Budget 2020-21: No big bang announcements; but continues on the development agenda for the medium term

Dr. M Govinda Rao, Chief Economic Advisor, Brickwork Ratings

The budget this year was presented in the background of a slowing economy, poor investment climate, declining consumption demand and stagnant exports. It was hoped that the strong electoral mandate received by the government last year would propel it to embark on substantial structural reforms to reverse the trend and revive the investment climate to accelerate growth.

In fact, the Economic Survey that preceded the budget presentation declared, “The government must use its strong mandate to deliver expeditiously on reforms, which will enable the economy to strongly rebound in 2020-21”. Unfortunately, it falls short of delivering what the Economic Survey promised. There is no measure to create wealth in the budget as propounded by the Survey nor is there anything to generate an atmosphere of trust.
The slippage in fiscal deficit from the target set in the budget estimate in 2019-20 was on expected lines. This is mainly due to (i) the nominal GDP growth was 7.5% as against the estimated 12% in the budget (ii) the tax revenue was expected to increase at 18.3% over the pre-actuals of the previous year; and (iii) the progress in disinvestment was tardy and only about Rs 18,000 crore of the budgeted Rs 1.05 lakh crore had been realised so far. Thus, it is not surprising that the fiscal deficit for the current year stands estimated at 3.8% of GDP and for the next year at 3.5%. Thus, the slippage for both the years is 0.5%age point to GDP. In fact, there was fear that the slippage could be much larger, but the government has been able to contain it within half a percentage point to GDP. It remains to be seen whether the total estimate of Rs 65,000 crore of disinvestment proceeds for 2019-20 will be realised which implies that the government will have to fast track disinvestment to collect Rs. 47000 crore in the next two months. Besides, the revised estimate of tax revenue for the current year is over 14% higher than the actual for 2018-19, perhaps predicated on the hope that the scheme, “Vivad se Vishwas”, of allowing the settlement of disputed tax to be paid without interest and penalty, will bring in the funds in this financial year itself.

The abolition of dividend distribution tax and taxing it in the hands of the shareholders at applicable rates was expected. The reforms in individual income tax, however, are clearly confusing. The best practice approach to tax reform is to broaden the base, reduce the rates and reduce the number of brackets to make it a simple tax. Clearly, the main objective of any tax is to raise revenue and phasing out tax concessions and preferences is laudable. However, creating six tax brackets complicates the tax administration. Similarly, raising tariffs in the name of “make in India” increases protectionist stance, makes the industry less competitive and denies us to become a part of the global value chains.

On the expenditure side, there has been a sharp compression of revenue expenditure by 4% and the capital expenditure is shown at 3% higher in 2019-20 over the previous year. Much of the compression in revenue expenditures was in central sector (12%) and centrally sponsored schemes (4%). In 2020-21, the revenue and capital expenditures are estimated at 12% and 18% higher than the current year. Despite many announcements in the budget on schemes relating to subjects in the States’ domain like agriculture, irrigation, rural development and health, the expenditure on central sector and centrally sponsored schemes is budgeted to increase respectively at 7.6% and 7.3% next year. In other words, a considerable part of the expenditure compression in 2019-20 was borne by the States and while the overall expenditure of the Centre is budgeted to increase by 12.7% next year, the increase in the transfers on account of Central sector and centrally sponsored schemes would be just about 7.4%.

There were, however, a few positives. Focus on Transportation sector - comprising of Highways, Railways, Coastal Roads and aviation, was one such. Planned disinvestment of LIC is another - possibly a move towards liberalising the financial sector. Increasing DICGC cover from Rs. 1 lakh per customer to Rs. 5 lakh is also timely. Increase in FPI limits to 15% is helpful in deepening the bond market.

On the whole, the budget falls short of meeting the heightened expectations of providing the much-needed stimulus. As it has also not been able to contain the deficits, that leaves very little room for further cuts in repo rates by the monetary policy committee.
## UNION BUDGET 2020-21

### Budget at a Glance

By Praveen P & Anita Shetty

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<tbody>
<tr>
<td></td>
<td>Actuals</td>
<td>BE</td>
<td>RE</td>
<td>BE</td>
<td>BE/RE (%)</td>
<td>Y-o-Y %</td>
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<td><strong>1. Revenue Receipts</strong></td>
<td>1,552,916</td>
<td>1,962,761</td>
<td>1,850,100</td>
<td>2,020,926</td>
<td>-5.74</td>
<td>9.23</td>
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<td><strong>2. Tax Revenue (Net to Centre)</strong></td>
<td>1,317,211</td>
<td>1,649,582</td>
<td>1,504,587</td>
<td>1,635,909</td>
<td>-8.79</td>
<td>8.73</td>
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<td><strong>3. Non Tax Revenue</strong></td>
<td>235,705</td>
<td>313,179</td>
<td>345,513</td>
<td>385,017</td>
<td>10.32</td>
<td>11.43</td>
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<td><strong>4. Capital Receipts¹</strong></td>
<td>762,197</td>
<td>823,588</td>
<td>848,450</td>
<td>1,021,304</td>
<td>3.02</td>
<td>20.37</td>
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<td><strong>5. Recovery of Loans</strong></td>
<td>18,052</td>
<td>14,828</td>
<td>16,604</td>
<td>14,967</td>
<td>11.98</td>
<td>-9.86</td>
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<td><strong>6. Other Receipts</strong></td>
<td>94,727</td>
<td>105,000</td>
<td>65,000</td>
<td>210,000</td>
<td>-38.10</td>
<td>223.08</td>
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<td><strong>7. Borrowings and Other Liabilities²</strong></td>
<td>649,418</td>
<td>703,761</td>
<td>766,846</td>
<td>796,337</td>
<td>8.96</td>
<td>3.85</td>
</tr>
<tr>
<td><strong>8. Total Receipts (1+4)</strong></td>
<td>2,315,113</td>
<td>2,786,349</td>
<td>2,698,552</td>
<td>3,042,230</td>
<td>-3.15</td>
<td>12.74</td>
</tr>
<tr>
<td><strong>9. Total Expenditure (10+13)</strong></td>
<td>2,315,113</td>
<td>2,786,349</td>
<td>2,698,552</td>
<td>3,042,230</td>
<td>-3.15</td>
<td>12.74</td>
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<td><strong>10. On Revenue Account</strong></td>
<td>2,007,399</td>
<td>2,447,780</td>
<td>2,349,645</td>
<td>2,630,145</td>
<td>-4.01</td>
<td>11.94</td>
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<td><strong>of which</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td><strong>11. Interest Payments</strong></td>
<td>582,648</td>
<td>660,471</td>
<td>625,105</td>
<td>708,203</td>
<td>-5.35</td>
<td>13.29</td>
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<td><strong>12. Grants in Aid for creation</strong></td>
<td>191,781</td>
<td>207,333</td>
<td>191,737</td>
<td>206,500</td>
<td>-7.52</td>
<td>7.70</td>
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<td><strong>of capital assets</strong></td>
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<tr>
<td><strong>13. On Capital Account</strong></td>
<td>307,714</td>
<td>338,569</td>
<td>348,907</td>
<td>412,085</td>
<td>3.05</td>
<td>18.11</td>
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<td><strong>14. Revenue Deficit (10-1)</strong></td>
<td>454,483</td>
<td>485,019</td>
<td>499,545</td>
<td>609,219</td>
<td>2.99</td>
<td>21.95</td>
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<td><strong>As % of GDP</strong></td>
<td>2.40</td>
<td>2.30</td>
<td>2.40</td>
<td>2.70</td>
<td>0.10</td>
<td>0.30</td>
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<td><strong>15. Effective Revenue Deficit (14-12)</strong></td>
<td>262,702</td>
<td>277,686</td>
<td>307,808</td>
<td>402,719</td>
<td>10.85</td>
<td>30.83</td>
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<tr>
<td><strong>As % of GDP</strong></td>
<td>1.40</td>
<td>1.30</td>
<td>1.50</td>
<td>1.80</td>
<td>0.20</td>
<td>0.30</td>
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<td><strong>16. Fiscal Deficit [9-(1+5+6)]</strong></td>
<td>649,418</td>
<td>703,760</td>
<td>766,846</td>
<td>796,337</td>
<td>8.96</td>
<td>3.85</td>
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<tr>
<td><strong>As % of GDP</strong></td>
<td>3.40</td>
<td>3.30</td>
<td>3.80</td>
<td>3.50</td>
<td>0.50</td>
<td>-0.30</td>
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<td><strong>17. Primary Deficit (16-11)</strong></td>
<td>66,770</td>
<td>43,289</td>
<td>141,743</td>
<td>88,134</td>
<td>227.43</td>
<td>(37.82)</td>
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<tr>
<td><strong>As % of GDP</strong></td>
<td>0.40</td>
<td>0.20</td>
<td>0.70</td>
<td>0.40</td>
<td>0.50</td>
<td>-0.30</td>
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**Sources of Financial Fiscal Deficit**

