

# BUDGET 2019

# VISION BOARD

- + Become a five trillion dollar economy in the next five years and ten trillion dollar economy in 8 years thereafter
- + Income support to small farmers
- + Women's development to women led development
- + Empowering youth to fulfil their potential
- + Empowering MSMEs and traders
- + Digital India Revolution
- + Simplification of Direct Tax System to benefit tax-payers

# KEY HIGHLIGHTS

Fiscal deficit projected at 3.4% for FY 2018-19 & 2019-20

Current account deficit at 2.5% for FY19

Confident of achieving disinvestment target of Rs. 80,000 crore for FY 2018-19

Launched Pradhan Mantri Shram Yogi Mandhaan for workers in unorganised sector

Railway capex for FY20 set at record Rs. 1.58 lakh crore & defence budget at over Rs. 3 lakh crore

Total expenditure raised by 13% to Rs. 27.84 lakh crore

No income tax for individuals with income up to Rs. 5 lakh

Launched Pradhan Mantri Krishi Samman Nidhi Yojana to support small & marginal framers

# **DIRECT INCOME SCHEME OFFERS CALIBRATED**

## **BOOST TO FARM SECTOR**

- ✚ Interim Union Budget 2019 allocated ~Rs. 1.5 lakh crore towards Agriculture & Allied Services sector as against a revised budget allocation of ~Rs. 0.87 lakh crore in FY2018-19, implying a 73.2% YoY rise.
- ✚ The Interim Budget 2019 has proposed to offer Rs. 6,000/year over three annual instalments under the Pradhan Kisaan Samman Nidhi scheme. This Direct Income Scheme is expected to benefit ~12 crore farmers that own up to 2 hectares of land. This mega announcement will commence retrospectively from December 2018 resulting in an increased budget allocation of ~Rs. 20,000 crore in FY19E and ~Rs. 75,000 crore in FY20E.
- ✚ It further remains committed on its mission of doubling farm income by 2022. It continues to improve farm income through increased allocation towards risk mitigation (PMFBY – Insurance), productivity improvements (PMKSY- Micro Irrigation) and better credit infrastructure (Interest subsidies) schemes. Furthermore, emphasis was placed on offering remunerative farm gate prices for farmers produce by adhering to the MSP price mechanism (50% mark up over cost of production). As a result the MIS and PSS scheme witnessed a budgetary expansion of 50% YoY to Rs. 3,000 crore in FY20BE and aims to bring more crops under its ambit.

**Major Allocation to Various Agriculture Schemes (Interim Union Budget 2019-20)**

<b>Schemes</b>	<b>FY18 (Rs. Cr.)</b>	<b>FY19BE (Rs. Cr.)</b>	<b>FY19RE (Rs. Cr.)</b>	<b>FY20BE (Rs. Cr.)</b>	<b>YoY Growth over FY19RE</b>
Pradhan Mantri Fasal Bhima Yojana (Insurance Scheme)	9,419	13,000	12,976	14,000	7.9%
Interest Subsidy for Short Term Farmer Credit	13,046	15,000	14,987	18,000	20.1%
Market Intervention Scheme & Price Support Scheme	701	200	2,000	3,000	50%
Pradhan Mantri Krishi Sinchahi Yojana (Micro Irrigation)	2,819	4,000	2,955	3,500	18.4%

- ✚ Farmer distress has been rising over the last couple of years due to mounting crop loans, uneven & below normal monsoons leading to heightened crop losses coupled by lower agriculture commodity prices globally further suppressed domestic farm income levels. Consequently, expectations of an extremely populist budget towards farm sector loomed large that could result in widening of fiscal deficit. However, the Interim Budget 2019 has managed to undertake a calibrated approach to provide a modest boost to the farm sector albeit maintaining its FY19 and FY20 fiscal deficit target at 3.4% (against earlier FY19 estimate of 3.3%). Additionally, it aims to uplift farm income levels by largely maintaining its budgetary allocations to promote allied activities like fisheries, animal husbandry and dairy industries.

# ADDRESSING JOB CREATION

- Job creation has continued to remain a challenge for the Modi government ever since it came to power in 2014 which was one of their critical agenda to win the election. An unverified NSSO survey claimed that unemployment rate peaked to 6.1% in FY18 from a mere 2.2% in FY12 further raising question about the status of labour force participation in the country. The payroll data by Employee Provident Fund Organization which is treated by the government as the evidence of formal job creation in India further highlights the grave job creation scenario in the country.
- However, increased budgetary allocations over FY18 revised estimates in major schemes such as Pradhan Mantri Gram Sadak Yojna (up 22.6% YoY), Metro Projects (up 19.2% YoY) and Railway Budget (up 21.7% YoY) augurs well for future job creation.
- Overall the Interim Budget 2019 was targeted towards providing more money in the hands of rural and salaried middle class citizens that are critical in driving the consumption growth in the country. It can be believed that this consumption led growth could result in the revival of the private capex cycle that would eventually result in an accelerated job growth trajectory.

