

2023-2024



₹ UNION BUDGET

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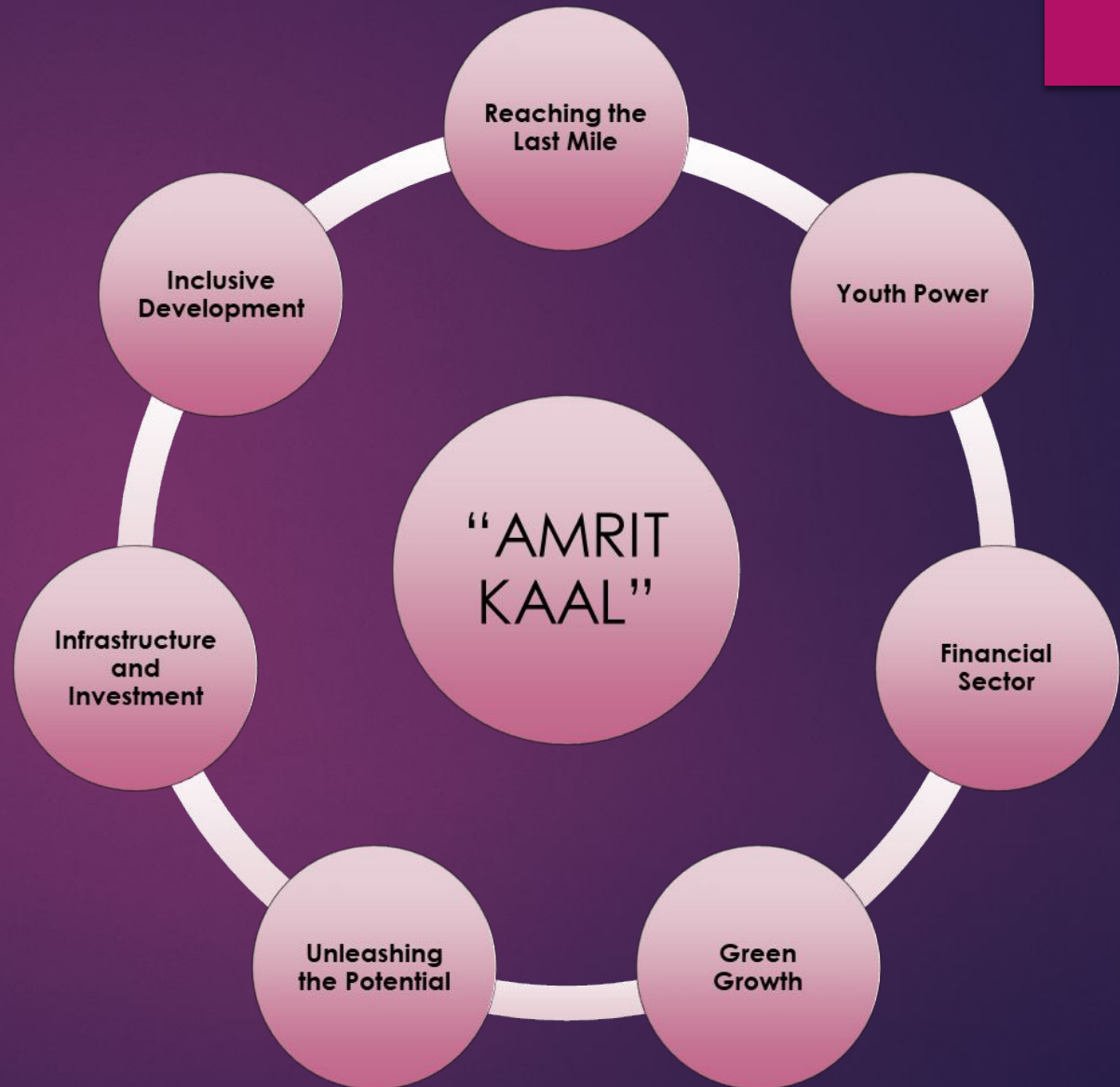
D. Appendix