1. Debt Receipts (Net)
2. Market Borrowings(G-sec +T Bills) 430164 448122 498972 535870 11.35 7.39
3. Securities against Small Savings 125000 130000 240000 240000 84.62 0.00
4. State Provident Funds 16059 18000 18000 18000 0.00 0.00
5. Other Receipts (Internal Debts and Public Account) 73997 59532 4941 50849 -91.70 929.12
6. External Debt 5519 -2952 4933 4622 -267.11 -6.30
7. Draw Down of Cash Balance -1321 51059 ...
8. Grand Total 649418 703760 766846 796337 8.96 3.85

Source: Budget Document 2020-21, BE: Budget Estimates, RE: Revised Estimates
### Revenue Receipts (Rs crore)

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<td><strong>REVENUE RECEIPTS</strong></td>
<td></td>
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<td></td>
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<tr>
<td>1. Tax Revenue</td>
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<tr>
<td>Gross Tax Revenue</td>
<td>2080465</td>
<td>2461195</td>
<td>2163423</td>
<td>2423020</td>
<td>-12.10</td>
<td>12.00</td>
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<td>a. Corporation Tax</td>
<td>663572</td>
<td>766000</td>
<td>610500</td>
<td>681000</td>
<td>-20.30</td>
<td>11.55</td>
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<td>b. Taxes on Income</td>
<td>473003</td>
<td>569000</td>
<td>559500</td>
<td>638000</td>
<td>-1.67</td>
<td>14.03</td>
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<td>c. Wealth Tax</td>
<td>41</td>
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<td>d. Customs</td>
<td>117813</td>
<td>155904</td>
<td>125000</td>
<td>138000</td>
<td>-19.82</td>
<td>10.40</td>
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<td>e. Union Excise Duties</td>
<td>231982</td>
<td>300000</td>
<td>248012</td>
<td>267000</td>
<td>-17.33</td>
<td>7.66</td>
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<td>f. Service Tax</td>
<td>6904</td>
<td>1200</td>
<td>1020</td>
<td></td>
<td>-15.00</td>
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<td>g. GST</td>
<td>581560</td>
<td>663343</td>
<td>612327</td>
<td>690500</td>
<td>-7.69</td>
<td>12.77</td>
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<td>-CGST</td>
<td>457535</td>
<td>526000</td>
<td>514000</td>
<td>580000</td>
<td>-2.28</td>
<td>12.84</td>
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<tr>
<td>-IGST</td>
<td>28945</td>
<td>28000</td>
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<td>-GST Compensation Cess</td>
<td>95081</td>
<td>109343</td>
<td>98327</td>
<td>110500</td>
<td>-10.07</td>
<td>12.38</td>
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<td>h. Taxes of Union Territories</td>
<td>5592</td>
<td>6948</td>
<td>6884</td>
<td>7500</td>
<td>-0.92</td>
<td>8.95</td>
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<td>Less - NCCD transferred to the NCCF/NDRF</td>
<td>1800</td>
<td>2480</td>
<td>2790</td>
<td>2930</td>
<td>12.50</td>
<td>5.02</td>
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<td>Less - State's share</td>
<td>761455</td>
<td>809133</td>
<td>656046</td>
<td>784181</td>
<td>-18.92</td>
<td>19.53</td>
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<td><strong>1a Centre’s Net Tax Revenue</strong></td>
<td>1317211</td>
<td>1649582</td>
<td>1504587</td>
<td>1635909</td>
<td>-8.79</td>
<td>8.73</td>
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<tr>
<td>2. Non-Tax Revenue</td>
<td>235705</td>
<td>313179</td>
<td>345513</td>
<td>385017</td>
<td>10.32</td>
<td>11.43</td>
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<td>Interest receipts</td>
<td>12145</td>
<td>13711</td>
<td>11027</td>
<td>11042</td>
<td>-19.58</td>
<td>0.14</td>
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<td>Dividends and Profits</td>
<td>113420</td>
<td>163529</td>
<td>199893</td>
<td>155395</td>
<td>22.24</td>
<td>-22.26</td>
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<td>External Grants</td>
<td>1063</td>
<td>1006</td>
<td>974</td>
<td>812</td>
<td>-3.18</td>
<td>-16.63</td>
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<td>Other Non Tax Revenue</td>
<td>107187</td>
<td>132784</td>
<td>131525</td>
<td>215465</td>
<td>-0.95</td>
<td>63.82</td>
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<td>Reports of Union Territories</td>
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<td>2149</td>
<td>2094</td>
<td>2303</td>
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<td>9.98</td>
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<td><strong>Total- Revenue Receipts (1a + 2)</strong></td>
<td>1552916</td>
<td>1962761</td>
<td>1850100</td>
<td>2020926</td>
<td>-5.74</td>
<td>9.23</td>
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<tr>
<td><strong>3. CAPITAL RECEIPTS</strong></td>
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<tr>
<td>A. Non-debt Receipts</td>
<td>112779</td>
<td>119828</td>
<td>81604</td>
<td>224967</td>
<td>-31.90</td>
<td>175.68</td>
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<td>(i) Recoveries of loans and advances@</td>
<td>18052</td>
<td>14828</td>
<td>16604</td>
<td>14967</td>
<td>11.98</td>
<td>-9.86</td>
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<td>(ii) Disinvestment Receipts</td>
<td>94727</td>
<td>105000</td>
<td>65000</td>
<td>210000</td>
<td>-38.10</td>
<td>223.08</td>
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<td>B. Debt Receipts*</td>
<td>650739</td>
<td>652702</td>
<td>766846</td>
<td>849340</td>
<td>17.49</td>
<td>10.76</td>
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<td><strong>Total Capital Receipts (A+B)</strong></td>
<td>763518</td>
<td>772529</td>
<td>848450</td>
<td>1074306</td>
<td>9.83</td>
<td>26.62</td>
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<td>4. Draw-Down of Cash Balance</td>
<td>-1321</td>
<td>51059</td>
<td>-53003</td>
<td>-100.00</td>
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<td><strong>Total Receipts (1a+2+3)</strong></td>
<td>2316434</td>
<td>2735290</td>
<td>2698551</td>
<td>3095233</td>
<td>-1.34</td>
<td>14.70</td>
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**Receipts under MSS (Net)**

