UNION BUDGET 2024 - 25

PRE - BUDGET EXPECTATIONS

AXIS SECURITIES

Budget likely to Strengthen the Narrative of "Viksit Bharat"

The Finance Minister of India will present the full-year Union Budget for FY24-25 on 23rd July'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. As it is the first full-year budget after the formation of the NDA 3.0 government, market participants continue to view it as a critical catalyst stimulating the Indian economy's growth and thereby the Indian market. We believe, at the current juncture, the Budget will likely strengthen the narrative of "Viksit Bharat" by 2047, following a transformation similar to the one witnessed in the last decade.

After the formation of the NDA 3.0 government, expectations from the market are growing towards some allocation for the bottom of the pyramid to address rural challenges, alongside some cutoff on Capex spending. We believe that, at the current juncture, the budget is likely to strike a balance between Capex spending and addressing rural challenges. Nonetheless, a higher-than-expected RBI dividend has provided some cushion to move further towards welfare schemes. Currently, the market is keenly watching developments towards the capital gains tax. Any deviation from market expectations could attract some negative reaction in the short term. However, the chances of this occurring appear slim.

Our broad expectations from the Union Budget 2024-25 are:

1) **Higher Capex Spending Continue to be at the Centre Stage:** We expect the government will continue with the Capex plan announced in the Interim Budget, pegged at Rs 11.1 Lc Cr. Its unwavering focus on roads, power, urban development, and railways will create key long-term economic multipliers. In a significant development for the railways, the government has announced higher capital outlays of 2.55 Lc Cr for the segment, which will notably boost railway infrastructure moving forward. Moreover, the scope of existing PLI schemes is likely to broaden to more sectors capable of generating more employment.

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

3) **Focus on Job Creation:** The broad focus of the government will be job creation. This could mean more impetus on infrastructure and other public welfare schemes, as well as fiscal expansion using off-balance-sheet structures. Job creation through government activities is a necessity as private Capex continues to be sluggish.

4) **Fiscal Consolidation:** We believe the government's priority will continue to be achieving and maintaining macro stability by adopting a fiscal consolidation path while striking the right balance between growth and stability. We expect the FY25 fiscal deficit to be maintained below 5.1%, with a vision of achieving 4.5% by FY26.

Our Positive Budget Play (Coverage): Hero Motocorp, Ultratech Cement, Nestle, NTPC, Praj Ind., Inox Wind, J Kumar Infra, Ahluwalia Contracts and V-Mart

Our Positive Budget Play (Non-Coverage): M&M (*Rural Play*), Power Grid (*Power Transmission Capex*), Va Tech Wabag (*Sustainable Water theme*), Bharat Electronics (*Indigenization of defense sector*), Sarvotech power (*EV charging station theme*)

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Head of Research

Key Highlights of the Interim Budget

Key Announcements

- FY25 Capex outlay is up 11.1% to Rs 11.1 Cr and stands at 3.4% of GDP.
- Higher capital spending for Railways and Infrastructure. Rs 2.55 Lc Cr announcement for railways, up 5% from the FY24 BE
- PM Awaas Yojna – Close to achieving a target of 3 Cr houses; 2 Cr more houses are planned for the next 5 year.
- Vision for Viksit Bharat by 2047: Harmony with nature, Modern Infrastructure, Earning Sabka Viswas.
- Improve logistics efficiency in Energy, mineral, and cement corridor;
- Matsya Sampada Yojana: Aim to double seafood exports to 1 Lc Cr through various fisher schemes + 5 Integrated Aqua Park to be set up.

Fiscal Outlook

- Nominal GDP growth for FY25 is pegged at Rs 327.71 Lc Cr, up 10.5% over FY24 revised number of Rs 296.57 Lc Cr.
- Total expenditure for FY24 is budgeted at Rs 47.65 Lc Cr.
- Gross revenue collection is expected to grow at 13% in FY25. The expectations are likely to be met.
- The Fiscal Deficit for FY24 is at 5.8% (10bps below the budgeted estimates). Fiscal deficit for FY25 is budgeted at 5.1%. The government is on the right track of fiscal consolidation path.
- The gross borrowing target for the next year is set at Rs 16.85 Lc Cr (along the expected lines).

