2024-25

PRE-BUDGET

EXPECTATIONS

Budget to Retain the Growth Roadmap, albeit with a Tint of Populism

The Finance Minister of India will present the Interim Union Budget for FY24-25 on 1st Feb'24. The impact of the Union Budget on the equity market has reduced notably over the past few years with the government undertaking most of the reforms outside the purview of the Budget. Nonetheless, the market participants continue to view it as a critical catalyst stimulating the Indian economy's growth and thereby the Indian market. With the Budget being interim in nature, no big-bang announcements are expected. Rather, we expect the budget to focus more on retaining the roadmap of growth with some flavour of populism.

In the last 1-2 months, the domestic macroeconomic narrative has gained additional strength following the impressive performance of the BJP in 3 out of 4 key states during the assembly elections. This assurance of political continuity leading up to the 2024 general elections has bolstered market confidence. Moreover, it has reinforced the visibility of policy continuity, providing momentum for sustained growth in the domestic economy. Considering this outlook, we strongly believe that the upcoming budget will uphold the agenda of growth with an overarching focus on maintaining policy continuity.

This is the sixth budget in a row for the current finance minister before the general election. In an election year, the government usually presents an Interim budget or a Vote-of-Account. Typically vote-of-account is approval for the necessary expenditure till the formation of a new government after the Union election. On the other hand, the interim budget is a more broad-based perspective on the current state of the economy, government tax collection, a broader picture of non-tax receipt, expenditure, fiscal roadmap and the expectation of Nominal GDP for the upcoming fiscal. Like the preceding election-year budget, the upcoming interim budget will focus more on the fiscal roadmap, Capex, and is likely to present steps to kick-start the growth in the rural and broader section of the economy. Some degree of populism is anticipated in the budget, with an increased emphasis on delivering benefits to the masses. The fiscal situation for FY24 seems manageable and encouraging, particularly due to a positive surprise from buoyant tax revenue collection in the last nine months, coupled with the lower-than-expected Nominal GDP for FY24 (current estimate of Rs 296.6 Tn vs. the earlier expectation of Rs 301 Tn). The buoyancy in higher direct tax collection and higher-than-expected GST collection has helped offset the negative impact of higher subsidies, excise duty cuts, and disinvestment miss. We believe the government's policy reforms such as Atmanirbhar Bharat, Make in India, and the PLI scheme are likely to continue in FY25 and would receive further impetus. The consequent higher government spending on infrastructure development in FY25 will help the economy accelerate its prevailing growth momentum.

Our broad expectations from the Interim Budget 2024-25:

1) Higher Capex spending for FY25: We expect the government Capex will further increase by 10-15% in FY25. In the last fiscal (FY24), the government pegged the Capex target of Rs 10 Lc Cr. Focus is likely to continue on developing the country's public infrastructure such as roads, water, metro, railways, defense, digital infrastructure, and green technologies. Its overall focus would also be on creating more jobs and achieving investment-driven growth. Furthermore, the private Capex, which has been sluggish for the last several years, is expected to receive a much-needed push in the upcoming budget.

2) Higher rural spending: As tightening monetary policy and the elevated level of inflation has impacted the purchasing power of a large section of the country, we expect the budget to provide relief to the affected people at the bottom of the pyramid. The government is also likely to continue extending its support to this section by proactively providing food and fertilizer subsidies. Moreover, with the rural economy still not showing a sign of 100% recovery to pre-Covid levels, higher rural spending is likely in the upcoming budget, with more focus on affordable housing. Further steps are expected to improve demand in the broader section of the economy.

3) Fiscal consolidation: We believe the government's priority will continue to achieve and maintain macro stability by adopting a fiscal consolidation path while maintaining the right balance between growth and macro stability. We expect the FY25 fiscal deficit to likely be maintained below 5.3%, with a vision of achieving 4.5% by FY26.

