Union Interim Budget Analysis

2024-25

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BP WEALTH

1st February, 2024

Arjuna's Eye on Fiscal Consolidation

Embarking on the journey through the Interim Budget, it is crystal clear that the government's fiscal roadmap will have a profound impact on our economic landscape and is a progressive one for the Indian economy. In an election year, the government has walked the talk and avoided fiscal profligacy and myopic measures. The record capital expenditure outlay of Rs. 11.11 lakh crores fuels optimism for increased investments across sectors covering railways, ports and aviation. With a prudent approach, characterized by a targeted reduction in borrowing and an ambitious fiscal deficit target of 5.1% for FY25, the budget sets the stage for a vibrant future. The emphasis on research-driven growth in indigenous sectors, the bold move to withdraw disputed tax demands and aggressive fiscal consolidation targets set a positive tone for investor confidence. Initiatives like promoting private investment in post-harvest activities and extending tax exemptions to certain sectors signal opportunities for market expansion and diversification. The allocation of a corpus of Rs. 1 lakh crores for promoting innovation through interest-free loans to the private sector signals the government's long-term vision on developing a sustainable economy through research and innovation. With the broader contours set today, we remain hopeful of major announcements related to adoption of green policies, measures to boost rural demand and inclusive growth and long-term plan to improve the state finances and performance in the full-fledged budget expected in July 2024.

Highlights of Budget

⇒ The Indian economy has witnessed profound positive transformation in the last ten years. Besides delivering on high growth in terms of Gross Domestic Product, the Government is equally focused on a more comprehensive 'GDP', i.e., 'Governance, Development and Performance'.

⇒ The government will target a fiscal deficit of 5.1% for FY25, with gross borrowings pegged at Rs. 14.13 lakh crores. Additionally, the fiscal deficit is expected to settle at 5.8% in the current fiscal, better than the budget estimate of 5.9%.

⇒ The government enhanced the budget allocation for the defense sector for FY25 to Rs. 6.22 lakh crores. Besides, a new scheme will be launched to strengthen deep-tech defense technologies. Additionally, a sum of Rs. 2.55 lakh crores have been earmarked as capex for the Indian Railways for FY25.

⇒ Building on the massive tripling of the capital expenditure outlay in the past four years, the outlay for the next year was increased 11.1% to Rs. 11,11,111 crores. This would be 3.4% of the GDP.

⇒ The Direct Tax Collections more than trebled in last 10 years. There was a reduction in average processing time of returns from 93 days (2013-14) to 10 days (2023-24).

⇒ The average monthly gross GST collections doubled to Rs. 1.66 lakh crore in FY24. There was an increase in tax buoyancy of state revenue from 0.72 (2012-16) to 1.22 in the post-GST period (2017-23).

⇒ The recently announced India-Middle East-Europe Economic Corridor is a strategic and economic game changer for India and others.

⇒ The recent new solar power scheme launched by PM Modi would lead to a saving of Rs.15,000-18,000 per household annually who install roof top solar panels. 1 crore households will be enabled to get 300 units per month fully free.

⇒ The allocation of a corpus of Rs. 1 lakh crore for promoting innovation through interest free loans to the private sector is another step towards developing the future of India through innovation and research.

⇒ The government plans to set up more medical colleges by using existing hospital infrastructure and a committee for this will be set up to examine and make necessary recommendation.

⇒ The efforts for value addition in agricultural sector and boosting farmers' income will be stepped up. For ensuring faster growth of the sector, the government will further promote private and public investment in post-harvest activities including aggregation, modern storage, efficient supply chains, primary and secondary processing and marketing and branding.

⇒ A new scheme will be launched for strengthening deep-tech technologies for defence purposes.

⇒ The states will be encouraged to undertake development of iconic tourist centres to attract business and promote opportunities for local entrepreneurship. Long-term interest free loans to be provided to states to encourage development.

⇒ Three major economic railway corridor programmes will be implemented. The projects have been identified under the PM Gati Shakti for enabling multi-modal connectivity which will improve logistics efficiency and reduce cost.

⇒ Coal gasification and liquefaction capacity of 100 MT will be set up by 2030. This will also help in reducing imports of natural gas, methanol, and ammonia. The phased mandatory blending of compressed biogas (CBG) in compressed natural gas (CNG) for transport and piped natural gas (PNG) for domestic purposes will be mandated.

