Acuité
RATINGS & RESEARCH

INTERIM BUDGET
FEB 2024

Impact Analysis

Contents

Interim Budget 2024-25 4
Sectoral Impact 10
Cement 11
Agriculture 12
Defence 14
Education 15
Auto and Auto Ancillaries 16
Healthcare and Pharma 17
Infrastructure 19
Oil & Gas 20
Power 21
Real Estate 22
Tourism 23
Sustainability 25
MSME 27

PREFACE

It is with pleasure that we share our analysis of the interim Union Budget for FY25.

It may be tempting to term such an interim budget as a non-event, given the absence of major policy announcements. But in our opinion, the Government has done well in focussing its communication on four key themes which are likely to ensure sustainable growth and a stable macroeconomic framework over the next five years. These key themes are: (i) fiscal consolidation (ii) stronger support and additional programmes for the economically weaker sections (iii) continuing emphasis on infrastructure development and (iv) fresh programmes to meet the green and sustainable development goals.

The target for fiscal consolidation has been set tighter for FY25 than our expectations; at 5.1% of GDP, it is slightly ambitious in our opinion. With the expected moderation in GDP growth in the next few quarters, there is a likelihood of a more moderate tax revenue growth and the dependence on non-tax revenues like disinvestment will be clearly higher. From a positive perspective, the likelihood of high ticket disinvestments has significantly increased for the next fiscal if the current government is reinstated back to power.

Notwithstanding the robust economic growth in FY24, there is still a fragility in private consumption with only a modest 4.4% growth estimated by NSO. The data on FMCG volumes suggest that rural demand has been the key factor constraining the overall demand. The government has expectedly, enhanced the allocation on MNREGA from Rs 60,000 Cr to Rs 86,000 Cr for the current and the next fiscal. Under PM Awas Yojana (Rural), 2 Cr more houses are expected to be constructed beyond the initial target of 3 Cr houses; FM also announced a new housing scheme for the lower income urban population who stays in rented houses or slums. On the agriculture and allied sector front, there has been an emphasis on seafood exports and improving productivity in dairy sector which will raise rural incomes.

Not surprisingly, the public capital expenditure target has been raised further to Rs 11.1 Lakh Cr from Rs 9.5 Lakh Cr (RE) which translates to a growth of 16.9%. The allocation for railways is set to increase sizeably with the proposed implementation of three major economic corridors under PM Gati Shakti which will improve logistics efficiency. Further, a large upgradation plan for 40,000 rail coaches has also been announced.

On the green financing front, viability gap funding for offshore wind projects of upto 1 GW has been proposed. Coal gasification projects upto 100 million tons has been specified which will be possibly implemented by the PSUs and will help to reduce the direct usage of coal. Further, it is proposed to blend compressed biogas (CBG) in CNG and PNG in a phased manner; financial support will be provided for procurement of biomass aggregation machinery – these indicate the commitment of the government to scale up the nascent biomass energy sector.

Contrary to media expectations, the interim budget didn't provide any tax relief or concessions. In our opinion, such concessions are unlikely even in the post-election full budget exercise given the fiscal constraints and the criticality of fiscal consolidation.

Suman Chowdhury
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Interim Budget 2024-25

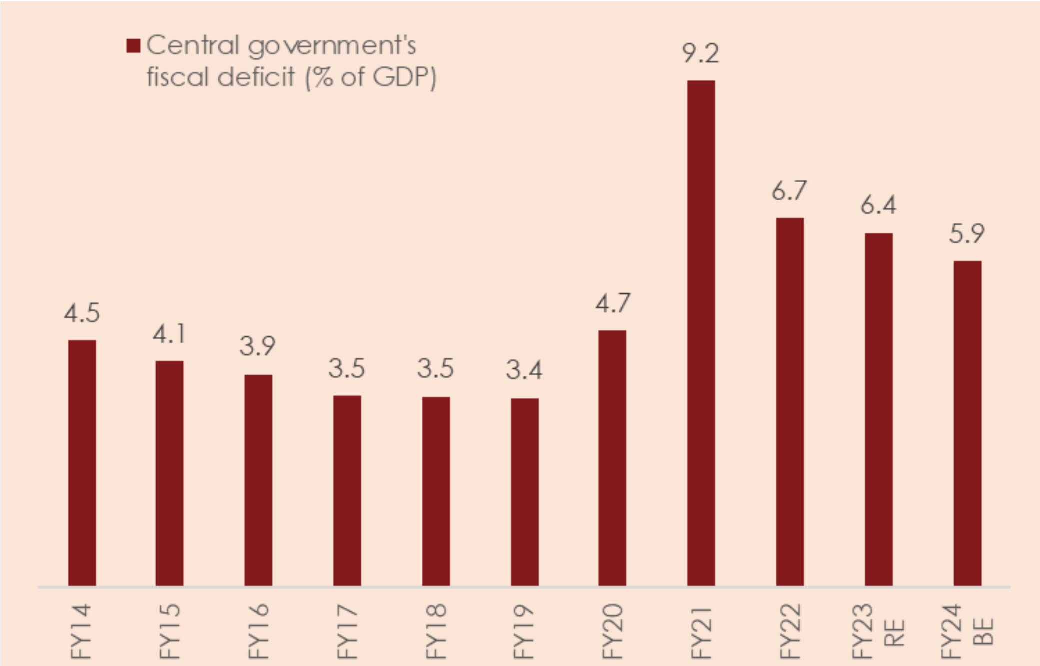
Balancing growth vs fiscal consolidation

