

Expect a comprehensive bouquet of reforms through tax changes, incentives: smallcase Managers' Budget '25 Survey

- Over 50% smallcase managers expect fiscal deficit to remain below 5%
- Almost 75% smallcase managers expect government's FY25 borrowing to increase
 - Growing interest in ESG investments, driven by policy alignment

Bangalore/Mumbai, 22 January 2025: smallcase has released a Managers Budget 2025-26 Survey Report detailing the expectations from the Union Budget. With over 100 managers on the smallcase platform, the survey indicated that managers expect a comprehensive bouquet of reforms through tax changes and incentives. Over 50% smallcase managers expect fiscal deficit to remain below 5%. Over 75% smallcase managers expect government's FY25 borrowing to increase and there is a growing interest in ESG investments, driven by policy alignment.

Growth rate, Inflation and Fiscal Deficit

The survey indicates a moderate optimism in the GDP growth rate of FY25.

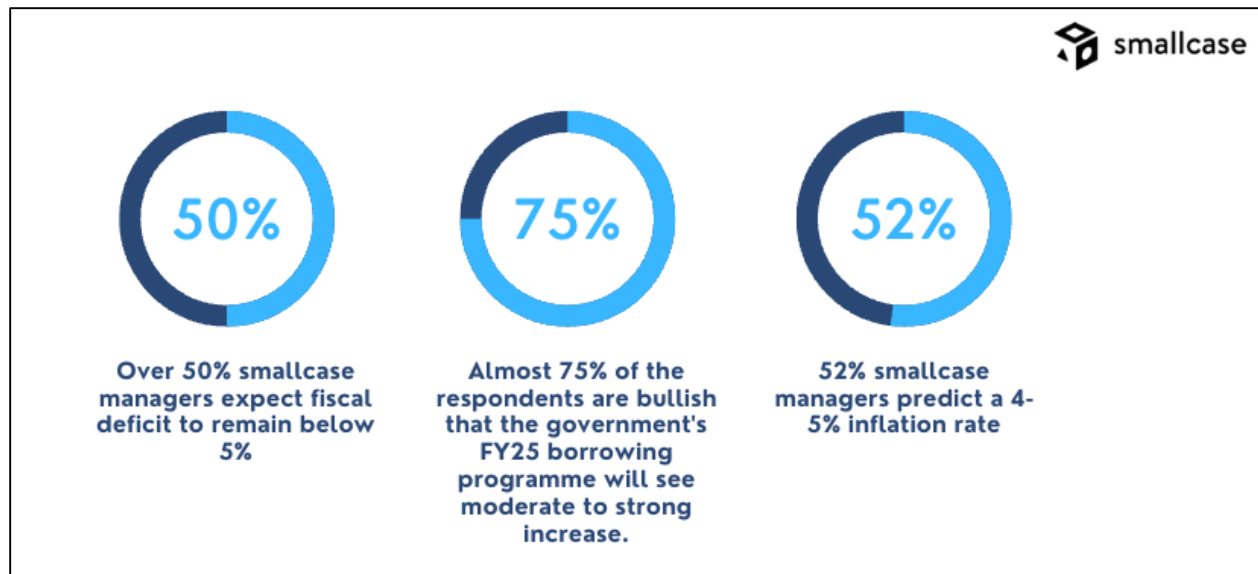
- 26% smallcase managers foresee the GDP growth falling between 5-6%
- 56% expect it to be between 6-7%
- 17%, they projected the GDP growth to be 7% or higher, which can be said as cautious yet optimistic about India's economic growth direction.

Regarding the inflation rate, 52% smallcase managers predict a rate of 4-5%, which is in line with the Reserve Bank of India's target range. 39% expect inflation to hover around 5-6%, while almost 9% anticipate it will fall below 4%, signaling potential moderation in price pressures.

When it comes to fiscal deficit targets, more than 52% expect it to remain below 5%, while 35% project a range of 5-5.5%. A smaller proportion, 12%, predict it may go slightly higher to 5.5-6%, or even exceed 6%.

Over 75% of the respondents are bullish that the government's FY25 borrowing programme will see moderate to strong increase.

Speaking on the survey, **Vasanth Kamath, Founder and CEO, smallcase** said, *"The Union Budget is a pivotal event that shapes India's economic trajectory for the years ahead. Our manager survey reflects the expectations of industry stakeholders, highlighting a strong focus on growth-driving reforms, sustainability, and digital transformation."*



Other Policy Expectations

According to the survey, the Budget 2025 may have a comprehensive bouquet of reforms through tax changes, incentives. Many smallcase managers expect changes in personal income tax structures, including higher exemption limits and rationalized slabs, to boost disposable income and increase consumption.