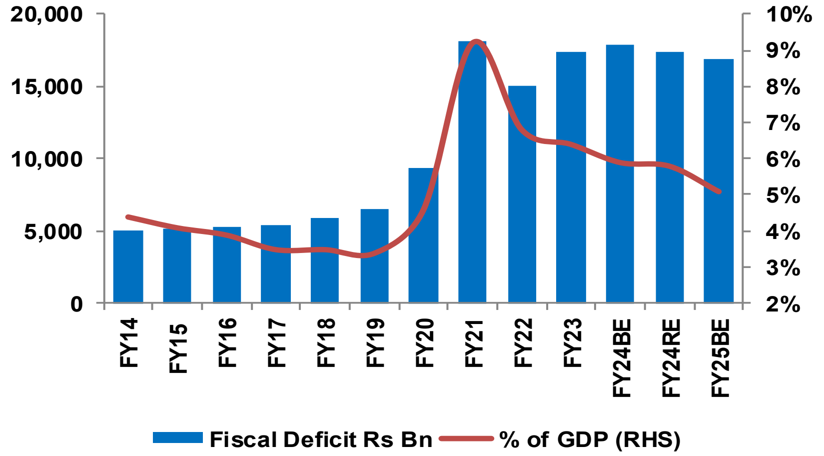
⇒ The government will expand and strengthen the e-vehicle ecosystem by supporting manufacturing and charging infrastructure. Greater adoption of e-buses for public transport networks will be encouraged through payment security mechanism.

Budget at a Glance (table)

Rs. Bn	FY20	FY21	FY22	FY23	FY24BE	FY24RE	FY25BE	Growth Rate
1. Revenue Receipts (i+ii)	16,841	16,339	17,884	23,832	26,323	26,997	30,013	11.2%
i) Tax Revenue (Net)	13,569	14,263	15,454	20,978	23,306	23,239	26,016	11.9%
ii) Non-Tax Revenue	3,272	2,076	2,430	2,854	3,017	3,758	3,997	6.4%
2. Capital Receipts	10,022	18,831	18,114	18,100	18,708	17,908	17,645	-1.5%
iii) Recoveries of loans	183	197.28	130	262	230	260	290	11.5%
iv) Other Receipts	503	379	1,750	460	610	300	500	66.7%
v) Borrowings & other Liabilities	9,336	18,255	16,234	17,378	17,868	17,348	16,855	-2.8%
Total Receipts (1 + 2)	26,863	35,170	35,999	41,932	45,031	44,905	47,658	6.1%
3. On revenue account of which	23,506	30,835	29,290	34,531	35,021	35,402	36,547	3.2%
vi) Interest Payments	6,120	6,799	8,097	9,285	10,800	10,554	11,904	12.8%
4. Capital Account	3,357	4,263	5,542	10,463	13,709	12,714	14,967	17.7%
Total Expenditure (3 + 4)	26,863	35,098	34,832	44,994	48,731	48,117	51,514	7.1%
5. Revenue Deficit	6,665	14,496	11,406	10,699	8,699	8,405	6,534	-22.3%
% of GDP	3.3%	7.3%	5.1%	-3.9%	-2.9%	-2.8%	-2.0%	-28.6%
6. Effective Revenue Deficit	4,809	12,187	9,215	7,637	4,999	5,193	2,678	-48.4%
% of GDP	2.4%	6.2%	4.1%	-2.8%	-1.7%	-1.8%	-0.8%	-55.6%
7. Fiscal Deficit	9,336	18,183	15,068	17,378	17,868	17,348	16,855	-2.8%
% of GDP	4.6%	9.2%	6.8%	-2.8%	-5.9%	-5.8%	-5.1%	-12.1%
8. Primary Deficit	3,215	11,384	6,971	8,092	7,068	6,793	4,951	-27.1%
% of GDP	1.6%	5.8%	3.1%	-3.0%	-2.3%	-2.3%	-1.5%	-34.8%

