



Budget Review 2024-25

Rationalising, Simplifying and Efficient...

The spotlight of the Union Budget 2024-25 was anchored on pillars of a) Youth skilling and Job creation, b) Tax simplification, c) Consistent capex momentum & d) Smooth and Efficient accessibility of credit to MSME. On a broader level, fiscal deficit of 4.9% and 4.5% for FY25E and FY26E, respectively, signifies government's prerogative to carve out a sustained economic model of inclusive growth and development. To sum up, the Union Budget reflects a realistic set of measure to drive long term growth ahead. Nonetheless, market would await long term roadmap for specific growth pockets.

Key highlights of Budget:

- ❑ On the **fiscal deficit front**, the Government has bettered its own estimate for FY24 and FY25. Actual FY24 fiscal deficit is pegged at 5.6% as against earlier estimate of 5.8%. Similarly, **FY25 fiscal deficit target estimate is now lowered at 4.9% versus interim budget estimate of 5.1%**
- ❑ In absolute terms, FY25 fiscal deficit is reduced from ₹16.85 lakh crore estimated in interim budget to ₹16.13 lakh crore. Government borrowing, however, has been reduced only by ₹ 12000 crore leaving the potential reduction in borrowing later in the year. Medium term target of 4.5% fiscal deficit by FY26 seems well on track now
- ❑ The **subsidy allocation has remained unchanged** for broader heads and is on a declining path as a % of GDP. It has declined from 1.9% of GDP in FY23 to 1.4% in FY24 & further to 1.2% of GDP in FY25. Absolute subsidy allocation for the major heads is down 7.8% YoY to ₹ 3.8 lakh crore for FY25E
- ❑ **Capex intensity has been maintained** despite capex spending growing at a CAGR of 20% over FY21-FY25BE. The Government has budgeted growth at 11% YoY in FY25BE to ₹ 11.1 lakh crore. The capex to GDP is pegged at all-time high of 3.4% in FY25BE vs. 3.2% in FY24RE. Key segments like Roads, railways, defence segments have seen allocation rising between 3-9% given FY22-FY24 had witnessed strong double digit growth thereby creating a high base. In others category, segments like Housing (PM Awaas Yojana) has seen a growth in outlay to the tune of ~8% YoY
- ❑ The **major focus of the budget has been to simplify and rationalize the capital gains**. The concept of indexation is done away with and Long term capital gains across asset classes are now brought at 12.5%. Long Term Capital gains tax rate on sale of property has been reduced from 20% to 12.5%, however, indexation benefits has been removed. Short Term Capital Gain Tax has been raised from 15% to 20% for financial assets

Fiscal deficit roadmap surprises positively !!!

Fiscal deficit target has been revised downwards for FY25BE at 4.9% as compared to 5.6% in FY24 and as against market expectation of ~5.0%. Fiscal deficit for FY24 had already been revised to 5.6% from 5.8%. While for FY25, the fiscal deficit has been reduced by ₹ 72000 crore, borrowing estimate were lowered only marginally to ₹14.01 lakh crore versus ₹14.13 lakh crore leaving a scope for positive surprise later in the year.

Government's fiscal position (₹ Lakh crore)

	FY22	FY23	YoY (%)	FY24	YoY (%)	FY25 BE	YoY (%)
Direct tax revenues	14.1	16.6	17.8	19.6	17.9	22.1	12.8
Indirect tax revenues	13.0	13.9	6.9	15.0	7.6	16.3	8.8
Gross Tax revenues	27.1	30.5	12.6	34.5	13.2	38.4	11.1
Net Tax revenues [A]	18.2	21.0	15.2	23.3	10.9	25.8	11.0
Non-tax revenues [B]	3.5	2.9	-18.0	4.0	40.8	5.5	35.8
Disinvestmt & Others [C]	0.4	0.7	79.6	0.6	-16.3	0.8	29.0
Total Revenue [A+B+C]	22	25	11.1	28	13.6	32	15
Capital Exp [D]	5.9	7.4	24.8	9.5	28.2	11.1	17.1
Revenu Exp [E]	32.0	34.5	7.9	34.9	1.2	37.1	6.2
Total Expenditure [D+E]	37.9	41.9	10.5	44.4	5.9	48.2	8.5
Fiscal Deficit	-15.8	-17.4	NA	-16.5	NA	-16.1	NA
Nominal GDP	236.6	272.4	15.1	295.4	8.4	326.4	10.5
Fiscal deficit as (%) of GDI	6.7	6.4		5.6		4.9	

Source: Indiabudget.nic.in, ICICI Direct Research.

