

Government of India Finances

**FY2023 fiscal deficit of Rs. 17.3 trillion
restricted within revised target; 10-year
G-sec yield expected to trade at 7.0-
7.2% in H1 FY2024**

JUNE 2023





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Gol restricted its fiscal deficit at Rs. 17.3 trillion in FY2023 Prov., a shade below the revised target

GTR contracted by 6.1% YoY in April 2023, as against the 10.1% growth embedded for FY2024

Higher-than-budgeted RBI's surplus transfer may provide some cushion to meet any undershooting in other revenues or upside to expenses in FY2024, relative to BE

10-year G-sec yield to trade between 7.0-7.2% in H1 FY2024



- The provisional estimates (Prov.) for FY2023 released by the Controller General of Accounts (CGA) revealed that Government of India's (Gol's) fiscal deficit was restricted at Rs. 17.3 trillion in the fiscal, marginally lower than the Rs. 17.6 trillion indicated in the revised estimates (RE). Higher-than-estimated revenue receipts and a small undershooting in revex in the fiscal, outweighed the shortfall in disinvestment receipts and a healthier-than-expected capex.



- The gross tax revenues (GTR) grew by 12.7% to Rs. 30.5 trillion in FY2023 Prov. over FY2022 Actuals, with expansion in direct taxes (+16.0%) sharply outpacing that in indirect taxes (+5.6%). A bulk of the upside of Rs. 107 billion in GTR in FY2023 Prov. over the RE stemmed from income tax and customs duty collections.



- In April 2023, the Gol's fiscal deficit nearly doubled to Rs. 1.3 trillion in YoY terms, translating to 7.5% of the FY2024 Budget estimates (BE), with a contraction in revenue receipts (-13.6%), a healthy rise in revex (+15.2%), and a marginal dip in capex (-0.6%) amid unseasonal rains.



- Against the embedded growth target of 10.1% in GTR in FY2024 BE (over FY2023 Prov.), such revenues saw a 6.1% YoY decline to Rs. 2.2 trillion in April 2023, led by corporation tax (-32%), which was partly offset by higher CGST (+26%), customs duty (+13%) and income tax (+8%) inflows.



- Higher-than-budgeted dividend surplus transfer of Rs. 874.2 billion from the Reserve Bank of India (RBI) is likely to provide some cushion to meet any undershooting in other revenues streams or overshooting in expenses in FY2024, relative to respective budget estimates.



- While fiscal concerns appear limited and the Monetary Policy Committee (MPC) seems unlikely to raise policy rates further in the immediate term, higher state government borrowings in the coming months could keep the 10-year G-sec yield in a range of 7.0-7.2% in the remainder of H1 FY2024.

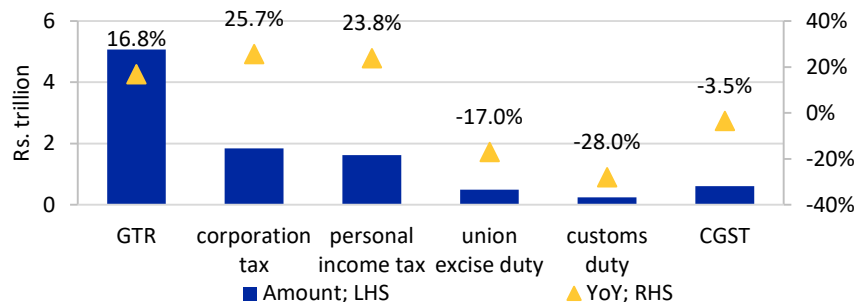


FY2023 Provisional Fiscal Balances of the Government of India

Gol restricted its fiscal deficit at Rs. 17.3 trillion in FY2023, a shade below the revised target of Rs. 17.6 trillion

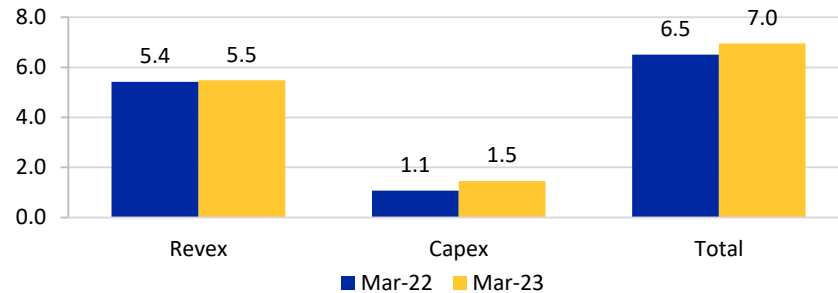
Gross tax revenues expanded by a considerable 16.8% in March 2023, boosted by direct taxes; total expenditure rose by 7% in the month

EXHIBIT: GTR and its components in March (Rs. trillion and YoY growth)



Source: CGA; ICRA Research

EXHIBIT: Revex, capex and total expenditure

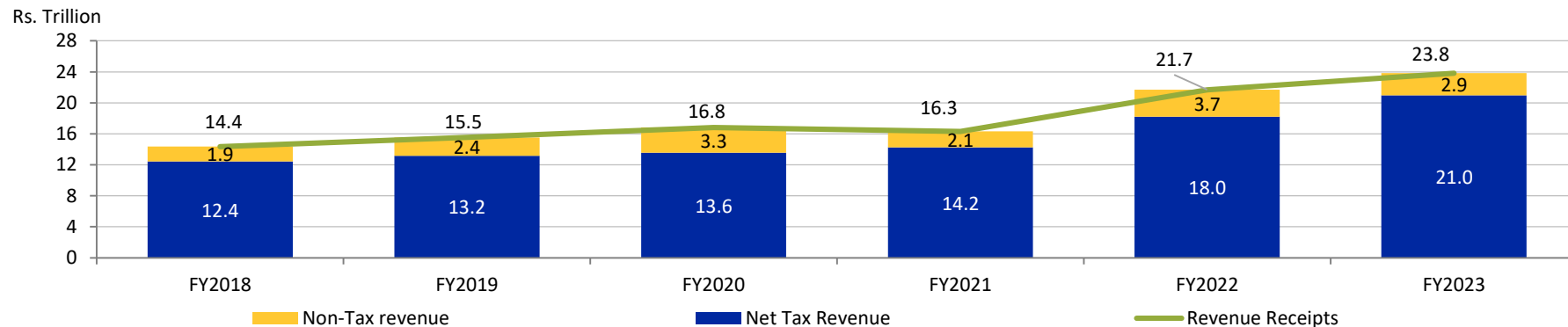


Source: CGA; ICRA Research

- The gross tax revenues of the GoI recorded a healthy YoY growth of 16.8% to Rs. 5.1 trillion in March 2023 (five-month high) from Rs. 4.3 trillion in March 2022. This was driven by higher inflows in corporation tax (YoY: +25.7%) and personal income tax (+23.8%) in the month, which outweighed the decline reported in other revenue streams, including CGST inflows (-3.5%), as well as union excise (-17.0%) and customs duty (-28.0%) collections.
- On the expenditure front, the GoI's total spending grew by ~7% YoY to Rs. 7.0 trillion in March 2023, led by a healthy 35.8% expansion in capital expenditure even on a high base amidst a mild 1.2% rise in revenue expenditure in that month.
- Overall, while the revenue deficit was contained at Rs. 1.5 trillion in March 2023, 11.4% lower than year-ago levels, the sharp rise in the capex pushed up the fiscal deficit to Rs. 2.8 trillion in the month, slightly higher than the Rs. 2.7 trillion seen in March 2022.