### Expenditure (Rs crore)

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<td><strong>Expenditure (Rs crore)</strong></td>
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<td>A. Centre’s Expenditure</td>
<td>521247</td>
<td>546296</td>
<td>567133</td>
<td>609585</td>
<td>3.81</td>
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<td>I Establishment Expenditure</td>
<td>638495</td>
<td>870794</td>
<td>773196</td>
<td>831825</td>
<td>-11.21</td>
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<td>II Central Sector Schemes/Projects</td>
<td>677403</td>
<td>772129</td>
<td>741553</td>
<td>887574</td>
<td>-3.96</td>
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<td>III Other Central Sector Expenditure of which Interest Payments</td>
<td>582648</td>
<td>660471</td>
<td>625105</td>
<td>708203</td>
<td>-5.35</td>
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<td>B. Transfers</td>
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<td>IV Centrally Sponsored Schemes</td>
<td>296029</td>
<td>331610</td>
<td>316816</td>
<td>339894</td>
<td>-4.46</td>
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<td>V Finance Commission Grants</td>
<td>93704</td>
<td>120466</td>
<td>123710</td>
<td>149925</td>
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<td>VI Other Grants/Loans/Transfers</td>
<td>88235</td>
<td>145054</td>
<td>176144</td>
<td>223427</td>
<td>21.43</td>
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<td><strong>Grand Total</strong></td>
<td>2315113</td>
<td>2786349</td>
<td>2698552</td>
<td>3042230</td>
<td>-3.15</td>
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Source: Budget Document 2020-21, BE: Budget Estimates, RE: Revised Estimates
The key highlights of the Union Budget 2020-21

By Praveen P & Anita Shetty

- Revised Estimates of Expenditure: at Rs.26.99 lakh crore
- Revised Estimates of Receipts: estimated at Rs.19.32 lakh crore.
- Nominal growth of GDP estimated at 10%.
- Receipts: estimated at Rs.22.46 lakh cr
- Expenditure: at Rs.30.42 lakh cr.
- Fiscal deficit of 3.8% estimated in RE 2019-20 and 3.5% for BE 2020-21.
- A good part of the borrowings for the financial year 2020-21 to go towards Capital expenditure that has been scaled up by more than 21%.
- Agriculture, Irrigation and Rural Development- Total Allocation Rs. 2.83 lakh crore
- Agriculture credit: Rs. 15 lakh crore target set for the year 2020-21
- One-Product One-District for better marketing and export in the Horticulture sector.
- 20 lakh farmers to be provided for setting up stand-alone solar pumps.
- Another 15 lakh farmers to be helped to solarise their grid-connected pump sets.
- Village Storage Scheme To be run by the SHGs to provide farmers a good holding capacity and reduce their logistics cost.
- Rs. 69,000 crore allocated for overall Healthcare sector.
- Education and Skills: Rs. 99,300 crore for education sector and Rs. 3000 crore for skill development in 2020-21.
- External Commercial Borrowings and FDI to be enabled for education sector.
- Infrastructure: Rs.100 lakh crore to be invested on infrastructure over the next 5 years.
- Infrastructure agencies of the government to involve youth-power in start-ups.
- Rs.1.7 lakh crore proposed for transport infrastructure in 2020-21.
- New National Policy on Official Statistics to Promote use of latest technologies including AI.
- Deposit Insurance and Credit Guarantee Corporation (DICGC) permitted to increase Deposit Insurance Coverage to Rs. 5 lakh from Rs.1 lakh per depositor.
- Pension Fund Regulatory Development Authority of India Act to be amended to strengthen regulating role of PFRDAI
- Facilitate separation of NPS trust for government employees from PFRDAI.
- Enable NBFCs to extend invoice financing to the MSMEs through TReDS
- New scheme to provide subordinate debt for entrepreneurs of MSMEs by the banks
Window for MSME’s debt restructuring by RBI to be extended by one year till March 31, 2021

FPI limit in corporate bonds increased to 15% from 9% of its outstanding stock.

Debt Based Exchange Traded Fund expanded by a new Debt-ETF consisting primarily of Government Securities.

A Partial Credit Guarantee scheme for the NBFCs formulated post the Union budget 2019-20 to address their liquidity constraints.

Rs 22,000 crore to cater to the equity support to Infrastructure Finance Companies such as IIFCL and a subsidiary of NIIF.

Government to sell a part of its holding in LIC by way of Initial Public Offer (IPO)

GST Compensation Fund: Balances due out of collection of the years 2016-17 and 2017-18 to be transferred to the Fund, in two instalments.

Tax rate of 15% extended to new electricity generation companies.

DDT removed making India a more attractive investment destination.

Start-ups with turnover up to Rs. 100 crore to enjoy 100% deduction for 3 consecutive assessment years out of 10 years.

Tax payment on ESOPs deferred.

Turnover threshold for audit increased to Rs. 5 crore from Rs. 1 crore for businesses carrying out less than 5% business transactions in cash.

100% tax exemption to the interest, dividend and capital gains income on investment made in infrastructure and priority sectors before 31st March, 2024 with a minimum lock-in period of 3 years by the Sovereign Wealth Fund of foreign governments.

Additional deduction up to Rs. 1.5 lakhs for interest paid on loans taken for an affordable house extended till 31st March, 2021.

Customs duty raised on footwear to 35% from 25% and on furniture goods to 25% from 20%.

Basic customs duty on imports of news print and light-weight coated paper reduced from 10% to 5%.

Customs duty rates revised on electric vehicles and parts of mobiles.

5% health cess to be imposed on the imports of medical devices, except those exempt from BCD.

Lower customs duty on certain inputs and raw materials like fuse, chemicals, and plastics.

Higher customs duty on certain goods like auto-parts, chemicals, etc. which are also being made domestically.
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BANKING

By Hemant Sagare & Vydanathan Ramawamy

BUDGET ANNOUNCEMENT

- The Government has infused about Rs.3.50 lakh crore by way of capital into Public Sector Banks (PSBs) for regulatory and growth purposes over the last few years. There has been consolidation of 10 PSBs into four. Governance reforms would be carried out in these banks, so that they become more competitive. There is a need to take further steps to bring in transparency and greater professionalism in Public Sector Banks. The government will take appropriate measures. To strengthen the Cooperative Banks, amendments to the Banking Regulation Act are also proposed for increasing professionalism, enabling access to capital and improving governance and oversight for sound banking through the RBI.

