Acuité
RATINGS & RESEARCH

UNION BUDGET

Feb 2025

Impact Analysis

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PREFACE

The dominant theme in the Union Budget 2025-26 has been to provide a significant boost to consumption in the Indian economy through personal income tax cuts and higher disposable incomes of the middle class. However, Acuité Research also believes that the budget has mooted a slew of measures to expedite private sector investments, a critical element towards Viksit Bharat 2027. While maintaining the thrust on infrastructure development, it also continued to provide increasing support to the MSME and the agricultural sector. Last but not least, the commitment to fiscal consolidation has been maintained with the fiscal deficit pegged at 4.8% (RE) and 4.4% (BE) for FY25 and FY26 respectively.

While a tax relief for the middle class was expected, the concessions provided has exceeded the expectations. No tax is payable for salary incomes upto Rs 12.75 lakhs (including the standard deduction amount) and the 30% tax bracket starts only for incomes over Rs 24 lakhs. This is likely to result in potential savings of ~Rs 80,000 for taxpayers earning Rs 12 lakhs and above and can create space for additional aggregate consumption of Rs 1.5 Lakh Cr in the economy. Clearly, the extent of the tax cuts is very significant which will lead to an immediate personal income tax sacrifice of Rs 1 Lakh Cr.

Beyond the tax cuts, there are several measures to simplify tax rules particularly related to TDS. The government is walking the talk on tax reforms with a plan to place the new income tax bill in the parliament shortly; the latter may translate to simplification of the current income tax laws and rules, something that will go a long way in providing a conducive environment for new businesses.

Union Budget 2025-26 has announced a few long-term measures to expedite private sector investments. To address the concerns on red tapism, a high-level committee will be constituted to recommend regulatory reforms in the corporate sector involving licences, approvals etc. Such steps will gradually improve the ease of doing business, a pre-requisite for a sustained growth in private sector investments.

The government continues to demonstrate its commitment to the development of the MSME sector. Among the several additional measures in the current budget, one is an enhancement in the MSME definition limits, and another is to increase the guarantee cover for micro enterprises up to 10 Cr; for startups, the guarantee cover has been increased to 20 Cr. Women entrepreneurs have been provided enhanced access to funds. A new scheme is being envisaged to make India a global hub for toys, thereby supporting local toy manufacturers. The budget talks about setting up an Export Promotion Mission which will facilitate easy access to export credit, cross-border factoring support and handle non-tariff measures in overseas markets.

While the focus on building a stronger MSME manufacturing eco-system is visible, steps have also been taken to improve the viability of indigenous advanced technology based manufacturing; custom duty exemptions or concessions are provided particularly for inputs to some high-technology products or critical raw materials needed, for example, in battery manufacture. 100% FDI in the insurance sector is also a significant development which can raise the investment levels.

There is a need to improve productivity in the agriculture sector, given the persistently high food inflation in India. The government has taken cognizance of that criticality through a new scheme – "PM Dhan Dhanya Krishi Yojana" in partnership with states that will identify 100 districts in the country with low crop productivity and work on their all-round agricultural development, potentially benefitting 1.7 Cr farmers. Separate initiatives have been proposed for achieving self-sufficiency in pulses and edible oils where the import dependence continues to be high. The loan limit under Kisan Credit Card (KCC) for short term credit has been enhanced to Rs 5 lakhs.

The infrastructure sector remains a high priority for the government notwithstanding a moderate growth in the capex budget from Rs 10.2 Lakh Cr (RE, FY25) to Rs 11.2 Lakh Cr (BE, FY26). The ratio of capital transfer to states to CG capex is slated to increase to 18.0% in FY26, the highest ever, reflecting increasing incentivization of state governments for targeted capex and overall fiscal discipline.

Several measures have been announced to strengthen the infrastructure and logistics sectors such as the ship building industry. For the maritime sector, a fund with a corpus of Rs 25,000 Cr will be set up for long-term financing with 49% contribution by the Government and balance mobilized from ports and the private sector. The government has proposed an "Urban Challenge Fund" with a corpus of Rs 1 Lakh Cr and an initial allocation of Rs 10,000 Cr for FY26 which will fund upto 25% of urban infrastructure projects with the balance to be funded through bonds, loans and PPP. Also, the partial guarantee scheme by NABFID on corporate bonds, if well designed, can boost investment in the infrastructure sector.

On alternative energies, the budget has brought nuclear power in the limelight. Towards energy transition, a target of100 GW of nuclear power capacity by 2047 has been set which will involve small modular reactors (SMR).

Lastly, as expected, there is a strong commitment to fiscal consolidation. The fiscal numbers have been slightly better than expected with fiscal deficit at 4.8% (RE) for FY25 vs 4.9% (BE). Further, an aggressive target of 4.4% (BE) has been set for FY26. While the fiscal figures are largely credible, the corporate tax collection targets look slightly optimistic in the backdrop of the economic slowdown and the pressures on corporate profitability. There is also no major mention on the disinvestment side or on how non-tax revenues will be mobilised; however, an asset monetization plan 2.0 has been mooted to generate fresh capital of Rs 10 Lakh Cr over 2025-2030.

Overall, we believe that Union Budget Feb'2025 is a major consumption boosting budget, which should increase private consumption demand and push up the GDP growth that has moderated to 6.4% (RE) in FY25. At the same time, it continues to lay the building blocks required to take the Indian economy towards Viksit Bharat 2047.

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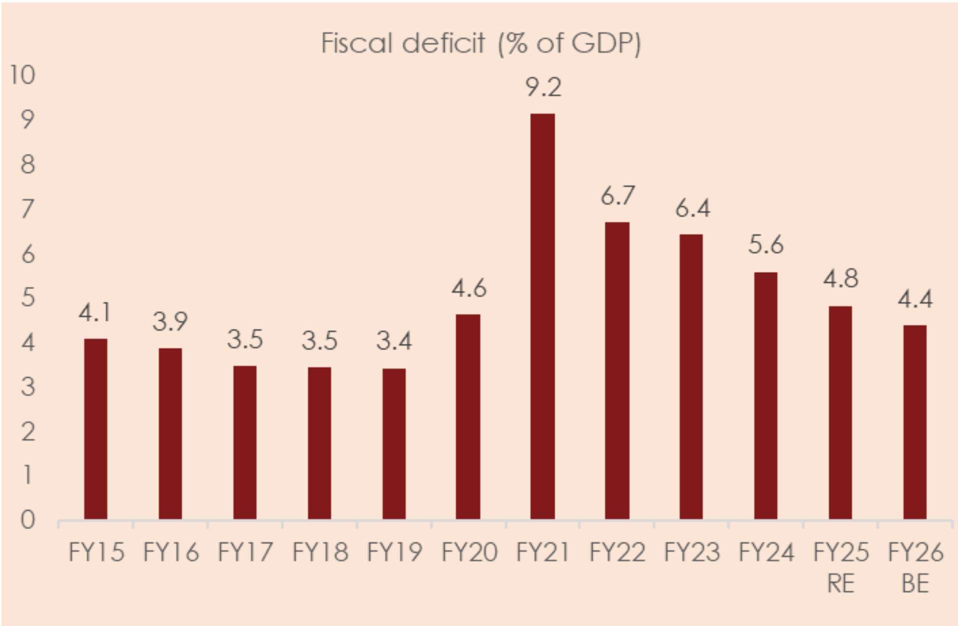
Fiscal Footprint

KEY TAKEAWAYS

- The Union budget for FY 2025-26 retained its strong intent on fiscal prudence while also providing a boost to consumption demand adopting long term measures to prepare the Indian economy for Viksit Bharat 2047.
- Continuing on the path of fiscal consolidation, the FM announced a 40-bps reduction in fiscal deficit target to 4.4% of GDP in FY26 from 4.8% (RE) in FY25.
- While the fiscal arithmetic appears largely credible, net tax revenue growth in FY26 is budgeted at ~11% which is slightly optimistic in the backdrop of increased pressures on corporate profitability. For achievement of the non-tax revenue target, another bumper RBI dividend will be needed.
- On capex, the government has budgeted 11.2 lakh Cr, standing at around 3.1% of GDP, the same as RE 2024-25. This comes after the aggressive capex push in 2023-24 (3.2%).
- The budget also has brought the focus on policies that will facilitate higher private sector investments, job creation, skilling, growth for MSMEs and higher productivity in agriculture.

After peaking at 9.2% of GDP in FY21, the central government's fiscal deficit has been on a path of continuous correction. The FY26 Union Budget takes this forward, as it targets to push the fiscal deficit ratio to 4.4%, marking the lowest fiscal deficit ratio in the post-pandemic period. This comes on the heels of an overachievement of fiscal target in FY25, with the government slated to achieve a headline deficit of 4.8% of GDP against the BE of 4.9%.