Our Positive Budget Play (Coverage): SBI, NTPC, Jyothy Lab, JK Cement, PNC Infra, Hero Motocorp, Amber enterprises, Pitti Engineering ,and Praj industries

Our Positive Budget Play (Non-Coverage): L&T ltd (Infra play), M&M (Rural Play), RVNL (Railway Infra play), Tata Power (Solar EPC play), Waree Renewables (end-to-end solar solutions)

Neeraj Chadawar
neeraj.chadawar@axissecurities.in

Our Key Sector View

Power, Utilities, and Renewables will get further push: Our country is at the onset of a new cycle in the power sector, anticipated to last for at least the next 3-5 years. Several factors contribute to this power narrative: 1) A resurgence in thermal capital expenditure (Capex) 2) Expansion in renewable energy capacities 3) A revival in transmission Capex. YoY growth in power demand has been observed, and the upward trajectory is expected to persist, driven by increased demand from manufacturing and ongoing capital expenditure activities. The power sector is likely to receive additional momentum in the upcoming interim budget, with the government's heightened focus on expanding the utilization of renewable energy as a top priority. Further details of the "Pradhanmantri Suryodaya Yojana" are anticipated to be unveiled in the budget.

Railways, Infrastructure, and Capital Goods companies to be in focus: The budget is likely to maintain a focus on infrastructure development activities, particularly in roads and construction. This emphasis is expected to contribute to robust performance in the infrastructure sector and benefit building-material segments such as cement, tiles, and others. Real estate, being a key sector, is anticipated to receive additional support, with potential government schemes particularly directed towards the affordable housing segment. Additionally, a further push is expected for railway infrastructure development.

Automobiles and FMCG likely to get boost from higher rural spending: As an interim budget before general elections, the government is likely to concentrate on boosting rural consumption, providing support for discretionary spending. This focus is expected to benefit rural-focused two-wheeler and entry-level four-wheeler OEMs, as well as auto ancillary companies supplying to such OEMs. The subsidies under the FAME program are likely to continue, potentially with some rationalization. For the Fast-Moving Consumer Goods (FMCG) sector, investments in digital infrastructure, skill up-gradation, job creation, and MSME development are anticipated to indirectly revive and boost consumption spending. Increased allocation to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and proactive schemes in the agriculture sector are expected to support the farm economy, contributing to the overall enhancement of rural household income..

BFSI: We expect the government Capex will further increase by 10-15% in FY25. In the last fiscal (FY24), the government pegged the Capex target of Rs 10 Lc Cr. Focus is likely to continue on developing the country’s public infrastructure such as roads, water, metro, railways, defence, digital infrastructure, and green technologies. All these steps are beneficial for the banking sector for the double-digit credit growth. Furthermore, the government is likely to extend the housing for all scheme for another 3-5 years. Additionally, insurance sector is expected to witness reduction of GST on certain types of insurance products to increase the reach.

Green Energy, Chemicals, and EV: We anticipate that this budget will strongly emphasize enhancing India's manufacturing capabilities for developing infrastructure in green energy production. Given the impending prominence of electric vehicles (EVs), we expect the government to allocate Production-Linked Incentive (PLI) incentives for battery manufacturers and other participants in the electric power manufacturing and storage segment.

Macro Picture

Fiscal Account FY23-24: Revenue Receipt

In Cr	2021-22 Actuals	2022-23 Budget Estimates	2022-23 Revised Estimates	2023-24 Budget Estimates
Gross Tax Revenue	**27,09,302**	**27,57,820**	**30,43,067**	**33,60,858**
1) Direct Tax	**14,08,280**	**14,20,000**	**16,50,000**	**18,23,250**
Personal Income Tax	6,96,243	7,00,000	8,15,000	9,00,575
Corporation tax	7,12,037	7,20,000	8,35,000	9,22,675
2) Indirect Tax	**13,01,022**	**13,37,820**	**13,93,067**	**15,37,608**
GST	6,98,114	7,80,000	8,54,000	9,56,600
Excise Duties	3,94,644	3,35,000	3,20,000	3,39,000
Custom Duty	1,99,728	2,13,000	2,10,000	2,33,100
Union Terriotories	7,524	7,820	8,067	8,408
Service Tax	1,012	2,000	1,000	500
Less: To states & NCCD transfer	9,04,522	8,23,049	9,23,798	10,30,228
Net Tax Revenue	**18,04,780**	**19,34,771**	**21,19,269**	**23,30,630**
Non Tax Revenue (Interest, Dividend, grants)	3,65,112	2,69,651	2,61,751	3,01,650
Non-Debt Receipts (Loans And Disinvestments)	39,375	79,291	83,500	84,000
Total Receipts	**22,09,267**	**22,83,713**	**24,31,913**	**27,16,280**
Borrowings & other Liabilities	**15,84,519**	**16,61,196**	**17,55,319**	**17,86,816**
Total Receipts inc Borrowings	**37,93,786**	**39,44,909**	**41,87,232**	**45,03,096**
Fiscal Deficit	**6.7%**	**6.4%**	**6.4%**	**5.9%**