PART A

Key Budget Highlights

INDIA: A RISING GIANT

LEVERAGING
GROWTH THROUGH
SAPTARISHI





Hawk-Eye View of Major Announcements

Category	Remarks
1. Fiscal Deficit	<ul style="list-style-type: none">Fiscal consolidation with a Fiscal Deficit Target of 6.40% of GDP for FY23 followed by target of 5.90% of GDP for FY24.The market borrowings outlay has been mostly in line with street estimates.
2. Capital Expenditure	<ul style="list-style-type: none">Capital Expenditure increased by 33% to ₹10 Lakh Cr to revive growth in the economy.
3. Defence	<ul style="list-style-type: none">Government has allocated ₹5.94 lakh crore to ministry of defence which is 13% more than last year's budget allocation signifying government's focus on domestic manufacturing.
4. Infrastructure	<ul style="list-style-type: none">Capital investment outlay stands at ₹10 lakh crores i.e. 33% higher from the previous budget.
5. Railways	<ul style="list-style-type: none">Railway ministry has received the highest ever allocation of ₹2.4 lakh crores.Allocation has increased by over 70% which is the highest among all the major ministries.
6. Real Estate Sector	<ul style="list-style-type: none">The outlay for PM Awas Yojana is being enhanced by 66% to over ₹79,000 crore.
7. Metals	<ul style="list-style-type: none">Increase in capital investment outlay will benefit metals through incremental demand.Support to the sector through Exemptions from the Basic Customs Duty on ferrous scrap, nickel cathode & raw materials. Concessional BCD of 2.5 per cent on copper scrap is also being continued.



Category	Remarks
8. Banking & Finance	<ul style="list-style-type: none">Housing for All- Allocation under PM Awaas Yojna enhanced by 66% to ₹79,000 croresBooster for Credit to the MSME Sector with ₹9,000 crore more capital under MSME Credit Guarantee SchemeCost of credit for MSME sector to be lower by 1%
9. Insurance	<ul style="list-style-type: none">Income from traditional insurance policies where the premium is over ₹5 lakh will no more be exempt from taxes
10. Healthcare	<ul style="list-style-type: none">Expenditure limit on healthcare increased to 2.1% of GDP from 1.4% in FY19New programme to be launched to promote research in pharmaceuticals157 new nursing college to be established
11. Oil & Gas	<ul style="list-style-type: none">Allocated funds for 9.6 crore LPG connection under Ujjawala schemeAllocated ₹35,000 crore for priority capital investments towards energy transition.
12. IT	<ul style="list-style-type: none">Continuation of fiscal support for digital public infrastructure in 2023-24.3 centres of excellence for Artificial Intelligence will be set-up in top educational institutions.
13. Auto	<ul style="list-style-type: none">Puts spotlight on scrapping old vehicles.Extends custom duties exemption for the import of goods and machinery required to manufacture lithium ion cells for EV batteries.
14. Miscellaneous	<ul style="list-style-type: none">Allocated Funds for 9 crore drinking water connection to rural house.Allocated ₹70,000 cr for Jal Jeevan mission.
15. Direct Taxes	<ul style="list-style-type: none">Income limit for rebate of income tax increased from ₹5 lakh to ₹7 lakh in the new regime.Exemption limit has been increased to ₹3 lakh from ₹2.5 lakh earlier.Extending benefits of standard tax deductions under the new tax regime for the salaried class and pensioners.Surcharge in the highest income tax bracket has been brought down from 37% earlier to 25%.

Hem Securities' Verdict on the Budget:

1 Strong Focus on Structural Reforms. Strong emphasis of financial inclusion for all

2 33% Increase in Capex is more than what the market was expecting, this will create a GDP multiplier of at-least 3-4 times