Chart 1: Central government remains committed towards fiscal consolidation in FY26, aiming to consolidate by 40 bps incrementally



Fiscal arithmetic: Credible and conservative

The fiscal arithmetic presented in the FY26 Union Budget appears largely credible and we do not see any risk of slippage in the headline deficit numbers, given that there is a likelihood of a marginally higher nominal GDP growth than assumed in the Budget arithmetic.

- The FY26 Union Budget has assumed a Nominal GDP growth rate of 10.1%, compared to first advance estimate of 9.7% for FY25. With WPI inflation accelerating at a faster clip (expected to average around 3.5%), there could be a likelihood of Nominal GDP growth turning out to be marginally higher. Recall, Economic Survey has pegged FY26 GDP growth in the range of 6.3-6.8%.

At a granular level, growth in direct tax collection is budgeted to moderate to 12.7% in FY26 from 14.4% in FY25 RE, while growth in indirect taxes is expected to rise by 8.3% in FY26 compared to 7.2% as per FY25 RE. Moderation in direct tax growth is on account of the proposed rejig in tax slabs for personal income taxes. The proposed changes in the tax slabs and accompanying tax rates are estimated to cost the exchequer Rs 1 Lakh Cr in FY26.

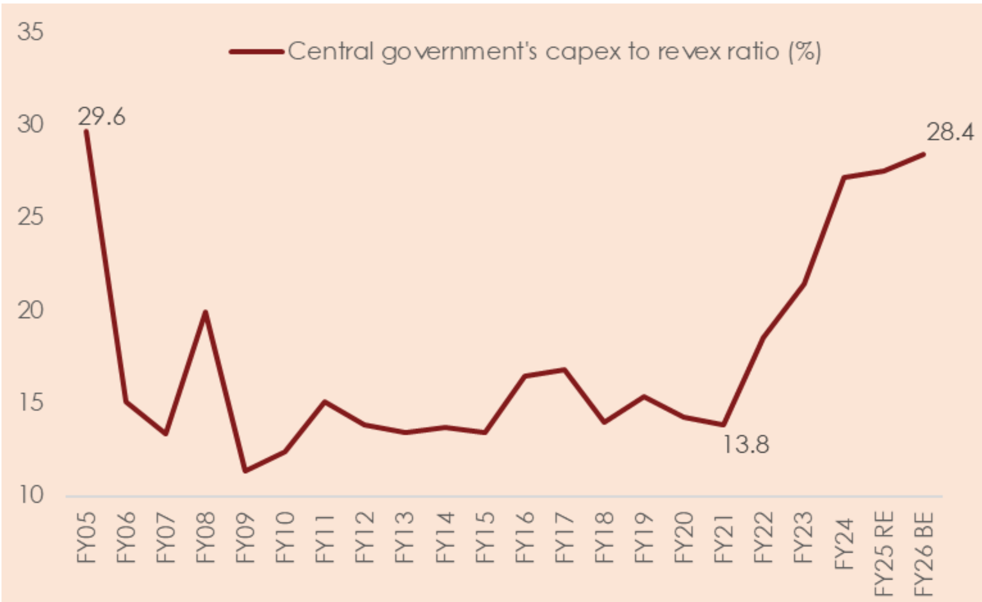
Non-tax revenues are anticipated to stay put at 1.6% of GDP – same as in FY25. This indicates that the Government has penciled in a sizeable dividend from the RBI that could be close to the record high dividend of Rs 2.1 Lakh Cr received in FY25. As such, the RBI dividend is likely to continue to offer key support to fiscal consolidation effort yet again in FY26.

The target for disinvestment has been revised lower to Rs 33,000 Cr for FY25, against the BE of Rs 50,000 Cr. Keeping in mind the year-to-date disinvestment proceeds of ~Rs 8,000 Cr, FY26 target pegged at INR 47,000 Cr will carry material downside risks, especially amidst global uncertainties weighing on the equity market sentiment.

On the expenditure side, the downside in capex, single-handedly drove the incremental improvement in fiscal deficit to GDP ratio in FY25. Against a budgeted capex of Rs 11.1 Lakh Cr, the government is expected to spend only Rs 10.2 Lakh Cr – a shortfall of Rs 90,000 Cr owing to the administrative delays early on in the fiscal year amidst the timing of the national election, and possibly absorptive capacity of Center as well as states to incur incremental capex beginning to get constrained. As such, against the RE, the Budget pencils in a capex growth of ~10% for FY26. This should prove supportive, as –

- Capex/GDP ratio will remain steady at 3.1% in FY26
- FY26 budgeted growth in capex will be higher than FY25 RE, pegged at 7.3%.
- Government capex rose by almost 3-fold between FY20 and FY24, and thereby the base for the envisaged 10% expansion is sizeable now.

Chart 2: FY26 continues to maintain superior quality of fiscal adjustment with capex-revex ratio at a 21-year high



On the other hand, revenue expenditure is anticipated to be curtailed at BE level of 11.4% of GDP in FY25. The consolidation in revex in FY26 is sizeable, i.e., to 11.0% of GDP – the lowest level in the post pandemic phase, and predominantly underpins the fiscal consolidation anticipated next year. Within the headline, committed revex spends (such as outgo on salaries, pensions, subsidies and interest payments) are likely to remain at the same level of GDP, with the downside being led by welfare revex spends.

Having said, it is noteworthy that the capex-to-revex ratio, one of the key markers to judge quality of fiscal spending, is budgeted to increase to 28.4%, the highest in over two decades.

Key underlying features of FY26 Budget

- Consumption has received an unequivocal focus in the FY26 Union Budget. By rejigging tax slabs and accompanying tax rates, the Budget offers a direct fiscal stimulus of Rs 1 Lakh Cr towards consumption by enhancing disposable income in the hands of the middle-income earners. This is likely to spur urban discretionary consumption meaningfully in the coming quarters.
- Labour intensive sectors like Leather, Textiles, Toys are likely to benefit from sector-focused strategic schemes aimed at enhancing production, productivity as well as job creation.
- MSMEs are likely to benefit from the enhanced credit guarantees, as well as the revision of investment and turnover limits for classification by 2.0-2.5 times
- Rationalization of customs tariff structure for industrial goods in key sectors such as textiles, electronic goods, telecom etc. should support domestic industry, especially at a time when global geoeconomic environment has become extremely uncertain with serious risks of disruption to global trade.
- The ratio of capital transfer to states to capex incurred by the central government is slated to increase to 18.0% in FY26, the highest ever. This reflects continued thrust on incentivization of state governments for targeted capex and overall fiscal discipline.

Financing of the fiscal deficit

The Budget pegs FY26 gross and net market borrowings at Rs 14.8 Lakh Cr and Rs 11.5 Lakh Cr respectively. Compared to FY25 RE, gross and net borrowings are up by 5.8% and 7.4% respectively. Notably, the increase in net g-sec borrowing in FY26 is inorganic in nature as the net borrowing for FY25 got adjusted lower due to higher than budgeted buybacks (the central government has conducted Rs 88,200 Cr worth of g-sec buyback in FY26 against the initial budgeted target of Rs 30,200 Cr). Seen as a ratio to GDP, net g-sec borrowing in FY26 comes to 3.0%, the lowest in 4-years. In terms of other highlights:

- Repayment of Rs 1.24 Lakh Cr in FY25 RE and Rs 67,500 Cr in FY26 will be met through additional recovery from GST Compensation Fund against the back-to-back loans extended to States/UTs in lieu of shortfall in GST revenue.
- There won't be any funding from T-Bills in FY26.
- Reliance on small savings for funding is budgeted for a moderation in FY26.
- There is likely to be an insignificant infusion of surplus cash from the central government in FY26 for the purpose of funding its fiscal deficit.

Table 1: Funding of fiscal deficit

Key Sources of Financing Fiscal Deficit (Rs bn)				
	FY24	**FY25 BE**	**FY25 RE**	**FY26 BE**
External Debt	551	160	320	235
Net Market Borrowing	12261	11132	9851	11538
G-Sec	11778	11632	10745	11538
T-Bill	483	-500	-895	0
Securities against Small Savings	4514	4201	4119	3434
State Provident Funds	51	50	50	50
Others	-838	-813	-45	407
Draw Down of Cash Balance	8	1404	1401	25
Total	**16546**	**16133**	**15695**	**15689**

Conclusion

The FY26 Union Budget rests on the following broad strategies:

- Preservation of continuity in fiscal consolidation
- Conservatism while restraining non-productive expenditure
- Maintaining a countercyclical policy by means of implementing a gradual fiscal consolidation alongside a growth-oriented budget, via boost to domestic consumption
- Keeping the capex thrust to growth intact, at a time when recovery in private sector capex looks somewhat delayed amidst global uncertainties and excess capacities.
- The central government is expected to switch to a debt targeting framework from FY27. As per the budget documents, the central government would endeavour to keep fiscal deficit in each year from FY27 such that the central government debt is on declining path towards 49-51% of GDP range by FY31 vis-à-vis 56.1% projected for FY26.

