India

InCred Sector rating

Overweight	Neutral	Underweight
Aluminium	Automobile	Agribusiness
Cement	Auto Ancillary	Aviation
Consumer Electricals	Building Materials	Chemicals
Capital Goods	Consumer staples	Diagnostics
Electronic Manf services	Information Technology	Metals & Mining
Financial Services	Infrastructure	Ports & Logistics
Oil and Gas	Pharma	

India Strategy

Analysis of FY25 Union Budget

- FY25 budget policies address the demands of middle-class income earners, job seekers & coalition political partners. But still, it improves fiscal discipline.
- Short-term capital allocation challenges from a rise in capital gains tax for equities and real estate may weigh on markets.
- Consumption, cement & NBFC sectors to benefit from budget policies while gold financers and AMCs will be hit by these policies.

Innovative Job and skill creation schemes

FY25 Union Budget focuses on nine pillars, of which the job creation incentives announced are innovative and try to comprehensively address new job/ skill creation in the economy. The two schemes target hiring of 0.24m freshers over the next few years at an incentive of Rs.0.75tr, which should help address entry-level job creation. The skill development internship schemes at a cost of Rs0.53tr from the government and additional CSR spending target 0.1m people over the next five years. The government plans to create 0.41m jobs in the next five years at a cost of Rs2tr.

Taxation changes are a mixed bag

The changes in income-tax brackets as well as an increase in the standard deduction for new tax regime adopters helps reduce the tax up to a maximum of Rs17,500 per individual. Capital gains tax has been raised by 250bp on long-term financial assets and by 500b for short-term holding of such assets. Real estate long-term capital indexation removal and raising the tax rate by 250bp comes as a surprise. Angel tax scrappage is a relief for start-ups. The complete rehaul of direct & indirect taxes in the coming quarters is a bold step.

Sector-wise beneficiaries

While major scheme allocations have been maintained, the impetus for Andhra and Bihar infrastructure build-up will benefit construction companies like NCC (REDUCE) and the cement sector (Overweight). The changes in custom duty to benefit Titan Company (ADD) due to lower gold import duty, while in case of Dixon Technologies (ADD) the lower duty on mobile imports will hit margins on local production. Job creation schemes to expand the nascent demand revival seen in consumer staples, durables and two-wheelers for the next few years. Neutral for automobile and infrastructure sectors.

Fiscal consolidation and lower net borrowing impress

The budget financials remain conservative, as tax revenue estimates are maintained, despite strong buoyancy witnessed in recent months, due to the expected changes in Goods and Services Tax or GST rates. The increase in non-tax revenue is used to ease the fiscal deficit by 20bp vs. interim estimate to 4.9% of GDP. Market borrowings are also expected to be reduced by 1% vs. interim budget to Rs.10.5tr. The fine balance achieved to fulfil populist demand for the upcoming assembly elections and demanding coalition partners, with a minimal impact on financials provide comfort. We remain constructive on the Nifty-50 index with a positive returns outlook.

Figure 1: Government finances at a glance

	% of GDP			
	FY23	FY24RA	FY25 Interim	FY25BE
GDP Nominal				
1. Revenue Receipts	9.2%	9.2%	9.2%	9.6%
2. Tax Revenue (Net to Centre)	8.1%	7.9%	7.9%	7.9%
3. Non-Tax Revenue	1.1%	1.4%	1.2%	1.7%
4. Capital Receipts	7.0%	5.8%	5.4%	5.2%
5. Recovery of Loans	0.1%	0.1%	0.1%	0.1%
6. Other Receipts	0.2%	0.1%	0.2%	0.2%
7. Borrowings and Other Liabilities	6.7%	5.6%	5.1%	4.9%
8. Total Receipts (1+4)	16.3%	15.0%	14.5%	14.8%
9. Total Expenditure (10+11)	16.3%	15.4%	14.5%	14.8%
10. On Revenue Account	13.4%	11.8%	11.2%	11.4%
11. On Capital Account	2.9%	3.6%	3.4%	3.4%
12. Revenue Deficit (10-1)	4.1%	2.6%	2.0%	1.8%
13. Fiscal Deficit (9 - (1+5+6))	6.7%	5.6%	5.1%	4.9%
Gross Market Borrowing	5.5%	5.2%	4.3%	4.3%
Net Market Borrowing	4.3%	3.7%	3.6%	3.6%

SOURCE: BUDGET DOCUMENTS, INCRED RESEARCH

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Analysis of FY25 Union Budget

Government budget's key priorities

This budget envisages sustained efforts on the following nine priorities for generating ample opportunities for all.

- Productivity and Resilience in Agriculture
- Employment & Skilling
- Inclusive Human Resource Development and Social Justice
- Manufacturing & Services
- Urban Development
- Energy Security
- Infrastructure

In this budget, the government particularly focuses on employment, skilling, MSMEs, and the middle class. It provides a package of five schemes and initiatives to facilitate employment, skilling and other opportunities for 41m youth over a five-year period, with a central outlay of Rs2tr.

