Key Highlights Union Budget 2024

ITI Mutual Fund
Long-term wealth creators

As mentioned in the Interim Union Budget 2024, the focus continues to be on
- 'Garib' (Poor)
- 'Mahilayen' (Women)
- 'Yuva' (Youth)
- 'Annadata' (Farmer)

Broad based provision allocation towards of Rs. 1.48 lacs crore for education, employment and skill improvement.

9 Priorities for Viksit Bharat

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

Agriculture	• Natural farming for 1 crore farmers. • Digital public infrastructure coverage for farmers in 3 years. • Financing for Shrimp farming, processing and export will be facilitated through NABARD.
Employment & Skilling	• 20 lacs youth will be skilled over a 5-year period. • 1,000 Industrial Training Institutes will be upgraded in hub and spoke arrangements with outcome orientation. • Government to reimburse EPFO contribution for new hiring in organizations up to Rs. 3,000 per month for 2 years.
Inclusive Human Resource Development and Social Justice	• Allocate funds for development of Eastern parts of India. • Allocate Rs. 15,000 crores for Andhra Pradesh. • Plan to develop socio-economic conditions of 5 crores tribal people in 63,000 villages.
Manufacturing & Services	• Credit Guarantee Scheme for MSMEs in the Manufacturing Sector. • Mudra Loans: The limit enhanced to Rs. 20 lacs from the current Rs. 10 lacs under Tarun category. • SIDBI will open new branches to expand its reach to serve all major MSME clusters within 3 years and provide direct credit to them.
Urban Development	• PM Awas Yojana Uban – Rs. 10 lacs crores for needs of 1 crore urban poor and middle-class families. • Promote water supply, sewage treatment and solid waste management projects and services for 100 large cities.
Energy Security	• Financial support for shifting of micro and small industries to cleaner forms of energy. • Initiatives to get private sector participation in nuclear energy. Setting up Bharat Small reactors and develop research and development.
Infrastructure	• Continuing with the capex thrust of the past budgets, Rs. 11.11 lac crores, 3.4% of the Union Budget has been earmarked for capital expenditure. • Also, states will be provided with Rs. 1.5 lacs crores long term interest free loans for their resource allocation. • Assistance for flood affected areas like Sikkim, Himachal Pradesh, Bihar and Uttarakhand.
Innovation, Research & Development	• Private sector-driven research and innovation at commercial scale with a financing pool of Rs. 1 lacs crores. • Space Economy: A venture capital fund of Rs. 1,000 crores is to be set up to develop space related activities.
Next Generation Reforms	• Land records in urban areas will be digitized with GIS mapping. • Develop a taxonomy for climate finance for enhancing the availability of capital for climate adaptation and mitigation.