Government's fiscal position (As % of GDP)

	FY22	FY23	FY24	FY25 BE
Direct tax revenues	6.0	6.1	6.6	6.8
Indirect tax revenues	5.5	5.1	5.1	5.0
Gross Tax revenues	11.4	11.2	11.7	11.8
Net Tax revenues [A]	7.7	7.7	7.9	7.9
Non-tax revenues [B]	1.5	1.0	1.4	1.7
Disinvestmt & Others [C]	0.2	0.3	0.2	0.2
Total Revenue [A+B+C]	9.3	9.0	9.4	9.8
Capital Exp [D]	2.5	2.7	3.2	3.4
Revenu Exp [E]	13.5	12.7	11.8	11.4
Total Expenditure [D+E]	16.0	15.4	15.0	14.8
Fiscal Deficit	6.7	6.4	5.6	4.9

Key takeaways:

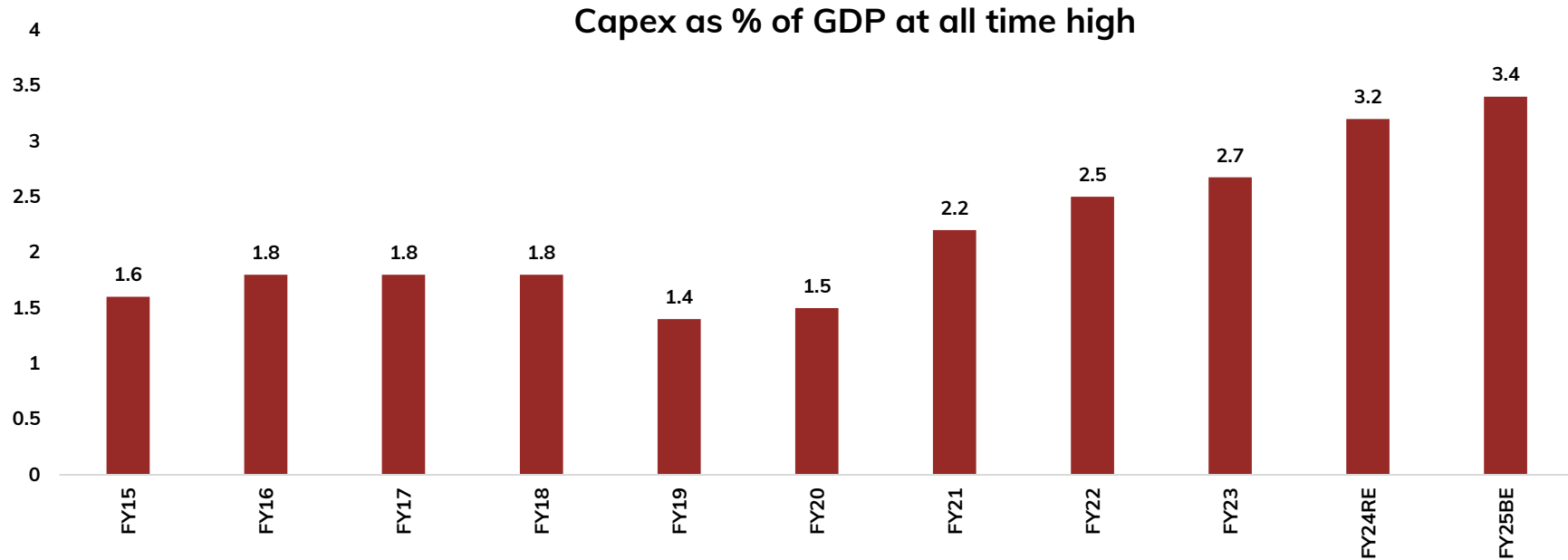
- Government has improved its fiscal deficit target for 2 consecutive years now (FY24 and FY25)
- Nominal GDP growth for FY25 has been kept unchanged at 10.5%, which looks conservative with RBI's Real GDP and Inflation forecast pegged at 7.2% and 4.5%
- Revenue growth forecast is lowered for FY25 with Gross tax revenue growth now pegged at 10.8% versus interim budget estimate of 11.5%. Similarly, direct tax revenue growth is now pegged at 12.8% versus earlier estimate of 13.0%. Within indirect taxes, GST revenues are now likely to grow at 11.0% as against earlier estimate of 11.6% in FY25