KEY TAKEAWAYS

- Despite being an interim budget, the Government displayed its strong intent to balance fiscal prudence with economic growth in FY25. The impetus on sustaining growth momentum via government's focus on capex remained in place.
- Continuing the path of fiscal consolidation for the fourth consecutive year, the interim budget announced a 70-bps reduction in fiscal deficit to 5.1% of GDP in FY25 from 5.8% (RE) in FY24 (vs. BE of 5.9%).
- The budget stayed away from announcing any new policies or populist measures and displayed more of 'business as usual' character in a bid to keep the fiscal machinery rolling till the full budget is announced in Jun/Jul-24.
- While the fiscal arithmetic appears largely credible, net tax revenues are budgeted to increase by 11.9%, higher than 10.8% as per FY24 RE and non-tax revenues would be dependent on another large RBI dividend and better outcomes from disinvestment in a post-election period.
- On capex, government has budgeted for a milder growth of 16.9% in FY25, compared to an average growth of 31.9% over the last 4 years. Having said so, the capex thrust of the Government remains intact, with Capex/GDP ratio budgeted to increase to 3.4% in FY25 - a near two decades high vs. 3.2% in FY24.
- While the projected net borrowing is largely flat in FY25 vis-à-vis FY24, gross borrowing shows an 8.4% reduction on account of suppressed redemption pressure with Rs 1.23 trillion proposed to be utilized from GST compensation fund towards redemption payments.
- Absence of any outright populist measure (ahead of the elections) comes as a relief and points towards policy maturity amidst prioritization of macroeconomic stability by the Government.

Despite being an interim budget, the Government displayed well its will to balance fiscal prudence with economic growth in FY25. Continuing the path of fiscal consolidation for the fourth consecutive year, the interim budget announced a 70-bps reduction in fiscal deficit to GDP ratio to 5.1% in FY25 from 5.8% in FY24 (vs. BE of 5.9%). The impetus on sustaining growth momentum via government's focus on capex remained in place. The budget stayed clear of announcing any new policies or populist measures and displayed more of 'business as usual' character in a bid to keep the fiscal machinery rolling till the full budget is announced in Jun/Jul-24.

Chart 1: GoI committed towards fiscal consolidation, aim to consolidate by 70 bps in FY25



Credible Fiscal Arithmetic

The fiscal arithmetic presented in the interim budget appears largely credible. Gross tax revenues are budgeted to increase by 11.5% in FY25 compared to 12.6% in FY24 RE (revised estimates). The overall tax buoyancy is expected to moderate to 1.3 in FY25 from 1.4 in FY24, despite anticipated increase in nominal GDP growth amidst expectations of a squeeze of corporate margins with upside in WPI inflation and moderation in growth in personal income tax collections. Both personal and corporate tax collections are pegged to grow by ~13.0%, with growth in indirect taxes being led by GST (11.6%) amidst continued formalization of the economy and gains from improving compliance. After adjusting for tax devolution to states, net tax revenues are budgeted to increase by 11.9%, higher than 10.8% as per FY24 RE.

Non-tax revenues are anticipated to ease marginally to 1.2% of GDP in FY25 from 1.3% in FY24 RE. This is set against the expectation of yet another strong dividend payout from RBI (and other PSEs) in FY25, though as % of GDP weighed down by the higher nominal GDP growth in FY25.

The target for disinvestment is pegged at Rs 500 bn – in line with BE of FY24. This will be critically watched for any downside risks, given the poor run-rate in FY24 (Rs 100 bn at present vs. downwardly adjusted RE of Rs 300 bn) and a shortened timeline for execution post elections.

On the expenditure side, growth in total expenditure is budgeted to moderate to 6.1% in FY25 from 7.1% as per FY24 RE. This is expected to be led primarily by capital expenditure, which is budgeted to see slower pace of expansion in FY25. Revenue expenditure is budgeted to see a subdued growth of 3.2% in FY25 albeit a tad higher vis-à-vis 2.5% in FY24. We expect given the commitment of the government to provide free foodgrains under the NFSA (National Food Security Act), food subsidy bill to remain elevated to close to BE of Rs 2.2 tn in FY25, though a marginal upside in fertilizer subsidy bill (Rs 1.64 bn in FY25) cannot be ruled out if global fertilizer prices continue to remain firm.