- The Deposit Insurance and Credit Guarantee Corporation (DICGC) has been permitted to increase Deposit Insurance Coverage for a depositor, which is now Rs 1 lakh to Rs 5 lakh per depositor.

- More than five lakh MSMEs have benefitted from restructuring of debt permitted by RBI in the last year. Government has asked the RBI to consider extending this window, which was to end from 31 March 2020, to 31 March 2021.

- To ensure that the amalgamated PSBs are able to benefit from unabsorbed losses and depreciation of the amalgamating entities, the FM proposes to make necessary amendments to the provisions of the Income-tax Act.

BRICKWORK RATINGS VIEW

- The increase in Deposit Insurance and Credit Guarantee Corporation (DICGC) cover to Rs 5 lakh from Rs 1 lakh significantly increases the sovereign safety net to public deposits in scheduled commercial banks. This measure will go a long way in abating the fears in the mind of depositors in the wake of the recent debacle in a co-operative bank and concerns with regard to the health of a couple of private sector banks. However, this cover is limited to Scheduled Banks (including state/urban co-op banks), and the risk to depositors in non-scheduled banks still prevails.

- The extension of the restructuring window for medium, small and micro enterprises (MSMEs) by one year to the end of March 2021 provides a breather to MSMEs to improve on their cash flows and abate banks to manage their asset quality in this segment. Banks will need to continue focus on recoveries while making adequate provisions to avoid any large-scale adverse impact on the MSME loan portfolio when it comes out of restructuring.
As published by Brickwork Ratings in its commentary on its expectations from budget 2020, there was no announcement of any capital infusion for Public sector banks (PSBs). For PSBs to access equity from the capital market, they need to improve their performance, which will reflect on their Price to Book Value (P/BV). The P/BV of PSBs is currently at very low levels and may not attract much investor interest.

Though the Budget per-se did not provide for funds for the capitalisation of the PSBs, the Finance Minister has clarified that if any money is needed, it would be found. The government may be of the view that the worst is over for the PSBs, or capital requirement post the merger of banks, if any, is not required at this stage.

The Government shall take appropriate measures to bring in governance reforms, transparency and greater professionalism in PSBs for them to become more competitive. Further amendments in the Banking Regulation Act to strengthen Co-operative Banks are proposed for increasing professionalism, enabling access to capital and improving governance and oversight for sound banking through the RBI. BWR views this as a positive step towards strengthening the internal controls and systems of the Banks; however, timelines on the implementation and access to capital shall be instrumental.
NON-BANKING FINANCIAL COMPANIES

By Sree Harsha & Vydanathan Ramawamy

BUDGET ANNOUNCEMENT and BRICKWORK RATINGS VIEW

- Agriculture credit target for fiscal 2021 has been set at Rs 15 lakh crores (v/s Rs 12 lakh crore in fiscal 2020); this comes as a big boost to agriculture finance. This is a shot in the arm for the resource raising capabilities of NBFCs, as banks will increasingly rely on them to buy agriculture loan pools, on-lend to NBFCs and also kick-start co-lending with NBFCs to meet the agriculture lending requirements.

- The 'Partial Credit Guarantee' scheme has helped address the liquidity crisis of NBFCs/HFCs post IL&FS fiasco. Since the launch of this scheme in July 2019-20, BWR has rated pools in excess of Rs 3,500 Crs in Q3FY20, where partial credit guarantee has been provided. Announcement on extending further support through a new mechanism and also guaranteeing securities floated is awaited.

- Proposed reduction in the limit for NBFCs to be eligible for debt recovery under the SARFAESI Act is proposed to be reduced from Rs 500 Crs to an asset size of Rs 100 crore or loan size from the existing Rs 1 crore to Rs 50 lakh is a big positive for NBFCs, which will help NBFCs accelerate their recovery in this segment and also improve asset quality.

- Budget announcement on the extension of the Rs 1.5 lakh benefit on the interest paid on affordable housing by a year and tax holiday on the profits earned by developers of affordable housing projects approved by 31 March 2020 will continue to boost the market for affordable housing and thus, growth in HFC lending to this segment.

- The lack of redressal to NBFCs/HFCs exposure to the debt-riddled real estate sector is a major disappointment. These NBFCs remain vulnerable to funding challenges as investors and banks are wary to invest/lend to NBFCs.

- The introduction of the new income tax regime, which proposes to withdraw all tax subsidies and exemptions, is a negative for homebuyers as they would lose the benefit of interest and principal exemptions on housing loans. This could have a resultant impact on housing growth and a resultant impact of financing towards housing loans.
The FM said that the Government has already launched 6,500 projects worth Rs 103 lakh Crs (excluding Rs 1.70 lakh Crs for the transport infrastructure) under the National Infrastructure Pipeline (NIP) scheme to fund its investment-driven growth and infrastructure development. In the current budget (2020-21), the Government has proposed various initiatives to all forms of connectivity through Bharatmala, Sagarmala, Industrial corridors, dedicated freight corridors, Jal Marg Vikas and UDAAN projects, and these are expected to provide long-term growth for the infrastructure sector.

Total investment in the infrastructure is proposed to be increased by ~9% to ~Rs 4.98 Lakh Crs in 2020-21, compared with Rs 4.57 Lakh Crs in 2019-20, including Railways (Budgetary support of Rs 72,216 Crs), Roadways (Rs 91,823 Crs), Shipping (Rs 1800.00 Crs) and Water Resources (Rs 8,960 Crs).

- Railways: Allocation to Railways has been increased by 6.17% to Rs 72,216 Crs in 2020-21, which is expected to improve infrastructure, such as the electrification of 27,000 km of tracks, signalling, and elimination of unmanned crossing. Furthermore, 150 trains under the PPP mode will add more private participation. The addition of more Tejas type trains to tourist destinations would strengthen the network infrastructure.

- Roadways and Transportation: Budget has provided the allocation of Rs 1.70 Lakh Crs to transport infrastructure. Accelerated development of highways with an outlay of Rs 91,823 Crs (from Rs 83,016 Crs during the last budget) and development of 1,25,000 kms of rural roads with an outlay of Rs 120,147 Crs (from Rs.117,647 Crs during the last budget), including the development of 4500 km of control and strategic highways, 9000 km of economic corridors, and 2000 km of coastal and 2000 is expected to provide some growth in the sector. The budget also proposes strategic sale/monetization of twelve lots of Highway bundles of over 6,000 km via the TOT model. The completion of the Delhi-Mumbai expressway by 2023 and start of Chennai-Bengaluru expressway are other key announcements. The first bundle of TOT projects had brought an inflow of Rs 9,681.50 Crs from the concessionaires with a target to raise funds worth Rs 34,000 Crs by 2022. During the last year, it has garnered an investment of ~Rs 24,000 Crs through innovative fund-raising instruments such as Infrastructure Investment Trusts (InvITs), Real Estate Investment Trusts (REITs) and Toll-Operate Transfer (ToT) model.

