Interim Union Budget

2024-2025

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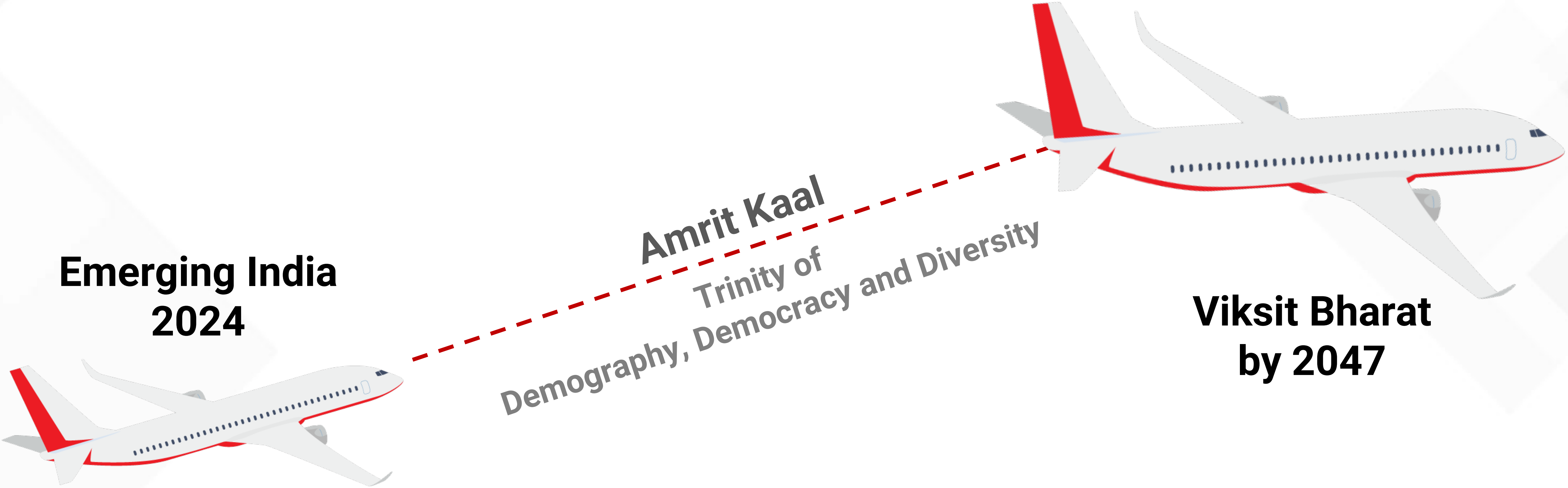
INTERIM UNION BUDGET

2024 - 2025

Balancing Capital Expenditure and Fiscal Prudence

India – Citizens’ Pride, Peers’ Envy



- Inclusive Growth
- Fiscal Prudence
- Investment in Infrastructure

Source: Budget Document, Feb 2024.

Strategy for Amrit Kaal

❖ Sustainable Development

'Net Zero' by 2070

❖ Inclusive Development

Aspirational District Programme

Focus on Healthcare, Housing and Tourism

❖ Infrastructure and Investment

3 major railway corridor programmes

Promotion of foreign investment

Development & Expansion of airports

Promotion of urban transformation

❖ Agriculture and Food Processing

Promote investment in post-harvest activities

Atmanirbhar Oilseeds Abhiyaan

Programme for dairy & Fisheries development

Source: Budget Document, Feb 2024.

Key Takeaways

❖**Nominal GDP growth assumptions:** Appears to be realistic at 10.5% in FY25BE

❖**Fiscal Deficit:**

- Revised estimate of 5.8% of GDP Vs. 5.9%
- FY25 Budget target at 5.1% & 4.9% of GDP for FY26

❖**Capex:**

- FY25 Capex target set at Rs 11.1 lakh crore, up by 11.1%
- FY25 capex outlay at 3.4% of GDP

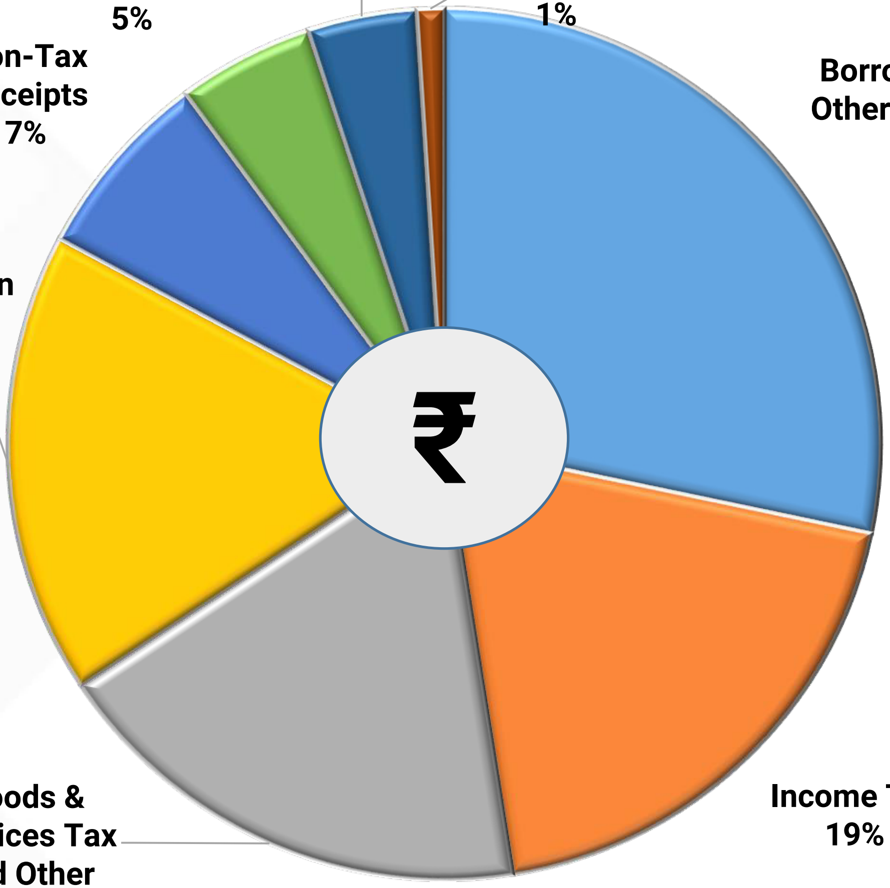
❖**Tax projections appear conservative for FY24RE but reasonable for FY25BE**