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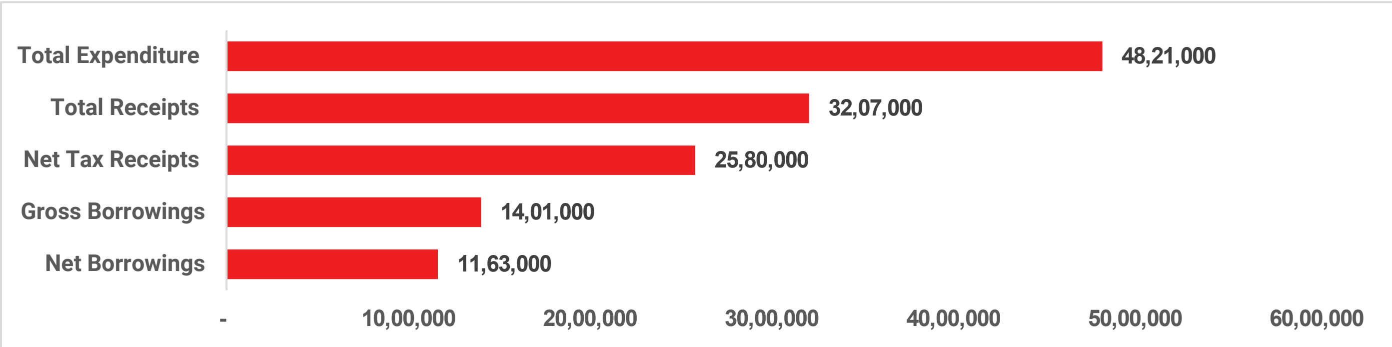
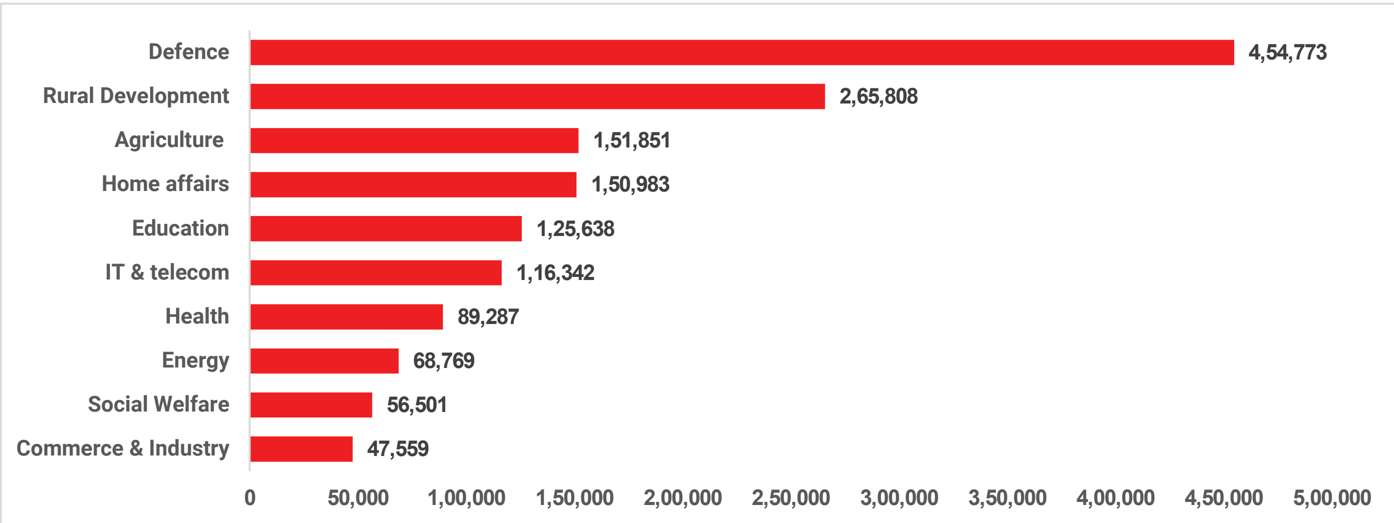
Key data points for financial year 2024-2025 (in Rs. crores)

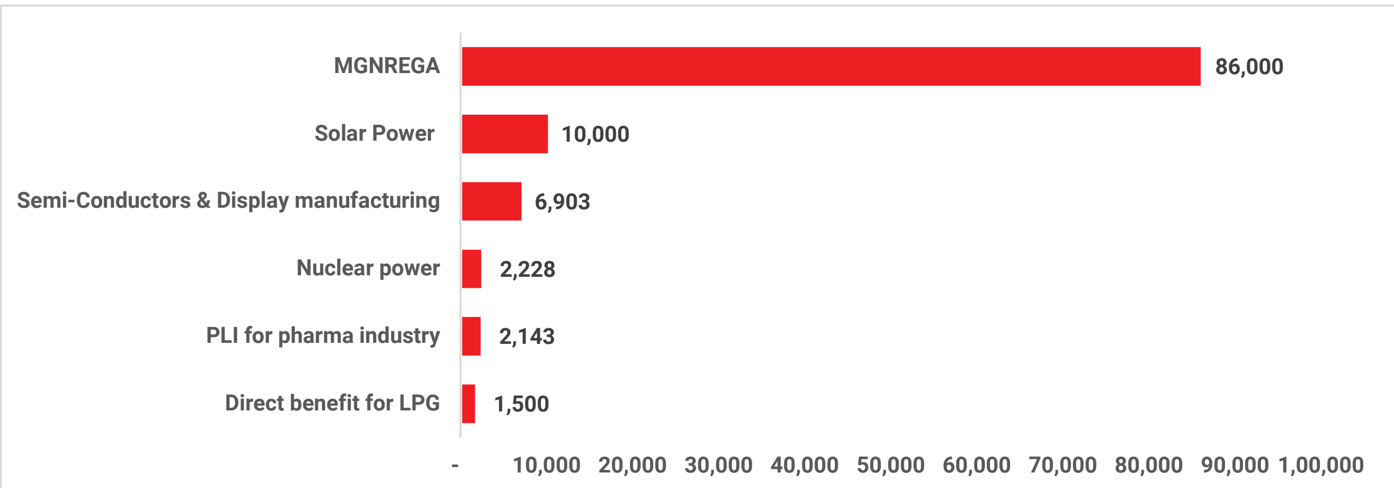


Fiscal deficit estimated at 4.9% of GDP. Aim to reach 4.5% in FY 2025-2026

Key expenditure areas under the budget (in Rs. crores)