Table 2: Budgeted scenarios for debt reduction

Budget's projection of central government's debt (% of GDP)			
	Mild Case	**Moderate Case**	**High Case**
FY31 (Projected with 10.0% Nominal GDP growth)	52.0	50.6	49.3
FY31 (Projected with 10.5% Nominal GDP growth)	51.0	49.7	48.4
FY31 (Projected with 11.0% Nominal GDP growth)	50.1	48.8	47.5

Note: Central government debt as per FY25 RE and FY26 BE is at 57.1% and 56.1% of GDP respectively.

Market implications

- The fiscal adjustment would be viewed favorably by the MPC. If food price inflation continues to depict signs of reversal in the near-term and the exchange rate shows signs of stability, then this could open the door for the first rate cut in Apr-25 monetary policy review.
- Excluding buybacks, the quantum of net g-sec borrowing has remained broadly unchanged between FY25 and FY26. This is mildly comforting.
- Lack of T-bill borrowing will support the lower end of the yield curve.
- A minor concern factor is the large quantum of g-sec switches - budgeted at Rs 2500 bn, this will be the highest ever and would add to the supply of duration in the market.

The 10Y g-sec yield is likely to remain ranged between 6.65-6.75% in the near-term with support from RBI's ongoing OMO purchases (Rs 310 bn purchased outright in Jan-24 along with Rs 600 bn auction-based purchases between Jan-Feb 2024).

Chart 3: RBI a key buyer of g-secs in its bid to provide durable liquidity

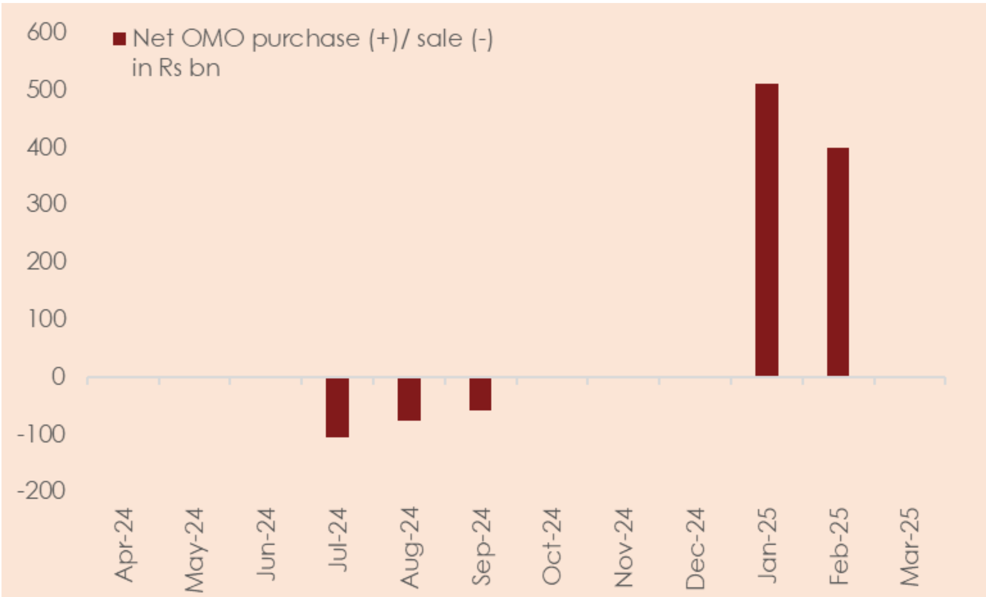
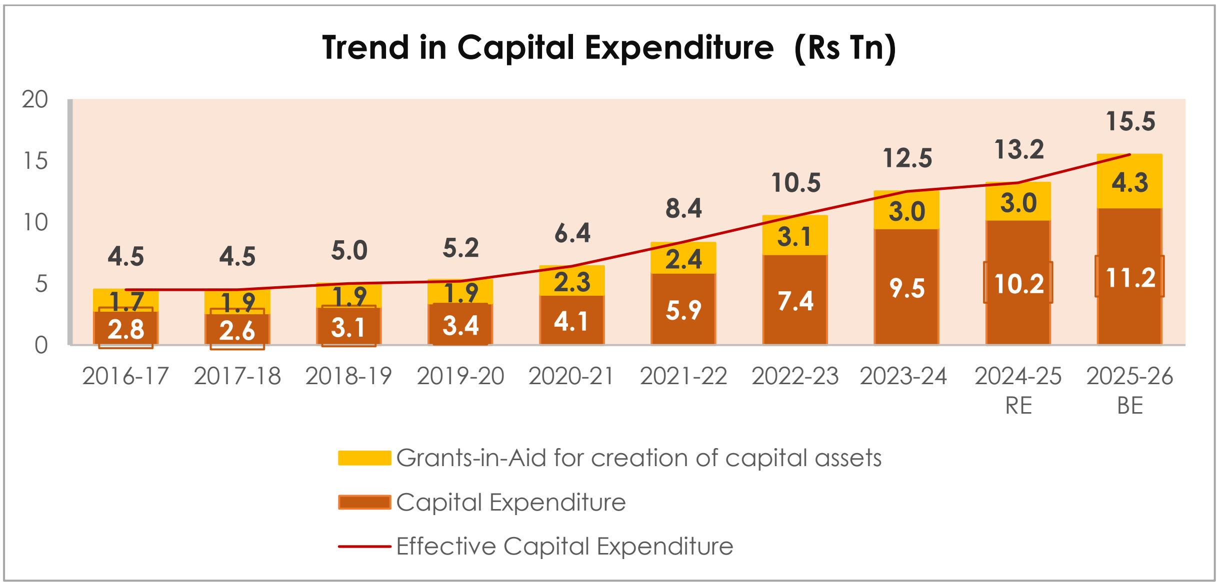


Table 3: Budget at a glance

	In Rs bn			As % of GDP		
	FY24	FY25 RE	FY26 BE	FY24	FY25 RE	FY26 BE
Revenue Receipts	**27290**	**30880**	**34204**	**9.2**	**9.5**	**9.6**
Gross Tax Revenue	34655	38535	42702	11.7	11.9	12.0
Net Tax Revenue	23273	25570	28374	7.9	7.9	7.9
Non-Tax Revenue	4018	5310	5830	1.4	1.6	1.6
Dividends & Profits	1709	2893	3250	0.6	0.9	0.9
Non-Debt Capital Receipts	598	590	760	0.2	0.2	0.2
Disinvestments	331	330	470	0.1	0.1	0.1
Total Expenditure	**44434**	**47165**	**50653**	**15.0**	**14.6**	**14.2**
Revenue Expenditure	34943	36981	39443	11.8	11.4	11.0
Interest Payment	10639	11379	12763	3.6	3.5	3.6
Subsidy	4349	4279	4262	1.5	1.3	1.2
Capital Expenditure	9492	10184	11211	3.2	3.1	3.1
Revenue Deficit	7652	6101	5238	2.6	1.9	1.5
Fiscal Deficit	**16546**	**15695**	**15689**	**5.6**	**4.8**	**4.4**
Primary Deficit	5908	4316	2926	2.0	1.3	0.8

Chart 4: Trend in Capex over the years'



Sectoral Impact

Agriculture

Acuité Opinion: Moderately Positive

Key Budgetary Announcements

- Government has introduced 'Prime Minister Dhan-Dhaanya Krishi Yojana' in partnership with states; the programme will cover 100 districts with low productivity, moderate crop intensity and below-average credit parameters.
- A comprehensive multi-sectoral 'Rural Prosperity and Resilience' programme will be launched in partnership with states with focus on rural women, young farmers, rural youth, marginal and small farmers, and landless families; financial assistance will be sought from multilateral development banks. In Phase-1, 100 developing agri-districts will be covered.
- Government is implementing the National Mission for Edible Oilseed for achieving self-sufficiency in edible oils.
- Government will now launch a 6-year "Mission for Aatmanirbharta in Pulses" with a special focus on Tur, Urad and Masoor.
- A comprehensive programme to promote production, efficient supplies, processing, and remunerative prices for farmers will be launched in partnership with states.
- Appropriate institutional mechanisms for implementation and participation of farmer producer organizations and cooperatives will be set up.
- A Makhana Board will be set up in Bihar to boost production, processing, and marketing, while organizing farmers into FPOs and providing training and access to government schemes.
- Promotion of FPOs, cooperatives & start-ups for vegetable supply chains for collection, storage, and marketing.
- A National Mission on High Yielding Seeds will focus on strengthening research, developing pest-resistant, climate-resilient seeds, and ensuring the commercial availability of over 100 new seed varieties released since July 2024.
- Government will bring in an enabling framework for sustainable harnessing of fisheries from Indian Exclusive Economic Zone and High Seas, with a special focus on the Andaman & Nicobar and Lakshadweep Islands.