- Aviation: The total number of operational airports has crossed the 102 mark, and domestic passenger traffic has doubled during last five years. Under the UDAAN scheme, it is proposed to develop of 100 new airports by 2024. Also, the fleet strength is proposed to be doubled to 1200 aircraft.
Shipping: The total budgetary support for the sector came down by 5.39% to Rs 1800.00 Crs from Rs 1903 Crs in 2019-20, towards the development of ports and goods transportation through ports. Furthermore, to develop waterways under Sagarmala Project with a coastline covering 7,500 kms, the budget has provided support of Rs.297 Crs a reduction from Rs.550 Crs provided in the previous budget. Inland waterway via Jal Vikas Marg on National waterways-1 completed during the current year and extended to 890 km and the Dhubri-Sadiya connectivity to be completed by 2022, which is expected to increase the movement of cargo through waterways. The government is considering corporatising at least one major port with subsequent listing on the stock exchanges.

**BRICKWORK RATINGS VIEW**

- Overall the budget impact remains positive for the infrastructure sector.
- The Railways budget has shown provision towards capital expenditure funding (especially network development, suburban network, electrification and metro development and private participation). Road sector has received a boost in the form of allocation for development of highways, expressways, urban and rural roads and infrastructure. However, spending on shipping and aviation remain muted mostly for ongoing projects. Furthermore, focus on funding of infrastructure projects through long-term bonds, asset monetization, investment by FIIs/FPIs towards the issuance of infrastructure debt funds, and overall deepening in the bond market will remain positive for the sector.
- The Government proposes to announce a National Logistics Policy soon. Developing waterways in the form of Inland waterways, Sagarmala, dedicated freight corridors and Industrial corridors can reduce the overall cost and time for the logistics sector as a whole with improved productivity and faster movement of goods.
The Finance Minister has announced an overall outlay of Rs 22000 Crs for the power and renewable energy sectors.

The Government has stressed on the need to shift to smart metering and has asked all states to replace the conventional energy meters with smart meters over the next three years. This will enable consumers to choose supplier and rate as per their requirement.

The Finance Minister acknowledged Discoms as the weak link in the power value chain and indicated that more reforms would be taken up in this area.

A proposal is under consideration to set up a large solar capacity alongside railway tracks on the land owned by the Railways.

A scheme to enable farmers to set-up grid-connected solar power plants on their barren land will be operationalized during the year.

The Budget announced a proposal to expand the Pradhan Mantri Kisan Urja Suraksha Utthan Mahabhiyan KUSUM (PM KUSUM) scheme for provision of funds for Solar Standalone pumps to 20 lakh farmers. Furthermore, the government would help another 15 lakh farmers solarise their grid connected pumpsets.

Rs 22000 Crs has been provided as support to the Infrastructure Pipeline, which would cater as equity support to Infrastructure Finance Companies such as IIFCL and a subsidiary of NIIF. This will be leveraged to create a financing pipeline of more than Rs 1 lakh Crs to fund the National Infrastructure Pipeline (NIP).

Calling the Open Acreage Licensing Policy (OALP) a success, the FM announced that 1,37,000 sq km for exploration have been awarded to the private sector and to the CPSEs. City gas distribution rights are also being awarded on the same lines.

National Gas Grid is proposed to be expanded from the present 16200 km to 27000 km. Further reforms are also proposed to be undertaken to deepen gas markets to facilitate transparent price discovery and ease of transactions.

Lower corporate tax rate of 15% has been announced for new companies in the power generation space.

100% tax exemption for interest, dividend and capital gains has been announced for investment in the infrastructure sector by Sovereign Wealth Funds (SWF) before 31 March 2024.
BRICKWORK RATINGS VIEW

• Push to smart meters is an important move to improve the efficiency of Discoms, reduce their AT&C losses and improve the overall collection efficiency. The FM also said that additional reforms for Discoms will be taken up. Discoms are considered to be the weakest link in the power value chain, saddled with operational inefficiencies and financial losses, and thus, strong reforms in this area are imperative to improve the country’s power situation.

• The announcements with regard to lower corporate tax for new power generation companies and 100% exemption to SWFs with respect to their investment in the infrastructure sector will improve the deteriorating investor sentiment and help boost investments as a number of SWFs are already investors in the renewable energy IPPs (independent power producers).

• The Government’s overarching theme is sustainable economic development through augmenting renewable sources. Towards this end, the Government has earmarked Rs 9.30 lakh Crs for renewable energy of the total investment of Rs 102 lakh Crs under National Infrastructure Pipeline. Also, required equity support has been provided by the Government to create a financing pipeline for NIP.

• The Government is embarking on the world’s largest renewable energy expansion programme. India had announced 175 Gigawatt (GW) targets for renewables by 2022 and already achieved 83 GW as of October 2019. The scheme to enable farmers to set up grid connected solar power plants will help in bridging the gap.

• Additionally, the move to set-up a large solar capacity alongside rail tracks on the land owned by the Railways is an interesting idea and will help ramp-up the solar capacity.

• The Government’s resolve to expand Pradhan Mantri Kisan Urja Suraksha Utthan Mahabhiyan KUSUM (PM KUSUM) scheme for the provision of funds for Solar Standalone pumps to 20 lakh farmers and help another 15 lakh farmers solarise their Grid Connected Pumpsets will be positive for Solar Industry players especially Solar Pump Set Makers and Solar Panel makers.

• City gas distribution systems are attracting huge investments and interest from various private players. Formalization of and growth in the gas distribution system, as well as gas markets, will establish an efficient and safe gas distribution system in the country and at the same time, may yield significant revenues to the Government.
REAL ESTATE

By Ajit Jagnade, & Noman Agashiwala

BUDGET ANNOUNCEMENT

- For realizing the goal of ‘Housing for All’ and affordable housing, in the last budget, the finance ministry had provided an additional deduction of up to Rs 150000/- for interest on loans taken for the purchase of affordable houses. The deduction was available on housing loans sanctioned on or before 31 March 2020. In the current budget, the same is extended by one more year.

- To boost affordable housing supply in the country, a tax holiday is being provided on profits earned by developers of affordable housing projects approved by 31 March 2020. In the current budget, the date of approval of affordable housing projects for availing this tax holiday has been extended by one more year.

- Concession to real estate transactions - Currently, while taxing income from capital gains, business profits and other sources in respect of transactions in real estate, if the consideration value is less than the circle rate by more than 5%, the difference is counted as income in the hands of both, the purchaser and seller. To provide relief to the sector, the limit has been increased to 10% from the existing 5%.

BRICKWORK RATINGS VIEW

- The Real Estate sector has been facing challenges for over two years now, with the build-up of unsold inventory and lack of adequate funding for the buyers since the NBFC/HFC problem broke up towards end-2018. If the sector expected the budget to boost its sales, it was in for a disappointment.

- Extension of two benefits - one to the buyer of affordable houses and another to the developer - by one year each, will be helpful to the sector. Concession to real estate transactions by increasing the difference in circle rates from 5% to 10% to calculate capital gains also provides some benefit. However, the option to move from the old regime of personal taxation to the new regime without the benefits of deductions/exemptions may affect sentiment to an extent.

