AXIS BANK

UNION BUDGET
2024 - 2025

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KEY HIGHLIGHTS

The honourable finance minister presented the Union Budget 2024-25 under the Modi-led coalition government 3.0, amid fears of policy uncertainties globally. The central government has strived for consistent economic growth, with focused initiatives designed to support four specific segments of the society. The budget has continued to build on the foundation laid down for 'Viksit Bharat' by envisaging priorities that shall generate ample opportunities for sustainable growth. This budget has continued its commitment towards fiscal prudence while keeping a focus on manufacturing, formal job creation, infrastructure spending in both urban and rural areas (including housing for all), and skill development.

With this background, we present the key highlights of the Union Budget 2024-25.

ECONOMY

- The total expenditure for FY25BE is pegged at Rs.48.21 lakh crore, which is up by 8.51% for FY24PA, whereas capital expenditure is pegged at Rs.11.11 lakh crore for FY25BE, which is a rise of 17.14% from FY24PA or 16.93% from FY24RE.
- Gross tax revenues are expected to grow by 11.72% in FY25BE at Rs.38.40 lakh crore over FY24RE, estimated to be at 11.77% of GDP for FY25BE.
- Effective Capital Expenditure of the Central Government is estimated at Rs.15.02 lakh crore in FY25BE, a growth of 19.93% to FY24PA and will be about 4.6% of GDP.
- Nominal GDP growth for FY25BE is pegged at Rs.326.37 lakh crore, a 10.50% growth over FY24 provisional estimates of Rs.295.36 lakh crore.
- Direct taxes for FY25BE are projected to grow at 12.8% over FY24PA and 13.5% over FY24RE, at Rs.22.07 lakh crore; Indirect taxes are pegged at Rs.16.18 lakh crore, an increase of 8.2% over FY24PA and 9.5% over FY24RE.
- Fiscal deficit is projected at 4.9% of GDP for FY25BE as against the deficit of 5.6% for FY24PA or 5.8% for FY24RE, with an intent to reach a fiscal deficit level below 4.5% of GDP by FY2025-26.
- Disinvestment target for FY25BE is at Rs.0.50 lakh crore; up from Rs.0.30 lakh crore for FY24RE.
- Gross market borrowings for FY25BE are slated at Rs.14.01 lakh crore, and net market borrowings at Rs.11.63 lakh crore, which is 9.2% and 1.5% lower than gross borrowings of Rs.15.43 lakh crore and net borrowing of Rs.11.80 lakh crore respectively, for FY24RE.

BE=Budget Estimates, RE=Revised Estimates; PA=Provisional Actuals; GDP=Gross Domestic Product
Source: Union Budget 2024-25, Axis Bank Investment Research

Priorities of
VIKSIT BHARAT

9 Priorities

- **Productivity & Resilience in Agriculture**
- **Employment & Skilling**
- **Inclusive Human Resource Development & Social Justice**
- **Manufacturing & Services**
- **Urban Development**
- **Energy Security**
- **Infrastructure**
- **Innovation, Research & Development**
- **Next Generation Reforms**

Source: Union Budget 2024-25, Axis Bank Investment Research

1. PRODUCTIVITY AND RESILIENCE IN AGRICULTURE:

- An allocation of Rs.1.52 lakh crore for agriculture and allied sector.
- Comprehensive review to transform agriculture research to bring focus on raising productivity and developing climate resilient varieties.
- To become self-reliant in pulses and oilseeds by strengthening the production, storage and marketing.
- Promotion of Farmer-Producer Organizations, cooperatives and start-ups for vegetable supply chains for collection, storage, and marketing.
- 10,000 need-based bio-input resource centers will be established.
- Financing for shrimp farming, processing and export will be facilitated through NABARD.
- Digital Public Infrastructure for coverage of farmers and their lands in 3 years.

2. EMPLOYMENT & SKILLING:

- Introduction of three schemes — a) First Timers, b) Job creation in manufacturing, and c) Support to employers under the Prime Minister's package aimed at boosting employment through incentives for both employees and employers.
- Facilitate higher participation of women in the workforce through setting up of working women hostels in collaboration with industry and establishing creches.
- Under a new skilling programme, 20 lakh youth will be skilled over a five year period and 1,000 Industrial Training Institutes (ITIs) to be upgraded in five years. Additionally, one crore youth to be skilled by India's top companies in five years.

3. HUMAN RESOURCE DEVELOPMENT & SOCIAL JUSTICE:

- Allocation of more than ₹3 lakh crore for schemes benefitting women and girls.
- Plan for endowment rich states in the Eastern parts covering Bihar, Jharkhand, West Bengal, Odisha and Andhra Pradesh for generation of economic opportunities to attain Viksit Bharat.
- More than 100 branches of India Post Payment Bank will be set up in the North East region.
- Amritsar Kolkata Industrial Corridor with development of an industrial node at Gaya.
- Support development of road connectivity projects, power projects, new airports, medical colleges and sports infrastructure in Bihar.
- Andhra Pradesh Reorganization Act: Financial support of Rs.15,000 crores will be arranged in FY25 and completion of Polavaram Irrigation Project ensuring food security of the nation.

Source: Union Budget 2024-25, Axis Bank Investment Research

4. MANUFACTURING & SERVICES:

- Special attention to MSMEs and manufacturing, particularly labour-intensive manufacturing. The government has formulated a package covering financing, regulatory changes and technology support for MSMEs.
- Twelve industrial parks under the National Industrial Corridor Development Programme.
- Rental housing with dormitory type accommodation for industrial workers in PPP mode with VGF support.
- Critical Minerals Mission for domestic production, recycling and overseas acquisition.
- Scheme for providing internship opportunities in 500 top companies, an allowance of Rs.5,000 per month along with a one-time assistance of Rs.6,000 through the CSR funds.

5. URBAN DEVELOPMENT:

- Urban development continues to be the focus area. Rs.10,400 crore has been allotted to Smart cities and Rs.24,932 crore has been allotted to Metro Projects.
- Encouraging states to lower stamp duties for properties purchased by women.
- Envisioning a scheme to develop 100 weekly 'haats' or street food hubs in select cities.
- 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.
- PM Awas Yojana Urban 2.0, housing needs of 1 crore urban poor and middle-class families will be addressed with an investment of Rs.10 lakh crore

6. ENERGY SECURITY:

- Initiatives with private sector in Nuclear Energy:
  - Setting up Bharat Small Reactors.
  - R&D of Bharat Small Modular Reactor and newer technologies for nuclear energy.
- Energy Audit: Financial support for shifting of micro and small industries to cleaner forms of energy.
- Pumped Storage Policy: For electricity storage and facilitation of smooth integration of the growing share of renewable energy.
- A joint venture between NTPC and BHEL will set up a full scale 800 MW commercial thermal power plant using AUSC technology.

Source: Union Budget 2024-25, Axis Bank Investment Research

7. INFRASTRUCTURE:

- Allocation of Rs.11.11 lakh crore for capital expenditure.
- Allocation to Railways has been increased to Rs.2.55 lakh crore for FY25, reflecting a 5% increase over FY24RE; allocation to Road & Highways (NHAI) has been increased to Rs.1.68 lakh crore in FY25.
- Rs.1.5 lakh crore to states as long-term interest free loans to support resource allocation.
- Financial support for projects with estimated cost of Rs.11,500 crore such as the Kosi-Mechi intra-state link and 20 other ongoing and new schemes.
- Assistance for flood management and related projects in Assam, Sikkim & Uttarakhand.
- Assistance for reconstruction and rehabilitation in Himachal Pradesh.
- Comprehensive development of various tourism places.

8. INNOVATION, RESEARCH & DEVELOPMENT:

- Operationalization of the Anusandhan National Research Fund for basic research and prototype development.
- Private sector-driven research and innovation at commercial scale with a financing pool of Rs.1 lakh crore.
- Space Economy: A venture capital fund of Rs.1,000 crore is to be set up.

