

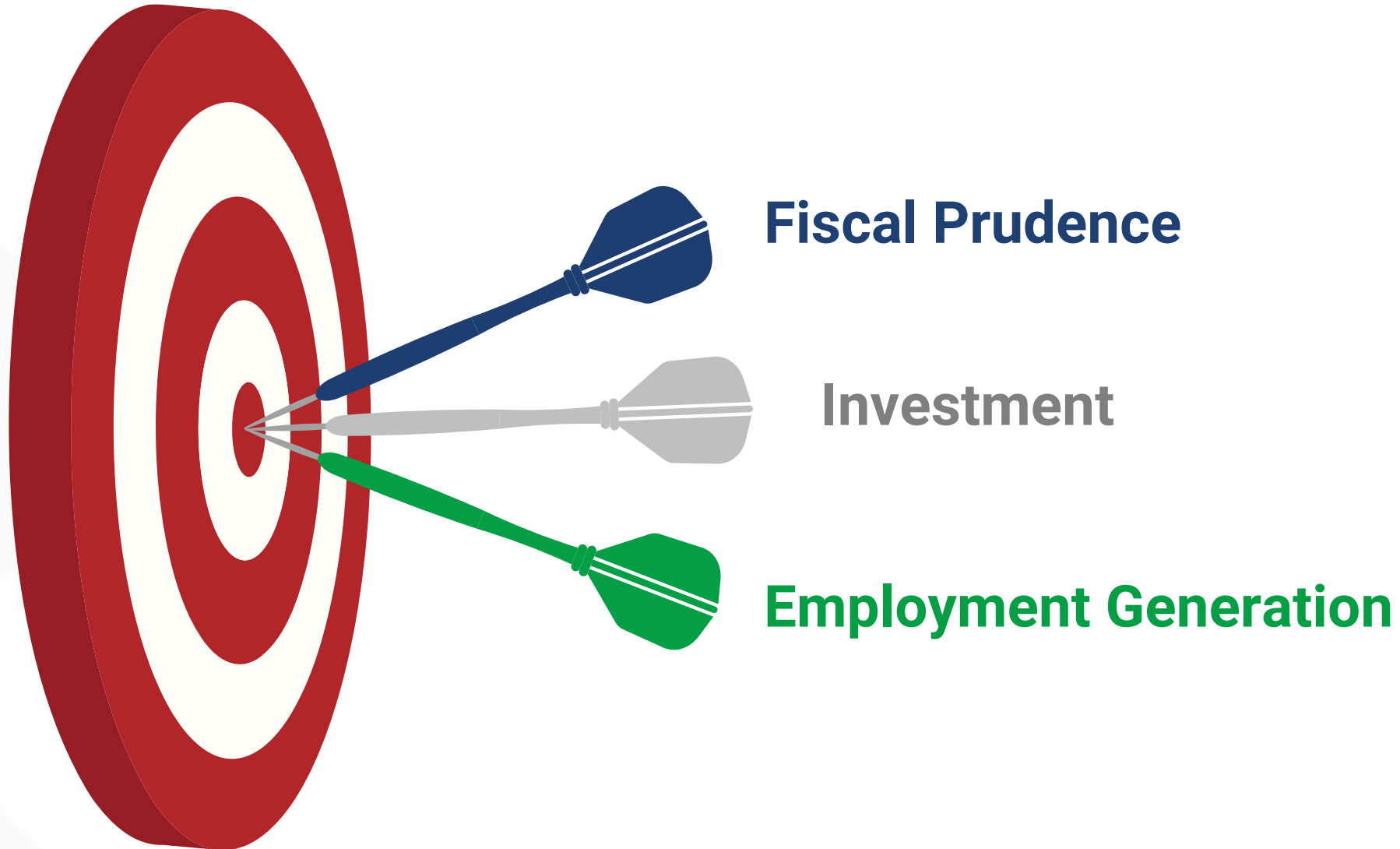
UNION  
**BUDGET**

**2024 - 25**

**ROADMAP TO VIKSIT BHARAT**

<b>What You Want To See?</b>	<b>Where?</b>
Summary For Busy Bees	<a href="#"><u>3</u></a>
Let's Talk Numbers	<a href="#"><u>6</u></a>
What's In It For Me?	<a href="#"><u>11</u></a>
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Sector Impact – Positive/Negative/Neutral	<a href="#"><u>29</u></a>

# Budget Targeting “Trinity Of Impossible”



# Priorities For Viksit Bharat



# Budget Highlights

## ❖ Fiscal Deficit:

- Fiscal Deficit for FY25 Rs 16.13 Lakh Crs (4.9% of GDP) V/s FY24 Rs 16.53 Lakh Crs (5.6% of GDP)
- FY26 - Below 4.5% of GDP
- Gross Market Borrowings at Rs 14.01 lakh Cr, less than FY24

## ❖ Capex:

- FY25 Capex maintained at Rs 11.11 lakh crore & outlay at 3.4% of GDP

## ❖ From FY27 onwards, Debt to GDP ratio is likely to head lower

## ❖ Direct Tax:

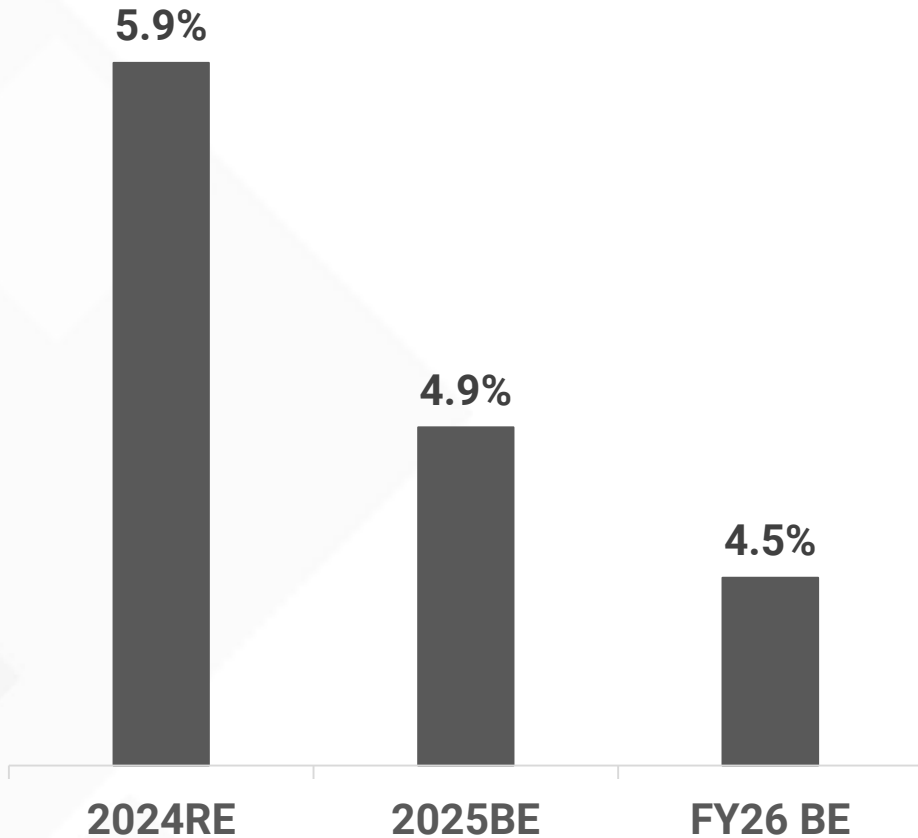
- Changes in new regime & no change in old regime
- LTCG tax – hiked from 10% to 12.5%
- STCG tax – hiked from 15% to 20%

## ❖ Gold & Silver Custom duty has been cut to 6%, risk we have been highlighting for past several months

## ❖ MNREGA, PLI for Pharmaceutical Industry, Solar power & Direct Benefit Transfer (LPG) are among few schemes where allocation has increased over last year

# Fiscal Consolidation Continues

## Fiscal Deficit (% of GDP)



16%

## Revenue

Receipts (In INR Bn)	2024 RE	2025 BE
<b>1. Revenue receipts (2d + 3)</b>	<b>26,997</b>	<b>31,292</b>
2. Gross tax revenues (a + b)	34,372	38,402
2.a. Direct taxes	19,578	22,214
2.b. Indirect taxes	14,794	16,187
2.c Transfers to states, UTs, etc.	11,133	12,567
2.d Net tax revenues (2 - 2.c)	23,239	25,835
3. Non-tax revenues	3,758	5,457
4. Non-debt capital receipts (a + b)	560	780
4.a Recovery of loans	260	280
4.b Other receipts (incl. disinvestments)	300	500
<b>5. Total receipts (1 + 4)</b>	<b>27,557</b>	<b>32,072</b>