- The budget missed measures to enhance further credit availability for developers; the FM seems to feel that the last mile financing fund set-up a few months back will benefit the completion of projects that are stuck. Given the size of the problem, the budget could have announced at least enhancing this corpus.
TELECOM

By Aakriti Sharma & Vipula Sharma

BUDGET ANNOUNCEMENT

- Stressing on the need for a digital economy, the Government has announced its vision to provide all public institutions at Gram Panchayat level, such as Anganwadis, health and wellness centres, government schools, PDS outlets, post offices and police stations, with digital connectivity.
- An outlay of Rs 6000 Crs has been provided under the BharatNet programme, which is expected to connect 1 lakh gram panchayats in 2020-21.
- The policy is expected to enable the private sector to set up Data Centre Parks across the country.
- An increase in the Government’s income from the telecom sector in 2020-21 has been assumed at more than 125% of the revised estimates for 2019-20 from Rs 58990 Crs to Rs.133027 Crs.
- Allocations have been made in the Expenditure for 2020-21 for the allotment of the 4G spectrum to BSNL/MTNL as equity infusion, payouts to the employees who have opted for VRS and grant-in-aid for GST payment.

BRICKWORK RATINGS VIEW

- Contrary to the industry’s expectation, no relief by way of reduction in the License Fee and Spectrum Usage Charges (SUC) was announced for the sector despite acknowledging stress in the sector in the Economic Survey tabled in the parliament yesterday.
- The Finance Minister, in the Budget Estimates for 2020-21, has assumed a significant jump in income from the telecom sector, which primarily consists of the license fee and an SUC charged from telecom companies. The increase can be attributed to the significant dues that the telecom companies have been facing on account of the Supreme Court judgement pertaining to the definition of AGR. If this is any indication, the telcos are up for more challenging times ahead.
- While private players have not got any relaxation, the Government has made all necessary allocations for VRS, 4G infrastructure, etc., announced in October 2019, for the revival of BSNL/MTNL. Additionally, the work under BharatNet, as well as towards the digitalization of the public institutions at the Gram Panchayat level, will also be taken up by BSNL, providing it new sources of revenue. The Government has provided necessary props to BSNL to make it competitive with private telcos; however, the extent of its success is yet to be seen.
BUDGET ANNOUNCEMENT

The union budget is continuing to stimulate infrastructure growth by way of Rs 100 lakh Crs in the National Infrastructure Pipeline that would be invested over the next five years. It consists of more than 6500 projects across sectors; these new projects will include housing, modern railway stations, airports, bus terminals, metro and railway transportation, logistics and warehousing, and irrigation projects.

Accelerated development of highways will be undertaken, which includes the development of 2500 km access control highways, 9000 km of economic corridors, 2000 km of coastal and land port roads and 2000 km of strategic highways.

On account of an increase in air traffic for the last few years, one hundred more airports would be developed by 2024 to support the UDAN scheme. On the expectation that the air fleet number would go up from the present 600 to 1200 during this time, propose to provide Rs 1.70 lakh Crs for transport infrastructure in 2020-21.

The new Bengaluru suburban transport project at a cost of Rs 18600 Crs for a distance of 148 km, would have fares on the metro model. Furthermore, it is proposed to expand the national gas grid from the present 16200 km to 27000 km.

BRICKWORK RATINGS VIEW

There is no direct announcement for the steel industry; however, the Union budget hopes to stimulate the infra sector by way of announcing the National Infrastructure Pipeline Scheme, accelerated development of economic corridors, 100 more airports for the ‘UDAN’ scheme and an increase in metro and suburban networks, with the outlay for the transport sector and large-solar-capacity building by railways on its land. These key projects are likely to increase sustainable growth in the medium term. On the other hand, the extension of concessions for Affordable Housing until March 2021, etc., and these steps are positive for the extremely important steel sector.
CEMENT

By Satish Jewani & Vidya Shankar

BUDGET ANNOUNCEMENT

- Accelerated development of highways will be undertaken. This will include the development of 2500 km access control highways, 9000 km of economic corridors, 2000 km of coastal and land port roads and 2000 km of strategic highways.
- Development of one hundred more airports by 2024 to support Udaan scheme
- 148 km long Bengaluru Suburban transport project at Rs 18600 Cr. Central Government would provide 20% of equity and facilitate external assistance up to 60% of the project cost.
- Development of five new smart cities in collaboration with States in the PPP mode
- Encouragements for the affordable housing and real estate sector, including extension of a loan sanction deadline and the date of approval of affordable housing projects to March 2021

BRICKWORK RATINGS VIEW

- Budget 2020 is the structurally positive one for the cement sector. Although there were no direct announcements by the Finance Minister for the cement sector, a number of announcements related to Infrastructure investments, and affordable housing will lead to increased and sustained consumption of cement.
- The past few quarters have witnessed weak overall demand in India due to slow construction activity; however, the recent push by the government towards infrastructure creation and the launch of National Infrastructure Pipeline of Rs 103 lakh Cr with around Rs 22,000 Cr already been provided as support to the infrastructure pipeline will lead to a price hike in cement on the back of increased demand.
- Furthermore, the enhancement of expenditure on highways, the development of one hundred more airports and five new smart cities will give the much needed fillip to the cement industry.
- Higher investments in affordable housing and real estate sector on the back of the announcements in Budget 2020 will translate into more cement consumption.
TEXTILE

By Saakshi Kanwar, Forum Parekh & Rajee R

BUDGET ANNOUNCEMENT

- Union Budget 2020 proposes an overall reduction of ~27% in budgetary allocation for the textiles sector at Rs 3514.79 Crs in FY2021, against Rs 4831.48 Crs in FY2020.
- Some segments in the textile sector that have witnessed increased allocations are as follows:
  - ~54% growth in Amended Technology Upgradation Fund Scheme (ATUFS), which stands at Rs 761.90 Crs in FY2021, against Rs 494.37 Crs in FY2020
  - ~61% growth in ‘Development of Jute Industries’, which stands at Rs 136.53 Crs in FY2021, against Rs 34.55 Crs in FY2020
  - ~80% growth in ‘Research and Capacity Building’, which stands at Rs 328.51 Crs in FY2021, against Rs 182.66 Crs in FY2020
  - ~98% growth in ‘Textile Infrastructure’, which stands at Rs 223.00 Crs in FY2021, against Rs 112.55 Crs in FY2020
- However, the allocations have been revised downwards with regard to the following segments:
  - Scrapping of Price Support Scheme for Cotton down, which had an allocation of Rs 2017.57 Crs in the previous budget
  - ~50% reduction in budgetary allocation towards Economic services (Industries), at Rs 1483.29 Crs in FY2021 from Rs 2,921.97 Crs in FY2020
- As a part of its theme of Economic Development, the Budget proposes a National Technical Textiles Mission with an outlay of Rs 1,480 Crs over a period of four years from FY 2021-24 to cut down imports.
- The abolition of Anti-Dumping Duty (ADD) on Purified Terephthalic Acid (PTA), a critical input for synthetic textile fibres and yarns.
- The digital refund of duties and taxes of centre, states and local bodies to exporters will be allowed from this year.
- ‘Niryat Rin Vikas Yojana’ (NIRVIK) has been announced, which shall provide for higher insurance cover, a reduction in premium for small exporters and simplified procedures for claim settlements.
India is expected to highlight its presence in Technical textiles with the National Technical Textiles Mission. The technical textiles industry is diversified with sub-categories like agro-textiles, clothing textiles, Mobil-tech (textiles used in automotive), packaging textiles, sports textiles, etc, the largest segment being Mobil-tech. The mission will focus on the domestic and export market development of technical textiles and boost the manufacturing of technical textiles in India. Along with the abolition of anti-dumping duty on PTA, BWR believes that such measures shall ensure competitiveness of the products manufactured by the Indian Manufacturers and propel India as a global leader in technical textiles production.