Strong Budgetary allocation to all major segments for capex (₹ crore)

Capital Expenditure Gross Budgetary Support (₹ Crore)	FY21	FY22	FY23RE	FY24BE	F24RE	FY25BE	YoY Growth	CAGR
M oRTH	92053	121251	206303	258601	264525	272000	2.8%	24.2%
Railway	108398	117100	159100	240000	240000	252000	5.0%	18.4%
Defence	135510	138351	150000	162600	157228	172000	9.4%	4.9%
Housing & Urban Affairs	10162	25957	23680	25997	26533	28626	7.9%	23.0%
Other	91870	146597	189190	313763	261960	386485	47.5%	33.3%
Total	439085	550740	728273	1000961	950246	1111111	16.9%	20.4%

- Capex intensity has been maintained despite capex spending growing at a CAGR of 20% over FY21-FY25BE. The Government has budgeted growth at 16.9% YoY in FY25BE to ₹ 11.1 lakh crore. The capex to GDP is pegged at all-time high of 3.4% in FY25BE vs. 3.2% in FY24RE.
- Key segments like Roads, railways, defence segments have seen allocation rising between 3-9% given FY22-FY24 have witnesses strong double digit growth thereby creating a high base. In others category, segments like Housing (PM Awaas Yojana) has seen a growth in outlay to the tune of ~8% YoY.

Capex: Status quo maintained at 3.4% Of GDP

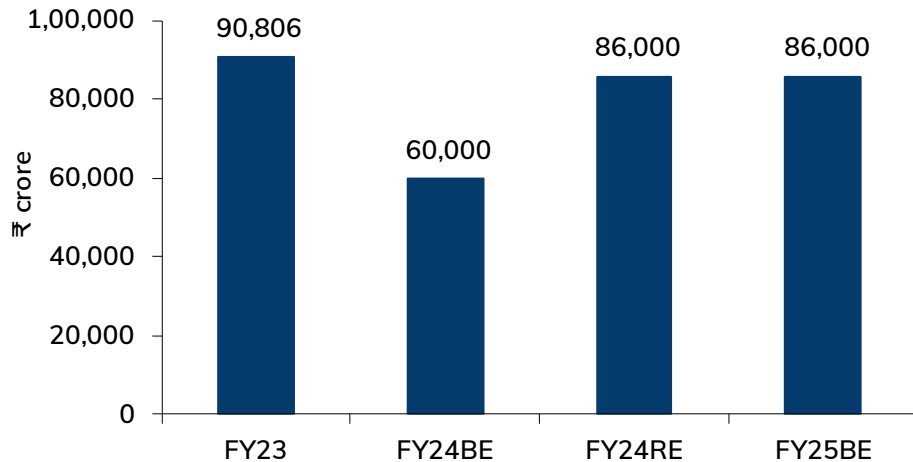


The tendering and ordering activity in Q1FY25 was muted on account of elections/code of conduct. The same implies that the remaining 9 months of FY25E will witness hectic activity in terms of new tenders and ordering activity.