- The GOI revenue receipts of FY24 is expected to exceed the budget estimates on account of higher tax collections and slightly lower than budgeted capital expenditure.
- As of 10th Jan'24, the GOI has collected Net Direct tax of **Rs 14.70 Tn (81%** of the Budget estimate). At the current run rate, **Direct tax collections are expected to exceed by Rs ~1.0 Tn.**
- **Health buoyancy was seen in Personal income tax and the corporate income tax for the first nine months of FY24.**
- Till Dec'23, 11.7% YoY growth was seen in CGST collection vs. the last year. At the current run rate, the Central GST is likely to touch Rs 10 Lc Cr for FY24.
- As per the NSO's first advance, FY24 Nominal GDP is estimated **at Rs 296.6 Tn vs. the earlier expectation of Rs 301.8 Tn.**
- Fiscal Deficit for FY24 is unlikely to overshoot, **given the encouraging tax collections, which has helped to offset the negative impact of higher subsidies, excise duty cut, and disinvestment miss. However, 10bps slippage is possible due to lower-than-expected nominal GDP for FY24.**

Fiscal Account FY23-24: Subsidy & Non Tax Receipt

Subsidy (In Cr)	2020-21 Actuals	2021-22 Actuals	2022-23 Budget Estimates	2022-23 Revised Estimates	2023-24 Budget Estimates
Food	**2,86,469**	**2,86,469**	**2,06,831**	**2,87,194**	**1,97,350**
Fertiliser	**1,40,122**	**1,40,122**	**1,05,222**	**2,25,220**	**1,75,100**
Urea	*75,930*	*75,930*	*63,222*	*1,54,098*	*1,31,100*
Nutrition based	64,192	64,192	42,000	71,122	44,000
Petroleum	**6,517**	**6,517**	**5,813**	**9,171**	**2,257**
LPG	*6,517*	*6,517*	*5,813*	*9,170*	*2,257*
Kerosene					
Interest Subsidies	36,563	36,563	24,723	37,536	27,565
Other	18,201	18,201	13,050	2,959	812
Total	**4,87,872**	**4,87,872**	**3,55,639**	**5,62,080**	**4,03,084**

Non Tax and Capital Receipt (In Cr)	2019-20 Actuals	2020-21 Actuals	2021-22 Actuals	2022-23 Budget Estimates	2022-23 Revised Estimates	2023-24 Budget Estimates
Interest	12,349	17,113	20,894	18,000	24,640	24,820
Dividends	1,86,132	96,878	1,47,353	1,13,948	83,953	91,000
From Public Enterprises	*35,543*	*39,750*	*46,000*	*40,000*	*43,000*	*43,000*
From RBI & Financials Institutions	1,50,589	57,128	1,01,353	73,948	40,953	48,000
Disinvestment	50,304	37,897	78,000	65,000	50,000	51,000

Subsidy Bill For FY24 has Crossed The Budget Estimates

- Food Subsidy is likely to go up in the current financial year on account of extension of free food grain scheme under the NFSA (National Food Security Act) during Jan-Mar'24. GOI allocated an additional Rs 55.9 Bn towards food subsidy.
- Fertilizer subsidy is higher than BE in FY24 (even though rates were revised downwards in Rabi season on the back of softening input prices) on account of Kharif season subsidy and geopolitical crisis.

- FY24 Disinvestment receipt remained muted and is expected to be lower than the BE, Disinvestment targets for FY25 are likely to be moderate.
- The RBI Dividends are likely to be higher vs. BE. Dividends are also likely to be higher vs. BE due to surge in profits.