The increased allocation towards Research and Capacity Building and Textile Infrastructure is expected to aid in the overall development of skilled labour/ integrated Textile Parks.

Extension of debt restructuring for MSMEs until 31 March 2021 is expected to bail out struggling MSMEs in the sector. Invoice Financing by NBFCs is another measure that could enhance their economic and financial sustainability.

NIRVIK is expected to achieve higher export credit disbursement, mainly to support small exporters.

Although last year’s Budget had provided for a higher amount at Rs 700 Crs towards ATUFS, the revised spend is estimated to be lower, at Rs 494.37 Crs. The scheme is primarily aimed at incentivising capital investments in the downstream segments of the textile sector. The lag in actual spend vis-a-vis budgeted reflects the slow pace of incremental capital investments in the sector. While the fund allocation for Amended Technology Upgradation Fund Scheme (ATUFS) in Budget 2020 is Rs 761.90 Crs, the pending claims are estimated to be around Rs 8,500 Crs.

The proposed scrapping of the Price Support Scheme with respect to the procurement of cotton by Cotton Corporation of India may adversely affect the cotton industry in case of surplus production.

The digital refund of duties and taxes of centre, states and local bodies to exporters will be allowed from this year, and this is expected to benefit the textile industry through reduction in time taken for refunds. Currently, the industry is complaining about this.

Apart from the above, the budget has a few other enablers that are expected to aid the textile industry indirectly - through the allocation of Rs 3000 Crs to Skill Segment, formulation of National Logistics Policy, impetus to double farmer income by FY2022 and increased Agricultural credit availability.

In line with the Government’s ‘Make in India’ policy, the FM has also indicated a review of the Rules of Origin in Free Trade Agreements (FTAs) to ensure a level playing field for the domestic industry.

The Budget’s impetus to the Technical Textiles Industry and streamlined duty refunds are expected to help textiles exports. The speedy and effective implementation of the schemes is necessary to ensure desired results. Nonetheless, a lower budgetary allocation in the last two years for the sector is considered marginally negative.
MICRO, SMALL AND MEDIUM ENTERPRISES

By K Nagaraj

BUDGET ANNOUNCEMENT

- Government e-Marketplace (GeM) is moving ahead for creating a Unified Procurement System in the country for providing a single platform for the procurement of goods, services and works. It offers a great opportunity for medium, small and micro enterprises (MSMEs).
- More than 3.24 lakh vendors are already on this platform. It is proposed to take its turnover to Rs 3 lakh Crs.
- MSMEs are vital to keep the wheels of economy moving. They also create jobs and innovate and are risk takers.
- The government also plans to extend the interest subvention scheme for MSMEs. The scheme aims to encourage both manufacturing and service enterprises to increase productivity and provides incentives to MSMEs for onboarding on the GST platform.
- Necessary amendments to the Factor Regulation Act 2011 will enable NBFCs to extend invoice financing to MSMEs through TReDS, thereby enhancing their economic and financial sustainability.
- Labour-intensive sectors in MSMEs are critical for employment generation. Cheap and low-quality imports are an impediment to their growth. Special attention has been paid to put measured restraint on the import of items produced by MSMEs with better quality. In this backdrop, customs duty is being raised on items such as footwear and furniture.
- Working capital credit remains a major issue for MSMEs. It is proposed to introduce a scheme to provide subordinate debt for the entrepreneurs of MSMEs. This subordinate debt to be provided by banks would count as quasi-equity and would be fully guaranteed through the Credit Guarantee Trust for Medium and Small Entrepreneurs (CGTMSE). The corpus of the CGTMSE would accordingly be augmented by the government.
- More than five lakh MSMEs have benefitted from the restructuring of debt permitted by RBI in the last year. The restructuring window is being proposed to RBI to consider extending until 31 March 2021.
- An app-based invoice financing loans product will be launched to obviate the problem of delayed payments and consequential cash flow mismatches for MSMEs.
- Many mid-size companies are successful domestically but not in export markets. For selected sectors such as pharmaceuticals, auto components and others it is proposed to extend handholding support – for technology upgradations, R&D, business strategy, etc. A scheme of Rs 1000 Crs will be anchored by EXIM Bank together with SIDBI. Both these institutions would contribute Rs 50 Crs each. This Rs 100 Crs would be achieved towards equity and technical assistance. Debt funding of Rs 900 Crs from banks would be made available.
- Currently, businesses having a turnover of more than Rs 1 Cr are required to get their books of accounts audited by an accountant. To reduce the compliance burden on small retailers, traders, shopkeepers who comprise the MSME sector, turnover threshold for audit from the existing Rs 1 Crs to be increased to Rs 5 Crs. However, it will apply only to businesses that carry out less than 5% of their business transactions in cash.
BRICKWORK RATINGS VIEW

 TCHARS

MSMEs are vital to keep the wheels of economy moving as they create jobs and innovate and are risk takers. Government e-Marketplace (GeM) is moving ahead for creating a unified procurement system in the country for providing a single platform for the procurement of goods, services and works. Public procurement worth Rs 50,000 Cr is expected to take place through GeM during 2019-20, up from Rs 33,366 Cr in the previous year. The government looks to increase the turnover of GeM to Rs 3 trillion.

Working capital is always a challenge for the MSMEs. Necessary amendments to the Factor Regulation Act 2011 will enable NBFCs to extend invoice financing to the MSMEs through TReDS. An app-based invoice financing loans product will be launched to obviate the problem of delayed payments and consequential cash flows mismatches for the MSMEs.

The Government plans to extend the interest subvention scheme for MSMEs to increase productivity and provide incentives for onboarding to the GST platform. Customs duty is being raised on items such as footwear and furniture, to enable domestic companies to compete against cheap imports. It is proposed to introduce a scheme for banks to provide subordinate debt for entrepreneurs of MSMEs. This would count as quasi-equity and would be fully guaranteed through the Credit Guarantee Trust for Medium and Small Entrepreneurs (CGTMSE). This will improve borrowing capacity of the small units. For selected sectors such as pharmaceuticals, auto components and others, it is proposed to extend handholding support for technology upgradation, R&D, business strategy etc. A scheme of Rs 1000 Cr will be anchored by EXIM Bank together with SIDBI, with both institutions contributing Rs 50 Cr each. Debt funding of Rs 900 Cr from banks would be made available.