❖**No change in Direct and Indirect tax rates**

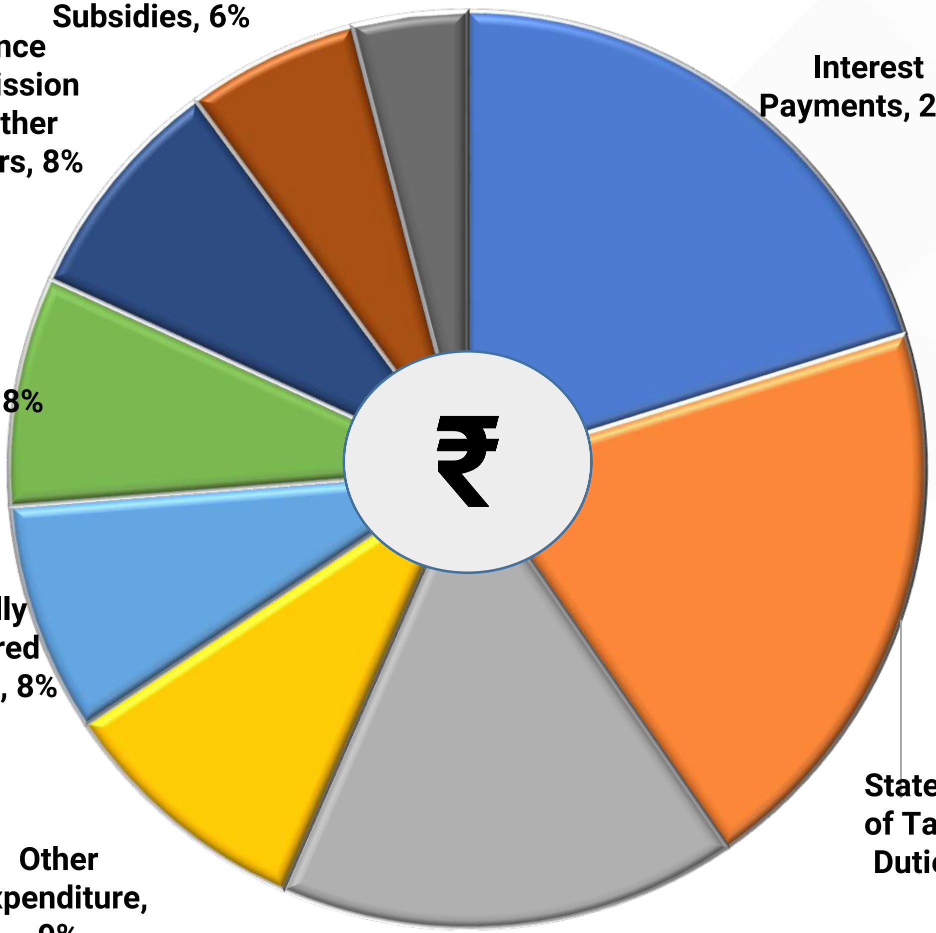
Source: Internal KMAMC Research

Government Receipts & Expenditure

Rupee Comes From



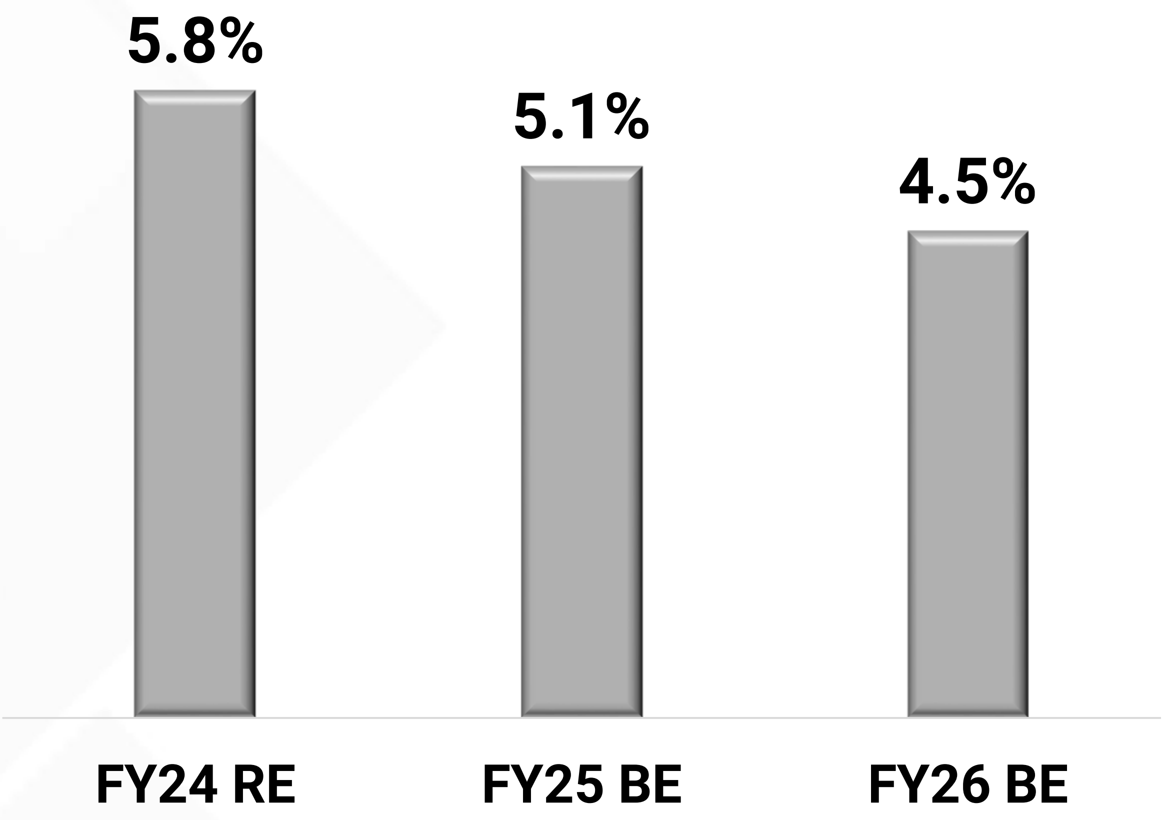
Rupee Goes To



Source: Budget Document

Fiscal Consolidation Continues

Fiscal Deficit (% of GDP)