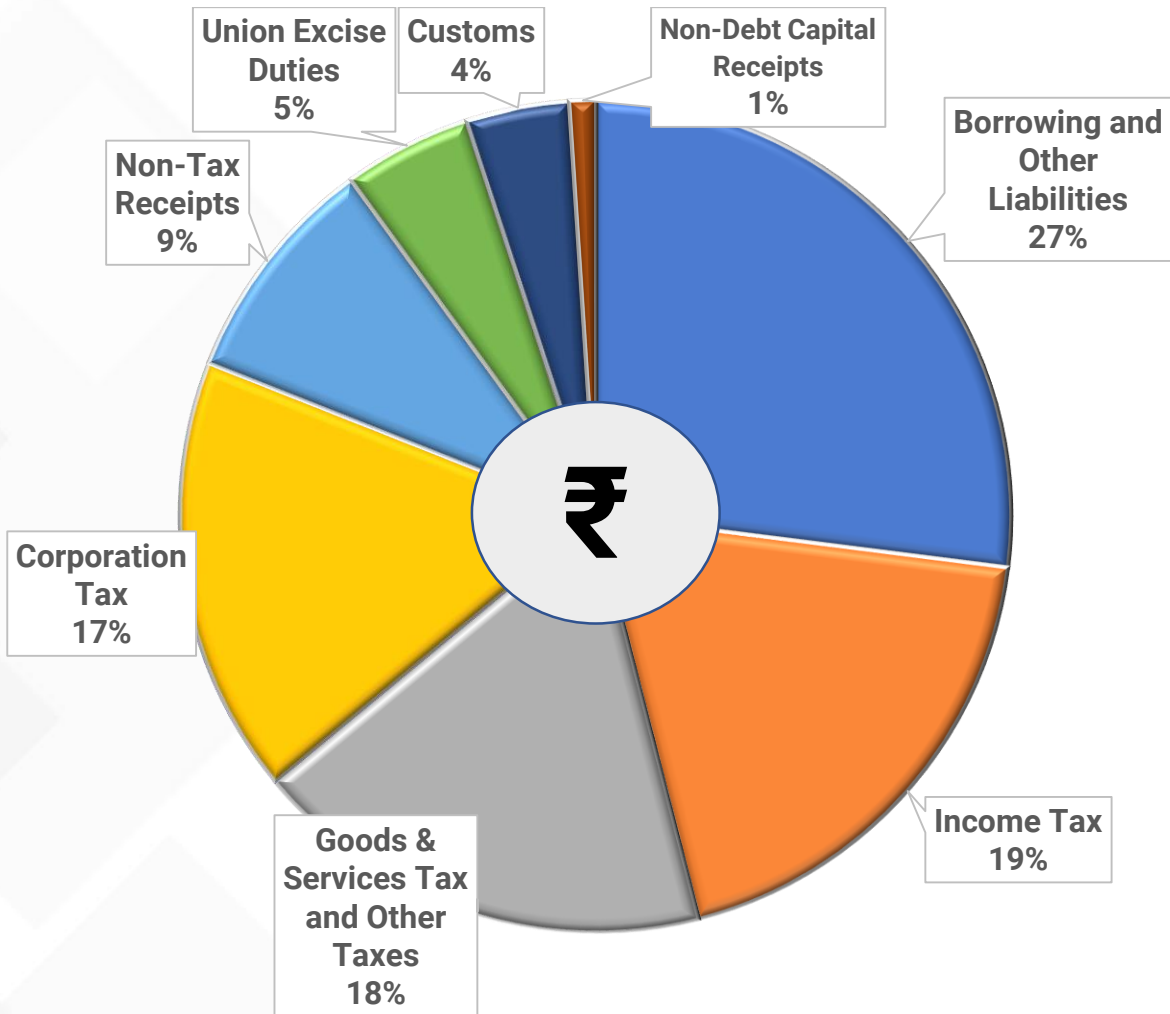
7%

## Expenditure

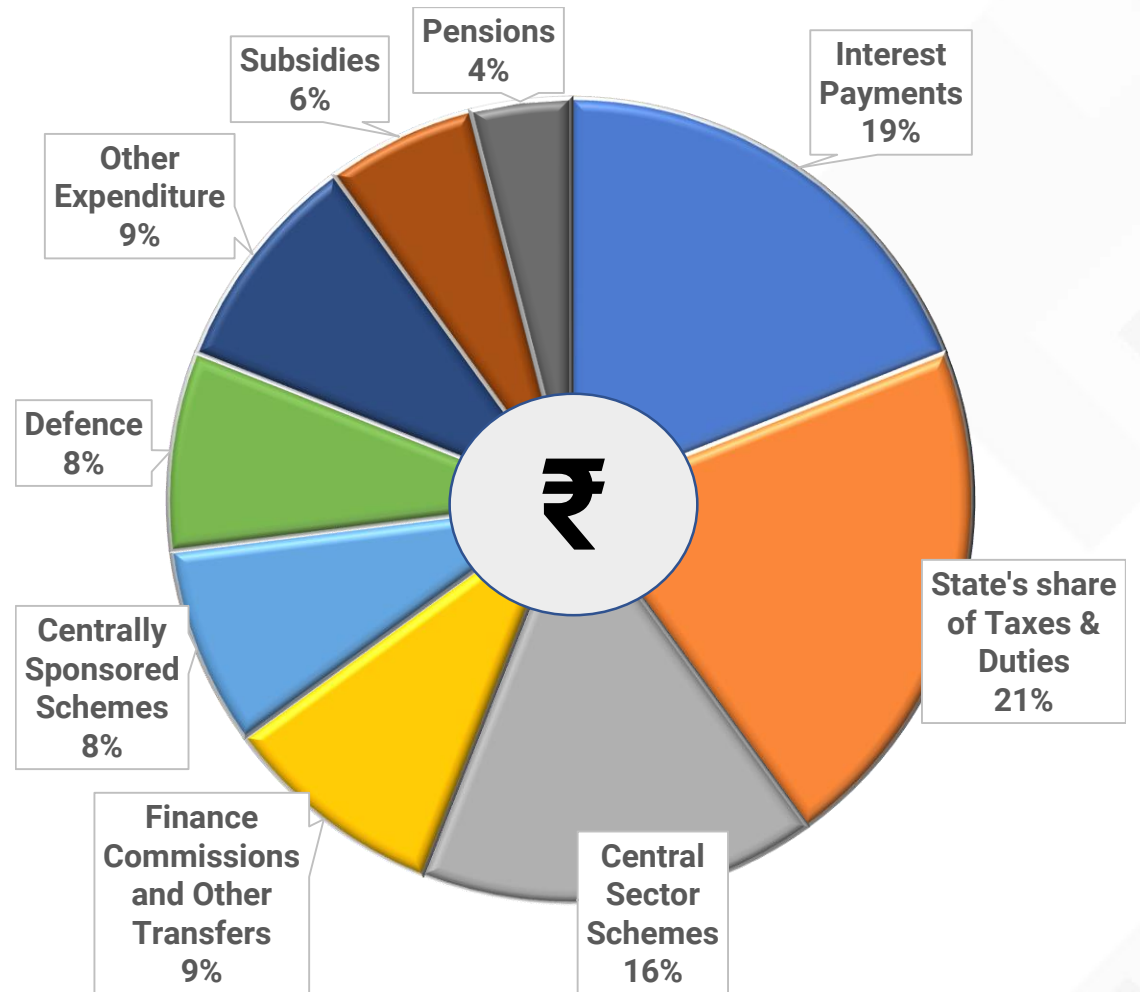
Expenditure (In INR Bn)	2024 RE	2025 BE
<b>6. Revenue expenditure</b>	<b>35,402</b>	<b>37,094</b>
7. Capital expenditure	9,502	11,111
7. a. Defence	1,678	1,822
7. b. Railways	2,400	2,520
7. c. Roads and highways	2,645	2,722
7. d. Loans for capex to states	1,056	1,500
7. e. Housing and urban affairs	265	285
<b>8. Total expenditure (6 + 7)</b>	<b>44,905</b>	<b>48,205</b>

