

# Union Budget Preview 2024-25

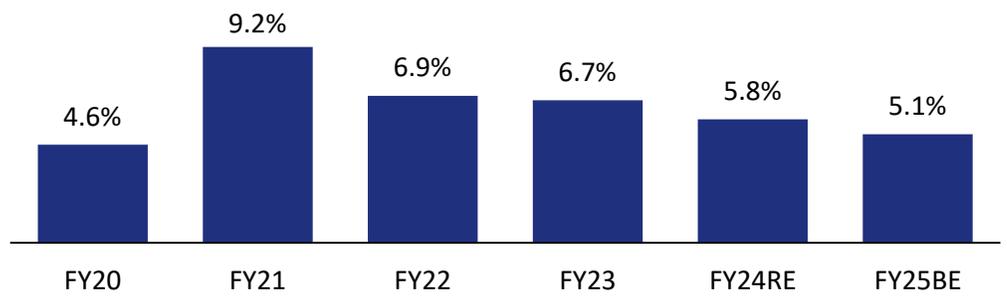


# Budget preview – Capex intent to remain intact

Union Budget 2024-25 (scheduled on July 23, 2024) would be crucial given that it would be first full year budget of NDA 3.0 would lay the foundation for India's economic/infrastructure/social development for next decade. From the upcoming budget, we expect that the government would strike a balance between fiscal deficit, capex for growth and social spending. The continuation of existing capex agenda (infrastructure, railways, defence, renewable/clean energy), higher budgetary allocation to revive rural economy, job creation and roadmap for 'Viksit Bharat' by 2047 would be the key theme for the Union Budget 2024-25. Markets would be keenly awaiting any adverse changes in the capital gain tax on equities. In case there is no change in capital gain tax it would be considered positive for Indian equity markets.

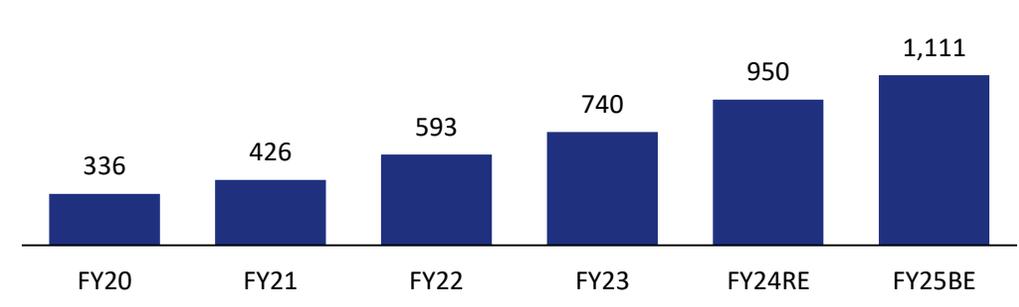
- ❑ **Capex to remain at forefront while balancing fiscal deficit:** Government is likely to continue its capex plan of Rs 11.1 Lakh Crore for FY25 as announced in interim budget with aim to keep fiscal deficit target unchanged at 5.1% of GDP (versus 5.8% of GDP in FY24) with aim to reach 4.5% of GDP in FY26E. Government's capex focus would continue to remain on defence, railways and infrastructure development given government vision of 'Viksit Bharat' by 2047. Continuity of pro-reform agenda like PLI schemes and incentivizing clean energy (RE, green hydrogen) would aid revival in private capex as well as job creation.
- ❑ **Focus on measures to revive rural economy:** The record dividend of Rs2.11 lakh crore received by the government from RBI would provide headroom to spent on welfare measure to revive rural economy with higher spending on government programmes like the Pradhan Mantri Awas Yojana (housing for all) and PM Kisan (financial support for farmers). Likely government welfare schemes and recent moderation in the inflation bodes well for recovery in rural economy.
- ❑ **Key budget picks** – Mahindra & Mahindra, Hero Motocorp, ITC, Sumitomo Chemical, RIL, Power Grid, NTPC, Sanghvi Movers, Bharat Electronics, Bharat Forge, VA Tech Wabag, L&T, DLF, Ambuja Cement, APL Apollo, PFC, IRCON,