Schemes	FY18 (Rs. Cr.)	FY19BE (Rs. Cr.)	FY19RE (Rs. Cr.)	FY20BE (Rs. Cr.)	YoY Growth over FY19RE
Pradhan Mantri Gram Sadak Yojana	16,862	19,000	15,500	19,000	22.6%
Pradhan Mantri Awas Yojana	31,164	27,505	26,405	25,853	-2.1%
Metro Projects	13,810	14,265	14,865	17,714	19.2%
Ministry of Railways	43,418	53,060	53,060	64,587	21.7%
National Highways Authority of India	23,892	29,663	37,321	36,691	-1.7%

Budget Year	Funds for MNREGA (Rs. Cr.)
2013-14	32,994
2014-15	32,463
2015-16	37,341
2016-17	47,499
2017-18	55,166
2018-19 (RE)	61,084
2019-20 (BE)	60,000

# TAX PROPOSALS

	CURRENT	PROPOSED
PERSONAL	Taxpayers having taxable annual income up to Rs. 3L were entitled to a get a full tax rebate	Taxpayers having taxable annual income up to Rs. 5L will be entitled to get a full tax rebate
	Standard Deduction of Rs. 40,000 in lieu of medical reimbursement and transport allowance	Standard Deduction limit raised to Rs. 50,000
	Tax on notional rent applicable if one has more than one self-occupied house	Tax on notional rent will be applicable only if one has more than two self-occupied houses
	TDS on interest earned on bank/post office deposits applicable u/s 194A if interest earned is more than Rs. 10,000. Further, TDS threshold for deduction of tax on rent u/s 194I stands at Rs. 1,80,000	Threshold for TDS on interest earned on bank/post office deposits applicable u/s 194A increased to Rs. 40,000. TDS threshold for deduction of tax on rent u/s 194I increased to Rs. 2,40,000
	Benefit of rollover of capital gains u/s 54 available for one residential house	Benefit of rollover of capital gains u/s 54 will now be capital gain up to Rs. 2Cr
CORPORATE	A deduction equal to 100% of the profits and gains derived from building and developing specified housing projects provided the project is approved between 01.06.16 to 31.03.19 and completed within 3 years from the date of first approval	Deduction would now be granted provided the project is approved till 31.03.20, all other conditions remaining unchanged
	Levy of tax on notional rent on unsold inventories after one year from the end of the year in which the project is completed	Notional rent is now proposed to be levied on those unsold which the project is completed

# STATEMENT OF RECEIPTS OF CENTRAL GOVERNMENT

(Figures in Rs. Cr.)	2016-17	2017-18	2018-19	2018-19	2019-20
Receipts	Actuals	Actuals	Budget Estimates	Revised Estimates	Budget Estimates
REVENUE RECEIPTS					
1. Tax Revenue					
Gross Tax Revenue	17,15,822	19,19,009	22,71,242	22,48,175	25,52,131
Corporation Tax	4,84,924	5,71,202	6,21,000	6,71,000	7,60,000
Taxes on Income	3,64,604	4,30,772	5,29,000	5,29,000	6,20,000
Wealth Tax		63			
Customs	2,25,370	1,29,030	1,12,500	1,30,038	1,45,388
Union Excise Duties	3,81,756	2,59,431	2,59,600	2,59,612	2,59,600
Service Tax	2,54,499	81,288	-	9,283	-
GST	-	4,42,561	7,43,900	6,43,900	7,61,200
Taxes on Union Territories	4,146	4,721	5,242	5,342	5,943
Less - NCCD transferred to the NCCF/NDRF	6,450	3,515	2,500	2,315	2,480
Less - State's share	6,08,000	6,73,005	7,88,093	7,61,454	8,44,605
1a. Centre's Net Tax Revenue	11,01,372	12,42,488	14,80,649	14,84,406	17,05,046
2. Non-Tax Revenue	2,72,831	1,92,744	2,45,089	2,45,276	2,72,647
Interest Receipts	16,229	13,574	15,162	12,047	12,911
Dividend and Profits	1,23,017	91,360	1,07,312	1,19,265	1,36,071
External Grants	1,300				
Other Non-Tax Revenue	1,30,481	85,920	1,20,553	1,11,889	1,21,515
Receipts of Union Territories	1,804	1,890	2,062	2,076	2,149
<b>Total Revenue Receipts(1a + 2)</b>	<b>13,74,203</b>	<b>14,35,233</b>	<b>17,25,738</b>	<b>17,29,682</b>	<b>19,77,693</b>
3. Capital Receipts					
A. Non-Debt Receipts					
(i) Recoveries of Loans and Advances	17,630	15,633	12,199	13,155	12,508
(ii) Miscellaneous Capital Receipts	47,743	1,00,045	80,000	80,000	90,000
B. Debt Receipts*	5,35,619	5,86,971	5,81,210	5,93,197	6,52,702
<b>Total Capital Receipts (A+B)</b>	<b>6,00,991</b>	<b>7,02,650</b>	<b>6,73,410</b>	<b>6,86,352</b>	<b>7,55,209</b>
<b>Total Receipts (1a+2+3)</b>	<b>19,75,194</b>	<b>21,37,882</b>	<b>23,99,147</b>	<b>24,16,034</b>	<b>27,32,902</b>
4. DRAW-DOWN OF CASH BALANCE	-8,895	4,092	43,066	41,201	51,298