12%

Revenue

Receipts (In INR Bn)	2023	2024RE	2025BE
1. Revenue receipts (2d + 3)	23,832	26,997	30,013
2. Gross tax revenues (a + b)	30,542	34,372	38,308
2.a. Direct taxes	16,723	19,578	22,310
2.b. Indirect taxes	13,819	14,794	16,178
2.c Transfers to states, UTs, etc.	9,564	11,133	12,292
2.d Net tax revenues (2 - 2.c)	20,978	23,239	26,016
3. Non-tax revenues	2,854	3,758	3,997
4. Non-debt capital receipts (a + b)	722	560	790
4.a Recovery of loans	262	260	290
4.b Other receipts (disinvestments)	460	300	500
5. Total receipts (1 + 4)	**24,554**	**27,557**	**30,803**

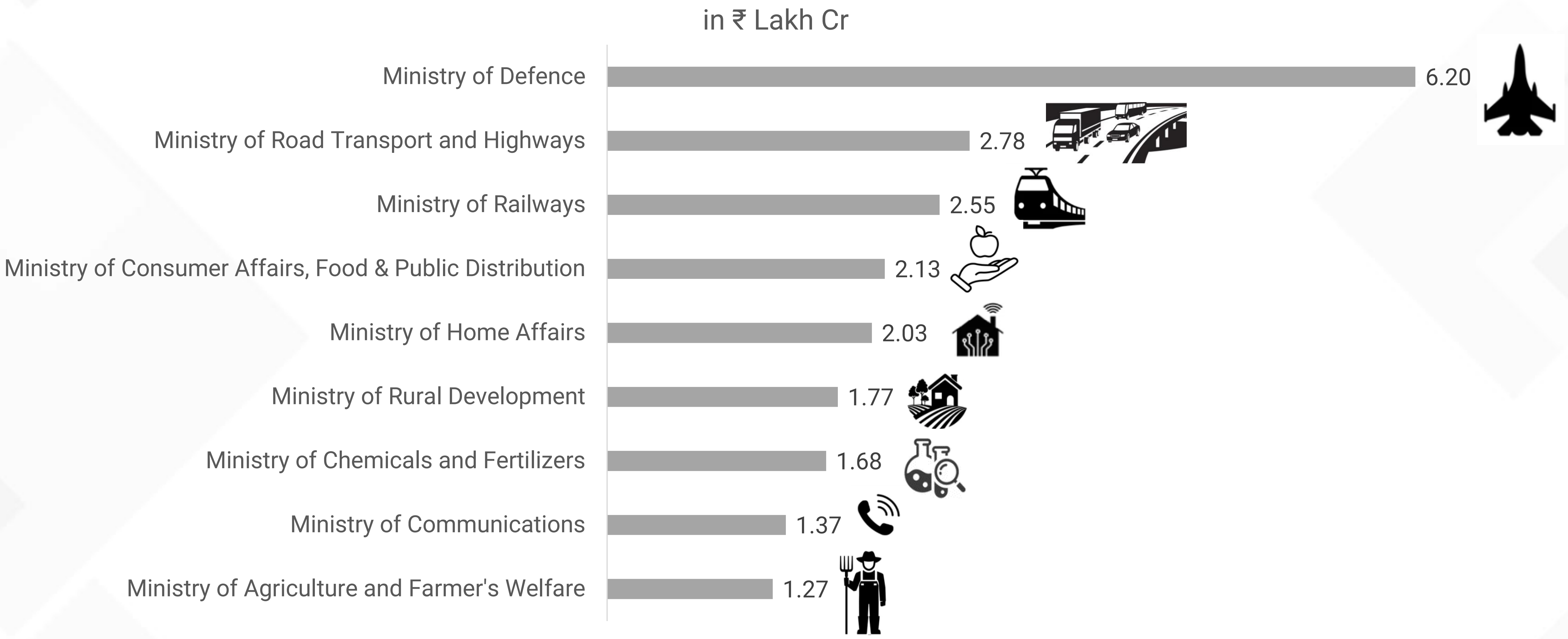
6%

Expenditure

Expenditure (In INR Bn)	2023	2024RE	2025BE
6. Revenue expenditure	**34,531**	**35,402**	**36,547**
7. Capital expenditure	**7,400**	**9,502**	**11,111**
7. a. Defense	1,509	1,572	1,720
7. b. Railways	1,593	2,400	2,520
7. c. Roads and highways	2,060	2,645	2,722
7. d. Housing and urban affairs	269	265	286
7. e. Others	1,158	1,564	2,562
8. Total expenditure (6 + 7)	**41,932**	**44,905**	**47,658**

Source: Budget Document, KIE

Allocation For Specific Ministries



Source: Budget Document,

What Should Investors Do?

❖Equity/Hybrid:

- Indian Markets trading at a premium to other EMs
- Large cap segment at relatively better valuations compared to Mid/ Small cap segments
- It’s a Buy on Dips Market
- Allocate via Large cap tilted funds, Multi-Asset and Balanced Advantage Funds
- Conservative investors can consider Equity Savings and Conservative Hybrid Funds
- Exposure to Equity Funds should be preferred via SIP route

❖Fixed Income:

- FY25 gross borrowing is set at ₹14.13 trillion, with net borrowing at ₹11.75 trillion
- The fiscal deficit target for FY24 is reduced to 5.8%, and for FY25, it's targeted at 5.1% of GDP
- Capital spending for FY25 is increased by 17% to a record ₹11.11 trillion to support a $7 trillion GDP goal by 2030.
- We continue to advise investors to increase duration of the Portfolio

Source: KMAMC internal

Detailed Analysis

Focus On Fiscal Prudence And Capex

Key Budget Themes

- **Focus on capex and fiscal prudence:** The Union Budget balances capex led growth and fiscal prudence
- **Expenditure growth led by capex:** Quality of expenditure better; The budget outlines capital expenditure growth for FY25BE at 17.7% over FY24RE; Continued efforts to reduce subsidies: revenue expenditure as % of GDP continues to decline
- **Prioritizing macro economic stability through an unchanged fiscal consolidation path**
  - Fiscal consolidation glide path maintained; Fiscal deficit for FY24RE at 5.8% of GDP against 5.9% FY24BE; FY25BE at 5.1%
  - Fiscal deficit in absolute terms largely unchanged in 4 years
  - The intent remains on achieving fiscal deficit lower than 4.5% of GDP by FY25-26
- **Energy transition and climate action:** Keeping in mind the target of achieving net zero by 2070, the budget announced initiatives for promoting green energy, electric vehicles, and bio-manufacturing have been introduced
- **Nominal GDP growth assumptions:** Appears to be realistic at 10.5% in FY25BE
- **Net tax revenue receipts budgeted to grow at 11.9% in FY25BE:** Tax collection target for FY25BE realistic on the back of strong GST (Goods and Services Tax) collections, better tax compliance and earnings growth by corporate India; tax rates left unchanged

