In spotlight: All eyes on these 10 sectors as Budget likely to see increased capex

Synopsis

Meanwhile, with the growing preference for a China+1 strategy globally, experts expect the government to extend the tax sops under production-linked incentive (PLI) schemes for new manufacturing companies.

With expectations building that the Union Budget for FY24 will lay greater emphasis on fostering domestic growth amid the global slowdown, stocks in the automobile, banking, construction, consumer staples, defence, infrastructure, renewable energy, railway, sugar, and textile sectors are likely to find favour among investors.

The centre is widely expected to increase the capital expenditure plan in the upcoming budget, with the key infrastructure ministries seen getting a substantial portion in the allocation. The Budget for FY23 had increased capital expenditure by 35.4%, setting aside nearly a fifth of the total budget for the infrastructure sectors. The total capital expenditure is projected to increase to 2.9% of GDP in FY23, from 2.5% of GDP in FY22. In the first six months of the current fiscal year, the government has spent about 46% of the total allocation. “Rather than a big bang one, I think this will be a mild, no-nonsense sort of a Budget. It will focus on fiscal prudence, but the government will look at elements of expenditure which can have a multiplier effect on the economy,” said Anshul Saigal, head - PMS at Kotak Asset Management Co.

Automobile, renewable energy, FMCG, and sugar are the sectors that Hemant Sood, founder of FinDoc, expects to be in the spotlight in the run-up to the Budget. The capacity of renewable energy in India has doubled because of the huge support from the government and a shift in the focus from EPC-based projects to energy generation and transmission. Meanwhile, with the growing preference for a China+1 strategy globally, experts expect the government to extend the tax sops under production-linked incentive (PLI) schemes for new manufacturing companies.

“India is in a mid-cycle of growth wherein all economic activities are showing robustness. Therefore, more impetus will be given to pro-cyclical sectors such as construction, infrastructure, and banking,” said Azeem Ahmad, head PMS and principal officer at LIC Mutual Fund.

Anand Rathi of Anand Rathi Group also expects greater focus on PLI schemes in the budget, with more sectors coming under the ambit of this project and additional budgetary allocation under the scheme. Analysts believe that new-age manufacturing companies like chip manufacturing, battery development should be extended sops in order to increase production capacities. Besides the PLI scheme, experts also expect policy measures and sops for the real estate sector given the strong demand for housing.

STOCK TALK
The FY23 budget was touted to be an ‘infrastructure-heavy’ budget, focussing mainly on infrastructural developments, and this resulted in a sharp rally in the rail-related and other infrastructure stocks.

Stocks like
Rail Vikas Nigam
NSE -2.49 % and
Titagarh Wagons
NSE -4.35 % have doubled in value since the last Budget.

Therefore, some analysts are not very comfortable entering stocks, particularly rail-related given unfavourable risk-reward.

“Within capex-based sectors, I think one should be selective...Road and construction stocks haven’t really gone through the roof, and therefore, the risk-reward looks favourable here,” Ahmad said.

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