

ANAROCK

VALUES OVER VALUE



2021

BUDGET

POLICY COVERAGE

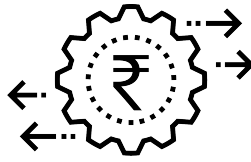


The Union Budget 2021-22 tabled in the parliament today was truly like never before. Not only because it was the first time that the budget was presented in a paperless format but also as it came in at a time when India is recovering from the aftermath of the pandemic and so it was imperative to focus on nation-building and long-term economic revival.

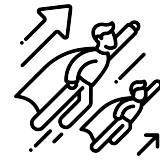
The budget proposals for 2021-22 rested firmly on 6 pillars:



Health & Well-being



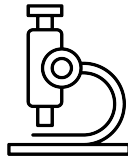
Physical & Financial Capital and Infrastructure



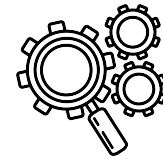
Inclusive Development for Aspirational India



Reinvigorating Human Capital

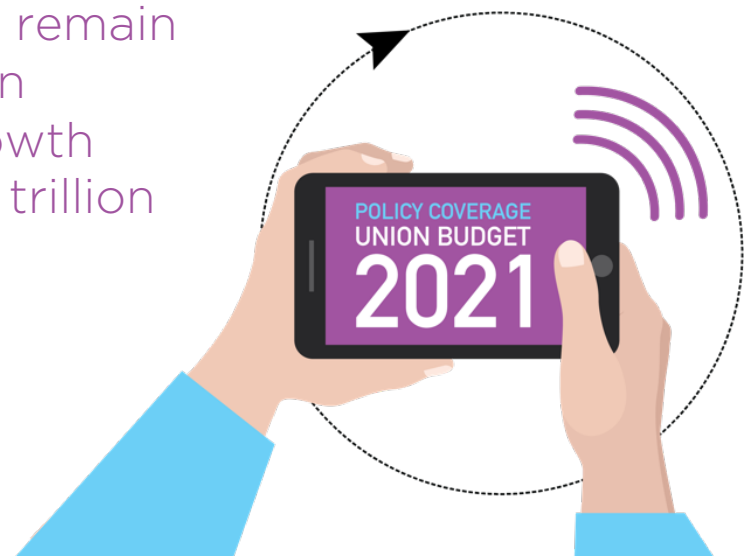


Innovation and R&D



Minimum Government & Maximum Governance

The focal point of this time's budget was to ensure that the economy continues to remain buoyant and the nation re-embarks on the growth path of being a USD 5 trillion economy by 2025.





1

Strengthening Healthcare Infrastructure

The COVID outbreak revealed the world's unpreparedness to fight a medical crisis of this magnitude. India too was caught off guard and to ensure that in the future the nation does not face such issues, the 2021-22 budget outlay for health and wellbeing is INR 2.2 Lakh Cr, as against INR 94,452 Crore in the current fiscal, a 137% increase.

Strengthening healthcare infrastructure by setting up health units, mobile hospitals, urban and rural wellness centers will also help in generating employment.



2

Boosting Manufacturing: AtmaNirbhar Bharat - Production Linked Incentive (PLI) Scheme

The manufacturing sector continues to be the key pillar to drive India's vision of being a USD 5 trillion economy by 2024-25. The nation's manufacturing sector has to be further integrated into the global supply chain and beefed up with cutting-edge technology.

To achieve this, PLI schemes to create manufacturing global champions for an AtmaNirbhar Bharat have been announced for 13 sectors. For this, the government has committed nearly INR 1.97 Lakh Cr over 5 years starting 2021-22. With a buzzing manufacturing sector, the demand for industrial land, warehousing and logistics increase substantially.



3

Establishing 7 Textile Parks

To make the Indian textile sector globally competitive, attract investments, and boost employment, a scheme of Mega Investment Textile Parks (MITRA) was launched in addition to the PLI scheme.

Textile parks will be established over 3 years and during the course also enable significant real estate developments in and around the project sites.



Augmenting Road Infrastructure

More than 13,000 km length of roads, at INR 3.3 Lakh Cr, has already been awarded under the INR 5.35 Lakh Cr Bharatmala Pariyojana project of which 3,800 km have been constructed. In addition to awarding another 8,500 km road under this project, the Government has planned economic growth corridors and highways in various states.

Robust road infrastructure is critical to nation-building as it improves the economic activity in various states and is a key enabler to attract global companies to establish their base in the country.



Beefing Up Rail Infrastructure

In addition to commissioning the Western and Eastern Dedicated Freight Corridor by June 2022, the Government plans to beef up the rail infrastructure by undertaking additional freight corridor projects across the East and West.

Freight corridor projects are critical not only to improve rail connectivity but also to enhance overall regional development along the corridors.