# STATEMENT OF EXPENDITURE OF CENTRAL GOVERNMENT

(Figures in Rs. Cr.)	2016-17	2017-18	2018-19	2018-19	2019-20
Expenditure	Actuals	Actuals	Budget Estimates	Revised Estimates	Budget Estimates
Pension	1,31,401	1,45,745	1,68,466	1,66,618	1,74,300
Defence	2,51,781	2,76,574	2,82,733	2,85,423	3,05,296
<b>Subsidy</b>					
Fertiliser	66,313	66,441	70,080	70,075	74,986
Food	1,10,173	1,00,282	1,69,323	1,71,298	1,84,220
Petroleum	27,539	24,460	24,933	24,833	37,478
Agriculture and Allied Activities	50,184	52,628	63,836	86,602	1,49,981
Commerce and Industry	21,364	24,087	27,956	28,394	27,660
Development of North East	2,496	2,514	3,000	2,629	3,000
Education	72,016	80,215	85,010	83,626	93,848
Energy	30,964	42,155	41,104	46,150	44,101
External Affairs	12,753	13,738	15,012	15,582	16,062
Finance	41,549	17,392	20,342	18,852	19,812
Health	39,005	52,994	54,667	55,949	63,538
Home Affairs	78,360	87,547	93,450	99,034	1,03,927
Interest	4,80,714	5,28,952	5,75,795	5,87,570	6,65,061
IT & Telecom	17,985	19,899	22,380	16,282	21,549
Others	63,667	66,333	72,845	74,905	75,822
Planning and Statistics	4,494	4,559	5,199	5,415	5,594
Rural Development	1,13,877	1,34,973	1,38,097	1,35,109	1,38,962
Scientific Departments	19,493	22,115	24,906	25,099	26,237
Social Welfare	31,812	37,440	44,220	46,492	49,337
Tax Administration	22,146	71,755	1,05,541	67,448	1,17,285
Transfer to States	1,32,704	1,37,101	1,20,265	1,42,858	1,66,883
Transport	1,02,200	1,07,501	1,42,858	1,41,353	1,66,883
Union Territories	13,258	14,216	14,123	14,133	15,042
Urban Development	36,946	40,061	41,765	42,965	48,032
<b>Grand Total</b>	<b>19,75,194</b>	<b>21,41,975</b>	<b>24,42,213</b>	<b>24,57,235</b>	<b>27,84,200</b>