# Government Receipts & Expenditure

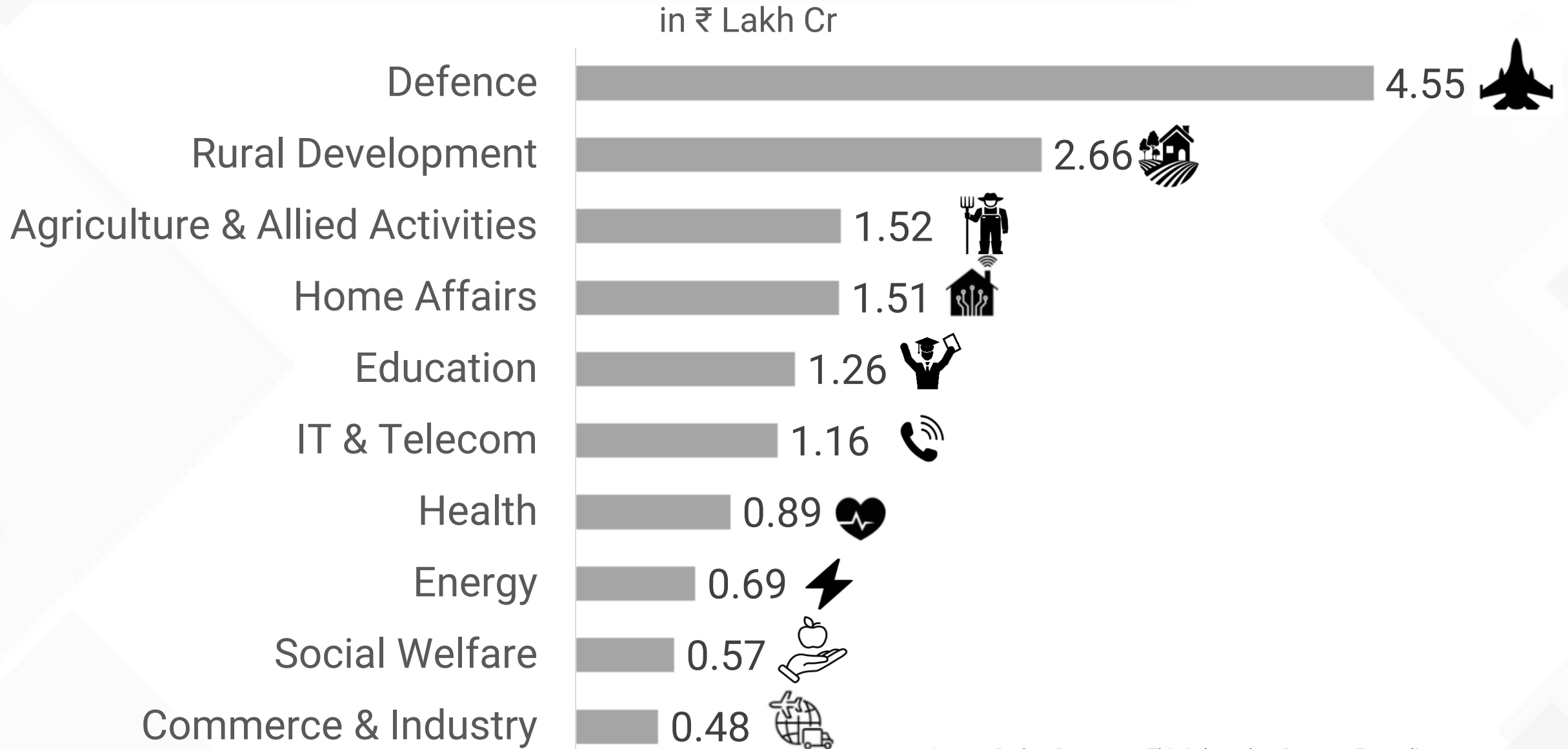
## Rupee Comes From



## Rupee Goes To



# Expenditure Towards Major Items





# New Slabs In New Tax Regime

## Revision of Income Tax

Old Rates (New tax regime)		New rates (New tax regime)	
₹0- 3 lakh	Nil	₹0- 3 lakh	Nil
₹3- 6 lakh	5%	₹3- 7 lakh	5%
₹6- 9 lakh	10%	₹7- 10 lakh	10%
₹9- 12 lakh	15%	₹10- 12 lakh	15%
₹12- 15 lakh	20%	₹12- 15 lakh	20%
> ₹15 lakh	30%	> ₹15 lakh	30%
Standard Deduction (Salaried)	₹50,000	Standard Deduction (Salaried)	₹75,000
Standard Deduction (Pension)	₹15,000	Standard Deduction (Pension)	₹25,000

# Other Key Tax Changes

Asset Class	STCG Earlier	STCG Now	LTCG Earlier	LTCG Now	Holding Period
Listed Equities & Equity Mutual Funds	15%	20%	10%	12.5%	12 months
Physical Gold	Slab rate	Slab rate	20%**	12.5%	24 months
Real Estate (Physical)	Slab rate	Slab rate	20%**	12.5%	24 months

\*\* with indexation

Type	Old Rates	New Rates
Security Transaction Tax on Futures	0.0125%	0.02%
Security Transaction Tax on Options	0.0625%	0.1%
Angel Tax	30.90%	Nil

## ❖ Equity/Hybrid:

- Indian Markets trading at a premium to other EMs
- Large cap segment is at relatively reasonable valuations compared to Mid/ Small caps
- Consider allocation via Lumpsum in Large, Large-Mid cap & Multi asset funds
- Conservative investors can consider Equity Savings Fund

## ❖ Fixed Income:

- The budget numbers are achievable. It is non –inflationary & should give comfort to RBI
- The guidance of Fiscal Deficit under 4.5% for FY26 has paved the way for rating upgrade
- The market borrowing for FY25 for dated securities/T-bill could be lower, incase tax revenues are higher than budgeted or the receipts in other savings schemes are higher than budgeted
- Given lower fiscal deficit trajectory, favorable demand-supply dynamics & monetary policy, investors may consider investing in Long duration & Dynamic Bond Funds

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# Detailed Analysis

# Focus On Capex, Rural And Employment Fiscal Prudence Glide Path Maintained

## Key Budget Themes

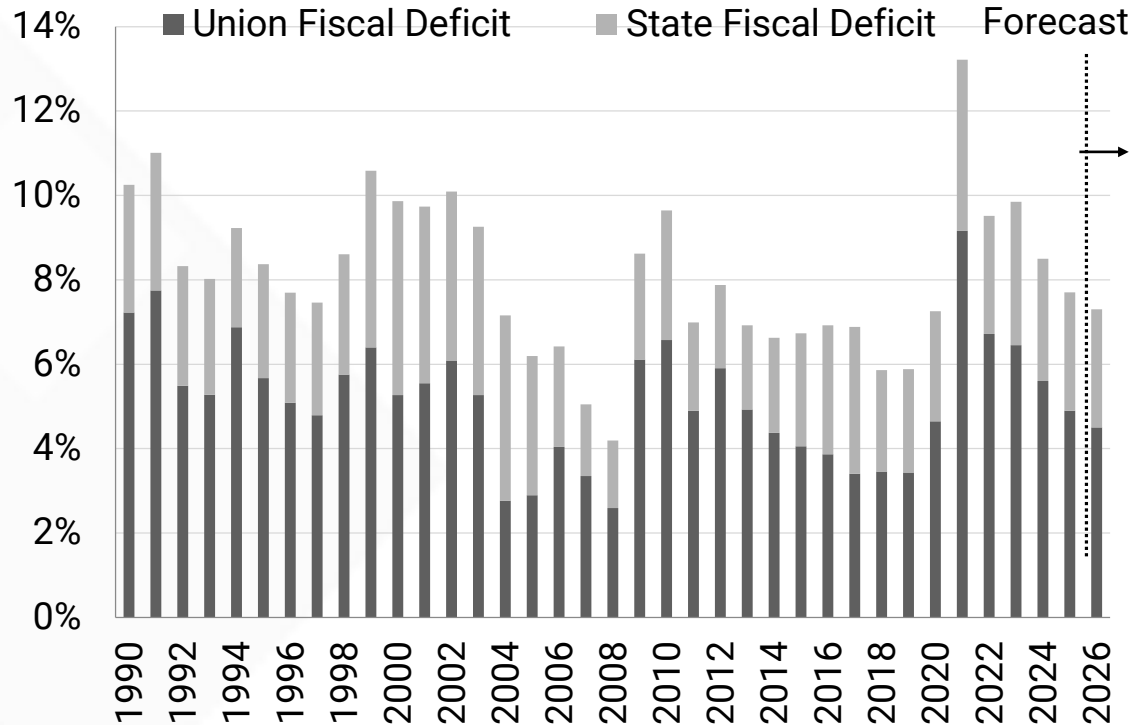
- Budget focuses on capex, MSME, middle class, rural consumption and employment generation
- **Better quality of expenditure:** The budget outlines capital expenditure at 3.4% of GDP, growth for FY25BE at 17% over FY24; Revenue expenditure as % of GDP continues to decline
- **No change in fiscal priorities**
  - Surplus RBI dividend used to bring down fiscal deficit by 20bps Vs FY25VoA to 4.9% of GDP; subsidies unchanged
  - Fiscal consolidation glide path maintained; The intent remains on achieving fiscal deficit lower than 4.5% of GDP by FY25-26
  - FY25E net market borrowing largely unchanged
- **Employment generation and skilling:** INR 2Trn allocated over 5 years for 5 schemes (central outlay)
- **Energy transition and climate action:** Keeping in mind the target of achieving net zero by 2070, the budget announced initiatives for promoting green energy, energy transition and energy security
- **Nominal GDP growth assumptions:** Appears to be realistic at 10.5% in FY25BE
- **Net tax revenue receipts budgeted to grow at 11% in FY25BE:** Net Tax collection target for FY25BE realistic on the back of Nominal GDP growth, better tax compliance and earnings growth by corporate India