Government Schemes: Major Outlay for Last Fiscal

In Cr	2021-22 Actuals	2022-23 Budget Estimates	2022-23 Revised Estimates	2023-24 Budget Estimates	% Increase over FY23 RE
Centrally sponsored Schemes					
Core of the Core Schemes	**1,21,153**	**99,215**	**1,13,099**	**86,144**	**-24%**
National Social Assistance Progam	*8,730*	*9,652*	*9,652*	*9,636*	**0%**
MNREGA	98,000	73,000	89,400	60,000	**-33%**
Others	*14,423*	16,563	*14,047*	*16,508*	**18%**
Core Schemes	**2,94,198**	**3,43,566**	**3,38,802**	**3,89,532**	**15%**
Pradhan Mantri Krishi Sinchai Yojna	12,706	12,954	8,085	10,787	**33%**
Pradhan Mantri Gram Sadak Yojna	14,000	19,000	19,000	19,000	**0%**
Pradhan Mantri Awas Yojna (PMAY)	47,390	*48,000*	*77,130*	*79,590*	**3%**
Jal Jeevan Mission / National Rural Drinking Water Mission	45,011	60,000	55,000	70,000	**27%**
Swachh Bharat Mission	2,000	*2,300*	2,000	*5,000*	**150%**
Swachh Bharat Mission (Gramin)	6,000	7,192	5,000	7,192	**44%**
National Health Mission	34,947	37,800	33,708	36,785	**9%**
National Education Mission	30,796	39,553	32,612	38,953	**19%**
Environment, Forestry and Wildlife	670	930	549	759	**38%**
AMRUT and Smart Cities Mission	13,900	14,100	15,300	16,000	**5%**
Modernisation of Police Forces	3,346	2,754	2,432	3,750	**54%**
Others	*74,543*	*98,982*	*87,986*	*1,01,715*	**16%**
Total Centrally sponsered schemes	**4,15,351**	**4,42,781**	**4,51,901**	**4,75,676**	**5%**
Major Central sector Schemes					
Crop Insurance Scheme	15,989	15,500	12,376	13,625	**10%**
Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	67,500	68,000	60,000	60,000	**0%**

Key Expectations

- Jobs creation likely to be a key focus area
- Rural-oriented schemes remain a focal point and are likely to receive increased allocation.
- Infrastructure to be a key focus area as well: PMAY, AMRUT, Smart cities, NHAI, Metro, Shipping, Port likely to gain higher share.
- Affordable housing may witness a boost
- Public health has become very critical and further investments in the infrastructure seem quite possible.
- Relief is expected for urban poor by widening the scope of MNREGA to urban poor.
- Expansion of scope under priority sector lending to Agriculture sector for medium-term loans.

Major Announcements on Infrastructure in the Last Fiscal

Infrastructure Budget (In Cr)	2020-21 Actuals	2021-22 Actuals	2022-23 Budget Estimates	2022-23 Revised Estimates	2023-24 Budget Estimates	% Increase over FY22 RE
Roads	99,159	1,31,149	1,99,108	2,17,027	2,70,435	25%
NHAI	46,062	65,060	1,34,015	1,41,606	1,62,207	15%
Railways	1,12,159	1,20,056	1,40,367	1,62,312	2,41,268	49%
Urban development	46,701	73,850	76,549	74,546	76,432	3%
Smart Cities+AMRUT	9,754	13,900	14,100	15,300	16,000	5%
Metro Projects	8,573	18,978	19,130	15,629	15,629	0%
Shipping	1,388	1,585	1,710	1,793	2,219	24%
Sagar Mala Port	247	394	413	413	360	-13%
Power	10,582	15,322	16,075	13,107	20,671	58%
Aviation	4,089	72,652	10,667	9,364	3,113	-67%
Jal Shakti	7,232	18,009	18,968	14,000	20,055	43%
Pradhan Mantri Awas Yojna (PMAY)	40,260	47,390	48,000	77,130	79,590	3%
Pradhan Mantri Gram Sadak Yojna	13,688	14,000	19,000	19,000	19,000	0%
Swachh Bharat	5,940	8,000	9,492	7,000	12,192	74%

Focus on Infra and Power likely to continue in FY25

Key highlights for FY24 Budget:

- Allocation for Railways has increased by 49% over FY23 BE; Allocation of Rs 2.41 Lc Cr for FY24.
- Allocation for Road & Highways has increased to Rs 2.70 Lc Cr in FY24.
- Urban development continues to be the focus area. Smart cities have been allotted Rs 16,000 Cr and Metro Projects has been allotted Rs 15,629 Cr.
- Allocation for Swachh Bharat Mission has been increased by 74% to Rs 12,192 Cr.
- The Power segment saw an increase of 58% in allocation compared to the previous fiscal amounting to Rs 20,671 Cr.

