

20th January 2025

Union BUDGET 2025-26 PREVIEW



Union Budget 2025-26: Comprehensive Analysis and Sectoral Expectations

The Union Budget for the fiscal year 2025-26 will be presented on February 1, 2025, by Finance Minister Nirmala Sitharaman. The focus is on stimulating consumption, encouraging private investments, and fostering employment generation, alongside maintaining fiscal prudence. Decisive reforms to revitalise consumption and jobs, Tax certainty, and incentives to attract fresh investment top the list. Economists pitched for reduction in income tax rates and customs tariff, support measures to aid exports, targeted interventions for skilling and improving farm productivity while continuing a capex push to be considered in the Union Budget for 2025-26. Employment generation remains a key focus area for the government. Strategies to enhance employment particularly among youth and create sustainable job opportunities across sectors and also to develop strategies to align education and training programmes with the evolving needs of the job market.

Strategic Priorities for the Budget

Economic Revitalization and Fiscal Prudence

India's GDP growth, projected at 6.4% for FY25, underscores the need for robust policy interventions. The key strategic areas include:

- **Boosting Consumption:** With urban demand showing signs of fatigue, the government is expected to realign income tax slabs, particularly for individuals earning between ₹7 lakhs to ₹15 lakhs, to enhance disposable income. Measures to control inflation and provide relief in fuel excise duties are anticipated to spur urban and rural consumption. Government interventions could focus on enhancing disposable incomes and stimulating spending to sustain economic momentum.
- **Enhancing Investments:** Public capital expenditure (capex) has been the backbone of India's economic recovery. This budget is expected to maintain momentum with increased allocations for infrastructure projects, complemented by measures to incentivize private sector investments in renewable energy, manufacturing, and technology.
- **Ensuring Fiscal Stability:** Fiscal deficit targets of 4.9% for FY25 and 4.5% for FY26 will remain a priority. Asset monetization and innovative revenue-generation strategies are expected to bridge fiscal gaps while maintaining growth.

Employment and Skilling Initiatives

To address the challenge of employment generation, the government's approach will include:

- Expanding skill development programs under initiatives like PMKVY.
- Strengthening job opportunities in high-employment sectors such as textiles, tourism, and MSMEs.
- Providing incentives to startups and industries adopting sustainable and advanced technologies.
- Integration of the e-Shram portal with other platforms to bridge skill gaps and match job aspirants with opportunities.

Agricultural Transformation and Rural Development

Agriculture and rural development will continue to receive focused attention with measures to:

- Enhance allocations for schemes like PM-Kisan and Pradhan Mantri Fasal Bima Yojana.
- Develop irrigation and storage infrastructure to reduce post-harvest losses.
- Promote sustainable farming practices, including natural and digital agriculture tools.

Sector-Specific Expectations

Automotive

The automobile sector anticipates reforms aimed at promoting sustainable and innovative technologies:



- GST rate reduction on hybrid and electric vehicles from 28% to 18%.
- Expansion of PLI schemes for EV components and battery manufacturing.
- Incentives for research in hydrogen fuel and advanced mobility Policies to encourage the development of robust charging infrastructure across the country.
- The budget is expected to provide further clarity and incentives to encourage vehicle scrapping, boosting new vehicle demand.

Real Estate

The real estate industry expects measures to boost housing affordability and infrastructure development:



- India faces an existing shortage of 10.1 million affordable housing units, expected to grow to 31.2 million by 2030. Affordable housing supply has declined from 26% in 2021 to 17% of total housing in 2024.
- Industry demands an increase in the affordable housing price cap for metros from ₹45 lakh to ₹70 lakh and for other cities to ₹50 lakh to align with rising costs.
- Extending home loan tax benefits under Section 80C and raising the interest deduction limit under Section 24(b) from ₹2 lakh to ₹5 lakh for homebuyers.
- A reduced 15% corporate tax rate for affordable housing projects to incentivize supply and development.
- Expansion of credit guarantee schemes to include home loans up to ₹30 lakh to reduce lending risks.

Healthcare

With a focus on strengthening healthcare infrastructure and accessibility, the sector's demands include:



- Increased funding for Ayushman Bharat and rural health infrastructure.
- Reduction in GST for medical equipment and diagnostic services.
- Dedicated funds for AI-based healthcare innovations and advanced diagnostics R&D.
- Rationalizing GST rates of raw materials for drugs and healthcare services.

Pharmaceutical and Biotech

India's pharmaceutical and biotech sectors anticipate reforms to enhance global leadership:



- Tax incentives for R&D and reduced GST on life-saving drugs.
- Policies to foster biotech innovation and AI-driven healthcare solutions.
- Expansion of the PLI scheme to strengthen drug manufacturing and exports.