Specific Areas

- Focus to make the Eastern region a powerful driver of India's economic growth story.
- A Corpus of 1 Lc Cr will be established with 50-year interest-free to nil-interest rates for Private sector research and innovation in Sunrise Domains.
- A coal gasification and liquefaction capacity of 100 metric tons will be set up by 2030.
- Healthcare coverage will be extended to all Aasha, Anganwaadi workers, and helpers.
- Lakhpati DIDI target enhanced from 2 Cr to 3 Cr; to support Micro Finance Companies
- 40,000 normal railway bogies to convert to Vande Bharat standard

Macro Picture

Presented in Interim Budget

Fiscal Account FY24-25: Revenue Receipt

In Cr	2022-23 Actual	2023-24 Budget Estimates	2023-24 Revised Estimates	2024-25 Budget Estimates
Gross Tax Revenue	**30,54,192**	**33,60,858**	**34,37,211**	**38,30,796**
1) Direct Tax	**16,59,094**	**18,23,250**	**19,45,000**	**21,98,830**
Personal Income Tax	8,33,260	9,00,575	10,22,325	11,56,000
Corporation tax	8,25,834	9,22,675	9,22,675	10,42,830
2) Indirect Tax	**13,90,647**	**15,37,608**	**14,87,711**	**16,27,266**
GST	8,49,133	9,56,600	9,56,600	10,67,650
Excise Duties	3,19,000	3,39,000	3,03,600	3,18,780
Custom Duty	2,13,372	2,33,100	2,18,680	2,31,310
Union Territories	8,711	8,408	8,331	9,426
Service Tax	431	500	500	100
Less: To states & NCCD transfer	9,56,407	10,30,228	11,13,293	12,29,223
Net Tax Revenue	**20,97,786**	**23,30,631**	**23,23,918**	**26,01,574**
Non Tax Revenue (Interest, Dividend, Grants)	2,85,421	3,01,650	3,75,795	3,99,701
Non-Debt Receipts (Loans And Disinvestments)	72,196	84,000	56,000	79,000
Total Receipts	**24,55,403**	**27,16,281**	**27,23,106**	**30,80,275**
Borrowings & other Liabilities	**17,37,756**	**17,86,817**	**17,34,772**	**16,85,493**
Total Receipts inc Borrowings	**41,93,159**	**45,03,098**	**44,57,878**	**47,65,768**
Fiscal Deficit	**6.36%**	**5.92%**	**5.85%**	**5.14%**

Key Highlights

- **Gross tax revenue is up 13% in FY24, led by buoyancy in Direct Tax collection. It is expected to grow by 11% in FY25. The expectations are likely to be met.**
- Tax Buoyancy in indirect taxes is likely to continue in FY25 as well. GST collection for FY25 is likely to grow by 12%. Assuming 7% real GDP growth, 4% Inflation, and 1% with compliance, the numbers seem to be achievable.
- Net government borrowings for FY24 is targeted at 16.85 Lc Cr vs. 17.34 Lc Cr in FY24.
- The fiscal deficit for FY25 is pegged at 5.1% on account of improved revenue and a higher base of nominal GDP.