Key major schemes budgetary estimates for FY 2024-2025 (in Rs. Crores)



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ITI MUTUAL FUND
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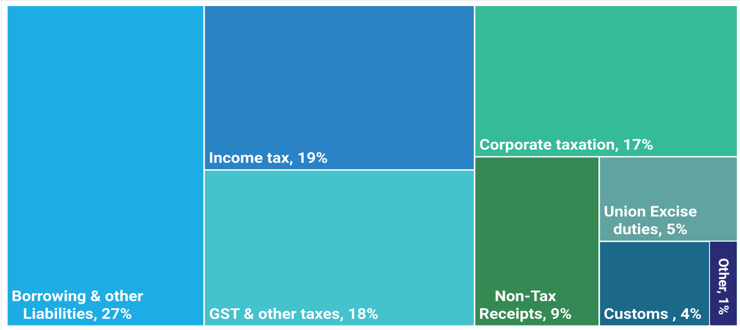
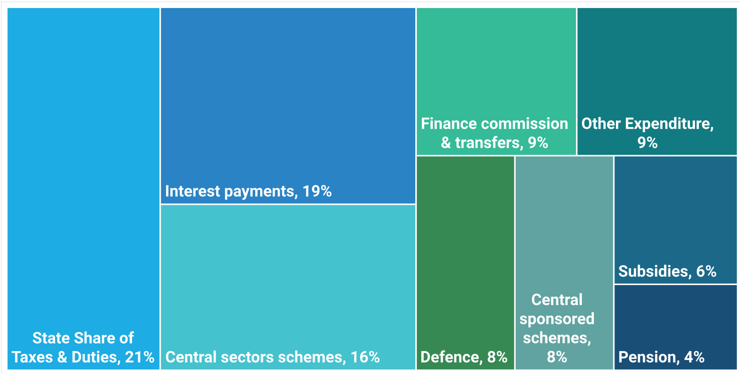
Source of budgetary receipts

Borrowing & other liabilities	27%
Income tax	19%
GST & other taxes	18%
Corporate taxation	17%
Non-tax receipts	9%
Union excise duties	5%
Customs	4%
Others	1%



Source of budgetary expenditure

State share of taxes & duties	21%
Interest payments	19%
Central sectors schemes	16%
Finance commission & transfers	9%
Defence	8%
Central sponsored schemes	8%
Subsidies	6%
Pension	4%
Other expenditure	9%



Taxation

- Exempt three specific cancer medicines from basic customs duty (BCD).
- Reduce custom duty on mobile phones and chargers to 15%.
- Reduce custom duty on gold and silver to 6% and platinum to 6.4%.
- Reduce BCD on shrimp and fish feed to 5%.
- Exempted more capital goods for manufacturing of solar cells & panels.
- Fully exempt custom duties on 25 critical minerals.
- Abolish angel tax for all classes of investors.
- Corporate tax rate on foreign companies reduced from 40% to 35%.
- Standard Deduction for salaried employees increased from Rs.50,000 to Rs.75,000 under new tax regime. Deduction on family pension for pensioners increased from Rs. 15,000 to Rs. 25,000.
- Short term gains of financial assets to attract 20% tax rate.
- Long term gains on all financial and non-financial assets to attract a tax rate of 12.5%.
- Increase in limit of exemption of capital gains on financial assets to Rs. 1.25 lacs per year.
- STT on F&Os proposed to be increased to 0.02% from 0.01%.
- Income from buy-back of shares is proposed to be taxable in the hands of the recipient as dividend.

Equity Market Outlook

The Fiscal deficit outlook of current FY 24-25 of 4.9% of GDP as against 5.1% as presented in interim budget in Feb-24 and target of 4.5% for next FY is better than market expectation. Gross Tax Revenue (GTR) pegged at ~11% yoy growth is achievable vs 13.4% in FY 23-24. GST is expected to grow by 11% in this FY vs 12.7% growth in FY 23-24. Direct taxes are likely to grow by ~13%, non-tax revenues for FY 24-25 have touched Rs.6.2 lacs crores due to RBI dividend. On the expenditure side, revenue spending is budgeted to grow 6.5% yoy vs 2.4% in FY 23-24. Capital expenditure at Rs.11.11 lacs crores which is a 17% yoy growth is a positive. Rs. 1.48 lacs crores have been provided for education employment and skilling of workforce through various initiatives.

Financial sector specific impact: Banks/ NBFCs/ Insurance/ Exchange (Marginal Positive)
Banks (Neutral):
No material changes and the controlled fiscal deficit and initiatives to support MSME credit & guarantee schemes will be moderately positives.