Fiscal Account FY23-24: Expenditure Budget

Expenditure Major items (Cr)	2021-22 Actuals	2022-23 Budget Estimates	2022-23 Revised Estimates	2023-24 Budget Estimates
Pension	1,98,962	2,07,132	2,44,780	2,34,359
Defence	3,68,418	3,85,370	4,09,500	4,32,720
Subsidy				
Fertiliser	1,40,122	1,05,222	2,25,220	1,75,100
Food	2,86,469	2,06,831	2,87,194	1,97,350
Petroleum	6,517	5,813	9,171	2,257
Agriculture and Allied Activities	1,47,764	1,51,521	76,279	84,214
PM-KISAN	66,825	68,000	60,000	60,000
Commerce and Industry	45,833	53,116	37,540	48,169
Development of North East	2,658	2,800	2,755	5,892
Education	88,002	1,04,278	99,881	1,12,899
Energy	48,684	49,220	70,936	94,915
External Affairs	16,000	17,250	16,973	18,050
Finance	51,904	21,354	17,908	13,574
Health	85,915	86,606	77,351	88,956
Home Affairs	1,15,550	1,27,020	1,24,872	1,34,917
Interest	8,13,791	9,40,651	9,40,651	10,79,971
IT and Telecom	28,757	79,887	74,106	93,478
Others	101864	113301	1,08,102	120524
Planning and Statistics	4,808	5,720	6,209	6,268
Rural Development	2,06,948	2,06,293	2,43,317	2,38,204
Scientific Development	28,510	30,571	25,626	32,225
Social Welfare	44,952	51,780	46,502	55,080
Tax Admin	1,95,351	1,71,677	1,77,343	1,94,749
GST Compensation fund	1,10,795	1,20,000	1,30,000	1,45,000
Transfer to States	2,85,394	3,34,339	2,70,936	3,24,641
Transport	3,25,443	3,51,851	3,90,496	5,17,034
Union Territories	57,533	58,757	69,040	61,118
Urban Development	73,850	76,549	74,546	76,432
Grand Total	**37,70,000**	**39,44,909**	**41,87,232**	**45,03,097**

Key Highlights

- Total Expenditure: Rs 45.03 Lc Cr
- Scientific development allocation has increased by 26%
- Transport allocation increased by 32%
- Grants to states are up 20%
- Allocation to Social Welfare schemes increased by 18%
- Education allocation is up 13%
- Defense Allocation is up 6%

Sector Expectations

Sector	Key Budget Expectations	Impact
BFSI	**Capex-led Growth** • We expect this to be a Capex-focused budget	**Positive** • Banks
	Affordable Housing Financiers • The budget is likely to see an over 15% increase in allocation for affordable housing. It is also expected to extend the 'Housing For All' scheme by another 3-5 years	• Affordable Housing Financiers
	FinTechs and Digital Payments • The budget is expected to concentrate on fortifying the regulatory framework for the fintech industry in India, recognizing its pivotal role. • Concerning digital lending platforms, a significant expectation is the augmentation of Loan-to-Value (LTV) ratios on specific schemes. Despite robust growth, LTVs have remained unchanged. • Reinforcing digital infrastructure while prioritizing consumer security may be a key focus area.	• Fintechs
	Insurance • It is expected that the there be a reduction of GST on certain types of insurance products to increase their reach.	• Insurance Companies

Sector Expectations

Sector	Key Budget Expectations	Impact
Auto & Ancillaries	• Being an Interim Budget before general elections in CY24, the government's key focus area will be to **boost rural consumption**, which would support discretionary spends and thereby benefit **rural-focused 2Ws** and entry-level 4W OEMs (along with auto ancillary companies supplying to such OEMs). • Faster Adoption and Manufacturing of Electric Vehicle **(FAME) subsidies** are likely to continue with some rationalisation. • Indigenisation of **defence and defence exports** may also receive a push. • Timeline **Extension of interest deduction u/s 80E** Rs 1.5 Lc on loan to purchase electric vehicles upto Mar'25 from Mar'23 will aid in higher demand for 2Ws and 4Ws in urban areas. • The impetus to charging infrastructure and energy storage systems, government support in R&D for clean energy, **green mobility, and semiconductors** will help the auto sector. Allocate incentives for building academic or skill training courses on EVs.	**Positive** • Maruti Suzuki India • Uno Minda • TVS Motors • Hero Motocorp • Minda Corp • Tata Motors • Sansera Engineering • Fiem Industries