## Challenges

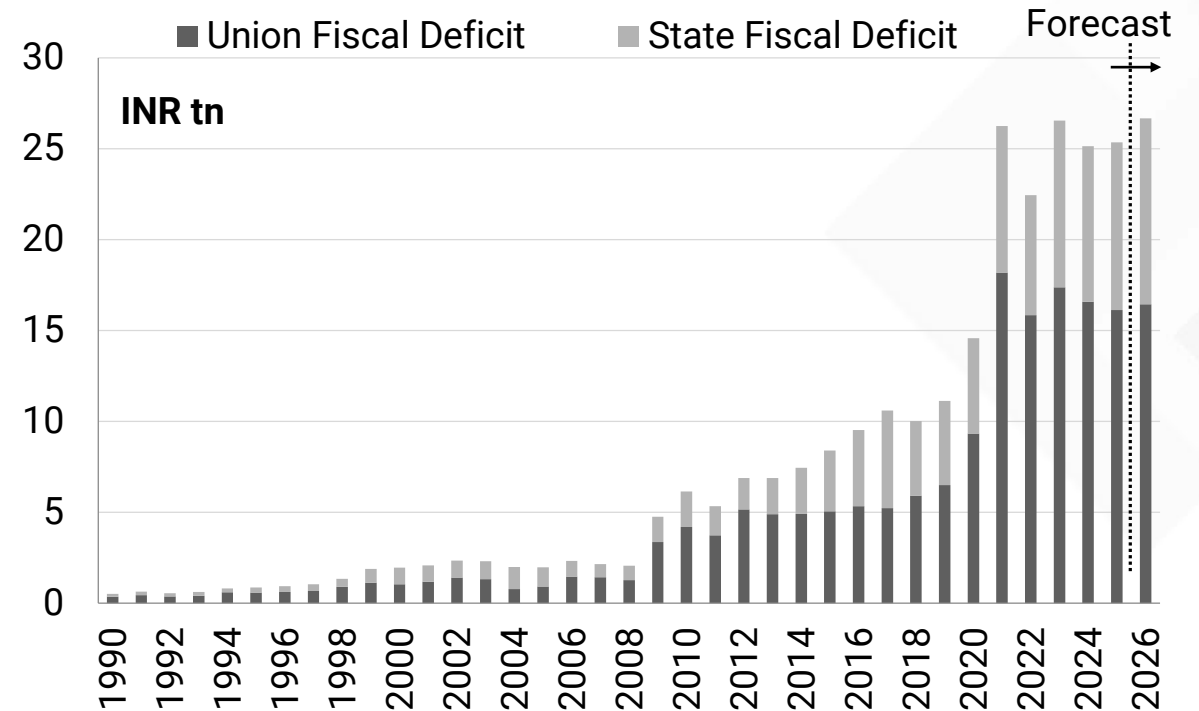
- Achievement of disinvestment target: Target is set at INR500bn
- Execution is the key: From here on execution of the growth agenda and fiscal consolidation would be the key
- India's valuations relative to other emerging market remains elevated. Earnings delivery is key to sustain premium valuations

# Fiscal Consolidation Continues

## Fiscal Consolidation Continues



## Deficit Unchanged In Absolute Terms For 4 Years



- Central fiscal deficit at 4.9% and states expected fiscal deficit at 2.8% implies fiscal consolidation of 80bp at general government level
- Expect fiscal consolidation to continue in FY26, with center budgeting 4.5% and states retaining 2.8% deficit

# Fiscal Deficit Target For FY25BE Set At 4.9% of GDP

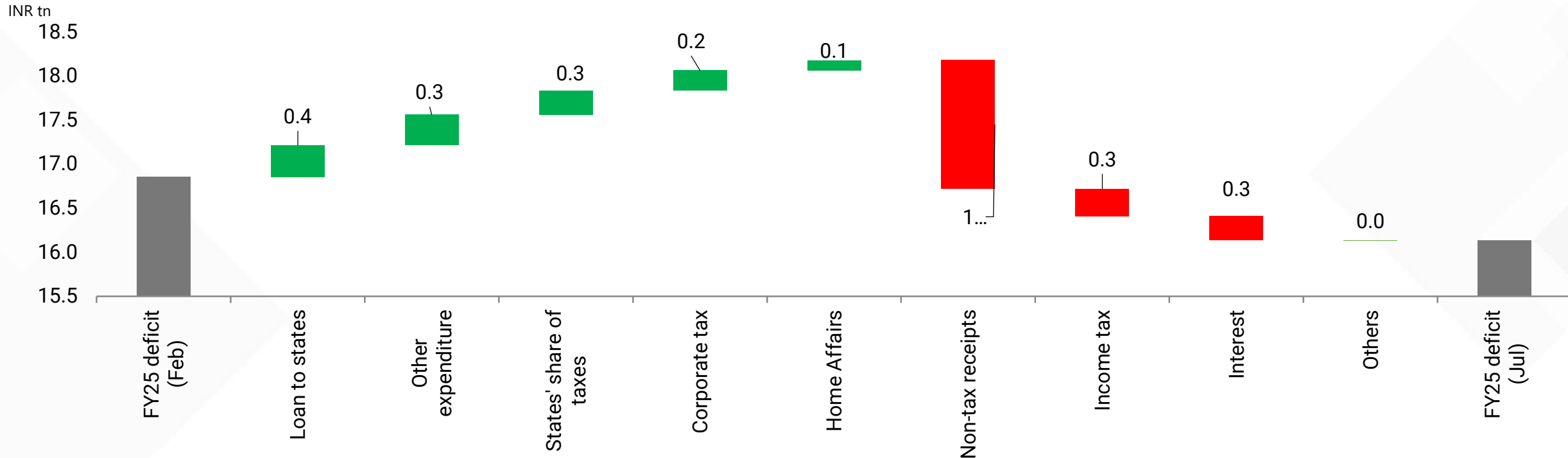
**Government sets FY25BE fiscal deficit at 4.9% of GDP; 5.6% of GDP in FY24RE.**

Trends in government accounts (INR Bn, FY23-FY25BE)

INR BN	FY22-23	FY23-24	FY24-25	FY24-25	% YoY	
	RE	Actuals	VOA	BE	FY25BE/FY23RE	Comments
<b>Revenue Receipts</b>	<b>23484</b>	<b>27284</b>	<b>30013</b>	<b>31292</b>	<b>14.7</b>	
Tax Revenue (Net of State Share)	20867	23265	26016	25835	11	Appear reasonable on the back of nominal GDP growth of 10.5%
Non-Tax Revenue	2618	4019	3997	5457	35.8	Includes telecom receipt of INR 1203Bn ; includes higher RBI dividend
<b>Capital Receipts</b>	<b>18388</b>	<b>17141</b>	<b>17645</b>	<b>16913</b>	<b>-1.3</b>	
Recovery of Loans	235	273	290	280	2.4	
Other Receipts	600	331	500	500	51.0	Disinvestment target set at INR 500Bn
Borrowing & Other Liabilities	17553	16537	16855	16133	-2.4	
<b>TOTAL Receipts</b>	<b>41872</b>	<b>44425</b>	<b>47658</b>	<b>48205</b>	<b>8.5</b>	
Revenue account other than interest payment	25183	24302	24642	25465	4.8	
Interest Payment	9407	10639	11904	11629	9.3	
<b>TOTAL Expenditure</b>	<b>41872</b>	<b>44425</b>	<b>47658</b>	<b>48205</b>	<b>8.5</b>	Lower Subsidies helps control expenditure
Total Revenue expenditure	34590	34940	36547	37094	6.2	Control over revenue expenditure
Of which grants for creation of capital assets	3256	3038	3856	3908	28.6	
Total capital expenditure	7283	9485	11111	11111	17.1	
Effective capital expenditure	10539	12523	14967	15019	19.9	Strong growth in capital expenditure
<b>REVENUE DEFICIT</b>	<b>11105</b>	<b>7656</b>	<b>6534</b>	<b>5802</b>	<b>-24.2</b>	
% of GDP	4.1%	2.6%	2.0%	1.8%		
<b>FISCAL DEFICIT</b>	<b>17553</b>	<b>16537</b>	<b>16855</b>	<b>16133</b>	<b>-2.4</b>	Fiscal deficit remains under control in FY24; Budgeted to decline to 4.9% of GDP in FY25E
% of GDP	6.4%	5.6%	5.1%	4.9%		
<b>PRIMARY DEFICIT</b>	<b>8147</b>	<b>5898</b>	<b>4951</b>	<b>4504</b>	<b>-23.6</b>	
% of GDP	3.0%	2.0%	1.5%	1.4%		
<b>Nominal GDP</b>	<b>273078</b>	<b>295357</b>	<b>327718</b>	<b>326369</b>		
Growth (%)	15.4%	8.2%	11.0%	10.5%		
Effective capital expenditure as % of total	25.2%	28.2%	31.4%	31.2%		
Revenue expenditure as % of GDP	12.7%	11.8%	11.2%	11.0%		

# Reduction In Fiscal Deficit Funded By Higher RBI Dividend

## Reduction In Fiscal Deficit Funded By Higher RBI Dividend



- ❑ The extra RBI “dividend” is used to reduce the FY25 deficit target (Rs0.7tn) and raise interest-free loans to states for capex (Rs0.36tn).
- ❑ Increase in capital gains increases receipts by Rs300bn but offset by lower corporate taxes and higher share of taxes to center
- ❑ Increase in home affairs is mostly due to higher allocation to J&K Police and other expenditure includes employment related spend (Rs 100bn) and Price Stabilization Fund (Rs 100bn)