9. NEXT GENERATION REFORMS:

- Rural Land related actions:
- Unique Land Parcel Identification Number or Bhu-Aadhaar for all lands.
  - Digitization of cadastral maps.
  - Survey of map sub-divisions as per current ownership.
  - Linkages to the farmers' registries.
  - Establishment of land registry.
- Land records in urban areas will be digitized with GIS mapping.
- Enhancing the availability of capital for climate adaptation and mitigation related investments.
- Simplified to facilitate FDIs and promote opportunities for using Indian Rupee as a currency for overseas investments.
- NPS Vatsalya: A plan for contribution by parents and guardians for minors.

Source: Union Budget 2024-25, Axis Bank Investment Research

DIRECT TAX PROPOSALS

PERSONAL TAXES:

- Income tax slabs, rates, surcharge, cess, rebate, standard deduction remain unchanged under the optional old tax regime.
- The tax rates and revised slabs under the new tax regime are as under, allowing salaried employees to save up to Rs.17,500 in income taxes.

New Income bracket	Old Income Bracket	Tax Rate (%)
Rs.0-3 Lakh	Rs.0-3 Lakh	Nil
Rs.3-7 Lakh	Rs.3-6 Lakh	5%
Rs.7-10 Lakh	Rs.6-9 Lakh	10%
Rs.10-12 Lakh	Rs.9-12 Lakh	15%
Rs.12-15 Lakh	Rs.12-15 Lakh	20%
Above Rs.15 Lakh	Above Rs.15 Lakh	30%

- Standard deduction on salary increased from Rs.50,000 to Rs.75,000.
- Deduction on family pension is enhanced from Rs.15,000 to Rs.25,000.
- The limit of exemption for long-term capital gains will be enhanced to Rs.1.25 lakh per year from the existing threshold of Rs.1 lakh.
- Deduction available to the employer for contribution to New Pension Scheme (NPS) enhanced from 10% to 14% of the employee's salary.

RATIONALIZATION OF CAPITAL GAINS:

- Uniformity in the holding period of capital assets with a proposal to classify all listed financial assets as long-term if they are held for more than 12 months and all unlisted financial assets and non-financial assets will be considered long term if held for more than 24 months.
  - Short-term capital gains rates on sale of equity oriented mutual funds and equity shares have been increased to 20% from the existing rate of 15%. Short-term capital gains on the sale of other financial assets will be taxed at the applicable rates.
  - Long-term capital gains on sale of all financial and non-financial assets will attract a tax rate of 12.5% as against the existing rate of 10%/ 20% with indexation.
  - Unlisted bonds and debentures will attract tax on capital gains at applicable rates, irrespective of the period of holding.
  - Indexation benefit available for long-term capital assets (previously available for property, gold, and other unlisted assets) has been removed.

Source: Union Budget 2024-25, Axis Bank Investment Research

Direct Tax Proposals

CORPORATE TAX:

- No change in corporate tax rates for Indian companies.
- The basic corporate tax rate applicable to income taxable in India of foreign companies on net basis reduced from 40% to 35% (excluding surcharge and cess).

OTHER DIRECT TAX PROPOSALS:

- Increase in rates of securities transaction tax on sale of an option in securities from 0.0625% to 0.1% of the option premium and on sale of a futures in securities from 0.0125% to 0.02% of the price.
- The shareholders will be taxed on the amount received on buyback of shares from a domestic company as dividends. Further, no expenses would be deductible against such dividend income and it would also be subject to applicable withholding tax. The shareholder whose shares have been extinguished under buy-back by the domestic company will generate a capital loss, which could be offset against capital gains or carried forward as stipulated (w.e.f. 1 October 2024).
- The Angel tax on primary investment of shares in a closely held company as stipulated to not to apply from financial year 2024-25.
- The capital gains tax exemption for transfer of capital assets under a gift or will or an irrevocable trust will apply only to such transfer by an individuals or Hindu undivided families and not by any other taxpayers (w.e.f. 1 April 2024).
- Real estate capital gains taxed at 12.5%, indexation dropped but 2001 grand fathering still applicable.

CHARITABLE TRUST AND INSTITUTIONS:

- All exempt organisations registered under section 10(23C) of the Act to transition to the single regime specified under sections 11 to 13 of the Act (w.e.f. 1 October 2024).
- 5% TDS rate on many payments is being merged into the 2% TDS rate.
- 20% TDS rate on repurchase of units by mutual funds or UTI is being withdrawn.
- TDS rate on e-commerce operators is proposed to be reduced from 1% to 0.1%.
- Credit of TCS is proposed to be given in the TDS which is to be deducted on salary.
- It is proposed to decriminalize delay for payment of TDS up to the due date of filing statement for the same.

Source: Union Budget 2024-25, Axis Bank Investment Research

INDIRECT TAX PROPOSALS

- Reduced Basic Custom Duty (BCD) rates with an intent to support domestic manufacturing, deepen local value addition and promote export competitiveness.
  - Exempt three more cancer medicines from customs duties.
  - Changes in the BCD on x-ray tubes & flat panel detectors for use in medical x-ray machines under the Phased Manufacturing Programme.
  - BCD reduced on mobile phone, mobile PCBA and mobile charger to 15%.
  - Exempt BCD on 25 critical minerals, and reduced BCD on 2 critical minerals which are beneficial for sectors like nuclear energy, renewable energy, space, defence, telecommunications, and high-tech electronics.
  - BCD exemption on Capital goods for manufacture of solar cells and panels.
  - BCD exemption on certain inputs for used for manufacturing of footwear and garments for export.
  - BCD reduced on certain broodstock, polychaete worms, shrimp and fish feed to 5%.
  - Exempt customs duty on various inputs for manufacture of shrimp and fish feed.
  - BCD exemption on certain inputs for used for manufacturing of footwear and garments for export.
  - BCD reduced on methylene diphenyl diisocyanate (MDI) for manufacture of spandex yarn from 7.5% to 5%.
  - Reduce customs duties on gold and silver to 6% and that on platinum to 6.4%.
  - BCD increased on PVC flex banners from 10% to 25%.
  - BCD increased on ammonium nitrate from 7.5% to 10%.
  - BCD from 10% to 15% on PCBA of specified telecom equipment.

Source: Union Budget 2024-25, Axis Bank Investment Research

MARKET MOVEMENT

EQUITY MARKET

- The first budget under the coalition government 3.0 has cleared objectives for fiscal consolidation and a framework for medium-term economic interventions, focusing on employment, skilling, MSMEs, and the middle class. This Budget shall empower the 4 pillars of developed India — the youth, the poor, women, and farmers. It carries the guarantee of strengthening the foundations of Viksit Bharat by 2047.
- The broader equity market indices ended marginally down on Budget day. The BSE Sensex closed at 80,429, down by 0.09%, the Nifty 50 Index was down by 0.12% at 24,479, the Nifty Midcap 150 Index closed at 20,948, down by 0.44% and the Nifty Small Cap 250 Index closed at 17,212, down by 0.61%.
- Among the Nifty sectors, FMCG (+2.7%), Consumer Durables (+2.1%) and Media (+1.2%) were the gainers, while Realty (-2.3%), PSE (-1.4%), Financial Services (-1.4%) and Oil & Gas (-1.2%) were among the laggards.
- Among Nifty 50 companies, Titan Company (+6.5%), ITC (+5.5%) and Tata Consumer (+4.3%) were the top gainers, while Shriram Finance (-3.1%), Larsen & Tourbo (-3.1%) and Hindalco Industries (-2.8%) were among the major losers.

DEBT MARKET

- The budget took the opportunity to consolidate India’s macroeconomic fundamentals. It gave a boost to growth while keeping fiscal prudence in check.
- The government is committed to stay on course of the fiscal consolidation path, gliding down from 4.9% in FY25 to 4.5% in FY26. Gross and Net Borrowing were marginally down as compared to the Interim Union Budget.
- The 10-year benchmark yields remains unchanged at 6.97% level on budget day. We expect the yields to be rangebound in the near term and oscillate between 6.80% - 7.10%. We continue to remain constructive on rates on the back of sustained FPI flows in debt post index inclusion of Indian G-Secs, stable outlook on external front and the recent S&P sovereign outlook upgrade.