Fiscal Account FY24-25: Subsidy & Non Tax Receipt

Subsidy (In Cr)	2022-23 Actuals	2023-24 Budget Estimates	2023-24 Revised Estimates	2024-25 Budget Estimates
Food	**2,72,802**	**1,97,350**	**2,12,332**	**2,05,250**
Fertiliser	**2,51,340**	**1,75,103**	**1,88,902**	**1,64,103**
Urea	*1,65,217*	*1,31,100*	*1,28,594*	*1,19,000*
Nutrition based	86,122	44,000	60,300	45,000
Petroleum	**6,817**	**2,257**	**12,240**	**11,925**
LPG	*6,817*	*2,257*	*12,240*	*11,925*
Kerosene				
Interest Subsidies	41,676	27,565	23,980	25,550
Other	5,281	812	3,090	2997.53
Total	**5,77,916**	**4,03,084**	**4,40,536**	**4,09,723**

Non Tax and Capital Receipt (In Cr)	2022-23 Actual	2023-24 Budget Estimates	2023-24 Revised Estimates	2024-25 Budget Estimates
Interest	27,852	24,820	31,778	33,107
Dividends	99,913	91,000	1,54,407	1,50,000
From Public Enterprises	*59,953*	*43,000*	*50,000*	*48,000*
From RBI & Financials Institutions	39,961	48,000	1,04,407	1,02,000
Disinvestment	46,035	51,000	30,000	50,000

Subsidy budget reduced in FY25 on account of normalcy

- In line with our expectations, the overall subsidy budget has been reduced to 1.25% of GDP vs. 1.48% in the last year, on account of the encouraging pace of the economic recovery.
- Allocation in the fertilizer subsidy is pegged at Rs 1.64 Lc Cr vs. 1.88 Lc Cr in FY24

A Reasonable Disinvestment Target in FY25

- In line with our expectations, the target for FY24 disinvestment has been revised to 30,000 Cr and the same for FY25 has been set at 50,000 Cr. Both seem reasonable.
- Estimates for the RBI dividends are set at 1.5 Lc Cr in FY25.

Government Schemes: Major Outlay

In Cr	2022-23 Actual	2023-24 Budget Estimates	2023-24 Revised Estimates	2024-25 Budget Estimates	% Increase over FY24 RE
Centrally sponsored Schemes					
Core of the Core Schemes	**1,11,234**	**86,145**	**1,08,191**	**1,12,516**	**4%**
National Social Assistance Program	*9,651*	*9,636*	*9,652*	*9,652*	**0%**
MNREGA	90,806	60,000	86,000	86,000	**0%**
Others	*10,777*	16,509	*12,539*	*16,864*	**34%**
Core Schemes	**3,26,842**	**3,89,960**	**3,36,722**	**3,89,272**	**16%**
Pradhan Mantri Krishi Sinchai Yojna	6,380	10,787	8,781	11,391	**30%**
Pradhan Mantri Gram Sadak Yojna	18,783	19,000	17,000	12,000	**-29%**
Pradhan Mantri Awas Yojna (PMAY)	73,515	*79,590*	*66,103*	*80,671*	**22%**
Jal Jeevan Mission / National Rural Drinking Water Mission	54,700	70,000	70,000	70,163	**0%**
Swachh Bharat Mission	1,926	*5,000*	2,550	*5,000*	**96%**
Swachh Bharat Mission (Gramin)	4,925	7,192	7,000	7,192	**3%**
National Health Mission	33,803	36,785	33,886	38,183	**13%**
National Education Mission	32,875	38,953	33,500	37,500	**12%**
Environment, Forestry and Wildlife	485.24	758.8	535	713	**33%**
AMRUT and Smart Cities Mission	15,153	16,000	13,200	10,400	**-21%**
Modernisation of Police Forces	2,896	3,750	2,837	3,720	**31%**
Others	*81,400*	*1,02,143*	*81,330*	*1,12,339*	**38%**
Total Centrally sponsored schemes	**4,37,556**	**4,76,105**	**4,60,614**	**5,01,788**	**9%**
Major Central sector Schemes					
Crop Insurance Scheme	10,296	13,625	15,000	14,600	**-3%**
Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	58,254	60,000	60,000	60,000	**0%**

Key Highlights

- Allocation in the PMAY has increased to Rs 80,671 Cr vs. Rs 79,590 Cr in FY24 BE
- Allocation to MNREGA stands unchanged at Rs 86,000 Cr
- Allocation for the PM Gram Krishi Sinchai Yojana has increased by 30% in FY25 to 11,391 Cr.
- Rs 70,000 Cr allocated to the Jal Jeevan Mission
- National Education Mission has got an allocation of Rs 37,500 Cr, 12% higher than the revised estimates of FY24.
- AMRUT and Smart Cities Mission have received an allocation of 10,400 Cr.

