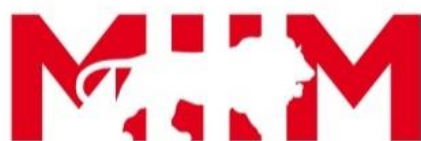


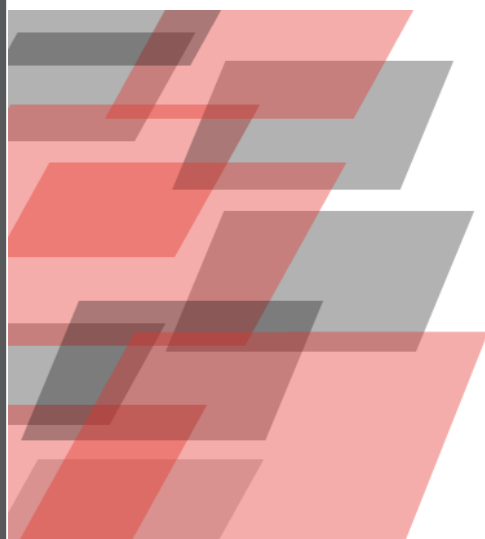
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MIIM REPORT ON INDIA BUDGET '21-22



MAKE IN INDIA MITTELSTAND!

Make in India Business Support Programme for German Mittelstand and Family Owned Enterprises



INSIDE

- INDIA ECONOMIC PERFORMANCE
- MACRO ECONOMY – SIGNS OF RECOVERY 2020
- MAJOR ANNOUNCEMENT IN BUDGET 2021-22



POWERED BY:



Embassy of India
Berlin, Germany

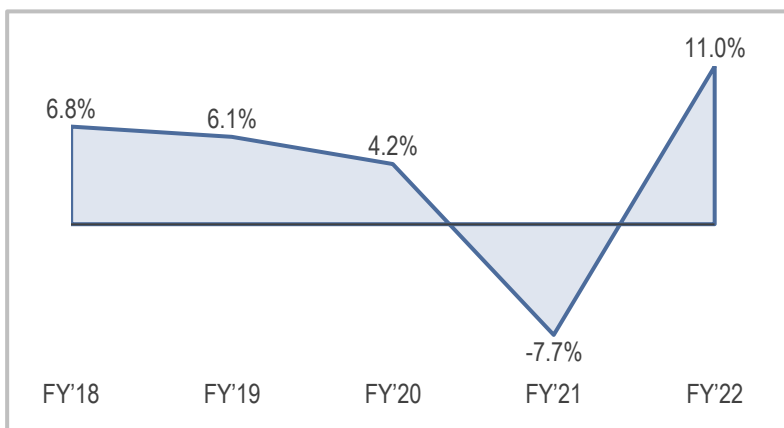
 **EAC**
INTERNATIONAL CONSULTING

India budget 2021-22 was undertaken in circumstances like never before. COVID-19 have unprecedented impact on human, economic and social aspects not in India but globally. Indian government have introduced various schemes (incentives totaling ~10% of GDP) during FY'21 to uplift the economic activity across sectors of the economy

Budget 2021-22 is a growth centric and expansionary that pushes right buttons while focusing on improving India's mid-term growth trajectory. The government have clearly done the heavy lifting for reviving the investment cycle as broad-based recovery in private capex is not yet in sight

This budget is expected to go in a long way in supporting the domestic jobs and promote exports. Government have set right tone with strong emphasis on infrastructure, healthcare, agriculture and promoting private enterprises