Agriculture

Agriculture remains a cornerstone of the Indian economy. Key expectations include:

- Increased funding to ₹1.7 lakh crore for agricultural development.
- Expansion of PM-Kisan Scheme and Agri Stack programs.
- Investments in water management, cold storage, and supply chains.
- Promoting ethanol and biofuel production for energy sustainability.
- Continued focus on Minimum Support Price (MSP) to ensure remunerative prices for farmers' produce.
- Focus on increasing farmers' income and improving their livelihoods.



Hospitality and Tourism

To revitalize tourism and hospitality, the sector seeks supportive measures:

- Reduction of GST on luxury accommodations.
- Inclusion in the PLI scheme for tourism infrastructure.
- Enhanced funding for medical and eco-tourism initiatives.



Renewable Energy and Power

The power sector's focus aligns with India's sustainability goals:

- Anticipation a higher budgetary allocation for renewable energy, focusing on local manufacturing and clean energy incentives. This is crucial for achieving India's ambitious target of 500 GW from non-fossil sources by 2030.
- Enhanced support for emerging technologies like green hydrogen and carbon market development.
- Incentives for manufacturing solar cells, storage batteries, and green hydrogen.
- Increased allocations for offshore wind and solar energy projects.
- A comprehensive roadmap to achieve carbon neutrality by 2070.



Education

Education and skill development are pivotal for India's demographic advantage:

- Expansion of vocational training programs and industry-academia partnerships.
- Policies enabling foreign institutions to establish campuses in GIFT City.



Telecom and Digital Infrastructure

The telecom sector anticipates policies to accelerate digital transformation:

- Tax incentives for 5G deployment and data center development.
- Simplification of regulatory frameworks to expedite network expansions.
- Public-private partnerships to enhance rural connectivity and digital inclusion.
- Increased allocation for cybersecurity initiatives to protect against rising cyber threats and frauds.



Textile Industry

- The textile sector, a significant employment generator, seeks reforms to boost competitiveness and expand production:
- A 15% increase in budgetary allocation to support MSMEs.
- Expansion of the PLI scheme to include garments and value-added products.
- Reduction in duties on yarn and raw materials to enhance global competitiveness.



Defence

The defence sector is expected to receive significant attention in the upcoming budget, with several key expectations:

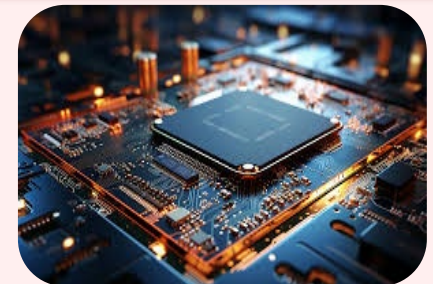
- Market anticipate moderate increases in budget allocations for the defence sector as the government continues to focus on modernisation and self-reliance.
- The government is likely to continue emphasizing the "Aatmanirbhar Bharat" initiative, further incentivizing private sector participation and defence start-ups through policy support and enhanced domestic procurement targets.
- Increased funding for research and development in defence technology, including cyber warfare, and drone systems, is anticipated.
- Continued emphasis on modernizing the armed forces with advanced military platforms, including Nuclear-Powered Attack Submarines, Nilgiri-class frigates, Rafale multirole aircraft, Tejas Mark 1A aircraft, Prachand Helicopters, and Zorawar main battle tanks.



Electronics and Semiconductor Industry

To strengthen the electronics manufacturing ecosystem, the sector seeks:

- Extension of the PLI scheme to cover IoT, wearables, and AI devices.
- Enhanced R&D funding for semiconductor manufacturing.
- Reduction in import duties for critical components to lower production costs.



Infrastructure Development

Infrastructure development remains central to economic growth. Key priorities include:

- Expectations for increased budgetary allocation towards infrastructure development, including roads, railways, airports, and renewable energy projects.
- Increased investment in rural infrastructure to improve connectivity and support rural development.
- Simplified regulations and processes to encourage more investments and ease the operational challenges faced by infrastructure companies.
- Policies aimed at improving urban infrastructure, including smart cities and affordable housing projects
- Emphasis on green infrastructure and sustainable urban development.



Railway

The railway sector is poised to receive a substantial boost in FY26 with a projected 15-20% increase in capital expenditure:



- Total railways capex is expected to exceed ₹3 lakh crore, compared to ₹2.65 lakh crore in the current fiscal.
- Focus areas include laying new tracks, upgrading existing ones, and commissioning upgraded railway stations.
- Enhanced funding for the Mumbai-Ahmedabad High-Speed Rail Corridor (bullet train) to accelerate its completion.
- Investments in locomotives, wagons, and Vande Sleeper trains for improved passenger comfort during long journeys.
- Continued emphasis on Public-Private Partnerships (PPP) for infrastructure development, with higher targets for private investments.