Figure 2: New job schemes planned to create 41m jobs in the next five years

	Enrolment Duration	Expenditure Duration	Beneficiaries	Central Outlay
Employment Linked Incentive		**Years**	**in.mn**	**Rs.in bn**
Scheme A (first timers)	2	3	21	230
Scheme B (bulk hiring of first timers in manufacturing)	2	6	3	520
Scheme C (job creation)	2	6	5	320
Internship Programme (Phase-1)	2	3	3	190
Internship Programme (Phase-2)	3*	4*	7	440
Upgradation of ITIs	N/A	5	2	300
Total			**41**	**2,000**

SOURCE: BUDGET DOCUMENT, INCRED RESEARCH

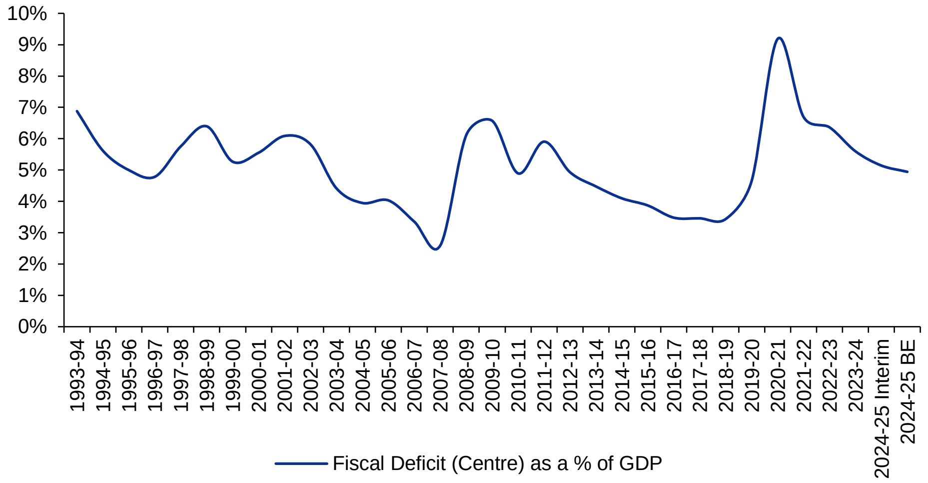
Government finances at a glance

Figure 3: Union Budget at a glance

	Rs bn				% of GDP				YoY growth %			
	FY23	**FY24RA**	**FY25 Interim**	**FY25BE**	**FY23**	**FY24RA**	**FY25 Interim**	**FY25BE**	**FY23**	**FY24RA**	**FY25 Interim**	**FY25BE**
GDP Nominal	2,58,000	2,95,357	3,27,718	3,26,369					9.0%	14.5%	11.0%	-0.4%
1. Revenue Receipts	23,832	27,284	30,013	31,292	9.2%	9.2%	9.2%	9.6%	9.8%	14.5%	10.0%	4.3%
2. Tax Revenue (Net to Centre)	20,978	23,265	26,016	25,835	8.1%	7.9%	7.9%	7.9%	16.2%	10.9%	11.8%	-0.7%
3. Non-Tax Revenue	2,854	4,019	3,997	5,457	1.1%	1.4%	1.2%	1.7%	-21.8%	40.8%	-0.5%	36.5%
4. Capital Receipts	18,100	17,141	17,645	16,913	7.0%	5.8%	5.4%	5.2%	11.5%	-5.3%	2.9%	-4.1%
5. Recovery of Loans	262	273	290	280	0.1%	0.1%	0.1%	0.1%	5.8%	4.5%	6.1%	-3.4%
6. Other Receipts	460	331	500	500	0.2%	0.1%	0.2%	0.2%	214.5%	-28.1%	51.0%	0.0%
7. Borrowings and Other Liabilities	17,378	16,537	16,855	16,133	6.7%	5.6%	5.1%	4.9%	9.7%	-4.8%	1.9%	-4.3%
8. Total Receipts (1+4)	41,932	44,425	47,658	48,205	16.3%	15.0%	14.5%	14.8%	10.5%	5.9%	7.3%	1.1%
9. Total Expenditure (10+11)	41,932	45,579	47,658	48,205	16.3%	15.4%	14.5%	14.8%	10.5%	8.7%	4.6%	1.1%
10. On Revenue Account	34,531	34,940	36,547	37,094	13.4%	11.8%	11.2%	11.4%	7.9%	1.2%	4.6%	1.5%
11. On Capital Account	7,400	10,639	11,111	11,111	2.9%	3.6%	3.4%	3.4%	24.8%	43.8%	4.4%	0.0%
12. Revenue Deficit (10-1)	10,699	7,656	6,534	5,802	4.1%	2.6%	2.0%	1.8%	3.8%	-28.4%	-14.7%	-11.2%
13. Fiscal Deficit (9 - (1+5+6))	17,378	16,537	16,855	16,133	6.7%	5.6%	5.1%	4.9%	9.7%	-4.8%	1.9%	-4.3%
Gross Market Borrowing	14,210	15,430	14,130	14,010	5.5%	5.2%	4.3%	4.3%	46.7%	8.6%	-8.4%	-0.8%
Net Market Borrowing	11,058	11,024	11,750	11,632	4.3%	3.7%	3.6%	3.6%	24.0%	-0.3%	6.6%	-1.0%

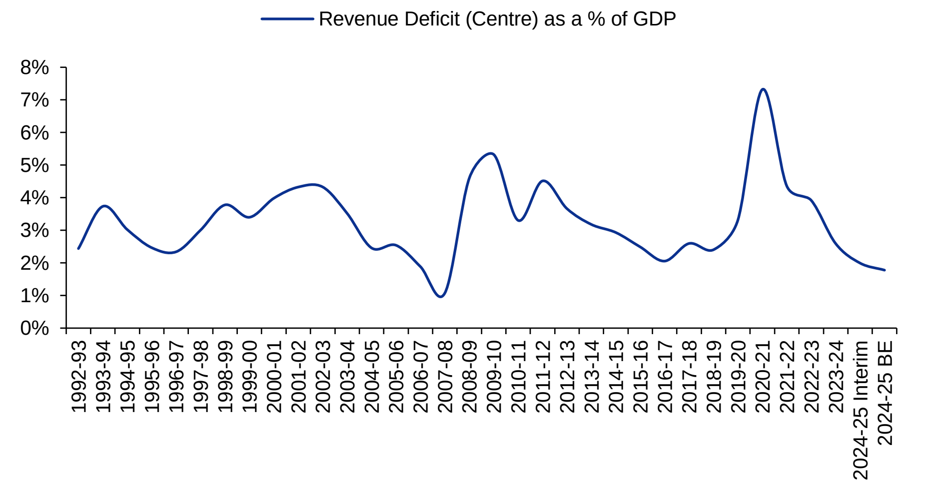
SOURCE: BUDGET DOCUMENTS, INCRED RESEARCH, COMPANY REPORTS

Figure 4: The fiscal deficit trend is easing, but still it's much higher than the pre-Covid level