3 Increase thrust on Railways is positive for the entire sector

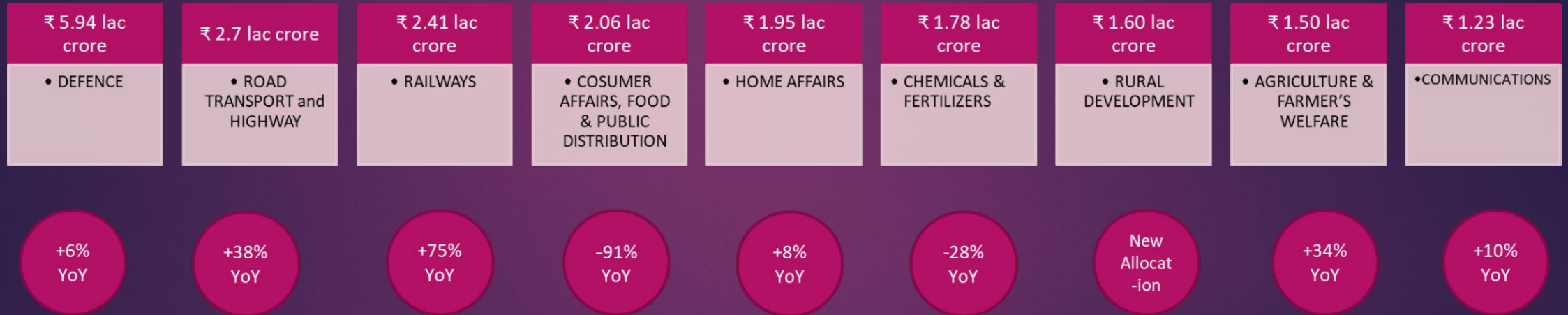
4 Maintaining 5.9% fiscal deficit despite 33% increase in capex showcases the financial discipline of the Government. This will lead to macro-economic stability especially globally; potentially attracting FII investments back in the Indian markets

5 No tweaking in LTCG and relief for the middle class through raising eligible income for taxation were positive for the market sentiments. There was an absence of adverse shocks in the budget.

WE FEEL THAT THE BUDGET IS POSITIVE FOR THE MARKETS. The above factors combined with a reasonable valuation around 20 (NIFTY 50 Price to Earnings) offers a good opportunity to invest in India for longer term in sustainable and outperforming scripts

Investors should accumulate/buy good quality stocks in shining sectors especially Infra, Railways, Capital Goods, Renewables, Recycling and Solar Power. It is equally important to mind the valuations while taking positions in these highly volatile times.

ALLOCATION FOR SPECIFIC MINISTRIES



PART B

Stock Picks to Capitalize on the Budget!



Our Recommended Budget Picks

	Stock	CMP (01.02.23)	Target (Upside %)	Rationale
1.	Ion Exchange (India) Ltd.	₹2,685	₹3,280 (22%)	<ul style="list-style-type: none"> Contracts with all major manufacturing companies to install water treatment plants. Current Order book: ₹2,900 crores, Bids standing for ₹8,000 crore Company has contracts with UP Government for Clean Ganga Project.
2.	Tata Motors Ltd.	₹446	₹515 (15%)	<ul style="list-style-type: none"> JLR Business benefitting with easing chip shortage and strong order book. Indian PV business ramping up with aggressive new launches across all categories. Indian CV business benefitting from CV upcycle and softening of commodity prices.
3.	MTAR Technologies Ltd.	₹1,685	₹2,050 (22%)	<ul style="list-style-type: none"> Strong existing order book of ₹ 1285 Cr against TTM revenue of ₹ 394 Cr. India's space program is expected to post a 7.5% CAGR over FY 2021-25 Government's thrust on Aatmanirbhar Bharat in Defence
4.	Titagarh Wagons Ltd.	₹217	₹270 (24%)	<ul style="list-style-type: none"> Order book of 10,040 Cr which is roughly around 4x market cap. Received orders to build 24,177 Railway Wagons valued at 7800 Cr Building Vande Bharat train wagons, coaches for Bengaluru, Surat metro.