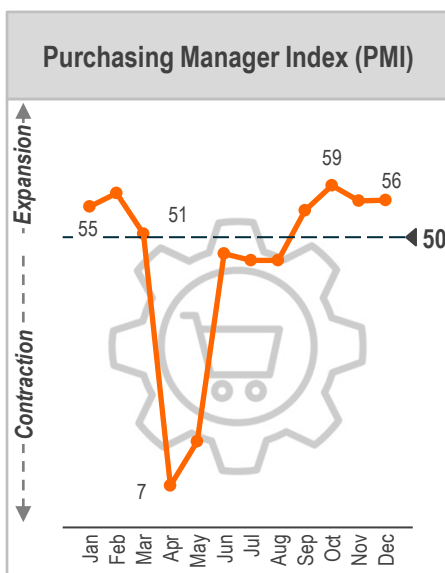
INDIA ECONOMIC PERFORMANCE



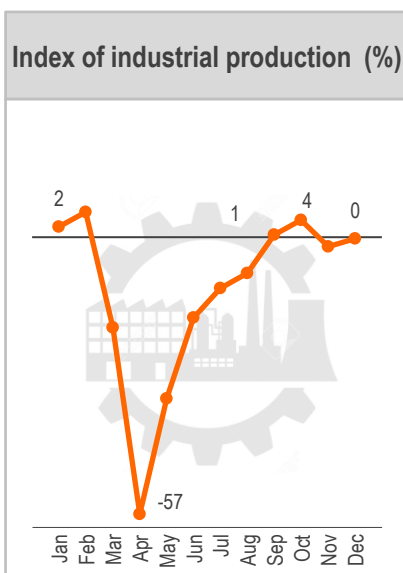
“V” shaped recovery driven by:

- Improved manufacturing activity
- Revival in consumer confidence
- Liquidity in financial market
- Benign monsoons boosting rural demand
- Gradual removal of local restrictions with sharp decline in Covid cases

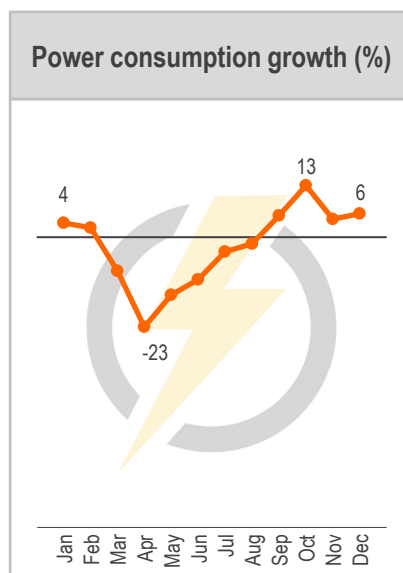
MACRO ECONOMY – SIGNS OF RECOVERY 2020



Strong order book volumes – new and backlog orders from mfg. companies lead to improved PMI



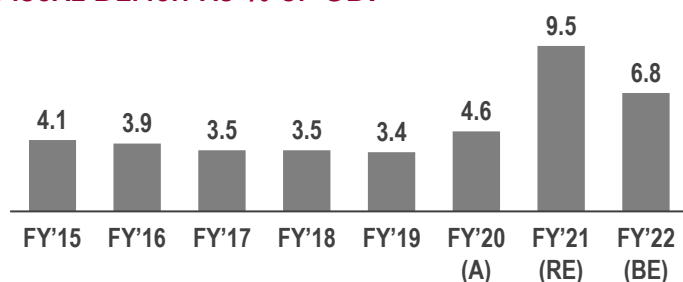
Improved manufacturing activity, mining and electricity demand lead to recovery



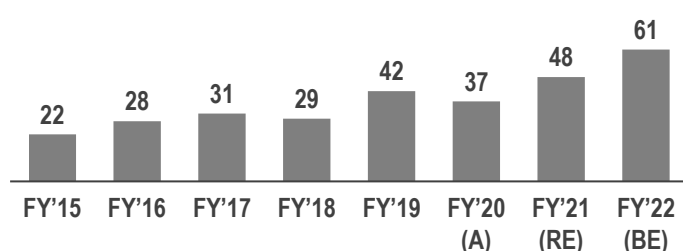
Industrial and retail demand are major drivers for power consumption growth

KEY FACTS OF INDIA BUDGET 2021-22

FISCAL DEFICIT AS % OF GDP



INDIA CAPITAL EXPENDITURE IN BLN EUR



- Fiscal deficit as per Revised Estimate (RE) for FY21 to be at 9.5% and at 6.8% for FY22 as per Budget Estimates (BE). The Economic Survey forecasted an 11% rebound in the GDP in coming fiscal, following an estimated 7.7% contraction in FY21
- Overall, the government set capital expenditure for 2021/2022 at 61 bln EUR, 35% more than the previous year's budget estimate.
- Health and Wellbeing: 24.6 bln EUR outlay for Health and Wellbeing in BE 2021-22 as against 10.3 bln EUR in BE 2020-21 – an increase of 137%.
- Approx. 3.9 bln EUR for COVID-19 vaccine in BE 2021-22