- Government has introduced Mission for Cotton Productivity- a five year mission which will significant improvements in productivity and sustainability of cotton farming and promote extra-long staple cotton varieties.
- Government has raised loan limit under Kisan Credit Card (KCC) to ₹5 lakh, farmers, fishermen, and dairy farmers.
- To boost urea production, a new plant with a capacity of 12.7 lakh metric tons will be set up in Namrup, Assam, following the reopening of three dormant plants in the Eastern region.

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

The budget aims to uplift district with low agriculture productivity by introducing new technologies, encouraging crop diversifications strengthening storage infrastructure minimizing post-harvest losses, and providing long term and short-term credit facilities which will help boost farm yields, dependencies on import of agriculture product ensuring stable income for farmers, reducing wastage while increasing domestic supply and helping farmer to invest in modern technologies.

Increased investment in rural areas will diversify the economy and provide alternative income sources, reducing migration and ensuring economic sustainability. Special attention to women, young farmers, and landless families will increase participation in agriculture and rural economies, empowering vulnerable communities. By increasing rural income levels and consumption, the programme will strengthen the domestic agricultural market and reduce dependency on imported goods.

The introduction of National Mission for Edible Oilseed and Mission for Aatmanirbharta in Pulses will reduce import dependence, increase domestic production, and help meet rising consumption needs.

India has witnessed a persistently higher inflation trend in pulses this year, primarily due to a decline in production and a corresponding increase in imports. The initiative aimed at achieving self-sufficiency will play a crucial role in reducing our reliance on imports. Guaranteed procurement and better prices will directly improve farmer incomes, making the pulse sector more profitable and self-sufficient.
The focus on FPOs will ensure better pricing power for farmers, improving their incomes and reducing exploitation in the supply chain.

By boosting seafood production, the sector will increase exports, valued at ₹60,000 Cr . As seafood availability rises, both domestic consumption and global export opportunities will expand. This will directly result in higher incomes for fishermen and coastal communities, enhancing livelihoods and economic stability.

The initiative of Atmanirbharta in urea plant will reduce India's dependence on urea imports, stabilizing fertilizer costs and ensuring more accessible inputs for farmers. With lower production costs due to affordable fertilizers, farmers' incomes will rise, particularly in northeastern India, where urea supply has been historically inconsistent.

Taxation

Acuité Opinion: Strongly Positive

Key Budgetary Announcements:

Direct tax:

- ↑ Changes in direct taxes and proposal to introduce the New Income Tax Bill.
- ↑ Tax deduction limit for senior citizens doubled from ₹ 50,000 to ₹ 1 lakh
- ↑ The annual limit of ₹2.40 lakh for TDS on rent increased to ₹ 6 lakh
- ↑ Extension of time-limit to file updated returns, from the current limit of two years to four years.
- ↑ Reduced compliance for small charitable trusts/institutions by increasing their period of registration from 5 years to 10 years
- ↑ Certainty of taxation to Category I and category II AIFs, undertaking investments in infrastructure and other such sectors, on the gains from securities

Indirect tax:

- ↑ Changes in BCD and tariffs for several manufacturing inputs

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

In a relief to the middle class with income tax exemption to annual income of up to Rs 12 lakh and rejigged tax slabs, there is expected to be a sizable increase in the disposable income which is foreseeably expected to boost investment expenditure in the form of SIPs/Mutual Funds as well as increase in consumption expenditure which is expected to boost sectors such as Auto, Consumer Durables, Retail, Travel & Tourism, and select FMCG companies, which aligns with expectations from the equity markets.

Impact: The exemption of BCD on 36 life-saving drugs, particularly those used for cancer and rare diseases, will significantly reduce the cost of these medications. This will make essential drugs more accessible and affordable for patients, improving healthcare outcomes and reducing financial burdens on families.

The "Heal in India" campaign, along with simplified visa procedures for international patients, will boost medical tourism. This will attract more foreign patients, contributing to the growth of the healthcare sector and the economy.

The increase in BCD from 10% to 20% on interactive flat panel displays will address the inverted tariff structure, making domestic production more competitive. This will support the local manufacturing industry and reduce reliance on imports.

The exemption of BCD on 35 capital goods for electric vehicle battery manufacturing and 28 capital goods for mobile phone battery production will lower production costs and encourage investment in these sectors. This will boost the domestic manufacturing of lithium-ion batteries, supporting the growth of the EV and mobile phone industries.

The reduction of BCD to 5% on open cells and related components for LCD and LED televisions will make these components more affordable, promoting domestic production and reducing costs for consumers.

The revision of BCD on knitted fabrics to 20% or ₹115 per kg, whichever is higher, will provide a balance between protecting domestic industries and ensuring competitive pricing.

The full exemption of BCD on wet blue leather and the exemption of the 20% export duty on crust leather will support the leather industry by reducing costs and promoting exports.

The full exemption of BCD on cobalt powder, lithium-ion battery scrap, lead, zinc, and 12 critical minerals will secure the availability of these raw materials for domestic manufacturing. This will support industries reliant on these minerals, promoting job creation and economic growth.

The reduction of BCD on frozen fish paste (Surimi) from 30% to 5% will benefit the seafood industry by lowering costs and promoting exports.

The removal of seven additional customs tariff rates for industrial goods, leaving only eight rates (including a 'zero' rate), will streamline the tariff structure. This will reduce complexity, improve compliance, and support domestic manufacturing and exports.

These changes in the Union Budget 2025 aim to support domestic manufacturing, promote exports, and provide relief to consumers and industries. By addressing inverted tariff structures, exempting duties on critical inputs, and simplifying the tariff structure, the government seeks to enhance India's economic competitiveness and improve the quality of life for its citizens.

MSME Sector

Acuité Opinion: Strongly Positive

Key Budgetary Announcements:

- ↑ Revisions to the Act's classification criteria for MSMEs based on investment and turnover. While the turnover limit is increased to two times, the investment limit is increased to 2.5 times in the union budget for 2025
- ↑ For startups, the credit guarantee cover for MSMEs will be raised from Rs 10 Cr to Rs 20 Cr and loans in 27 important sectors will accrue a 1% fee.
- ↑ Over the next five years, an additional Rs 1.5 Lakh Cr in credit will be made available to micro and small enterprises through the increase of the credit guarantee cover from Rs 5 Cr to Rs 10 Cr.
- ↑ For MSMEs that are well-run exporters, the credit guarantee coverage was increased to Rs 20 Cr.
- ↑ A new credit card with a Rs. 5 lakh limits will be made available to micro businesses that have registered on the Udyam portal, and 10 million cards will be issued in the first year.
- ↑ To support startups, a new fund of funds worth Rs 10,000 Cr will be created.
- ↑ Term loans up to Rs 2 Cr will be made available over the next five years through a special program for 5 lakh first-time entrepreneurs, including women and members of scheduled castes and tribes.
- ↑ The Ministry of Finance, MSME, and Commerce will work together to establish an Export Promotion Mission with ministerial and sectoral targets.
- ↑ A scheme will be put in place to establish India as a major global hub for toy manufacturing.
- ↑ A new scheme for the footwear and leather sector will generate employment for 22 lakh people and attract investments of Rs 4 lakh Cr.

↑ Positive ⟷ Neutral ↓ Negative

Impact Analysis

By revising the MSMEs' classification criteria, more enterprises will fall under the MSME sector's purview. They will be able to improve their access to capital, upgrade their technology, and increase their efficiencies of scale. In the union budget 2025, the investment limit is amplified to 2.5 times, while the turnover limit is enhanced to 2 times. Under the updated turnover criteria, the turnover limits for microenterprises would be capped at Rs 10 Cr, small enterprises at Rs 100 Cr, and medium enterprises at Rs 500 Cr. Enterprises that invest up to Rs 25 Cr, up from Rs 10 Cr, will be classified as small enterprises. Furthermore, MSMEs will now be considered medium-sized enterprises with investments up to Rs 125 Cr, up from the previous cap of Rs 50 Cr. This change will beget more enterprises under the scope of the MSME sector while also giving additional employment prospects.