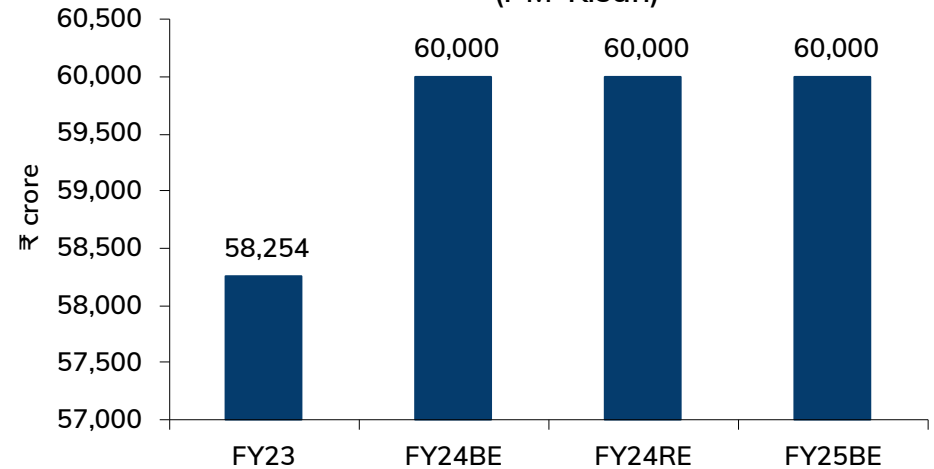
Template across major DBT schemes remains unchanged

Mahatma Gandhi National Rural Employment Guarantee Program (MGNREGA) and Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) are flagship schemes of central government aimed at direct money transfer to beneficiaries account. Following the path of fiscal prudence, government has retained the budgetary outlay for both the schemes from its interim budget presented in Feb'24

Mahatma Gandhi National Rural Employment Guarantee Program

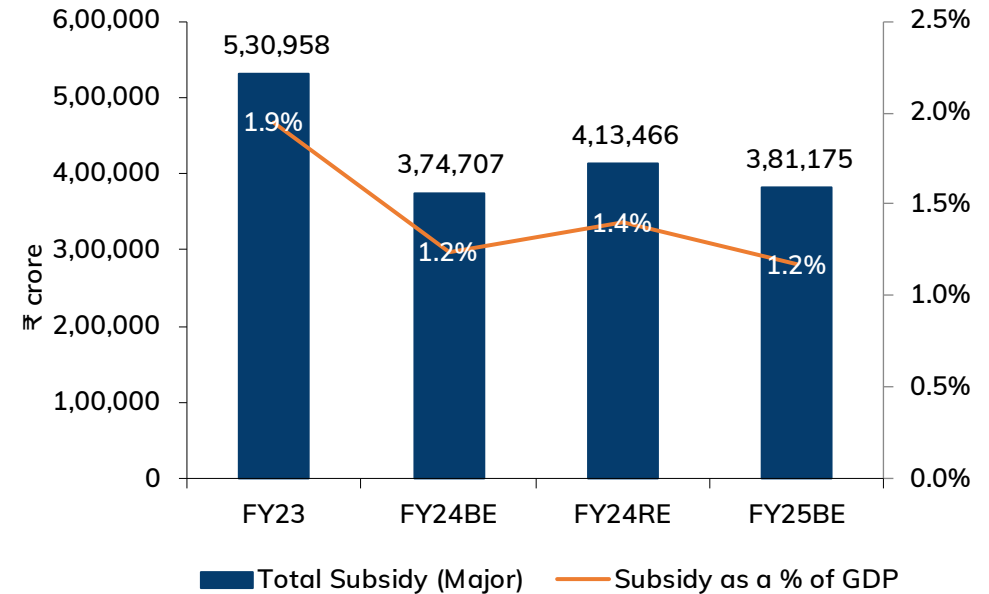
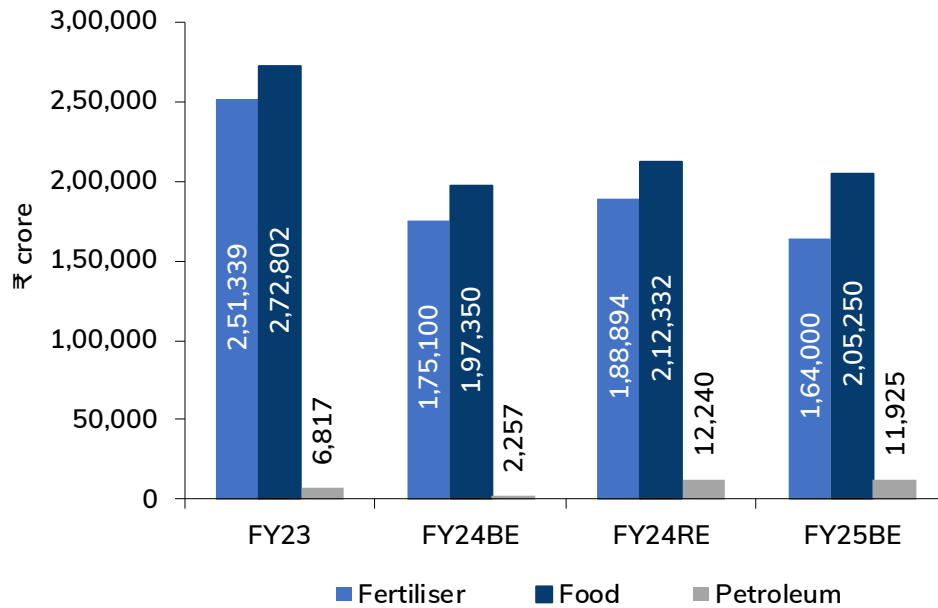


Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)



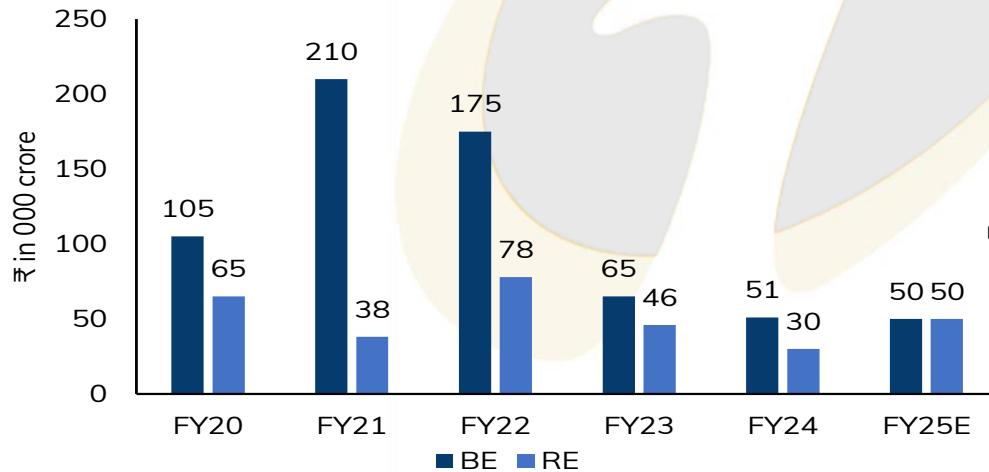
Even the subsidy allocation has remained unchanged for broader heads and is on a declining path as a % of GDP. It has declined from 1.9% of GDP in FY23 to 1.4% in FY24 & further to 1.2% of GDP in FY25.

Absolute subsidy allocation for these major heads is down 7.8% YoY to ₹ 3.8 lakh crore for FY25E

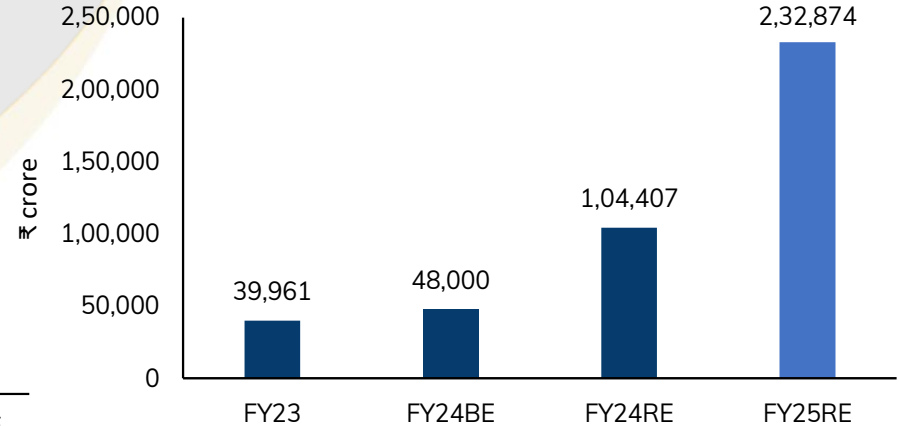


- FY25BE disinvestment target continue to remain in-line with interim budget at ₹ 50,000 crore.
- Significant revision in dividend from RBI & financial institutions from ₹ 1,02,000 crore to ₹ 2,32,874 crore, attributable to surge in dividend from RBI at ₹ 2.1 lakh crore vs earlier budgeted estimate of ₹ 1 lakh crore.