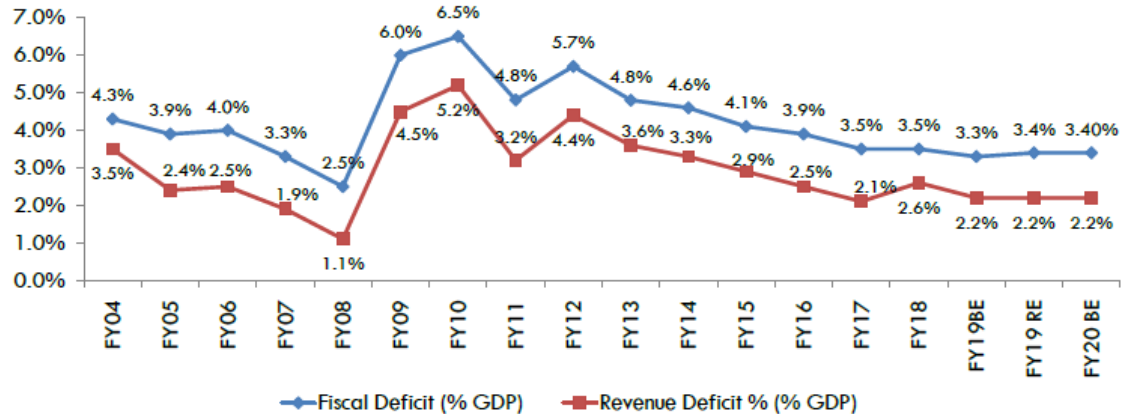
# MAJOR BUDGET OUTLAY

(Figures in Rs. Cr.)	2017-18	2018-19	2018-19	2019-20
	Actuals	Budget Estimates	Revised Estimates	Budget Estimates
<b>Core of the Core Schemes</b>				
National Social Assistance Program	8,694	9,975	8,900	9,200
Mahatma Gandhi National Rural Employment Guarantee Program	55,166	55,000	61,084	60,000
Umbrella Scheme for Development of Schedule Castes	5,061	5,183	7,609	5,395
Umbrella Program for Development of Scheduled Tribes	3,573	3,806	3,778	3,810
Umbrella Program for Development of Minorities	3,948	1,440	1,440	1,551
Umbrella Program for Development of Other Vulnerable Groups	1,574	2,287	1,550	1,227
<b>Core Schemes</b>				
Green Revolution	11,057	13,909	11,802	12,612
White Revolution	1,574	2,220	2,431	2,140
Blue Revolution	321	643	501	560
Pradhan Mantri Krishi Sinchai Yojna	6,613	9,429	8,251	9,516
Pradhan Mantri Gram Sadak Yojna	16,862	19,000	15,500	19,000
Pradhan Mantri Awas Yojna (PMAY)	31,164	27,505	26,405	25,853
Swachh Bharat Mission	19,427	17,843	16,978	12,750
National Health Mission	32,000	30,634	31,187	32,251
National Education Mission	29,455	32,613	32,334	38,572
National Programme of Mid-Day Meal in Schools	9,092	10,500	9,949	11,000
Umbrella ICDS	19,234	23,088	23,357	27,584
Mission for Protection and Empowerment for Women	945	1,366	1,156	1,330
National Livelihood Mission- Ajeevika	4,926	6,060	6,294	9,524
Jobs and Skill Development	2,723	5,071	6,830	7,511
Environment, Forestry and Wildlife	955	1,019	996	1,082
Urban Rejuvenation Mission	9,463	12,169	12,569	13,900
Modernisation of Police Forces	2,546	3,157	3,192	3,378
Infrastructure Facilities for Judiciary	629	630	658	720
Border Area Development Programme	1,100	771	771	825
Shyama Prasad Mukherjee Rurban Mission	553	1,200	451	800
Rashtriya Gram Swaraj Abhiyaan	-	-	675	831
Rashtriya Swasthya Bima Yojna	505	2,000	2,700	6,556
<b>Major Central Sector Schemes</b>				
Crop Insurance Scheme	9,419	13,000	12,976	14,000
Interest Subsidy for Short Term Credit to Farmers	13,045	15,000	14,987	18,000
Compensation to Service Providers of Telecom Infrastructure- Bharatnet	7,000	10,000	5,000	8,350
Optical Fibre Cable Based Network for Defence Services	3,755	4,500	2,500	4,725
Border Infrastructure and Management	1,614	1,750	2,040	1,750
Metro Projects & MRTS	1,880	20,809	15,644	18,502
National Highways Authority of India including Road Works	74,424	91,663	99,321	1,11,691