Net tax revenues drove a healthy 10% YoY growth in revenue receipts in FY2023

EXHIBIT: Gol's revenue receipts, net tax revenues and non-tax revenues

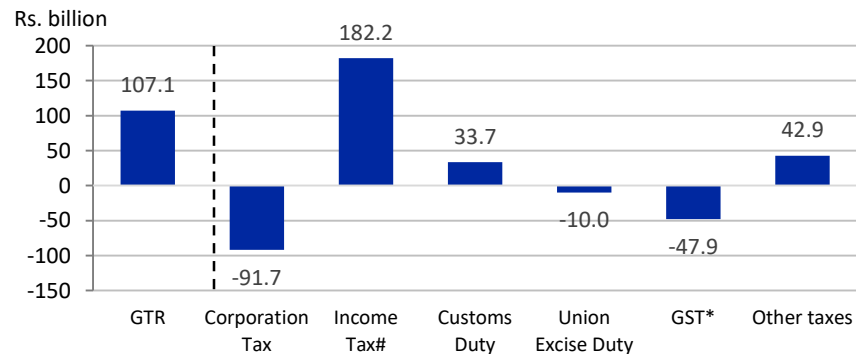


Source: CGA, Ministry of Finance, Gol; ICRA Research

- Provisional data released by the CGA indicates that the Gol's revenue receipts stood at Rs. 23.8 trillion in FY2023, a healthy 9.8% higher than the Rs. 21.7 trillion in FY2022 Actuals.
 - The net tax revenues rose by a sharper 16.2% YoY to Rs. 21.0 trillion in FY2023 Prov. from Rs. 18.0 trillion in FY2022 Actuals, whereas the non-tax revenues reported a YoY decline of 17.8% to Rs. 2.9 trillion from Rs. 3.7 trillion, respectively.
- Overall, the provisional revenue receipts in FY2023 exceeded the RE of Rs. 23.4 trillion by Rs. 351.1 billion, with 70% of this upside stemming from non-tax revenues (Rs. 244.0 billion higher than RE) and the remaining from net tax revenues (Rs. 107.1 trillion higher than RE).

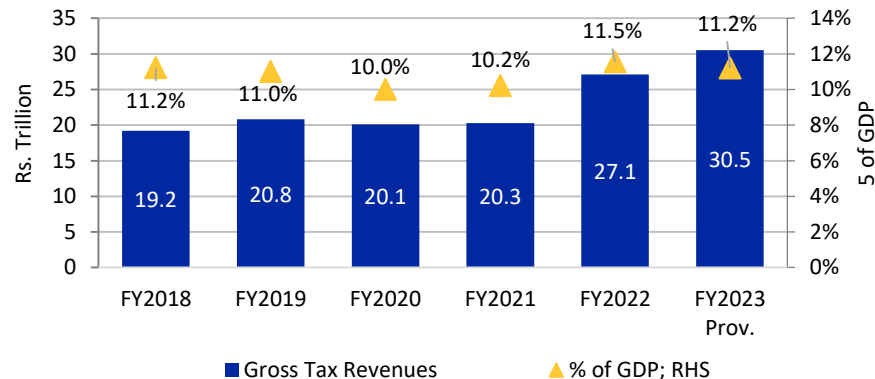
Gross tax revenues pegged at Rs. 30.5 trillion in FY2023, mildly higher than RE, led by income tax collections

EXHIBIT: Upside in GTR and components in FY2023 over RE



#excluding Security transaction tax since that head is included under other taxes as per CGA data;
*includes CGST, IGST and GST compensation cess; Source: CGA, Ministry of Finance, Gol; ICRA Research

EXHIBIT: Annual trends in GTR as % of GDP

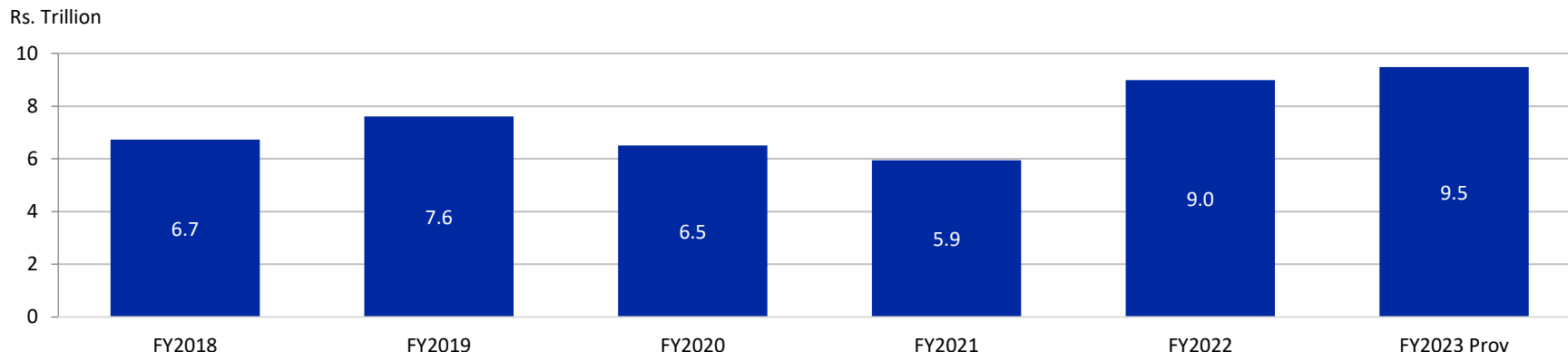


Source: CGA, Ministry of Finance, Gol; ICRA Research

- Net of refunds (gross of devolution to States), the Gol's tax revenues rose by 12.8% YoY to Rs. 30.5 trillion in FY2023 Prov. from Rs. 27.1 trillion in FY2022 Actuals, and exceeded the revised target by a mild Rs. 107.1 billion.
 - This upside in gross tax revenues in FY2023 was mainly driven by income tax (excluding STT; +Rs. 182.2 billion over RE), followed by other taxes (+Rs. 42.9 billion), IGST collections (+Rs. 47.7 billion), and customs duty (+Rs. 33.7 billion). This more-than-offset the modest undershooting in the remaining tax components, such as corporation tax (-Rs. 92 billion over RE), CGST inflows (-Rs.54 billion) and excise duty (-Rs.10 billion) collections in FY2023 Prov.
 - In YoY terms, inflows under CGST (+21.5%), income tax (+16.1%), and corporation tax (+16.0%) supported the 12.8% growth in GTR in FY2023.
- GTR eased to 11.2% of GDP in FY2023 Prov. from a 14-year high of 11.5% in FY2022 actuals, while exceeding the 11%-mark for the second consecutive year.

Muted growth in CTD led to faster expansion in net taxes vis-à-vis gross collections

EXHIBIT: Annual trends in Central tax devolution

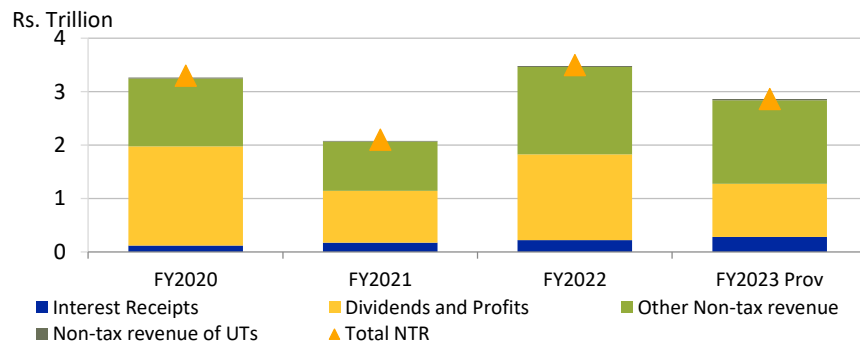


Prov: Provisional; Source: CGA, Ministry of Finance, GoI; ICRA Research

- As per the CGA, the Central Tax Devolution (CTD) to the states stood at Rs. 9.5 trillion in FY2023 Prov., in line with the FY2023 RE, with the YoY growth remaining muted at 5.6% vis-à-vis the FY2022 actuals, which had included considerable prior period adjustments.
- Consequently, compared to the GTR (+12.7%), tax revenues (net of devolution to States) rose by a relatively robust 16.2% to Rs. 21.0 trillion in FY2023 from Rs. 18.0 trillion in FY2022 actuals.