Disinvestment Target unchanged



Surge in RBI dividend led to significant revision in estimates



Source: Govt websites, media sources, DIPAM, ICICI Direct Research

- **The major focus of the budget has been to simplify and rationalize the capital gains. The concept of indexation is largely done away with and Long term capital gains across asset classes are now brought at 12.5%.**

Capital Gains on Financial Assets

- Long-term Capital Gains Tax Increased To 12.5% From 10%.
 - Furthermore, Long-term Capital Gains on all Financial & Non-Financial Instruments will attract 12.5%, thereby implying that even unlisted shares would be subject to the same vs. earlier rate of ~20% with indexation benefits.
- Short-Term Capital Gains Tax Hiked to 20% from 15%

Capital Gains on Property

- **Long Term Capital gains tax rate on sale of property has been reduced from 20% to 12.5%, however, indexation benefits has been removed.**
 - Our computation shows that assuming 10 year period, property appreciation of 9% CAGR or more will result in lower taxation for the investors in the newer regime.
 - On the other hand appreciation of lower than 9% CAGR would imply that tax liability under the new tax rates will lead to higher out go.

Other measures

- Security Transaction Tax On F&O increased to 0.02% & 0.1%
- No Angel tax On All Classes Of Assets

Source: Govt websites, media sources, DIPAM, ICICI Direct Research

Personal income tax: Increasing attractiveness of new scheme

- ❑ New Tax regime has been made further attractive with increase in tax slabs and additional standard deduction of ₹25000.
- ❑ Increase in tax slabs will results in tax benefit of ₹10400 while increase in standard deduction will result in additional tax benefit of ₹ 7800. Therefore the tax benefit in new tax regime has been increased by ₹ 18200 (10400+7800).
- ❑ There is no change in old tax regime. Difference between

For income of ₹ 15.5 Lakh, tax liability in earlier new regime was ₹ 171600.

For income of ₹ 15.5 Lakh, tax liability in revised new regime is ₹ 153400 (161200-7800)

Tax liability in old regime without benefits is ₹290000, higher by ₹120000 vs. revised new tax regime

Income	Tax Rate	Tax Amount	Income	Tax Rate	Tax Amount	Income	Tax Rate	Tax Amount
0.0 - 3.0 lakh	NIL	0	0.0-3.0 lakh	NIL	0	0.0-2.5 lakh	NIL	0
3.0 - 6.0 lakh	5%	15000	3.0 - 7.0 lakh	5%	20000	2.5 - 5.0 lakh	5%	12500
6.0 - 9.0 lakh	10%	30000	7.0 - 10.0 lakh	10%	30000	5.0 - 10.0 lakh	20%	100000
9.0 - 12.0 lakh	15%	45000	10.0 - 12.0 lakh	15%	30000	> 10.0 lakh	30%	165000
12.0 - 15.0 lakh	20%	60000	12.0 - 15.0 lakh	20%	60000			
>15.0 lakh	30%	15000	> 15.0 lakh	30%	15000			
							Tax	277500
							Cess	11100
							Total tax including cess	288600
Tax		165000	Tax		155000			
Education Cess		6600	Cess		6200			
Total tax including cess		171600	Total tax including cess		161200			

For 30% tax bracket assesses, if the total amount of deductions (Chapter VI-A + Housing Loan Interest+ HRA + LTA + Self NPS + Medclaim + Standard Deduction) exceeds ₹ 400000 (its 30% is ₹ 120000), it is better to continue in the current tax regime

Source: Budget documents, ICICI Direct Research

Scheme A

First Timer

- 1-month wage as subsidy (up to ₹ 15k) in 3 equal instalments.
- To benefit 2.1 crore youth

Scheme B

Job Creation in Manufacturing

- Incentive to both employee & employer for EPFO contributions for first 4 Years.
- To benefit 30 lakh youth

Scheme C

Support to Employer

- Reimbursement of EPFO Contribution up to ₹3000 per month for 2 years for all new hires.
- To generate 50 lakh jobs

Internship Phase I

- 20 lakh youth will be skilled over a 5-year period.
- 1,000 Industrial Training Institutes will be upgraded.