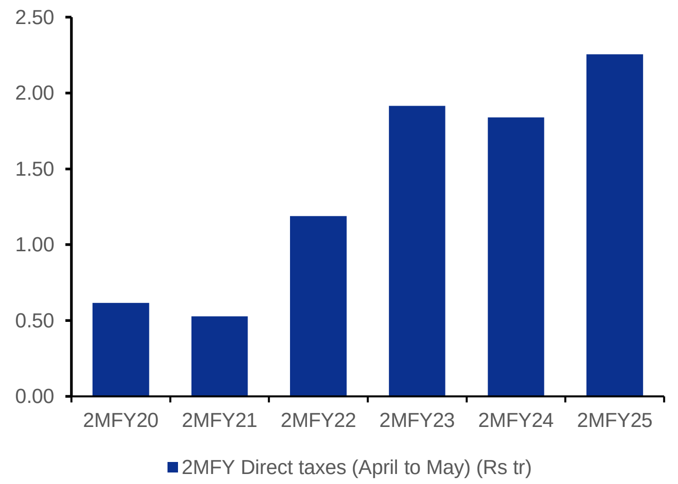
SOURCE: BUDGET DOCUMENTS, INCRED RESEARCH, COMPANY REPORTS

Figure 5: Revenue deficit trend, as a proportion of GDP, continues to ease



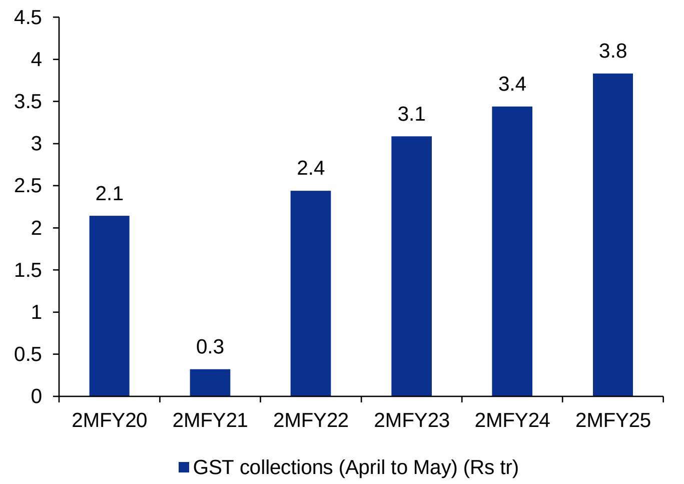
SOURCE: BUDGET DOCUMENTS, INCRED RESEARCH, COMPANY REPORTS

Figure 6: Buoyant direct tax collection YTD



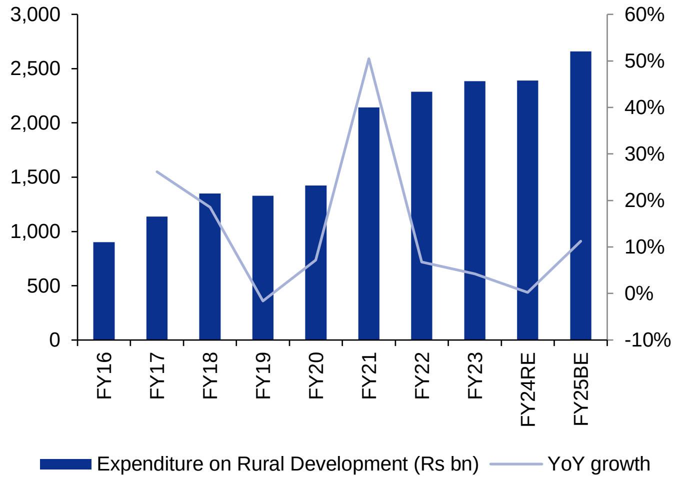
SOURCE: CENTRE FOR MONITORING INDIAN ECONOMY OR CMIE, INCRED RESEARCH

Figure 7: GST collection on a strong uptrend YTD



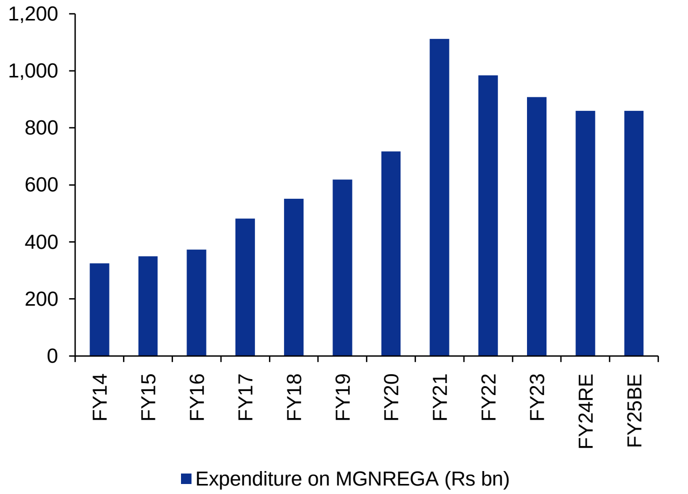
SOURCE: CENTRE FOR MONITORING INDIAN ECONOMY OR CMIE, INCRED RESEARCH

Figure 8: Spending on rural development to improve



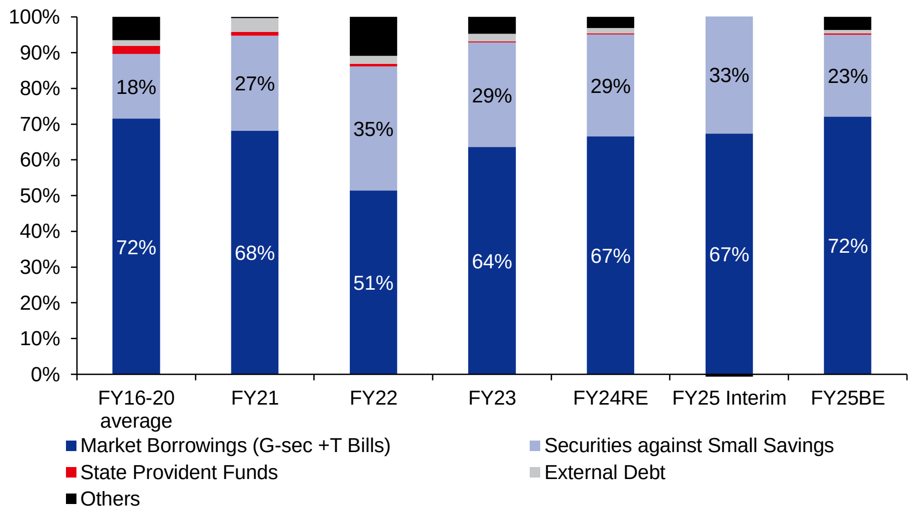
SOURCE: BUDGET DOCUMENT, INCRED RESEARCH

Figure 9: Spending on rural employment guarantee scheme expected to ease



SOURCE: BUDGET DOCUMENT, INCRED RESEARCH

Figure 10: Sources of deficit financing – market borrowing dependence on rise



SOURCE: BUDGET DOCUMENT, INCRED RESEARCH

Figure 11: Sources of deficit financing - details

	FY23	FY24RE	FY25 Interim	FY25BE
1. Debt Receipts (Net)	17,394	17,614	16,819	14,729
2. Market Borrowings (G-sec + T Bills)	11,058	11,024	10,516	11,632
3. Securities against Small Savings	5,079	4,726	5,162	3,701
4. State Provident Funds	51	52	52	50
5. Other Receipts (Internal Debts and Public Account)	835	783	-306	-813
6. External Debt	371	248	160	160
7. Draw Down of Cash Balance	-16	-267	35	1,404
8. Grand Total (1+7)	**17,378**	**17,348**	**16,855**	**16,133**

SOURCE: BUDGET DOCUMENT, INCRED RESEARCH

Budget proposals and their impact on various sectors

Agriculture sector

Aquaculture segment

Proposal: Reduction of basic customs duty on produce/products used by shrimp hatchery and the shrimp feeds segment.

Impact: The ongoing exercise by the Government of India to remove the hindrance caused by customs duty on shrimp exports continues. Basic customs duty on the products used by shrimp hatcheries and the products used by the shrimp feed industry has significantly reduced over the years.

Figure 12: Basic customs duty rate changes for the sector