Source: Union Budget 2024-25, NSE, BSE, CCIL, Axis Bank Investment Research

ECONOMIC UPDATE

POLICY CONTINUITY; A NOD TO SLACK IN THE LABOUR MARKET:

- **Changes to FY25BE vs. vote-on-account along expected lines: one-off gains put to one-off use**
  - Surplus RBI dividend considered a one-off and was used for 0.2percentage points (pp) of GDP consolidation + 0.1pp increase in loans to states.
  - Higher income-tax collections and higher capital gains "distributed" to lower-income taxpayers by raising income tax slabs.

- **Focus of the government's medium-term plan announced; details to emerge**
  - Simplification of taxes in the next six months; brownfield development of existing cities; energy security; focus on innovation.

- **Reduced fiscal deficit target indicates continued focus on macro-economic stability**
  - Central fiscal deficit 4.9% of GDP in FY25BE persists with 0.7pp of consolidation; primary deficit 1.4% vs. 1.6% in FY20, 0.4% in FY19.
  - A nod to the slack in the labour market (Rs100bn for employment generation schemes), but no changes to subsidies or new handouts.
  - Absolute general government fiscal deficit has been unchanged for the last 4 years at ~Rs27 trillion.

- **Limited fiscal impact of coalition politics; subsidies unchanged**
  - By appearing the budget speech, demands of coalition partners in Bihar and Andhra acknowledged, but fiscal impact limited.
  - Under prevalent norms, they only have discretion on central schemes (location of national highways, industrial corridors).

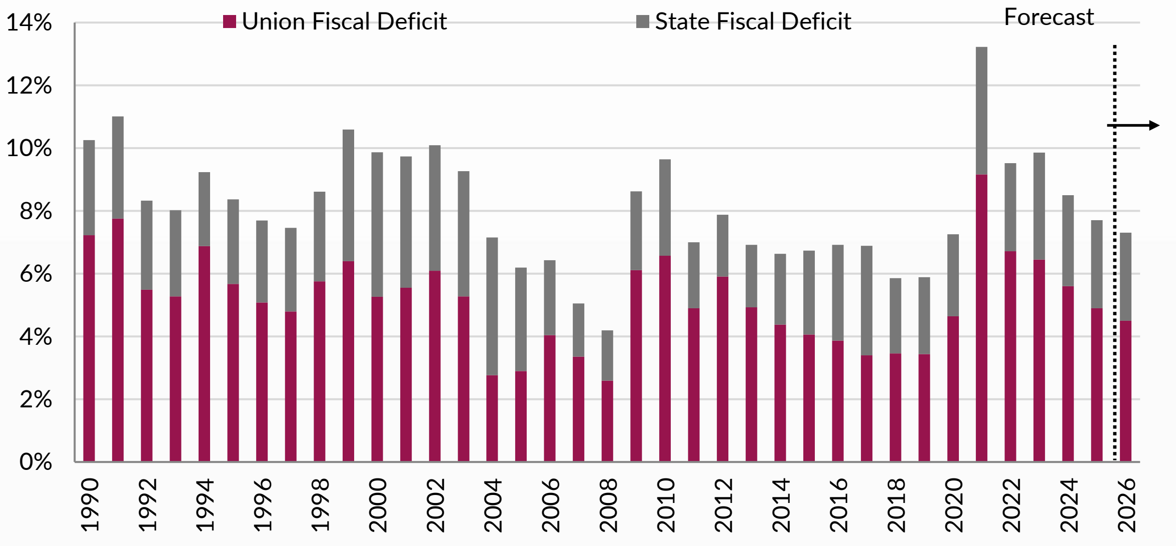
- **With unchanged absolute deficit + higher demand for bonds, financing of deficit should be easier**
  - Gross and net market borrowings nearly unchanged for FY25, despite high FY24-end cash balance and lower deficit.
  - In our estimate the government carries a Rs1.9 trillion buffer (T-bills, and FY25-end cash), that can offset further declines in small-savings.

Source: Union Budget 2024-25, Axis Bank Business & Economic Research, Axis Capital

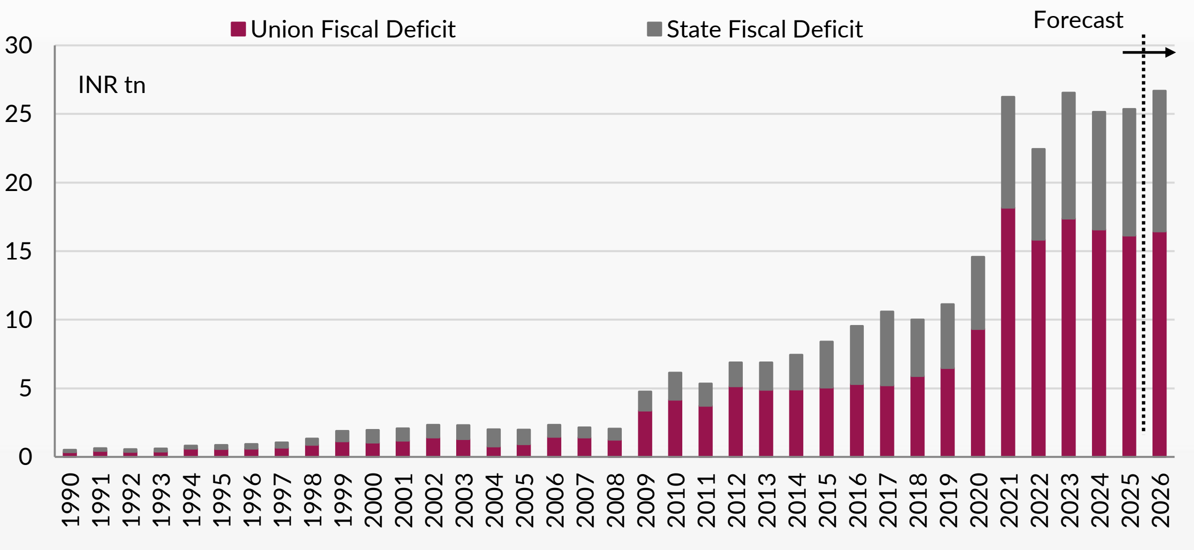
ECONOMIC UPDATE

FISCAL CONSOLIDATION CONTINUES

Fiscal consolidation continues, FY24RE/FY25BE at 5.1%/5.8%



Deficit unchanged in absolute terms for 4 years



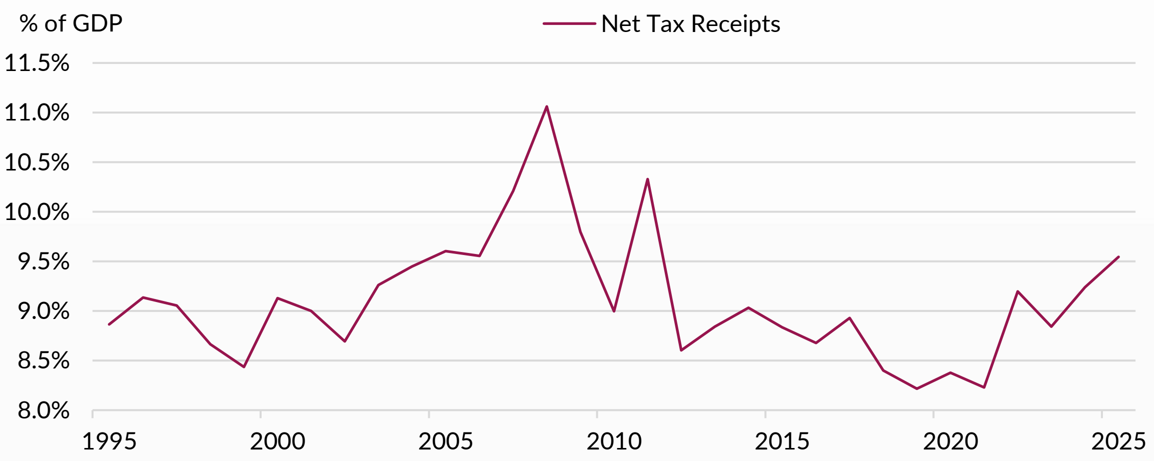
- Central fiscal deficit at 4.9% and states expected fiscal deficit at 2.8% implies fiscal consolidation of 80bp at general government level.
- We expect fiscal consolidation to continue in FY26, with center budgeting 4.5% and states retaining 2.8% deficit.
- It implies the absolute central fiscal deficit will remain largely unchanged but can expand for states at the pace of GDP growth.

