



Sectoral Breakdown of Union Budget 2021: Where Health Really is Wealth

Inclusive Development Under Aatma-Nirbhar Bharat Abhiyan

The Central Theme

- The Union Budget 2021 was expected to be the formal policy response to the vulnerabilities and gaps caused by the COVID-19 pandemic.
- Among a host of announcements and allocations, the main allocation that has held everyone's attention is the INR 2,200bn (\$ 30.1bn) earmarked for healthcare. Of this, INR 350bn (\$ 4.8bn) is for the COVID-19 vaccine rollout.
- In line with the government's push for Make in India, the budget promoted domestic production in many crucial sectors through a hike in customs duty on final goods, reduction in cost of imported raw materials, and reconsideration of former exemptions.



Funds Allocated (in billions)



INR 730 (\$10.0)



INR 65 (\$0.9)



INR 500 (\$6.9)



INR 650 (\$8.9)



INR 334 (\$4.6)



INR 73 (\$1.0)

Six Pillars of the Budget

Health and Wellbeing

Physical and Financial Capital, and Infrastructure

Inclusive Development for Aspirational India

Reinvigorating Human Capital

Innovation and Research and Development

Minimum Government and Maximum Governance

Note: USD/INR Exchange Rate – 73.0; **Source:** Indiabudget.gov.in, PWC, Deloitte, Cleartax, Web Searches

Sectoral Allocations and Their Implications (1/5)

Health and sanitization to take precedence during FY 2021–22 backed by 137% increase in budget allocation



Proposed Schemes



Key Takeaway



Healthcare

- Total outlay of **INR 642bn** (\$ 8.8bn) over six years under new **PM Aatmanirbhar Health Yojana**
- Additional **INR 350bn** (\$ 4.8bn) allocated for **COVID-19 vaccine; pneumococcal vaccine** to be rolled out
- Setup of **integrated public health labs, critical care hospital blocks**
- About **INR 22bn** (\$ 0.3bn) earmarked to fight **air pollution** in 42 urban areas
- **Introduction of National Commission for Allied Healthcare Professionals Bill and National Nursing and Midwifery Bill**

- Budgetary provisions made for vaccination drive, along with commitment to spend more, if required
- Budget 2021 on track to meet target of 2.5% of GDP spend on healthcare by government



Agriculture & Allied Activities

- **Hike in customs duty** on cotton and silk
- Introduction of agricultural **marketing reforms**
- Setup of **agriculture investment fund for Agricultural Produce Market Committees (APMCs)**
- Integration of **1,000 mandis** into **eNAM**
- Amendments to **Essential Commodities Act**
- **Credit flow** to animal husbandry, dairy, and fisheries
- **Agriculture Infrastructure and Development Cess** to be imposed on few items

- Agricultural diversification to high-value horticulture, dairy, and fisheries to improve farmers' income
- Integration of mandis into eNAM (National Agriculture Market) supports government's ideology of Digital India

Note: USD/INR Exchange Rate – 73.0; Source: Indiabudget.gov.in, PWC, Deloitte, Cleartax, Web Searches

Sectoral Allocations and Their Implications (2/5)

Additional infrastructure project rollout expected due to increased spend allocation (35% higher than FY21)



Proposed Schemes



Key Takeaway



Infrastructure

- **Development Finance Institution (DFI)** to be established with INR 200bn (\$ 2.7bn) for funding infrastructure projects up to INR 5,000bn (\$ 68.5bn)
- **Highway and road works** announced in Assam, Tamil Nadu, West Bengal, and Kerala
- Development of **National Rail Plan; 100% electrification** to be achieved by 2023
- **Metro services** announced in 27 cities
- **Recycling capacity of ports to double by 2024**; subsidy to promote flagging of merchant ships

- Jobs to be created from boost in infrastructure via DFI, promoting inclusive development
- Allocation to rural infrastructure development up 33%; may lead to holistic upliftment of all areas of the country



Oil & Gas

- **Asset monetization of pipeline infrastructure** – GAIL, IOCL, HPCL
- **National Hydrogen Energy Mission** to be launched
- **Around 100 new districts** to be added to **City Gas Distribution** network in three years
- **Ujjwala Scheme** to cover **1 crore more beneficiaries**
- **Gas transportation capacity** would get unlocked **digitally** with **independent transmission system operator**

- Increased coverage under Ujjwala LPG Scheme shall address health concerns among rural women
- Energy Mission smoothen transition toward green hydrogen
- More licensing to enhance gas distribution coverage, favorable to environment

Note: USD/INR Exchange Rate – 73.0; Source: Indiabudget.gov.in, PWC, Deloitte, Cleartax, Web Searches

Sectoral Allocations and Their Implications (3/5)

Setup of new ARC to help wipe off bad loans from public sector banks' books



Proposed Schemes



Education, Innovation, and R&D

- **100 new Sainik Schools, 750 Eklayya schools** in tribal areas to be established; **National Language Translation** initiative proposed
- **Central university** to be set up in **Ladakh**
- **Partnership** with **UAE** and **Japan** secured for skill development
- **National Research Foundation** commissioned at an outlay of INR 500bn (\$ 6.8bn) over five years
- **Deep Ocean Mission** to be launched to promote biodiversity conservation and exploration