Major Announcements on Infrastructure in the Interim Budget

Infrastructure Budget (In Cr)	2022-23 Actual	2023-24 Budget Estimates	2023-24 Revised Estimates	2024-25 Budget Estimates	% Increase over FY24 RE
Roads	2,17,089	2,70,435	2,76,351	2,78,000	1%
NHAI	1,41,661	1,62,207	1,67,400	1,68,464	1%
Railways	1,62,410	2,41,268	2,43,272	2,55,393	5%
Urban development	77,310	76,432	69,271	77,524	12%
Smart Cities+AMRUT	15,153	16,000	13,200	10,400	-21%
MRTS and Metro Projects	23,603	23,175	22,988	23,104	1%
Shipping	1,688	2,219	2,395	2,346	-2%
Sagar Mala Port	412.31	360	435.88	700	61%
Power	9,313	20,671	17,635	20,502	16%
Aviation	9,321	3,113	2,922	2,300	-21%
Jal Shakti	11,962	20,055	19,517	21,028	8%
Pradhan Mantri Awas Yojna (PMAY)	73,515	79,590	66,103	80,671	22%
Pradhan Mantri Gram Sadak Yojna	18,783	19,000	17,000	12,000	-29%
Swachh Bharat	6,851	12,192	9,550	12,192	28%

Key Highlights

- Allocation to Railways has been increased to Rs 2.55 Lc Cr for FY25, reflecting a 5% increase over FY24 RE.
- Allocation to Road & Highways (NHAI) has been increased to Rs 1.68 Lc Cr in FY25
- Allocation to the Power sector has been increased to Rs 20,502 Lc Cr in FY25.
- Urban development continues to be the focus area. Rs 10,400 Cr have been allotted to Smart cities and Rs 23,104 Cr have been allotted to Metro Projects.
- Allocation to Swachh Bharat Mission has been increased by 28% to Rs 12,192 Cr.

Fiscal Account FY24-25: Expenditure Budget

Expenditure Major items (Cr)	2022-23 Actual	2023-24 Budget Estimates	2023-24 Revised Estimates	2024-25 Budget Estimates
Pension	2,41,599	2,34,359	2,38,049	2,39,612
Defence	3,99,123	4,32,720	4,55,897	4,54,773
Subsidy				
Fertilizer	2,51,339	1,75,100	1,88,894	1,64,000
Food	2,72,802	1,97,350	2,12,332	2,05,250
Petroleum	6,817	2,257	12,240	11,925
Agriculture and Allied Activities	1,25,875	1,44,214	1,40,533	1,46,819
Commerce and Industry	44,363	48,169	47,350	45,958
Development of North East	990	5,892	5,892	5,900
Education	98,567	1,16,417	1,08,878	1,24,638
Energy	65,717	94,915	54,989	76,302
External Affairs	16,661	18,050	29,122	22,155
Finance	11,551	13,574	23,982	87,642
Health	73,551	88,956	79,221	90,171
Home Affairs	1,20,932	1,34,917	1,33,360	1,39,328
Interest	9,28,517	10,79,971	10,55,427	11,90,440
IT and Telecom	1,11,629	93,478	95,781	1,15,752
Others	1,01,108	1,17,008	1,18,020	1,23,136
Planning and Statistics	4560	6268	4,475	6291
Rural Development	2,38,396	2,38,204	2,38,984	2,65,808
Scientific Development	24,041	32,225	26,651	32,169
Social Welfare	40,470	55,080	46,741	56,501
Tax Admin	2,07,431	1,94,749	1,93,695	2,03,297
GST Compensation fund	1,63,506	1,45,000	1,45,000	1,50,000
Transfer to States	2,73,393	3,24,641	2,73,985	2,86,787
Transport	3,90,508	5,17,034	5,24,941	5,44,039
Union Territories	65,907	61,118	66,676	63,541
Urban Development	77,310	76,432	69,271	77,524
Grand Total	**41,93,157**	**45,03,097**	**44,90,486**	**47,65,768**
Pension	2,41,599	2,34,359	2,38,049	2,39,612

