Union Budget 2024 - (July)

Event Update

DALAL & BROACHA STOCK BROKING PVT. LTD.

Equity Research Desk

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Overblown Hopes, Modest Results

The Indian Union Budget for 2024-25 evoked mixed reactions, with short-term market concerns over increased STCG to 20%, LTCG to 12.5%, higher STT on F&O trades, and a new tax on share buybacks. However, the increase in the LTCG exemption limit from ₹1 lakh to ₹1.25 lakhs is a positive development, and despite the tax rate adjustments, there is confidence that the markets will adapt effectively to these changes.

The Finance Minister has demonstrated a strong commitment to fiscal consolidation, setting the fiscal deficit at an estimated 4.9% (with divestment @ Rs 50K crs) of GDP which will result in lower interest rate environment. Nominal GDP too has been forecasted at a reasonable rate of 10.5%.

Total Expenditure: The total budget expenditure for 2024-25 is estimated at ₹48,20,512 crore, reflecting a ~7% increase over the revised estimate of ₹44,90,486 crore for 2023-24

Concurrently, the budget maintains a significant capital expenditure of ₹ 11,11,111 lakh crore (+16.9% YoY), representing 2.4% of GDP, dedicated to infrastructure development and outlining a clear strategy for achieving the vision of "Viksit Bharat" (Developed India).

The budget also introduces five new schemes aimed at youth empowerment, employment generation, and skill development, with a substantial outlay of ₹2 lakh crore designed to benefit 4.1 crore young individuals. This commendable approach emphasizes job creation, upskilling initiatives, support for the MSME sector, and tax relief for the middle class, all of which are expected to enhance disposable income and drive economic growth.

The Union Budget 2024-25 allocates ₹15,000 crore for Andhra Pradesh's development, focusing on the Polavaram project and infrastructure in industrial corridors, while Bihar receives ₹26,000 crore for major road projects and ₹21,400 crore for power projects.

Finance Minister also considered AMFI's demand of change in definition of 'Specified Mutual Funds' under Section 50AA has which will lead to rationalization in taxation for the funds affected hitherto

Finally we believe while digesting the taxation changes, equity markets will shift focus back on earnings trajectory and other macro-economic developments.

Union Budget Highlights

(Rs.cr)	FY23	FY24 Actuals	FY BE
Revenue Receipts	2,383,206	2,728,412	3,129,200
Capital Receipts	1,809,951	1,714,130	1,691,312
Total Receipts	**4,193,157**	**4,442,542**	**4,820,512**
Fiscal Deficit	**1,737,755**	**1,653,670**	**1,613,312**
	-6.40%	-5.60%	-4.90%
Market Borrowings (G-Sec)	**1,105,836**	**1,177,754**	**1,163,182**

1. **Nominal GDP Growth:** Nominal GDP (Gross Domestic Product) is expected to grow by 10.5% year-on-year (yoy) in FY25. This indicates the projected growth rate of the total economic output, including inflation.

2. **Total Receipts Growth:** Total receipts are budgeted to grow by 8.5% in FY25BE (Budget Estimate for FY25). Total receipts typically include revenues from taxes, non-tax revenues, and other receipts.

3. **Fiscal Deficit:** The fiscal deficit is projected to decrease to 4.9% of GDP in FY25 from 5.6% in FY24. Fiscal deficit represents the difference between the government's total expenditure and its total receipts (excluding borrowing). A lower fiscal deficit suggests improved fiscal health or control over government spending relative to revenues.

4. **Market Borrowings:** Market borrowings are expected to decrease to INR 11.6 trillion in FY25 from INR 11.8 trillion in FY24. Market borrowings refer to funds borrowed by the government from the financial market to finance its deficit or other expenditures.

In summary, the projections for FY25 suggest a robust growth in nominal GDP, a moderate increase in total receipts, a reduced fiscal deficit as a percentage of GDP, and slightly lower market borrowings compared to FY24. These indicators collectively reflect the expected economic and fiscal outlook for the upcoming fiscal year.