Challenges

- Achievement of disinvestment target: Target is set at INR500bn (INR 300Bn in FYFY24 RE)
- Execution is the key: From here on execution of the growth agenda and fiscal consolidation would be the key
- India’s valuations relative to other emerging market remains elevated. Earnings delivery is key to sustain premium valuations

Fiscal Deficit Target For FY25BE Set At 5.1%

Government sets FY25BE fiscal deficit at 5.1% of GDP ; 5.8% of GDP in FY24RE.

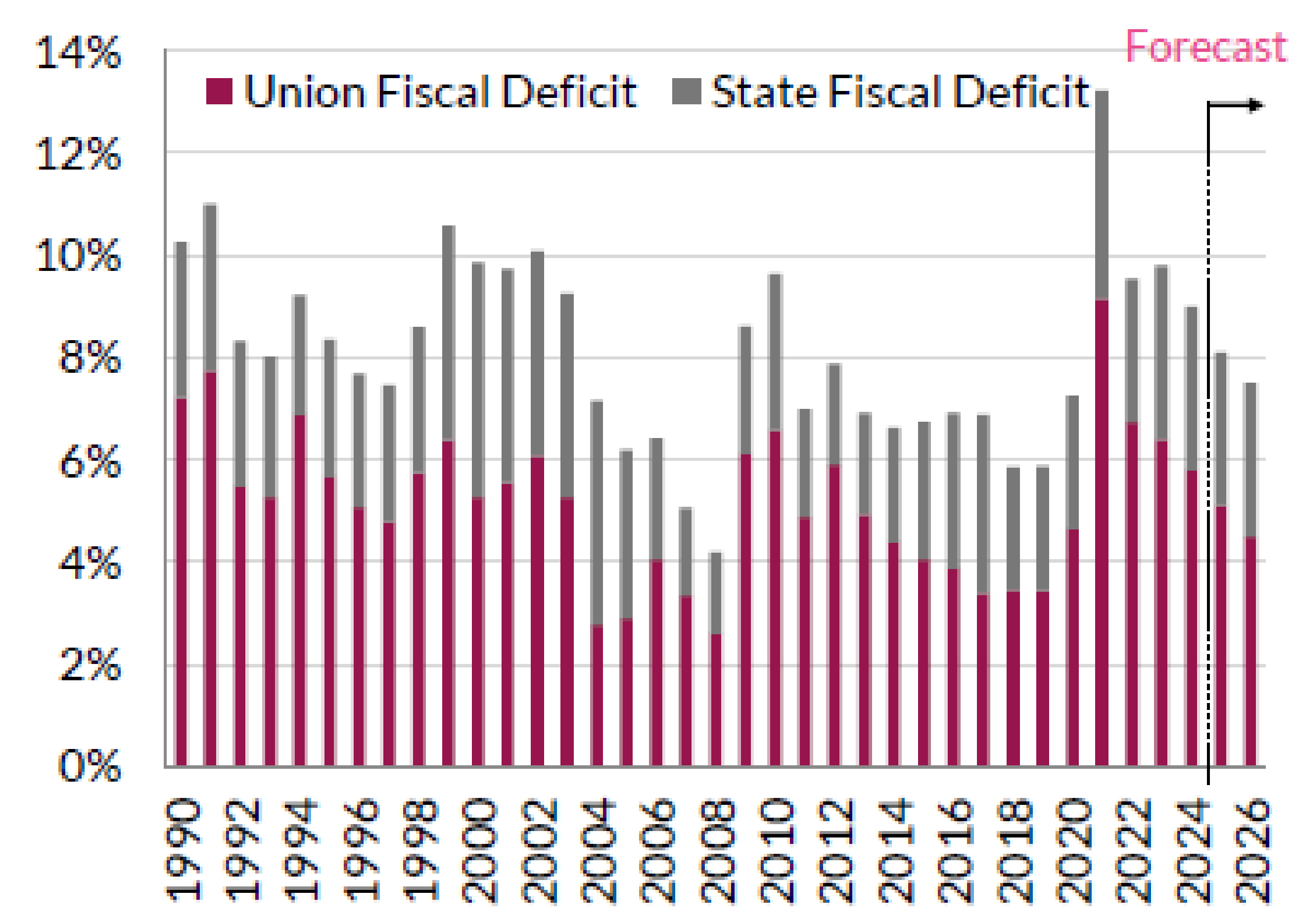
Trends in government accounts (INR Bn, FY23-FY25BE)

INR BN	FY22-23	FY23-24	FY23-24	FY24-25	% YoY	
	RE	BE	RE	VOA	FY25BE/FY23RE	Comments
Revenue Receipts	23484	26323	26997	30013	**11.2**	
Tax Revenue (Net of State Share)	20867	23306	23239	26016	11.9	Appear reasonable on the back of nomial GDP growth of 10.5%
Non-Tax Revenue	2618	3017	3758	3997	6.4	Includes telecom receipt of INR 1203Bn
Capital Receipts	**18388**	**18708**	**17908**	**17645**	**-1.5**	
Recovery of Loans	235	230	260	290	11.5	
Other Receipts	600	610	300	500	66.7	Disinvestment target set at INR 500Bn
Borrowing & Other Liabilities	17553	17868	17348	16855	-2.8	
TOTAL Receipts	**41872**	**45031**	**44905**	**47658**	**6.1**	
Revenue account other than interest payment	25183	24222	24848	24642	-0.8	
Interest Payment	9407	10800	10554	11904	12.8	
TOTAL Expenditure	**41872**	**45031**	**44905**	**47658**	**6.1**	Lower Subisidies helps control expenditure
Total Revenue expenditure	34590	35021	35402	36547	3.2	Control over revenue expenditure
Of which grants for creation of capital assets	3256	3700	3212	3856	20.0	
Total capital expenditure	7283	10010	9502	11111	16.9	
Effective capital expenditure	10539	13709	12714	14967	17.7	strong growth in capital expenditure
REVENUE DEFICIT	**11105**	**8699**	**8405**	**6534**	**-22.3**	
% of GDP	4.1%	2.9%	2.8%	2.0%		
FISCAL DEFICIT	**17553**	**17868**	**17348**	**16855**	**-2.8**	fiscal deficit remains under control in FY24; Budgeted to decline to 5.1% of GDP in FY25E
% of GDP	6.4%	5.9%	5.8%	5.1%		
PRIMARY DEFICIT	**8147**	**7068**	**6793**	**4951**	**-27.1**	
% of GDP	3.0%	2.3%	2.3%	1.5%		
Nominal GDP	**273078**	**301751**	**296577**	**327718**		
Growth (%)	15.4%	10.5%	8.6%	10.5%		
Effective capital expenditure as % of total	25%	30%	28%	31%		

