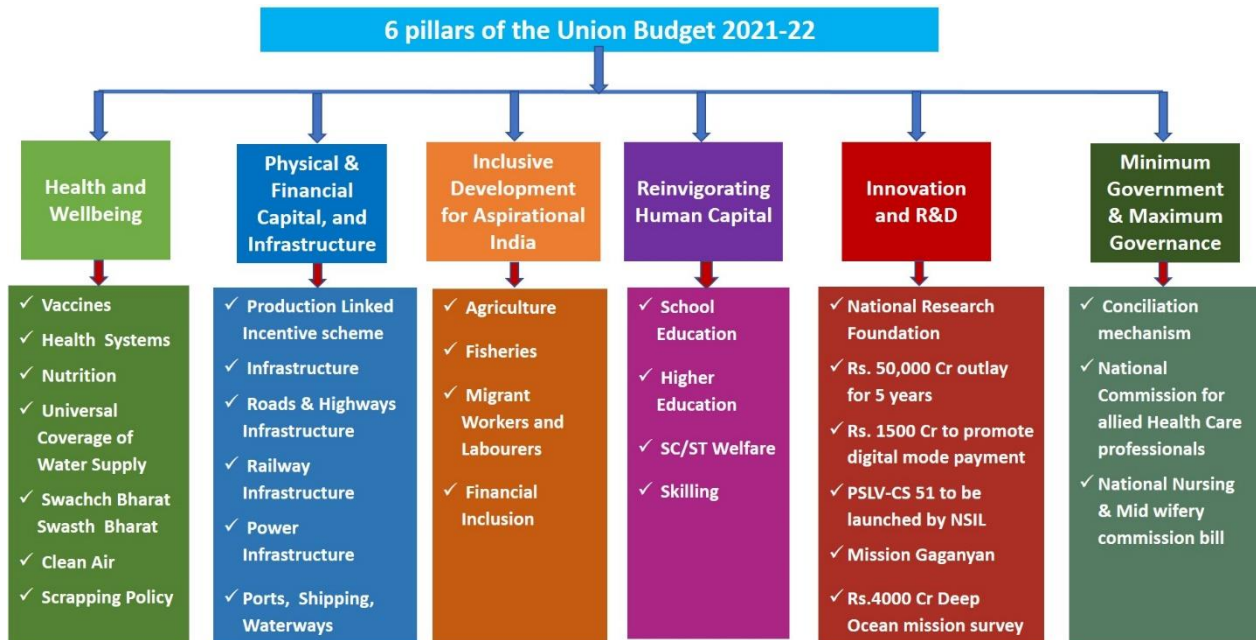


Key Highlights of Union Budget 2021-2022

(With focus on Capital Goods & Manufacturing Sector)

The Union Budget 2021-2022 was presented by Smt. Nirmala Sitharaman, the Finance Minister of India, on 1st February 2021. The Budget was presented digitally for the first time in India as part of Government's vision of "Digital India". The Budget 2021-2022 is centered on 6 pillars as depicted below:



The Finance Minister has said that, for the country to reach a USD 5 trillion economy, our manufacturing sector must grow in double digits on a sustained basis. Our manufacturing companies need to become an integral part of Global Supply Chains, possess Core Competence and Cutting-edge Technology. The budget has several beneficial measures for the Manufacturing Sector in general and the Capital Goods Sector in particular. The key announcements in the Union Budget 2021-2022 as relevant to the Capital Goods & Manufacturing Sector include:

AatmaNirbhar Bharat-Production Linked Incentive (PLI) Scheme

A PLI scheme to create Manufacturing Global Champions for an AtmaNirbhar Bharat has been announced for 13 sectors. For this, the government has committed nearly Rs.1.97 lakh crore over 5 years starting FY 2021-22. This initiative will help bring in scale and size in the key sectors, create and nurture global champions and provide jobs to our youth. The PLI Scheme will aid in boosting domestic manufacturing and help India get onto global value chain and export better while cutting down import bills.

Customs Duty Rationalization

The government has taken steps to rationalize Customs Duty to promote domestic manufacturing for a self-reliant India, by eliminating 80 outdated exemptions. A revised, distortion-free customs duty structure to be put in place from 1st October 2021 by reviewing more than 400 old exemptions, while new Customs Duty exemptions will have validity up to 31st March following two years from its issue date. The government has also increased the Customs Duty on Capital Equipment like tunnel boring machine, certain auto parts, and some of the MSME products like steel screw, plastic builders' wares, prawn feed, gemstones etc. to encourage local manufacturing.

Scrapping Policy

A Policy has been announced for Voluntary Scrapping of vehicles older than 15 years and 20 years for Commercial and Personal use respectively, to promote usage of fuel-efficient, environment-friendly vehicles. This policy will help create demand in the Automobile Sector.

Employment Generation

“Employment generation” has been a recurring theme in the budget with the government proposing higher expenditure (Capex) on National Infrastructure Pipeline (NIP), which will now cover more projects and shore up the economic recovery. Initiatives include:

- Increase in CAPEX – Rs. 5.54 lakh Cr for FY 21-22 (34.5% more than BE of FY 20-21).
- To provide Rs.2 lakh crore to States and Autonomous Bodies for CAPEX.
- Creation of Textile Parks
- Enhancement of Emergency Credit line to MSMEs
- Disinvestment – the Private sector is expected to revive these units
- Launch of a new portal that will collect relevant information on labor, building and construction workers, among others. This is expected to help in the formulation of schemes for the migrant workers.

In order to increase spending, the government proposed three steps:-

1. Creating an institutional structure by setting up a development finance institution – the National Bank for Financing Infrastructure and Development (NBFID) with a capital base Rs.20,000 Cr and Lending Target Rs. 5 lakh Cr in 3 years.
2. Big thrust to Monetization of Assets.
3. Enhancing the share of CAPEX under Centre and States Budget.

Skilling

- Amendment to Apprenticeship Act proposed to enhance opportunities for youth
- **Rs. 3000 crore** proposed for realignment of existing National Apprenticeship Training Scheme (NATS) towards Post-education Apprenticeship, Training of Graduates and Diploma holders in Engineering
- Initiatives for partnership with other countries in skilling to be taken forward, similar to present partnerships with UAE and Japan

Innovation and R&D

To strengthen the research ecosystem of the country, the Government proposes a National Research Foundation with an outlay of Rs.50,000 Cr over 5 years. The Deep Ocean Mission with an outlay of Rs.4000 Cr over 5 years has also been proposed. To promote digital transactions, Rs.1500 Cr has been allocated.

Attracting Foreign Investment for Infrastructure:

Infrastructure Debt Funds have been made eligible to raise funds by issuing Zero Coupon Bonds and relaxation of some conditions relating to prohibition on private funding, restriction on commercial activities and direct investment, will aid inflow of foreign capital.

In conclusion, it may be said that the Budget 2021-22 is oriented to build a Self-Reliant India, provide Competitive Advantage to the Manufacturing Sector and enable Global Positioning of India as an Economic Power Centre in near future.