	Stock	CMP (01.02.23)	Target (Upside %)	Rationale
5.	Ircon International Ltd.	₹58	₹70 (22%)	<ul style="list-style-type: none"> ● Record high allocation in railway infrastructure will reap benefits for the company. ● Healthy order book provides multi year revenue visibility. ● Low Valuations giving head room for immediate run-up
6.	H.G. Infra Engineering Ltd.	₹686	₹800 (17%)	<ul style="list-style-type: none"> ● Higher execution in road construction is expected in H2FY23. ● Company has strong revenue guidance of 20% ● Increased focus on road and highway construction from GOI
7.	Larsen & Toubro Ltd.	₹2,150	₹2,480 (15%)	<ul style="list-style-type: none"> ● Management is confident of meeting their revenue and order book guidance for FY23. ● Largest infra company in the country is expected to get benefit from government's increased capex push. ● Mission "Lakshya 2026" aims at divesting non-core areas.
8.	State Bank of India Ltd.	₹527	₹620 (18%)	<ul style="list-style-type: none"> ● Solid Balance Sheet and strong Advance Growth. ● Well controlled asset quality, lower provisions and margin expansion are key positives. ● Recent price correction giving good opportunity to enter
9.	ICICI Bank	₹850	₹1000 (18%)	<ul style="list-style-type: none"> ● High CASA ratio, and improving asset quality along with margin expansion. Reported good results ● NII growth supported by healthy loan growth . ● Moderation in slippages along with higher recoveries to aid asset quality improvement.



	Stock	CMP (01.02.23)	Target (Upside %)	Rationale
10.	Garden Reach Shipbuilders & Engineers Ltd.	₹481	₹580 (21%)	<ul style="list-style-type: none"> Revenues are expected to peak in FY24-FY26 due to current order book exhaustion by FY27. Increased focus on promoting domestic manufacturing of certain equipments can reap benefits for the company.
11.	ITC	₹359 Preferred Buy Zone (~340)	₹400 (18%)	<ul style="list-style-type: none"> Diversified conglomerate seeing strong traction in all its business verticals thereby making the 25% ROE business an attractive proposition. Moderate tax scenario for cigarettes with improving margin profile across its business verticals resulting in robust free cash generation.
12.	UltraTech Cement Ltd.	₹7,119	₹8,200 (15%)	<ul style="list-style-type: none"> Ultratech is expanding grinding capacity domestically to 131mtpa/154mtpa by FY23E/FY25-26E which offers strong growth visibility. Further, Cement demand is expected to pick up in coming quarter and volume growth should be in double-digits in FY23-FY24. Moderation in RM prices is another plus.
13.	Samvardhana Motherson International Ltd.	₹74	₹86 (16%)	<ul style="list-style-type: none"> Well positioned to benefit from global automotive recovery with a very diversified product, geography and customer mix. Co targeting to triple their revenues in next 2-3 years through a mix of organic and inorganic growth. Co has also entered into Aerospace, logistics, medical equipment and IT services to diversify their business.



	Stock	CMP (01.02.23)	Target (Upside %)	Rationale
14.	Agarwal Industrial Corporation Ltd.	₹606	₹725 (20%)	<ul style="list-style-type: none"> ● Largest bitumen player in private sector in India with current share ~25%. ● Company has a strong volume guidance of ~20% in FY23. ● Q3 and Q4 are their seasonally better quarters.
15.	Royal Orchid Hotels Ltd.	₹258	₹330 (28%)	<ul style="list-style-type: none"> ● Government promoting tourism and destinations to be developed as package for tourists. ● Company going gung-ho on management contract model and has strong room pipeline in place.
16.	AU Small Finance Bank Ltd.	₹610	₹705 (16%)	<ul style="list-style-type: none"> ● Asset quality is still excellent; 81% of advances started after the pandemic, and the GNPA of 0.6% is comforting. ● Deposits are growing, with a constant percentage of retail deposits, due to improved digital offerings, branch development, and rising brand recognition.
17.	KEC International Ltd.	₹454 Preferred Buy Zone (~435)	₹505 (16%)	<ul style="list-style-type: none"> ● Capex allocation increased by 33% to ₹10 lakh crore or 3.3% of GDP. ● Capital outlay of ₹2.40 lakh crore for railways in FY24. It will boost KEC international as company is in aforesaid businesses.
18.	Praj Industries Ltd.	₹345	₹420 (22%)	<ul style="list-style-type: none"> ● Govt has proposed to reduce Basic custom duty on Denatured Ethyl alcohol which will give impetus to Ethanol Blending. ● Investment of ₹10,000 crore to set up compressed natural gas plants. CBG would be mandated in due course.