The coverage of the credit guarantee was revised upward. Term loans for exporter MSMEs have been increased to 20 Cr s, while micro and small businesses will receive an additional 1.5 Lac Cr s credit over the next five years. Reduced guarantee fees and an additional 10 Cr s upward revision, which apply to particular focus sectors deemed essential for Atmanirbhar Bharat, have also been used to promote the startup. Better credit availability for exporters, small and micro businesses, and a robust startup ecosystem will be made possible by this revision.

Customized credit cards with a ~5 lakh limit will be made available to microbusinesses that have registered on the Udyam portal. This will prompt more enterprises to get themselves registered on the Udyam portal, while the UAM will also see a surge in its numbers. Aimed at micro businesses, this encourages dependability for the sector at its nascent stages, on getting themselves registered.

A new contribution of 10,000 Cr will be made to the Fund of Funds (FOF), which will have a wider scope, after the government's previous FOF received substantial commitments. Once again, this aims to improve the sector's access to credit. A new program will be initiated for 5 lakh women, Scheduled Tribes, Scheduled Castes, and first-time entrepreneurs based on lessons learned from the successful Stand-Up India initiative. Over the course of five years, the program will provide term loans up to about 2 Cr.

The Export Promotion Mission will help MSMEs deal with non-tariff barriers in foreign markets, provide cross-border factoring assistance, and make export credit easily accessible. Toy manufacturing will be the focus of special clusters established by the government. Additionally, the initiative aligns with the "Make in India" vision, which aims to create sustainable and environmentally friendly toys under a well-known Indian brand.

The new scheme has been launched to enhance the productivity, quality, and competitiveness of India's footwear and leather sector. The scheme will also focus on supporting leather footwear and products.

Banking, Financial Services and Insurance (BFSI) Sector

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Acuité Opinion: Positive

Key Budgetary Announcements:

- ↑ Public Sector Banks will develop 'Grameen Credit Score' framework to serve the credit needs of SHG members and people in rural areas.
- ↑ NaBFID to set up a 'Partial Credit Enhancement Facility' for corporate bonds for infrastructure.
- ↑ Revamped Central KYC registry to be rolled out in 2025.
- ↑ Rationalisation of requirements and procedures for speedy approval of company mergers
- ↑ Services of India Post Payment Bank to be deepened and expanded in rural areas, Credit services to micro enterprises
- ↑ Significant enhancement of credit availability with guarantee cover
- ↑ Customised Credit Cards with a ₹ 5 lakh limit for micro enterprises registered on Udyam portal.
- ↑ FSDC Mechanism: to evaluate impact of the current financial regulations and subsidiary instructions along with a framework to enhance their responsiveness and development of the financial sector.
- ↑ High Level Committee for Regulatory Reforms
- ↑ FDI limit for the insurance sector will be raised from 74 to 100 per cent. This enhanced limit will be available for those companies which invest the entire premium in India. The current guardrails and conditionalities associated with foreign investment will be reviewed and simplified.
- ↑ A new Fund of Funds, with expanded scope and a fresh contribution of another Rs. 10,000 Cr will be set up for Start-ups
- ↔ There are no announcements w.r.t Capital market related taxes

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

The renewal of the Rs 10,000 Cr commitment to the Fund of Funds for AIFs is a crucial step for the Indian startup and investment ecosystem. The original commitment led to investments totalling to Rs 91,000 Cr and expects the new infusion to attract an additional Rs 1 to 1.5 lakh Cr in capital. This initiative will provide vital growth capital to early-stage startups, reinforcing India's position as a global hub for innovation.

While the increased credit flow could boost lending volumes for banks and can improve their loan book growth, banks might also face the challenge of managing potential defaults, especially from high-risk MSMEs and startups. However, the expanded credit guarantee should mitigate some of this risk. The increased lending volume might require more robust monitoring systems for the banks to manage these new credits effectively.

With the Govt.'s intention to narrow fiscal deficit to 4.4%, the government's borrowings are expected to rise, leading to an increase in the supply of government bonds rises, causing yields to increase. Banks, which hold a large share of these bonds in their treasury portfolios, may incur mark-to-market (MTM) losses when bond prices drop, impacting their earnings. Moreover, higher government borrowing could reduce liquidity in the banking system, making it more costly for banks to raise funds.

The development of a Grameen credit score framework will assess the creditworthiness of rural borrowers more effectively. This will facilitate efficient loan approvals, encourage responsible borrowing, and reduce default risks, leading to fairer interest rates for rural borrowers

The establishment of a forum for regulatory coordination to develop new pension products will improve the retirement planning system in India. This will promote private sector participation, increase competition, and enhance long-term financial security for retirees

In line with India's ambition to achieve 'Insurance for All by 2047,' the decision to increase FDI in the insurance sector to 100% will significantly boost capital inflows. This step will not only attract more investments but also encourage innovation, enhance competition, and accelerate the growth of insurance coverage across the country.

Measures are expected to boost economic growth, improve access to financial services, and strengthen the domestic economy.

FMCG & Consumer Durables

Acuité Opinion: Strongly Positive

Key Budgetary Announcements:

- ↑ Under the new tax regime, individuals earning up to ₹12 lakh (₹12.75 lakh for salaried taxpayers with a ₹75,000 basic deduction) will pay 0% income tax.
- ↑ Launch of focus product scheme for producing non-leather quality footwear, in addition to leather footwear and products. Additionally, exemption proposed in Basic Custom Duty (BCD) on wet blue leather and crust leather from 10% import duty and 20% export duty respectively.
- ↑ Implementation of National Mission on Edible Oils The government believes in Indian farmers enough to achieve atmanirbharta in edible oils that meet all of our domestic wants.
- ↑ Developing a National Action Plan including manufacturing ecosystem for Toys.
- ↑ Extension of export term from six months to a year on handicrafts, with an additional three months if required along with addition of nine products to the list of duty-free inputs.

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

The revised tax slabs aimed at reducing the tax burden on the middle class, shall allow them to keep more of their income and this move is expected to boost household consumption.

The product scheme will be implemented to assist design capability, component manufacture, and machinery for the footwear and leather industry. This can provide employment for ~22 lakh people, produce a turnover of 4 lakh Cr, and exports of more than 1.1 Lakh Cr. Further, exemption on BCD will ease imports for domestic value addition, create job opportunities, and ultimately support exports by small tanners.

Increase in the domestic production of edible oils will eventually reduce the dependency on the global resources.

The government aims to make India a global hub for toy manufacturing which will boost 'Make in India' initiative.

Healthcare & Pharma

Acuité Opinion: Moderately Positive

Key Budgetary Announcements:

- ↑ The health sector has been allocated Rs 983.11 bn in the Union Budget 2025 which is a hike of 8.02% over Rs 910 bn in FY24.
- ↑ Exemption of Basic Custom Duty on 36 lifesaving drugs and medicines providing relief to patients, especially those suffering from cancer, rare diseases, and other serious chronic conditions.
- ↑ Addition of 6 lifesaving medicines to concessional custom duty list @5%
- ↑ Full exemption of BCD on 37 medicines and 13 newly launched patient assistance programmes supplying medicines at free of cost.
- ↑ Launch of Medical tourism and the 'Heal in India' initiative through strategic partnerships with the private sector.
- ↑ Addition of 10,000 seats in medical colleges in FY26, targeting a total of 75,000 seats within the next five years.
- ↑ Establishment of daycare cancer centres in all district hospitals with 200 centres planned in 2025-2026.
- ↑ Enrolment of gig workers on the e-Shram Portal, granting them access to essential welfare benefits. Additionally, the Pradhan Mantri Jan Arogya Yojana (PM-JAY) will extend healthcare coverage to 12 Cr families nationwide.
- ↑ Introduction of broadband connectivity for primary health centres under the Bharat Net project to enhance healthcare access in rural areas.
- ↑ Budget allocation for the AYUSH ministry hiked from Rs 3,000 Cr to Rs 3,712.49 Cr, recording a 23.74 per cent increase.

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

The government's decision on custom reliefs will lower the cost of essential medicines, especially for those with chronic conditions or rare diseases like cancer, will reduce the financial burden on patients. This move shall provide access to masses for critical treatments and help address healthcare inequalities.

By broadening the range of covered drugs and introducing more assistance programs, access to healthcare will be improved for underserved populations, especially those needing costly treatments. This initiative could also drive increased demand for pharmaceutical companies involved, enhancing their reputation for contributing to public health.

By promoting medical tourism, India can strengthen its healthcare sector's global position, attracting international patients for affordable, high-quality care. This initiative will boost sector revenue, create jobs, and improve infrastructure, benefiting both local and international patients while fostering global medical knowledge exchange.