Produce / Products	FY23	FY24	FY25
Fish meal	15%	5%	5%
Krill meal	15%	5%	Nil
Fish oil	30%	15%	Nil
Algal Prime	30%	15%	Nil
Min. & Vit. Premixes	15%	5%	Nil
Artemia	5%	5%	Nil
Broodstock	10%	10%	5%
Polychaete worms	30%	30%	5%

SOURCE: BUDGET DOCUMENT, INCRED RESEARCH

Positive for the shrimp industry, as unnecessary costs have been reduced.

Proposal: Financial support for setting up a network of Nucleus Breeding Centres for shrimp broodstocks to be provided.

Impact: Long-term positive for the industry, as it reduces overseas dependence and helps build a gene bank in India.

Proposal: Financing for shrimp farming, processing and exports will be facilitated through NABARD.

Impact: Details awaited of the scheme.

Seed segment

Proposal: 109 high-yielding and climate-resilient varieties of 32 fields and horticulture crops will be released for cultivation by farmers.

Impact: Details awaited regarding the crop and the type of seeds.

Automobile sector

Proposal: Employment opportunities and income-tax reduction.

Impact: Improves disposable income for low to mid-income consumers which will benefit two-wheeler demand.

Proposal: Customs duty reduction on key minerals like lithium

Impact: Lithium-ion battery makers will be the beneficiaries, as local mineral processing to help localization and control costs better in the medium term. Exide Industries (REDUCE) and Amara Raja Batteries (Not Rated) to be the beneficiaries.

Proposal: Extension of the concession imports timeline for electric vehicle or EV cell plant equipment to Mar 2029

Impact: This should help in setting up lithium-ion cell making plants at attractive capital cost (zero import duty) in the medium term. Exide Industries (REDUCE) and Amara Raja Batteries (Not Rated) to be the beneficiaries.

Proposal : Extension of lithium-ion cell imports at a 5% concession duty for EVs till Mar 2026.

Impact : Continuity of policy should help drive EV penetration in the Indian auto sector.

BFSI sector

Proposal: Reduction in customs duty on gold and silver to 6% from 15% earlier.