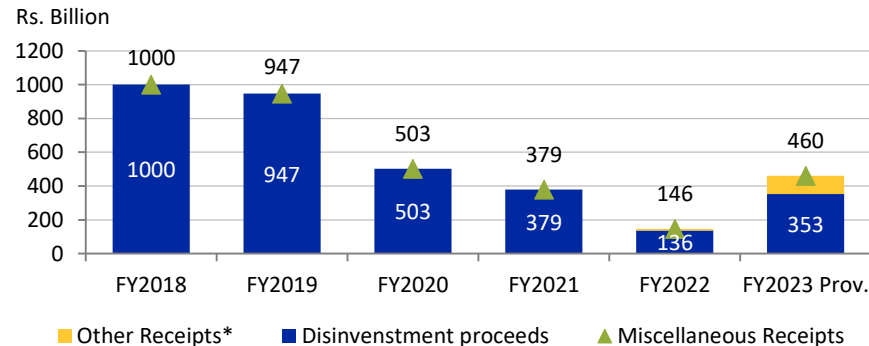
Non-tax revenues overshoot FY2023 RE by Rs. 244 billion, offsetting the shortfall in disinvestment receipts

EXHIBIT: Annual trends in Non-tax revenues and its constituents



Source: CGA, Ministry of Finance, GoI; ICRA Research

EXHIBIT: Annual trends in miscellaneous receipts

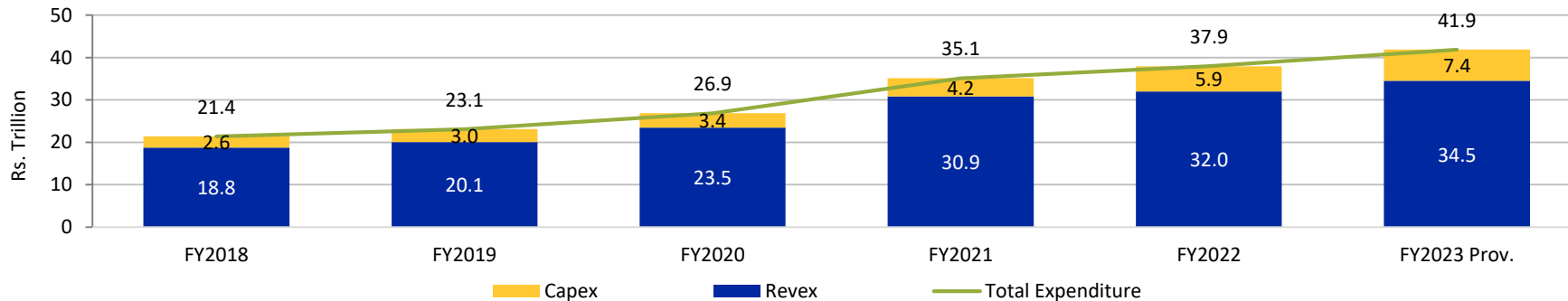


*Includes monetisation proceeds; Source: CGA, Ministry of Finance, GoI; ICRA Research

- Non-tax revenues (NTR) declined by 21.6% to Rs. 2.9 trillion in FY2023 Prov. from Rs. 3.7 trillion in FY2022 Actuals. The contraction was on account of a dip in dividends and profits (-37.8%, owing to lower than budgeted surplus transfer by the RBI) and other non-tax revenues (-13.6%), while interest receipts (+27.4%) witnessed a healthy YoY growth.
- Notably, non-tax revenues in FY2023 exceeded the amount included in the FY2023 RE by Rs. 244 billion, reflecting the trend for dividends and profits (Rs. 159.3 billion, due to higher dividend pay outs from PSUs), other NTR (Rs. 53.0 billion) and interest receipts (Rs. 32.3 billion).
- Disinvestment receipts aggregated to Rs. 353.4 billion in FY2023 Prov., nearly thrice as high as the year-ago level of FY2022, on account of inflows from the LIC IPO. However, such proceeds trailed the revised target of Rs. 500 billion. Further, monetisation proceeds stood at Rs. 106.9 billion in FY2023 Prov., slightly higher than the RE of Rs. 100 billion indicated for the fiscal.

Total expenditure in FY2023 stood at Rs. 41.9 trillion, in line with RE

EXHIBIT: Annual Trends in Centre's total expenditure, revex and capex

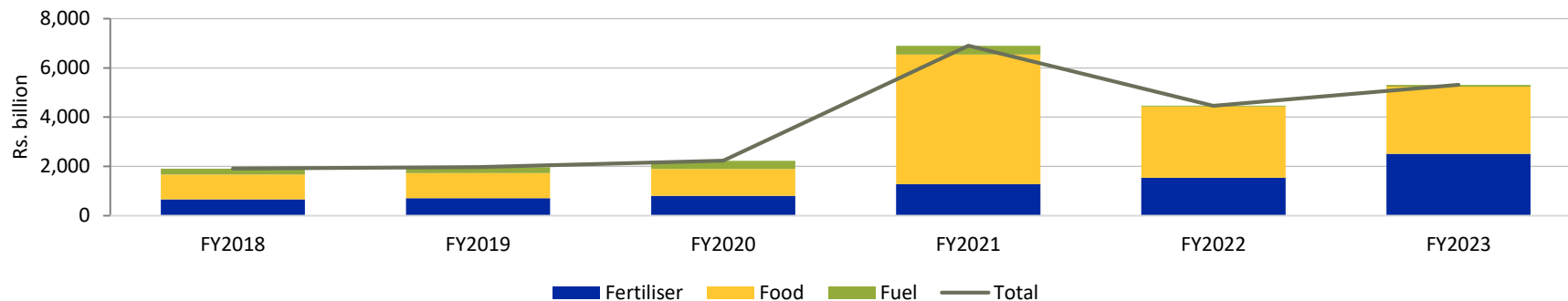


Actuals till FY2022; Prov: Provisional; Source: CGA, Ministry of Finance, Gol; ICRA Research

- The Gol's total expenditure grew by 10.4% YoY to Rs. 41.9 trillion in FY2023 Prov., in line with the RE, led by capital expenditure (YoY growth of 24.2% in FY2023 Prov. vs. target of +22.8%). While the revenue expenditure rose by 7.9% YoY in FY2023, this was slightly lower than the 8.1% expansion included in FY2023 RE.
- In absolute terms, the Centre's total spending was in line with the FY2023 RE of Rs. 41.9 trillion, notwithstanding the cumulative net cash outgo announced by the way of supplementary demand for grants during the year (Rs. 4.7 trillion) and the marginal overshooting seen in capital expenditure (+Rs. 80 billion). This was offset by the mildly lower revenue expenditure in FY2023 Prov. (Rs. 34.5 trillion), relative to the revised target (Rs. 34.6 trillion).
- Notably, the total expenditure recorded a lower YoY growth of 9.1% in H2 FY2023, compared to 12.2% seen during H1 FY2023, mirroring the trends in capex (to +8.2% from +49.5%), even as the growth in revex reported an uptick (to +9.3% from +6.0%).

Total outgo towards major subsidies rose by 19% in FY2023, largely led by fertilisers

EXHIBIT: Annual actual outgo under major subsidies

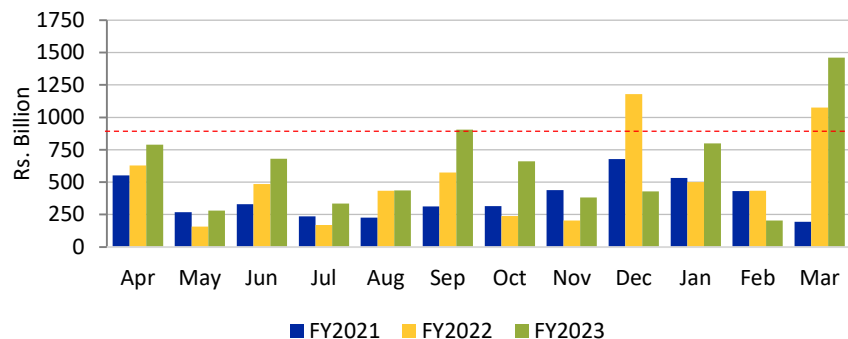


Source: CGA, Ministry of Finance, GoI; ICRA Research

- **Fertiliser Subsidy:** Data released by the CGA indicates that the amount of fertiliser subsidy released in FY2023 Prov. expanded sharply to Rs. 2.5 trillion from Rs. 1.5 trillion in FY2022 Actuals, on account of higher requirements in H1 of the fiscal year following escalation of geopolitical conflict that had disrupted the global supply of key raw materials for the industry. The subsidy outgo has exceeded the FY2023 RE levels by Rs. 0.3 trillion, reflecting additional net cash outgo announced under the second supplementary demand for grants which was released after February 2023.
- **Food Subsidy:** Against the revised target of a 0.6% decline in FY2023 (over FY2022 Actuals), the actual food subsidy outgo moderated by a sharper 5.6% to Rs. 2.7 trillion in FY2023 Prov. from Rs. 2.9 trillion in FY2022 Actuals, partly reflecting the lower wheat procurement bill.
- **Fuel subsidy:** Although the outgo has doubled to Rs. 68.2 billion in FY2023 on a YoY basis, it is lower than the RE of Rs. 91.7 billion indicated for the fiscal. Notably, the outgo remained substantially lower than the actual subsidy released in FY2020-21 (Rs. 0.4 trillion each).