Source: Budget documents, Kotak estimates; A: Actuals BE: Budget Estimates; RE : Revised Estimates; VOA: Vote on account

Centre + State Fiscal Consolidation Continues

Fiscal consolidation continues



- 5.8% FY24RE union fiscal deficit ratio is 10bp below 5.9% FY24 BE, absolute deficit Rs0.5tn lower

- Assuming states deficit remain unchanged, FY25BE fiscal deficit (center + state) in absolute numbers is largely unchanged over last few years

Source: Budget documents, RBI; Axis Capital

Market Borrowing Under Control

Budgeted net market borrowings in line with than expectations in FY25BE

Government borrowing FY22-FY25 BE (INR Bn)

(INR Bn)	FY22A	FY23RE	FY24BE	FY24RE	FY25VoA
Gross Borrowing	9683	14210	15430	15430	14130
Net Borrowing	7040	11082	11809	11805	11752
Short Term borrowing(T-Bills)	774	10000	500	13	500
Financing through small savings scheme	5513	4389	4713	4713	4662

- FY24RE net borrowing in-line with BE; FY25E net market borrowing largely unchanged
- Financing through small savings scheme projected to fall in FY25BE
- RBI action would be the key to gauge the path of movement of yields
- Any change in interest rate policy would depend on Fed action and domestic CPI inflation trajectory

Source: Budget documents, Kotak estimates; A: Actuals BE: Budget Estimates; RE : Estimates

Revenue Growth: Projections Appear Credible

Net tax revenue growth budgeted at 11.9% in FY25BE

Centre's revenue breakup (FY23-25BE), INR Bn

INR Bn	2023	2024BE	2024RE	2025BE	2025BE/ 2024RE (%)	Comments
Receipts						
1. Revenue receipts (2d + 3)	23,832	26,323	26,997	30,013	11.2	
2. Gross tax revenues (a + b)	30,542	33,609	34,372	38,308	11.5	
2.a. Direct taxes	16,723	18,317	19,578	22,130	13.0	Growth expected to continue on the back of GDP growth and tax compliance
2.a.1. Corporation tax	8,258	9,227	9,227	10,428	13.0	
2.a.2. Income tax (incl. other taxes)	8,464	9,090	10,352	11,701	13.0	
2.b. Indirect taxes	13,819	15,292	14,794	16,178	9.4	
2.b.1. Goods and Services Tax	8,491	9,566	9,566	10,677	11.6	GST growth budgeted at 11.6% in FY25BE
2.b.2. Customs duty	2,134	2,331	2,187	2,313	5.8	
2.b.2.1. Basic duties	1,676	1,806	1,670	1,820	9.0	
2.b.2.2. Others	457	525	517	493	(4.7)	
2.b.3. Excise duty	3,190	3,390	3,036	3,188	5.0	
2.b.4. Service tax	4	5	5	1	(80.0)	
2.c Transfers to states, UTs, etc.	9,564	10,302	11,133	12,292	10.4	
2.d Net tax revenues (2 - 2.c)	20,978	23,306	23,239	26,016	11.9	Appears achieveable with Nominal GDP growth at 10.5%
3. Non-tax revenues	2,854	3,017	3,758	3,997	6.4	
3.a. RBI's transfer of surplus	303	303	874	800	(8.5)	
3.b. Telecommunications	648	895	935	1,203	28.6	
3.c. Others	1,903	1,819	1,949	1,994	2.4	
4. Non-debt capital receipts (a + b)	722	840	560	790	41.1	
4.a Recovery of loans	262	230	260	290	11.5	
4.b Other receipts (disinvestments)	460	610	300	500	66.7	Disinvestment target at INR 500Bn is a key monitorable
5. Total receipts (1 + 4)	**24,554**	**27,163**	**27,557**	**30,803**	**11.8**	

Source: Budget documents, Kotak estimates; A: Actuals BE: Budget Estimates; RE : Estimates

Capital Expenditure Driving Overall Expenditure Growth
Lower Subsidies Leading To Lower Revenue Expenditure

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Rise in the share capital expenditure to total expenditure

Centre's expenditure breakup (FY23-25E), INR Bn

INR Bn	2023	2024BE	2024RE	2025BE	2025BE/ 2024RE (%)	Comments
Expenditure						
6. Revenue expenditure	34,531	35,021	35,402	36,547	3.2	
6.a. Interest payments	9,285	10,800	10,554	11,904	12.8	
6.b. Subsidies	5,310	3,747	4,135	3,812	-7.8	Lower subsidies on the back of lower fertilizer subsidies in FY25BE
6.b.1. Food	2,728	1,974	2,123	2,053	-3.3	
6.b.2. Fertilizer	2,513	1,751	1,889	1,640	-13.2	
6.b.3. Oil	68	23	122	119	-2.6	
6.c. Pay, allowances and pensions	6,563	6,894	6,839	7,095	3.7	
6.c.1.a. Pay and allowances	4,148	4,550	4,495	4,714	4.9	
6.c.1.b. Pensions	2,415	2,344	2,344	2,380	1.6	
6.d. Agriculture and farmers' welfare	999	1,155	1,167	1,174	0.6	
6.e. Education	972	1,129	1,297	1,206	-7.0	
6.f. Health and family welfare	703	809	749	833	11.2	
6.g. Rural development	1,768	1,575	1,711	1,776	3.8	
6.h. Others	8,932	8,913	8,951	8,746	-2.3	
7. Capital expenditure	7,400	10,010	9,502	11,111	16.9	Including extra budgetary resources (IBER) capex growth is at 13 YoY% versus 17%YoY in FY24RE.
7. a. Defence	1,509	1,714	1,572	1,720	9.4	
7. b. Railways	1,593	2,400	2,400	2,520	5.0	
7. c. Roads and highways	2,060	2,586	2,645	2,722	2.9	
7. d. Loans for capex to states	812	1,300	1,056	1,300	23.2	
7. d. Housing and urban affairs	269	260	265	286	7.9	
7. e. Others	1,158	1,750	1,564	2,562	63.8	
8. Total expenditure (6 + 7)	**41,932**	**45,031**	**44,905**	**47,658**	**6.1**	