Impact: A fall in gold prices is the biggest risk to gold loan companies as it may result in sporadic repayment by borrowers as the value of the ornaments may fall below the value of the loan. Gold prices have jumped by ~16% in 2024, which led to higher lending by gold lenders on the same quantity of gold and, in turn, boosting gold loan AUMs in recent quarters. This move will lead to a reduction in gold prices, which will stetch loan-to- value (LTV) ratios. Short-term negative for gold lenders like Manappuram Finance and Muthoot Finance.

Proposal: Modification in taxation related to capital markets

1) Short-term gains on financial assets shall attract a tax rate of 20% (from 15% earlier) whereas long-term gains on all financial and non-financial assets will attract a tax rate of 12.5% (from 10% earlier).

2) Security Transactions Tax on futures and options of securities is proposed to be increased to 0.02% and 0.1%, respectively. Also, tax income received on buyback of shares in the hands of the recipient.

Impact: There has been a sharp rise in retail participation in capital markets, which has also caught the eye of the regulators. This move may slow down inflows into mutual funds and capital markets due to a higher tax charge. This could also disrupt the market momentum which, in turn, will impact treasury income for AMCs as well. AMCs with a higher equity proportion like HDFC AMC, NAM India AMC and ABSL AMC will be more highly impacted.

Proposal: Increase in allotment for the PM Awas Yojana**.**

In the interim budget, the finance minister had proposed an allocation of Rs10tr over five years, with Rs 847bn for FY25, against Rs806bn under the interim budget.

Impact: Low-ticket housing finance companies are the major beneficiaries along with small finance banks and public sector banks. Home First Finance Company, Aavas Financiers, State Bank of India and ICICI Bank are the major beneficiaries.

Proposal: Flood-related assistance provided to the state of Bihar, Assam, Himachal Pradesh, etc.

Impact: Beneficial for microfinance lenders as Bihar, Assam, etc. remain large MFI hubs and lot of NPAs are created due to the floods. This will ease some cyclicity in NPAs. Beneficial to MFI players like Satin Credit Care, CreditAcess Grameen, Spandana Spoorthy Financial and small finance banks like Utkarsh SFB and Ujjivan SFB.

Proposal: Removal of indexation benefit on the sale of house property, but the tax rate modified to 12.5%.

Impact: This will have a limited impact on individual housing demand as the seller still gets the benefit under S/54 if he is buying other house property. However, investments made by corporates and other entities in housing assets may witness a spurt in tax outgo.

Proposal: Enhancement of MSME credit.

The limit of MUDRA loans will be enhanced to Rs2m from Rs1m currently for those entrepreneurs who have availed and successfully repaid previous loans under the 'Tarun' category.

For facilitating term loans to MSMEs for purchase of machinery and equipment without collateral or third-party guarantee, a credit guarantee scheme with a cover up to Rs1bn will be introduced.

A new mechanism will be put up for facilitating continuation of bank credit to MSMEs during their stress period. While being in the 'special mention account' (SMA) stage for reasons beyond their control, MSMEs need credit to continue their business and avoid getting into the NPA stage. Credit availability will be supported through a guarantee from a government- promoted fund.

Under the Credit Guarantee Scheme for Micro and Small Enterprises Credit Guarantee Trust Fund for Micro and Small Enterprises (CGTMSE) a guaranteed cover is provided for collateral-free credit facility extended to MSMEs. The maximum loan limit has been enhanced from Rs10m to Rs20m with a higher corpus allocated, up from Rs25bn to Rs75bn.

Public sector banks will build their in-house capability to assess MSMEs for credit, instead of relying on external assessment.

SIDBI will open new branches to expand its reach to serve all major MSME clusters within three years and provide direct credit to them.

Impact: MSME lending is one of the biggest gaps in the lending sector in India. The above moves will not only push MSMEs towards a more formal mode of borrowing but also encourage lenders to fuel up lending to the sector with lower asset quality stress. Overall lending under MUDRA category should see a rise with improved borrower sentiment towards prompt repayment. Also, an in-house MSME processing capacity will result in better connect to the sector and lower stress due to improved underwriting practices.

MSME lenders, including NBFCs, remain the beneficiaries. HDFC Bank, ICICI Bank, Axis Bank, and SBI among banks, and Bajaj Finance and Cholamandalam Finance among NBFCs are the major beneficiaries.

Proposal: Education loan expansion

1) The Model Skill Loan Scheme will be revised to facilitate loans up to Rs0.75m with a guarantee from a government-promoted fund.

2) Financial support for loans up to Rs1m for higher education in domestic institutions. E-vouchers for this purpose will be given directly to 0.1m students every year for annual interest subvention of 3% of the loan amount.

Impact: The government guarantee will encourage banks to increase the lending under education loans with a lower stress on recovery. Education loans for the system have been moving at a slow pace post Covid-19 pandemic at ~0.7% for scheduled commercial banks or SCBs. This should benefit most private banks like HDFC Bank, ICICI Bank, Axis Bank and public sector banks like SBI and Bank of Baroda.

Proposal: Improvement in the process for loan recovery

1) An integrated technology platform will be set up for improving the outcomes under the Insolvency and Bankruptcy Code (IBC) for achieving consistency, transparency, timely processing and better oversight for all stakeholders.

2) Steps for reforming and strengthening debt recovery tribunals will be taken.

Impact: It will be beneficial for all lenders, as this will not only smoothen the entire process but may help faster resolution. Higher efficiency in the resolution of stressed assets will encourage not only banks to increase the lending towards the wholesale sector. It will also aid towards higher recoveries from written-off accounts. HDFC Bank, ICICI Bank, Axis Bank, SBI, BoB and IndusInd Bank are among the banks that are major beneficiaries.

