SBI

The banker to every indian

UNION BUDGET 2025-26

yono SBI

bank.sbi

C.S.Setty
Chairman
State Bank of India
Mumbai

FOREWORD

The Union Budget 2025-26 delivered an indelible print on sustainable and all-encompassing growth that permeates the grassroots most through infusing concrete and visionary strategies harmoniously weaving our factors of production, capital formation and knowledge accretion; all in lockstep with the changing laws and practices dictating the terms of trade in a rapidly reglobalizing world order.

The next-gen changes and incremental reforms that have become the defining feature of recent budgets was clearly visible this year as well as fortification of agrarian ecosystem with reinvigoration of MSMEs that are the engine of growth. Private capital has been simultaneously facilitated to increase investments that bodes well for pitching India as the new playground of the world in manufacturing/blended areas.

Taking forward from the previous year, the Union Budget 2025-26 focuses on 10 broad areas covering Garib, Youth, Annadata and Nari with the help of four powerful engines: Agriculture, MSME, Investment, and Exports. The Budget also aims to initiate transformative reforms across six domains – taxation, power sector, urban development and mining, financial sector and regulatory- to augment growth potential and global competitiveness.

Starting with the macroeconomic imprints, the nominal GDP growth is estimated at 10.1%. Fiscal deficit has been pegged at 4.4% of GDP for FY26 or Rs 15.68 lakh crore in FY26 lower than 4.8 % of GDP FY25 or Rs 15.69 lakh crore. The market borrowings as a result through dated securities during 2025-26 are estimated at ₹14.8 lakh crore gross and ₹11.5 lakh crore net. The fiscal consolidation trends in the post-pandemic period remains intact and serves well as economy sheds the public expansion during COVID-19 making way for private activity to thrive. The fiscal numbers are in fact mostly conservative and has the potential to surprise on the upside.

At the heart of it, primary focus is on rural economy with focus on crop productivity enhancement, output enhancement in veg proteins, and addressing the issues in domestic production in cash crops like cotton/better yielding seeds while making higher dosage of credit to farmers through higher KCC interest subvention. Prime Minister Dhan-Dhaanya Krishi Yojana' in partnership with states should benefit 1.7 crore farmers in 100 districts with low productivity, moderate crop intensity and below-average credit parameters while multi-sectoral 'Rural Prosperity and Resilience' programme, in partnership with states, will address under-employment in agriculture through skilling, investment, technology, in turn invigorating the rural economy through providing ample local opportunities for the rural women, young farmers, rural youth, marginal and small farmers, and landless families. These schemes convey a deeper message that policy action is strategically aligned to holistic rural development and income augmentation. 'Grameen Credit Score' framework for SHG members and people in rural areas will help banks to serve these segments optimally.

The thrust to infrastructure remains intact in these years as well with ₹11.2 lakh crore (or 3.1 % of GDP) have been allocated for capital expenditure which goes up to ₹19.8 lakh crore factoring grants to states and CPSE capex.

With an outlay of ₹ 1.5 lakh crore, 50-year interest free loans to states for capital expenditure, the Budget has continued the fiscal decentralization of capital expenditure started since COVID-19. Within the power sector, budget incentivizes distribution reforms and augmentation of intra-state transmission by allowing additional borrowing of 0.5 % of GSDP to states, contingent on these reforms. To finance the proposed projects, a new asset monetization plan for the period 2025-30 will plough back capital of ₹ 10 lakh crore in new projects. Furthermore, NaBFID will set up a 'Partial Credit Enhancement Facility' for corporate bonds for infrastructure.

Government had announced in the last Budget that it will partner with private sector for R&D of Bharat Small Modular Reactor and newer technologies for nuclear energy, and to set up Bharat Small Reactors paving way for private capital in atomic sector. In continuation to this, the Budget has announced Nuclear Energy Mission for Viksit Bharat with an outlay of ₹20,000 crore. The objective is to reach a production capacity of 100GW by 2047.