Source: Budget documents, Kotak estimates; A: Actuals BE: Budget Estimates; RE : Estimates

Subsidy As % Of GDP Getting Back To Pre- COVID Levels

Subsidy as % of GDP at 1.3% of GDP in FY25BE

Subsidy break up (FY22-25E), INR Bn

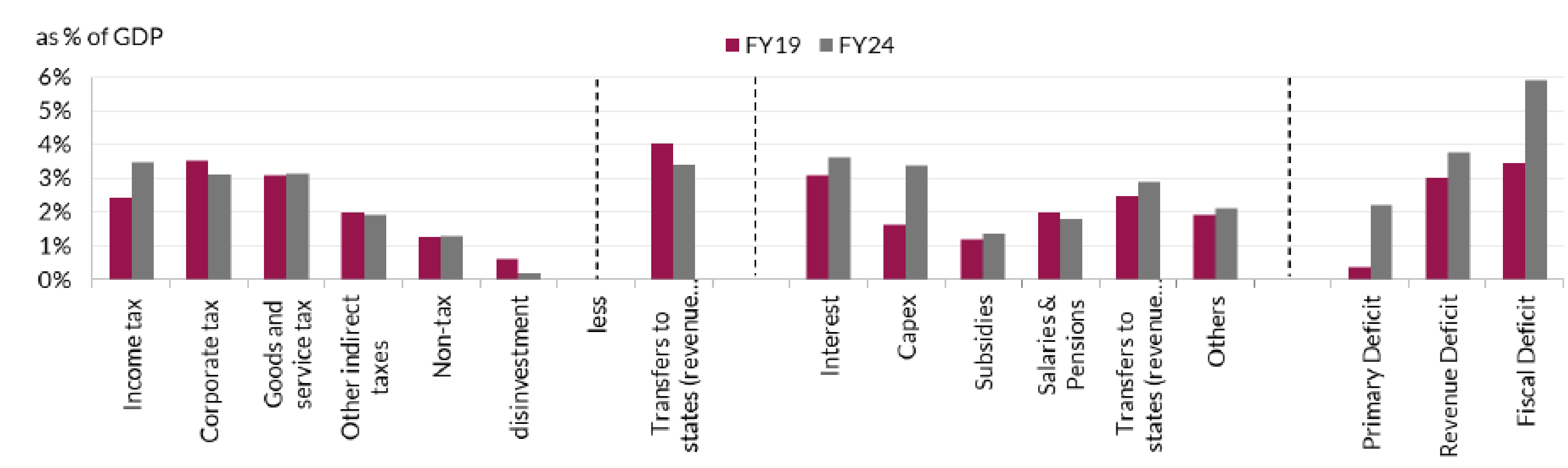
(INR Bn)	FY22A	FY23RE	FY24BE	FY24RE	FY25BE
Food Subsidy	2890	2872	1974	2123	2053
Fertilizer Subsidy	1538	2252	1751	1889	1640
Petroleum Subsidy	34	92	23	122	119
Total Subsidy	5039	5621	4301	4405	4097
Subsidy as % of GDP	**2.2%**	**2.1%**	**1.4%**	**1.5%**	**1.3%**

- Subsidy in FY25BE is at 1.3% of GDP on the back of lower fertiliser subsidies

Source: Budget documents, Kotak estimates; A: Actuals BE: Budget Estimates; RE : Estimates;

Path To Fiscal Consolidation

Benchmarking The Changes To Fiscal Structure Vs The Last Pre-Covid Year



- While taxes as % of GDP have risen from FY19 levels, expenditure has grown faster
- Increase in capex shows better quality of spend
- Improving tax to GDP, and controlling spends like salaries and pensions are important for continued consolidation

Source: Budget documents, RBI; Axis Capital

Oil Subsidy: Minor Provision Towards LPG DBT And For Providing LPG Connections

Budget provision for fuel subsidy in FY25

Subsidy break down FY23-25BE (INR Bn)

	FY23A	FY24 BE	FY24 RE	FY25 BE
	INR Bn	INR Bn	INR Bn	INR Bn
LPG DBT provision in the Budget	**2**	**2**	**15**	**15**
add: LPG connections to poor households	57	-	85	91
add: subsidies towards North East, projects, etc.	10	21	23	13
add: one-time grant for dom LPG under-recovery*	220	-	-	-
Total petroleum subsidy provision in the Budget	**288**	**23**	**122**	**119**

** Provided outside the head "LPG Subsidy"*

Total petroleum subsidy provided for FY24RE: INR 122Bn; for FY25BE: INR 119Bn

- Increase in LPG subsidy directed towards mainly providing connections to poor households and nominal allocation towards LPG DBT.
- Excise duty collection estimate for FY25E forecasting 5% YoY growth inline with volume growth, indicate there may not be major upward or downward revision to duties on petroleum fuels.
- Capital support to Oil Marketing Companies of INR 300 Bn allocated in FY24BE was rolled over to FY25BE but halved to INR 150 Bn.

