



FM Announcement on Stimulus Package

The Finance Minister (FM), Nirmala Sitharaman, today came out with the third set of stimulus measures under the **Atma Nirbhar Bharat Abhiyaan** (Self Reliant India Mission). It was a series of 12 announcements to incentivize job creation, push infrastructure development and support stressed sectors.

Key takeaways from the announcements are as follows:

- 1) Launched a new scheme **Atma Nirbhar Bharat Rozgar Yojana** to incentivize creation of new employment opportunities during the Covid-19 recovery phase
 - a) Applicable to new employee joining employment in registered EPFO establishment or existing EPF member who made exit from employment during March 1, 2020 to September 30, 2020 and is employed on or after October 1, 2020
 - b) Central Government to provide subsidy for two years in respect of new eligible employees engaged on or after October 1, 2020 to
 - i) **establishments employing up to 1000 employees:** Employee's contributions (12% of Wages) & Employer's contributions (12% of wages) would be provided
 - ii) **establishments employing more than 1000 employees:** only Employee's EPF contributions (12% of EPF wages) would be provided.
- 2) **Emergency Credit Line Guarantee Scheme(ECLGS)**
 - a) As on November 12, 2020, Rs.2.05 trillion worth of loans have been sanctioned to 6.1 mn borrowers and Rs.1.52 trillion worth of loans have been disbursed
 - b) **ECLGS 1.0 has been extended till March 31, 2021**
 - c) **Launched ECLGS 2.0** to support **26 stressed sectors** identified by Kamath Committee plus health care sector **with credit outstanding of above Rs.500 mn and up to Rs.5.0 bn as on February 29, 2020.**
 - i) No upper ceiling on annual turnover under ECLGS 2.0
 - ii) **Additional credit up to 20%** of outstanding loan as on February 29, 2020
 - iii) Tenor of additional credit to be 5 years, including one year moratorium on principal repayment
 - iv) ECLGS 2.0 is likely to provide relief to stressed sectors by helping them in meeting their liabilities. It will also benefit MSME sector which provides goods and services to such eligible entities.
- 3) **Production-linked incentives (PLI) for 10 Champion Sectors**
 - a) PLI scheme worth of Rs.1.46 trillion for ten sectors in addition to PLI scheme announced earlier for three sectors with an outlay of ~Rs.513 bn.
 - b) This is likely to create significant employment generation opportunities in domestic market and thereby boost overall economic growth.
- 4) Additional outlay for **PM Awaas Yojana (PMAY) –Urban**
 - a) Government to provide an additional Rs.180 bn for PMAY-U over and above Rs.80 bn provided earlier
 - b) This is likely to create an additional 7.8 mn jobs and boost steel consumption by 2.5 mn MT and cement consumption by 13.1 mn MT, which would be positive for Real Estate, Steel and Cement sector.
- 5) **Support for Construction & Infrastructure**
 - a) Government announced relaxation on requirement of Earnest Money Deposit (EMD) and Performance Security in case of government tenders till December 31, 2021.
 - b) Reduction in Performance security on contracts would be 3% instead of 5 to 10% earlier
 - c) EMD will not be required for tenders and will be replaced by Bid Security Declaration.
- 6) **Demand booster for Residential Real Estate**
 - a) The government decided to increase the differential between circle rate & agreement value from 10% to 20% for the period from the date of the announcement to June 30, 2021 for only primary sale of residential units of value up to Rs.20 mn.
 - b) Consequential relief up to 20% shall also be allowed to buyers of the these units