Expanding medical education will help alleviate the shortage of healthcare professionals in India, particularly in underserved areas. A substantial increase in medical graduates will ease the burden on the healthcare system and improve service delivery nationwide over the long term.

The day care centres for cancer patients shall provide accessibility in rural and underserved areas by decentralizing treatment, reducing travel burdens for patients. Early detection and localized care can enhance survival rates and quality of life, while the establishment of new centres will create employment opportunities in healthcare services, diagnostics, and treatment specialties.

Enrolling gig workers on the e-Shram Portal will provide essential welfare benefits, enhancing their financial security and stability in the informal sector. Extending PM-JAY to 12 Cr families will offer free healthcare to economically vulnerable groups, reducing financial strain and improving overall health outcomes, while easing pressure on the healthcare system.

Broadband connectivity for primary health centres will enable rural populations to access healthcare through telemedicine and remote consultations, minimizing travel and wait times. This initiative will reduce healthcare disparities between urban and rural areas, improve the quality of care, and promote innovation in digital health, ensuring long-term sustainability in rural healthcare delivery.

Increased funding for AYUSH will promote research, education, and access to traditional healthcare practices like Ayurveda, Yoga, and Unani, making alternative treatments more widely available.

Automobile Sector

Acuité Opinion: Neutral

Key Budgetary Announcements:

↔ Government to set up a National Manufacturing Mission covering small, medium and large industries for furthering "Make in India" by providing policy support, execution roadmaps, governance and monitoring framework for central ministries and states.

↑ On EV front, to the list of exempted capital goods, government to add 35 additional capital goods for EV battery manufacturing, and 28 additional capital goods for mobile phone battery manufacturing. This will boost domestic manufacture of lithium-ion battery, both for mobile phones and EVs.

↔ The government's continuous commitment to climate-friendly development, the Mission will also support Clean Tech manufacturing, which will aim to improve domestic value addition and build our ecosystem for solar PV cells, EV batteries, motors and controllers, electrolysers, wind turbines, very high voltage transmission equipment, and grid-scale batteries.

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

The government's announcement to set up a National Manufacturing Mission, covering small, medium, and large industries, will have a significant impact on the automobile sector. As part of the broader industrial ecosystem, the automobile sector will benefit from improved infrastructure, reduced operational bottlenecks, and stronger governance, contributing to long-term sustainability and growth. For automakers, this mission offers enhanced opportunities for localized production, further reducing dependence on imports and promoting innovation in vehicle manufacturing.

The move to add 35 additional capital goods for EV battery manufacturing, as well as 28 additional capital goods for mobile phone battery manufacturing will provide a much-needed boost to the domestic production of lithium-ion batteries, which are crucial for electric vehicles. With the addition of more capital goods exemptions, the cost of manufacturing EV batteries in India is expected to decrease, which in turn will help reduce the overall cost of EV production. This will make electric vehicles more affordable and accessible to consumers, accelerating the adoption of clean energy vehicles. Additionally, by enhancing battery production capabilities, India's automobile manufacturers would be able to meet the growing demand for electric vehicles and align with global sustainability trends.

Infrastructure

Acuité Opinion: Positive

Key Budgetary Announcements:

↑ Financial support will be provided for the Western Koshi Canal ERM Project benefitting a large number of farmers cultivating over 50,000 hectares of land in the Mithilanchal region of Bihar.

↑ Top 50 tourist destination sites in the country will be developed in partnership with states through a challenge mode. Land for building key infrastructure will have to be provided by states. Hotels in those destinations will be included in the infrastructure HML.

↑ Positive ⟷ Neutral ↓ Negative

Impact Analysis

The financial support for the Western Koshi Canal ERM Project will significantly enhance irrigation infrastructure in the Mithilanchal region of Bihar. By benefitting farmers who cultivate over 50,000 hectares of land, the project will improve water availability, thereby boosting agricultural productivity. This initiative can help stabilize farming incomes, reduce dependency on erratic weather patterns, and enhance food security in the region. It will also contribute to rural economic growth and support sustainable farming practices, fostering long-term agricultural development.

The plan to develop the top 50 tourist destinations in partnership with states through a challenge mode will promote India's tourism potential and improve infrastructure across key locations. By including hotels in the infrastructure HML, the project will not only enhance the overall visitor experience but also create a robust tourism ecosystem, attracting both domestic and international tourists. States will play an active role in providing land for key infrastructure, ensuring a collaborative approach to improving accessibility, amenities, and the long-term sustainability of these tourist hubs, thereby boosting local economies.

Shipbuilding and Shipping

Acuité Opinion: Positive

Key Budgetary Announcements:

↑ The Shipbuilding Financial Assistance Policy will be revamped to address cost disadvantages. This will also include Credit Notes for shipbreaking in Indian yards to promote the circular economy.

↑ Large ships above a specified size will be included in the infrastructure harmonized master list (HML).

↑ Shipbuilding Clusters will be facilitated to increase the range, categories and capacity of ships. This will include additional infrastructure facilities, skilling and technology to develop the entire ecosystem.

↑ For long-term financing for the maritime industry, a Maritime Development Fund with a corpus of Rs. 25,000 Cr will be set up. This will be for distributed support and promoting competition. This will have up to 49% contribution by the Government, and the balance will be mobilized from ports and private sector.

↑ Presently the tonnage tax scheme is available to only sea going ships. The benefits of existing tonnage tax scheme are proposed to be extended to inland vessels registered under the Indian Vessels Act, 2021 to promote inland water transport in the country.

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

The revamp of the Shipbuilding Financial Assistance Policy will address cost disadvantages that hinder domestic manufacturers. By introducing credit notes for shipbreaking in Indian yards, the policy aims to incentivize recycling and contribute to a circular economy. This will not only reduce the costs of shipbuilding but also promote the reuse of materials. The shipbuilding sector will see reduced financial burdens and greater competitiveness, which could lead to increased domestic production and an improved market share in global shipbuilding.

Including large ships above a specified size in the Infrastructure Harmonized Master List (HML) will streamline approvals and improve infrastructure for big ship projects, reducing delays and costs, making India more attractive for large-scale shipbuilding.

Facilitating the creation of shipbuilding clusters will directly impact the shipbuilding industry by increasing the range, categories, and capacity of ships produced.

The establishment of the Maritime Development Fund will provide long-term financial support to the maritime industry.

Extending the tonnage tax scheme to inland vessels will promote inland water transport, reduce road congestion, and create demand for more inland vessels.

Airports

Acuité Opinion: Positive

Key Budgetary Announcements:

↑ Greenfield airports will be facilitated in Bihar to meet the future needs of the State. These will be in addition to the expansion of the capacity of Patna airport and a brownfield airport at Bihar.

↑ UDAN - Regional Connectivity Scheme it has enabled 1.5 Cr middle-class people to meet their aspirations for speedier travel. The scheme has connected 88 airports and operationalized 619 routes. Inspired by that success, a modified UDAN scheme will be launched to enhance regional connectivity to 120 new destinations and carry 4 Cr passengers in the next 10 years. The scheme will also support helipads and smaller airports in hilly, aspirational, and Northeast region districts.

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

The establishment of greenfield airports in Bihar, alongside the expansion of Patna airport will significantly boost the region's air connectivity. This move addresses the growing demand for air travel in the state, catering to both domestic and international passengers. The development will open up new opportunities for business, tourism, and economic growth, creating a more accessible gateway for Bihar's residents and visitors alike. It also has the potential to generate job opportunities, stimulate infrastructure development, and enhance regional economic integration.

The success of the UDAN scheme in connecting 88 airports and operationalizing 619 routes has laid the groundwork for a more inclusive air travel ecosystem. By introducing a modified version that will increase regional connectivity to 120 new destinations and serve 4 Cr passengers over the next decade, the scheme will further democratize air travel. This will particularly benefit middle-class families and people in remote areas by providing affordable and quicker travel options, potentially boosting local economies and fostering greater social mobility. Additionally, the focus on smaller airports and helipads in underserved areas, including the Northeast and hilly regions, promises to bridge gaps in connectivity.

Logistics

Acuité Opinion: Positive

Key Budgetary Announcements:

↑ A digital public infrastructure, 'Bharat TradeNet' (BTN) for international trade will be set-up as a unified platform for trade documentation and financing solutions. This will complement the Unified Logistics Interface Platform. The BTN will be aligned with international practices.

↑ India Post as a Catalyst for the Rural Economy The expanded range of services will include: 1) rural community hub colocation; 2) institutional account services; 3) DBT, cash out and EMI pick-up; 4) credit services to micro enterprises; 5) insurance; and 6) assisted digital services.