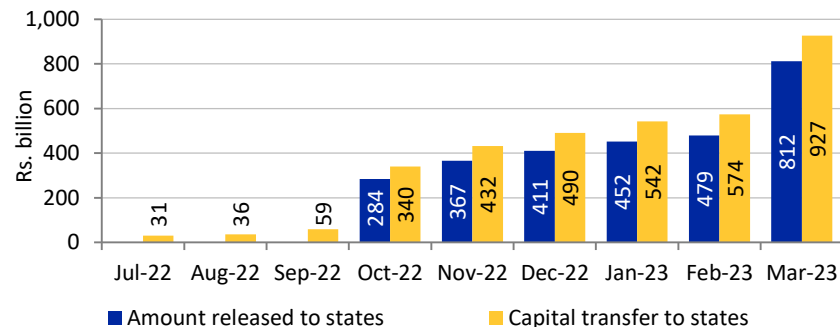
Capex in FY2023 printed marginally higher than revised target, amid pick-up in interest free capex loan offtake by states in H2

EXHIBIT: Centre's capital expenditure



Source: CGA, Ministry of Finance, Gol; ICRA Research

EXHIBIT: Cumulative amount released under interest free capex loan and capital transfers to states by Centre

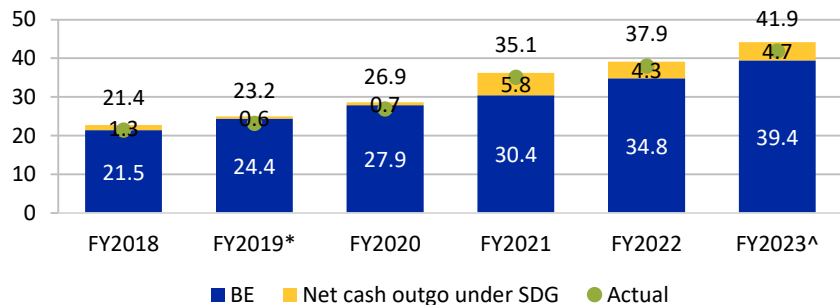


Source: DOE, Ministry of Finance, Gol; ICRA Research, Data for Apr-Jun 2022 is not available

- The Gol's capex target was pared mildly to Rs. 7.3 trillion in FY2023 RE from Rs. 7.5 trillion included in the BE amidst a reduction in the target for special assistance to states for capital investment ("capex scheme"; to Rs. 0.76 trillion in FY2023 RE from BE: Rs. 1.0 trillion).
- The Gol's capex rose by 24.2% to Rs. 7.4 trillion in FY2023 Prov. from Rs. 5.9 trillion in FY2022, as per the data released by the CGA, exceeding the RE. The capital spending has averaged around Rs. 613.6 billion/month in FY2023, much higher than Rs. 494.1 billion/month seen in FY2022.
- As per the monthly report released by the DoE, Gol, Rs. 811.9 billion was released by the Centre under the state capex scheme in FY2023, exceeding the revised target by Rs. 52 billion, benefitting from the healthy offtake by states in H2 FY2023, thereby aiding in meeting the Centre's capex target for FY2023. According to the CGA data, combined capital transfers to states (which includes transfers under the capex scheme) stood at Rs. 927.0 billion in FY2023 Prov, higher than the amount indicated in RE (Rs. 854.1 billion).

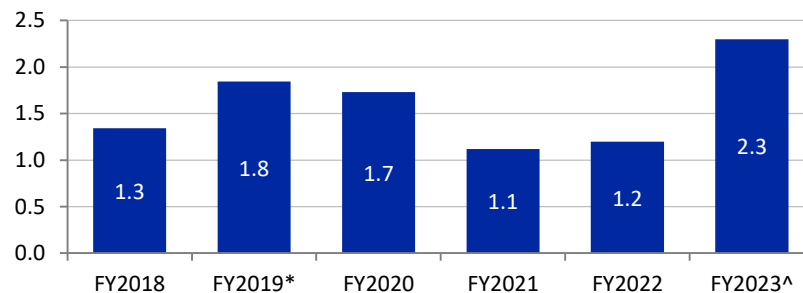
Overshooting in total spending in FY2023 over BE lesser than extent of combined net cash outgo under SDGs, implying expenditure savings of Rs. 2.3 trillion

EXHIBIT: Budgeted and Actual Total Expenditure with Net Cash Outgo announced under Supplementary Demand for Grants (Rs. trillion)



*Second batch of SDG for FY2019 is not available in the public domain and hence savings might be modestly lower than Rs. 1.8 trillion; ^Based on Provisional estimate for FY2023; Source: Union Budget; ICRA Research

EXHIBIT: Estimated Expenditure Savings (BE + NSDG – Actual; Rs. trillion)

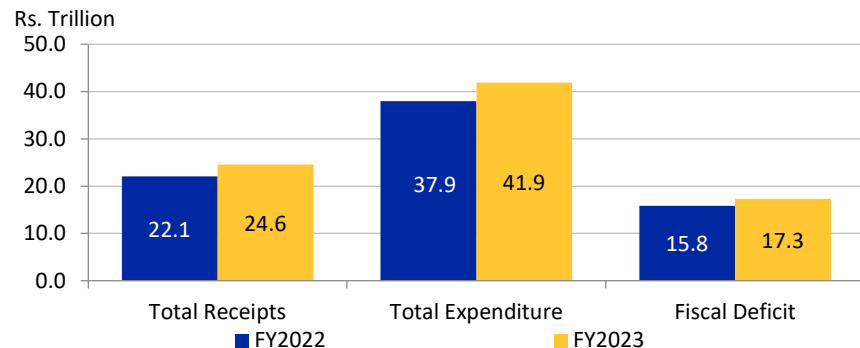


Actuals for FY2018-22; Aggregate expenditure savings of the GoI are computed by adding net cash outgo under the SDG to the budgeted total expenditure and subtracting actual spending incurred in each fiscal; *Second batch of SDG for FY2019 is not available in the public domain and hence savings might be modestly lower than Rs. 1.8 trillion; ^Based on Provisional Estimate for FY2023; Source: Union Budget; ICRA Research

- The total expenditure of GoI stood at Rs. 41.88 trillion in FY2023 Prov., marginally exceeding the revised target of Rs. 41.87 trillion by Rs. 16.05 billion.
- While this was Rs. 2.5 trillion higher than the BE of Rs. 39.4 trillion for the fiscal, the extent of the overshooting vis-à-vis the BE is significantly lower than the cumulative amount of net cash outgo announced by the way of the two supplementary demand for grants announced during the year (Rs. 4.7 trillion).
- **This implies that Ministries/Departments seemed to have generated expenditure savings to the tune of Rs. 2.3 trillion in FY2023, which is much higher than the yearly average seen during FY2018-22 (Rs. 1.4 trillion/year).**

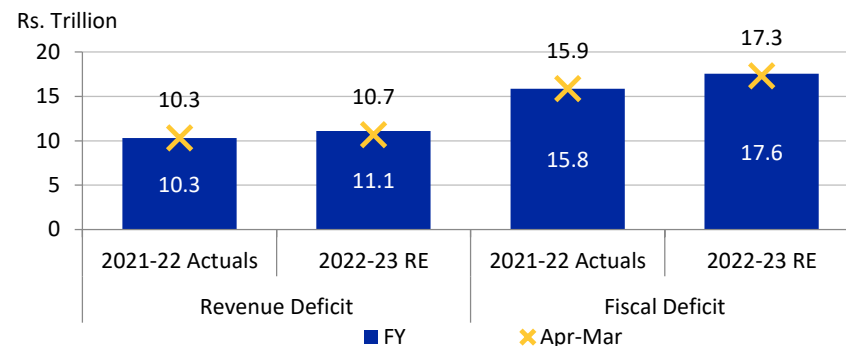
FY2023 fiscal deficit printed in line with RE of 17.6 trillion or 6.36% of GDP

EXHIBIT: Trends in Revenues and Expenditure of the GoI



Source: CGA, Ministry of Finance, GoI; ICRA Research

EXHIBIT: Revenue and Fiscal Deficits



Source: CGA, Ministry of Finance, GoI; ICRA Research

- Higher-than-anticipated revenue receipts and a small undershooting in revex helped to absorb the shortfall in disinvestment receipts and healthier-than-expected capex, curtailing the GoI's fiscal deficit for FY2023 to Rs. 17.3 trillion, as against the RE of Rs. 17.6 trillion. As a proportion of GDP, the fiscal deficit of the GoI was pegged at 6.36% in FY2023 Prov., slightly lower than the target of 6.43% included in the RE, on account of higher-than-anticipated growth in the nominal GDP in FY2023 (+16.1% vs. +15.4% estimated in FY2023 RE). The GoI's fiscal deficit in FY2023 Prov. exceeded the level of Rs. 15.8 trillion in FY2022 Actuals (6.8% of GDP).
- The revenue deficit stood at Rs. 10.7 trillion in FY2023 Prov., lower than Rs. 11.1 trillion in the FY2023 RE, while exceeding the Rs. 10.3 trillion in FY2022 Actuals.
- Importantly, the inflows from small savings scheme (savings deposits and certificates and public provident funds), amounted to Rs. 3.1 trillion in FY2023, significantly lower than the revised target of Rs. 4.4 trillion.