Source: Union Budget 2024-25, Axis Bank Business & Economic Research, Axis Capital

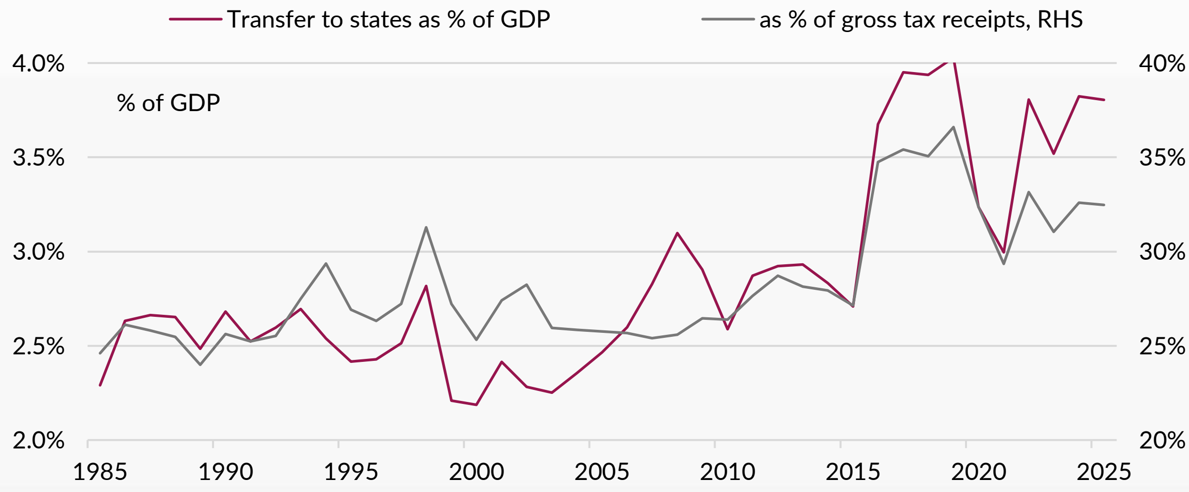
ECONOMIC UPDATE

NET RECEIPTS AS % OF GDP ~100BPS ABOVE PRE-COVID LEVELS

Net receipts as % of GDP 100bps above 2011-19 level



Tax devolution to states as % of GDP at high levels

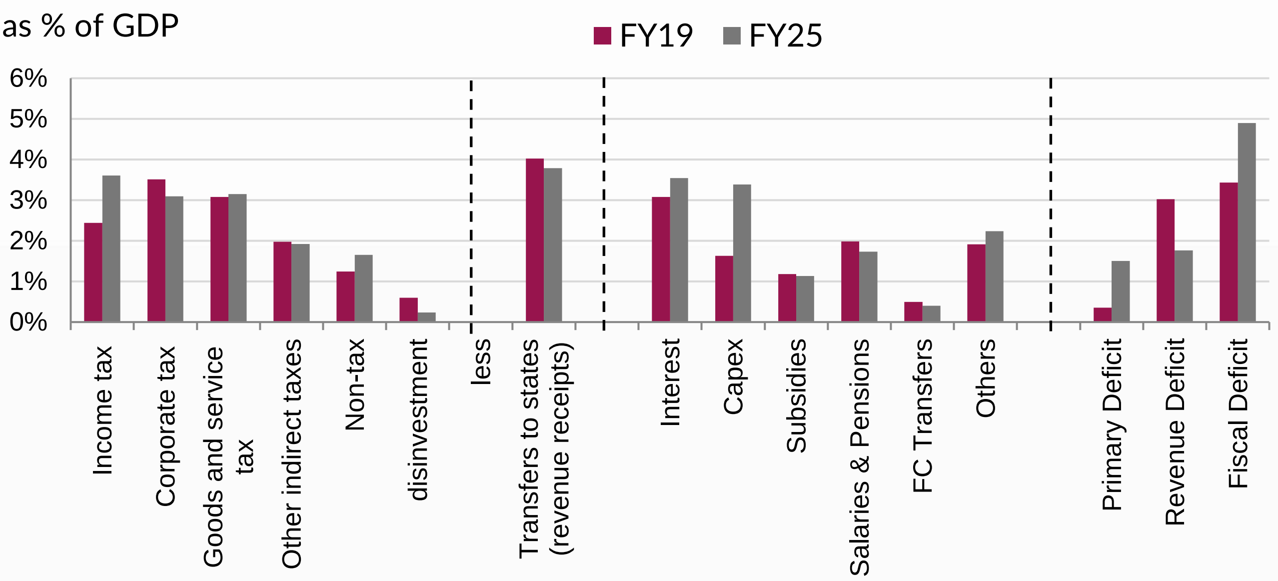


- With improvement in gross tax collection, net tax receipts as a % of GDP have also moved higher than 2011-19 levels.
- The budgeted number for FY25 is 10bp higher than FY24 which is in-line with the improvement in tax buoyancy.
- Tax devolution to states has also been strong in recent years, supporting state receipts.
- Tax devolution as % of gross tax revenue has fallen slightly, as incremental growth in receipts come from surcharge which is not shared.

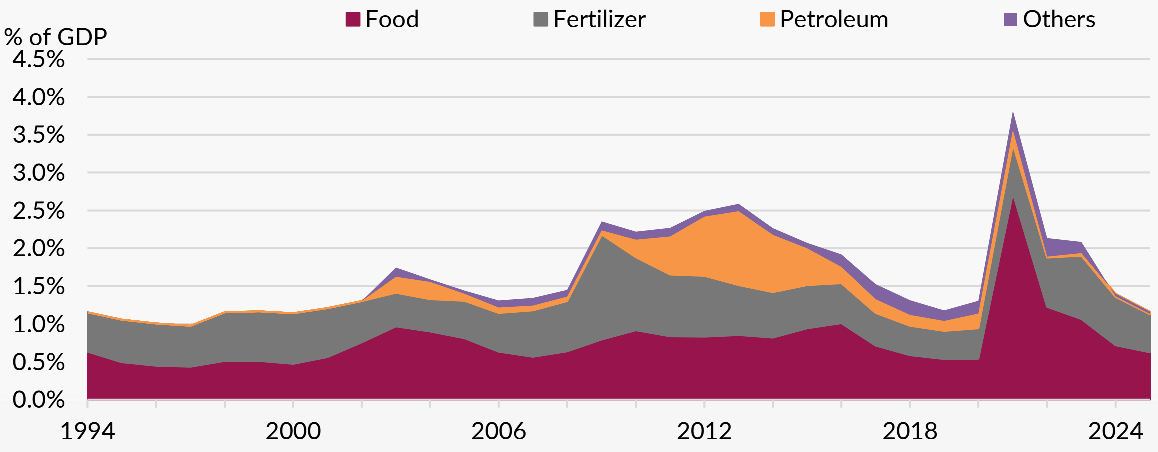
Source: Union Budget 2024-25, Axis Bank Business & Economic Research, Axis Capital

ECONOMIC UPDATE

BENCHMARKING THE CHANGES TO FISCAL STRUCTURE VS. THE LAST PRE-COVID YEAR



Subsidies as % of GDP again back to pre-Covid levels



- While taxes as % of GDP have risen from FY19 levels, expenditure has grown faster thus leading to significant increase in primary deficit.
- Improving tax to GDP, and control on steady-state spends like salaries and pensions are important for continued consolidation.
- Subsidies largely under control and govt. should aim to keep it below 1.2% of GDP.