Sector Expectations

Sector	Key Budget Expectations	Impact
Cement	• **Infrastructure Focus and Housing Initiatives Driving Demand Surge:** The intensified government focus on bolstering infrastructure, spanning roads, airports, ports, bridges, and other key structures, is poised to elevate overall cement demand. Projections indicate a 15% YoY surge in the infrastructure sector's overall capital expenditure for the 2024 budget. Anticipated increased funding for rural infrastructure development, particularly through Pradhan Manti Gram Sadak Yojna and Pradhan Mantri Awas Yojna (Rural), is expected to facilitate more substantial funds for development. Augmented allocations to government schemes are set to provide a further impetus to cement consumption. Moreover, there the government may greenlight a new housing loan scheme tailored for the urban poor and middle class, offering loans up to Rs 50 Lc with interest subvention. • **Expanding Affordable Housing Incentives and Real Estate Sector Support:** To support real estate demand in the affordable housing segment, the government should broaden the parameters under which affordable housing is defined, thereby extending various incentives to this sector. Additionally, there should be an increase in the pricing band from Rs 45 Lc to a higher amount, especially in large metros. The interest deduction on housing loans should be raised from the current Rs 2 Lc to Rs 4 Lc. Granting industry status to real estate and allocating more funds to the Pradhan Mantri Awas Yojna (Urban) are among the budget expectations. • **NIP Acceleration: Boosting Cement Demand through Major Highway Projects:** Under the National Infrastructure Plan (NIP), the government has ambitious plans to enhance the country's infrastructure landscape. The expedited implementation of major highway projects is expected to generate increased demand for cement, thus positively impacting the cement industry. • **Logistic Efficiency and GST Revision:** The transportation and logistics sector requires immediate attention, and we anticipate the budget to emphasize measures aimed at improving and reducing logistic costs. A reduction in the Goods and Services Tax (GST) on cement, currently at 28%, to a lower slab is expected to have a positive impact on cement consumption.	**Positive** • We expect budget to facilitate and expand overall infra development which will positively benefit cement companies with higher demand. • **Stocks: UltraTech, ACC, Dalmia Bharat Ltd, JK Cement, JK Lakshmi, and Star Cement**

Sector Expectations

Sector	Key Budget Expectations	Impact
Infrastructure	• **Anticipated Increase in Infrastructure Capital Outlay in Union Budget 2024-25:** We expect the capital outlay on the infrastructure sector to witness a healthy increment in the Union Budget 2024-25 to achieve the target set under the National Infrastructure Pipeline and Gati Shakti Master Plan. We expect the major focus will be on key infrastructure segments such as roads, railways, airports, and Urban infrastructure. With the government focusing on increasing the road network, we expect a 10%-15% higher allocation YoY for the ministry of road transport & highways. Similarly, Railways should also witness higher budgetary allocation in 2024. • **Dedicated allocation to the key infra projects:** Dedicated allocation to larger infra projects like Jal Jeevan Mission, High-Speed Rail, Smart Cities, and Inland Waterways Development is expected, which would support broader objectives of NIP. • **Budget 2024: Nurturing Industrial Infrastructure and Clean Energy Initiatives:** A focus on the development of the Industrial Infrastructure is also expected and a greater push for cleaner energy alternatives in the Union Budget is expected. • **Improving long-term funding availability:** Measures to improve long-term funding availability for the infrastructure sector are expected.	**Positive** • With the heightened government focus on developing the overall infrastructure of the country, particularly in highways, railways, and urban infrastructure, companies operating in these segments are poised to encounter massive opportunities. • **Stocks: KNR Const, PNC Infratech , RITES, KEC International, Ahluwalia Contracts.**

Sector Expectations

Sector	Key Budget Expectations	Impact
FMCG & Retail	• **Investments in digital infrastructure,** skill upgradation, job creation, and MSME development to indirectly reignite consumption spending in the economy, especially in rural areas. • **Increased agriculture farm income** through schemes and incentives to support the farm economy and rural household income is expected to be healthy ahead of state and general elections. • **Increased investment in agri-infrastructure** such as cold chain, warehousing, logistics, and irrigation, along with developing infrastructure for reducing post-harvest losses and improving rural connectivity, may have a bearing on boosting consumption demand in rural areas. • **Increased allocation to urban development projects** and the services industry leading to job creation may potentially drive demand and urban remittances. • **Raising the limit for tax-saving investments** under Sec 80C from the current Rs 1.5 lakh would increase disposable income. • **Raising excise duty or NCCD duty** on cigarettes and tobacco products will be negative for certain companies operating in these sectors.	**Positive - FMCG** • Dabur, HUL, Nestle, Britannia, Asian Paints, Jyothy Labs **Positive – Retail** • Trent, Westlife Foodworld, Ethos