Internship Phase II

- To provide internship opportunities in top 500 Co's.
- Allowance of ₹5,000/month along with one-time assistance of ₹6,000 through CSR funds.
- Beneficial for 1 crore youth in 5 years.

...to benefit 4 crore youth over 5 year period

Prime Minister's Package for Employment & Skilling	Beneficiaries (lakhs)	Central Outlay (Crore)
Employment Linked Incentive		
Scheme A (first timers)	210	23,000
Scheme B (bulk hiring of first timers in manufacturing)	30	52,000
Scheme C (job creation)	50	32,000
Internship Programme (Phase-1)	30	19,000
Internship Programme (Phase-2)	70	44,000
Upgradation of ITIs	20	30,000
Total	410	2,00,000

Auto Sector

- Government has allocated ~₹1300 Crore for “PM e-bus Sewa scheme” in Budget 2024-2025. The scheme will promote e-mobility in public transport. The scheme will act as a catalyst for adoption of electric buses. It comes as a positive for Ashok Leyland and Tata Motors as they are the major players in the EV-bus segment.
- Government has retained allocation of ₹ 3,500 crore as incentives under the PLI scheme for the automobiles and auto components sector for FY25E. This is against a meagre allocation of ~₹ 500 crore for FY24RE. It is positive for players executing capex in the new energy space like Electric Vehicles, Hydrogen Powered Vehicles among others.
- Government has also allocated ~₹ 2,671 crore as remaining incentives under FAME-2 scheme for FY25E (total outlay at ~₹ 11.5k crore over FY20-24).

Telecom

- The Union Budget proposed increasing the basic customs duty (BCD) from 10% to 15% on printed circuit board assembly (PCBA) on specified telecom equipment to boost the domestic manufacturing industry.

Infrastructure & Cement

- Union Budget announced an allocation of ₹ 15,000 crore for Andhra Pradesh’s capital city development in the current financial year, with assurances of further funds in subsequent years. The Centre would also facilitate funding for the development of Amaravati capital city through multilateral development agencies. Furthermore, the finance minister also assured centre commitment towards completion of Polavaram project. This will be positive for the overall opportunity of EPC players like NCC.
- Three crore additional houses under the PM Awas Yojana in rural and urban areas in the country have been announced. Under the PM Awas Yojana Urban 2.0, housing needs of 1 crore urban poor and middle-class families will be addressed with an investment of ₹ 10 lakh crore. This will include the central assistance of ₹ 2.2 lakh crore in the next 5 years. A provision of interest subsidy to facilitate loans at affordable rates is also envisaged. This is long term positive for Cement sector

Defence & Space

Rs crore	FY23	FY24RE	FY25BE	YoY (%)
Aircrafts & Aero-Engines	35,009	24,113	40,278	67.0
Naval Fleet	23,483	24,445	23,800	-2.6
Heavy & medium vehicles	2,042	2,715	4,637	70.8
Naval Dockyards	4,364	5,340	6,830	27.9
Other Equipments	51,705	71,302	62,198	-12.8
Others	26,337	29,313	34,257	16.9
Total Capital Outlay	1,42,940	1,57,228	1,72,000	9.4