The goal to revive labour intensive economic activity is understandable in this Budget. Labour intensive SMEs sector like toys, leather, footwear and food processing are the main focus thus as multiple schemes like enhancing the investment and turnover limits for classification of MSMEs by 2.5 and 2 times respectively to smoothen the incremental flow of capital to them as they strive to attain higher efficiencies of scale and technological upgradation while hiking the guarantee coverage for established units, as also start-ups can enhance their scaling up the ladder fast. 'BharatTradeNet' (BTN) for international trade will be set-up as a unified platform for trade documentation and financing solutions is also plus for banks.

Customized Credit Cards with a Rs 5 lakh limit for micro enterprises registered on Udyam portal, infusing the AIF centric FoF (Fund of Funds) with second tranche of seed capital of Rs 10,000 crore, new credit scheme for first time entrepreneurs from marginalized communities/women augur well for the overall ecosystem.

On the demand side personal income tax has been adjusted so that income up to Rs 12.0 lakh will be exempted from income tax. This implies the main thrust of the fiscal stimulus for supporting consumption is on the urban side. Coupled with focus on rural income and labor-intensive sectors, the economy is expected to see a buoyant growth in consumption in FY26, and beyond.

The thrust to skilling is noticeable in Budget. Skill deficit needs to address across sectors both in traditional and technology oriented. Five National Centres of Excellence for skilling will be set up with global expertise and partnerships to equip our youth with the skills required for "Make for India, Make for the World" manufacturing. The partnerships will cover curriculum design, training of trainers, a skills certification framework, and periodic reviews. The push for AI-led skilling aligns with the need for a future-ready workforce.

On the taxation side besides the reduction in personal income tax, measures are mostly focused on reducing compliance burden. The threshold to collect tax at source (TCS) on remittances under RBI's Liberalized Remittance Scheme (LRS) increased from Rs 7 lakh to Rs 10 lakh. The annual limit of Rs 2.40 lakh for TDS on rent increased to Rs 6 lakh. Further, the sunset dates related to IFSC units for exemptions, deductions and relocation in various sections shall be extended to 31st March, 2030.

Overall, the Budget 2025-26 maintains a continuity and predictability factor, making rational choices and decisions in line with vision of Viksit Bharat. The measures for ease of doing business, energy security, orderly green transition, infrastructure and urban development, women participation, skill development show sensitivity to immediate concerns and emerging risks. Budget is thus a significant step toward making India a global hub for innovation and advanced manufacturing with global competitiveness.

C.S.Setty

Saloni Narayan
Dy Managing Director (Finance)
State Bank of India
Mumbai

PREAMBLE

The Union Budget 2025-26 lays building blocks of country's multi-dimensional resilient growth that simultaneously permeates to the last mile and catapults her leadership on world stage through fostering innovations and sweeping mechanisms upending opportunities amidst challenges.

It is an audacious take on issues besieging the global economy, countering the exogenous shocks through building guard rails and moats of innovation, grassroot fortification and regulations that are in lockstep with changing realities of doing business. All this has been infused in the budget with a 'can-do' attitude that deploys diverse strategic priorities to strengthen the factors of capital formation, rewarding the average taxpayers and reaffirming the collective belief in the pillars of democracy through reforms, better regulations and higher revenue accretion repositioning us to benefit from the uneven contours of changes sweeping a world undergoing steep reglobalization.

The focus of the budget is two pronged; strengthening factors of production in rural and agrarian area, MSMEs/ Industries (including blended areas) and wider emerging areas of services delivery where our skilled, and knowledge-centric workforce is poised to harness the demographic dividends even as we strive to become the new manufacturing playground of the world. Simultaneously, it strengthens the underlying lynchpins viz. skill development, innovations, quality school education to higher education in STEM areas, healthcare, tech diffusion and guarantee mechanism to enhance credit deliverance which together create an enabling ecosystem where the bottom of the pyramid is able to stake equitable claim in wealth redistribution.

