



I-CAN FINANCIAL SOLUTIONS

# I-CAN COMMUNIQUÉ

## FEBRUARY 2021



## MONTHLY NEWSLETTER – FEBRUARY 2021

<b>Sensex : Down 3.1%</b>	
<b>Nifty : Down 2.5%</b>	
Best performing sector: Auto (6.7%)	Worst performing sector: Energy (-5.9%)
Best performing Global index: Seoul Composite (6.8%)	Worst performing Global index: MerVal (-3.1%)
Indian Rupee: 0.2%	Gold (International): -2.8%

In the month of January S&P BSE SENSEX and Nifty 50 fell by about 3%. The BSE Mid Cap and Small Cap indices ended flat with returns of 0.8% and -0.6% respectively.

Foreign institutional investors (FIIs) continued buying in the equity markets and invested a net amount of Rs 19,472.5 crore. They were net sellers to the tune of Rs 2,518.2 crore in the bond markets.

Indian economy shows signs of revival as Covid-19 cases decline sharply. Passenger vehicle sales rose almost 14% in December (year-on-year) with 2-wheeler sales showing strong growth. In its bulletin RBI stated that the employment situation will look better in the coming months, setting up the economy for a V-shaped recovery. The electricity demand reached a record level of 189.6 GW in India in January. Goods and Services Tax (GST) collection signal signs of recovery. The number stood at Rs 1.15 lakh crore in December 2020 (12% higher than the previous year).

As per the PHDCCI International Economic Resilience (IER) Ranking India will emerge as the most resilient economy after Germany in 2021. The rankings are based on five lead macroeconomic indicators like GDP growth rate, merchandise export growth rate, current account balance, general government net lending/borrowing and gross debt-to-GDP ratio. According to a report by UBS Securities, if the key reforms such as better labour laws, efforts to increase FDI inflows, sops for manufacturing etc play out well, India could contribute to 15% of global GDP growth by FY2026.

The International Monetary Fund (IMF) upgraded India's GDP growth forecast to a contraction of 8% in FY21, compared to the earlier projection of -10.3%. The Economic Survey of 2020-21 was released by the government on 30th January'21. The survey expects the economy to grow by 11% in real terms (adjusted for inflation) in 2021-22. The growth comes on a lower base as the GDP is expected to contract by 7.7% in 2020-21.

According to a report by Bank of America Securities rural demand, which outperformed in 2020, might see a drop in the new financial year due to falling farm produce prices. However, urban demand might pick up.

Foreign direct investment (FDI) equity inflows in India increased by 37% to \$43.85 billion in the April-November 2020 period. This is the highest ever for the first 8 months in a financial year.

Retail inflation measured by the Consumer Price Index (CPI) eased to 4.59% in December from 6.93% in November. The fall was mainly due to a decline in food prices. Wholesale inflation measured by Wholesale Price Index (WPI) fell to 1.22% in December compared to 1.55% in November.

The index of industrial production (IIP) which measures factory output growth was -1.9% in November.

India's Manufacturing Purchasing Managers Index (PMI) increased to 57.7 in January from 56.4 in December. The Services PMI remained steady at 52.8 in January compared to 52.3 in December.

#### Reforms

- The Ministry of Statistics is turning to artificial intelligence for collecting, analyzing and reporting economic data in order to improve the quality and speed of economic data.
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- Singapore-based Circulate Capital decided to dedicate half of its \$106

million "Ocean Fund" to India. The objective is to reduce plastic waste going into ocean in South and Southeast Asia.

- The Union Cabinet approved a reform package for the mineral mining sector which would require amendments to three existing laws, pricing formula for minerals, exploration of mines and various taxes and duties levied on mining.
- RBI proposed a regulatory overhaul of non-banking finance companies (NBFCs) and recommended a scale-based approach with stricter capital and governance norms.
- The insurance regulatory IRDAI is discussing with the petroleum ministry to assess the possibility of fuel pumps and cooking gas agencies selling simple insurance products.
- For the first time in India, Union Budget 2021 was a paperless one.
- The IMF said that the farm bills passed by the Indian government have the potential to represent a significant step forward for agricultural reforms.

## Union Budget: Important Highlights

The Union Budget 2021 was massively applauded by stock markets and experts for its focus on growth revival. There is a lot of emphasis on development of infrastructure and manufacturing. Public investment in infrastructure seems like one of the best ways to boost demand in the current scenario where we are emerging from the Covid crisis.