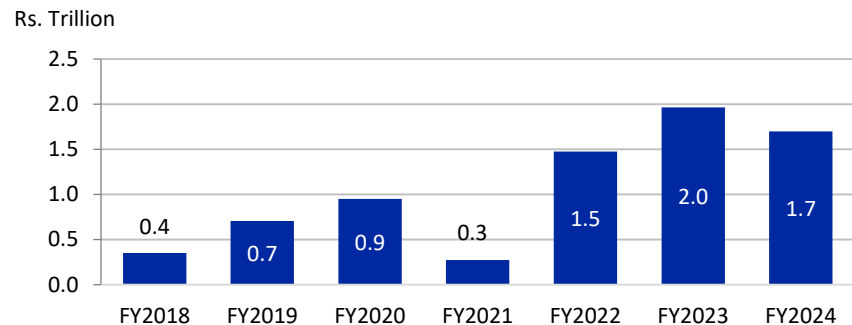


Fiscal Trends for April 2023 and ICRA's Outlook for FY2024

Fiscal deficit nearly doubled in April 2023 vis-à-vis year ago levels, amidst contraction in net tax revenues; full-year print expected to remain in line with FY2024 BE

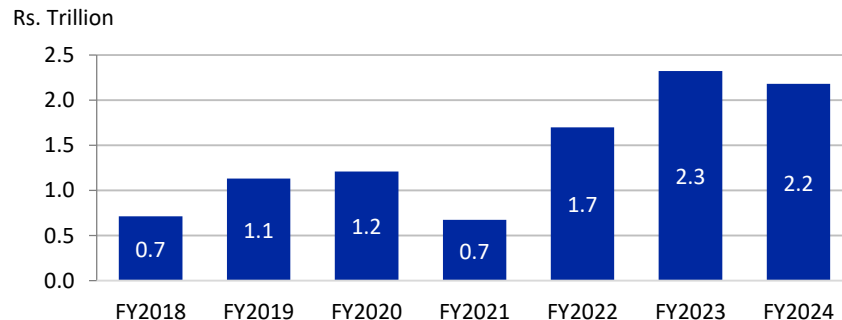
Revenue receipts fell by 13.6% in April 2023, amidst YoY contraction in net tax revenues and non-tax revenues

EXHIBIT: Revenue receipts in April of FY2018-24



Source: CGA, Ministry of Finance, Gol; ICRA Research

EXHIBIT: GTR in April of FY2018-24

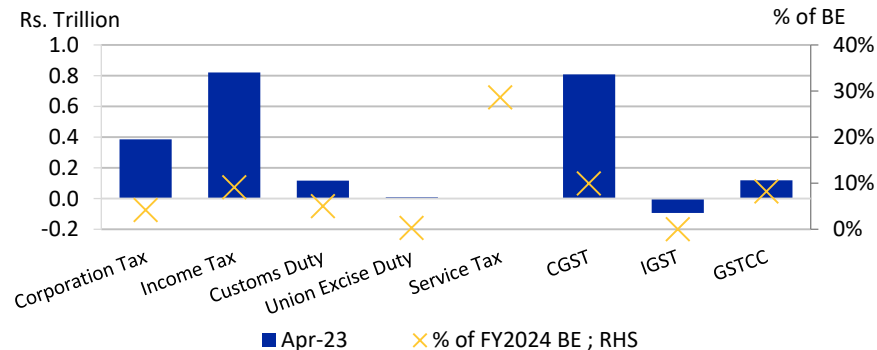


Source: CGA, Ministry of Finance, Gol; ICRA Research

- The provisional data indicates that the Gol's revenue receipts declined sharply by 13.6% to ~Rs. 1.7 trillion (6.5% of FY2024 BE) in April 2023 from Rs. 2.0 trillion in April 2022 (8.2% of FY2023 Prov.), driven by net tax revenues (-13.9%; to Rs. 1.6 trillion from Rs. 1.8 trillion; 6.8% of FY2024 BE) and non-tax revenues (-8.2%; to Rs. 109.6 billion from Rs. 119.4 billion; 3.6% of FY2024 BE).
- The Gol's gross tax revenues fell by a relatively lower 6.1% in YoY terms to Rs. 2.2 trillion in April 2023 (6.5% of FY2024 BE) from Rs. 2.3 trillion in April 2022 (7.6% of FY2023 Prov.), led by 9.2% contraction in direct taxes (to Rs. 1.2 trillion in April 2023 from Rs. 1.3 trillion in April 2022) as well as a marginal 1.6% dip in the indirect taxes (to Rs. 0.85 trillion from Rs. 0.86 trillion).

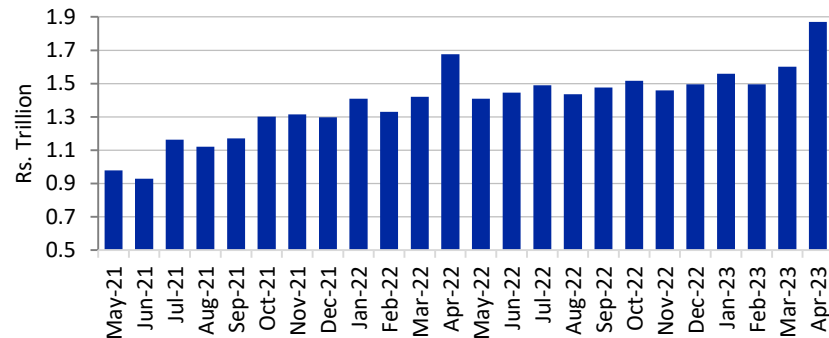
IGST settlement and dip in corporation tax inflows dampen GTR in April 2023

EXHIBIT: Direct and Indirect tax revenues in April 2023 and % of FY2024 BE



GSTCC: GST Compensation cess; Source: CGA, Ministry of Finance, Gol; Budget documents; ICRA Research

EXHIBIT: Month-wise GST collections

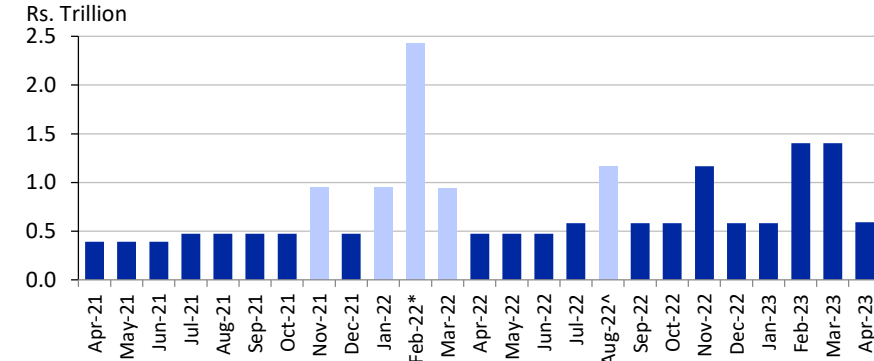


Source: Ministry of Finance, Gol; ICRA Research

- The YoY contraction of 6.1% in GTR in April 2023 was driven by corporation tax (-32%) amidst the IGST settlement of Rs. 93.0 billion in the month (vs. +Rs. 47.7 billion in April 2022), even as income tax collections (+7.8%), CGST (+26.2%), customs duty (+13.3%) and excise duty (to Rs. 9.6 billion from Rs. 0.96 billion) witnessed an uptick. Additionally, the GST compensation cess inflows increased to Rs. 118.6 billion in April 2023 from Rs. 104.4 billion in April 2022. **While the FY2024 BE for customs duty (Rs. 2.3 trillion) seems slightly optimistic, amidst expectations of a global slowdown in trade volumes, it is unlikely to lead to a significant shortfall in indirect taxes relative to the budgeted target in FY2024.**
- The aggregate GST collections are projected to remain healthy in May 2023, in line with the robust generation of GST e-way bills seen in April 2023 (2.81 million). While such collections witnessed a robust double-digit YoY growth of ~11-13% in recent months, a normalising base and some cooling of inflation may moderate the pace of expansion slightly in the coming months, although it would remain in high single digits benefitting from the continuing anti-evasion activities.