**Fiscal deficit (% of GDP)**



Source: Budget Documents, JMFS Research

**Capital Expenditures (in Crs)**



Source: Budget Documents, JMFS Research

## Sector Expectations

Sector	Potential Announcement	Stance	Company Impacted
Agri, fertilizers & chemicals	Fertiliser subsidy provision of Rs1.64 lakh crore as per interim budget seems adequate for FY25. Expect substantial budget allocations for accelerating technology adoption (like Nano urea), boosting productivity, and improving storage infrastructure within the sector	Positive	Coromandel International, Chambal Fertilizers, Madras Fertilizers
	PLI scheme for the Crop Protection sector	Positive	Sumitomo Chemical, Dhanuka Agritech, Insecticides India, PI Industries
	PLI scheme for battery chemical manufacturers	Positive	Himadri Speciality, Gujarat Fluorochemicals, Neogen Chemicals
Auto & Ancillaries	Incentive and subsidies to agricultural sector will support rural discretionary spends and benefit rural-focused 2Ws and & entry-level 4W OEMs.	Positive	Mahindra & Mahindra, Hero Motocorp
	Increase in allocation to FAME-III subsidy	Positive	Ashok Leyland, Tata Motors, Hero Motocorp, Servotech Power
	Likely cut in CNG excise duty	Positive	Maruti Suzuki and Tata Motors
BFSI	Measures for benefiting and development for the affordable housing market especially in semi urban and rural areas	Positive	Aavas Financiers, Aptus HFC, Home first and India Shelter
	Tax relief on deposits into banks	Positive	Banks and Deposit taking NBFCs
	Measures for enhancing and improving fund flows for development of power sector especially in the renewable space	Positive	REC,PFC and IREDA
	Focus on enhancing Capex and infrastructure development across sectors	Positive	ICICI Bank, Axis Bank, HDFC Bank,SBI, Bank of Baroda
	A separate tax deduction limit for life insurance	Positive	Life insurance companies
Cement	Increase in budget allocation to PMAY scheme to building additional 20 million rural houses over and above the 10th June Cabinet decision to build 30 million homes for urban and rural poor over next 5 years.	Positive	UltraTech Cement, Ambuja Cements, Dalmia Bharat

## Sector Expectations

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FMCG	Tax cut, expansion in tax slab or increase in limit for tax-saving investments under Sec 80C would increase disposable income.	Positive	Dabur, HUL, Godrej Consumer, Nestle
	Increasing Excise Duty or NCCD duty on cigarettes and tobacco products	Negative	ITC & Godfrey Phillip
Industrial	Higher allocation for defence capital expenditure	Positive	Bharat Electronics, Hindustan Aeronautics
	Higher capital spending on Railways Infrastructure	Positive	RVNL, Titagarh Rail System, IRCON, BEML
Infrastructure	Increase in Infrastructure Capital Outlay	Positive	KNR Construction, PNC Infratech , RITES, Ahluwalia Contracts
	Dedicated larger allocation to large water projects like Jal Jeevan Mission, Nal Se Jal and Inland Waterways Development	Positive	NCC, VA Tech Wabag, Finolex Industries, Ratnamani Metals, Welspun Corp.
Metal & Mining	Higher budgetary allocation towards construction and infrastructure sector would increase the domestic steel demand.	Positive	Tata Steel, JSW Steel, SAIL, JSPL
	Reduction in import duty on raw materials or increase in the basic customs duty on imported Chinese steel	Positive	Tata Steel, JSW Steel, SAIL, JSPL
	Financial incentives or further announcements on PLI schemes for the exploration of critical minerals	Positive	Coal India, NALCO, NMDC
Oil & gas	Policy framework to boost gas consumption in India - gas under GST, likely subsidy for domestic PNG for low income group people and potential cut in excise duty on CNG	Positive	IGL, MGL, Gujarat Gas and GAIL
	Clarity on gradually ending windfall tax on crude oil and export tax on petroleum products	Positive	ONGC, Oil India, IOCL, BPCL and HPCL
	Asset monetisation - gas pipelines	Positive	GAIL, IOCL, BPCL and HPCL
	Potential incentives for clean energy like green hydrogen and CGB	Positive	RIL, GAIL, IOCL, BPCL, HPCL

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Power Utilities	Enhanced incentives for renewable energy given 500 GW target by 2030. This could include higher viability gap funding for areas like battery storage, offshore wind plants, and solar energy	Positive	<b>Power Gencos</b> - NTPC, Tata Power, JSW Energy, Adani Power and CESC. Power ancillaries - Suzlon, Inox Wind, Sterling & Wilson
	Prioritize rooftop solarisation	Positive	Tata Power, Borosil Renewable and Waaree Renewables
	Enhanced focus on T&D capex	Positive	Power Grid
Pharma & Healthcare	Higher allocation to the Promotion of Research & Innovation Programme (PRIP) scheme	Positive	Lupin, Cipla, Sun Pharma, Aurobindo Pharma
	Higher tax deduction limits on health insurance	Positive	Lupin, Cipla, Sun Pharma, Healthcare Global Enterprises
Real Estate	Regulatory incentives for building Data Centre as well as to list REITs.	Positive	DLF, Anant Raj, Prestige

Source: JMFS Research

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Rating	Meaning
Buy	Total expected returns of more than 15%. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 15% upside from the current market price.
Sell	Price expected to move downwards by more than 10%

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