Source: Union Budget 2024-25, Axis Bank Business & Economic Research, Axis Capital

ECONOMIC UPDATE

DIRECT TAXES: LONGER-TERM IMPROVEMENT IN TAX-TO-GDP TO CONTINUE

Personal income tax to GDP accelerated after 2019

Decline in corporate tax to GDP ratio has reversed

- The steady 5bps p.a. improvement in income tax as a share of GDP between 2001-19 has accelerated post-Covid, rising 20bps p.a.
- Income tax cut for lower income households offset the increase in revenue from capital gain taxes and STT.
- The steady decline in corporate income tax as a % of GDP between 2008 and 2019 has likely reversed.
- Government estimates for both corporate (3.1% of GDP) and income tax (3.6% of GDP) are in-line with the trend.

Source: Union Budget 2024-25, Axis Bank Business & Economic Research

ECONOMIC UPDATE

A HISTORY OF CAPITAL GAINS TAXES

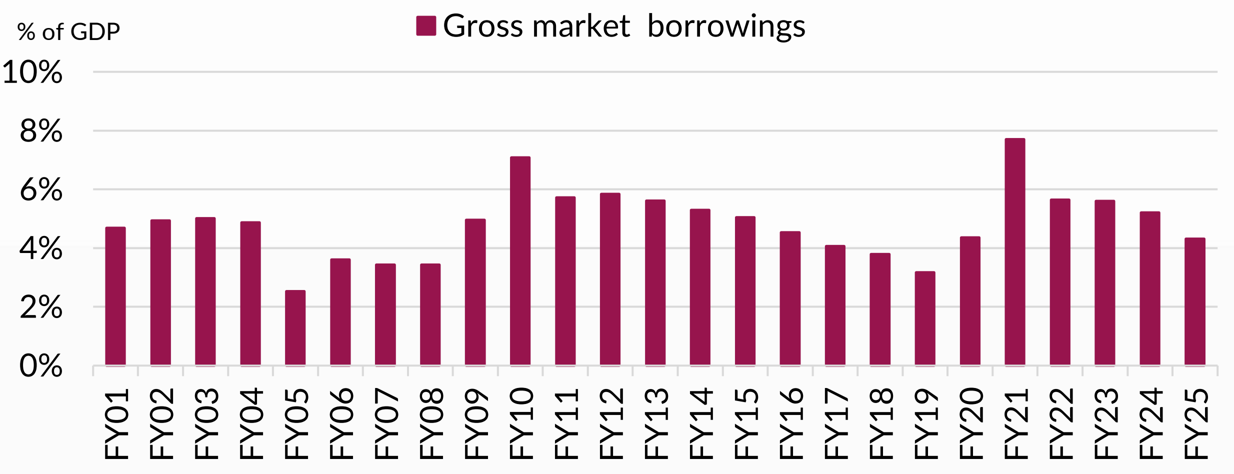
Year	Measure	LTCG	STCG	DIVIDEND
1992	Introduced indexation benefits for capital gains	20%	Slab rate	Slab rate
1997	Abolished dividend tax; introduced DDT	20%	Slab rate	Exempt for shareholders
1999	Tax on LTCG capped at 10%	20% with indexation or 10% w/o	Slab rate	Exempt for shareholders
2003	Back to tax-free status for dividends earned by shareholders	20% with indexation or 10% w/o	Slab rate	Exempt for shareholders
2004	Exempted LTCG and introduced STT	Exempt	10%	Exempt for shareholders
2008	Tax rate on STCG raised to 15%	Exempt	15%	Exempt for shareholders
2016	Change in dividend taxation	Exempt	15%	10% for dividends more than Rs 10L pa
2018	Re-introduced LTCG tax on equity	10% on gains > Rs 1L	15%	10% for dividends more than Rs 10L pa
2020	Made dividends taxable in the hands of shareholders	10% on gains > Rs 1L	15%	10% for dividends more than Rs 10L pa
2024	LTCG tax will be hiked from 10 to 12.5% while STCG tax on some assets will be increased from 15% to 20%; raise the exemption limit on some financial assets to ₹ 1.25 LPA			