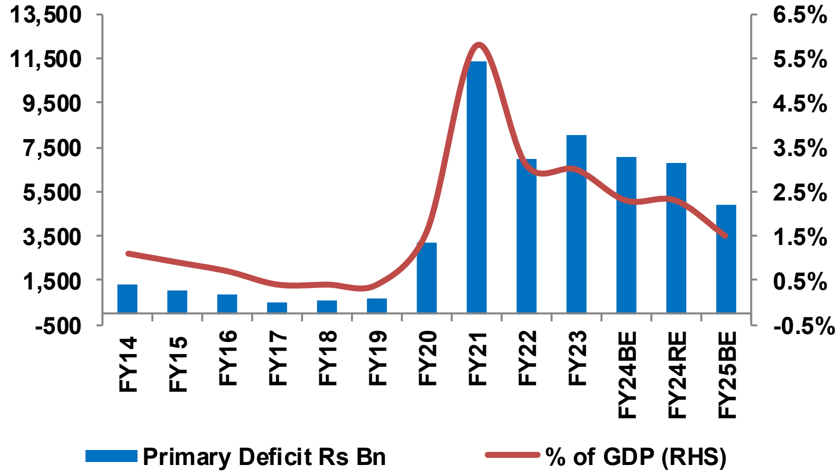
Source: Budget Documents, BP Equity Research

Fiscal Deficit as % of GDP



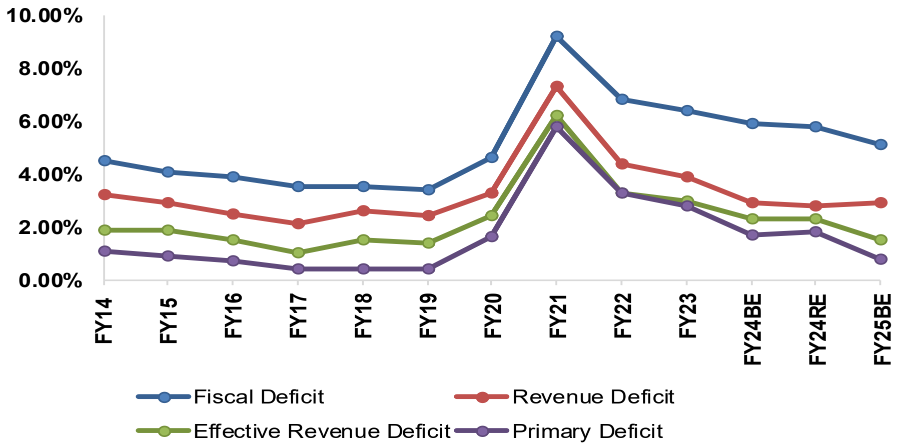
Source: Budget Documents, BP Equities

Primary Deficit as % of GDP



Source: Budget Documents, BP Equities

Deficit Trends as % of GDP



Source: Budget Documents, BP Equities

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Announcement	Impact	Companies
Under the PM Awas Yojana (Grameen), the government is close to achieving the target of three crore houses. Further, the government will take up an additional two crore houses under the Yojana in the next five years.	**Positive** for the cement and steel sectors	Majority of cement and steel companies
Through rooftop solarization, one crore households will be enabled to obtain up to 300 units of free electricity every month. Savings of up to Rs. 15,000 to Rs. 18,000 annually for households from free solar electricity and selling the surplus to distribution companies.	**Positive** for companies engaged in rooftop solar EPC projects	Waaree Renewable, Torrent Power, Tata Power
Major economic railway corridor programs will be implemented namely; energy, mineral and cement corridors, port connectivity corridors, and high traffic density corridors. The projects have been identified under the PM Gati Shakti for enabling multi-modal connectivity.	**Positive** for railways, cement and mineral sectors	IRCTC, RVNL, Ultratech, ACC, NMDC, OMDC
Expansion of e-vehicle ecosystem by supporting manufacturing and charging infrastructure. Greater adoption of e-buses for public transport networks to be encouraged through payment security mechanisms.	**Positive** for electric bus manufacturers	JBM Auto, Olectra Greentech, Ashok Leyland
Coal gasification and liquefaction capacity of 100 MT will be set up by 2030.	**Positive** for coal mining companies	Coal India
Mandatory blending of CBG in CNG for transport and PNG for domestic purposes.	**Positive** for CBG producers	Thermax, Adani Total Gas
Encouragement to take up comprehensive development of iconic tourist centres, branding and marketing them at global scale.	**Positive** for tourism-related companies	TCI, EaseMyTrip, Indian Hotels
Undertaking future dedicated freight corridor projects to reduce logistics costs.	**Positive** for railway infra companies	IRCON, RITES
Application of Nano DAP on various crops will be expanded in all agro-climatic conditions.	**Positive** for agro-chemical companies	RCF, Chambal Fertilizer, Paradeep Phosphate

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