Higher taxes imposed on Capital market related gain…

- Long Term Capital Gain(LTCG) Tax Rate increased from 10% to 12.5% w.e.f. 23rd July, 2024
- Limit Changed for LTCG: Tax on LTCG now shall be levied if total LTCG > 1,25,000 in a year (earlier LTCG above 1 lac was chargeable to tax)
- Short term Capital Gain (STCG) rate on listed equity shares, units of equity oriented mutual fund, and unit of business trust increased to 20% from 15% earlier.
- Higher STT on derivatives trading: STT on sale of options now increased from 0.0625 per cent to 0.1 per cent of the option premium; on sale of a futures in securities from 0.0125 per cent to 0.02 per cent of the price
- **LTCG on property, gold, and unlisted shares** are taxable at a reduced rate of 12.5% instead of the previous 20%. However, indexation benefits are no longer available.

LTCG at 12.5% across all assets, indexation benefits removed.

New Regime made more attractive as compared to old regime

- **Tax slabs revised** under the new regime in the revised budget, at the outset new regime now seems more beneficial for individual taxpayers as compared to old regime (*A salaried employee in the new tax regime stands to save up to ₹ 17,500 annually in income tax*)
  a. Upto Rs. 3,00,000 – Nil
  b. From Rs. 3,00,001 to Rs. 7,00,000 – 5%
  c. From Rs. 7,00,001 to Rs. 10,00,000 – 10%
  d. From Rs. 10,00,001 to Rs. 12,00,000 – 15%
  e. From Rs. 12,00,001 to Rs. 15,00,000 – 20%
  f. Above Rs. 15,00,000 – 30%
- Standard deduction for salaried class increased to Rs 75,000 from Rs 50,000. (applicable for both old & new regime)
- Tax rate for foreign companies reduced from 40% to 35%.
- NPS contribution through employer, which is tax exempt, has been increased to 14% from 10%. Although such contributions from employer are voluntary in nature.
- Highest surcharge slab under new regime has been lowered from 37% to 25% (for income above Rs.2 crores)

This will be the default tax regime for salaried and other individuals. One has an option to shift back to old regime as well.

BFSI

- Loans for higher education amounting upto INR 10 lakh in domestic institutions wherein the interest rate subvention will be 3%
- **Credit Guarantee Scheme for MSMEs in the manufacturing sector** – for facilitation of term loans to MSMEs for purchase of machinery
- **New assessment model for the MSME sector** – Public sector banks to build in-house capability to assess MSMEs credit, instead of relying on external credit i.e. building new credit assessment model based on scoring of digital footprints of MSMEs. This will also cover MSMEs without a formal accounting system
- **Mudra loans – the limit enhanced to INR 20 lakh from INR 10 lakh -**
- **Credit support to the MSME during the stress period** – 'Special Mention Accounts' SMA accounts will continue to get support from the banks in terms of fresh credit
- PM Awas Yojana Urban 2.0 which will fund 1 cr urban poor with the outlay increased by 36% from INR 22103 cr in FY24RE to INR 30171 FY25BE.
- And similarly PM Awas Yojana Rural 2.0 outlay has been increased by 70% from INR 32000 in FY24RE to INR 54500 cr in FY25BE.
- Appropriate changes to the IBC, reforms and strengthening of the tribunal and appellate tribunals will be initiated to speed up insolvency resolution.
- Infrastructure capital outlay of INR 11.1 lakh crore (3.4% of GDP) will overall create higher demand for the credit in the economy

Positive:
Home First Finance, Aavas Financiers, Can Fin Homes, Aptus Housing Finance

Higher Infra outlay of INR 11.1 trillion – positive for banks – create higher demand for credit in the economy

Conclusion – Government investment in infrastructure for FY25 is pegged at INR 11.1 trillion is positive for the overall banking sector as it will lead to higher demand for the credit. And secondly capital outlay for PMAY both under rural & urban put together has increased by 56% to INR 84671 cr – which is positive for the companies like Home First Finance, Aavas Financiers, Can Fin Homes, Aptus Housing. Credit support by the banks to the SMA accounts is negative. Also, no provision wrt to poor deposit growth is also negative. Lastly, overall market borrowings for FY25 is pegged at INR 11.6 trillion in FY25BE vs. INR 11.77 trillion in FY24 will be positive for the interest rate environment in the economy – lower borrowings is likely to result in lower g-sec yields benefitting the overall sector.