Source: Union Budget 2024-25, Axis Bank Business & Economic Research

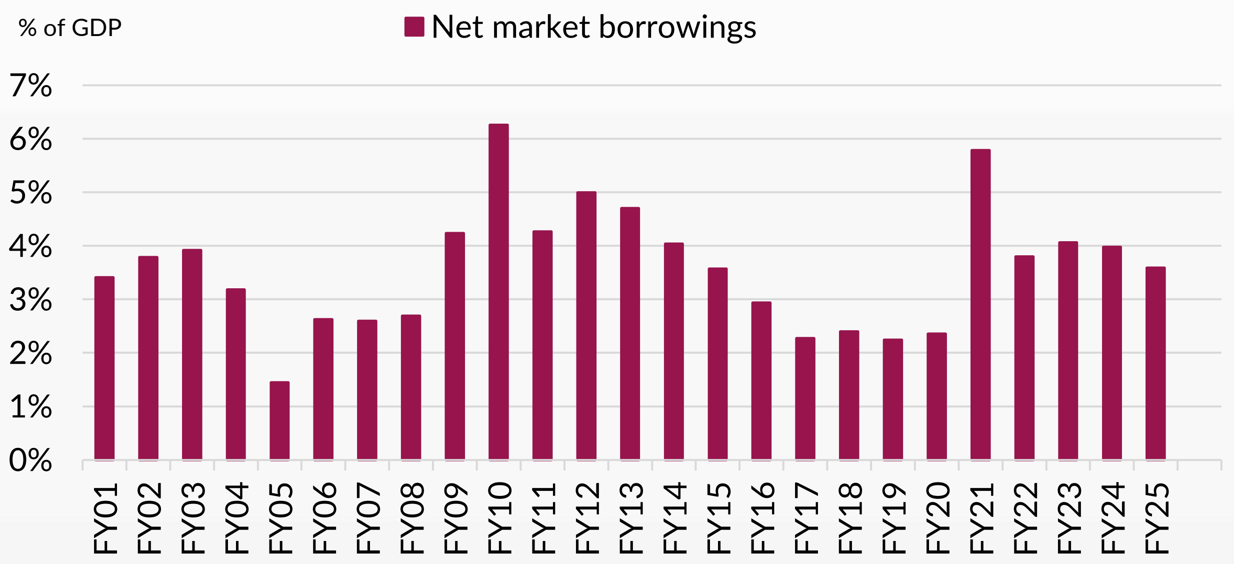
ECONOMIC UPDATE

MARKET BORROWING NO LONGER A SHOCK TO THE SYSTEM

Gross market borrowings falling as % of GDP



Net borrowing lowered by INR 120 bn



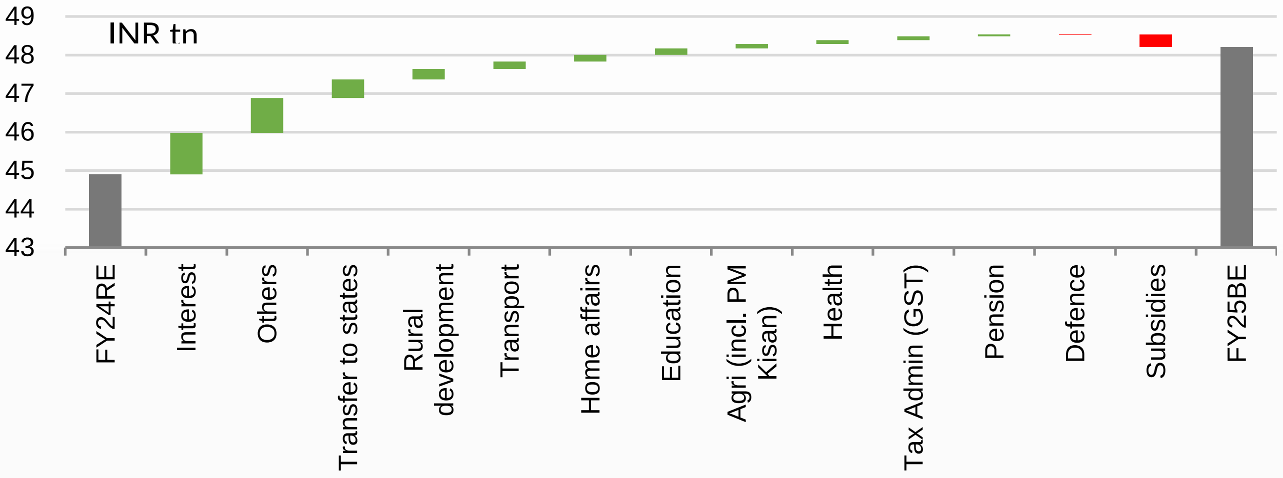
- Lower absolute deficit easier to finance.
- RBI likely to do OMO sales to offset liquidity injection due to debt FII inflows (JPM bond index inclusion related flows).
- Net market borrowings are lower by INR 120 billion vs. Feb's estimate.
- ST borrowings switch (earlier INR 500 billion additional borrowing in T-bills vs. allowing INR 500billion T-bills to expire) means a shift of INR 1 trillion in borrowing plans.

Source: Union Budget 2024-25, Axis Bank Business & Economic Research, Axis Capital

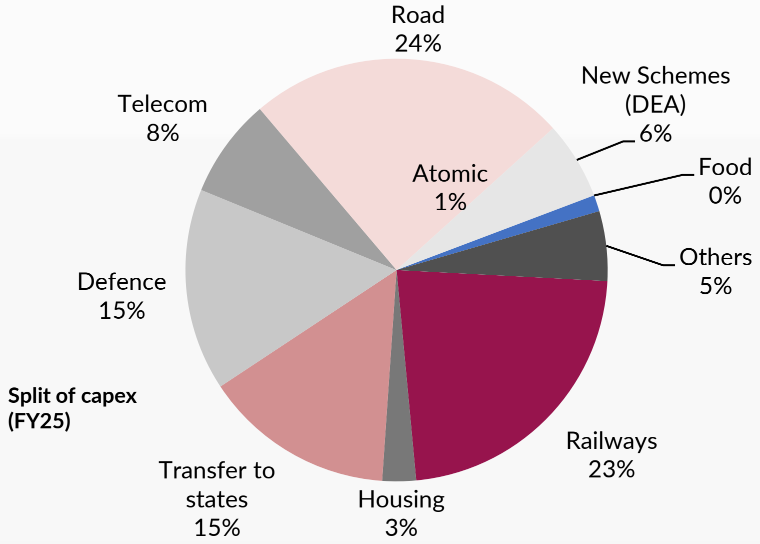
ECONOMIC UPDATE

INCREASE IN CAPEX SPEND IN FY24 OFFSET BY LOWER FERTILIZER SUBSIDIES

Increase from FY24RE to FY25BE



FY25BE capex focused on road, railways and defense



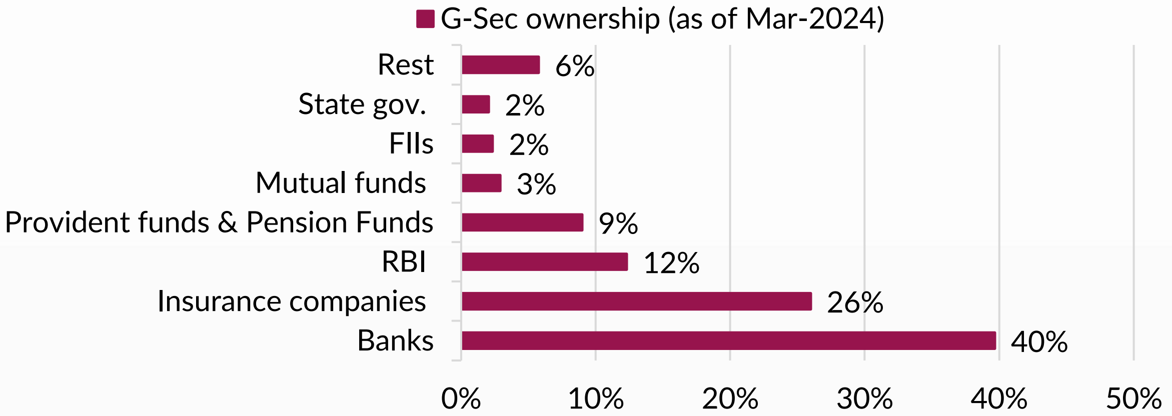
- Bulk of government spend remains committed: Interest, defense, subsidy, pension, rural, education, health and home adds to 60%.
- Much of the increase in spending from FY23 to FY24 comes from interest and transport (Roads).
- The reduction in spending is mostly from subsidies (fertilizer prices were lower in FY24 vs FY23).
- FY25 capex is split majorly between railways, roads, defence and transfer to states (gone up by Rs 200 bn over the Interim).
- Incremental capex comes from telecom, and new scheme from Department of economic affairs and housing on account of higher IEBR.

Source: Union Budget 2024-25, Axis Bank Business & Economic Research

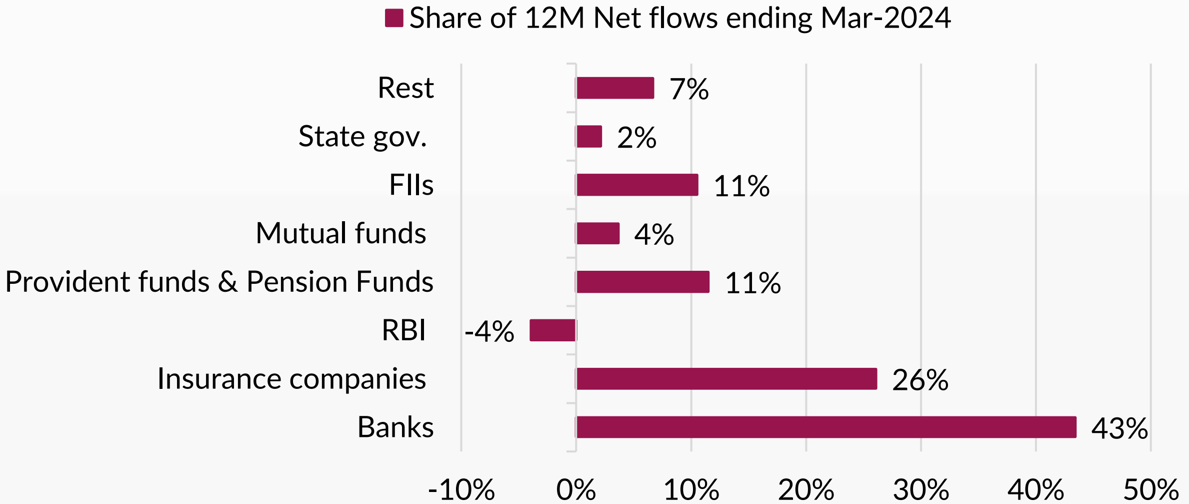
ECONOMIC UPDATE

APPETITE FOR GOVERNMENT BONDS RISES STEADILY

Banks, insurance and RBI hold ~79% of G-Sec outstanding



Over last 12 months their share of purchases was 75%



- Demand for G-Secs and SDLs was Rs 18 trillion in FY24.
- Assuming consistent growth in demand from Insurance and PF/Pension funds, a 1 pp drop in excess SLR at banks and no demand from the RBI, we expect G-Secs/SDLs to be well bid in FY25.
- Demand could exceed supply in FY26 if the RBI restarts open-market purchases, even if there are no further purchases by FPIs.
- Banks hold 40% of outstanding G-Sec bonds and are the major source of absorption.
- RBI holds 13% of bonds but have been net sellers in the last 12M, as they have kept liquidity tight in the system.
- In FY25, FII share can increase aided by inclusion of Indian bonds in JPM Bond Index

