brickwork Ratings. Brickwork Ratings does not provide investment advice of any sort. Ratings and/or research are not a recommendation to buy, sell, or hold any security. Ratings and/or research do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Brickwork Ratings receives fees from issuers, insurers, and others for rating their securities and/or instrument/credit facility availed.

For print and digital media
The Rating Rationale and/or research report is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale and/or research report to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales and/or research reports for consideration or otherwise through any print or electronic or digital media.