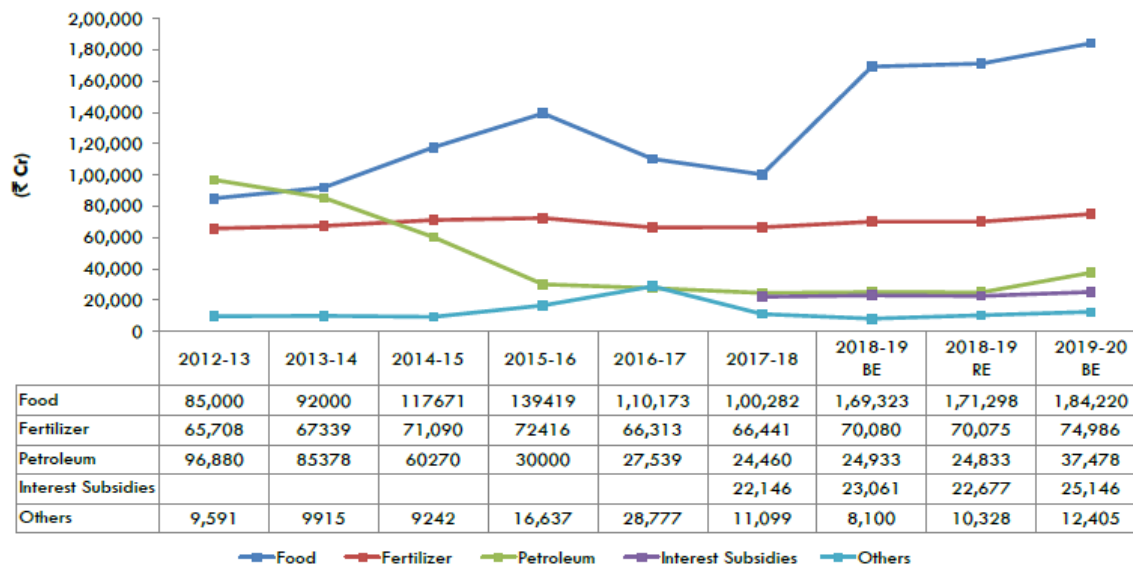
# FINANCIAL STATEMENT

	Absolute Number (Rs. Cr.)					Growth Over Last Year (%)			
	2016-17	2017-18	2018-19 BE	2018-19 RE	2019-20 BE	2017-18	2018-19 BE	2018-19 RE	2019-20 BE
Revenue Receipts	13,74,203	14,35,233	17,25,738	17,29,682	19,77,693	4.4%	20.2%	0.2%	14.3%
Tax (Net to Centre)	11,01,372	12,42,488	14,80,649	14,84,406	17,05,046	12.8%	19.2%	0.3%	14.9%
Non-Tax Revenue	2,72,831	1,92,744	2,45,089	2,45,276	2,72,647	-29.4%	27.2%	0.1%	11.2%
Capital Receipts	6,00,991	7,02,650	6,73,410	6,86,352	7,55,209	16.9%	-4.2%	1.9%	10.0%
Recovery of Loans	17,630	15,633	12,199	13,155	12,508	-11.3%	-22.0%	7.8%	-4.9%
Other Receipts	47,743	5,407	84,679	8,353	59,532	-88.7%	1466.0%	-90.1%	612.7%
Total Receipts	19,75,194	21,37,882	23,99,147	24,16,034	27,32,902	8.2%	12.2%	0.7%	13.1%
Total Expenditure	19,75,194	84,19,941	89,25,701	90,97,872	91,16,434	326.3%	6.0%	1.9%	0.2%
a) Revenue Expenditure	16,90,584	21,40,085	24,09,895	24,04,513	27,32,668	26.6%	12.6%	-0.2%	13.6%
b) Capital Expenditure	2,84,610	62,79,857	65,15,806	66,93,359	63,83,767	2106.5%	3.8%	2.7%	-4.6%
Revenue Deficit	3,16,381	4,43,602	4,16,034	4,10,930	4,70,214	40.2%	-6.2%	-1.2%	14.4%
Effective Revenue Deficit	1,50,648	2,52,568	2,20,689	2,10,630	2,69,474	67.7%	-12.6%	-4.6%	27.9%
Fiscal Deficit	5,35,618	5,91,064	6,24,276	6,34,398	7,03,999	10.4%	5.6%	1.6%	11.0%
Primary Deficit	54,904	62,112	48,481	46,828	38,938	13.1%	-21.9%	-3.4%	-16.8%

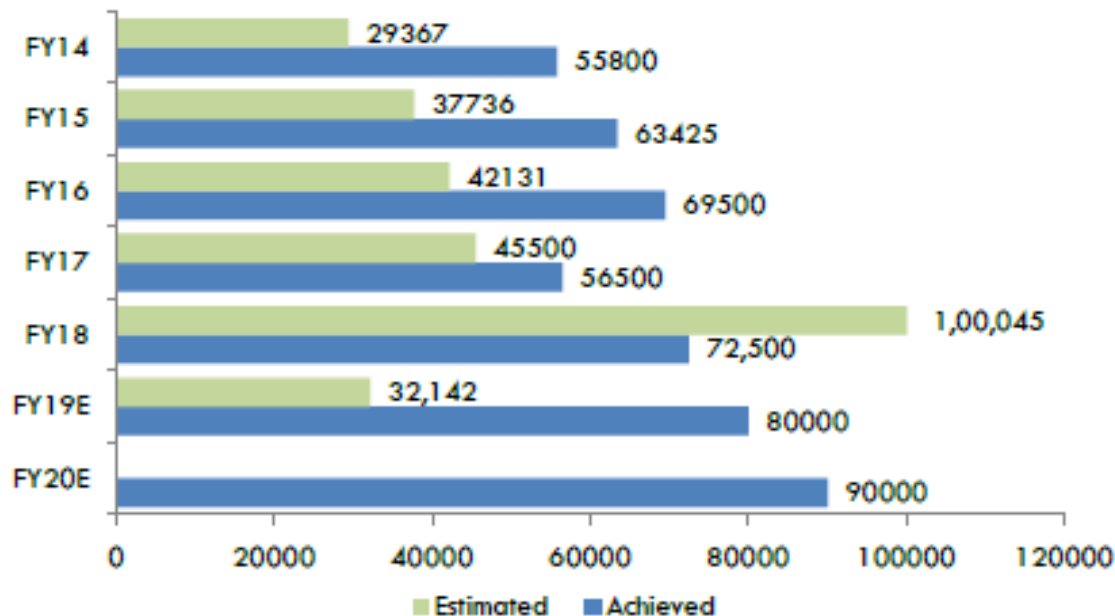
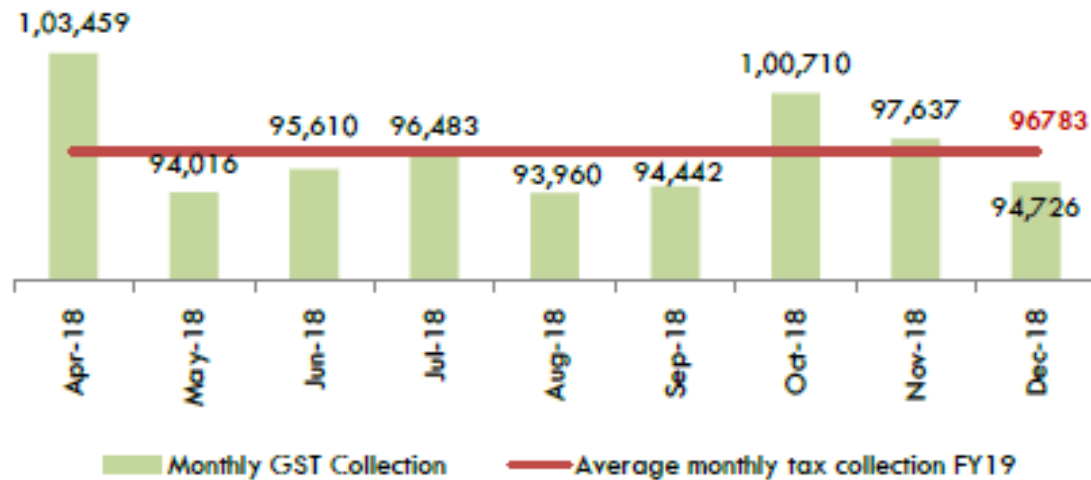
# DEFICIT & SUBSIDIES



