

The Indian Budget 2025, presented by Finance Minister Nirmala Sitharaman, lays out a strategic vision aimed at fostering economic resilience, boosting private investment, and enhancing consumption-driven growth. The budget emphasizes four key pillars: agriculture, MSMEs, investments, and exports. With a significant focus on infrastructure development, social welfare, tax reforms, and digital transformation, the government aims to balance fiscal prudence with ambitious growth targets.

Fiscal Roadmap

Total Outlay & Fiscal Targets

- **Total Expenditure:** INR 47.1 trillion
- **Fiscal Deficit Target:** 4.4% of GDP for FY26, down from 4.8% in FY25
- **Gross Market Borrowing:** INR 14.82 trillion
- **Net Borrowing:** INR 11.54 trillion
- **Tax Revenue Projections:** INR 36.9 trillion
- **Non-Tax Revenue:** INR 5.83 trillion

The government aims to achieve fiscal consolidation through enhanced tax collections and strategic asset monetization while maintaining a strong capital expenditure push.

Capital Expenditure Focus

- **INR 15 trillion** allocated for infrastructure projects, including transportation, smart cities, and digital connectivity.
- **INR 1.5 trillion** interest-free loan support to states for infrastructure development.
- **Urban Development Fund:** INR 1 trillion to support smart cities and urban expansion.
- **INR 250 billion Maritime Development Fund** to strengthen port and shipping infrastructure.

The **Union Budget 2025-26** introduced a series of **custom duty adjustments** aimed at promoting **domestic manufacturing, boosting exports, and reducing dependency on imports**. These changes impact a range of industries, including **electronics, telecom, pharmaceuticals, shipbuilding, renewable energy, and agriculture**.

The modifications in **Basic Customs Duty (BCD)** are categorized into **reductions (items that got cheaper)** and **increases (items that got costlier)** to either encourage domestic production or protect local industries from excessive foreign competition.

1. Customs Duty Reductions & Exemptions

➤ Healthcare & Pharmaceuticals

- Customs duty exemption on 37 life-saving medicines, including cancer drugs and rare disease treatments.
- 36 drugs & medicines, including those for cancer, fully exempted from Basic Customs Duty.
- Custom duty on raw materials for certain drugs reduced to encourage domestic pharmaceutical production.

➤ Renewable Energy & Critical Minerals

India has scrapped customs duty on waste and scrap of a dozen critical minerals, Finance Minister Nirmala Sitharaman announced during her annual budget presentation on Saturday. This measure aims to enhance the availability of essential raw materials for domestic industries, particularly in sectors like renewable energy, electric vehicles, and high-tech manufacturing.

The exemption includes waste and scrap of antimony, cobalt, tungsten, and copper, along with lithium-ion battery waste and scrap of lead, zinc, and cobalt powder. These materials are crucial for India's push towards self-reliance in critical mineral processing and advanced technology manufacturing.

Prior to this exemption, the Basic Customs Duty (BCD) on these materials varied, with some minerals facing duties of up to 7.5%. The removal of these levies is expected to lower production costs, boost local manufacturing, and reduce dependence on imports.

- **Lithium-ion battery scrap – Fully exempted** from Basic Customs Duty to promote electric vehicle (EV) production.
- **Cobalt Powder & Zinc Scrap – Fully exempted** to support the development of clean energy storage solutions.
- **12 Critical Minerals – Fully exempted**, ensuring India's self-reliance in key raw materials needed for manufacturing.

➤ Manufacturing & Infrastructure

- **Shipbuilding materials – Fully exempted** from customs duty for **10 years** to promote domestic shipbuilding.
- **Customs duty on open cells for television panels – Reduced to boost local electronics assembly and production.**
- **Duty on raw materials used in making electric vehicle (EV) batteries – Reduced** to promote clean mobility.
- **Basic Customs Duty on raw materials for LED manufacturing – Exempted** to reduce costs in the lighting industry.
- [Agriculture & Food Processing](#)
- **Fish Pasteurii – Basic customs duty reduced from 30% to 5%.**
- **Customs duty exemption for high-quality fertilizers & agricultural equipment** to support farmers.
- [Shipping & Logistics](#)
- **Import duties on raw materials for ship manufacturing – Removed** to make India a global hub for shipbuilding and exports.
- **Duty exemption on certain logistics & warehousing equipment** to promote supply chain efficiency.