To reduce the compliance burden on small retailers, traders, and shopkeepers who comprise the MSME sector, turnover threshold for audit is proposed to be increased to Rs 5 Crs from the existing Rs 1 Cr. However, this will apply only to businesses that carry out less than 5% of their business transactions in cash.
PHARMA AND HEALTHCARE
By Naveen S & Rajee R

BUDGET ANNOUNCEMENT

- As part of Aspirational India, one of the three prominent themes of Union Budget 2020, the government’s holistic vision for essential healthcare and wellness is clearly focussed on making healthcare more accessible with increased infrastructure.
- Investment on the healthcare sector has increased around 7% from the previous year. Budget 2020 proposes the allocation of Rs 69,000 Crs for the healthcare sector, inclusive of Rs 6,400 Crs for PM Jan Arogya Yojana (PMJAY). The increased allocation is a significant step toward improving healthcare infrastructure and the overall well-being of citizens. The allocation for the National Health Mission (NHM) is raised to Rs 34115 Crs from the last budgetary allocation of Rs 32995 Crs.
- The expansion of Ayushman Bharat scheme is another big step to fulfil the need gap in secondary and tertiary care, especially for the economically weaker sections of the society. Ayushman Bharat scheme has played a significant role in increasing awareness and acceptance of health insurance among all sections of the society.
- The AB-PMJAY scheme is proposed to be expanded by setting-up more hospitals in Tier II and III cities under the Public-Private-Partnership (PPP) route. Viability gap funding window is proposed to be set-up to cover such hospitals, with priority given to 112 aspirational districts that do not have hospitals empanelled under Ayushman Bharat.
- The expansion of Jan Aushadhi programme to all districts of the country to provide medicines at affordable rates is proposed. Apart from medicines, these stores would now stock more surgicals and are expected to offer 2000 medicines and 300 surgicals in all districts by 2024.
- Reiterating the government’s commitment to eliminate tuberculosis from India, the 'TB harega, desh jeetega' campaign is being launched to eliminate tuberculosis (TB) by 2025.
- Mission Indradhanush has been extended to cover new diseases and new vaccines. The Fit India movement is proposed as a vital part of the fight against Non-Communicable Diseases coming out of life style issues. Budget 2020 also proposes an appropriately designed preventive regime using Machine Learning and AI as a part of the government’s initiatives to target specific diseases. Jal Jeevan Mission and Swachh Bharat Mission, launched to support the health vision that would reduce the disease burden on the poor, would be provided Rs 11,500 Crs and Rs 12,300 Crs, respectively during 2020-21.
- A nominal health cess of 5% on the import of medical equipment is proposed to be introduced to encourage the domestic industry and generate resources for health services.
- Rs 35600 Crs is proposed to be set aside for nutrition-related programmes for financial year 2020-21. Under the 'Poshan Abhiyan' scheme, over 6 lakh anganwadi workers have been equipped with smartphones to upload the nutrition status of 10 crore households.
The allocation of Rs 3,000 Crs is proposed for the 'Skill India' initiative to provide relevant skill training to the youth in the country, to address large demand for paramedical staff, caregivers, etc., in foreign countries. Special bridge courses would be designed by the Ministries of Health and Skill Development together with professional bodies to address such needs.

The Government also proposes to attach a medical college with the district hospitals to address gaps on shortage of medical professionals.

A Rs 1000 crore scheme, anchored by EXIM Bank together with SIDBI, is proposed to extend handholding support for technology upgradations, R&D, business strategy, etc., for selected sectors, including pharmaceuticals.

**BRICKWORK RATINGS VIEW**

- Increased allocation to the Pharma & Healthcare sector is a positive step in the Government’s plan to make health spending at 2.5% of the GDP by 2025, as envisioned in the National Health Policy 2017.

- The setting-up of more hospital infrastructure in Tier II and III cities under PPP model via viability gap funding, will be a boost for the healthcare ecosystem and benefit underprivileged families that were devoid of basic medical facilities. India has recorded the highest out-of-pocket expenditure on healthcare, compared with other developing countries. The measures proposed in the budget will help regulate the gap and play an important role in making health a priority for all and creating further awareness for health insurance.

- The use of Machine Learning and Artificial Intelligence for preventive healthcare, along with increasing the number of Jan Aushadhi Kendras, will take forward the government’s agenda of healthcare for all. The announcements related to building a genetic database for drug innovation and investing in quantum computing for advancing our computational and analytical capabilities are critical components for leveraging technology to gain a competitive edge. However, efficient and fast implementation is needed to have the desired impact.

- Currently Jan Aushadhi stores sell 154 surgicals, which will now be expanded to around 300 surgicals. This would be a positive for both SME pharma manufacturing units as well as small domestic medical devices makers who supply to the scheme.

- The budget did not address the long pending request of the health insurance industry to remove or minimise GST slab for health insurance premiums paid. As health insurance penetration is still low in the country, a change in the GST slab could have been a big driving factor for consumers to invest in health insurance.
Financial Markets, Disinvestment, Personal Income Tax and simplification of taxation

By Ria Matwani, AP Kamath, Balkrishna Piparaiya

BUDGET ANNOUNCEMENT

- Certain specified categories of Government securities would be opened fully for non-resident investors, apart from being available to domestic investors.
- The Debt-based Exchange Traded Fund (ETF) recently floated by the government was a big success. Government proposes to expand this by floating a new Debt-ETF consisting primarily of government securities. This will give retail investors access to government securities as much as giving an attractive investment for pension funds and long-term investors.
- The limit for FPI in corporate bonds, currently at 9% of outstanding stock, will be increased to 15% of the outstanding stock of corporate bonds.
- The government proposes to sell a part of its holding in LIC by way of an Initial Public Offer (IPO).
- The option of choosing between the old taxation regime (higher rates but deductions available) or the new taxation regime (lower rates but no exemptions) will be with individual taxpayers.

BRICKWORK RATINGS VIEW

- The budget announcement includes opening investment doors for Non-Resident Investors (NRIs) in the specified categories of government securities, coupled with the proposed new debt ETF for government securities. We may see demand rising for the long-dated government securities and the softening of yield going forward. We would have to, however, wait for the announcement from the government on which specific paper they would permit non-residents to invest.
- The increase in the FPI limit now proposed in the budget is a right step in this direction. The proposal of increasing the FPI limit for corporate bonds to 15% may boost private investment at the right time when the country is taking multiple steps to boost the economy. The RBI, in its recent notification, had doubled the FPI investment limit through the VRR route. Both the steps would work hand-in-hand for the debt market, and demand for corporate bonds would inch up. Furthermore, these measures hint at the Government and RBI’s cumulative efforts of pushing the corporates to tap the capital market for their borrowings and reduce their dependence on bank borrowings.
- The LIC IPO as a part of the Government’s disinvestment programme, along with the containing of fiscal deficit (revised to 3.8% from 3.3% in 2020 and 3.5% in 2021), coupled with limiting the net government borrowings to INR 4.99 trillion, may support fiscal discipline, and thus, soften the inflation prints and bond yields. However, there could be resistance for this, as LIC is considered ‘family silver.’
- The benefit of choosing the best of the two available personal taxation regimes is going to be positive for those assessees who have low level of tax exemptions and also the double income group families as one can claim the tax exemptions under the old regime, while the other can avail lower tax rates as per the new regime.
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