The Government revised its fiscal deficit target to 3.4% from 3.3% for FY2018-19, while FY2019-20 deficit figure is being budgeted to be 3.4%. The Interim Union Budget signalled a fiscal slippage of 10bps for FY 2018-19 on account of **Pradhan Mantri Kisan Samman Nidhi** that has been made effective from 1<sup>st</sup> December, 2018 and Rs. 20,000 Crore has been budgeted to be incurred in FY 2018-19.



# BUDGET PROFILE



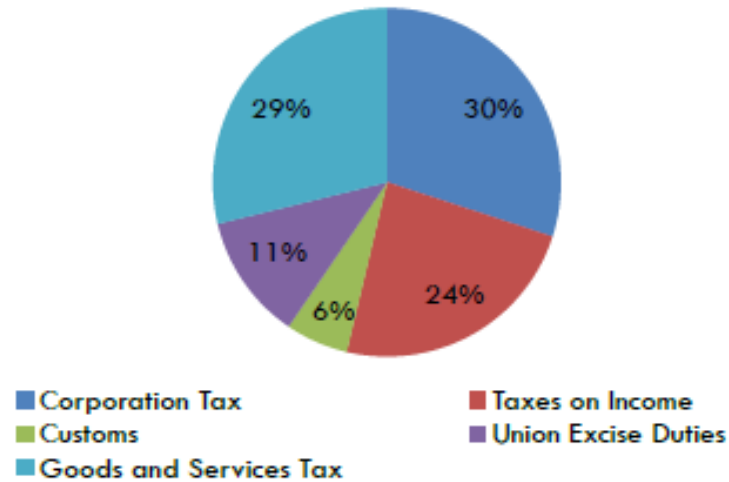
**✚ Tax Revenue:** Total tax revenue growth, direct and indirect tax revenue growth for FY20 is budgeted to be 13.8%, 15% and 11.4% YoY

**✚ Indirect Tax:** The average monthly tax collection in the current year is Rs. 96,783 crore/month as compared to Rs. 89,700 crore/month in the first year. We expect a shortfall of ~Rs. 1,00,000-1,10,000Cr for full-year indirect tax collection taking into account reduction of GST rate on many items and lower compliance.

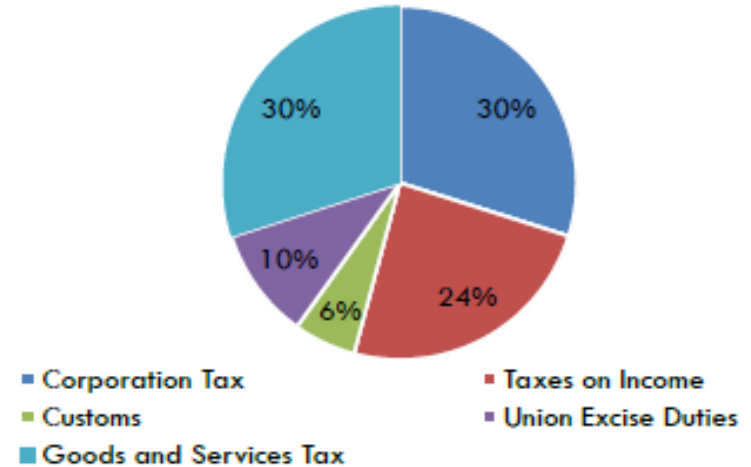
**✚ Divestment:** Divestment target has been set at Rs. 90,000 Cr in the interim budget for FY20, a growth of 12.5% from FY18. Currently, the government has so far managed to raise only ~Rs. 32,000Cr, about 43% of the targeted Rs. 80,000Cr. However, the Finance Minister sounded confident of achieving its stated target. We believe the ongoing volatile equity markets may make it difficult for the Government to achieve its target.