↑ India Post will also be transformed as a large public logistics organization. This will meet the rising needs of Viswakarmas, new entrepreneurs, women, self-help groups, MSMEs, and large business organizations.

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

The introduction of Bharat Trade Net (BTN) as a unified digital platform for international trade documentation and financing will streamline trade processes, reducing paperwork and delays. By integrating international best practices, BTN aims to simplify and expedite trade procedures, making India's export and import activities more efficient. This will enhance India's competitiveness in global markets, enabling businesses, particularly small and medium-sized enterprises (SMEs), to access seamless financing and documentation services, ultimately contributing to growth in foreign trade and boosting the economy.

India Post's expanded services in rural areas will play a crucial role in transforming the rural economy. By offering a wide range of services, such as institutional account services, credit facilities for micro-enterprises, and assisted digital services, which will enhance financial inclusion and support rural entrepreneurship. The rural community hubs and cash-out services will make financial transactions more accessible, helping bridge the gap in areas with limited banking infrastructure. This initiative will empower rural populations, create local job opportunities, and promote economic development at the grassroots level.

India Post's transformation into a major public logistics organization will address the growing demand for efficient logistics services across the country. By catering to a broad range of stakeholders, from MSMEs and self-help groups to large businesses, India Post will create an integrated and accessible logistics network. This initiative will facilitate the movement of goods, particularly for small businesses and new entrepreneurs, boosting supply chain efficiency. It will also help in providing logistics solutions tailored to the needs of rural and underserved areas, contributing to overall economic growth and strengthening the logistics sector.

Textiles

Acuité Opinion: Moderately Positive

Key Budgetary Announcements:

↑ Announcement of 5 year 'Cotton Productivity' mission will aid in sustainable cotton farming leading to improved productivity and also promote extra-long staple varieties of cotton.

↑ Science and technology aid will be provided to the farmers, which will ensure a steady supply of cotton to the textile industry.

↑ Reduction of custom duty on Shuttle less loom Rapier Looms (below 650 meters per minute) and Shuttle less loom Air jet Looms (below 1000 meters per minute) from 7.5 percent to Nil, to promote domestic production of agro-textiles, medical textiles and geo textiles.

↓ Increase in custom duty on knitted fabrics from 10/20 percent to 20 percent or Rs. 115/kg whichever is higher

↑ Credit Guarantee for Micro and Small Enterprises enhanced from 5 Cr to 10 Cr, leading to additional credit of ` 1.5 lakh Cr in the next 5 years.

↑ Credit guarantee enhanced for exporter MSMEs for term loans up to Rs. 20 Cr

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

Government aid to the farmers in the form of scientific and technical assistance will boost yield, thereby ensuring a steady supply of cotton for the textile industry.

The increase of the custom duty on knitted fabrics will discourage imports and may affect the operating margins of the textile manufacturers. On the other hand, increase of such custom duty is beneficial to the domestic manufacturers of knitted fabrics and is in line with government's vision of Make in India.

Credit Guarantee Scheme will support the small to midsized textile players to access funds for expanding their capacities and diversifying into new products without any collateral and third-party guarantee.

Reduction of custom duty on two more types of shuttle looms will lead to reduction in the overall plant set up cost, thereby boost for domestic production of technical textiles.

Tourism

Acuité Opinion: Positive

Key Budgetary Announcements:

- ↑ Top 50 tourist destination sites in the country to be developed in partnership with states.
- ↑ E-visa facilities to be introduced along with waiver of visa fees for certain tourist groups.
- ↑ Performance linked incentives to be provided to the states to promote healthy competition.
- ↑ Medical tourism and Heal in India to be promoted through capacity building easing visa norms.
- ↑ Modified UDAN – Regional connectivity scheme to be launched to enhance connectivity to 120 new destinations which will also support, smaller airports in hilly regions and helipads to enhance connectivity.
- ↑ Destinations related to the life and times of Lord Buddha hold immense spiritual and religious significance. Special focus to be emphasized for the development of such regions.
- ↑ Skill developments programmes to be organized for the youth including Institues of Hospitality Management.
- ↑ Promotion of homestay business by providing MUDRA loans

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

Government will support the development of top 50 tourist destinations in the country which will lead to creation of employment opportunities at local levels.

Easing of visa related norms and promotion of medical tourism will ensure a smooth travel experience and make India a lucrative attraction for foreign travellers, thereby resulting into flow of foreign currency.

The government's plans to develop places of religious significance of Lord Buddha will boost domestic tourism as well as promote the rich culture of India at a global level.

Further, the relaxation in the taxation norms leading to increase in the disposable income of common man is also expected to promote domestic tourism at significant levels.

Real Estate

Acuité Opinion: Positive

Key Budgetary Announcements:

↑ Government announced a Rs15,000 Cr SWAMIH 2.0 fund to address the chronic issue of stressed housing projects.

↑ The National Geospatial Mission will impact real estate by improving land records, urban planning, and infrastructure layout, leading to extra efficient land use, better assignment making plans, and reduced regulatory hurdles, thereby fostering smoother development and funding opportunities within the zone.

↑ The government will offer a national guidance framework to help states promote Global Capability Centres (GCCs) and enhance their growth.

↑ Raising the annual limit for TDS on rent from Rs 2.40 lakh to Rs 6 lakh, benefiting small taxpayers receiving smaller payments. The proposal suggests that two self-occupied properties, instead of just one, can be valued at Nil for tax purposes.

↑ Positive ⟷ Neutral ↓ Negative

Impact Analysis

The revival of stressed residential housing projects is positive for the real estate sector and house buyers.

The uptick of GCCs could result in extended demand for workplace spaces, mainly in Tier two and Tier three cities wherein corporations can install new centres. Real estate developers specializing in business spaces should gain from this increase. Additionally, the demand for housing in these towns might rise, leading to greater demand for residential real estate.

The increase within the annual TDS restriction on lease will benefit landlords and people renting out properties for residential purposes. Additionally, tax benefit for 2 self-occupied residential properties may incentivize individuals to put money into multiple residences for private use, likely increasing the demand for residential real estate

The idea to put into effect a three-year pipeline of infrastructure initiatives in PPP mode will, likely, cause an elevated call for property improvement. Key infrastructure projects, specifically in sectors like transportation, housing, and utilities, may cause an uptick in demand for industrial and residential homes. The private sector's involvement in those projects should open new avenues for property developers and investors, mainly in underdeveloped areas, growing a boom in each city and semi-urban market.

Steel Sector

Acuité Opinion: Positive

Key Budgetary Announcements:

↑ Decrease in Tariff rate with no change in Effective rate from 22.5% to 15% for other nickel chrome austenitic type, other sheets and plates, and other alloy steel grain-oriented products. While for Other tubes or pipe fittings of stainless steel, iron or steel, non-galvanised, other structure and parts of structures of iron and steel has reduced from 25% to 15%.

↑ A Nuclear Energy Mission for research & development of Small Modular Reactors (SMR) with an outlay of 20,000 Cr will be set up. At least 5 indigenously developed SMRs will be operationalized by 2033.

↑ The Shipbuilding Financial Assistance Policy will be revamped to address cost disadvantages. Shipbuilding Clusters will be facilitated to increase the range, categories and capacity of ships.

↑ Government will set up a National Manufacturing Mission covering small, medium and large industries for furthering "Make in India" by providing policy support, execution roadmaps, governance and monitoring framework for central ministries and states.

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

Lower tariffs make imported products more affordable. For companies relying on importing nickel-chrome austenitic types, alloy steel grain-oriented products, and stainless-steel tubes/pipe fittings, the reduced tariff could lead to cost savings.

Products involved (like steel plates, tubes, and structural parts) are used heavily in infrastructure, construction, or manufacturing industries, this tariff reduction might lead to lower project costs, particularly for those industries that use these steel products as inputs. This could stimulate growth and development in those sectors.

The revamped shipbuilding policy is likely to boost demand for steel, especially high-quality steel for larger ships, while also increasing the supply of recycled steel through shipbreaking, benefiting steel sector in both production and innovation.

The Nuclear Energy Mission for Small Modular Reactors (SMRs) will drive increased demand for specialized steel, particularly high-performance alloys needed for reactor construction, boosting growth and innovation in the steel sector.

Overall Basic Customs Duty (BCD) has been reduced for products like ship builders, automobiles etc which use steel products and by-products for manufacturing. This will impact the steel industry owing to reduced costs for the end users.