The agri and MSME sectors together serve colossal cohorts of the population and ample scaling up opportunities have been announced today to enable them to scale up in capabilities, profitability, better market and credit access and entrepreneurial spirit achievement. On the other side, private participation has been optimally encouraged to build upon the stellar public capex across physical to technological infrastructures that bodes well for incremental capital formation. Ease of doing business has been a hallmark of this year's budget, simplifying regulations and lowering unwanted compliance burden.

The budget strengthens India's pitch for attaining the status of a knowledge centric robust and vibrant economy as it remains in a Goldilocks period to chase higher goals that result in incremental prosperity across population cohorts. Today's budget, and its threadbare analysis assiduously prepared by the ERD team, is a harbinger of the stride being initiated by a new India in the making, I believe as we are ready to achieve a terminal velocity of equitable growth.

Saloni Narayan

The Common man Comes Alive!

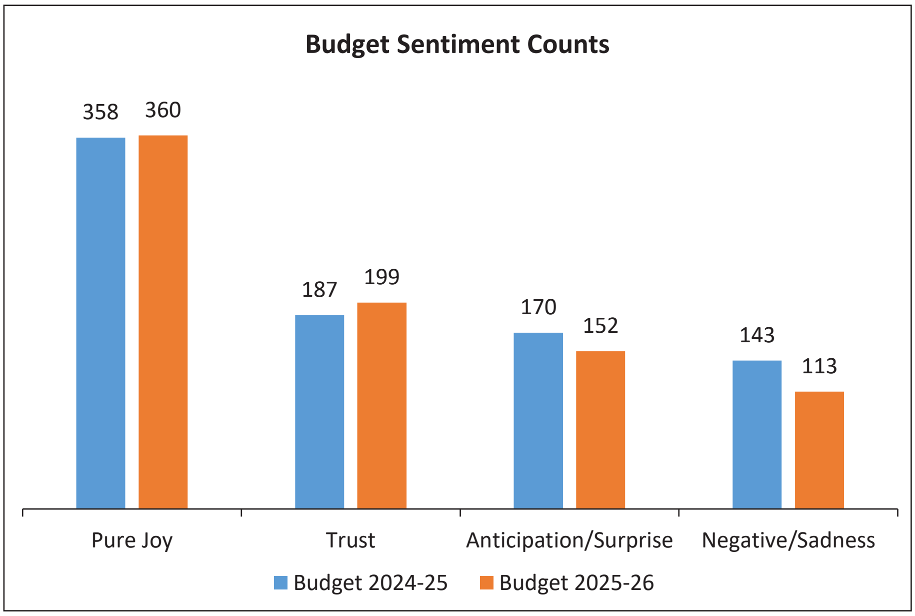
(Picture Credit: storyboard18)

The visionary propositions of Union Budget (FY26) take the dream of the Common man, much fabled creation of late R K Laxman, candidly forward through a significant rationalization of personal taxes – leaving *MORE* disposable income in the hands of average households and families, thereby driving their consumption abilities and accentuate fulfilling personal, as also professional goals seamlessly even as the country repositions itself to reap the rich demographic dividends, harnessing optimally the winds of re-globalization sweeping across the world.