Defence

- A capital outlay of Rs 172,000 Crore in the budget made for defence & total expenditure planned for defence ~621,940 Crore which amounts to ~12.9% of the total budget of GoI.
- Major allocations include ~40,000 Crore for Aircraft & Aero engines, ~66,000 crore for defence equipment & military vehicles, ~23000 Crore for naval fleet.

Positive: Bharat Electronics, HAL, Azad Engineering, Bharat Forge, Mazagaon Dock, GRSE

Railways

- A capital outlay of Rs 2.52 lakh crore has been provided for railways, ~5% hike over the 2023-24 Union Budget. This highest ever outlay is more than 9 times the outlay made in 2013-14.
- ~85,000 crore have been allocated for setting up new railway lines, renewal of existing tracks, line doubling & guage conversion
- ~15,000 crore allocated for upgradation of stations & foot over bridges. Special focus has been given on improving signalling & safety for railway passengers by allocating ~4700 Crs for signalling works.

Positive: RVNL, IRCON, Siemens, HBL Power

Infrastructure, Roadways & Highways

- The government allocated Rs 11,11,111 crore for capital expenditure, amounting to 3.4% of GDP. This includes significant investments in roads, railways, airports, ports, and power plants to create opportunities for private sector participation
- Rs 26,000 crore was allocated for various road projects in Bihar, including the Patna-Purnea expressway, Buxar-Bhagalpur highway, and Bodhgaya-Rajgir-Vaishali-Darbhanga connectivity
- The Ministry of Road Transport and Highways' capital expenditure outlay for FY25 remained steady at around Rs 2,78,000 crore

Positive: L&T, HG Infra, NCC, ITD Cementation

Power

- The investment of eight state-owned power companies is proposed to increase by nearly 14% to Rs 67,286.01 crore in FY24-25, up from Rs 59,119.55 crore in the revised estimates for FY23-24 which comprise Power Grid Corporation, NTPC, NHPC, SJVNL, THDC, DVC, NEEPCO and NVVN.
- NTPC and BHEL will set up an 800 MW super critical thermal power plant with higher efficiency

Positive: NTPC & BHEL

Urban Development

- Encouraging states to lower stamp duties for properties purchased by women.
- Transit Oriented Development plans for 14 large cities with a population above 30 lakh
- Promote water supply, sewage treatment and solid waste management projects and services for 100 large cities through bankable projects.
- Outlay for smart city mission of ~2400crs
- Outlay for Swacch Bharat Mission ~5000crs
- For setting up water treatment and sewage treatment plant with distribution system, Government has kept aside around 79,000 crs in different scheme as follows
    1. AMRUT (Atal Mission for Rejuvenation and Urban Transformation): 8000 crs
    2. National River Conservation Plan - Other Basins ~590 crs
    3. Jal Jeevan Mission (JJM)/National Rural Drinking Water Mission: 70,163 crs

Positive:
Cement and Steel players, Ion Exchange, Va Tech Wabag, Antony Waste

Housing Needs

- Needs of 1 crore urban poor and middle-class families will be addressed with an investment of ₹10 lakh crore
- Proposing policies for efficient and transparent rental housing markets

Positive:
Home First, Can Fin Homes, Aavas Financiers

Medical devices

- Target for commissioning 4 new medical devices projects and production of medical devices worth ~4500crs.

Positive:
Poly Medicure

LPG related needs

- Financial outlay of ~9094crs for Deposit Free LPG connections to Below Poverty Line households
- Financial outlay of ~1500crs for Direct Benefit Transfer -L

Positive:
Aegis Logistics

Agriculture

- Government kept aside Rs 1.52 Lakh crore (119000 Urea Subsidy +45000 Nutrient Subsidy) for agriculture sector in FY25.