Key Highlights

- Total Expenditure: Rs 47.65 Lc Cr
- Education allocation is up 14%
- Health allocation is up 14%
- Scientific development allocation has been increased by 21%
- Transport allocation has been increased by 4%.
- Allocation to Social Welfare schemes has been increased by 21%

Sector Expectations

Sector Expectations

Sector	Key Budget Expectations	Impact
BFSI	**Capex-led Growth** • We anticipate that this budget will continue to emphasize on capital expenditure (Capex). **Focus on Power and Renewable Energy** • We anticipate higher allocation and an increased number of schemes focused on power and renewable energy in the upcoming budget. **Privatization of Certain PSU Banks** • Pursuant to the government's earlier announcement, we expect a clarification regarding any potential plans for privatization of certain PSU Banks **Affordable Housing Financiers** • The forthcoming budget may indicate a renewed emphasis on housing schemes in rural markets.	**Positive** • Preferred Banks : SBI, BoB, CANBK, HDFCB and ICICIB • PFC, REC and IREDA could remain in focus • Positive for PSU Banks • Positive for Rural focused Housing Financiers such as **Aptus, India Shelter Finance** and **Aavas** and **SFBs pursuing growth with rural presence.**

Sector Expectations

Sector	Key Budget Expectations	Impact
Infrastructure	• **Anticipated Increase in Infrastructure Capital Outlay in the 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 targets set under the National Infrastructure Pipeline and Gati Shakti Master Plan. The major focus is anticipated to be on key infrastructure segments such as roads, railways, airports, and urban infrastructure. With the government focusing on expanding the road network, a 10%-15% higher allocation YoY for the Ministry of Road Transport & Highways is expected. Similarly, railways should also witness a higher budgetary allocation in 2024. • **Dedicated Allocation to Key Infra Projects:** Dedicated allocation to larger infrastructure projects like Jal Jeevan Mission, High-Speed Rail, Smart Cities, and Inland Waterways Development is expected, supporting the broader objectives of the National Infrastructure Pipeline (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, J Kumar Infraprojects, Ahluwalia Contracts**

Sector Expectations

Sector	Key Budget Expectations	Impact
Cement	• **Infrastructure Focus and Housing Initiatives Driving Demand Surge:** The intensified government focus on bolstering infrastructure, including roads, airports, ports, bridges, and other key structures, is poised to elevate overall cement demand. Projections indicate a 10-15% YoY surge in the infrastructure sector's overall capital expenditure for the 2024 budget. Anticipated increased funding for rural infrastructure development, particularly through Pradhan Mantri 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 further impetus to cement consumption. Moreover, 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 defining affordable housing, 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 key 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, thereby positively impacting the cement industry. • **Logistic Efficiency and GST Revision:** The transportation and logistics sector requires immediate attention, and the budget is anticipated 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 positively impact cement consumption.	**Positive** • We expect budget to facilitate and expand overall infra development which will positively benefit cement companies with higher demand. • **Stocks:** UltraTech, Ambuja Cements, Dalmia Bharat, JK Cement, JK Lakshmi, and Birla Corp