Section 1
The Macro Picture

TEXT MINING UNION BUDGET SPEECH REVEALS A JUMP IN POSITIVITY, TRUST AND CONTINUITY

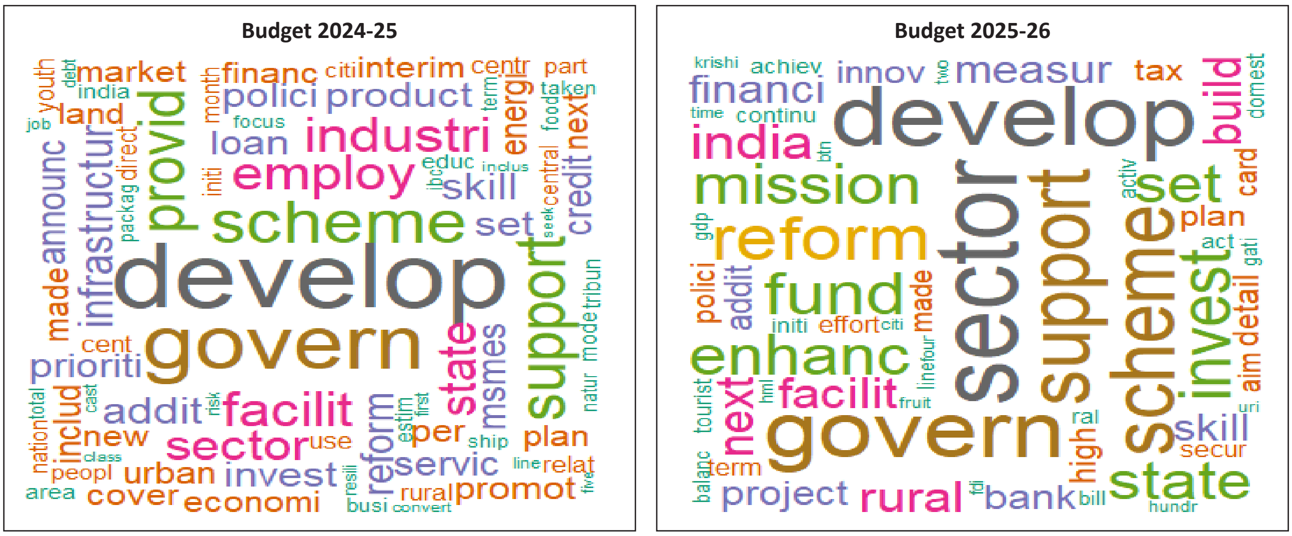
Text mining techniques involve computational tools and statistical techniques to quantify text and uncover the implicit focal variables. While the technique of text mining is widely applied in fields such as political science and marketing, its use in economics, particularly in central bank research, is relatively nascent.



For text mining analysis, the budget speeches of 2025-26 and 2024-25 by the Hon'ble Finance Minister were pooled and processed. We have analysed the sentiment counts in the given budget speeches and encountered with interesting results. While the Pure Joy/trust sentiments increased in current budget, the negative sentiment along-with sadness has declined significantly.

Further, word cloud helps to bring out the focus of Government's agenda. Results indicate that development and governance are the primary objective of Government in both the fiscals and in the current budget more attention is on sectoral reforms and support through schemes.

Word Cloud Analysis of Union Budget



Source: SBI Research; Word clouds are based on stemmed words, which present root form of a word.

COMMON MAN COMES ALIVE AS THE PRIMARY FOCUS IN BUDGET

To increase consumption, Government had increased 'Nil tax' slab from Rs 2.5 lakh in 2014 to Rs 7 lakh in 2023. However, Government had continued to have 2-tax regime and left on the taxpayer to choose as per his/her income and deductions. However, around 78% of the returned filled under the Individual Income Tax (IT) are under the new tax regime.

The Government has now proposed a big income tax relief bonanza in the Union Budget 2025-26 in the new tax regime. The proposals are

- No income tax burden for income levels up to Rs 12 lakh (i.e. average income of Rs 1 lakh per month other than special rate income such as capital gains) under the new regime
- This limit will be Rs 12.75 lakh for salaried taxpayers, due to standard deduction of Rs 75,000.
- Slabs and rates are being changed across the board to benefit all taxpayers

The new tax slabs now start at a higher income level (4L), allowing more people to benefit from the reduced rates. The increase in the income threshold means that middle-income earners will see a direct reduction in their tax liabilities.