We are sharing some key highlights from the Union Budget 2021:

Category	Highlights
Taxes	<ul style="list-style-type: none"> <li>• Pensioners above age 75 do not need to file their income tax returns in the income consists of only pension and interest</li> <li>• Increase in limit for tax audit for persons who carry out 95% of their transactions digitally</li> <li>• Dividend payment to REITs and InvITs to be exempted from TDS</li> <li>• Individuals can now claim additional deduction of Rs 1.5 lakh (over and above the existing 2 lakh deduction) with respect to interest on loans to buy a house. The deadline has been shifted from March 31, 2021 to March 31, 2022. The loan must have been taken between 1 April'21 and 31 March'22.</li> <li>• Individuals who contribute equal to or more than Rs 2.5 lakh to provident fund in a financial year cannot seek tax exemption on interest earned from the next financial year. Currently the interest earned is exempt from tax</li> <li>• Pre-filled tax forms with respect to details like salary income, tax payment and TDS.</li> <li>• Elimination of double tax for NRIs on foreign retirement fund</li> <li>• Tax holiday extension by one more year for startups</li> </ul>
Healthcare Spending	<ul style="list-style-type: none"> <li>• 137% higher allocation than previous budget – Rs 2.23 lakh crore</li> <li>• Rs 35,000 crore budgeted for Covid-19 vaccine expenditure in FY22</li> </ul>
Infrastructure Push	<ul style="list-style-type: none"> <li>• Much needed impetus given to infrastructure sector</li> <li>• By March 2022 another 8,500 km of road projects and an additional 11,000 km of national highway corridors</li> <li>• Budget allocation of Rs 1.18 lakh crore (the highest ever) for the Ministry of Road Transport and Highways</li> <li>• Rs. 20,000 crore allocation to set up and capitalize a Development Financial Institution (DFI) to act as a provider, enabler and catalyst for infrastructure financing</li> <li>• Rs 5 lakh crore lending portfolio will be created under the proposed DFI</li> <li>• Broad gauge routes are to be covered with 100% electrification by 2023</li> <li>• National Rail Plan: Aims to develop adequate railway infrastructure by 2030 to cater to the projected traffic requirements up to 2050</li> <li>• Hydrogen energy mission to be launched</li> <li>• Revamped reforms-based result-linked power distribution sector scheme will be launched with an outlay of Rs. 3.05 lakh crore over 5 years</li> </ul>
Fiscal Math	<ul style="list-style-type: none"> <li>• Fiscal deficit for the current financial year estimated to be 9.5% of GDP; target of 6.8% for FY22. Deficit should reduce to 4.5% by FY26</li> </ul>

	<ul style="list-style-type: none"> <li>• Government will borrow Rs. 80,000 crore in the remaining 2 months</li> <li>• Rs 12 lakh crore borrowing in FY22</li> </ul>
Capital Expenditure	<ul style="list-style-type: none"> <li>• Capital expenditure to increase by 34.5% (y-o-y) at Rs 5.5 lakh crore</li> </ul>
Industry	<ul style="list-style-type: none"> <li>• Production-linked Incentive Scheme (PLI) launched to create manufacturing global champions across 13 sectors with about Rs 1.97 lakh crore committed over the next 5 years</li> <li>• MITRA Scheme to create world class infrastructure for global champions in the textile sector leading to creation of 7 textile parks over 3 years</li> <li>• NIP Project pipeline expanded to 7,400 projects</li> </ul>
Urban Development	<ul style="list-style-type: none"> <li>• Jal Jeevan Mission (Urban) to be rolled out to ensure universal water supply</li> <li>• Public bus transport to be augmented with an innovative PPP model</li> <li>• Outlay of Rs 1.4 lakh crore over the next 5 years for Urban Swachh Bharat Mission</li> <li>• Voluntary vehicle scrapping policy</li> <li>• Rs 2,217 crore for 42 urban centres to tackle air pollution</li> <li>• MetroLite and MetroNeo for tier 2 and peripherals of tier 1 cities</li> </ul>
Govt Reforms	<ul style="list-style-type: none"> <li>• Increase in state government borrowing limits</li> <li>• Privatisation of public sector enterprises</li> </ul>
MSMEs Industry	<ul style="list-style-type: none"> <li>• Collateral free loans for businesses</li> <li>• Fund of funds for MSMEs to be set up</li> <li>• MSMEs affected by rise in steel and iron prices to be supported</li> <li>• PM Garib Kalyan Yojana to be rolled out under the Atma Nirbhar Bharat Abhiyan</li> </ul>
Education	<ul style="list-style-type: none"> <li>• Revamped Post Matric Scholarship Scheme for the welfare of SCs</li> <li>• 100 new Sainik schools</li> <li>• 750 Eklavya schools in tribal areas</li> </ul>
Agriculture	<ul style="list-style-type: none"> <li>• Concessional credit boost to farmers</li> <li>• Agri infrastructure Fund</li> <li>• Emergency working capital for farmers</li> <li>• Agriculture marketing reforms</li> </ul>
Ease of doing business	<ul style="list-style-type: none"> <li>• Incorporation of one-person companies to be allowed with no restriction on paid-up capital and turnover</li> <li>• NRIs will also be allowed to incorporate one-person companies in India</li> </ul>
FDI in Insurance	<ul style="list-style-type: none"> <li>• Proposal to increase the permissible FDI limit from 49% to 74%</li> </ul>

### Did you know?

While the adult brain represents just 2% of the total body weight, it accounts for 20% of the body's energy use

### Cartoon of the Month



**“Your grandmother sent you \$5 for your birthday. Put it in the bank for a very long time and someday it will be worth \$2.”**

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