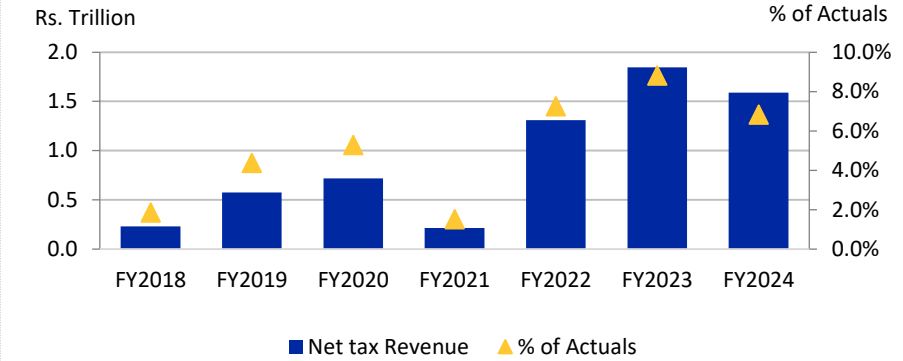
CTD surged by ~24% YoY in April 2023; net tax revenues fell sharply by ~14%

EXHIBIT: Monthly trends in tax devolution



*Data for Feb 2022 includes two additional CTD instalments and additional arrears of Rs. 431.7 billion for FY1997- FY2018 released on Feb 25, 2022; ^Data for Aug and Nov 2022 includes two monthly instalments; Source: CGA, Ministry of Finance, Gol; ICRA Research

EXHIBIT: Net tax revenues in April of FY2018-24

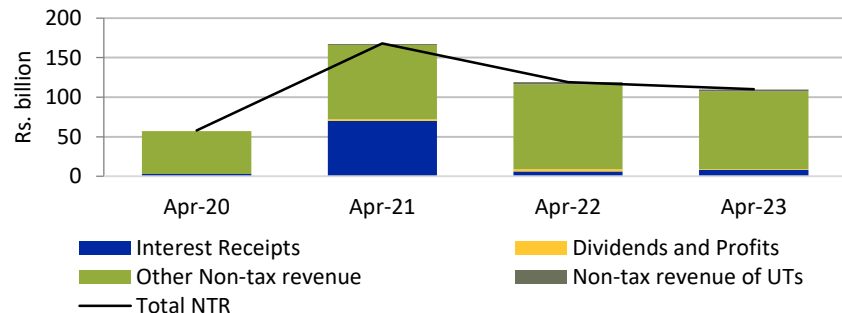


*Actuals for FY2018-22, FY2023 Prov and FY2024 BE values; Source: CGA, Ministry of Finance, Gol; ICRA Research

- As per the CGA, the amount of taxes devolved to the states rose by a sharp 24.3% to Rs. 591.4 billion in April 2023 (5.8% of FY2024 BE) from Rs. 475.9 billion in April 2022 (5.0% of FY2023 Prov.). The Gol has budgeted tax devolution at Rs. 10.2 trillion in FY2024 BE, implying a 7.7% growth over the FY2023 Prov., lower than the growth assumed for gross tax revenues (+10.1%).
- ICRA currently anticipates the CTD to be in line with the targeted amount in FY2024. Accordingly, an early step up in the monthly devolution amount from the Rs. 591.4 billion that was shared with the states in April 2023, may encourage them to boost their capital spending and support investment activity.**
- Owing to the fall in gross tax revenues and the sharp rise in CTD in April 2023, net tax revenues of the Gol contracted by 13.9% to Rs. 1.6 trillion in the month from Rs. 1.8 trillion in April 2022.

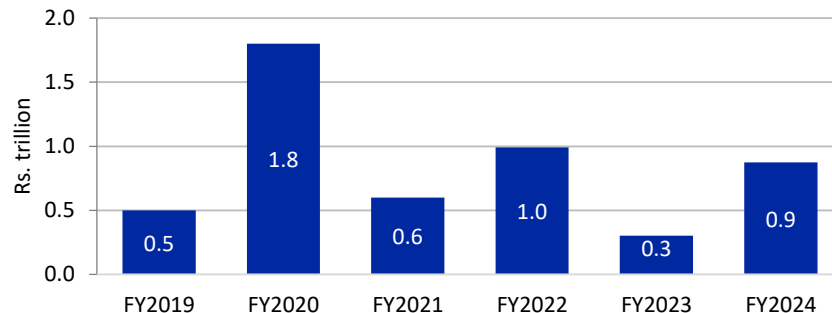
Non-tax revenues fell by 8.2% YoY in April 2023; higher-than-budgeted RBI dividend surplus to offset shortfall in telecom receipts

EXHIBIT: Apr trends in Non- tax revenues and its constituents



Source: CGA, Ministry of Finance, Gol; ICRA Research

EXHIBIT: Trends in RBI's surplus transfer to the Gol

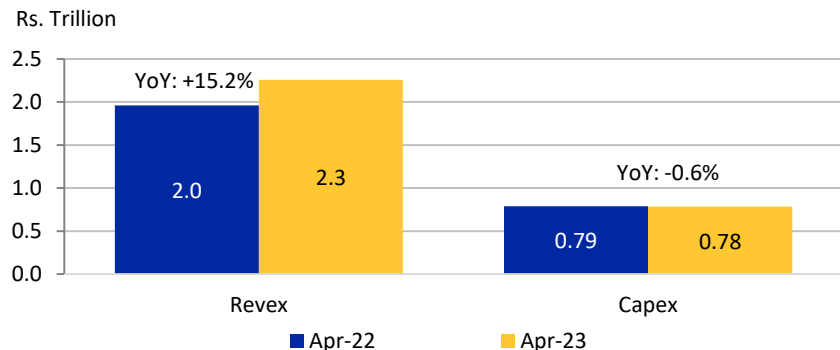


Source: RBI; ICRA Research

- In April 2023, non-tax revenues fell by 8.2% YoY to Rs. 109.6 billion, reflecting the trend for other non-tax revenues (-8.5%) and dividends and profits (-73.2%), even as interest receipts (+26.9%) expanded in the month. **While the Gol's FY2024 target for receipts from the telecom sector (BE: Rs. 894.7 billion) appears to be optimistic, this is likely to be offset by the higher-than-budgeted dividend surplus of Rs. 874.2 billion transferred by the RBI for FY2024 (BE: Rs. 480 billion), amid the rise in dollar sales and low provisioning requirements.**
- As per the CGA data, disinvestment receipts stood at a low Rs. 0.5 billion in April 2023 (<1% of FY2024 BE; Rs. 30.6 billion in April 2022). According to the data provided by the DIPAM, the disinvestment proceeds stood at Rs. 0.5 billion as on May 31, 2023 as well.
- The Gol has decided to offload 92.4 million worth of shares, for 1.5% stake in Coal India Limited (CIL) on June 1-2, 2023 through the OFS route. With a floor price of Rs. 225, this could garner atleast ~Rs. 21 billion. Moreover, in case of oversubscription, an additional 1.5% stake would be sold. **While the Gol expects most of the major stake sales (such as IDBI, Container Corporation of India, Shipping Corporation) to begin in FY2024, the completion of the process and the actual realisation of the deals remain contingent on the evolving market scenario.**

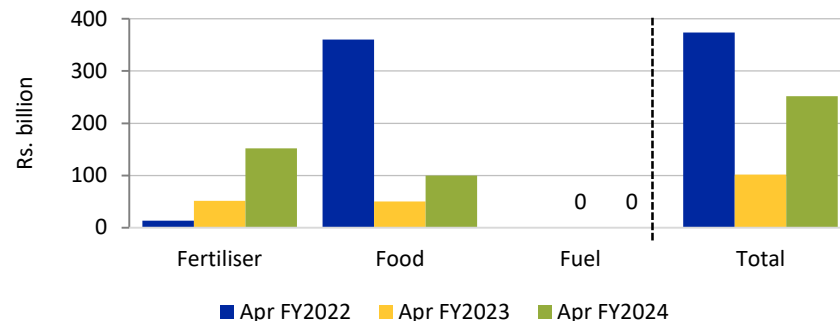
Revex surged by 15% YoY in Apr 2023 amid sharp rise in subsidy outgo, interest payments; capex declined marginally in the month