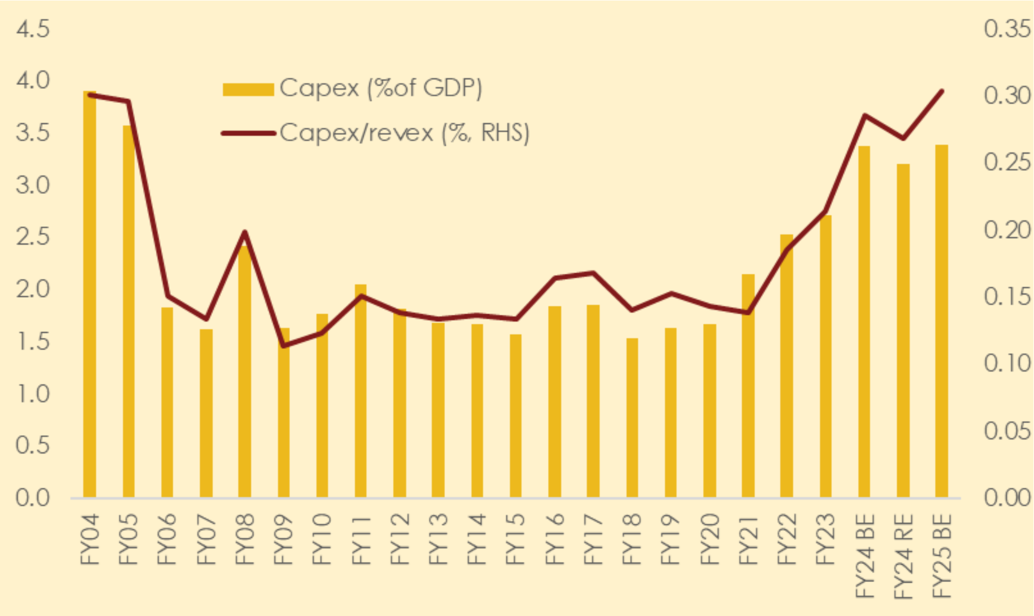
On capex, government has budgeted for a milder growth of 16.9% in FY25, compared to an average growth of 31.9% over the last 4 years. Having said so, the capex thrust of the Government remains intact, with Capex/GDP ratio budgeted to increase to 3.4% in FY25 - a near two decades high vs. 3.2% in FY24. As such, the quality of expenditure (i.e., capex/revex ratio) is expected to improve towards 0.30, the best in last two decades. Government's capex thrust rides on healthy increase in allocations for the transportation sector, esp. railways, which is to benefit from the proposed creation of three major economic corridors under the PM Gati Shakti program. In addition, focus on green infrastructure will find some fillip with the proposed 100 mt capacity creation for coal gasification and liquefaction along with adoption of e-buses for public transport network.

Budget calculations are premised on a Nominal GDP growth of 10.5% in FY25, broadly reflecting real GDP growth expectations in the range of 6.5-7.0%.

Government paves way for private sector capex recovery

With private sector capex recovery anticipated to see a more perceptible turnaround in FY25, the government rightly took the foot off the capex accelerator partially in the interim budget. With conditions remaining conducive – healthier corporate sector balance sheet, improving capacity utilization, benign input costs, along with an anticipated pivot in the interest rate cycle in FY25, we believe that private sector's commitment to new capex will revive perceptibly post the election outcome. The cutback in pace of capex spending thus allowed the government to not only undertake a meaningful fiscal consolidation in FY25 but also free resources for the private sector.

Chart 2: Quality of spending budgeted continues to see an improvement, despite a slower incremental increase in capex spending in FY25



Government borrowings: Financing of the fiscal deficit

The Budget pegs FY25 gross and net market borrowings at Rs 14.1 trillion and Rs 11.8 trillion respectively. While the net borrowing is largely flat vis-à-vis FY24, gross borrowing shows an 8.4% reduction on account of suppressed redemption pressure in FY25 with Rs 1.23 trillion being utilized from GST compensation fund towards redemption payments.

- Funding via T-Bills is budgeted for a moderation to Rs 0.5 tn in FY25 from Rs .01 tn in FY24.
- Reliance on small savings is expected to remain almost stable at Rs 4.7 tn in FY25

Table 1: Funding of fiscal deficit

Key Sources of Financing Fiscal Deficit (Rs bn)						
	FY21	FY22	FY23	FY24 BE	FY24 RE	FY25 BE
External Debt	702	361	371	221	248	160
Net Market Borrowing	13,499	9,578	12,203	12,305	11,818	12,252
G-Sec	11,467	8,915	11,083	11,805	11,805	11,752
T-Bill	2,032	662	1,120	500	13	500
Securities against Small Savings	4,837	5,513	3,959	4,713	4,713	4,662
State Provident Funds	185	103	509	200	52	52
Others*	-969	265	352	547	516	-271
Draw Down of Cash Balance	-72	25	-16	-118	-267	35
Total	**18,183**	**15,845**	**17,378**	**17,868**	**17,348**	**16,855**

*Includes items from State Provident Funds, Internal Debts and Public Account

Conclusion

The FY24 interim budget rests on the following broad strategies:

- It keeps the fiscal machinery rolling, not tying the newly elected Government to any pre-committed spending plans
- It offers a bold fiscal consolidation of 70 bps in FY25; with – 1) FY24 fiscal deficit outcome of 5.8% of GDP faring better than target (of 5.9%), and 2) FY25 fiscal deficit target being below market consensus at 5.1% of GDP
- It pushes the government to pursue a countercyclical fiscal policy at a time when growth has displayed resilience, making the soft fiscal deficit target of 4.5% by FY26 appear well within reach.
- Keeping the capex thrust to growth intact, while deterring 'crowding-out' of resources for the private sector, at a time when recovery in private sector capex looks imminent.

Overall, a sense of policy continuity has prevailed in the interim budget. Absence of any outright populist measure (ahead of the elections) comes as a relief and points towards policy maturity amidst prioritization of macroeconomic stability by the Government.