# Market Borrowing Under Control

## Budgeted net market borrowings lower than FY24

Government borrowing FY22-FY25 BE (INR Bn)

(INR Bn)	FY22A	FY23	FY24RE	FY25VoA	FY25BE
Gross Borrowing	9683	14210	15430	14130	14010
Net Borrowing	7040	11082	11805	11752	11632
Short Term borrowing(T-Bills)	774	10000	13	500	-500
Financing through small savings scheme	5513	4389	4713	4662	4201

- FY25E net market borrowing largely unchanged
- Lower financing through small savings scheme vs FY25VoA
- Any change in interest rate policy would depend on the US Fed action and domestic CPI inflation trajectory

# Revenue Growth: Projections Appear Credible

## Net tax revenue growth budgeted at 11% in FY25BE

Centre's revenue breakup (FY23-25BE), INR Bn

INR BN	2023	2024RE	2024P	2025BE(I)	2025BE	Change (%) 2025BE/ 2024P	Comments
<b>Receipts</b>							
1. Revenue receipts (2d + 3)	23,832	26,997	27,284	30,013	31,292	15	
2. Gross tax revenues (a + b)	30,542	34,372	34,648	38,308	38,402	11	
2.a. Direct taxes	16,723	19,578	19,689	22,130	22,214	13	Strong growth in direct taxes
2.a.1. Corporation tax	8,258	9,227	9,111	10,428	10,200	12	
2.a.2. Income tax (incl. other taxes)	8,464	10,352	10,579	11,701	12,014	14	
2.b. Indirect taxes	13,819	14,794	14,959	16,178	16,187	8	
2.b.1. Goods and Services Tax	8,491	9,566	9,570	10,677	10,619	11	
2.b.1.1. CGST	7,185	8,116	8,206	9,177	9,109	11	
2.b.1.2. IGST	47	—	(50)	—	—		
2.b.1.3. Compensation cess	1,259	1,450	1,414	1,500	1,510	7	
2.b.2. Customs duty	2,134	2,187	2,331	2,313	2,377	2	
2.b.2.1. Basic duties	1,676	1,670	1,779	1,820	1,869	5	
2.b.2.2. Others	457	517	551	493	508	(8)	
2.b.3. Excise duty	3,190	3,036	3,053	3,188	3,190	4	
2.b.4. Service tax	4	5	4	1	1	(76)	
2.c Transfers to states, UTs, etc.	9,564	11,133	11,383	12,292	12,567	10	
2.d Net tax revenues (2 - 2.c)	20,978	23,239	23,265	26,016	25,835	11	Credible estimates on the back of 10.5% nominal GDP growth
3. Non-tax revenues	2,854	3,758	4,019	3,997	5,457	36	
3.a. RBI's transfer of surplus	303	874	874	800	2,104	141	Surplus transfer from RBI as compared to VoA
3.b. Telecommunications	648	935	935	1,203	1,203	29	
3.c. Others	1,903	1,949	2,209	1,994	2,150	(3)	
4. Non-debt capital receipts (a + b)	722	560	605	790	780	29	
4.a Recovery of loans	262	260	273	290	280	2	
4.b Other receipts (incl. disinvestments)	460	300	331	500	500	51	Disinvestments unchanged at INR 500Bn
5. Total receipts (1 + 4)	24,554	27,557	27,889	30,803	32,072	15	

# Capital Expenditure Driving Overall Expenditure Growth

## Lower Subsidies Leading To Lower Revenue Expenditure

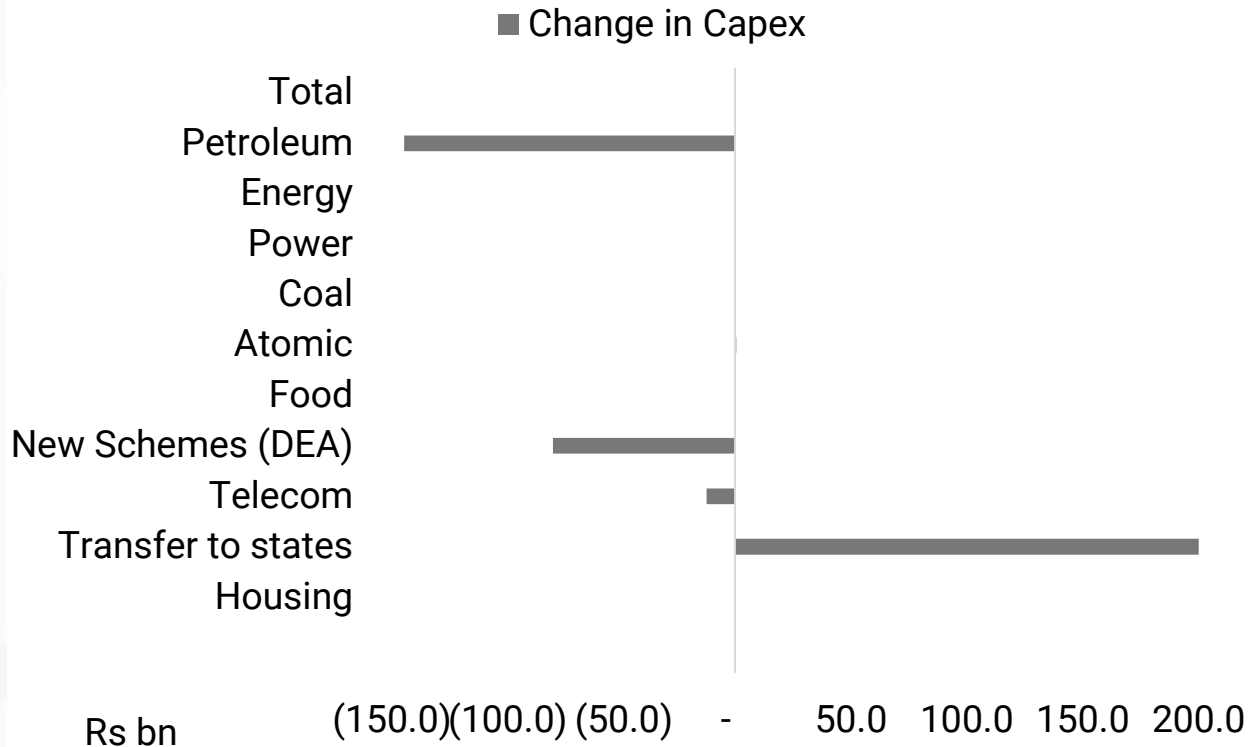
### Rise in the share capital expenditure to total expenditure Centre's expenditure breakup (FY23-25E), INR Bn

INR Bn	2023	2024RE	2024P	2025BE(I)	2025BE	Change (%) 2025BE/ 2024P	Comments
<b>Expenditure</b>							
6. Revenue expenditure	34,531	35,402	34,940	36,547	37,094	6	Growth in revenue expenditure much lower then capital expenditure
6.a. Interest payments	9,285	10,554	10,639	11,904	11,629	9	
6.b. Subsidies	5,310	4,135	4,135	3,812	3,812	(8)	Subsidies de-growth over FY 24; unchanged from VOA
6.b.1. Food	2,728	2,123	2,118	2,053	2,053	(3)	
6.b.2. Fertilizer	2,513	1,889	1,895	1,640	1,640	(13)	
6.b.3. Oil	68	122	122	119	119	(3)	
6.c. Pay, allowances and pensions	6,564	6,876	6,876	7,111	7,171	4	
6.c.1.a. Pay and allowances	4,148	4,495	4,495	4,714	4,738	5	
6.c.1.b. Pensions	2,416	2,380	2,380	2,396	2,433	2	
6.d. Agriculture and farmers' welfare	999	1,167	1,083	1,174	1,224	13	Strong growth in rural development
6.e. Education	972	1,297	1,234	1,206	1,206	(2)	
6.f. Health and family welfare	703	749	783	833	840	7	
6.g. Rural development	1,768	1,711	1,619	1,776	1,776	10	
6.h. Others	8,931	8,914	8,572	8,731	9,436	10	
7. Capital expenditure	7,400	9,502	9,485	11,111	11,111	17	Capital expenditure growth remains strong at 17%
7. a. Defence	1,509	1,678	1,646	1,822	1,822	11	
7. b. Railways	1,593	2,400	2,426	2,520	2,520	4	
7. c. Roads and highways	2,060	2,645	2,639	2,722	2,722	3	
7. d. Loans for capex to states	812	1,056	1,129	1,300	1,500	33	Increase in Capex to states
7. e. Housing and urban affairs	269	265	264	286	285	8	
7. f. Others	1,158	1,459	1,381	2,460	2,261	64	
8. Total expenditure (6 + 7)	41,932	44,905	44,425	47,658	48,205	9	