# TAX RECEIPTS

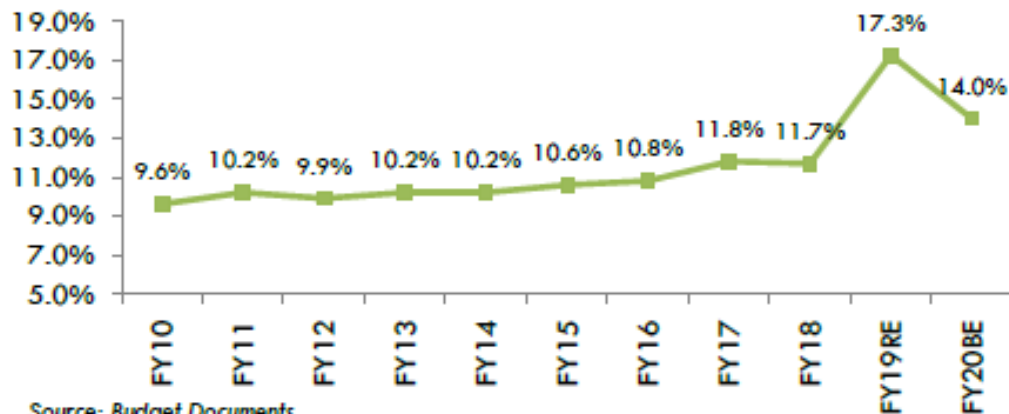
**Contribution of Different Taxes in GTR in 2018-19 RE**