Market implications

The FY25 Union Budget offers relief to the bond market as the announced gross borrowing target of Rs 14.1 trillion is not only the lowest in 3 years but also lower than the consensus estimates of close to Rs 15-16 trillion.

The lower than anticipated supply, when juxtaposed against demand for bonds that is likely to receive an added fillip from India's inclusion in global bond indices later in the year, offers a comforting situation from the demand-supply perspective for the bond market in FY25

The 10Y g-sec yield closed the day lower by 8 bps at 7.06%. This is in line with our view of bond yields moderating towards 7.0% by Mar-24. Looking ahead, we expect yields to drift lower towards 6.50% (with downward bias) by Mar-25, amidst MPC's anticipated pivot, favourable demand-supply dynamics and a sizeable 70 bps of fiscal consolidation. Having said so, a shallow rate cut cycle by RBI (of 75 bps) and geopolitical uncertainty could limit the gains.

Table 2: Budget at a glance

	In Rs bn			As % of GDP		
	FY23	FY24 RE	FY25 BE	FY23	FY24 RE	FY25 BE
Revenue Receipts	**23,835**	**26,997**	**30,013**	**8.7**	**9.1**	**9.2**
Gross Tax Revenue	30,538	34,372	38,308	11.2	11.6	11.7
Net Tax Revenue	20,974	23,239	26,016	7.7	7.8	7.9
Non-Tax Revenue	**2,862**	**3,758**	**3,997**	**1.0**	**1.3**	**1.2**
Dividends & Profits	999	1,544	1,500	0.4	0.5	0.5
Non-Debt Capital Receipts	722	560	790	0.3	0.2	0.2
Disinvestments	**460**	**300**	**500**	**0.2**	**0.1**	**0.2**

	In Rs bn			As % of GDP		
	FY23	FY24 RE	FY25 BE	FY23	FY24 RE	FY25 BE
Total Expenditure	41,932	44,905	47,658	**15.4**	**15.1**	**14.5**
Revenue Expenditure	34,531	35,402	36,547	12.7	11.9	11.2
Interest Payment	9,285	10,554	11,904	3.4	3.6	3.6
Subsidy	5,779	4,405	4,097	0.9	0.8	0.7
Capital Expenditure	7,400	9,502	11,111	2.7	3.2	3.4
Revenue Deficit	10,699	8,405	6,534	3.9	2.8	2.0
Fiscal Deficit	17,378	17,348	16,855	**6.4**	**5.8**	**5.1**
Primary Deficit	8,092	6,793	4,951	3.0	2.3	1.5

Sectoral Impact

Cement

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Acuité Opinion: Overall Positive

Key Budgetary Announcements:

- ↑ The government will pay utmost attention to making the eastern region a powerful driver of India's growth. Higher budgetary provisions will be made for the development of North Eastern Areas.
- ↑ There will be continuing focus on public investments in infrastructure to build a stronger platform for sustainable economic growth in India. The budget for Capital Expenditure has been hiked from Rs 9.5 tn in FY24 (RE) to Rs 11.1 tn in FY25 (BE), translating to a rise of 16.9%.
- ↑ Despite the challenges due to the Covid pandemic, the government had continued the implementation of PM Awas Yojana (Grameen) and is nearing the completion of 30 mn houses. In the current budget, there is an additional target to construct another 20 mn houses in the next five years to meet the demand from an increased number of households.

↑ Positive ⟷ Neutral ↓ Negative

Impact Analysis

- The budget statement highlights the government's commitment to prioritize the development of the eastern region in India. This focus can have significant positive impacts by boosting economic growth, improving infrastructure, creating employment opportunities, and uplifting the standard of living for people in the area, ultimately contributing to India's overall progress.
- Programmes such as the Pradhan Mantri Awas Yojana (PMAY) have played a critical role in expanding the reach of affordable housing and enhancing housing accessibility for individuals in the low- to middle-income segments and this is set to continue.
- The substantial rise in funding allocated to public infrastructure projects will have a positive impact on the magnitude of civil construction and overall cement demand.

Agriculture

Acuité Opinion: Overall Positive

Key Budgetary Announcements

- ↑ Public and private investment will be further promoted in post-harvest activities including aggregation, modern storage, efficient supply chains, primary and secondary processing and marketing and branding.
- ↑ Usage of Nano Diammonium phosphate (DAP) fertilizers on various crops will be expanded in all agro-climactic zones.
- ↑ Atmanirbhar Oilseeds Abhiyaan-Strategy will be formulated to achieve self-sufficiency for oil seeds such as mustard, groundnut, sesame, soybean and sunflower. This will cover research for high-yielding varieties, widespread adoption of modern farming techniques, market linkages, procurement, value addition, and crop insurance.
- ↑ A comprehensive programme for supporting dairy farmers will be formulated.
- ↑ Implementation of Pradhan Mantri Matsya Sampada Yojana (PMMSY) will be stepped up to:
    1. Enhance aquaculture productivity from existing 3 to 5 tons per hectare,
    2. Double exports to 1 trillion and
    3. Generate 55 lakh employment opportunities in near future.
- ↑ Increase in allocation for PM-Formalisation of Micro Food Processing Enterprises scheme from 639 Cr. to 880 Cr.
- ↑ Increase in allocation for Blue Revolution also called as Nili Kranti Mission from 2025 Cr. to 2352 Cr.
- ↑ 5 Integrated aquaparks will be set up
- ↑ MNREGA allocation has been increased to Rs 860 bn.
- ↑ Continuing outlays for PM Awas Yojana (Grameen).