	Stock	CMP (01.02.23)	Target (Upside %)	Rationale
19.	Happiest Minds Technologies Ltd.	₹834	₹960 (15%)	<ul style="list-style-type: none"> • ~96-97% revenue comes from digital services. • Focused on technologies like blockchain, AI, Robotics, Cybersecurity etc.
20.	LTI Mindtree Ltd.	₹4,375	₹5,050 (15%)	<ul style="list-style-type: none"> • Strong growing Indian IT company. • Synergy benefits will come from merger of LTI and Mindtree. • Management commentary is strong for FY24.
21.	Tata Power Company Ltd.	₹206	₹250 (21%)	<ul style="list-style-type: none"> • Company is continuously focusing on increasing its renewable portfolio & want to achieve 80% renewable folio by 2030. • Company has total capacity of 14,000 MW. • Company plans to build 1 lakh EV Charging station by 2025
22.	Tarsons products Ltd.	₹685	₹850 (24%)	<ul style="list-style-type: none"> • India's leading labware company. • Strong management outlook for FY 24-25. • With the establishment of 157 new colleges, co gets an opportunity to increase its market share through labware
23.	Bharat Electronics Ltd.	₹91	₹110 (21%)	<ul style="list-style-type: none"> • Produces more than 30 critical components and 100s in defence items for Indian military. • Company is into radar systems and telemetry which is likely to benefit from capital spending on surveillance systems.
24.	Hindustan Aeronautics Ltd.	₹2,360	₹2,800 (19%)	<ul style="list-style-type: none"> • Only Defence PSU manufacturing indigenous aircraft and helicopters, healthy order book. • Benefit from government's indigenisation push.

PART C

Sector-Wise Descriptive Analysis



1. Banking, Housing Finance and Insurance

Budget Announcements

- Certain amendments to be made to the Banking Regulation Act, Banking Companies Act and RBI Act to improve governance.
- Outlay for **PM Awas Yojana enhanced 66% to over ₹79,000 crore.**
- Credit guarantee for **MSME**, revamped scheme will take effect from April 1, 2023 with infusion of ₹9,000 crore corpus. Cost of Credit to be reduced by 1%.
- The agriculture credit target will be increased to ₹20 lakh crore with focus on animal husbandry, dairy and fisheries.
- Income from traditional insurance policies where the premium is over ₹5 lakh will no more be exempt from taxes. (Applicable from 1.4.23)

Top Picks



Interpretation

- The central repository for financial and related information will be established a national financial information registry. This will encourage financial inclusion efficient credit flow, and financial stability. This credit public infrastructure will be governed by a new legislative framework that was created in collaboration with the RBI.
- Expanded corpus under a revamped scheme to enable additional collateral free guarantee credit of ₹2 Lakh Crore.
- By giving out educational qualifications, the security business will have more trained professionals.
- Negative for Life Insurance policies as a savings tool.



2. Defence

Budget Announcements

- FM has allocated budget of **₹5.94 lakh crore to ministry of Defence** to push government's Aatmanirbhar Bharat scheme.
- Compared to last year, this year's defence allocation has been increased by 13% signifying government's increased focus on domestic manufacturing.
- The recently launched **National Green Hydrogen Mission**, with an outlay of Rs 19,700 crores, will facilitate transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports. Government's target is to reach 5MMT by 2030.

Interpretation

- Indian defence ecosystem is **going through a transformational phase** as government has continued to boost indigenous procurement of certain weapons and equipments.
- **For FY23, government has already allocated over ₹84,000 crore for purchasing locally manufactured weapons.**
- All Indian defence PSUs have **strong order book** and is expected to reach peak revenue accumulation by FY25-FY27
- **Green Hydrogen will be a key sunshine sector**

Top Picks





3. Infrastructure

Budget Announcements

- **Government has announced capital investment outlay of ₹10 lakh crore i.e. 33% from the previous year.**
- Government has announced 50 year interest free loan to state governments to boost infrastructure spends by state governments.
- Urban infrastructure will get ₹10,000 crores every year from the central government for modernisation activities.
- Effective capex of centre government will stand at ₹13.7 lakh in FY24.
- MORTH received an allocation of ₹2.7 lakh crore which is 21% higher than the previous year.