EXHIBIT: Trends in Revex and Capex



Source: CGA, Ministry of Finance, Gol; ICRA Research

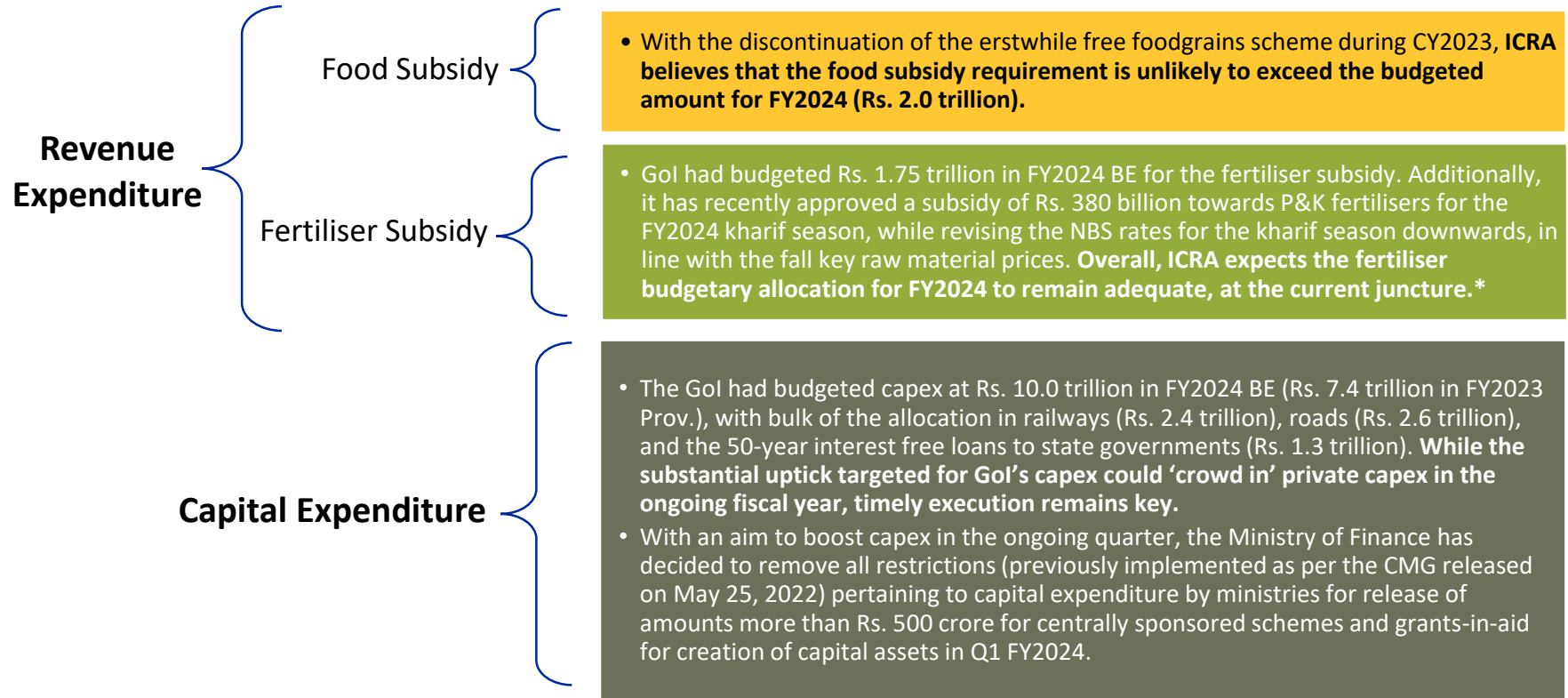
EXHIBIT: Actual outgo under major subsidies in April FY2022-24



Source: CGA, Ministry of Finance, Gol; ICRA Research

- Revex rose by 15.2% to Rs. 2.3 trillion in April 2023 (6.4% of FY2024 BE) from Rs. 2.0 trillion in April 2022 (5.7% of FY2023 Prov.), led by interest payments (YoY: +16.1%) and major subsidies (+147.9%). The subsidy outlay for fertilisers (+194.4%; to Rs. 151.6 billion in Apr 2023 from Rs. 51.5 billion in Apr 2022) and food (+100%; to Rs. 100 billion from Rs. 50 billion) rose in April 2023, despite the discontinuation of the erstwhile free foodgrains scheme during CY2023.
- In contrast with the 35.9% growth embedded for FY2024 BE (over FY2023 Prov.), capital expenditure posted a 0.6% YoY decline to Rs. 784.6 billion in April 2023 (7.8% of FY2024 BE), from Rs. 789.3 billion in April 2022 (10.7% of FY2023 Prov.), hampered by unseasonal rains in the month.
- Owing to the sharp rise in revex, the Gol's total expenditure rose by 10.6% YoY to Rs. 3.0 trillion in April 2023 (6.8% of FY2024 BE) from Rs. 2.7 trillion in April 2022 (6.6% of FY2023 Prov.).

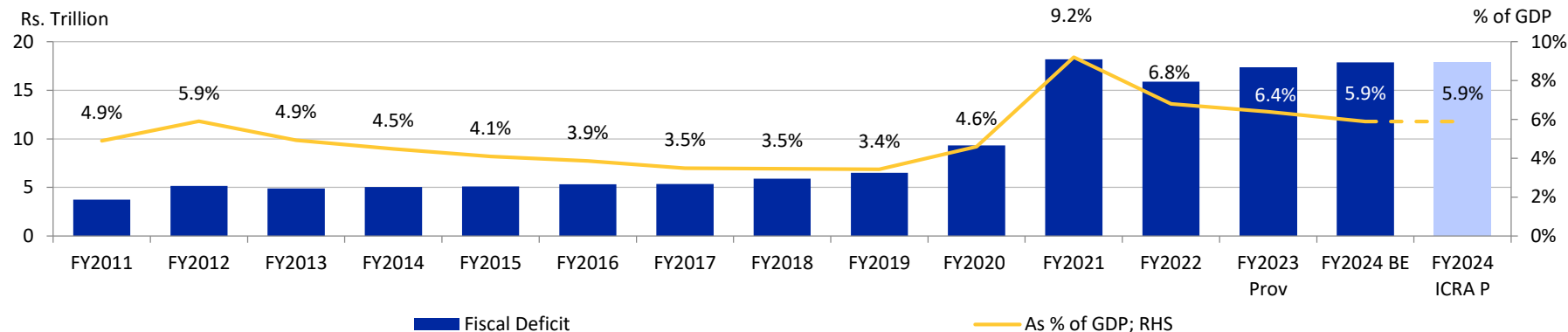
Revex expected to stay in line with FY2024 BE; capex target remains contingent on timely execution



*Refer to ICRA's [publication](#), Despite NBS rate moderation, profitability of phosphatic fertiliser companies to remain healthy in H1 FY2024, published in May 2023;
NBS: Nutrient based subsidy; CMG: Cash management guidelines; Source: ICRA Research

FY2024 fiscal deficit to remain largely in line with the budgeted target

EXHIBIT: Gol's fiscal deficit (Rs. trillion and as % of GDP) and ICRA's forecasts for FY2024

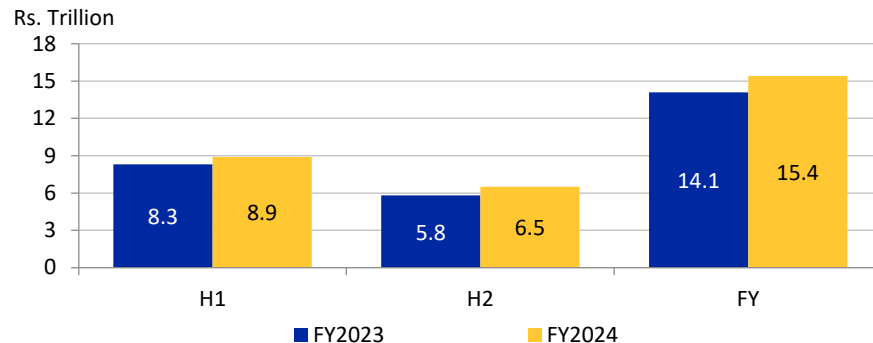


Actuals are available upto FY2022; BE: Budget Estimates; P: Projected, based on ICRA's proj. of nominal GDP growth; Prov: Provisional; Source: Union Budget Documents; Gol; NSO; ICRA Research