Source: Budget Documents

Infrastructure : Allocation Continues To Remain Buoyant

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Sustained Focus on Infrastructure

- Capital expenditure allocation is up by 17% over FY24 RE to INR 11.1tn, highlighting the commitment of Government of India on Infrastructure development
- In addition, the financial assistance to States for capex and project support is also given at INR1.72t to further accelerate investment
- Total capital investment represents 3.4% of GDP and increases to 3.9% of GDP including the Grant given to States
- Higher Gross Budgetary Support to NHAI is also positive as it reduces dependence on external borrowing to fund investment.
- Railways has seen moderate increase in allocation by 5% to INR 2.5 tn which will expedite addition of new lines, BG conversion, High Speed Rail Corridor and peripheral infrastructure creation. Metro projects capex is up 9% to INR 212 bn
- Housing has seen the highest increase in outlay, budget for PMAY has been increase by 59% to INR 807 bn
- Jal Jeevan Mission outlay has been kept steady at INR 702 bn
- Sharp increase of 83% in the outlay for PLI to INR 137 bn

Water, Railways Amongst The Key Sector Witnessing Higher Allocation

Rs Bn					Incr over (%)
Key scheme/sector capital outlay (INR b)	FY22A	FY23A	FY24RE	FY25BE	FY24RE
Jal Jeevan Mission (JJM)/National Rural Drinking Water Mission	631	547	700	702	0.3%
Pradhan Mantri Awas Yojna (PMAY) - Urban	600	325	264	301	14.0%
Pradhan Mantri Awas Yojna (PMAY) - Rural	300	411	277	506	82.7%
Pradhan Mantri Gram Sadak Yojna	140	188	190	170	-10.5%
Swachh Bharat Mission	50	69	96	122	27.1%
AMRUT and Smart Cities Mission	139	152	132	104	-21.2%
Metro Projects	233	188	195	212	8.7%
Border Roads Development Board	0	45	65	65	0.0%
NHAI	571	1416	1,674	1685	0.7%
MoRTH	662	758	1085	1090	0.5%
Railways	1,173	1593	2,402	2522	5.0%
Defence	1,343	1429	1,572	1720	9.4%
Production Linked Incentives & similar schemes	0	33	75	137	82.7%
Total	5,842	7,154	8,727	9,336	7.0%

Source: Budget documents, Kotak estimates; BE: Budget Estimates; RE : Estimates

Rural :Increase In Allocation Towards Many Specific Schemes/Purposes But Reduction In Some

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Positive Implications for agriculture/rural sectors – key highlights

- Fertilizers and Rural Development: Allocation of ~INR 5.5 Tn for the year 2024-25 similar to the previous year.
- Government has identified 'Annadata' (Farmers) as a key focus. Every year, under PM-Kisan Samman Yojana, direct financial assistance is provided to 118 Mn farmers, including marginal and small farmers. Crop insurance is given to 40 Million farmers under PM Fasal Bima Yojana.
- Electronic National Agriculture Market has integrated 1361 mandis, and is providing services to 180 mn farmers with trading volume of INR 3 tn. Strategy will be formulated to achieve self-sufficiency.
- Implementation of Pradhan Mantri Matsya Sampada Yojana (PMMSY) will be stepped up to: enhance aquaculture productivity from existing 3 to 5 tons per hectare, double exports to INR 1 tn and generate 550 mn employment
- Five integrated aquaparks will be setup.

Steady outlay towards rural and agriculture, with FY25BE similar to FY24RE

Provision/Allocation for Rural Sector, Agriculture and Farmer's welfare					
(In INR bn)	FY23A	FY24BE	FY24RE	FY25BE	% Change
Allocation towards MGNREGS	908	600	860	860	0%
Allocation towards Pradhan Mantri Kisan Samman Nidhi Yojna	583	600	600	600	0%
Allocation towards National Rural Drinking Water Mission	547	700	700	702	0%
Allocation towards Pradhan Mantri Awas Yojna - Rural & Interest to NABARD	411	505	277	506	82%
Allocation towards Modified Interest Subvention Scheme (MISS)	180	230	185	226	22%
Allocation towards Pradhan Mantri Gram Sadak Yojna	188	190	170	120	-29%
Allocation towards Pradhan Mantri Fasal Bima Yojna	103	136	150	146	-3%
Allocation towards National Rural Livelihood Mission	111	95	123	132	8%
Allocation towards Pradhan Mantri Krishi Sinchai Yojna	64	108	88	114	30%

Source: Budget documents

Sectoral impact

Summary

Sector	Nature of Impact
BFSI	Positive
Agriculture	Neutral
Auto	Positive
Real Estate	Positive
Capital goods	Positive
Cement and building material	Positive
Infrastructure	Positive
Consumer	Positive
Oil & Gas	Positive
Power	Positive
Metals & Mining	Positive

BFSI: Positive

Budget Proposals	Nature of Impact	Comments
Sticking to objective of fiscal consolidation, government targets FY25 fiscal deficit at 5.1% - 70bp consolidation vs 5.8% FY24 RE / 5.9% FY24 BE	Positive	Government has guided for lower market borrowings in FY25e which should lead to lower yields and augurs well PSU Banks (from treasury gains perspective) and NBFCs (as borrowing costs can cool off)
Focus on low and middle income housing - under Pradhan Mantri Awas Yojana (Grameen; PMAY), government plans to add 20mn new houses over next 5 years vs close to 30mn houses addded over past 5 years	Positive	PMAY scheme has been instrumental in providing boost to the affordable housing segment - continued focus on this segment augurs well for HFCs / banks engaged in the affordable housing segment
Housing scheme for middle class to buy or build own houses		
Outlay for PMAY scheme for FY25 stood at INR807bn vs INR541bn FY24RE (flat vs FY24 BE)		

Agriculture: Neutral

Budget Proposal	Nature of Impact	Comments
Total **fertilizer** subsidy allocated is INR 1641 bn (INR 1190 bn for urea + INR 450 bn for complex fertilizers) for FY25BE ie decreased by 6% vs INR 1751 bn FY24BE and lower by 13% vs INR 1889 bn in FY24 RE (INR 1286 bn for urea + INR 603 bn for complex fertilizers).	Negative	Subsidy for Fertilizer companies has been reduced in FY25
Pradhan Mantri Kisan Samman Nidhi Yojna or **PM KISAN** allocation is flat in FY25BE at INR 600bn vs FY24RE	Neutral	Not much incremental cash flow for farmers
Allocation towards Modified Interest Subvention Scheme **(MISS)** has increased to INR 226bn in FY25BE up 22% vs INR 185bn in FY24RE.	Positive	Increase liquidity with the farmers for spending on agri inputs
Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) allocation is flat at INR 860 bn in FY25BE vs FY24RE	Neutral	No major change in rural income opportunities