Other expectations include targeted incentives for renewable energy, startups, and manufacturing to promote innovation and align with India's long-term economic objectives. Some predict changes in the capital gains tax structure and, at least, a nudge toward the enhancement of Production-Linked Incentive (PLI) schemes for sectors like semiconductors, electronics, and green energy. Some of the proposals that made their appearance include the incentivization of R&D; cutting income tax for middle-class earners for increasing urban consumption and expanding benefits for housing and infrastructure-related initiatives. While some managers recommended taxing agricultural income of rich farmers, others wanted to maintain fiscal discipline while pushing for growth-friendly policies.

Sectors in focus

Featured as the biggest sectors, **Infrastructure and defense** are likely to gain budgetary allocations as the government seems to be trying to strengthen economic and geopolitical resilience. **Renewable Energy** also received much attention with managers saying that it is essential for achieving sustainability goals. The other sectors identified include **health, education, transportation, and logistics**, with critical challenges in developmental issues and quality of life. Improved competitiveness in the global marketplace is deemed a likely outcome through focusing on innovation and investment in infrastructure and digital assets.

Beyond these, a few managers mention **momentum** strategies that are growth rather than dividend-driven, sector-agnostic. Emerging opportunities in **e-commerce, aerospace and defense, electronics manufacturing, and green energy** were also often mentioned, driven by changes in government policies and global trends. Many believe capital expenditure-driven themes, including **power, railways, defense, and infrastructure**, will regain investor interest after recent corrections.

Others note the rising importance of **semiconductors and electronics manufacturing**, supported by government incentives for R&D and production. Meanwhile, export-oriented sectors are seen as benefiting from the depreciation of the Indian rupee and the 'India+1' policy.

According to the survey, the government will aggressively cut politically motivated subsidies and focus on capital expenditure-driven investments in infrastructure and long-term growth. Others feel that a growth-obsessed approach for the government is going to occur through increased spending on growth-driven projects, especially on infrastructure, healthcare, and skilling development, irrespective of fiscal discipline.

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|-----------------------|------------------------------|------------------|-------------------------|
| Infrastructure | Defense | Renewable Energy | Health |
| Education | Transportation and Logistics | Green Energy | E-commerce |
| Aerospace and Defense | Electronics Manufacturing | Semiconductors | Export-Oriented Sectors |

Top sectors to look out for in Budget 2025

Some of the prominent managers who took part in the survey include:

- Vikram Sharma, Co Founder, Niveshaay
- Dhiren Shah, Director, Kamayakya wealth
- Aniket Kulkarni - Director & CEO, KamayaKya Wealth Management Pvt. Ltd.
- Nitya Shah, Director, KamayaKya Wealth Management
- Dick Mody, Founder & CEO, Ethical Advisers
- Raghav Wadhwa, Chief Investment Officer, Samar Wealth
- Pankaj Singh, Founder, SmartWealth.ai
- Vidya Bala, Co-founder, Primeinvestor.in
- Sagar Lele, CEO, Rupeeting
- Sitanshu Gala, Research Analyst, PowerTrade
- Gaurav Sharma, Founder, Gauravsir.in
- Alok Jain, Founder, Weekendinvesting
- G.V. Subrahmanyam Founder, GVSrwealth
- CA Hitesh Chauhan, Founder, H2 Investment Managers
- Radhey Shyam Chauhan, Founder, Stockbox technologies pvt ltd
- Sumit Poddar, CIO, Tikona Capital
- Divam Sharma, Director, Green Portfolio
- Dr. Vikas V Gupta, CEO & Chief Investment Strategist, OmniScience Capital
- Dipen Shah, Founder, Stay Research
- Robin Arya, Managing Director, GoalZen Capital Services Pvt Ltd
- Karthick Jonagadla, Founder and CEO, Quantace Research
- Rakesh Pujara, Founder, Compounding Wealth Advisors LLP
- Ayush Agarwal, Founder, Ayush Agrawal Research

About smallcase: smallcase is a leading provider of investment products & platforms for the Indian capital markets industry. Launched in 2016, its offerings across listed stocks, ETFs & REITs have served over 10 million individual investors till date. smallcase's technology & platforms are used by an ecosystem of 250+ top financial institutions and registered entities to offer portfolio exposures to their clientele. In 2023,

smallcase entered the asset management space to develop index funds & ETFs as India's only passive-only fund house.