**Contribution of Different Taxes in GTR in 2019-20 BE**

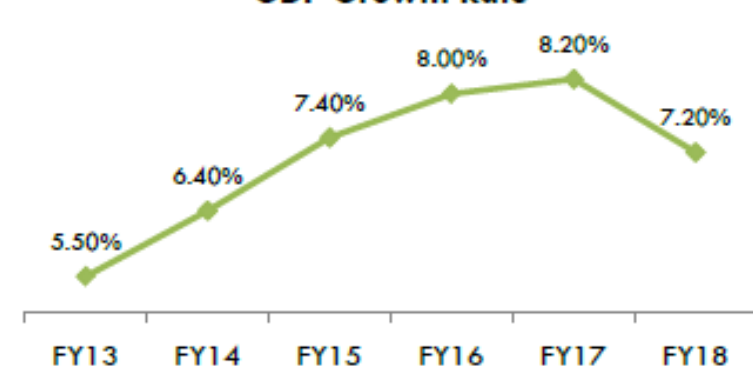


**Gross Tax Revenue Growth**

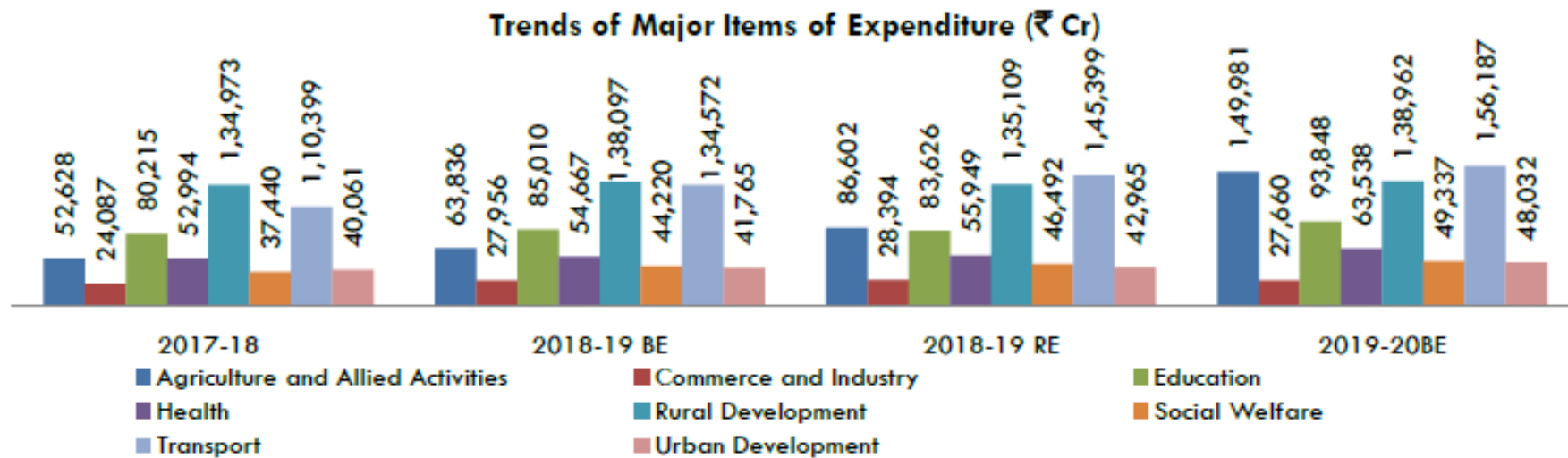
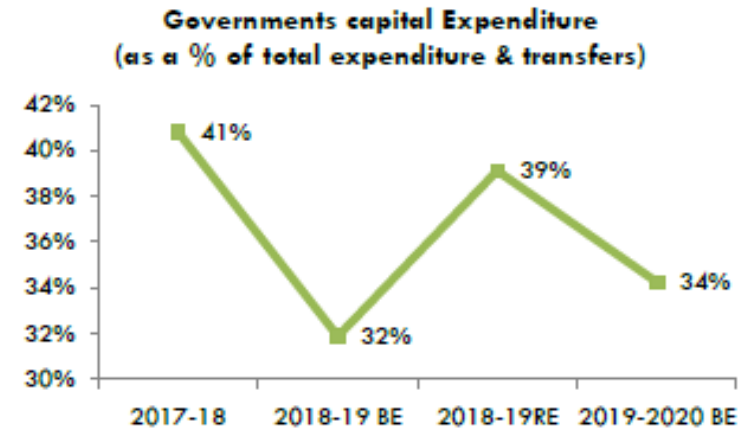
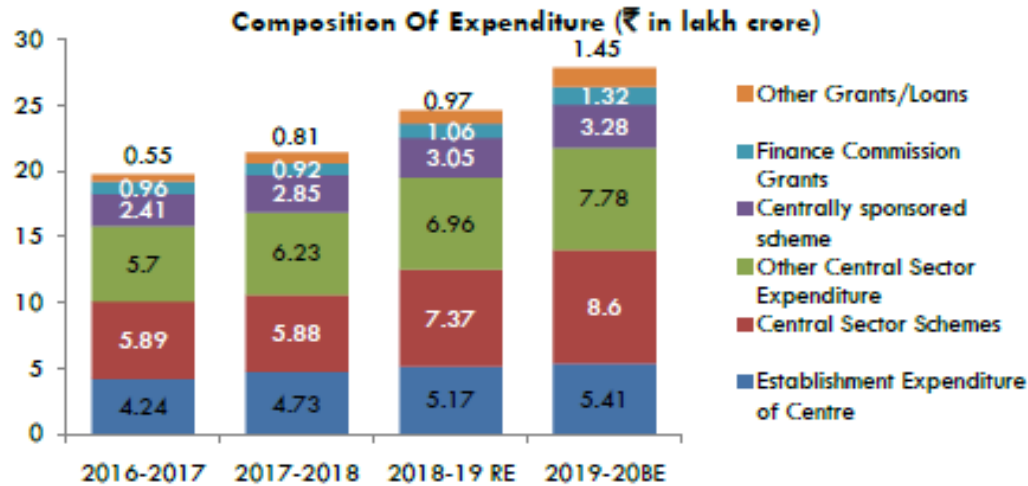


Source: Budget Documents

**GDP Growth Rate**



# EXPENDITURE PROFILE



# **KEY FEATURES OF THE INTERIM UNION BUDGET FOR FY20 & ITS IMPACT ON EQUITY MARKETS**

- ✚ Domestic equity markets have remained range bound while experiencing high volatility period since the Union Budget 2018.
- ✚ This has been on the back of multiple impediments on both the domestic and global front such as rising US & China trade war woes, tightening monetary policy stance in developed economies, wild swing in crude oil prices, liquidity squeeze in the Indian economy due to escalating NPA's at PSU banks and asset liability mismatch at leading NBFC's and the sustained FII outflows during the year.
- ✚ Interim Budget 2019 being the last budget for the BJP government before the general elections this year has tried to address certain political requisites through schemes favouring the distressed farm sector, capitalising the salaried middle class via tactical tax tweaks and unveiling a mega pension plan to support unorganised labour class. Amidst elevating fears of a populist budget for 2019 that was expected to swell the nation's fiscal deficit the Finance Minister has pledged to contain the fiscal deficit target at 3.4% of GDP in FY19 (from 3.3% guided earlier) and FY20 which offers a certain level of confidence to the equity market participants.
- ✚ However, lower than anticipated GST collections and disinvestment proceeds on an YTD basis are expected to put pressure on actual FY19 fiscal deficit numbers. Going forward, equity markets may continue to experience extreme bouts of volatility ahead of general elections and the key factor to watch out for include critical economic data points like revival in private capex cycle, GDP growth, fiscal deficit position and IIP numbers.
- ✚ Therefore, we advise our investors to stay with quality large and mid-cap stocks that offer a robust growth visibility, prudent cash flow management and superior return ratios.

# VISION 2030

- ✚ Build physical and social infrastructure to provide ease of living
- ✚ Create a digital India
- ✚ Pollution free nation
- ✚ To generate massive employment
- ✚ Clean rivers with safe drinking water and efficient use of water in irrigation using micro-irrigation techniques
- ✚ Development and growth of our coastlines
- ✚ India becoming launch pad of the world
- ✚ Making India self-sufficient in food
- ✚ Healthy India
- ✚ Transforming India into a Minimum Government Maximum Governance nation