↑ Positive ⟷ Neutral ↓ Negative

Impact Analysis

- Higher investments in agriculture will improve productivity and raise farm incomes, thereby facilitating better rural demand.

- The usage of liquid fertilizer like Nano DAP will help to enhance crop return while reducing fertilizer consumption. This innovation aims to replace traditional DAP, offering a cost-effective alternative for farmers. By encouraging the use of liquid fertilizers, the initiative aims to conserve agricultural land. This move will result into reduced production costs and increased outputs which will in turn boost the annual income of farmers.

- The initiatives that focus on the expansion of coastal aquaculture adopting an integrated and multi-sectoral approach will promote climate-resilient activities and sustainable development in coastal areas. The initiatives aim at building resilience against the impacts of climate change while fostering sustainable growth in coastal regions.

- Plans to increase milk and dairy production in the country will help raise rural incomes.

- The strategy to boost oil seed production will help in decreasing dependence on cooking-oil imports.

- The focus on Public private partnerships in post-harvest activities will empower farmers through better pricing realizations and avoidance of distress selling.

- The initiatives will help empower farmers by minimizing losses, enhancing income and fostering technological advancements.

Defence

Acuité Opinion: Overall Positive

Key Budgetary Announcements:

↑ A new scheme will be launched for strengthening deep-tech technologies for defense purposes and expediting 'atmanirbharta'.

⟷ Allocation for Defense in the current year's budget has had the highest allocation at Rs 6.2 trillion where the second highest allocation is for the Ministry of Road Transport and Highways at Rs 2.8 trillion. To further emphasize the importance given to defense, the allocation has increased from 5.94L Cr which is a 4.71% increase in the allocation to this segment.

↑ A corpus of Rs 1.0 trillion will be established with fifty-year interest free loan. The corpus will provide long-term financing or refinancing with long tenors and low or nil interest rates.

↑ Positive ⟷ Neutral ↓ Negative

Impact Analysis

- The interest free loan that has been provided by the government will encourage the private sector to scale up research and innovation significantly in sunrise domains. This would help in reducing the cost of reinforcing the armed forces as still there is a significant percentage of the capital outlay on imported machinery and equipment which is a burden on the defense budget. These initiatives would help reduce the outlays on the Air force and spend some much-needed capital on the army and the navy which has needed an upgrade in the equipment they have been using.

- The emphasis on strengthening deep-tech technologies for defense purposes is paramount for the sovereignty of India, as cyber warfare threats from China and Pakistan have only increased and therefore it is important to improve the armed forces preparedness levels to face these threats and the new scheme that has been launched would help facilitate it by investing artificial intelligence, cyber security, quantum computing and unmanned systems which would enhance the defense capabilities through innovation, improved situational awareness and a more effective response to evolving security challenges.

- The increase in the defense budget for India signifies a commitment to strengthening military capabilities, enhancing national security, and addressing emerging national threats which would then allow for investments in modernizing equipment, technology, and infrastructure to ensure the country's defense readiness.

Education

Acuité Opinion: Overall Moderately Positive

Key Budgetary Announcements:

↔ Budget for the Ministry of education is Rs 1. 20 trillion in the Interim Budget 2024-25. This is nearly 7.26% less than the previous fiscal year's budget.

↑ Medical colleges will be set-up utilizing the existing hospital infrastructure under various departments. A committee for this purpose will be set-up to examine the issues and make relevant recommendations.

↑ To empower youth, The National Education Policy 2020 is ushering in transformational reforms. PM Schools for Rising India (PM SHRI) one of the core schemes with a budget of Rs 60.5 billion which is 116% more than the previous fiscal year's budget is delivering quality teaching, and nurturing holistic and well-rounded individuals

↑ Female enrolment in higher education has gone up by 28% in ten years. Girls and women constitute 43% of enrolment under STEM courses, one of the highest in the world.

↑ The Skill India Mission has trained 1.4 crore youth, upskilled and reskilled 54 lakh youth, and established 3000 new ITIs. New institutions of higher learning 7 IITs, 16 IIITs, 7 IIMs, 15 AIIMS and 390 universities have been set up

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

- Setting up medical colleges will help medical aspirants to be qualified as doctors, thus improving country's healthcare services.
- With significant increase in budget for PM Shri scheme, quality education will reach to maximum number students. National Education Policy will help to shape our younger generation's career with the current market demand and introducing reforms will deliver quality education to the youth. Thus, helping them becoming world-ready
- The increase in female enrolment in higher education by 28% in the last 10 years is a significant step towards gender equality in education. Women education not only empowers them but also increases their participation in workforce thus contributing in our GDP.
- Upskilling and accessibility to education through Skill India mission and establishment of ITI's will help manufacturing and services sector to contribute more to our country's GDP.
- Setting up new eminent institutions like IIT, IIM's will reduce the brain drain from India thus helping the innovation and business development of our country.