# Higher IEBR Pushes Capex Growth Up In FY25

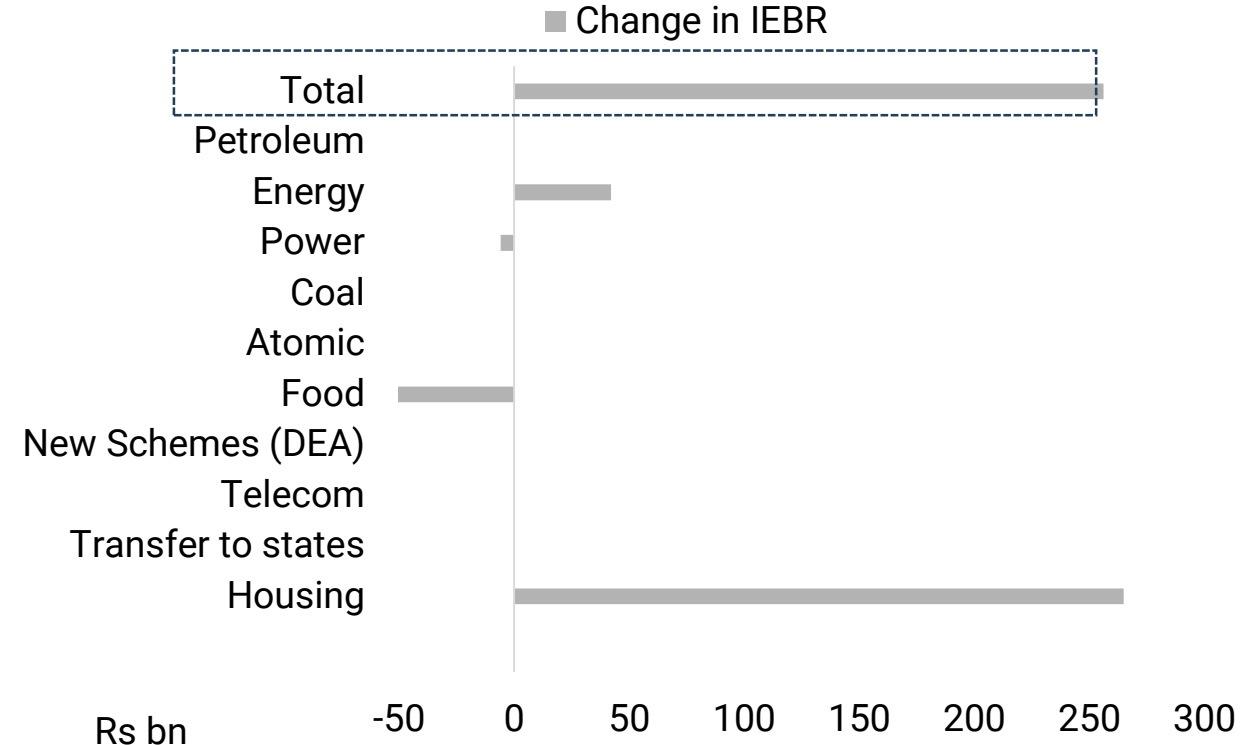
## Higher Transfer To States Offset By Cuts To OMC Support

Change over the interim budget



## Higher IEBR Than The Interim Driven By Housing

Change over the interim budget



- While the overall capex spend for the central government has been held constant vs the interim budget, higher transfer to states have been offset by lower spending on petroleum (cut of support to OMCs of Rs 150bn)
- Higher IEBR come majorly from housing and energy.
- Overall IEBR has increased by Rs 256bn on account of housing. Overall capex growth incl IEBR is up to 16% vs 14% earlier.

# Subsidy As % Of GDP Getting Back To Pre- COVID Levels

## Subsidy as % of GDP at 1.3% of GDP in FY25BE

Subsidy break up (FY22-25E), INR Bn

(INR Bn)	FY22A	FY23	FY24	FY25VOA	FY25BE
Food Subsidy	2890	2872	2123	2053	2053
Fertilizer Subsidy	1538	2252	1889	1640	1640
Petroleum Subsidy	34	92	122	119	119
<b>Total Subsidy*</b>	<b>5039</b>	<b>5621</b>	<b>4405</b>	<b>4097</b>	<b>4284</b>
<b>Subsidy as % of GDP</b>	<b>2.2%</b>	<b>2.1%</b>	<b>1.5%</b>	<b>1.3%</b>	<b>1.3%</b>

- Subsidy for FY25BE unchanged as compared to the VOA
- Subsidy in FY25BE is at 1.3% of GDP on the back of lower fertiliser subsidies

# Tax Proposals: Older Regime Status Quo, Nudge Towards New Regime

## Corporate Tax Rate

- No changes in corporate tax rate for domestic companies.
- Corporate tax rate on foreign companies reduced from 40 to 35 per cent.
- Simpler tax regime for foreign shipping companies operating domestic cruises in the country.

## Personal Income Tax

- Standard deduction for salaried employees is proposed to be increased from INR 50,000/- to INR 75,000/-
- Income ranging from INR 0.3mn - 0.7mn will now attract a 5% tax rate, previously applicable to income between INR 0.3mn - 0.6mn
- Income levels between INR 0.7mn - 1mn will face a 10% tax rate, previously applied to income between INR 0.6mn - 0.9mn. For incomes between INR 1mn - 1.2mn, the tax rate has been set at 15%, whereas the previous range was INR 0.9mn - 1.2mn.
- Deduction on family pension for pensioners is proposed to be enhanced from INR 15,000/- to INR 25,000

# Tax Proposals: Older Regime Status Quo, Nudge Towards New Regime

New Regime 2023-24				New Regime 2024-25				Tax savings in New regime		
Taxable Income Slab		Rate	Tax	Cumulative tax liability		Taxable Income Slab	Rate		Tax	Cumulative tax liability
-	3,00,000	-	-	-	-	3,00,000	-	-	-	-
3,00,001	6,00,000	5%	15,000	15,000	3,00,001	7,00,000	5%	20,000	20,000	5,000
6,00,001	9,00,000	10%	30,000	45,000	7,00,001	10,00,000	10%	30,000	50,000	5,000
9,00,001	12,00,000	15%	45,000	90,000	10,00,001	12,00,000	15%	30,000	80,000	
12,00,001	15,00,000	20%	60,000	1,50,000	12,00,001	15,00,000	20%	60,000	1,40,000	
> 150000		30%			> 150000		30%			
<b>Total tax savings</b>			<b>1,50,000</b>					<b>1,40,000</b>		<b>10,000</b>

Old Regime Taxable Income Slab		Rate
-	3,00,000	0%
3,00,001	6,00,000	5%
6,00,001	9,00,000	10%
9,00,001	12,00,000	15%
12,00,001	15,00,000	20%
> 15,00,000		30%

- No change in tax slabs under old regime.
- In new regime, overall savings likely to be INR 10000. Including increase in standard deduction by INR 25,000, cumulative tax savings likely to be INR 17,500

# Capital Markets- Parity In Capital Gain Tax Across Listed Asset Class, Increase In STT On Derivatives

Asset Class	LTCG		STCG	
	New	Old	New	Old
Stocks	12.50%	10%	20%	15%
Equity MF	12.50%	10%	20%	15%
Bonds Listed	12.50%	10%	20%	Slab rate
Gold/Silver ETF	12.50%	Slab rate	20%	Slab rate

STT	New	Old
Options (sale)	0.10%	0.0625%
Futures securities (Sale)	0.02%	0.0125%
Equity deliver (buy)	0.10%	0.10%
Equity deliver (sale)	0.10%	0.10%

- Increase in LTCG to 12.5% from 10% and STCG increased to 20% from 15%.
- Company buy back shall be treated as dividend in the hands of shareholders. Normal income tax will be charged.
- Increase in STT on options to 0.1% and futures to 0.02%.



# Oil Subsidy: Minor Provision Towards LPG DBT And For Providing LPG Connections

## Budget Provision For Fuel Subsidy In FY25 Subsidy Break Down FY23-25BE (INR Bn)

	FY23A INR Bn	FY24 BE INR Bn	FY24RE INR Bn	FY25 BE INR Bn
<b>LPG DBT Provision In The Budget</b>	<b>2</b>	<b>2</b>	<b>15</b>	<b>15</b>
add: LPG connections to poor households	57	0	85	91
add: subsidies towards North East, projects, etc.	10	21	23	13
add: one-time grant for domestic LPG under-recovery*	220	-	-	-
<b>Total Petroleum Subsidy Provision In The Budget</b>	<b>288</b>	<b>23</b>	<b>123</b>	<b>119</b>

\* Provided outside the head "LPG Subsidy"

### Total Petroleum Subsidy Provided For FY25BE: INR 119bn (Unchanged From Interim Budget)

- LPG subsidy directed towards mainly providing connections to poor households and nominal allocation towards LPG DBT.
- Excise duty collection estimate for FY25E forecasting 5% YoY growth inline with volume growth, indicate there may not be major upward or downward revision to duties on petroleum fuels.
- Removal of Capital support to Oil Marketing Companies of INR 300 Bn budgeted in FY24BE, which was halved to INR 150 Bn and rolled over to FY25BE in the Interim Budget. Allocation had remained unutilized.