Sector Expectations

Sector	Key Budget Expectations	Impact
Pharma & Healthcare	• **Higher allocation to PRIP:** The Pharma Industry expects a higher allocation to the Promotion of Research & Innovation Programme (PRIP) scheme, which was a positive step in last year's budget, spurring innovation in the industry. The government had allocated Rs 5,000 Cr in the last year's budget. • **Most preferred destinations for medical tourism:** India is among the most preferred destinations globally for medical tourism; therefore, the sector needs lower-cost financing through tax incentives for both existing and new healthcare projects. For new projects, the government should provide a tax holiday period of 15 years, and for existing projects, tax relief for 10 years as reinvestment support. Viability gap funding by the government is essential to set up hospitals in tier-1 and tier-2 cities, encouraging increased investment in healthcare infrastructure.. • **Uniform adoption of Ayushman Bharat Digital Mission** is another imperative which could bring large population under health insurance Umbrella.	**Positive** **Stocks**: Lupin, Cipla, Sun Pharma, Healthcare Global Enterprises and KIMS

Sector Expectations

Sector	Key Budget Expectations	Impact
Utilities, Power and Power Ancillaries	• The Government of India has announced the **"Pradhanmantri Suryodaya Yojana,"** which will target the installation of rooftop solar on 1 Cr households. Currently, rooftop solar installed capacity is around 11.08 GW as of Dec'23, of which 1/3rd capacity is residential, while the balance is formed by commercial and industrial consumers. If we assume ~2KW rooftop capacity installation per household, 1 Cr households will entail a total capacity addition of ~20GW in the residential segment. • Assuming a capital cost of Rs 4.5 Cr/MW for solar addition, the 20GW capacity addition will require a total investment of ~Rs 90,000 Cr. Further details and the government subsidy for the scheme will be a key watch point in the upcoming budget. • REC is the nodal agency for the overall implementation of the grid-connected rooftop solar program, aiming to achieve 40 GW of rooftop solar capacity by March 2026 (extended from the earlier target of March 2022 due to a slower pace of capacity addition). REC will also oversee the newly announced "Pradhanmantri Suryodaya Yojana." • **Announcements towards renewable energy capital expenditure,** including incentives for green initiatives and Production-Linked Incentives (PLIs) for module manufacturing, dynamic Feed-in-Tariffs, grid modernization to integrate intermittent renewable energy, capital expenditure towards battery storage infrastructure, a reduction in customs duty on solar cells from 25% to 5%, and an extension of the ISTS waiver for renewable projects commissioned beyond June 2025, are some of the key expectations from the upcoming budget.	**Positive** • The Suryodaya Yojna is positive for entire rooftop solar value chain which includes: Solar cells, Solar glass, Solar Modules, Solar Panels, Solar Batteries, Solar EPC, Solar power storage, Transformers, Power cables, Chemicals and Power financers. • **Stocks: Tata Power, KPI Green, Borosil Renewables, Adani Green, NTPC, NHPC, Waree renewable, Gensol Engineering**

Sector Expectations

Sector	Key Budget Expectations	Impact
Capital Goods, Consumer Durables and Wires & Cables	**Capital Goods:** • The industry anticipates that the Union Budget 2024-25 will feature significant capital expenditure proposals for infrastructural developments and railway infrastructure. • In FY23-24, there was a notable surge in government spending, reaching up to Rs 2.4 lakh Cr in railway infrastructure, with expectations for it to further increase to Rs 3 lakh Cr in FY24-25. This is projected to directly contribute to a robust order book for companies engaged in manufacturing railway equipment. • Additionally, the government's heightened focus on increasing the utilization of renewable energy is expected to be a top priority. **Consumer Durable and Wires & Cables:** • We expect a robust government initiative to bolster local manufacturing of electronic products. Industry players are advocating for a reduction in GST on essential appliances from 12% to 5%. • Additionally, a continued emphasis on existing schemes like the Pradhan Mantri Awas Yojna, which witnessed a 66% growth to Rs 79,000 Cr in the FY23 budget, is anticipated to further enhance the housing and housing products segment.	**Positive** • **Capital Goods:** Pitti Engineering, Kirloskar Brothers, • **Consumer Durables:** Amber Enterprises, Dixon Technologies, Polycab India Ltd.