- Capital outlay for R&D (research & development) in defence sector has been allocated at ₹ 13,208 crore for FY25E (vs ₹ 12,943 crore in FY24RE)
- Capital outlay for space sector is at ₹ 5,567 crore (25% higher as compared to FY25RE). With continued emphasis on expanding the space economy by 5x in the next 10 years, a venture capital fund of ₹ 1,000 crore will be set up
- **Key beneficiaries in defence & space segments include Hindustan Aeronautics (HAL), Bharat Electronics (BEL), Bharat Dynamics (BDL), Cochin Shipyard (CSL), Mazagon Dock Shipbuilders (MDL), Garden Reach Shipbuilders (GRSE), Mishra Dhatu Nigam (Midhani), Data Patterns, Astra Microwave**
- To promote domestic aviation and boat & ship MRO (maintenance, repair & overhaul), the government has extended the period for export of goods imported for repairs from six months to one year. Also, government has extended the time-limit for re-import of goods for repairs under warranty from three to five years
- Basic custom duty (BCD) on ammonium nitrate has been increased from 7.5% to 10%. Ammonium Nitrate is the basic raw material for manufacturing explosives used in mining, infra & housing

Metals and Mining

- Government will be launching a critical mineral mission to boost domestic production, recycling, and overseas acquisition of critical mineral assets. Additionally, it will commence auction of first tranche of offshore blocks for mining. This initiative will benefit the mining companies such as Coal India, NMDC, etc. which are currently expanding in this space.
- Government has proposed fully exempt custom duties on 25 critical minerals, including lithium, copper, cobalt and rare earth elements, which are heavily utilized in sunrise sectors such as electric vehicles, space, defence, renewable energy, etc.. It also proposed reducing basic customs duty on two such minerals. This development is positive for end user segment like Li-On Battery players like Exide Industries. Metal processing companies such as Hindalco and Vedanta will also benefit.
- The government has also proposed reducing basic custom duty on ferro nickel and ferrous scrap, key raw materials for making speciality steel. Jindal Stainless, a leading player in the stainless-steel space, will be a key beneficiary.
- To boost domestic production for grain oriented electrical steel, the government has extended the zero-custom duty on certain specified raw materials used in making CRGO steel until 31st March'26. This is positive development for JSW Steel, which has a JV with JEF Steel Corporation to set up a facility in Karnataka with a planned investment of ₹5,500 crore and SOP in FY27.
- Government has also proposed reducing basic custom duty on graphite from 7.5%/5% to 2.5%. This mainly benefits the domestic graphite electrodes producer such as HEG and Graphite India, given ~70% of graphite is imported in India.
- Government has allocated ~₹246 crore towards the production linked incentive (PLI) scheme for speciality steel for FY25E. The objective is to promote manufacturing of special steel grades and is positive for players such as Vardhman Speciality Steel.

Banking & MSME's

- Three crore additional houses under the PM Awas Yojana in rural and urban areas in the country have been announced, for which the necessary allocations are being made. Total allocation estimated at ₹ 10 lakh crore, of which central assistance of ₹ 2.2 lakh crore is announced in next 5 years. Housing financier including Aavas Financiers, Home First and Aadhar Housing remain beneficiaries.
- Introduction of credit guarantee scheme to facilitate term loans to MSMEs for purchase of machinery and equipment without collateral or third-party guarantee. The scheme is estimated to provide guarantee cover up to ₹ 100 crore, on payment of upfront and annual guarantee fee. Key beneficiaries includes Ugro Capital, SBFC Finance and Five-Star Finance
- Public sector banks to build in-house credit assessment model, including accessing digital footprint, to under-write MSME for credit.
- Increase in limit of Mudra loans from ₹ 10 lakhs to ₹ 20 lakhs for entrepreneurs with successfully repaid track record 'Tarun' category.
- Promote a government fund to guarantee credit facility to MSME under stress

Capital Goods/ Power

- Power projects, including new 2400 MW (3x800MW) coal fired thermal power plant at Pirpainti, to be taken up at a cost of ₹21,400 crore. NHPC, Bihar state power generation company and Pirpainti Bijlee company had earlier (in February 2014) signed an MoU for 1320 (2x660 MW) proposed thermal power plant. The above project if tendered out will create strong order inflow opportunities for capital good power equipment player like BHEL and L&T.
- The Government has proposed a policy for promoting pumped storage projects for electricity storage. This move will provide effective directives for power generating companies like NHPC, NTPC, SJVN, JSW energy to plan to put up pump storage capacities.

Pankaj Pandey



Head – Research

ICICI Direct Research Desk,
ICICI Securities Limited,
3rd Floor, Brillanto House,
Road No 13, MIDC
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

pankaj.pandey@icicisecurities.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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