Auto and Auto Ancillaries

Acuité Opinion: Overall – Positive

Key Budgetary Announcements:

↑ Driving EV manufacturing & charging infrastructure and encouraging the use of e-buses for public transportation by making secure payments.

↓ Lower allocation for FAME

↑ Positive ⟷ Neutral ↓ Negative

Impact Analysis

- Under the rooftop solarization scheme, the government is promoting green energy by advancing the electric vehicle charging ecosystem. This will support the development of EV infrastructure as well as provide the youth with entrepreneurial opportunities to provide innovative solutions. Usage of e-buses for public transportation

- The estimated budget for faster adoption and manufacturing of electric vehicles in India is expected to be Rs 26.7 billion which is 44.4% lower than the previous year. Most EV makers and consumers were expecting an extension for the FAME subsidy to avail themselves of the incentives. The government has provided numerous benefit programs, and as the private sector has grown, funds may be allocated to other areas which has reduced the incentive for EV. Due to this reduction of budget focus on the benefit scheme, it is expected that the attraction and demand for the EV may slow down.

Healthcare and Pharma

Acuité Opinion: Overall – Neutral

Key Budgetary Announcements:

- ⟷ Expenditure allocated to the healthcare sector for the year 2024-25, stands at Rs 43.5 billion under health and family welfare.
- ↑ Aims to set up a committee to increase number of medical colleges, by utilizing the existing hospitals infrastructure.
- ↑ Introducing U-WIN platform, focusing on better immunization drive and spreading the awareness and benefits of Mission Indradhanush throughout the country.
- ↑ Various schemes for maternity and childcare will be brought under one comprehensive programme for synergy in implementation.
- ↑ ASHA workers, Anganwadi workers and Helpers, would now be covered under Ayushman Bharat Scheme.
- ↑ Encouraging vaccination for the girls under the age group of 9 – 14 years, preventing the high risk of cervical cancer.
- ↑ Rapidly enhancing and upgrading of "Saksham Anganwadi and Poshan 2.0" will began to provide an improved nutrition delivery, child development and infant childhood care.

↑ Positive ⟷ Neutral ↓ Negative

Impact Analysis

- Increased focus on supreme quality services in the healthcare and pharmaceuticals domain along with introduction of various plans and scheme for the Anganwadi workers and helpers would lead to a positive impact on the overall health facilities and good standard of living in the country.
- Government believes the skilled professionals and workers could contribute more to the research and development of the sector. A well-trained workforce would be capable enough to utilize the potential of new advanced technologies leading to a better understanding of medicines, medical equipment and further course of actions for any diseases.

- With the Ayushman Pradhan Mantri Jan Yojana, government is attempting to cover maximum families per year for secondary and tertiary care hospitalization under the insurance cover plan. Under the Interim budget policy, GOI included ASHA workers, and Anganwadi helpers under this scheme. This would enable to cater even better number of people and large group in the health insurance policy. Previously, 55 crore people under 12 crore family successfully covered under the scheme and now with even more inclusions, Government tries to benefit the maximum number of people, thereby leading a positive impact on overall health care sector.
- India is growing fastest on the digital footprints with the innovations like CO-WIN and U-WIN. Under the UNIVERSAL IMMUNIZATION PROGRAMME, the portal is the source of all the information available to the targeted population in regard to their immunization services. Post Covid-19 this has become essential for most of the population and the government to stay updated on routine immunization sessions.
- 8 essential vaccinations are already covered under Universal Immunization scheme, along with vaccinations update for individuals, vaccinations records, status, and delivery outcome. Hence, this would contribute to an informed population.
- Finance minister announced that it will actively encourage vaccinations amongst girls of age group 9-14 Years. This has sparked the news over the prices of HPV vaccinations and hence it is even creating a buzz in the prices to drop drastically. At present the cost of one-time vaccination is 4000 Rs in all the hospitals and cervical cancer covers around 30% of the total cancer victims in India.
- Although Women of all age groups are catered with the vaccination after the proper consultation by the doctors, but experts believe, that getting vaccination at this age would reduce the chances of cervical cancer even more and it will be the most effective when given at the adolescent stage.
- Nonetheless, with no major allocation in the investment grade, as and was expected to rise till 2.5% of the GDP in order to meet the objective of 3.5 bed per 1000 people, no major price regulation in essential drugs, no major change in import duties, and no major allocation in the capital funding and incentives in production under the PIL scheme, this sector stands neutral.

Infrastructure

Acuité Opinion: Overall Positive

Key Budgetary Announcements:

↑ Union Government to boost economic growth by investing in infrastructure development leading to an increase in capital expenditure by 16.9 per cent over RE 2023-24.

↑ **Airports**
Expansions of existing airports and developing new airports at tier-two and tier-three cities under Ude Desh ka Aam Naagrik (UDAN) scheme. Orders of overs 1000 new aircrafts have been pro-actively placed by Indian carriers. The number of airports has been doubled to 149.

↑ **Railways**
Implementation of 3 economic railway corridor programs i.e. energy, cement & mineral corridors, port connectivity corridors and high traffic density corridors under PM Gati Shakti to improve logistics efficiency and reduce cost. Converting 40000 normal railways bogies to the Vande Bharat bogies standards.

↑ **Others**
Government to setup five integrated aquaparks
To support domestic tourism, projects for port connectivity, tourism infrastructure, and amenities will be taken up on our islands, including Lakshadweep.