Proposal: More than 100 branches of India Post Payment Bank will be set up in the North East region to expand the banking services.

Impact: This will enhance formalization of banking transactions in north eastern India and would gradually provide sufficient data to lenders for conducting lending operations. The formaliztion will increased lenders' confidence in lending to the region, which provides opportunities in PSL lending.

Capital Goods

- **Proposal:** The government has maintained a capex of Rs11.1tr in FY25F (from Rs10.1tr) as announced in the interim budget. Lowers fiscal deficit to 5.1% in FY25F from 5.3%.
- **Impact:** Higher capex and lower fiscal deficit suggest that the quality of expenses is going to be healthier than last year's budget. Higher capex is a key enabler to pick up in private capex. The government continues to focus on key infrastructure segments: railways, metro rail, power, capital goods from public spending. Most capital goods companies are key beneficiaries from these initiatives.
- **Proposal:** Higher investment in locomotives and wagons: The electric locomotives target increased to 1,600 units from 1,280 announced in the interim budget. The target for rail coaches has been increased to 8,405 units from 7,784 units announced in the interim budget. Similarly, wagons target increased to 38,000 units from 26,000 units announced in the interim budget.
- **Impact:** This is positive for locomotive and wagon manufacturers like Siemens, Titagarh Wagons, Jupiter, and Texmaco.
- **Proposal:** Power projects: JV to be established between NTPC & BHEL to set up a 800MW power plant. Setting up a 2,400 MW power plant at Pirpainti in Bihar (at a cost of ~Rs214bn).

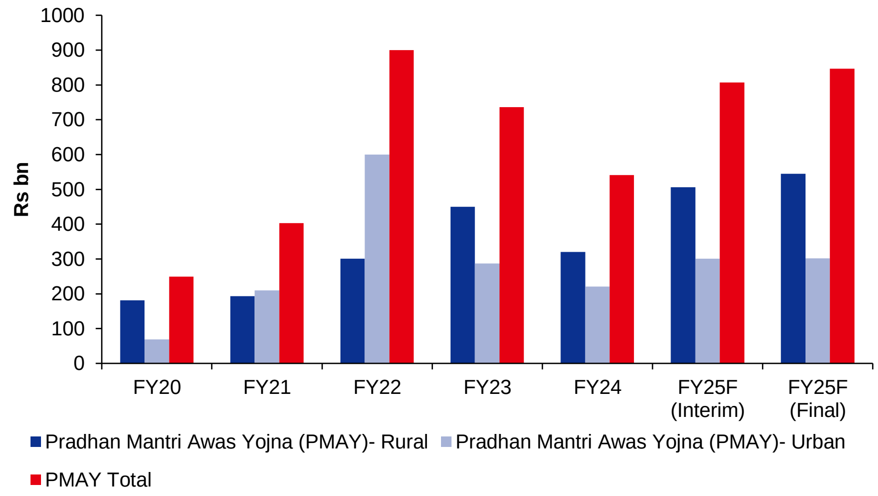
- **Impact:** Positive for major companies in power plant ecosystems including boiler and turbine manufacturers.

Cement

Proposal: The gross budgetary capex outlay for FY25BE maintained at Rs11.1tr (~3.4% of GDP), same as in the interim budget. Under PMAY, 10m lower income group and middle-class people will be provided benefits of Rs2.2tr for affordable housing over the next five years. Industrial node at Gaya, as a part of Amritsar-Kolkata economic corridor. New airports, medical facilities, and sports infrastructure to be built in Bihar with additional Rs260bn to be allocated for building highways in the state. For irrigation and flood mitigation – GoI will develop projects in Bihar, Assam, Himachal Pradesh, Uttarakhand and Sikkim with cost of Rs115bn. PMGSY phase-4 will be launched to provide all-weather road connectivity to 25,000 villages.

Impact: The allocation of capex outlay is the same as in the interim budget, which is in line with our expectations and is positive for industry, as government is prioritizing infrastructure spending despite facing some loss of seats in the recent general elections. The government offering support to 10m middle class and lower income groups is positive for the real estate industry which constitutes >60% of demand in India. Transit-oriented development plans for 14 large cities with a population above 3m will be formulated – positive for all cement companies. Special financial support for Andhra Pradesh, including Rs150bn in the current fiscal and infrastructure push to Bihar is positive for companies with capacities in the region. Rs2.66tr spending on rural infrastructure development can turn around rural demand, which has been lagging in the near term.

Figure 13: Total PMAY allocation trend



SOURCE: BUDGET DOCUMENT, INCRED RESEARCH

Consumer Overall

Proposal: 1) Allocation made towards Mahatma Gandhi National Rural Employment Guarantee scheme (MNREGA) of Rs860bn for FY25F (Budgeted estimate) is flat yoy compared to Revised Estimate of Rs860bn FY24, which is lower by 5% yoy when compared to FY23 actuals. There has been no change towards the MNREGA allocation since the interim budget. 2) Pradhan Mantri Kisan Samman Nidhi (PM Kisan): Budgeted estimate of Rs600bn for FY25F is the same as the Revised Estimate of Rs600bn FY24F and is 3% higher yoy compared to FY23 actuals. There has been no change to allocations under PM Kisan since the interim budget. 3) Allocation of Rs2.7tr towards rural development (40% increase). 4) Provision of Rs1.52tr for agri and allied activities, 5) Investment of Rs10tr towards the needs of 10m urban poor and middle class families. 6) Rs2tr outlay towards five schemes centred on youth, employment and skilling to benefit youth. 7) One-month wage over three instalments (up to Rs15,000) for first time registration under EPFO. 8) Reimbursement of up to Rs3,000 per month to employers per employee for EPFO contribution up to Rs100,000 per month salary to benefit 50 lakh jobs. 9) Revised income-tax slabs under the new regime.