Banking & MSME

- About **INR 200bn** (\$ 2.8bn) allotted for **bank recapitalization** and **INR 157bn** (\$ 2.2bn) for **MSME**
- **Margin money reduced** to **15%** from 25% for **SCs, STs, women, and agriculture-related loans**
- **ARC** to be **set up** for taking over bad loans of public sector banks (bad banks)
- To facilitate investment in corporate bonds during stressed times, **investment grade bond fund purchase framework** to be established



Key Takeaway

- Positive reception of National Education Policy; over 15,000 schools to be qualitatively wired under the policy
- Strategic partnerships with other nations for skill development to usher in credibility
- Establishment of new ARC to enable banks to focus on new lending and support credit disbursement
- Doubling allocation for MSME to result in employment generation and indigenization

Note: USD/INR Exchange Rate – 73.0; **Source:** indiabudget.gov.in, PWC, Deloitte, Cleartax, Web Searches

Sectoral Allocations and Their Implications (4/5)

Relaxation in FDI norms and expansion of textile industry to make India a lucrative investment destination



Proposed Schemes



Key Takeaway



Insurance

- Increase in **FDI limit** in insurance to **74%** from 49%
- **Allowance of foreign ownership and control** in insurance companies
- **Majority of Board of Directors and key managerial personnel** to be **Indian residents**, at least 50% directors to be independent
- Specified % of **profit to be reserved** as general reserve

- Increase in FDI limit to attract new insurance players with better resources and expertise, supporting insurance penetration
- Addressing of regulatory concerns essential to compete at global level



Textile

- **Seven Mega Investment Textiles Parks (MITRA)** to be **set up** in three years over 1,000 acres of land
- **Customs duties on raw material inputs to manmade textiles to be rationalized** by reducing rate on caprolactam, nylon chips and nylon fiber, and yarn to 5% from 7.5%
- **Hike in customs duty on cotton** (nil to 10%) and **raw silk and silk yarn** (10% to 15%)

- Development of textile parks likely to make industry more investor-friendly and competitive globally
- MITRs to facilitate creation of jobs
- Hike in customs duty to benefit farmers and promote domestic manufacturing

Note: USD/INR Exchange Rate – 73.0; **Source:** indiabudget.gov.in, PWC, Deloitte, Cleartax, Web Searches

Sectoral Allocations and Their Implications (5/5)

Taking steps toward greener India through scrapping of old vehicles and switch to greener alternatives



Proposed Schemes



Automotive

- Introduction of **voluntary vehicle scrappage policy**
- **Mandatory fitness test** for vehicles
- **Allocation of INR 180bn** (\$ 2.5bn) to ramp up public transport services for **~20,000 buses**
- **Hike in customs duty** on **auto parts** such as ignition wiring sets, safety glass, parts of signaling equipment
- **Increased outlay for infrastructure** (railways, metro rail, rural) and development projects



Power & Mining

- Allocation of **INR 3,050bn** (\$ 41.8bn) for five years
- Allocation of **INR 10bn** (\$ 0.1bn) for **solar energy** and **INR 15bn** (\$ 0.2bn) for **renewable energy**
- Launch of **National Hydrogen Energy Mission** anticipated
- **Electricity consumers will be able to choose** between **service providers**
- Increase in **customs duties** on **solar inverters** and **lanterns** from 5% to 20% and to 15%, respectively



Key Takeaway

- Vehicle scrapping to boost demand
- Higher customs duty would promote indigenization in auto spare parts manufacturing
- Demand for commercial vehicles and construction equipment likely to rise
- Hike in customs rates indicates push for localization
- Ability to choose electricity provider to result in operational efficiency
- Renewable and hydrogen technologies expected to help protect environment

Note: USD/INR Exchange Rate – 73.0; **Source:** Indiabudget.gov.in, PWC, Deloitte, Cleartax, Web Searches

What Lies Ahead...



Divestment Pipeline for 2022



- To keep the fiscal position in check, the government plans to generate INR 1,750bn (\$ 24.0bn) from the sale of stakes in public sector companies and financial institutions in FY22.
- LIC is expected to debut its IPO in FY22.
- Apart from these PSUs, two public sector banks and one general insurance company shall be privatized. Less efficient, smaller state-run banks could be the prime target.
- Strategic disinvestment of the PSUs could lead to larger FDI.



What Can Be Inferred?

- The total outlay earmarked for FY22 is INR 34,830bn (\$ 477.1bn), of which 84% would be for revenue expenditure and the remaining 16% for capital expenditure.
- The government's unwavering support to the startup and small business ecosystem can be clearly seen from the extension of the sunset clause for various benefits, along with minimizing compliance burden for small and medium enterprises.
- In this budget, reformatory propositions such as LIC's IPO, privatization of public sector banks, and raising the FDI limit in the insurance sector have been taken up by the government. However, some of the disinvestment plans in the non-strategic and strategic sectors could be met with protests from various unions and employees.
- The budget captures the inclination toward digitization, inclusive growth, innovation and R&D, and ease of doing business, among others. These steps pave the way for making India future-ready. Nevertheless, operational detailing and flawless execution would be challenging.

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