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

- Acuite believe that through UDAN which is a regional airport development program of the Government of India will aid the economic development of tier 2 & 3 cities by making travel affordable and connecting metro cities to remote cities.

Oil & Gas

Acuité Opinion: Overall Positive

Key Budgetary Announcements:

↑ A coal gasification and liquefaction capacity of 100 MT will be set up by 2030.

↑ Phased mandatory blending of CNG, PNG and compressed biogas.

↑ Indradhanush Gas Grid Limited (IGGL)-part of the Northeast Natural Gas Pipeline Grid 1000 crores estimated budget for 2024-2025.

↑ Capital Support to Oil Marketing Companies with 15000 crores estimated budget for 2024-2025.

↑ Direct Benefit Transfer – LPG with 1500 crores estimated budget for 2024-2025.

↑ LPG Connection to Poor Households with 9094 crores estimated budget for 2024-2025.

↑ Positive ⟷ Neutral ↓ Negative

Impact Analysis

- The establishment of coal gasification and liquefaction capacity will contribute to the reduction of natural gas, methanol, and ammonia imports.
- In the long run, blending CNG fuel will help gas distributors cut costs and help India import less LNG. Additionally, blending may help in reducing NOx and hydrocarbon emissions.
- IGGL aims to improve access to clean fuel and leverage the hydrocarbon potential in Northeast India to boost the economic growth of the region.
- Distribution and retail marketing will be aided by capital support for oil marketing companies.

Power

Acuité Opinion: Overall Positive

Key Budgetary Announcements:

↑ Through **Rooftop solarization,** 10 million households will be enabled to obtain up to 300 units of free electricity per month. Budget of 10000 Cr allocated to Solar Power grid.

↑ Viability gap funding will be provided for harnessing offshore wind energy potential for initial capacity of one giga-watt towards meeting commitment for 'net-zero' by 2070. Budget of 930 Cr allocated towards Wind Power grid

↑ Budget for National Green Hydrogen Mission has been increased from 297 Cr to 600 Cr.

↑ Positive ⟷ Neutral ↓ Negative

Impact Analysis

- Rooftop solarization will enable households to obtain up to 300 free units of electricity which helps save around rupees 15000-20000 annually.

- Other benefits include charging of electric vehicles, Entrepreneurship opportunities for large number of vendors and employment opportunity for youth with technical skills such as manufacturing, installation and maintenance.

- India is on the edge of a green energy revolution, looking at a cleaner and more sustainable future. Budget allocated towards National green Hydrogen Mission will help to facilitate key initiatives and investments in clean energy projects.

Real Estate

Acuité Opinion: Overall Moderately Positive

Key Budgetary Announcements:

↑ The implementation of PM Awas Yojana (Grameen) continued and the government is about to achieve their target of three crore houses. Two crore more houses will be taken up in the next five years to meet the requirement arising from increase in the number of families.

↑ The Government will launch a scheme to help deserving sections of the middle class "living in rented houses, or slums, or chawls and unauthorized colonies" to buy or build their own houses.

↑ The Budget Estimates of PM Awas Yojana increased by 1.36% to INR 80,671 crores for FY25.

↑ Positive ⟷ Neutral ↓ Negative

Impact Analysis

- The continuation of PM Awas Yojana (Grameen) with progress towards a target of three crore houses signifies substantial strides in rural housing. The commitment to building an additional two crore houses in the next five years reflects responsiveness to the growing demand, addressing the needs of an expanding population and evolving family structures. This initiative has a positive impact on addressing housing challenges in rural areas.

- The government's new scheme targeting the middle class in rented houses, slums, chawls, and unauthorized colonies aims to empower these sections to own homes. This initiative is poised to enhance socio-economic stability, fostering home ownership and uplifting living conditions for deserving individuals in marginalized housing situations. It signifies a strategic move towards inclusive urban development.

Tourism

Acuité Opinion: Overall – Positive

Key Budgetary Announcements:

- ↑ Comprehensive development in tourists' centers is expected in FY25.
- ↑ The success of G20 and Cricket World cup in India represented India's diversity globally. India is an attractive destination for business and conference tourism.
- ↑ Tourism, including spiritual tourism, has tremendous opportunities for local entrepreneurship.
- ↑ Comprehensive development of iconic tourist centers by states along with branding and marketing them at global scale. A framework for rating the centers based on quality of facilities and services will be established. Long-term interest free loans will be provided to States for financing such development on a matching basis.
- ↑ To address the emerging fervor for domestic tourism, projects for port connectivity, tourism infrastructure, and amenities will be taken up on our islands, including Lakshadweep. This will help in generating employment also.
- ↑ Long-term interest free loans to be provided to States to encourage development.
- ↑ Budget estimates for the ministry of tourism are as follows: Rs. 2447.85Cr in Revenue and Rs. 1.77Cr in Capital.

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis:

- Being one of the prime, million-dollar industries, the sector contributed majorly to the growth and development of the country.
- The tourism and hospitality sector have significant growth prospects in the near term driven by higher demand from domestic travelers. Religious tourism will be a major driver of growth in this sector.
- The interim budget is in favor of tourism and hospitality sector and fulfilled the expectations which were anticipated before the announcement.