## Sustained Focus on Infrastructure

- Capital expenditure allocation is up by 17% over FY24 RE to INR 11.1tn, highlighting the commitment of Government of India on Infrastructure development.
- In addition, the financial assistance to States for capex and project support has been Increased.
- Total capital investment represents 3.4% of GDP and increases to 3.9% of GDP including the Grant given to States.
- Total capex on Roads (including budgetary support) at INR 4.4tn, up 2% YoY in FY25BE. This includes Highways and Rural roads. Higher Gross Budgetary Support to NHAI is also positive as it reduces dependence on external borrowing to fund investment.
- Railways has seen moderate increase in allocation by 5% to INR 2.5 tn which will expedite addition of new lines, BG conversion, High Speed Rail Corridor and peripheral infrastructure creation. Metro projects capex is up 9% to INR 213 bn.
- Housing has seen the highest increase in outlay, budget for PMAY has been increase by 57% to INR 847 bn
- Jal Jeevan Mission outlay has been kept steady at INR 702 bn.
- Allocation for Solar Power of INR 100bn vs INR 48 bn in FY24 RE

# Water, Railways Amongst The Key Sector Witnessing Higher Allocation

## Water, Railways Amongst The Key Sector Witnessing Higher Allocation

Key Scheme/Sector Capital Outlay (INR B)	FY22A	FY23A	FY24RE	FY25BE	Incr over (%) FY24RE
Jal Jeevan Mission (JJM)/National Rural Drinking Water Mission	631	547	700	702	0.3%
Pradhan Mantri Awas Yojna (PMAY) - Urban	600	286	221	302	36.7%
Pradhan Mantri Awas Yojna (PMAY) - Rural	300	450	320	545	70.3%
Pradhan Mantri Gram Sadak Yojna	140	188	170	190	11.8%
Swachh Bharat Mission	50	69	96	122	27.1%
AMRUT and Smart Cities Mission	139	152	132	104	-21.2%
Metro Projects	233	188	195	213	9.2%
Border Roads Development Board	0	45	65	65	0.0%
NHAI	571	1416	1,674	1685	0.7%
MoRTH	662	758	1085	1151	6.1%
Railways	1,173	1593	2,402	2520	4.9%
Defence	1,343	1429	1,572	1720	9.4%
Production Linked Incentives & similar schemes	0	33	81	144	77.8%
<b>Total</b>	<b>5,842</b>	<b>7,154</b>	<b>8,713</b>	<b>9,463</b>	<b>8.6%</b>

# Rural : 'Annadata' In Focus Budget Priority

## No.1: Productivity And Resilience In Agriculture

### Positive Implications For Agriculture/Rural Sectors – Key Highlights

- For the sector comprising of Agriculture and allied activities, Fertilizers and Rural Development an allocation of about INR 5.94 Tn has been made for the year FY25 vs INR 5.78 Tn in FY25E Interim Budget.
- The budget has mentioned Productivity and Resilience in Agriculture as Priority No.1 out of the identified 7 priorities.
- Government will facilitate the implementation of the Digital Public Infrastructure (DPI) in agriculture for coverage of farmers and their lands in 3 years. During this year, digital crop survey for Kharif using the DPI will be taken up in 400 districts. The details of 6 crore farmers and their lands will be brought into the farmer and land registries.
- New 109 high-yielding and climate-resilient varieties of 32 field and horticulture crops will be released for cultivation by farmers. In the next two years, 1 crore farmers across the country will be initiated into natural farming supported by certification and branding. Implementation will be through scientific institutions and willing gram panchayats. 10,000 need-based bio-input resource centers will be established.
- As announced in the interim budget, a strategy is being put in place to achieve 'atmanirbharta' for oil seeds such as mustard, groundnut, sesame, soybean, and sunflower.

### Steady Outlay Towards Rural And Agriculture, With FY25BE Marginally Higher To FY24RE

Provision/Allocation for Rural Sector, Agriculture and Farmer's welfare(In INR bn)	FY23A	FY24BE	FY24RE	FY25BE	% Change
Allocation towards MGNREGS	908	600	860	860	0%
Allocation towards Pradhan Mantri Kisan Samman Nidhi Yojna	583	600	600	600	0%
Allocation towards National Rural Drinking Water Mission	547	700	700	702	0%
Allocation towards Pradhan Mantri Awas Yojna - Rural	450	545	320	545	70%
Allocation towards Modified Interest Subvention Scheme (MISS)	180	230	185	226	22%
Allocation towards Pradhan Mantri Gram Sadak Yojna	188	190	170	190	12%
Allocation towards Pradhan Mantri Fasal Bima Yojna	103	136	150	146	-3%
Allocation towards National Rural Livelihood Mission	115	141	141	150	6%
Allocation towards Pradhan Mantri Krishi Sinchai Yojna	56	86	70	93	33%

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# Sectoral impact

# Summary

Sector	Nature of Impact
BFSI	Positive
Agriculture	Neutral
Auto	Positive
Real Estate	Positive
Capital goods	Positive
Cement and building material	Positive
Consumer	Positive
Oil & Gas	Neutral
Power	Positive
Metals & Mining	Positive
Technology	Positive

Source: KMAMC internal Research. The stocks/sectors mentioned do not constitute any kind of recommendation and are for information purpose only. Kotak Mahindra Mutual Fund may or may not hold position in the mentioned stock(s)/sector(s).

# BFSI: Sectoral Impact

## Positive At The Margin; Fiscal Prudence Continues

### Impact on Lenders (Banks / NBFCs)

- **Net government borrowing at ~INR11.63 trillion** was largely on expected lines. Bond yields likely to remain stable and hence neutral for bank's treasury portfolios and borrowing costs for NBFCs.
- **Affordable housing:**
  - Government has allocated ~INR850bn towards Pradhan Mantri Awas Yojana (PMAY)
  - Government has allocated ~INR40bn towards the Credit Linked Subsidy Scheme (CLSS), of which, INR30bn is towards the Economically Weaker Section (EWS) / Lower Income Group (LIG) and INR10bn towards Middle Income Group (MIG) – we believe this will benefit NBFCs / HFCs engaged in the affordable housing finance segment. Allocation could increase going forward as seen in the erstwhile CLSS schemes.
- **Reduction in duty on gold** should lead to lower gold prices and this can in turn lead to likely slower growth for gold loan players.

### MSME Credit

- Introduction of new self-financing guarantee fund, for facilitating term loans to MSMEs for purchase of machinery and equipment without collateral or third-party guarantee – Likely to drive credit demand in MSME segment for banks (private as well as PSU)
- PSU banks are to develop in-house capabilities to underwrite MSME credit vs relying on traditional external assessment methods : This will likely expand the MSME addressable market to include more MSMEs in the formal lending system.
- Introduction of credit support through a guarantee from a government promoted fund for MSMEs classified as “Special mention Accounts (SMA)” can provide support for MSME segment asset quality for banks (both private as well as public).
- Increase in the limit for Mudra loans to INR2.0mn from INR1.0mn under “Tarun” category where borrowers have availed loans and have good payment track record – should augment MSME loan growth for banks.
- Setting up of more tribunals for speedy recovery of stressed assets under the IBC Code.
- Reduction in tax outgo for salary earners under the new tax regime through 1) increase in standard deduction from INR50,000 to INR75,000 and 2) re-adjustment of tax slabs leading to tax savings of INR17,500 can lead to higher spending towards consumption.

# Union Budget FY25: Sectoral impact

## Agriculture: Neutral

Sector	Budget Proposal	Nature of Impact	Comments
Agriculture	Total <b>fertilizer</b> subsidy allocated is INR 1641 bn (INR 1190 bn for urea + INR 450 bn for complex fertilizers) for FY25BE ie decreased by 6% vs INR 1751 bn FY24BE and lower by 13% vs INR 1889 bn in FY24 RE (INR 1286 bn for urea + INR 603 bn for complex fertilizers).	<b>Negative</b>	Subsidy for Fertilizer companies has been reduced in FY25
	Pradhan Mantri Kisan Samman Nidhi Yojna or <b>PM KISAN</b> allocation is flat in FY25BE at INR 600bn vs FY24RE	<b>Neutral</b>	Not much incremental cash flow for farmers
	Allocation towards Modified Interest Subvention Scheme ( <b>MISS</b> ) has increased to INR 226bn in FY25BE up 22% vs INR 185bn in FY24RE.	<b>Positive</b>	Increase liquidity with the farmers for spending on agri inputs
	<b>Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)</b> allocation is flat at INR 860 bn in FY25BE vs FY24RE	<b>Neutral</b>	No major change in rural income opportunities