Source: Union Budget 2024-25, Axis Bank Business & Economic Research, Axis Capital

SECTOR UPDATES

Auto: Neutral

Key Budget Measures	Impact and Beneficiaries
• Budget's focus on Rural Development and Agriculture & Allied Activities, with a total outlay of Rs.2.65 lakh crore & Rs.1.52 lakh crore respectively, bodes well for the auto sector, particularly the tractor industry & entry-level 2Ws. • The development of road connectivity projects, including (1) Patna-Purnea Expressway, (2) Buxar-Bhagalpur Expressway, (3) Bodhgaya, Rajgir, Vaishali, and Darbhanga spurs, (4) An additional 2-lane bridge over the river Ganga at Buxar, (5) Development of Kopparthy node on the Vishakhapatnam-Chennai Industrial Corridor, and (6) Orvakal node on the Hyderabad-Bengaluru Industrial Corridor may result in an extended CV cycle. • To support green mobility, the customs duty rate on the import of minerals such as lithium, copper, cobalt, & rare earth elements required for manufacturing lithium-ion cells used in electric vehicle batteries has been fully exempted.	• **Positive** for Tractor, Auto, 2W OEMs, road equipment suppliers & Battery Manufacturers

Banks & Housing Finance: Neutral

Key Budget Measures	Impact and Beneficiaries
• Government has proposed to increase the Securities Transaction Tax (STT) on the sale of an option in securities from 0.0625% to 0.1% of the option premium, and on the sale of futures in securities from 0.0125% to 0.02% of the price at which such futures are traded. This amendment is proposed to be effective from October 1, 2024. • Capital outlay maintained at Rs 11.11 lakh crore (3.4% of GDP) • 3 Cr additional houses under the PMAY in rural (2 Cr) and urban (1 Cr) areas in the country have been announced.	• An increase in STT is likely to impact the retail investors sentiment and could potentially rationalize the retail participation in the F&O segment. • **Positive for the entire Banking sector.** This should bolster credit growth in the banking sector. • **Positive** for Affordable Housing Financiers.

Source: Union Budget 2024-25, Axis Securities, Axis Bank Investment Research

SECTOR UPDATES

Chemicals & Fertilizers: Positive

Key Budget Measures	Impact and Beneficiaries
• Basic Customs Duty on ammonium nitrate is set to increase from 7.5% to 10%, likely making the import of ammonium nitrate costlier.	• **Positive** for producer of Technical Grade Ammonium Nitrate.
• A provision of Rs 1.52 lakh crore has been made for agriculture and allied sectors. This includes schemes focusing on productivity and resilience in agriculture, Digital Public Infrastructure (DPI) for coverage of farmers and their lands over 3 years, and the issuance of Jan Samarth-based Kisan Credit Cards.	• Fertilizer companies may further benefit due to higher agricultural spend.
• A Pumped Storage Policy will be introduced to promote pumped storage projects. This policy aims to enhance electricity storage and facilitate the smooth integration of the growing share of renewable energy, addressing its variable, and intermittent nature in the overall energy mix.	• **Positive** for battery companies and ancillary.

Cement: Positive

Key Budget Measures	Impact and Beneficiaries
• An allocation of Rs 26,000 Cr for the development of highways in the State of Bihar is set to benefit cement companies. Similarly, Rs 15,000 Cr allocated to Andhra Pradesh for development will support cement companies. • PM Awas Yojna is anticipated to give a substantial boost to cement demand, with an investment of Rs 10 lakh crore over the next 5 years aimed at constructing 3 Cr houses, including 1 Cr for urban poor and middle-class families. • Phase IV of PMGSY will be launched to provide all-weather connectivity to 25,000 rural habitations, supporting cement demand. .	**Positive** for all cement companies.

Source: Union Budget 2024-25, Axis Securities, Axis Bank Investment Research

SECTOR UPDATES

FMCG: Positive

Key Budget Measures	Impact and Beneficiaries
• FY25 budget focused on rural growth, indirectly benefiting rural areas through various development schemes. • A cut in customs duty on gold and silver to 6% from 15%, and on platinum to 6.4% from 15.4%. • The revision in the new tax regime and the increase in the standard deduction from Rs 50,000 to Rs 75,000 will result in tax savings of Rs 17,000 to Rs 18,000.	• **Positive** for employment generation as well as for ensuring multiplier effect. • **Positive** for major FMCG companies with more growth driven from rural regions. • **Positive** for Cigarette manufacturing companies.

Information Technology Services: Positive

Key Budget Measures	Impact and Beneficiaries
• The Digital Public Infrastructure (DPI) in agriculture aims to cover farmers and their lands within 3 years. A digital crop survey for Kharif using the DPI will be conducted in 400 districts, incorporating the details of 6 Cr farmers and their lands into farmer and land registries. Additionally, the issuance of Jan Samarth-based Kisan Credit Cards will be enabled in 5 states. • An Integrated Technology Platform will be established to improve outcomes under the Insolvency and Bankruptcy Code (IBC), ensuring consistency, transparency, timely processing, and better oversight for all stakeholders.	**Positive** for all IT services companies.

Source: Union Budget 2024-25, Axis Securities, Axis Bank Investment Research

SECTOR UPDATES

Infrastructure: Positive

Key Budget Measures	Impact and Beneficiaries
• An allocation of Rs 26,000 Cr for the development of highways in the State of Bihar will benefit road-infra companies. Rs 15,000 Cr allocated to Andhra Pradesh for development that will support infra companies. • The implementation of 3 major railway corridor programs under PM Gati Shakti is expected to improve logistics efficiency and reduce costs. • Government will facilitate the development of 'Cities as Growth Hubs' through economic and transit planning, and orderly development of peri-urban areas utilizing town planning schemes. • In partnership with state governments and multilateral development banks, the central government will promote water supply, sewage treatment, and solid waste management projects and services for 100 large cities through bankable projects.	• **Positive** for road construction companies. • **Positive** for water treatment, desalination, wastewater treatment, water reclamation, and sludge treatment projects. • **Positive** for waste management companies.

Metals & Mining: Positive

Key Budget Measures	Impact and Beneficiaries
• Budget's focus on infrastructure development will be supportive of the Metals & Mining sector. PM Awas Yojna targets 3 Cr additional houses in rural and urban areas. Under the Urban 2.0 initiative, housing needs of 1 Cr urban poor and middle-class families will be addressed with an investment of Rs 10 lakh crore. • Proposed a reduction in Basic Customs Duty (BCD) on several key raw materials. BCD on Ferro-Nickel has been reduced from 2.5% to Nil, and on Blister Copper from 5% to Nil. Additionally, the BCD exemption on Ferrous Scrap has been extended until Mar'26. Additionally, BCD has been reduced to 2.5% on Graphite, Silicon Quartz, and Silicon Dioxide.	• Higher budgetary allocation towards construction and infrastructure, which constitutes 60% of steel demand, is **supportive for metal & steel companies.** • **Positive** for Nuclear Energy companies.

Source: Union Budget 2024-25, Axis Securities, Axis Bank Investment Research

SECTOR UPDATES

Pharma: Neutral

Key Budget Measures	Impact and Beneficiaries
• Government has increased the allocation under Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (PMJAY) scheme to approximately Rs 7,300 Cr, an increase of 9% YoY. • Outlay under Production Linked Incentive (PLI) Scheme for Pharmaceuticals stands at Rs 2,143 Cr, up 26.4% YoY. • The budget also proposed the exemption of three more cancer medications from customs duties: Trastuzumab Deruxtecan, Osimertinib, and Durvalumab.	• **Positive** for Pharma companies. • **Positive** for API manufacturing companies which could benefit from the PLI Scheme.