- The financial and policy support from the government for proper development and channelization of tourism friendly locations is also seen as the infrastructure outlay for the next year is being increased by 11.1 per cent to eleven lakh, eleven thousand, one hundred and eleven crore rupees (` 11,11,111 crore). This would be 3.4 per cent of the GDP.

- Implementation of 3 major railway corridor programs under PM Gati Shakti-to improve logistics efficiency and reduce cost, expansion of existing airports and comprehensive development of new airports under UDAN scheme, promotion of urban transformation via Metro rail and NaMo Bharat are some of the investments which will boost the tourism sector.

- In the August Union budget, a more lenient tax system and increased allocation of funds would be seen.

- The interim budget aims to support the resilience of the tourism sector and required infrastructure boost to increase the room supply to reduce the gap between the room demand and supply in the coming years.

Sustainability

Acuité Opinion: Overall Moderately Positive

Key Budgetary Announcements:

↑ Provision of viability gap funding for harnessing offshore wind energy potential of 1 gigawatt in the initial phase with an allocation of INR 930 crores

↑ Setting up infrastructure for coal gasification & liquefaction at a capacity of 100 metric tonnes by 2030

↑ Roof top solarization project for 1 crore households which will produce 300 units of electricity free of cost every month and also allow sale of additional units to discoms leading to savings of 15,000 to 20,000 per month

↑ Solar power (grid) expenditure is proposed to be doubled from INR 4,970 crores to INR 10,000 crores and the National Green Hydrogen Mission allocation raised from INR 297 crores to INR 600 crores.

↔ Allocation to green energy corridor to increase from INR 434 crores to INR 600 crores

↔ Proposed the strengthening of the e-vehicle ecosystem by supporting manufacturers and expanding charging infrastructure.

↔ Expansion of the e-buses public transport network

↔ Phased mandatory blending of compressed biogas (CBG) in compressed natural gas (CNG) for transport and piped natural gas (PNG) for domestic purposes

↔ Provision of financial assistance for procurement of biomass aggregation machinery to support biomass collection

↔ Launch of a new scheme to support bio-manufacturing and bio-foundry which will enable the introduction of friendly alternatives such as biodegradable polymers, bio-plastics, bio-pharmaceuticals and bio-agri-inputs.

↔ Proposed to launch a scheme to create a resilient blue economy by focusing on restoration and adaptation measures, coastal aquaculture, and mariculture with an allocation of INR 2,352 crores

↑ Positive ↔ Neutral ↓ Negative

Impact Analysis

- One of the major announcements in the budget has been the affirmation of the Roof top solarization project. The PM Suryodaya Yojana is a major step towards India's goal of achieving 500 GW of non-fossil fuel-based energy by 2030. But also allow residential houses to potentially achieve a zero-electricity bill. Although the scheme is a major step towards sustainability, a similar scheme announced by the GOI in 2014 had garnered minimal results majorly due to a lack of awareness among households of the benefits of solar roof tops and affordability of the panels, issues which will need to be addressed in the current scheme.

- India has seen a growth of 157% in sales of electric vehicle from FY2022 to FY2023. The expansion of electric vehicle charging stations proposed in the interim budget will eventually drive the demand for EVs. However, the Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicle in India (FAME) scheme allocation, has dropped from INR 4,807 to INR 2,671 crores.

- By mandating the use of compressed biogas in CNG and PNG, we expect to reduce our dependence on traditional fossil fuels, promote circular economy, and recycle organic waste into valuable resources. Upon implementation, the plan is expected to attract investment of approximately Rs. 37,500 crores and facilitate the establishment of 750 CBG projects by 2028-29, thus enhancing employability and preserving valuable foreign exchange reserves to the amount of USD 1.17 billion as estimated by IBA.

MSME

Acuité Opinion: Overall Positive

Key Budgetary Announcements:

- ↑ PM Mudra Yojana has sanctioned ₹22.5 trillion loan in 43 Cr loan accounts in FY 25 vis a vis ₹23.2 trillion loan in 40.82 crore loan accounts in FY24.
- ↑ The threshold for presumptive taxation for retail businesses was increased from ₹ 2 crore to ₹ 3 crore.
- ↑ Certain tax benefits to Start-ups and investments made by sovereign wealth funds/pension funds, tax exemption of some IFSC units earlier expiring on 31.03.2024 extended up to 31.03.2025.

Impact Analysis

- The Pradhan Mantri Mudra scheme has been launched to provide financial assistance to MSMEs. In terms of industrial growth, the MSMEs sector accounts for over 40% of India's GDP. For the majority of aspiring business owners, a lack of credit has been a significant obstacle. To lessen the effects of the current economic crisis, the Prime Minister's Mudra Yojana approved ₹22.5 trillion in 43 Cr loan accounts for aspirations of entrepreneurs.

- By increasing the presumed tax threshold from 2 cr to 3 cr, it appears to be a beneficial move towards relieving small retail firms and enabling them up to focus on growth and expansion. These steps will improve the competitiveness of micro, small, and medium-sized businesses

- Extending tax relief for new entrepreneurs on investments made by state wealth or pension funds is a welcome move by the government. This will contribute to the critical continuity and inflow of capital into the Indian start-up ecosystem for an additional year.

About Acuité Ratings & Research Limited:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 9,800 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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