Education

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Acuité Opinion: Overall Positive

Key Budgetary Announcements:

- ↑ The Union Budget for 2025-26 will spend ₹1.28 lakh crore for education in the country, up from ₹1.14 lakh crore revised estimate for 2024-25.
- ↑ The government plans to add 10,000 additional medical seats next year, contributing to the goal of increasing medical education seats by 75,000 over the next five years.
- ↑ New infrastructure will be created in five IITs established after 2014 to accommodate 6,500 more students, with a specific expansion at IIT Patna.
- ↑ A new Centre of Excellence in Artificial Intelligence (AI) for education will be established with a budget of ₹500 crore.
- ↑ The government will set up Atal Tinkering Labs in 50,000 government schools to foster scientific thinking and also extend broadband connectivity to all government secondary and primary schools.
- ↑ Five National Centres of Excellence for skilling will be established, focusing on global expertise and partnerships to equip the youth with the skills necessary for India's manufacturing sector.
- ↑ The budget proposed removing the Tax Collected at Source (TCS) on remittances made for education purposes, provided they are funded through loans from specified financial institutions.
- ↑ The government proposes the Bharatiya Bhasha Pustak Scheme to provide digital Indian language books for better understanding in school and higher education.

↑ Positive ⟷ Neutral ↓ Negative

Impact Analysis

The Union Budget for 2025-26 has made some effort to improve access to education and skill development. With an increase in the education allocation to ₹1.28 lakh crore, the expansion of medical and IIT seats will provide greater opportunities for students, particularly in high-demand fields like medicine and technology. This is likely to result in more equitable access to prestigious institutions and improve employability, especially in emerging sectors such as AI. Additionally, initiatives like the National Centres of Excellence for skilling and the Bharatiya Bhasha Pustak Scheme aim to enhance skills and language accessibility for a broader population, particularly in underserved regions. These steps, coupled with the removal of TCS on education remittances, will reduce financial barriers for students, improve workforce skills, and foster inclusivity. Overall, these measures will help better the human resources, which are India's biggest resource.

Information Technology

Acuité Opinion: Positive

Key Budgetary Announcements:

- ↑ Deep Tech Fund of Funds will be established to support the next-generation startups in the deep-tech sector, fostering innovation and technological advancements.
- ↑ A new mission will develop foundational geospatial infrastructure and data, modernizing land records, urban planning, and infrastructure projects.
- ↑ A unified digital platform for international trade documentation and financing solutions, complementing the Unified Logistics Interface Platform and aligned with global practices.
- ↑ Focus on developing domestic manufacturing capacities to integrate with global supply chains, identifying sectors and forming facilitation groups to create opportunities related to Industry 4.0 and high-skilled jobs for youth.

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

The establishment of the Deep Tech Fund of Funds will stimulate the growth of next-generation startups in cutting-edge technologies like AI, robotics, and quantum computing. This will foster innovation, attract investments, and contribute to the development of a technology-driven economy, positioning India as a global leader in deep tech.

The National Geospatial Mission will modernize land records, urban planning, and infrastructure design, leading to more efficient and transparent governance. By streamlining these processes, with the help if IT development, modernization of geospatial infrastructure, improving decision-making and urban planning by providing accurate, accessible data.

The Bharat TradeNet (BTN) platform will digitize and automate international trade documentation and financing, reducing transaction costs and aligning India with global trade practices. IT will power this platform, improving transparency, reducing paperwork, and streamlining trade processes, ultimately boosting India's exports and strengthening its position in the global market.

By focusing on developing domestic manufacturing capacities and integrating India into global supply chains, these efforts will enhance India's competitiveness in the global market. Supporting high-tech industries and creating Industry 4.0 opportunities will drive job creation, especially in high-skilled sectors, empowering the youth and boosting employment. This will also increase India's share in global manufacturing, further driving economic growth and innovation.

Renewable Power

Acuité Opinion: Neutral

Key Budgetary Announcements:

↑ Development of at least 100 GW of nuclear energy by 2047

↑ Research & development of Small Modular Reactors (SMR) with an outlay of Rs 20,000 Cr.

↔ Continued focus on clean tech manufacturing with moderate reduction in the tariff rates on solar modules

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

As part of the strategy to develop alternate energy sources apart from solar and wind, the government is focussed on nuclear energy mission for Vikshit Bharat 2047. That will involve an active partnership with the private sector. The corresponding amendments to the Atomic Energy Act and the Civil Liability for Nuclear Damage Act will be taken up. Also, the government targets to operationalise least 5 SMRs by 2033.

Under the clean tech manufacturing, the government aims to improve domestic value addition and build ecosystem for solar PV cells, EV batteries, motors and controllers, electrolysers, wind turbines, very high voltage transmission equipment and grid scale batteries.

The tariff rates on solar modules reduced from 40% tariff (+4% Social Welfare Surcharge) to 20% tariff (+20% Additional Duty on Customs) thereby reducing the effective tax rates by 4%. Further, while the tariff rates on solar cells reduced from 20% tariff (+2.5% Social Welfare Surcharge) to 20% tariff (+7.5% Additional Duty on Customs), the effective tax rate remains the same.

Sustainability

Acuité Opinion: Neutral

Key Budgetary Announcements:

↑ A framework will be introduced to support sustainable fisheries in the Indian Exclusive Economic Zone and High Seas. Special attention will be given to fisheries development in the Andaman & Nicobar and Lakshadweep Islands.

↑ Clean Tech manufacturing initiative will be introduced to enhance domestic value addition and strengthen the ecosystem for solar PV cells, EV batteries, motors and controllers, electrolyzers, wind turbines, high-voltage transmission equipment, and grid-scale batteries.

↑ A second Gene Bank, containing 10 lakh germplasm lines, will be established to ensure future food and nutritional security.

↑ The development of at least 100 GW of nuclear energy by 2047 to support India's energy transition efforts. Nuclear Energy Mission will be launched with a focus on R&D of Small Modular Reactors (SMRs). With an outlay of ₹20,000 Cr, at least five indigenously developed SMRs will be operationalized by 2033.

↑ To encourage domestic manufacturing of lithium-ion batteries, 35 additional capital goods for EV battery manufacturing and 28 additional capital goods for mobile phone battery production will be added to the list of exempted capital goods.

↑ The government has removed customs duties on waste and scrap of several critical minerals, including antimony, cobalt, tungsten, copper, lithium-ion batteries, lead, zinc, and cobalt powder to support sustainable resource utilization

↑ ₹551 Cr allocated to Wind & Other Renewable Energy which is ↓35% YoY, from ₹846 Cr in 2024-25.

↓ No clear carbon pricing strategy

↓ No incentives or policies for adoption EV or improving sustainable public transportation.

↑ Provisions will be made for registration of gig workers on the e-Shram portal and issuance of identity cards. They will also receive healthcare benefits under the PM Jan Arogya Yojana, benefiting approximately 1 Cr workers.

↑ A new scheme aimed at the socio-economic upliftment of urban workers will be implemented to enhance incomes, provide sustainable livelihoods, and improve overall quality of life for vulnerable groups in urban areas.

↑ Positive ⟷ Neutral ↓ Negative

Impact Analysis

The government's initiative to establish a framework for sustainable exploitation of fisheries within India's Exclusive Economic Zone and the High Seas, with a particular focus on the Andaman & Nicobar and Lakshadweep Islands, is poised to enhance marine biodiversity conservation and bolster the livelihoods of coastal communities.

The introduction of a five-year mission for cotton productivity aims to improve the productivity and sustainability of cotton farming, promoting the cultivation of extra-long staple cotton varieties. This initiative is expected to increase farmer incomes and reduce reliance on cotton imports.

The launch of the National Manufacturing Mission, encompassing small, medium, and large industries, is anticipated to advance the "Make in India" agenda. This mission focuses on enhancing domestic manufacturing capabilities, particularly in green technologies, thereby reducing import dependence and fostering sustainable industrial growth.

The proposed Nuclear Energy Mission, with a target of developing at least 100 GW of nuclear power by 2047, underscores the government's commitment to clean energy transition. Amendments to existing laws are expected to facilitate private sector participation, accelerating the deployment of nuclear energy as a sustainable power source.

The elimination of customs duties on waste and scrap of critical minerals, including antimony, cobalt, tungsten, copper, and lithium-ion batteries, is a strategic move to secure the availability of essential materials for domestic manufacturing. This policy is likely to promote recycling, support sustainable resource utilization, and strengthen the renewable energy ecosystem.

Despite a focus on clean tech manufacturing, the budget does not include direct incentives or subsidies for electric vehicle (EV) adoption. While manufacturing incentives will boost the supply side, the lack of consumer-focused incentives may slow down EV penetration, delaying the transition to sustainable transportation.

Nevertheless, the expectations from the Government were much higher on the sustainability initiatives. There is still no clarity on a uniform green taxonomy or carbon pricing.

About Acuité Ratings & Research Limited:

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