- c) This is likely to provide income tax benefit to buyers of residential property and in turn boost the demand for residential property, which would be positive for Real Estate sector.
- 7) **Equity infusion in NIIF Debt Platform**
- NIIF Strategic Opportunities Fund has set up a Debt Platform comprising an NBFC Infra Debt Fund and an NBFC Infra Finance Company.
 - NIIF has already invested nearly Rs.20 bn in equity of the Platform and now the government will invest Rs.60 bn as equity.
- 8) **Subsidized fertilisers to farmers**
- Fertiliser usage is estimated to increase by 17.8% over the actual usage in FY20. Hence, the government decided to provide Rs.650 bn in order to ensure timely availability of subsidized fertilisers to farmers in the upcoming crop season.
 - This is likely to benefit 140 mn farmers.
- 9) **Enhanced outlays under PM Garib Kalyan Rozgar Yojana (PMGKRY)**
- PMGKRY effectively dovetails various schemes including MGNREGA, Pradhan Mantri Gram Sadak Yojana (PMGSY) etc
 - As on date, the government has released Rs.735.04 bn under MGNREGA out of total allocation of ~Rs.1.01 trillion (including additional outlay under Atma Nirbhar Bharat 1.0.)
 - The government has decided to give additional Rs.100 bn under PMGKRY, which would further accelerate employment generation in the country.
- 10) **To provide Rs.30 bn to EXIM bank for Lines of Credit in order to boost exports**
- The government decided to release Rs.30 bn to EXIM bank to extend Lines of Credit (LOC), on behalf of the Government of India, to developing countries under IDEAS scheme.
 - Under this arrangement, recipient countries are mandated to import 75% value of the LOC, which support exports from India.
- 11) **Capital and Industrial Stimulus**
- The government decided to provide **additional budget outlay of Rs.102 bn** towards Capital and industrial expenditure towards manufacturing of domestic defence equipment, industrial infrastructure, green energy and industrial incentives.
- 12) **R&D grant for Covid Vaccine Development**
- The government also decided to provide Rs.9.0 bn for Covid Suraksha Mission for Research and Development of Indian Covid Vaccine to Department of Bio-technology.

Additional Expenditure including Capital under Atmanirbhar Bharat Abhiyaan 3.0

| Particulars | Rs. in Bn |
|---|---------------|
| Housing for All - PMAY-U | 180.0 |
| Boost for Rural Employment | 100.0 |
| R&D Grant for Covid Suraksha – Indian vaccine development | 9.0 |
| Industrial Infrastructure, Industrial Incentives and Domestic Defence Equipment | 102.0 |
| Boost for Project Exports – Support for EXIM Bank | 30.0 |
| Boost for Atmanirbhar Manufacturing - Production Linked Incentives | 1459.8 |
| Support for Agriculture – Fertiliser Subsidy | 650.0 |
| Boost for Infrastructure – equity infusion in NIIF Debt PF | 60.0 |
| Atmanirbhar Bharat Rozgar Yojana (overall Rs.360 bn) | 60.0 |
| Total | 2650.8 |

Source: PIB

Summary of Stimulus Measures Announced till date

| Particulars | Rs. in Bn |
|--|----------------|
| Pradhan Mantri Garib Kalyan Package (PMGKP) + | 1928.0 |
| Atmanirbhar Bharat Abhiyaan 1.0 | 11026.5 |
| PMGKP Anna Yojana – extension of 5 months from Jul - Nov | 829.1 |
| Atmanirbhar Bharat Abhiyaan 2.0 (12th October) | 730.0 |
| Atmanirbhar Bharat Abhiyaan 3.0 | 2650.8 |
| RBI measures announced till 31st Oct 2020 | 12712.0 |
| Pradhan Mantri Garib Kalyan Package (PMGKP) + | 1928.0 |
| Total | 29876.4 |

Source: PIB

View:

Indian economy is witnessing a strong recovery from the lows seen in March and April due to outbreak of Covid-19 pandemic. However, there are few sectors which are still facing slowdown and today's announcements were focused on alleviating some of the stress in those sectors. Announcement of additional outlay on PMAY and Income tax relief for buyers of residential property is likely to boost demand in real estate sector and its allied sectors like cement and steel. Allowing incremental sectors into ECLGS scheme is also likely to take some of the pressure off, from stressed corporates in those sectors. The reduction in EMD is likely to provide relief to contractors as it would help in freeing up their capital and would improve working capital situation. The government also announced measures to support agriculture sector and to boost rural employment, which is likely to maintain positive momentum in rural economy. While the launch of Atmanirbhar Bharat Rozgar Yojana is targeted to create new employment opportunities by incentivising firms in near term, announcement on PLI scheme is targeted to improve India's manufacturing capabilities and exports. Overall today's FM announcements were targeted to support corporates in stressed sectors, promotion of infrastructure development and creation of long term employment opportunities, which would lead to sustainable GDP growth over long term.

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