- **Atmanirbharta:** - For oil seeds such as mustard, groundnut, sesame, soyabean and sunflower.
- **Release of new Seeds varieties:** -109 new high-yielding and climate resilient varieties of 32 field and horticulture crops will be released for cultivation by farmers.
- **Natural Farming:** - 1 crore farmers across the country will be initiated into natural farming, supported by certification and branding in next 2 years. 10,000 need-based bio-input resource centers to be established.
- **Vegetable production & supply chain** Promotion of FPOs (Farmers Producer Organizations), cooperatives & start-ups for vegetable supply chains for collection, storage, and marketing.
- **Shrimp Production & Export** Financing for Shrimp farming, processing and export will be facilitated through NABARD
- **Digital Public Infrastructure (DPI)**; - **(Agri stack)** DPI for coverage of farmers and their lands in 3 years. Digital crop survey in 400 districts & Issuance of Jan Samarth based Kisan Credit Cards
- **Pradhan Mantri Krishi Sinchayee Yojana (CSS); 9,340 Crores** It will enhance physical access of water on farm and expand cultivable area under assured irrigation, improve on-farm water use efficiency, introduce sustainable water conservation practices, etc.
- **Interlinking of Rivers (CSS); -3500 Crores** By transferring excess water from regions with heavy rainfall to drought-prone areas, these projects can help control both floods and droughts and Address Water crisis in India.

Positive: Sumitomo Chemicals Rallis India, Bayer Crop Science, Apollo Pipes, E-Protean

Renewable Energy

- To achieve Sustainability by 2030, the Government of India has laid the financial outlay around 17000 crs in different scheme as follows
  1. **Solar Power (Grid): -8500 Crore**
  2. **PM Surya Ghar Muft Bijli Yojana -6250 Crore**
  3. **Kisan Urja Suraksha Evam Uthaan Mahabhiyan 1496 Crs**
  4. **Green Energy Corridor-600 Crs**
  5. **National Green Hydrogen Mission-600 Crs**

Positive: Waare Renewables, Borosil Renewables, KPI Green

Tourism

- Budget allocation of Rs.1,750 crores towards Destination Development under Swadesh Darshan (SD) 2.0 & Social Media posts & activities.
- Positive:
  Indian Hotels Co Ltd., LemonTree Hotels, EasemyTrip
- 57 destinations identified, 29 projects sanctioned under SD 2.0
- Development of Vishnupad Temple Corridor & Mahabodhi Temple Corridor modelled on Kashi Vishwanath Temple Corridor
- Development initiative for Rajgir to be undertaken which holds religious significance for Hindus, Buddhists & Jains
- Development of Nalanda as a tourist centre & reviving Nalanda university.
- Assistance to development of Odhisha's scenic beauty, temples etc.

Positive:
Indian Hotels Co Ltd., LemonTree Hotels, EasemyTrip, Thomas Cook

Next Generation Reforms & Digitization

- Land Records in urban areas to be digitized with GIS mapping.
- Establishment of Land Registry, Farmers Registry
- Introduction of NPS Vatsalya: Plan for contribution by parents & guardians for minors.
- New Pension Scheme: A solution that address the relevant issues, protects common citizen will be formed.
- Unique Land Parcel identification number for all lands.
- To implement eKYC solutions for POSB schemes.
- Target to have 1Lakh post offices where eKYC solution will be rolled out in this FY.

Positive:
Protean eGov, Genesys International Ltd, C.E. Info Systems.

Electronic Governance

- Total Financial outlay of Rs 650 cr.
- Target to set up 6cr Digi-locket setup in 2024-25
- To have 200 services available on UMANG (Single app, single platform & Many government services)

Digital Payments

- Total Financial outlay of Rs 1,441 cr.
- Increased penetration of Digital Payments
- Target to have 10% increase in digital payment acceptance infrastructure
- Target to have 55% YoY growth in BHIMUPI transaction in 2024-25

Ayushman Bharat – Pradhan mantri Jan Arogya yojana (PMJAY)

- Total Financial outlay of Rs 7,300 cr.
- Target to issue 9cr Ayushman cards to individual beneficiaries
- To have 2100 Public & Private hospital empaneled during the year.