Auto, Real Estate: Positive

Sector	Budget Proposal	Nature of Impact	Comments
Auto	Higher Infra spending	**Positive**	Infrastructure spending will enable job creation and is a key enabler for growth in demand for the sector.
	No direct stimulus to increase consumption/spending at lower end	**Negative**	Entry level 2W and 4W may continue to face lower volumes in near term
	EV ecosystem	**Positive**	1. Continuation of FAME subsidy in FY25 at INR27b (though lower than INR48b in FY24) 2. Allotment for PLI scheme for Auto and Auto component at INR35b in FY25E, vs INR4.8b in FY24 3. Allotment for ACC PLI for Battery at INR2.5b in FY25, vs INR120m in FY24 4. PM eBUS Sewa Scheme allocation of INR13b in FY25, vs INR200m in FY24 5. VGF for Battery Energy Storage System at INR960m in FY25
Real Estate	Allocations increased under PMAY scheme for FY25BE raised to INR806.7b vs INR541b in RE 2023-24	**Positive**	Positive for affordable housing projects
	New scheme for Mid income housing		Positive for affordable housing projects

Capital Goods: Positive

Budget Proposal	Nature of Impact	Comments
Overall outlay for capex increased to INR 11.1 tn from INR 9.5 tn (FY24RE)	Positive	Steady increase in outlay. Equipment suppliers to Roads, Railways and water sector key beneficiary
INR 1.7 Tn to states for capital investment in Rural roads, digitisation and urban development.	Positive	Increases ability of the states to spend on infra, positive for construction equipment suppliers
Defence capital acquisition outlay of INR 1720 bn against INR 1572 bn for FY24 RE	Neutral	Defence capital acquisition budget, has increased by a moderate 9.4%.
INR 2522 bn has been assigned towards railways, which has gone up by 5% YoY	Neutral	Steady push towards capacity enhancement and modernisation.
Overall outlay for MoRTH increased from INR 2759 bn in FY24RE to INR 2775 bn in FY25BE	Neutral	Continued push towards infrastructure development, positive for construction equipment suppliers
PM Awas Yojana outlay hiked by 49% to INR 807 bn	Positive	Positive for construction material, consumer durables
PLI outlay increase by 83% to INR 137 bn	Positive	Strong increase in domestic manufacturing capacity

Cement, Building Materials: Positive

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<table>
<tr><th>Budget proposal</th><th>Nature of impact</th><th>Comments</th></tr>
<tr><td>For Pradhan Mantri Gram Sadak Yojna the allocation has increased 11% yoy to Rs 190bn</td><td rowspan="5">Positive</td><td rowspan="5">Marginally positive for Cement sector as increased allocation for housing.</td></tr>
<tr><td>Allocation to Pradhan Mantri Awas Yojna (Urban+Rural) has only increased by 49% to Rs 806bn. PMAY for Urban decreased by 18% to Rs 261bn whereas PMAY for Rural's allocation saw an increase of 70% to Rs 545bn</td></tr>
<tr><td>Additional 2 crore houses targeted for next 5 years

Railways – 3 new important corridors announced viz. Port connectivity corridor, energy, mineral and cement corridor and High traffic density corridor.</td></tr>
<tr><td>Total Capital Expenditure by the Centre stood at Rs 1111bn, 17% higher than the previous allocation of Rs 950bn</td></tr>
</table>

Infrastructure: Positive

Budget proposal	Nature of impact	Comments
Capital expenditure in Budget up 17% to INR11.1tn	Positive	Commitment towards higher capital spending is key positive.
Financial assistance to States for Capital Expenditure		The outlay for this scheme is kept at INR1.3tn to assist the states in catalysing overall investments in the economy.
INR1t corpus to fund long term financing to scale up research and innovation in Sunrise domains		To drive investment in sectors like Hydrogen generation, Cell production, other forms of cleaner energy and new age technologies in areas like Defence
Three major economic railway corridor programmes will be implemented		Large scale investment will be directed towards improving efficiency of Rail transportation and bring down logistics cost
Focus on Net Zero by 2070		New areas of focus under the scheme includes VGF for offshore wind, Coal Gasification/liquefaction, phased blending of compressed biogas, etc.

Consumers, Oil & Gas: Positive

Sector	Budget Proposal	Nature of Impact	Comments
Consumer	No change in taxes for cigarettes	**Positive**	Helps increase in the pace of formalization by gaining market share from illicit cigarette industry. However, full budget in July 2024 would remain monitarable.
	Additional 20mn houses to be targeted in Pradhan Mantri Awas Yojana and housing for middle class scheme to be launched	**Positive**	Helps the paint and adhesive company in medium term.
	No major sops to the rural market	**Negative**	Given the consumption slowdown in rural market, some sops was expected in the form of rural schemes. However, no major announcement came in vote on account budget. It can delay the recovery in mass end consumption.
Oil & Gas	Petroleum subsidy allocation of INR122bn for FY24RE and INR119bn for FY25E	**Positive**	Subsidy allocation is mainly towards providing LPG connections to poor households and LPG DBT. No allocation for under-recoveries on fuels, which won't be needed.
	Capital outlay of INR150bn to OMCs	**Positive**	While no details are mentioned regarding projects, INR 300 bn provided last year for energy transition has been rolled over to next year and halved to INR 150 bn.

Power, Metals: Positive

Sector	Budget Proposals	Nature of Impact	Comments
Power	Rooftop solarization- 10mn households will be enabled to obtain up to 300 units of free electricity per month	**Positive**	Rooftop solar pickup is currently limited to only few states. However, state level implementation of policy is the key
	Viability gap funding for 1GW offshore wind energy		Offshore wind have much higher PLF vs onshore, but 3x its cost. Viability gap will entail new investment
	Coal Gasification + Liquefaction 100MT by 2030		Positive for coal sector capex
	Government will expand and strengthen the e-vehicle ecosystem by supporting manufacturing and charging infrastructure.		This will boost EV adoption including for public services
	Railway corridor for energy and minerals		Will address coal rake shortage of non-pithead thermal power plants
Metals & Mining	Railway corridor programmes for energy, mineral, cement corridors, port connectivity and high traffic density corridors.	**Positive**	Will boost steel consumption during construction and also demand for new rakes
	Allocation to Pradhan Mantri Awas Yojna (Urban+Rural) has only increased by 49% to Rs 806bn. PMAY for Urban decreased by 18% to Rs 261bn whereas PMAY for Rural's allocation saw an increase of 70% to Rs 545bn		Marginal positive for long steel demand
	Total Capital Expenditure by the Centre stood at Rs 1111bn, 17% higher than the previous allocation of Rs 950bn		Marginal positive for metal sector

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: Tushar Paturde

: info@metainvestment.in

: 9309806281

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