Modified New ITR

Tax slabs	Tax rate	Approximate Tax Payers (in Lakh)	Total tax savings (in Crore)	Tax saving per tax payer (in Rs)		Total boost to consumption (in Rs Crore)
<= 4L	Nil	-	-	-		-
4L-8L	5%	372.8	11,222	-		37,405
8L-12L	10%	112.0	43,080	38,455		1,43,600
12L-16L	15%	42.2	11,589	27,449		38,631
16-20L	20%	19.4	13,009	67,000		43,363
20L-24L	25%	9.5	9,415	98,650	using marginal propensity to consume / mpc of 0.7	31,384
>=24L	30%	9.8	10,788	1,10,000		35,960
Total		565.8	99,103	-		3,30,344

Our analysis finds that this new tax structure would benefit approximately of total 5.65 crore taxpayers (above Rs 4 lakh tax slab) with total tax savings amounting to majestic ~Rs 1 lakh crore; with maximum benefits accrued to people in 8L-12L income bucket. Using marginal propensity to consume 0.7, we estimate that this tax savings would lead to consumption boost of Rs 3.3 Lakh Crores by spurring disposable income, thus significantly stimulating economic activity. This will ultimately contribute to more vibrant economy, encouraging sustainable growth and improving overall economic well-being.

The Union Budget 2025-26 has also announced the extension of the time limit to file the updated return (ITR-U) from its current timeline of 24 months to 48 months. In her budget speech, Hon'ble Finance Minister noted that "*nearly 90 lakh taxpayers voluntarily updated their incomes by paying additional tax. Taking this trust further, I now propose to extend the time limit to file updated returns for any assessment year*."

Further, using Household Consumer Expenditure Survey (HCES 2023-24) data, we also analysed the sectoral increase in spending. In principle, the Rs 3.3 lakh crores is expected to flow into key sectors such as consumer goods, healthcare, education, and housing. This incremental spending over and above the base line spending is likely to drive demand in these sectors

Break-up of Consumption Boost			
Food Item	**Rs Crore**	**Non-Food Item**	**Rs Crore**
Cereal	12342	Pan, tobacco & intoxicants	7821
Pulses And Pulse Products	4026	Fuel and light	18447
Sugar & Salt	1881	Toilet articles & other household consumables	16995
Milk And Milk Products	23727	Education	19701
Vegetables	13596	Medical (non- hospitalization)	12837
Fruits (Fresh + Dry)	12771	Conveyance	27918
Egg, Fish & Meat	11748	Consumer services	18876
Edible Oil	6006	Entertainment	5841
Spices	7590	Rent	21714
Beverages, Processed Food, Etc.	37257	Clothing & bedding	15840
Food Total	**130944**	Footwear	2838
		Durable goods	22671
		Non-food Total	**199056**

Source: SBI Research

Additionally, an increase in consumption spending by ₹3.3 lakh crores, driven by the tax savings, will result in a rise in indirect tax revenues, particularly through Goods and Services Tax (GST). Assuming an average GST rate of 12%, this additional consumption could generate an estimated ₹40,000 crores in indirect taxes, implying also an additional Rs 20,000 crores revenue to states. Further, of the Rs 20,000 crores, an estimated 41% of Rs 20,000 crores /Rs 8,000 crores will also flow to the states. Thus, the states stand to gain at least Rs 28,000 crores more under this new tax dispensation. This growth in indirect tax revenue can further support government finances, providing a cyclical boost to economic activity and public expenditure.