Impact: Given the current rural slowdown, the allocation towards MGNREGA is lower compared to industry expectations and hence, lacks the immediate push required to revive rural consumption but other steps like allocation of Rs2.7tr towards rural development, provision of Rs1.52tr for agri and allied activities, revised income-tax slabs and investments to boost urban poor and middle class should aid in gradual demand recovery in both rural and urban markets.

Proposal: Budgeted estimate of Pradhan Mantri Awas Yojana (PMAY) for FY25F at Rs847bn increased by 5% over the Rs807bn announced during the interim budget.

Impact: The allocation for FY25F (+56% yoy) when compared to revised estimates of FY24F can provide an incremental impetus for growth, but the revised estimates for FY24F at Rs498bn are lower by 27% yoy when compared to FY23 actuals. For paint companies, only 20-25% of demand comes from fresh painting and the rest is from re-painting. Hence, the impact is expected to be neutral.

Figure 14: Details of central government-sponsored schemes

	Actuals	Actuals	Actuals	Actuals	Budgeted Estimate	Revised Estimate	Budgeted Estimate
Rs bn	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY24**	**FY25F**
Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA)	717	1,112	985	902	610	860	860
growth (%, yoy)		***55%***	***-11%***	***-8%***		***-5%***	***0%***
Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	487	610	668	583	600	600	600
growth (%, yoy)		***25%***	***10%***	***-13%***		***3%***	***0%***
Pradhan Mantri Awas Yojna (PMAY)- Rural	181	193	301	450	545	320	545
Pradhan Mantri Awas Yojna (PMAY)- Urban	68	210	600	287	251	221	302
PMAY Total	**250**	**403**	**900**	**736**	**796**	**541**	**847**
growth (%, yoy)		***61%***	***124%***	***-18%***		***-27%***	***56%***

SOURCE: BUDGET DOCUMENTS, INCRED RESEARCH, COMPANY REPORTS

Proposal: Revision in basic customs duty (BCD) for precious metals with reductions for gold/silver bars and gold/silver dore to 6%/5.35%, respectively, while duty for platinum reduced to 6.4%. The basic customs duty has been reduced from 1) 7.5% to 5% on platinum & palladium used in the manufacture of noble metal, noble metal compounds and catalytic convertors. 2) 7.5% to 5% on bushings made of platinum & rhodium alloy when imported in exchange of worn out or damaged bushings exported from India.

Impact: The reduction in basic custom duty on gold, silver and platinum is in the right direction and should benefit players like Titan Co, Senco Gold, Kalyan Jewellers, among others. Given the recent context of elevated gold prices, consumers should also benefit from lower gold prices. Companies should also benefit from lower discounts. Cut in duty should also aid in reducing risks from smuggling into India. Healthy wedding demand in the next few quarters should aid growth for the sector.

Figure 15: Details of central government-sponsored schemes

Revision in custom duties for precious metals	BCD		AIDC		SWS		**Total Duty**
	From	**To**	**From**	**To**	**From**	**To**	
Gold Bars	10.0%	5.0%	5.00%	1.00%	Nil	Nil	6.00%
Gold Dore	10.0%	5.0%	4.35%	0.35%	Nil	Nil	5.35%
Platinum	10.0%	5.0%	5.40%	1.40%	Nil	Nil	6.40%
Silver Bar	10.0%	5.0%	5.00%	1.00%	Nil	Nil	6.00%
Silver Dore	10.0%	5.0%	4.35%	0.35%	Nil	Nil	5.35%

SOURCE: BUDGET DOCUMENTS, INCRED RESEARCH, COMPANY REPORTS

EMS sector

Proposal: Increase in customs duty (BCD) on specific telecom PCBA from 10% to 15%. Basic customs duty on mobile phones' PCBA, chargers reduced to 15% from 20%.

Impact: The hike in BCD on telecom equipment is positive for Indian PCBA manufacturers like Dixon, Amber and Syrma as this will increase local value addition in India. This also signals the government's intent to promote local value addition in the telecom space which is structurally positive for Tejas Networks and HFCL. Lower BCD on mobile phone, and mobile phone PCBAs reduced to 15%

from 20% is a key negative for EMS players including Dixon and Optiemus Infracom.

Proposal: The government has maintained the higher allocation of Rs69bn (from Rs30bn) as announced in the interim budget for semiconductors and display manufacturing ecosystem.

Impact: With the global semiconductor industry likely to deliver strong growth over the next few years, India is in a favourable position to emerge as a global hub for this sector. The higher allocation aligns with India's objective of achieving self-sufficiency in chip manufacturing.

Infrastructure sector

Proposal: Capital allocation to infrastructure + internal & extra budgetary resources (IEBR) for PSUs was Rs7.4tr (2% more than FY24 Budget & 6% more than FY24 revised estimate) – no change from the interim budget. This is a far cry from the growth witnessed in the last two years, when spending rose by ~30-35% yoy. Note: We consider spending on the sectors such as roads, railways, power (including renewables), civil aviation, telecom, drinking water and shipping.

Impact: We note that in the last general election (FY20), spending declined 17% yoy. This was despite FY20 budget estimate being 8% higher than that in the FY19 budget.