Health Care Global, Apollo hospitals, Fortis Healthcare

Employment & Skilling

- 5 schemes for 4.1 crore youth over 5 years with Rs2 lakh crores outlay. Provision of Rs1.48 lakh crores made this year for education, employment, and skilling.
- **Job Creation Schemes**
  a. The budget includes five major schemes focused on job creation, particularly in the manufacturing sector.
  b. A direct benefit transfer (DBT) of one month's salary will be provided to all first-time entrants into the formal workforce, benefiting 21 million youth.
- **Incentives for Employers**
  a. Employers will receive a monthly support of Rs3,000 for two years for every additional formal job created, which is expected to benefit 5 million people.
- **Skilling Initiatives**
  a. A new centrally sponsored skilling scheme will be introduced to provide skills training to 2 million youth over five years.
  b. The government plans to upgrade 1,000 industrial training institutes (ITIs) to align with current skill needs.
- **Internship Opportunities**
  a. A comprehensive internship scheme will offer opportunities to 10 million youth in 500 top companies over five years, with an allowance of Rs5,000 per month for interns and a one-time assistance of Rs6,000.

Positive:
NIIT Ltd, Team Lease Services Ltd, Quess Corp Ltd, Updater Services Ltd.

- **Support for First-Time Employees**
    a. The government will incentivize additional employment in the manufacturing sector for the first four years of each new job created.

Electronics and Information Technology

Positive:
Kaynes Technology India Ltd, Netweb Technologies India Ltd, other EMS companies

- The Union Budget 2024-25 allocated a total of Rs21,936 crore to the Ministry of Electronics and Information Technology (MeitY), representing a 52% increase from the previous fiscal year.
- Chip and Electronics Manufacturing: The budget includes a significant boost for chip and electronics manufacturing, with an allocation of Rs13,104.50 crore, marking a 71.4% increase aimed at enhancing India's semiconductor ecosystem.
- Cybersecurity: The allocation for cybersecurity projects has been increased to Rs759 crore, up from Rs400 crore in the previous budget, highlighting the government's commitment to securing digital infrastructure amidst rising cyber threats.
- Production-Linked Incentive (PLI) Schemes: The budget proposed a 33.4% increase in the allocation for PLI schemes related to large-scale electronics manufacturing and IT hardware, totaling Rs6,200 crore.
- Semiconductor Manufacturing: The modified scheme for establishing semiconductor fabrication units received an increased allocation of Rs1,500 crore, while funding for display fabs was raised to Rs100 crore.
- Digital India Program: The budget continues to support the Digital India initiative, with allocations aimed at promoting digital payments and capacity building in the IT sector.

Telecommunication

Positive:
Tejas Networks Ltd, Sterlite Technologies Ltd, HFCL Ltd

- The Union Budget 2024-25 allocated a total of Rs131,433.04 crore to the Ministry of Communications, which includes significant investments in various sectors under its purview. Here are the key components of the outlay:
- Optical Fibre Cable Network for Defence Services: An allocation of Rs3,751.74 crore to enhance communication infrastructure for defense.
- Domestic Industry Incentivisation Scheme: Rs1,910.80 crore aimed at promoting local manufacturing and incentivizing domestic telecom equipment producers.
- Wireless Planning and Coordination: Increased funding to support the regulatory framework and planning for wireless services.

- R&D in Telecommunications: The budget includes provisions for research and development to foster innovation in telecom technologies.

Import of Gold

- Reduction in Import Duties: The Union Budget 2024 announced a significant cut in import duties on gold and silver, reducing them from 15% to 11%. This change aims to enhance domestic value addition in the gold and precious metal jewelry sector.
- Impact on Prices: Following the announcement, gold prices fell by up to Rs 4,000 per 10 grams, while silver prices also decreased. The new duty structure is expected to lower domestic prices and boost consumer demand for gold.
- The reduction in import duties could help curb smuggling and increase legal imports, ultimately benefiting the domestic market and contributing to higher revenues for companies involved in gold trading.
- **Broader Economic Implications:** While the increase in gold demand could potentially drive global prices higher, it may also widen India's trade deficit and exert pressure on the rupee, presenting a mixed outlook for the economy

Positive:
Senco Gold,Rajesh Exports,Titan

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