Sector Expectations

Sector	Key Budget Expectations	Impact
Auto & Ancillaries	• Being the first Union Budget after general elections 2024, 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. • The introduction of the FAME-III subsidy from Jul'24 onwards, with a focus on charging infrastructure, will significantly boost the sector. The impetus to charging infrastructure and energy storage systems, along with government support in R&D for clean energy, green mobility, and semiconductors, will help the auto sector. • Reduced and uniform GST rates (18%) on auto components aim to minimize the issues of grey operations and counterfeits stemming from the high (28%) GST rate. The EV industry expects the GST on ACC (Advanced Chemistry Cell) batteries to be reduced and brought on par with EVs (5%). The government needs to consider commercial EV financing to facilitate rapid adoption in the E4W category. • A long-term sustainable roadmap in the PLI space, particularly focusing on the MSME segment, which forms the backbone of our economy, is crucial.	**Positive** **Auto OEMS (rural play)**: • Mahindra & Mahindra • Hero Motocorp **Auto Components** • Minda Corp • Sansera Engineering **EV Charging Infra** • Servotech Power • Bosch

Sector Expectations

Sector	Key Budget Expectations	Impact
Utilities & Power Ancillaries	• To achieve the target of 500 GW of renewable energy capacity by 2030, a significant boost is required for the renewable sector. This can be achieved through reforms such as enhanced viability gap funding for areas like battery storage, offshore wind plants, and solar energy. Increasing public-private partnerships and enhancing sustainable financing for renewable projects are also crucial measures to support this goal. • To boost the transition to sustainable energy, budgetary allocation is expected to rooftop solar installations (in line with Suryodaya Yojna) and to alternative sources of energy like Compressed Biogas (CBG), Ethanol, and Green Hydrogen. • In the interim budget, the National Green Hydrogen Mission had increased the budgeted expenditure for FY25 to Rs 600 Cr. Further increase in the same is expected to provide a boost to Green Hydrogen energy in India. • The industry expects support for the hydropower sector through the establishment of a nodal agency dedicated to hydropower development. Additionally, providing incentives to pumped storage hydropower plants for maintaining grid stability is anticipated. • Extension is expected beyond Jun'25 for renewable projects to be eligible for the ISTS waiver. • Investment in transmission and distribution infrastructure would help in improving the power distribution landscape. • On the taxation side, the industry expects a reduction in GST on renewable energy components like solar devices to boost the renewable space. Furthermore, the removal/reduction of custom duty on imported renewable components like solar modules or storage batteries can be expected. • With the increased focus on infrastructure in the budget, including digital infrastructure, growth in data centers can be a reality. With the increased potential in data centers, the power demand is only going to increase going forward, implying need for increased investments.	**Positive** • **Power generating Stocks:** NTPC, CESC Limited, Tata Power, JSW Energy, • **Power EPC/Components Stocks:** Inox Wind Limited, Suzlon Energy Limited. Sterling & Wilson Renewable Energy Limited • **Power Distribution Stocks:** Power Grid Corporation of India, Jyoti Structures Limited

Sector Expectations

Sector	Key Budget Expectations	Impact
FMCG & Retail	• Investments in digital infrastructure, skill upgradation, job creation, and MSME development are expected to indirectly reignite consumption spending in the economy, particularly in rural areas. • Increased agricultural farm income through schemes and incentives to support the farm economy and rural household income is anticipated to strengthen ahead of state and general elections. Furthermore, the introduction of LPG subsidy through PMUY will benefit the rural economy. • Increased investment in rural infrastructure, capital expenditure, and improvements in rural connectivity are likely to boost consumption demand in rural areas. • Enhanced allocations 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 Lc, which would increase disposable income. • Raising Excise Duty or NCCD duty on cigarettes and tobacco products will have a negative impact on certain companies operating in these sectors.	**Positive - FMCG** • Dabur, HUL, Nestle, Britannia, Asian Paints, Jyothy Labs, VBL **Positive – Retail** • Trent., Westlife Foodworld,, Ethos **Negative** • ITC, Godfrey Phillip, VST Industries

