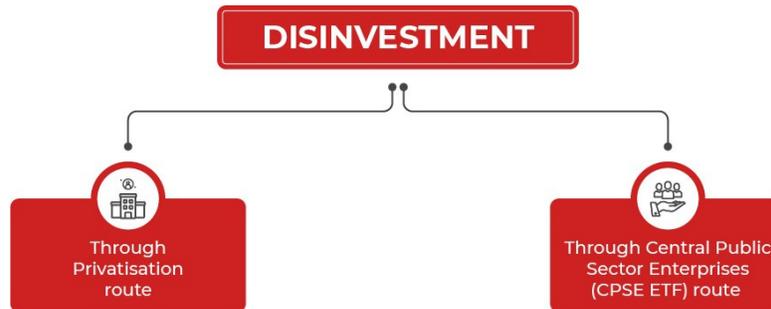


FEBRUARY 2022

MARKETS & MORE

Monthly Communiqué by PRSSB LTD

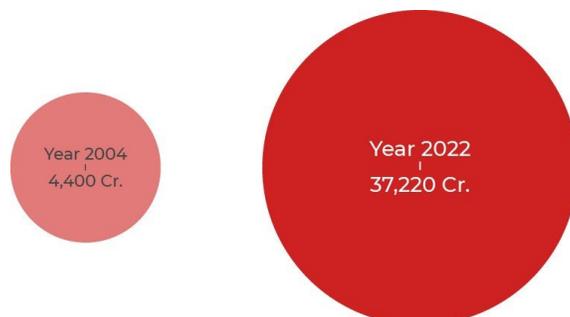


The Indian government set up the CPSE ETF in March 2014 in a bid to divest & raise funds. Selling stake through the ETF channel was not fruitful for the government, they realised that the supply of shares in the market float were exceeding the demand. As a result, the government sold higher stakes for lesser consideration. In order to manage this, the centre opted for strategic sale. The table below shows how the CPSE ETF pathway was used by the centre from FY17 to FY20.

Year	Budget Estimate (Rs. in Cr)	Actuals (Rs. in Cr)	Realised	Receipts via CPSE ETF	% Receipts via CPSE ETF
FY17	56,500	47,743	85%	10,000	21%
FY18	72,500	1,00,045	138%	18,000	18%
FY19	80,000	94,727	118%	45,000	48%
FY20	1,05,000	50,304	48%	35,000	70%
FY21	2,10,000	32,886	16%	-	-
FY22	1,75,000	78,000	46%	-	-
FY23	65,000	-	-	-	-

BENEFITS OF STRATEGIC SALE

The last time strategic disinvestment took place was in the year 2004 where the government owned company - Videsh Sanchar Nigam Limited was sold to Tata group for a stake of 25% valued at 1439 crores. The company was later renamed as Tata Communications. Market capitalization of the then government running company was 4,400 crores which is currently standing at 37,220 crores, depicting almost 8 fold increase.



One of the most successful disinvestment was of Hindustan Zinc in the year 2002 where the Government owned 75% and decided to divest 45% stake to Vedanta Group for a consideration of 769 crores. According to the current market price of Hindustan Zinc, the remaining stake of government (30%) is worth 40,000 crores. This amount is nowhere near to the stake sold back in 2002. Company's total market capitalization has zoomed to 1,40,000 crores (Feb 2022) from a mere 1800 crore (2002)

MINISTRY-WISE EXPENDITURE ALLOCATION LIST

Ministry - wise expenditure in 2022 - 23 (Rs crore)	Actuals 2020-21	Revised 2020-21	Budgeted FY23	% Change (RE 2021-22 to BE FY23)
Defence	4,85,681	5,02,884	5,25,166	4.4%
Consumer Affairs, Food and Public Distribution	5,66,797	3,04,454	2,17,684	28.5%
Road Transport and Highways	99159	1,31,149	1,99,108	51.8%
Home Affairs	1,44,258	1,73,083	1,85,776	7.3%
Railways	1,12,159	1,20,056	1,40,367	16.9%
Rural Development	1,97,593	1,55,043	1,38,204	10.9%
Agriculture and Farmers' Welfare	1,15,827	1,26,808	1,32,514	4.5%
Chemicals and Fertilisers	1,29,510	1,41,735	1,07,715	24.0%
Communications	60903	54517	1,05,407	93.3%
Education	84219	88002	1,04,278	18.5%
Health and Family Welfare	80694	86001	86201	0.2%
Jal Shakti	23199	69046	86189	24.8%
Housing and Urban Affairs	46701	73850	76549	3.7%
Other Ministries	13,63,136	17,43,372	18,39,751	5.5%
Total Expenditure	35,09,836	37,70,000	39,44,909	4.6%

Some comments on the above Schedule

- The Ministry of Defence has the highest allocation in 2022-23, at Rs 5,25,166 crore. It accounts for 13.3% of the total budgeted expenditure of the central government.
- Top 13 ministries account for 53% of the estimated total expenditure in 2022-23.
- The highest percentage increase in allocation is observed in the Ministry of Communications (93%), followed by the Ministry of Road Transport and Highways (52%), and the Ministry of Jal Shakti (25%).