Major Ports on PPP Mode

Major Ports will no longer manage their operational services and will hand it over to the private partner. In 2021-22, 7 projects worth more than INR 2,000 Cr will be offered by the major ports on Public Private Partnership mode.

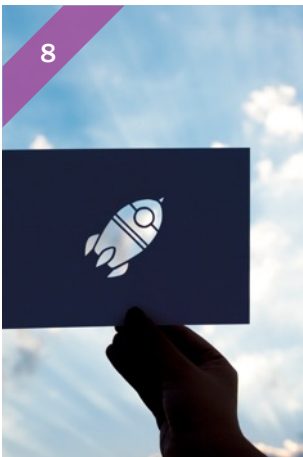
PPP mode will bring in the much-needed expertise and investments in the port sector which is an important fulcrum in India's EXIM.



Real Estate: Continued Focus on Affordable Housing

A few extensions of existing benefits were announced in today's budget:

- Extend the eligibility of an additional deduction of INR 1.5 Lakh on purchase of affordable housing by one more year, to 31st March 2022 – A demand-side booster.
- To ensure an adequate supply of affordable houses, affordable housing projects can avail tax holiday until 31st March 2022.
- Tax exemption for notified Affordable Rental Housing Projects.
- Increase the safe harbour limit from 10% to 20% for primary sale of residential units. Homebuyers will not have to pay additional tax if the actual transaction value is below the circle rate by up to 20%.



Incentivizing Start-ups

The Government extended the eligibility for claiming tax holiday for start-ups by one more year – till 31st March 2022.

Also, to incentivize funding of the start-ups, the capital gains exemption for investment in start-ups was extended by one more year - till 31st March 2022.

Start-ups are important to the Indian economy to keep the innovation quotient active and to drive new-age real estate assets such as coworking, co-living, etc.



Setting Up ARC for NPA Management

The high level of provisioning by public sector banks of their stressed assets necessitates having measures in place to clean up the bank books. An Asset Reconstruction Company Limited and Asset Management Company would be set up to consolidate and take over the existing stressed debt and then manage and dispose of the assets to Alternate Investment Funds and other potential investors for eventual value realization.



10

Infrastructure Financing - Development Financial Institution (DFI)

Infrastructure development is a long gestation project and needs long-term financing. The Government intends to set up a DFI to act as a provider, enabler, and catalyst for infrastructure development. This institution will be capitalized initially with a sum of INR 20,000 Cr and the ambition is to have a lending portfolio of INR 5 Lakh Cr in 3 years.



11

Recapitalization of PSBs

To further consolidate the financial capacity of PSBs, an additional recapitalization of INR 20,000 Cr is proposed in 2021-22.

Recapitalization of PSBs will help to improve the health of the banking system.

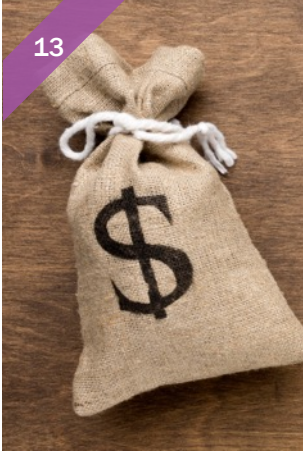


12

Disinvestment and Strategic Sale

Despite the challenges created by the COVID outbreak, the Government stands firm on its strategic disinvestment plans. In 2021-22, several transactions including BPCL, Air India, Shipping Corporation of India, Container Corporation of India, IDBI Bank, BEML, Pawan Hans, Neelachal Ispat Nigam limited among others would be completed. Also, privatization of two public sector banks (other than IDBI bank) and one general insurance company will be undertaken in 2021-22.

Disinvestment and strategic sale are imperative to raise funds, bring relevant expertise and also enable the Government to tread better on the tight fiscal deficit rope. As per estimates, around INR 1.75 Lakh Cr are likely to be the receipts from disinvestment in 2021-22.



Attracting Foreign Investment into the Infrastructure Sector

To allow funding of infrastructure by the issue of Zero Coupon Bonds, notified Infrastructure Debt Funds are eligible to raise funds by issuing tax-efficient Zero-Coupon Bonds. This will help to raise the capital for making India's mega infrastructure push a success.

While today's budget may seem to not offer significant benefits to many sectors and the individual taxpayers may not be a happier lot, it has certainly set the direction for the nation's preparedness to combat future disruptions and continue its growth path of becoming a USD 5 trillion economy.

For research services, please contact:

Prashant Thakur
Director & Head of Research
prashant.thakur@anarock.com

ANAROCK Property Consultants Pvt. Ltd.
1002, 10th Floor, B Wing, ONE BKC, Plot No. C-66, G Block
Bandra Kurla Complex, Mumbai 400 051

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