Sector Expectations

Sector	Key Budget Expectations	Impact
Real Estate	**Housing for All** • We may expect future plans related to PMAY-HFA, which aims to provide affordable housing for all in urban areas.	**Positive** • Prefer big brands like Prestige Estates, Macrotech Developers, Goderej Properties
	Data Centers • The budget may emphasize enhancing digital infrastructure, potentially offering incentives to boost data centers and smart cities.	• Positive for players focused on data center such as Anant Raj.
	Affordable Housing • The upcoming budget could reflect a renewed focus on affordable housing schemes in rural markets.	• Positive for developers in urban areas like MICL, TARC

Sector Expectations

Sector	Key Budget Expectations	Impact
Chemicals & Fertilizers	• Increase in allocations towards adoption of advanced technologies are expected to be beneficial for the chemical industry, particularly from increased support for the digitalization of chemical trading. • Further, the chemical sector is likely to benefit from the government’s focus on harnessing India's manufacturing capabilities via Production-Linked Incentive (PLI) scheme. Alternatively, there may be other tax incentives introduced in chemical manufacturing hubs like Gujarat, benefiting multiple Indian chemical manufacturers. • With the impending rise in demand for electric vehicles (EVs), we foresee the government providing additional Production-Linked Incentive (PLI) incentives to battery manufacturers and other companies involved in the electric power production and storage sector. • The specialty chemical players are also likely to benefit as we expect budgetary announcement incentivizing Research and Development (R&D) expenditures. • The Interim budget had estimated the fertilizer subsidy requirement for FY25 at Rs. 1.64 lakh Cr. While the budgeted amount is considered to be adequate for FY25 due to moderation in input costs and prices of finished products, the reduced subsidy bill will enable the government to allocate funds to more productive areas. Accordingly, we expect the government to increase allocations towards reducing dependence on (fertilizer) imports and building newer capabilities like nano urea.	**Positive** • PI Industries Ltd • Neogen Chemicals • Himadri Specialty Chemicals • FACT (Fertilisers and Chemicals Travancore) • Coromandel International Ltd.

Sector Expectations

Sector	Key Budget Expectations	Impact
Metals & Mining	• The Metals and Mining sector will be looking for increased infrastructure spending, logistics infrastructure development, and any announcements related to housing, manufacturing, and construction as key drivers for the growth of metal consumption in India. • India became a net importer of steel in Apr'24 due to lower export allocation. Cheap Chinese export prices have made Indian mills' exports less competitive and have driven higher imports from China. The steel industry expects higher import duties on Chinese imports and is urging the government to raise the basic customs duty on steel from 7.5% to 12.5%. • Financial incentives for the exploration of critical minerals, further announcements on PLI schemes, and additional infrastructure Capex will be closely monitored. Incentives for the transition to green energy will also be watched attentively. • Another critical area the industry will keenly watch is the rationalization of taxes on key raw materials for the metals sector, such as natural gas, electricity, and iron ore. There is a long-standing demand for exemption from the basic customs duty on key raw materials for stainless steel production, such as Ferro-nickel (currently 2.5% import duty) and Ferro-molybdenum (currently 5% import duty). Additionally, the industry seeks the imposition of BCD on cheaper imports of stainless steel products from China and Vietnam.	**Positive** • Higher budgetary allocation towards construction and infrastructure (60% of steel demand) would drive domestic steel demand . • Reduction in raw materials import duty cut may improve cost structure. • **Stocks to watch out:** Tata Steel, JSW Steel, JSPL, SAIL, Hindalco, NALCO, Jindal Stainless

Sector Expectations

Sector	Key Budget Expectations	Impact
Mid-Cap Opportunities	• In the forthcoming budget, we expect a sustained emphasis on PLI incentives for emerging sectors, the Atmanirbhar Bharat initiative to boost manufacturing and exports while controlling imports, a commitment to sustainability through renewable energy and alternative technologies, and the expansion of infrastructure in areas such as defence, railways, roads etc. • 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. • Considering that the Fair and Remunerative Price (FRP) of sugarcane has recently been increased while the MSP for sugar has not been revised since February 2019, we expect the government to consider the upward revision of sugar MSP or opening of sugar exports/diversion of sugar syrup towards ethanol. • With the target to become net zero by 2070, the government has been focusing on increased usage of biofuels and has set ambitious targets for ethanol and compressed biogas (CBG) blending. The Budget is likely to include announcements around revised prices of ethanol, financial assistance for procurement of machinery to support feedstock collection or any other measures for development of biofuel ecosystem.	**Positive** • Praj Industries. • Va Tech Wabag • Balrampur Chini • Elecon Engineering