Interpretation

- Road construction activities are expected to increase in upcoming fiscal due to increased allocation and higher execution. NHAI is expected to miss the road construction target for the current fiscal as only 4,700 km of road has been constructed till November 2022 out of the targeted 12,000 km.
- The construction of new airports in tier-2 and tier-3 cities will increase regional connectivity and will create more employment opportunities.

Top Picks





4. Railways

Budget Announcements

- FM has announced an allocation of ₹ 2.4 lakh crore for railways in FY24.
- **It is highest ever allocation for railways.**
- This year's allocation has been 72% higher than the previous year budget thus signifying Government's increased focus on railway modernisation.

Top Picks



Interpretation

- The increased allocation is expected to provide impetus to track modernisation, railway electrification and railway station modernisation.
- Wagon manufacturing under Government's vande bharat mission is also expected to get a boost from increased allocation.

5. Pharmaceutical & Healthcare

Budget Announcements

- FM has increased allocation on healthcare to 2.1% of GDP from 1.4% in FY19
- New Programme to be launched to promote research in Pharmaceuticals.
- 157 new nursing College to be established in co-location with existing 157 medical colleges established in 2014.

Interpretation

- The increased allocation is towards improvement of medical facilities in country.

Top Picks





6. Real Estate

Budget Announcements

- The outlay for PM Awas Yojana is being enhanced by 66% to over ₹79,000 crore.

Interpretation

- Additional houses will be constructed under the scheme with a greater speed & outlay than usual

7. Metal Sector

Budget Announcements

- Increased capital investment outlay by 33.4% to ₹10 lakh crore.
- Exemption from the Basic Customs Duty on ferrous scrap, nickel cathode, and raw materials for the manufacture of CRGO Steel is being maintained.
- Concessional BCD of 2.5% on copper scrap is also being continued

Interpretation

- An increase in infrastructure spending will be positive for steel and aluminium producers as this announcement will augur well for the demand of building and construction material.
- To make it easier for raw materials to be available for the steel industry, basic customs duty exemption is being maintained.
- The 2.5% concessional BCD on copper scrap is still in place to guarantee the supply of raw materials for secondary copper producers, who are mostly found in the MSME sector.

8. Agriculture, FMCG/Consumption

Budget Announcements

- Chemical-free Natural Farming will be promoted with a focus on farmers' lands in 5-km wide corridors along river Ganga.
- 2023 has been announced as the **International Year of Millets** and focus on enhancing domestic consumption.
- Increase domestic production of oilseeds will be implemented.
- Procurement of wheat in Rabi 2021-22 and the estimated procurement of paddy in Kharif 2021-22 will cover 1208 lakh metric tonnes of wheat and paddy from 163 lakh farmers

Interpretation

- Reviving rural demand and thus driving consumption directly schemes and indirectly through rejig in income tax slab.

Top Picks



9. Information Technology

Budget Announcements

- Fiscal support for the digital public infrastructure will continue in 2023-24.
- Three centres of excellence for Artificial Intelligence will be set-up in top educational institutions.
- Fintech services in India have been facilitated by digital public infrastructure including Aadhaar, PM Jan Dhan Yojana, Video KYC, India Stack and UPI.
- The digital ecosystem for skilling will be further expanded with the launch of a unified Skill India Digital platform

Interpretation

- This budget reflects that the government is quite interested in bringing a digital revolution in the education sector and promoting the use of artificial intelligence in education.
- Centres of excellence for Artificial Intelligence will boost innovative digital technologies like AI, and Machine Learning

Top Picks





10. Auto

Budget Announcements

- Laid special emphasis on the scrappage vehicle policy.
- Centre will support state governments to scrap old vehicles as well as ambulances.
- Extension of custom duties exemption for the import of goods and machinery required to manufacture lithium ion cells for EV batteries.
- Government emphasizes on green growth with focus green fuel.