MAJOR ANNOUNCEMENT IN BUDGET 2021-22

INDUSTRIES



- **Renewables:** Capital infusion of 110 mio EUR to Solar Energy Corporation of India and 165 mio EUR to Indian Renewable Energy Development Agency
- **Power Transmission:** 139 Giga Watts of installed capacity and 14 mio circuit km of transmission lines added
- **Textile:** Mega Investment Textiles Parks (MITRA) scheme, in addition to PLI; 7 Textile Parks to be established over 3 years
- **Environment:** 244 mio EUR to tackle air pollution, for 42 urban centers with a million-plus population
- **Automotive:** Introduced vehicle scrapping policy, thus personal vehicles would undergo fitness test after 20 years while commercial vehicles would require it after completion of 15 years.
- **Petroleum & Natural Gas:** To add 100 more districts to the City Gas Distribution network in next 3 years
- **Customs (Import) duty**
 - Iron and steel: Customs duty reduced uniformly to 7.5% on semis, flat, and long products of non-alloy, alloy, and stainless steels
 - Basic Customs Duty (BCD) on caprolactam, nylon chips and nylon fiber & yarn reduced to 5%
 - Phased manufacturing plan for solar cells and solar panels to be notified
 - Duty on solar invertors raised from 5% to 20%, and on solar lanterns from 5% to 15% to encourage domestic production

MAJOR ANNOUNCEMENT IN BUDGET 2021-22

INFRASTRUCTURE



- Government **capital expenditure allocation** for nine core sectors such as roads, railways, housing and urban infrastructure, civil aviation, power, shipping, rural development, water resources and new and renewable energy **increased by ~15% to 59.4 bln EUR**
- **Innovative modes to finance** such as establishment of development finance institution which is expected to have lending portfolio of at least **55 bln EUR in three years**, funding of infrastructure through tax efficient issuances of zero coupon bonds
- **Asset monetisation** through "National Monetization Pipeline" of potential brownfield infrastructure assets to be launched
- **Roads and highways:** Enhanced **outlay of ~13 bln EUR in FY'22**, an increase of 9%; total 8.5 thsd kms of road network to be awarded under Bharatmala and additional 11 thsd kms of national highway corridors to be completed by FY'22
- **Railways:** Outlay of **~12 bln EUR in FY'22**; with focus on eastern and western dedicated freight corridors, electrification and passenger convenience and safety
- **Power:** **~33 bln EUR assistance** package for power distribution companies over five years based on achievement of reforms; **budget outlay of ~6.7 bln EUR** for sector

HEALTHCARE



- Budgetary allocation towards **health and well being** increased to **24 bln EUR** in FY'22; **increase of ~118% over FY'21**
- Centrally sponsored scheme with an **outlay of ~7 bln EUR** over 6 years to develop and strengthen primary, secondary and tertiary healthcare systems
- Provision for **3.8 bln EUR** for **Covid-19 vaccines** for FY'22

AGRICULTURE AND ALLIED ACTIVITIES



- **Agriculture credit** target increased 10% to **181 bln EUR** in FY'22
- Govt. commitment to farmers with **Minimum Support Price (MSP)** of at least **1.5 times** the cost of production across commodities
- Allocation of **~13 bln EUR** to Department of Agriculture, Co-operation and Farmers Welfare; 5% more than FY'21
- **Fertilizer subsidy** at **~9 bln EUR**, 12% more than FY'21

FOCUS ON PRIVATISATION



- **Increasing FDI in insurance:** FDI limit increased from **49% to 74%** for foreign ownership and control
- **Divestment and strategic sale** of government controlled entities like Bharat Petroleum, Air India, Shipping Corporation of India, Container Corporation of India, IDBI Bank, Bharat Earth Movers Limited, Pawan Hans, Neelanchal Ispat Nigam Ltd
- Government proposes to **privatize 2 public sector banks** and **one general insurance company**
- Plans for **strategic divestment** of Life Insurance Corporation of India

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MAKE IN INDIA MITTELSTAND!

MAKE IN INDIA BUSINESS SUPPORT PROGRAMME FOR GERMAN MITTELSTAND AND FAMILY OWNED ENTERPRISES

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