Sector Expectations

Sector	Key Budget Expectations	Impact
IT ,Telecom & Internet	**Technology & ITES** • Budget expectations are high for increased allocations towards digital infrastructure, artificial intelligence, and cyber security, aiming to bolster India's position as a global tech hub. Industry leaders are hopeful for incentives to spur investments in startups and emerging technologies, furthering the vision of a digitally empowered society. Expectations are also high in strengthening the framework for digital world to streamline the industry. **Telecom** • The telecom operators are also expecting for suspension of 5% of adjusted gross revenue (AGR) contribution towards the universal service obligation fund (USOF) till the latter's Rs 79,638.31 Cr corpus is fully utilized. **Digital Tech** • India's Digital Public Infrastructure expectations are high that the Budget will continue to wholeheartedly support DPI through incentives and expand its use cases. The government's focus on digital transformation and initiatives like "Digital India" are fueling the demand for data centers, with hyper scalers playing a crucial role in this process. • They have built out capacity to around 1GW now and plan to add 300-400MW every year. Total capacity is expected to reach 4GW by 2028. Majority will be by colocations; hyper scalers will be building their own facilities as well.	**Positive** • TCS, Infosys, • Bharti Airtel, Reliance Industries,VIL • Jio Financial Services • Bluestar Ltd, ABB

Sector Expectations

Sector	Key Budget Expectations	Impact
Pharma & Healthcare	• The Pharma industry is optimistic about a higher allocation to the Promotion of Research & Innovation Programme (PRIP) scheme in the upcoming budget. Last year's budget allocation of Rs 5,000 Cr was a positive step that spurred innovation in the industry. • India is a global leader in medical tourism, highlighting the need for lower-cost financing through tax incentives for both new and existing healthcare projects. For new projects, the government should consider providing a 15-year tax holiday. For existing projects, a 10-year tax relief as re-investment support would be beneficial. Additionally, viability gap funding by the government is essential for setting up hospitals in tier-1 and tier-2 cities, which would encourage increased investment in healthcare infrastructure. • A uniform adoption of the Ayushman Bharat Digital Mission is imperative, as it could bring a large population under the health insurance umbrella.	**Positive** • Stocks: Lupin, Cipla, Sun Pharma, Healthcare Global Enterprises ,and KIMS

Sector Expectations

Sector	Key Budget Expectations	Impact
Travel & Tourism	• Travel & Tourism industry has seen immense growth post-pandemic. FTA & domestic traveler are back to pre Covid level & to boost the sector & maintaining the momentum a strategically investment allocation in the sector is hour of need. In interim union budget ~2450 crs were allocated to boost employment & growth in tourism sector a rise of 44.7% from previous revised allocation. • India has the potential to become one of the top tourism centers in the world. With its cultural diversity, historical landmarks, adventure tourism opportunities, medical tourism facilities, and warm hospitality. Several key that could significantly boost our industry, reduction in GST from the current tariff to a manageable rate. Allowing hotels to reinvest in properties and enhance guest experiences. Considering the hotel industry into tax holidays benefits and subsidies the electricity cost would also provide advantage to run operational expenses more effectively. • Granting the hospitality industry infrastructure status is hour of need. This change would ease access to loans, facilitating expansion and improvement projects. Ease in financing could lead to a 15-20% increase in new hotel developments. • LTA exemption against twice in four years to catalyze domestic tourism & More disposable income means more people will travel , shooting up both inbound and domestic tourism.	**Positive** • Stocks: Indian Hotels co Ltd.

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