Interpretation

- Emphasis on Scrappage policy would not affect the direct buyers but will be beneficial for Auto OEMs. This policy was already in play.
- Custom duties exemption move will give Auto OEMs a boost to launch more EVs.

Top Picks





11. Miscellaneous Sectors

Budget Announcements

Chemicals/Ethanol:

- Government reduced custom duty on Basic Acid Acid Base flourspar from 5% to 2.5%. (positive for Flourine Chemistry players)
- Further, Govt. has exempted denatured Ethyl Alcohol from Basic Custom Duty.

Jewellery:

- The budget highlighted on promotion of Lab grown diamond and to encourage indigenous production of LGD & to reduce import dependency, a research and development grant will be provided to one of the IITs for five years.

Water Treatment:

- Allocated funds for 9 crores drinking water connection to rural households.
- Allocated ₹70,000 cr for Jal Jeevan mission.

Tourism:

- The budget highlighted on promotion of tourism, thereby laying thrust on potential for job creation for youth. Government has also proposed to set up a Unity Mall in State Capitals.

Hem Securities Research

Top Picks



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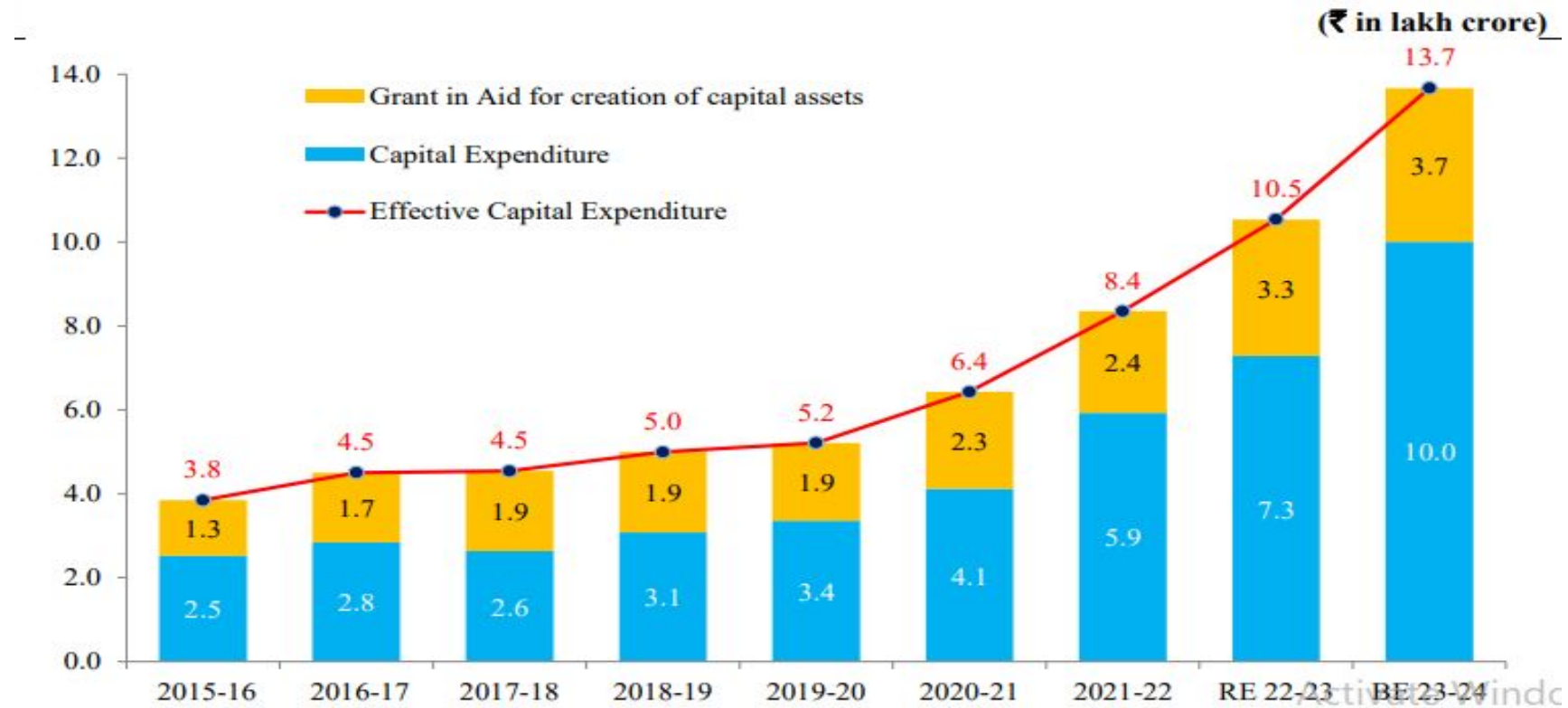
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PART D: Appendix