The weak growth is in line with our expectation. Infrastructure spending during general elections (FY10, FY15, FY20) witnessed a dip vs. trendline growth. However, infrastructure spending is robust in the year before general elections (FY14, FY19, FY24) as the government ramps up execution. We expect the strong execution in FY24 to be followed by a dip in FY25F.

Capital allocation ex IEBR rose 6% yoy (vs. FY24RE) to Rs6.1tr. 83% of the funding in FY25 is from budgetary support, similar to that in FY24.

Figure 16: Capital + investment in PSUs via IEBR in FY19,20, 24 and 25

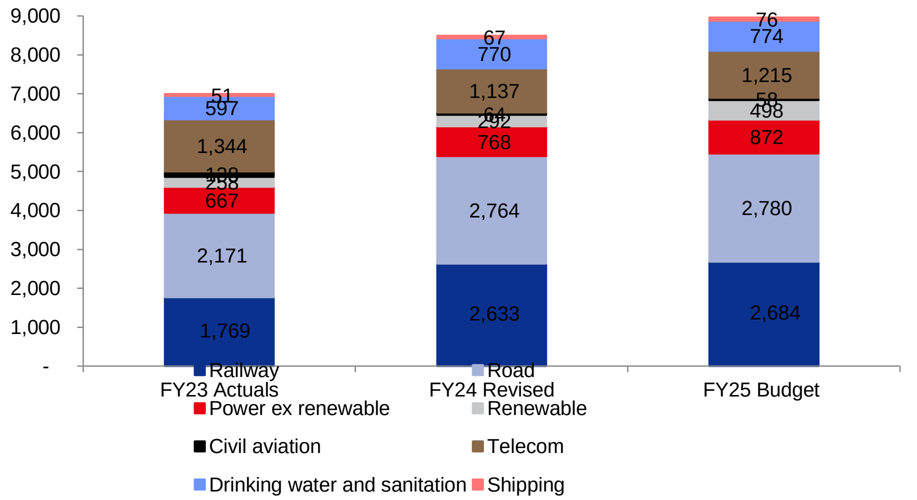
(Rs bn)	FY19	FY20	Growth %	FY24	FY25	Growth %
Budget	3,201	3,461	8	7,266	7,397	2
Revised	3,520	4,491	28	7,003	na	
Actual	3,787	3,132	(17)	na	na	
Actual as % of Budget	118	90				

SOURCE: BUDGET DOCUMENT, INCRED RESEARCH

Allocation to road and railways (73% of overall spending on infrastructure) is flat vs FY24 revised estimate

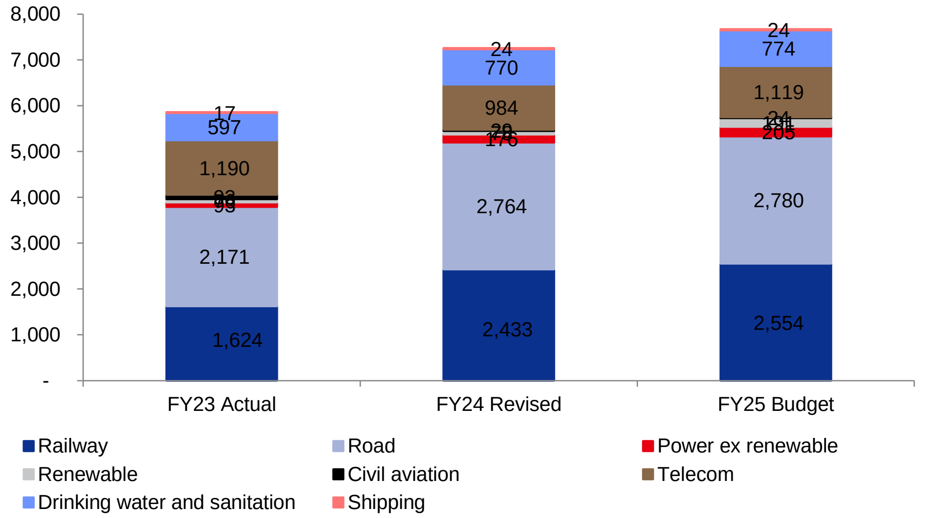
Note: We exclude allocation of Rs302bn in FY23 to Indian Railway Finance Corp. as it is the finance arm of Indian Railways.

Figure 17: Overall allocation to infrastructure (Rs bn)



SOURCE: BUDGET DOCUMENT, INCRED RESEARCH

Figure 18: Infrastructure allocation – capital + IEBR



SOURCE: BUDGET DOCUMENT, INCRED RESEARCH

Pharmaceutical sector

Proposal: Marginal increase in the PLI scheme from ~Rs17bn to Rs21.5bn.

Impact: Most of the increase in PLI is in the pharmaceutical segment while the allocation for KSMs/bulk drugs/medical devices have largely been flattish.

Figure 19: Development of pharmaceutical industry

Rsbn	Budget 2023-24	Revised 2023-24	Budget 2024-25
Development of Pharmaceutical Industry			
Promotion of Bulk Drugs	9.00	0.85	10.00
Promotion of Medical Device Parks	2	0.64	1.50
PLI Scheme			
PLI for Domestic Mfg of KSM, Intermediates, API	1	0.16	0.58
PLI for Domestic Mfg of Medical Devices	1	0.48	0.85
PLI for Pharmaceuticals	10	16.32	20.00
Total PLI Schemes	**12**	**16.96**	**21.43**

SOURCE: BUDGET DOCUMENT, INCRED RESEARCH

Proposal: Basic customs duty has been fully exempted on three cancer drugs (Trastuzumab Deruxtecan, Osimertinib and Durvalumab) from 10% to nil.

Impact: These drugs belong to Astrazeneca (not under coverage), which should benefit.

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