Taxation Reforms

US-India Tax Forum Recommendations

The US-India Strategic Partnership Forum (USISPF) recommended simplifying the tax framework to reduce compliance burdens and align with global standards:

- Extending concessional tax rates for greenfield manufacturing.
- Introducing a reduced 15% tax rate for maintenance, repair, and overhaul firms.
- Positioning GIFT City as a global financial hub with dividend exemptions and tax benefits.
- Streamlining transfer pricing frameworks and ensuring parity in taxation for foreign bank branches.

Personal Taxation

The middle class anticipates relief through:

- Increasing the basic exemption limit to ₹5 lakhs.
- Raising the standard deduction limit from ₹75,000 to ₹1.25 lakhs in new tax regime.
- Simplifying the new tax regime to encourage higher adoption.

Corporate and MSME Taxation

- Enhanced support for MSMEs, including simplified tax processes, increased deductions, and incentives for adopting new technologies.
- Extension of tax holidays for startups.
- Streamlined TDS compliance for ease of doing business.
- Simplifying compliance for small businesses to boost productivity.

Conclusion

The Union Budget 2025-26 aims to balance growth aspirations with fiscal responsibility while fostering a self-reliant and robust economy. By addressing sector-specific demands and introducing transformative policies, it seeks to propel India toward a **\$5 trillion economy**. Strategic investments in infrastructure, education, healthcare, renewable energy, and manufacturing will lay the foundation for a resilient and sustainable future. With a strong emphasis on boosting manufacturing through initiatives like **"Make in India"** and **"Aatmanirbhar Bharat,"** the budget underscores the government's commitment to enhancing domestic production, reducing imports, and fostering global competitiveness. This budget is not just a financial statement but a comprehensive roadmap for India's long-term economic and social progress. Modi government is keen to deliver a strong message in the budget of continued emphasis on Reforms, ease of doing business and living.

ACMIIL Retail Research Products

Informational Products	Recommendation Products
Morning Notes	Momentum calls
Market Watch	Smart Delivery trades
Investor First	Positional technical calls
Preview	Investment ideas
Market Pulse	Master trades High & Medium Risk
RBI Monetary Policy	Techno Funda
Budget Report	Stock Basket
Weekly Derivatives Synopsis	Mutual fund model portfolios
Rollover Snapshot	Portfolio Doctor
Rollover Analysis (Monthly)	

For More Information on Retail Research Products please visit
<https://www.investmentz.com/ResearchServices/Retail>

Asit C. Mehta

INVESTMENT INTERMEDIATES LTD.

Retail Research Desk:

Devang Shah E: devang.shah@acm.co.in
 Hrishikesh Yedve E: hrishikesh.yedve@acm.co.in
 Ruchi Jain E: ruchi.jain@acm.co.in
 Kamlesh Jain E: kamlesh.jain@acm.co.in
 Sameer Mokashi E: sameer.mokashi@acm.co.in
 Neeraj Sharma E: neeraj.sharma@acm.co.in

Email: retailresearch@acm.co.in

Research Analyst Registration Number:

INH000016940

CIN: U65990MH1993PLC075388

Download Investmentz app



Follow us on:



Information pertaining to Asit C. Mehta Investment Intermmediates Limited (ACMIIL):

ACMIIL is a SEBI registered Stock Broker/Portfolio Manager, Research Analyst and Depository Participant. It is also a AMFI registered Mutual Fund Distributor. Its associate/group companies are Asit C. Mehta Advisors Limited, Asit C. Mehta Financial Services Limited, and Edgytal Fintech Investment Services Private Limited (all providing services other than stock broking, merchant banking and portfolio management services.).

Disclosures

ACMIIL/its associates and its Research analysts have no financial interest in the companies covered on the report. ACMIIL/its associates and Research analysts did not have actual/beneficial ownership of one per cent or more in the companies being covered at the end of month immediately preceding the date of publication of the research report. ACMIIL/its associates or Research analysts have no material conflict of interest, have not received any compensation/benefits for any reason (including investment banking/ merchant banking or brokerage services) from either the companies concerned/third parties with respect to the companies covered in the past 12 months. ACMIIL/its associates and the Research analyst covering the companies mentioned herein do not have any material conflict of interest as regards the said company. ACMIIL/its associates and research analysts have neither managed or co-managed any public offering of securities of the companies covered nor engaged in market making activity for the companies being covered. Further, the companies covered neither are/nor were a client during the 12 months preceding the date of the research report. Further, the Research analyst/s covering the companies covered herein have neither served as an officer/director or employee of the companies being covered nor have they received any compensation from the companies being covered during the 12 months preceding the date of the research report.

Disclaimer:

This report is based on information that we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon such. ACMIIL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in the report. To enhance transparency we have incorporated a Disclosure of Interest Statement in this document. This should however not be treated as endorsement of the views expressed in the report.

You are also requested to refer to the disclaimer (which is deemed to be part and parcel and is applicable to this research report as well) :

<http://www.investmentz.com/disclaimer>