- With a 13.6% fall in revenue receipts and a 15.2% rise in revenue expenditure, the Gol reported a revenue deficit of Rs. 557.8 billion in April 2023 (against a surplus of Rs. 5.9 billion in April 2022). Moreover, amid a 0.6% decline in capital spending, the Gol's fiscal deficit nearly doubled to Rs. 1.3 trillion in April 2023 (7.5% of FY2024 BE) from Rs. 0.7 trillion in April 2022 (4.3% of FY2023 Prov.).
- The FY2024 budget math seems broadly credible, with 10.1% growth forecast for gross tax revenues relative to FY2023 Prov., and a robust 35.9% rise in capex target amid some curtailment in revex growth (+1.4%). At the current juncture, higher-than-budgeted dividend surplus transfer of Rs. 874.2 billion from the RBI for FY2024 is likely to provide some cushion to meet any undershooting in other revenues streams or overshooting in expenses, relative to their respective budget estimates.**

~18% of FY2024 target for gross market borrowings raised so far

EXHIBIT: Gol's Market Borrowing Programme (Gross Issuance, except Sovereign Gold Bonds) in FY2023 (Actual) and FY2024 (Planned)



Source: Gol; RBI; ICRA Research

EXHIBIT: Actuals market issuances in FY2023-24 YTD

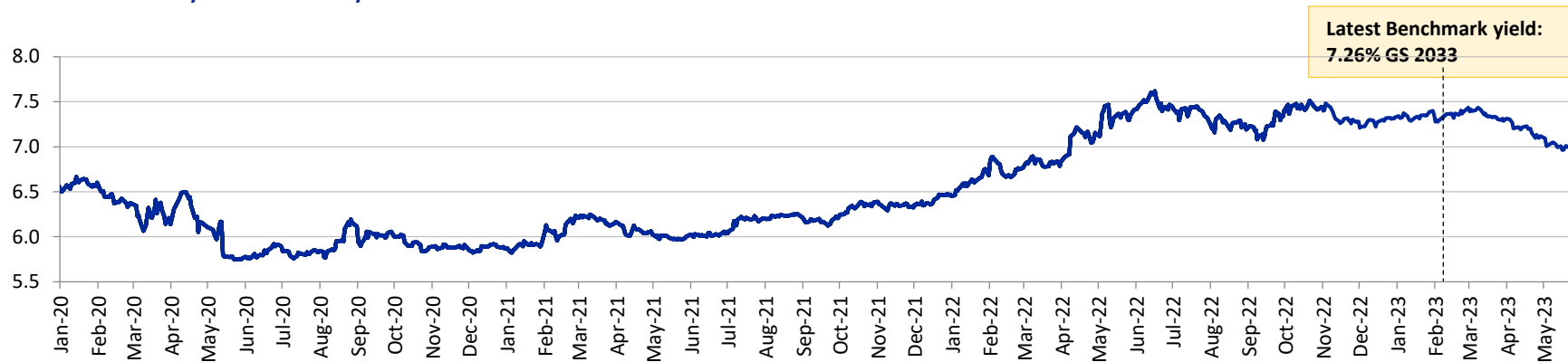
Rs. Trillion	FY2023	FY2024	Growth
Gross Borrowings - Planned	14.1	15.4	9.8%
Gross Borrowings Completed*	2.6	2.7	4.6%
% of Gross Borrowings completed	18.5%	17.6%	
Devolvement*	0.0	0.00	--
Cancellations*	0.0	0.00	--
Redemptions	3.1	3.6	15.7%
Redemptions*	0.8	1.5	93.3%
Net Borrowings	10.9	11.8	8.1%
Net Borrowings Completed*	1.8	1.3	-31.6%
% of Net Borrowings completed	16.9%	10.7%	

*By May 26, 2023; ^Inclusive of amount availed through green shoe options; Source: Gol; RBI; ICRA Research

- Out of the gross market borrowings of Rs. 8.9 trillion pegged for H1 FY2024, the Gol has raised Rs. 2.7 trillion till May 26, 2023 (Rs. 2.6 trillion in the corresponding period of FY2023). This accounts for 17.6% of the gross notified amount for FY2024, with no cancellations and devolvments to primary dealers so far. After considering redemptions worth Rs. 1.5 trillion in FY2024 so far, the net market borrowings stood at Rs. 1.3 trillion as on May 26, 2023 (Rs. 1.8 trillion in corresponding period of FY2023).
- Notably, the amount of borrowing planned in the 10-year segment in H1 FY2024 has been pegged at Rs. 1.8 trillion, in 13 tranches of Rs. 140 billion each. At present, the maximum amount outstanding in any security is Rs. 1.6 trillion (in 7.10 GS 2029). Upto May 26, 2023, Rs. 800 billion has been issued in the current benchmark 7.26 GS 2033. **Therefore, ICRA believes that the Gol may issue six additional tranches of Rs. 140 billion each under this security, taking the total to Rs. 1.6 trillion. This is likely to be completed by August 11, 2023, after which a new benchmark 10-year security may be issued.**

10-year G-sec yield to trade between 7.0-7.2% in remainder of H1 FY2024

EXHIBIT: Trend in 10-year India G-sec yields



Source: Bloomberg; ICRA Research

- There has been a downward pressure on the 10-year G-sec yield after the RBI's surprise pause on the policy repo rates in the April 2023 meeting. The yield eased sharply from 7.33% as on Apr 3, 2023 to 7.19% as on Apr 12, 2023 and thereafter, to a one-year low of 6.98% as on May 22, 2023, amid the fall in the crude oil prices. So far in FY2024 (till May 31, 2023), India's 10-year G-sec yield has declined by a sharp 32 bps, in contrast with the 20 bps rise in the UST.
- Going forward, while fiscal concerns appear limited and the MPC seems unlikely to raise policy rates further in the immediate term, higher state government borrowings in the coming months could keep the 10-year G-sec yield in a range of 7.0-7.2% in the remainder of H1 FY2024.**

Table A.1: Trends in Tax Revenue Receipts in FY2022 actuals and FY2023 Prov.

FY2022 Actuals		FY2023 RE		FY2023 Prov.		
	Rs. Billion	Rs. Billion	Growth~	Rs. billion	% of RE	Growth~
Gross Tax Revenues^	27,093.2	30,430.7	12.4%	30,537.7	100.4%	12.7%
Direct Taxes	13,850.9	16,250.0	17.3%	16,340.6	99.0%	16.0%
Corporation Tax	7,120.4	8,350.0	17.3%	8,258.3	98.9%	16.0%
Income Tax*	6,730.5	7,900.0	17.4%	8,082.2	102.3%	20.0%
Indirect Taxes	11,930.3	12,589.3	5.5%	12,604.2	100.1%	5.6%
Central GST (CGST)	5,912.3	7,240.0	22.5%	7,185.7	99.3%	21.5%
Union Territory GST (UTGST)	43.0	39.3	-8.6%	42.7	108.8%	-0.6%
IGST	21.2	0.0	-100.0%	47.7	---	125.2%
Customs Duty	1,997.3	2,100.0	5.1%	2,133.7	101.6%	6.8%
Excise Duty	3,946.4	3,200.0	-18.9%	3,190.0	99.7%	-19.2%
Service Tax	10.1	10.0	-1.2%	4.3	43.1%	-57.4%
GST Compensation Cess	1,047.7	1,300.0	24.1%	1,258.6	96.8%	20.1%

^Net of Refunds, Gross of States' share in Central Taxes; *excluding security transaction tax; ~Relative to FY2022 Actuals; Source: CGA; Union Budget; ICRA Research

Table A.2: Trends in Key fiscal metrics in FY2022 actuals and FY2023 Prov.

	FY2022 Actuals	FY2023 RE		FY2023 Prov.	
	Rs. billion	Rs. billion	Growth~	Rs. billion	% of RE Growth#
Revenue Receipts	21,699.1	23,484.1	8.2%	23,835.2	101.5% 9.8%
Tax Revenues\$	18,047.9	20,866.6	15.6%	20,973.7	100.5% 16.2%
Non-Tax Revenues	3,651.1	2,617.5	-28.3%	2,861.5	109.3% -21.6%
Revenue Expenditure	32,009.3	34,589.6	8.1%	34,525.2	99.8% 7.9%
Revenue Balance	-10,310.2	-11,105.5		-10,690.0	96.3%
Capital Receipts	146.4	600.0	309.9%	460.4	76.7% 214.5%
Capital Expenditure, Net Lending	5,681.4	7,047.7	24.1%	7,101.7	100.8% 25.0%
Fiscal Balance	-15,845.2	-17,553.2		-17,331.3	98.7%

\$Net of Refunds, Net of States' share in Central Taxes; ~Relative to FY2022 Actuals; #As compared to the corresponding period of FY2022 Actuals; Source: CGA; Union Budget; ICRA Research



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