KEY TAKEAWAYS FROM BUDGET 2022

DIGITAL RUPEE

India to introduce digital rupee issued by RBI in FY23

TAX PROVISION ON DIGITAL ASSETS

*Any income from transfer of any virtual digital asset to be taxed at 30%.
No deduction on any expenditure or allowance other than cost of acquisition.*

CAPITAL EXPENDITURE TO BE STEPPED UP BY 35.4%

Capex to be increased to 7.50 Lakh crores from 4.54 Lakh crores

PM GATISHAKTI PROGRAMME

7 engines of growth (roads, railways, airports, ports, mass transport, waterways, logistics infrastructure). National Highways Network will be expanded by 25,000 km in FY23. Rs 20,000 crore will be mobilised through innovative ways of financing to compliment the public resources

ECLGS SCHEME FOR MSMES EXPANDED AND EXTENDED TO MARCH 2023

Added cover of Rs 50,000 crore. Total cover now at Rs 5 lakh crore.

SEZ ACT TO BE REPLACED

SEZ Act to be replaced with new legislation covering all large existing and new industrial enclaves

FISCAL DEFICIT ESTIMATED AT 6.4 PER CENT

Compared to the previous year's fiscal deficit of 6.9%, the current FY23 is estimated to be 6.4%.

IT RETURNS CAN BE UPDATED WITHIN "2 YEARS"

Taxpayers can now update unreported income / omissions in IT return on payment of additional tax within two years from the end of the relevant assessment year.

TAX BENEFIT FOR START-UPS

Period of incorporation for eligible start-ups to claim the tax benefit is extended by 1 year.

7% SURCHARGE RATE ON CO-OPERATIVE SOCIETY

Surcharge rate reduced from 12% to 7% on co-operative society having total income less than Rs. 10 crores.

DRONE SHAKTI

Start-ups would be promoted to facilitate drone shakti' for the promotion of drone usage

5G IS COMING

5G will be rolled out in 2022-23 by private telecom players.

AMT IS REDUCED TO 15%

Rate of Alternate Minimum Tax (AMT) is reduced to 15% for co-operative societies.

SURCHARGE ON LTCG

Surcharge on LTCG gains for all assets capped at 15%.

3 MAJOR DEVELOPMENTS OF JANUARY 2022



Air India back with the Tata group

- After 69 years of being run as a government entity, Air India finally went back to the Tata Group as they won a bid to buy 100% stake along with AI Express and 50% stake in ground handling company AISATS.
- Talace Private Limited, a subsidiary of the Tata Group's holding company, paid Rs 18,000 crore – about Rs 2,700 crore will be paid to the government and the rest will be paid towards outstanding loans.
- As part of the revival plan, the Tata Group has blueprinted a 100-day plan for Air India to improve the operational and service standards of the airline that includes its on-time performance



IPO frenzy loses steam in between tech sell-off

- Shares of newly listed Technology companies hit new lows amid huge sell-off in the Indian Markets and the most hit amongst all sectors was IT.
- Shares of Zomato fell almost 51% from its all time high of 169 to ₹84/share, whereas shares of Paytm hit a low of ₹875 trading 60% below its issue price of ₹2150.
- On the other side, the well-known e-commerce company Nykaa experienced a decline of over 39% from a high of ₹2574 to ₹1571 per share.



The Russia-Ukraine Conflict

- The ongoing crisis between these two nations stems from the protracted Russo-Ukrainian War that began in early 2014. A mixture of cultural and political issues has a potential to shake the whole world as the Russian President has moved more than 100,000 soldiers and military equipment near its border with Ukraine, representing the highest force mobilisation since the country's annexation of Crimea in 2014. With no solid statements, Russia can even invade Ukraine and start a war against them.
- In December 2021, Russia advanced two draft treaties that contained requests of what it referred to as "security guarantees" including a legally binding promise that Ukraine would not join the North Atlantic Treaty Organisation (NATO) as well as a reduction in NATO troops and military hardware stationed in Eastern Europe and threatened unspecified military response if those demands were not met in full.

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