# Union Budget FY25: Sectoral Impact

## Auto: Positive

Sector	Budget Proposal	Nature of Impact	Comments
Auto	Higher Infra spending	Positive	Infrastructure spending will enable job creation and is a key enabler for growth in demand for the sector.
	Scheme for employment creation at lower end	Positive	Entry level 2W and 4W may see revival in volumes in medium term
	EV ecosystem	Neutral	No change in allocation for FAME subsidy, PLI Schemes for Auto and Auto components or ACC (Battery). No extension of Electric Mobility Promotion Scheme
	Customs duty on critical minerals (such as lithium, copper, cobalt and rare earth elements duty), graphite and platinum/palladium has been cut to zero.	Positive	Marginal positive for both automobile OEMs. Reduction in customs duty for critical minerals will reduce lithium cell manufacturing costs in future

# Union Budget FY25: Sectoral impact

## Capital Goods: Positive

Sector	Budget Proposal	Nature of Impact	Comments
Capital Goods	Overall outlay at INR 11.1 tn unchanged from interim budget, from INR 9.5 tn (FY24RE)	Positive	Steady increase in outlay. Equipment suppliers to Roads, Railways and water sector key beneficiary
	Defence capital acquisition outlay of INR 1720 bn. Unchanged vs interim budget	Neutral	Defense capital acquisition budget, has increased by a moderate 9.4% and has remained unchanged from interim budget
	INR 2522 bn has been assigned towards railways, which has gone up by 5% YoY	Neutral	Steady push towards capacity enhancement and modernization.
	INR 213 bn has been assigned towards metro projects which has gone up by 9.8%	Positive	Push towards increasing metro network and connectivity
	Overall outlay for MoRTH increased from INR 2759 bn in FY24RE to INR 2775 bn in FY25BE	Neutral	Continued push towards infrastructure development, positive for construction equipment suppliers
	PM Awas Yojana outlay hiked by 57% to INR 847 bn vs INR 807 bn	Positive	Positive for construction material, consumer durables
	Allocation to Solar Power Grid of INR 100bn vs INR 48 bn YoY	Positive	Positive for power transmission and distribution companies
	Allocation of INR 22 bn towards Nuclear Power Project up by 22%	Positive	Focus on nuclear energy to enhance energy security of the country

# Union Budget FY25: Sectoral impact

## Cement, Building Materials: Positive

Sector	Budget Proposal	Nature Of Impact	Comments
Cement And Building Material	Aggregate allocation for PMAY (Urban+ Gramin) at INR 847 bn has increased 56% vs FY24RE and 5% vs interim FY25BE.	Positive	Marginally positive for Cement sector as increased allocation for housing.
	Andhra Pradesh Reorganization Act- commitment of INR 150bn in FY25, with additional amount in future years	Positive	
	Allocation to roads and highways maintained at INR 2,900 bn which is flat vs FY24RE and interim FY25BE.Highway projects worth INR 260bn in Bihar	Positive	
	Allocation for metro projects at INR 213 bn is up 9% vs FY24RE but flat vs interim FY25BE.	Positive	
	Jal Jeevan Mission (JJM) / National Rural Drinking Water Mission- budgeted estimate for FY24 is INR 700Bn and INR 701.62Bn for FY25E.	Positive	
	Govt will promote water supply, sewage treatment and solid waste management projects and services for 100 large cities through bankable projects.	Positive	

# Union Budget FY25: Sectoral impact

## Consumers: Positive, Oil & Gas: Neutral

Sector	Budget Proposal	Nature of Impact	Comments
Consumer	No change in taxes for cigarettes	Positive	Helps increase in the pace of formalization by gaining market share from illicit cigarette industry.
	Reduction of custom duty on gold imports from 15% to 6%	Positive	Helps in reducing the smuggling of gold in India and accelerating the shift from unorganized to organized industry. Further, a correction in gold prices should revive the demand for jewelry. However, jewelry companies will report inventory losses in the near term.
	Reduction in tax rates in the new tax regime leading to an increase in disposable income of ~INR 17,500	Positive	Positive for staples and low ticket discretionary consumption like QSR's, footwear etc.
	Allocation of INR 2 tn through five new schemes to generate employment	Positive	Positive for staples and discretionary consumption
Oil & Gas	Petroleum subsidy allocation of INR119bn for FY25E	Neutral	Subsidy allocation is mainly towards providing LPG connections to poor households and LPG DBT. No allocation for under-recoveries on fuels, which may not be needed in full year though there was under-recoveries suffered by oil marketing companies in Q1FY25 due to seasonally high LPG prices.
	Capital outlay of INR150bn to OMCs for energy transition removed	Neutral	Capital allocation budgeted at INR 300 bn for FY24 was rolled over to FY25E at reduced amount of INR 150 bn in FY25E interim budget. Though intended for energy transition project, it remained unutilized with no projects planned. Hence, no impact due to removal of this capital outlay.
	Removal of customs duty on certain goods for use in petroleum exploration operations	Positive	Reduction in exploration project cost for upstream companies.

# Union Budget FY25: Sectoral impact

## Metals, Real Estate: Positive

Sector	Budget Proposals	Nature of Impact	Comments
Metals & Mining	Pradhan Mantri Awas Yojna(PMAY)- Urban: allocation of INR 301bn from INR 221 bn YoY	Positive	Increase in steel consumption
	Pradhan Mantri Awas Yojna(PMAY)- Rural: allocation increased from INR 320 bn last year to INR 545 bn	Positive	Increase in steel consumption
	Ferrous scrap imports - Nil custom duty extended to FY26 vs Sep'24 earlier	Positive	Positive for the DRI based long steel players
	Precious metal imports - Import duty reduced for gold/ silver reduced from ~15% to ~6%	Negative	Domestic premium to reduce for silver producing companies
Real Estate	Allocations increased under PMAY scheme for FY25BE raised to INR 846.7 bn vs INR 541 bn in RE 2023-24	Positive	Positive for affordable housing projects
	Change in Long term Capital gain tax rate, removal of indexation benefit	Negative	LTCG tax increased from 10% to 12.5%. No option available to claim benefit of indexation (though taxed at 20% in the earlier regime).

# Union Budget FY25: Sectoral impact

## Power: Positive

Sector	Budget Proposals	Nature of Impact	Comments
Power	Rooftop solarization- 10mn households will be enabled to obtain up to 300 units of free electricity per month	Positive	Same as interim budget. Rooftop solar pickup is currently limited to only few states. However, state level implementation of policy is the key
	Solar sector - Custom duty for specified capital goods for use in manufacture of solar cells or solar modules, and parts for manufacture of such capital goods reduced from 7.5% to Nil now	Positive	Will boost domestic production of solar cells and modules
	Solar glass for manufacture of solar cells or solar modules - custom duty increased from Nil to 10%	Negative	Negative for solar module companies. However positive for solar glass manufacturing companies
	Solar cells: Custom duty for tinned copper interconnect for manufacture of solar cells or solar modules from Nil to 5%	Negative	Cost to increase
	RE raw materials: Lower BCD on Lithium, copper + 25 important minerals/metals	Positive	Cheaper RM for batteries, defense, capital goods, nuclear, power
	Allocation to Reform Linked Distribution Scheme for discoms increased by 21% YoY	Positive	To boost discom reforms. However it is lower by 13% vs interim budget
	Thermal plant: New 2.4gw thermal plant in Bihar for Rs 214bn and a first of its kind pilot 800mw thermal project on Advance Ultra Super Critical Thermal Plants to be set up	Positive	Thermal power sector to continue to see revival of capex cycle
	Nuclear Energy: Pvt sector participation + PSU JVs to develop 'Bharat' small reactors. Also R&D for modular reactor and new technologies	Positive	Revival of nuclear energy capex cycle
	Pumped Hydro: Policy for Energy transition and Pumped Hydro plants to be finalized soon	Positive	Directionally positive

# Union Budget FY25: Sectoral impact

## Tech: Positive

Sector	Budget Proposals	Nature of Impact	
Internet	Change in tax slabs and higher standard deduction will drive an additional INR 17,500 per year tax saving for a taxpayer with INR1.5 mn in taxable income, opting for the new regime	Positive	This is a slight positive for small ticket consumption plays like food delivery
	Abolition of Angel tax	Positive	Removal of angel tax is a key positive for internet companies which are heavily dependent on the start up ecosystem
EMS	Basic customs duty on imported mobiles, chargers and PCBAs lowered from 20% to 15%	Negative	Cheaper imports might increase competitive pressure for domestic EMS companies.
	Basic customs duty on telecom equipment PCBA increased from 10% to 15%	Positive	This should boost domestic manufacturing and is a key positive for companies present in Telecom & Networking PLI
	130% YoY increase in budgetary allocation for Development of Semi-conductors and Display Manufacturing Ecosystem in India	Positive	Higher allocation has been made for OSAT / ATMP facilities at INR 42 bn. This is positive for companies awaiting approval for its OSAT facility.
	36% YoY increase in allocation towards PLI for large scale electronics manufacturing	Positive	Higher allocation towards large scale electronics manufacturing PLI can be perceived as a positive for EMS players.
IT	EPFO contribution reimbursement	Positive	In order to incentivize organized sector job creation, the budget announced a reimbursement of EPFO contributions made for new employees of up to Rs3,000 per month for two years, for all new employees earning less than INR 1,00,000 per month. This is expected to have slight reduction impact on the wage bill of IT companies

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