2. Customs Duty Hikes

- [Electronics & Consumer Goods](#)
- **Interactive Flat Panel Displays (for TVs, smart displays, etc.) – Customs duty increased from 10% to 20%.**
- **Higher customs duty on certain electronic components & finished goods** to encourage domestic assembly.
- [Telecom & IT Equipment](#)
- **Telecom Equipment – Basic customs duty increased from 10% to 15%.**
- **Higher import duty on networking switches & routers** to boost local manufacturing.
- [Plastics & Packaging Industry](#)
- **Non-Biodegradable Plastics – Customs duty increased to 25%.**
- **Certain imported packaging materials – Customs duty increased to reduce plastic dependency.**
- [Automobiles & Transport](#)

- **Automobile components – Higher import duties imposed** to promote domestic auto part production.
 - **Higher customs duty on select imported luxury cars** to support local automobile manufacturing.
- [Luxury Goods & Imports](#)
- **Increased import duty on high-end watches, jewelry, and designer accessories** to encourage local brands.
 - **Certain imported liquor and alcoholic beverages – Higher duties imposed** to protect domestic producers.

3. Why These Changes Were Made?

The government's approach to **custom duty rationalization** serves multiple objectives:

1. **Boost Domestic Manufacturing** – By **increasing import duties on electronics, telecom, and auto components**, the government aims to **strengthen the "Make in India" initiative**.
2. **Support Key Industries** – **Lowering duties on renewable energy materials, pharmaceuticals, and shipbuilding inputs** reduces costs for businesses in these critical sectors.
3. **Encourage Foreign Investment** – By **exempting certain raw materials** while **raising duties on finished products**, India becomes a more attractive destination for **global manufacturers**.
4. **Reduce Import Dependency** – With increasing geopolitical risks, **India aims to be self-sufficient in critical minerals, energy, and pharmaceuticals**.

4. Expected Impact of Custom Duty Changes

| Sector | Impact | Who Benefits? | Who Loses? |
|----------------------------|--|--------------------------------------|--|
| Electronics | Costlier imports, Local production boost | Domestic manufacturers | Importers, TV & display manufacturers relying on imports |
| Telecom & IT | Higher costs for imported components | Local telecom manufacturers | ISPs & networking companies |
| Pharmaceuticals | Cheaper raw materials, lower drug costs | Drug manufacturers, patients | None |
| Renewable Energy | Lower cost of clean energy materials | EV makers, solar & wind energy firms | None |
| Automobile Industry | More local production, costlier imports | Indian auto part suppliers | Luxury car importers |
| Luxury Goods | More expensive imports | Domestic brands | Foreign brands, high-end consumers |

Shipbuilding

Boost in domestic manufacturing

Indian shipbuilders

Importers of foreign-built ships

5. Conclusion: A Balanced Strategy for Growth

The **custom duty revisions** in **Budget 2025-26** serve as a **strategic tool** for economic growth. By **lowering duties on essential materials and raising them on finished goods**, India aims to:

- **Encourage domestic manufacturing**
- **Import dependency**
- **Boost clean energy adoption**
- **Make essential medicines more affordable**

These changes align with India's **goal of becoming a \$5 trillion economy** while ensuring sustainable growth in **critical sectors like healthcare, energy, and technology**.

As industries **adapt to these new tax structures**, the success of these policies will depend on **effective implementation, market response, and global trade dynamics**.

Emkay Global Financial Services Limited

7th Floor, The Ruby, Senapati Bapat Marg, Dadar (W), Mumbai- 400 028. Tel No. 6612 1310. Fax: 6612 1299

Email: riya.singh@emkayglobal.com Website: www.emkayglobal.com

DISCLAIMER

Emkay Global Financial Services Limited and its affiliates are a full-service, brokerage, investment banking, investment management, and financing group. We along with our affiliates are participants in virtually all securities trading markets in India. Our research professionals provide important input into our investment banking and other business selection processes. Investors may assume that Emkay Global Financial Services Limited and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may participate in the solicitation of such business. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Emkay Global Financial Limited or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of Emkay. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of Emkay or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The analyst's views are based on his analysis of the markets after years of such analysis, since 2011. Investment decisions made on the above analysis would be at your own risk and analyst take no responsibility for your decisions based on the above analysis.'



Equities

Investment
Banking

Wealth
Management

Asset
Management

Commodities

Currencies

www.emkayglobal.com



Research Analyst

Commodities & Currency

riya.singh@emkayglobal.com