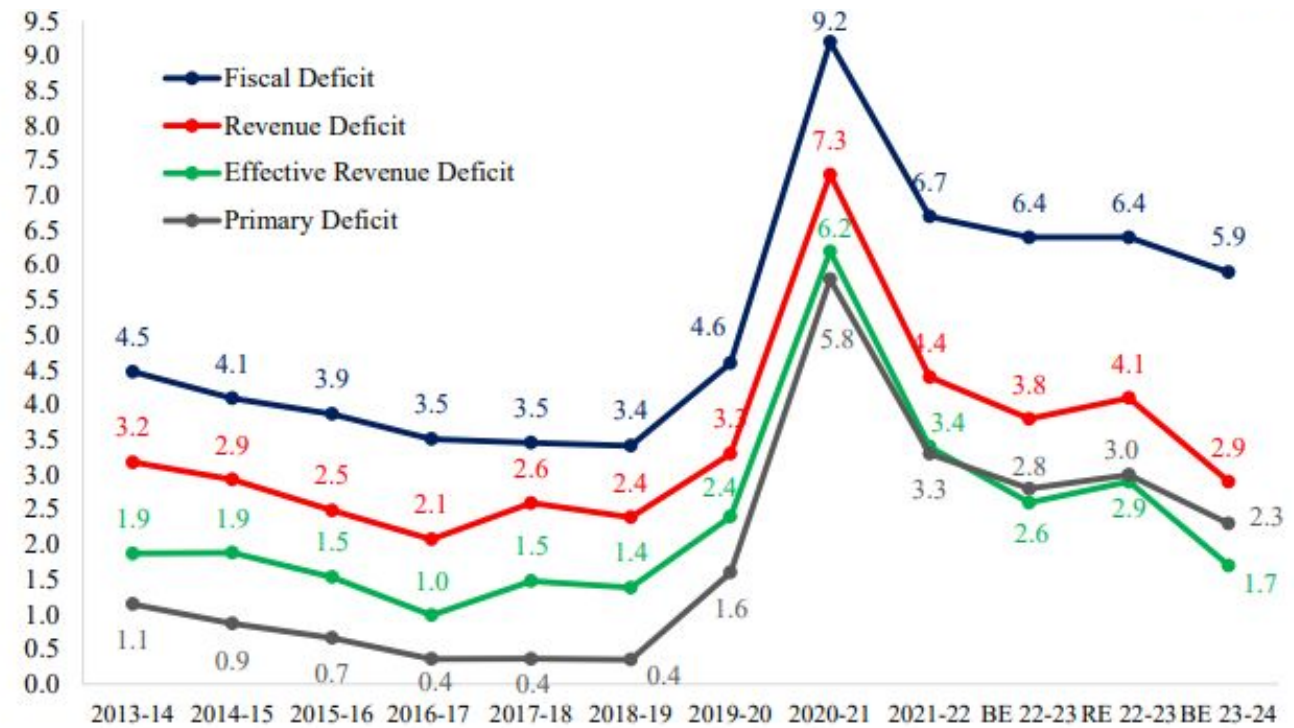
Appendix- CAPITAL EXPENDITURE TREND



Source: Budget Document



Appendix- DEFICIT TREND (As a percentage of GDP)



Source: Budget Document



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