Life Insurance (Neutral):
No increase in corporate tax rate is a relief. The disallowance of non-eligible expenses while computing tax liability may not have material impact in our view.

Affordable Housing Financiers (Positive):
Government has allocated Rs. 4,000 crores (Rs. 3,000 crores for EWS/ LIG, Rs. 1,000 crores MIG) under CLSS scheme— could be positive for affordable housing finance companies.

Gold Loan NBFCs (Mixed):
Reduction in custom duty on gold should lead to reduction in gold prices.

AMC/Wealth Managers:
LTCG tax rate hiked to 12.5% from 10% and STCG tax rate hiked to 20% from 15%, could be sentimentally negative but no direct EPS impact.

Consumer / Staples
- Big positive for tobacco companies:

Cigarette companies may benefit as there is no change in tobacco taxes. This could allow these companies to focus on volume by taking minimal product price hike and hence a key positive.
- Net positive for organized jewellers:

Import duty on gold (customs + cess) moves down sharply from 15% to 6%—a steep 9% reduction in consumer prices, which may boost demand.

Cement:
Budget maintaining capex target plus continued focus on low-cost housing (both urban and rural) is positive for construction demand.

Real Estate and Housing:
Capital gains tax on property sales is changed from 20% with indexation benefits to 12.5% without any indexation benefits, potentially increasing the tax liability on exits, particularly for old properties, where the capital gains could be large.

Power:
• NTPC and BHEL will form a JV to set up an 800 MW Ultra Super Critical Thermal Power Plant. The government will provide the necessary fiscal support for the same.
• The government plans to partner with the private sector to set up Bharat Small Reactors and conduct research and development on small modular reactors and newer nuclear technologies.

Infrastructure and Capital Goods:
• Capital expenditure proposed at Rs. 11.11 lacs crores, same as announced in the interim budget: ~17% growth over FY 23-24 (in the interim budget) of Rs 9.5 lacs crores. Additionally, a provision of Rs. 1.5 lacs crores for long-term interest free loans have been made this year also to support the states in their resource allocation.
• State of Andhra Pradesh received a major boost in the union budget with the announcement of Rs. 15,000 crore financial assistance for the capital, Amaravati.

Building Materials:
• Jal Jeevan Mission (JJM – Piped Drinking Water) has been allocated Rs. 70,200 crores. Pradhan Mantri Krishi Sinchai Yojana (PMKSY) allocation at Rs. 9,340 crores (+9% vs FY23-24).

Debt Market Outlook

Today's budget speech and the budget numbers appear to have tread the middle path considering the above highlighted market views. The headline budget deficit number of 4.9% of GDP for 2024-2025 has improved upon the interim budget's 5.1% fiscal deficit aim and kept the government's gross borrowing programme largely unchanged at Rs. 14.01 lacs crores. Furthermore, nominal growth for 2024-2025 has been estimated at 10.50%. The macro numbers released by the Government seem realistic and achievable. Thus, the bond market reaction to the budget announcement has been muted, with the benchmark 10-year Gsec trading largely unchanged over yesterday's close at ~6.97% yield at the time of writing this note.

The budget announcements seem to have ticked all the right boxes for the bond markets. Local as well as global investors are likely to continue to remain positive on Indian fixed income assets. Global markets seem to have priced a policy rate cut in the US over the next 3 months and we expect the RBI to reduce policy rates in the October 2024 -December 2024 period. Since March 2024, we have been anticipating the 10-year Gsec to trade between 6.50% - 6.75% (base case) in the second half of 2024-2025 and today's budget further reinforces our view. Indian fixed income assets seem to be in a good place to be invested into.

Source: Union Budget 2024-2025 Speech 23 July 2024.
LPG – Liquefied P etroleum gas, GDP- Gross Domestic Product, MSME – Mirco, Small & medium enterprises, GIS - Geographic information system, FY- Financial Year, YOY- year on year, GST – Goods & Services Tax, RBI-Reserve Bank of India, STT _ Securities Transaction Tax, F&O- Futures & Options, LTCG – Long Term Capital Gains, STCG – Short Term Capital Gains, EWS- Economically Weaker Section, MIG – Middle Income Group, LIG-Lower Income Group, CLSS- Credit Linked Subsidy Scheme, NBFCs- Non Banking Finance Companies AMC- Asset Management Companies, EPS- Earnings Per Share, NTPC-National Thermal Power Corporation, BHEL-Bharat Heavy Electricals Limited. MOF – Minister of Finance, MOSPI - Ministry of Statistics and Programme Implementation, Bloomberg, CCIL - The Clearing Corporation of India Limited.