Real Estate: Neutral

Key Budget Measures	Impact and Beneficiaries
• 3 Cr additional houses under the PM Awas Yojana in rural and urban areas have been announced. • Under PM Awas Yojana Urban 2.0, housing for 1 Cr urban poor and middle-class families will be addressed with an investment of Rs 10 lakh crore. This includes central assistance of Rs 2.2 lakh crore over the next 5 years. • Additionally, policies and regulations are being enabled for efficient and transparent rental housing markets, while strengthening availability. • While the long-term capital gains tax rate is being rationalized to 12.5% from the previous 20%, the indexation benefit currently available for real estate properties is proposed to be removed.	• **Positive** for large players due to upcoming mid-segment and affordable housing projects as well as rental projects. • **Positive** for builders where buyer is the end user, Tier II & III city builders and for redevelopment projects.

Source: Union Budget 2024-25, Axis Securities, Axis Bank Investment Research

SECTOR UPDATES

Utilities & Power Ancillaries: Positive

Key Budget Measures	Impact and Beneficiaries
• New investment of Rs 6,250 Cr towards PM Surya Ghar Muft Bijli Yojana providing free electricity to 1 Cr households through rooftop solar plants. • Increase in expenditure towards Solar Power (Grid) to Rs 10,000 Cr from 4,757 Cr in FY24. • Increase in investment to National Green Hydrogen Mission to Rs 600 Cr from Rs 100 Cr in FY24. • Investment of Rs 96 Cr towards Viability Gap Funding for the development of Battery Energy Storage Systems. • Government to provide required fiscal support for development of indigenous technology for AUSC thermal power plants with much higher efficiency. • Capital expenditure for nuclear power projects increased to Rs 2,228 Cr from 442 Cr in FY24.	• The PM Surya Ghar Muft Bijli Yojana and taxation relief on capital goods is **positive** for Solar power and EPC companies. • **Positive** for Nuclear Energy companies. • **Positive** for companies having Advanced Ultra Super Critical (AUSC) technology.

Travel & Tourism: Neutral

Key Budget Measures	Impact and Beneficiaries
• Budget speech highlighted the government's commitment on making India a premier global destination with job creation, targeted and strategic investment, and an allocation of Rs 2,479 Cr, marking a growth of 3x over the last two years' budget. The majority of this allocation will go towards the Swadesh Darshan scheme. • Government is demonstrating efforts to promote religious tourism and domestic tourism infrastructure, with a special focus on Bihar, Nalanda, and Odisha to support infrastructure and transform them into world-class pilgrim and tourist destinations. • Budget did not meet several key demands like granting infrastructure status to the hospitality sector, which would result in increased marketing and publicity budgets for inbound tourism, and no relaxation of GST rates on travel and hospitality.	• **Positive** for employment generation as well as for promoting India as global tourism destination. • **Neutral** for preservation and development of religious & iconic Destinations. • **Neutral** as certain specific industry demands remained unaddressed.

Source: Union Budget 2024-25, Axis Securities, Axis Bank Investment Research

EQUITY MARKET OUTLOOK AND STRATEGY

- The budget has set the stage for ***'Viksit Bharat'*** through the comprehensive development of the Indian economy, emphasizing infrastructure enhancement, fiscal prudence, and welfare schemes for rural India. The focus is on inclusive growth, highlighting four major pillars: Youth, Women, the Poor, and Farmers. The government's commitment to fiscal prudence is a significant signal to the markets, even with increased allocations to rural and welfare schemes.
- The Indian economy is on a strong wicket and a stable footing which demonstrates resilience in the face of geopolitical challenges. Sustained growth will be facilitated by rising capital spend outlays, which will include transfers and incentives to state investment projects, given the larger multipliers versus revenue expenditure. This will help drive up GDP, create employment and boost consumption.
- The Union Budget poses short-term challenges for the markets due to the rise in STT on Futures and Options trade and increase in capital gains tax rates which was not anticipated by the markets. The markets are expected to realign with fundamentals and macroeconomic trends, drawing insights from the ongoing earnings season in the coming weeks.
- In H2CY24, multiple events are lined up and the markets will continue to closely monitor the developments around them. These key events are 1) FED rate cut expectations in upcoming policy; 2) Further dissent among MPC members for lower rates; 3) progress of monsoon and spatial distribution 4) The US Election in Nov'24 and 5) State Elections. These events are likely to keep the Indian equity market volatile, with potential responses in either direction based on developments. In any case, we continue to believe in the long-term growth story of the Indian equity markets. With increasing Capex enabling banks to improve credit growth, we believe it is well-supported by the favourable emerging structure. With current valuations offering a limited scope for further expansion, an increase in corporate earnings will be the primary driver of the market returns going forward. Moreover, the margin of safety at current levels in certain pockets has reduced as compared to Large Caps. Keeping this in view, the broader market may see some time correction in the near term and flows will likely shift to Large Caps.
- **Investors can consider accumulating equities with a 3 to 5 years investment horizon; having said that, volatility is expected to remain in the near term. Any interim volatility / correction caused by extraneous events should be treated as an opportunity to accumulate equity in a staggered manner over the next 3 to 6 months (via STP or SIP route). Investors can also consider hybrid asset allocation funds as such funds allow them the freedom from market timing as well as asset allocation calls.**

Source: Union Budget 2024-25, Axis Bank Investment Research

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DEBT MARKET OUTLOOK AND STRATEGY

- The budget's commitment to fiscal consolidation is a commendable achievement. The Finance Minister has set the fiscal deficit target for 2024-25 at 4.9% of GDP, moving closer to the goal of 4.5% for the following fiscal year. This focus on fiscal discipline shall maintain long-term economic stability and investor confidence.
- The Budget projected fiscal deficit for the current financial year at 4.9% of GDP compared to 5.1% target in the interim budget. The Gross borrowing and net borrowing is Rs.14.01 lakh crore and Rs.11.63 lakh crore, which is lower by Rs.12,000 crore. Additionally, demand boost for G-secs owing to the bond index inclusion make a case for lower G-sec yields. This coupled with ease in monetary policy across key economies will further reduce benchmark yield.
- Indian bond yields could see a push-and-pull effect during CY2024 that could lead to market volatility. The domestic yields are now trading below 7%, in reaction to the recent key events in the domestic market, while adjusting to the expectation of lower rate cuts in the global market as against the forecast earlier. Hence, the uncertainty in direction of yields would prevail with any escalation in geopolitical events, rise in crude price, and a further delay in rate cuts in global markets during the year. Yields are likely to oscillate in a tight range of 6.80-7.10% in the short term. For the medium term, India’s growth and expectation of political stability and policy continuity, falling inflation and inclusion in global bond indices could lead to change in stance by the RBI which will eventually lead to gradual rate cuts in later part of FY25 or in early FY26. We believe the 3 to 6 years segment appears to be in a favorable position from a risk-reward perspective. Being cognizant of the environment, we continue being Neutral and remain constructive on the short to medium end of the yield curve, with a quality approach on bonds.
- **We remain constructive on the short to medium end of the yield curve. Short Duration funds, Banking & PSU Debt funds, Corporate Bond funds, Debt Index funds (Target Maturities), Medium Duration funds, Floating Rate funds, Money Market funds, Low Duration funds and Ultra Short Duration funds** can be considered by investors with an investment horizon commensurate with the maturity profile of the schemes. Investors can consider investing in **Medium/Long Duration** funds as per their risk appetite with an investment horizon of at least 2-3 years to avoid any intermittent volatility. Having said this, one should consider aspects such as exit load, capital gains tax and asset allocation amongst others while evaluating their investment options.

Source: Union Budget 2024-25, Axis Bank Investment Research

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