Sector Expectations

Sector	Key Budget Expectations	Impact
Mid-Cap Opportunities	• **Prioritizing Rural Prosperity through Compressed Biogas (CBG) Infrastructure:** In the last Budget before the general elections in CY24, a key focus on boosting rural income by creating a framework for the successful adoption of Compressed Biogas (CBG) infrastructure nationwide would be a crucial step towards ensuring farmer income security. The Uttar Pradesh government has initiated the framework for this, and we anticipate other states to continue efforts in the same direction. • **Navigating Stricter Emission Norms and Green Initiatives in Manufacturing:** We anticipate a strong directive from the central government towards pollution control and emission treatment norms for manufacturing companies. This follows India's commitment to sustainable growth and its entry into Free Trade Agreements (FTAs) with several western economies that adhere to much stricter manufacturing norms. • **Midcap Companies Poised for Growth Amid Infrastructure Push and Expected Rate Cuts:** Midcap companies are fundamentally well-positioned to outperform the industry average, supported by favorable policies. The government is expected to maintain its focus on increasing capital spending, especially in the infrastructure sector, in the upcoming budget to stimulate economic development. Additionally, the anticipated rate cuts in 2024 are likely to disproportionately benefit Mid and Smallcap companies.	**Positive** • Praj Industries • Ion Exchange • Va Tech Wabag

Sector Expectations

Sector	Key Budget Expectations	Impact
Chemicals	**Focus on Green Energy & Clean Energy Initiatives** • We anticipate that this budget will place a strong emphasis on enhancing India's manufacturing capabilities for the development of infrastructure in green energy production. Considering the imminent future of electric vehicles (EVs), we expect the government to allocate Production-Linked Incentive (PLI) incentives for battery manufacturers and other players in the electric power manufacturing and storage segment. • The recent visit of PM Modi to Ayodhya has influenced the announcement of the PM Suryodaya Yojana, which aims to install solar panels on over 1 cr households in India. This initiative is expected to generate significant demand for energy storage solutions and batteries, as well as an increased demand for glass used in manufacturing solar panels, necessitating the use of caustic soda. **Focus on India Manufacturing & Atmanirbhar Bharat Initiatives:** • The government's further focus on harnessing India's manufacturing capabilities is expected to lead to a Production-Linked Incentive (PLI) benefit scheme, especially for the chemical sector. Alternatively, there may be other tax incentives introduced in chemical manufacturing hubs like Gujarat, benefiting multiple Indian chemical manufacturers. These initiatives align with broader economic tailwinds, including India's demographic advantages, the country's capabilities in terms of quality and reliability, and the ongoing shift in manufacturing activities towards Euro+1 and China+1 strategies. • Minister of Chemicals and Fertilizers, Mansukh Mandaviya, anticipates that the fertilizer subsidy will remain within the range of Rs 1,70,000-1,80,000 Cr.	**Positive** • Tata Chemicals • Gujarat Fluoro Ltd • Neogen Chemicals • Praj Industries • DCM Sriram • Himadri Specialty Chemicals Ltd • GHCL

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Sr. No	Name	Designation	E-mail
1	Neeraj Chadawar	Head of Research	neeraj.chadawar@axissecurities.in
2	Preeyam Tolia	Research Analyst	preeyam.tolia@axissecurities.in
3	Omkar Tanksale	Research Analyst	omkar.tanksale@axissecurities.in
4	Uttamkumar Srimal	Research Analyst	uttamkumar.srimal@axissecurities.in
5	Ankush Mahajan	Research Analyst	ankush.mahajan@axissecurities.in
6	Dnyanada Vaidya	Research Analyst	dnyanada.vaidya@axissecurities.in
7	Aditya Welekar	Research Analyst	aditya.welekar@axissecurities.in
8	Prathamesh Sawant	Research Analyst	prathamesh.sawant@axissecurities.in
9	Akshay Mokashe	Research Analyst	akshay.mokashe@axissecurities.in
10	Shikha Doshi	Research Associate	shikha.doshi@axissecurities.in
11	Shridhar Kallani	Research Associate	shridhar.kallani@axissecurities.in
12	Bhavya Shah	Research Associate	bhavya1.shah@axissecurities.in
13	Suhanee Shome	Research Associate	suhanee.shome@axissecurities.in
14	Shivani More	Research Associate	shivani.more@axissecurities.in

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NEERAJ CHADAWAR

Digitally signed by NEERAJ CHADAWAR
Date: 2024.01.23 16:29:54 +05'30'

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