This consumption boost will enhance the financials and market capitalisation of sectors such as FMCG, Healthcare, Entertainment sector, Textile, Automobile, Real Estate etc. our estimates show that an increase 1% increase in market capitalisation results in 0.06% increase in GDP. Nifty 50 companies has already added market capitalisation of Rs 52.9 lakh crore since March 2023. Sector wise addition of market cap as under: -

Market Capitalisation of Nifty 50_Sector Wise			
Sector	**Market capitalization added from Mar'23 (Rs Lakh cr)**	**% share in addition**	**Sector Weight(%) as on 31.12.2024**
Financial Services	12.8	24.2	34.6
Information Technology	8.5	16.2	14.1
Automobile and Auto Components	7.0	13.2	7.4
Telecommunication	5.3	9.9	4.0
Oil Gas & Consumable Fuels	3.6	6.8	10.0
Healthcare	2.8	5.3	4.2
Power	2.5	4.8	2.8
Metals & Mining	2.1	3.9	3.3
Construction	1.7	3.2	4.0
Construction Materials	1.7	3.2	2.1
Consumer Services	1.5	2.8	1.5
Capital Goods	1.2	2.3	1.0
Services	1.0	1.9	0.9
Fast Moving Consumer Goods	0.9	1.7	8.0
Consumer Durables	0.2	0.5	2.2
Grand Total	**52.9**	**100.0**	**100.0**

New Tax Regime (NTR) Demystified

The Budget lays further groundwork, adding sweeteners to nudge move to a clutter free new tax regime. Currently, the current incentives tend to violate the principle of equity and efficiency without generally enhancing savings at macro level. Therefore, the continuation of different tax incentives on various financial assets needed a relook and the budget made the right move last year in making the new tax regime the default option.

The new tax regime distinguishes between long-term savings, and short- and medium-term savings as far as the tax treatment are concerned. Further, Government proposes to make NTR as the default tax regime supports the Government's initiative to digitise and simplify the tax process for individuals. This would also mean significant changes in the payroll procedures of employers for salaried taxpayers.

For the purpose of tax treatment, there should be a clear-cut distinction between long term (more than 5 years) savings and short/medium term (up to 5 years) savings as their impacts are way different. Deductions, exemptions and tax rebates are three kinds of financial instruments under the Indian tax system.

Tax incentives with short to medium term lock in provisions re-channel savings on the preferred instruments for tax avoidance. In contrast, tax incentives in long term instruments channel the savings towards long run anticipated fall in income (retirement) and increase in consumption (children's education, marriage), thereby increasing the financial assets and general level of savings in the economy.

The tax treatment for financial instruments having long-term maturity should differ from that of short- and medium-term maturity, considering the special role of these instruments in promotion of long-term financial accumulation by way of social security.

Thus, for example, while individuals investing in Sukanya Samriddhi Yojana for their girl child will continue to receive tax-exempted interest in the account under the new tax regime and the maturity proceeds received from the scheme's account will remain exempted from tax. However, investment under this scheme will not be available for tax-break under section 80C under the new tax regime. Thus, long term savings will continue to be encouraged, thereby promoting long term financial accumulation and social security.

The Government has tweaked and recalibrated the tax slabs to make the new tax regime more attractive. Also, the issue that the new tax regime could be regressive has been effectively addressed now, with the exemption limit at the lower end increased significantly from Rs 7 lakh to Rs 12 lakh. We believe, the movement to a new tax regime will be a smart move by existing taxpayers in search of simplicity and more disposable income. Also, the overall impact of consumption multiplier will be significant.

There are two alternative ways of devising an income tax which uses consumption as a tax base, viz., - (a) TEE (taxed, exempted and exempted) - contributions is taxed, while investment income and benefits are not or (b) EET (Exempted, exempted, taxed) - the contributions and investment income are exempted while the benefits are taxed. Both these methods avoid double taxation of saving and provide equal tax incentives.

Under EET, an individual having income of Rs 100 can either choose to spend now, paying Rs 30 as income tax and consume goods worth Rs 70 or save Rs 100 now and consume goods worth Rs 77 (Rs 70+Rs 7) one year later. Extra consumption of Rs 7 after one year represents interest income (at the rate of 10 per cent) over his forgone current consumption (Rs 70).

Under TEE, that the new tax regime proposes, the post-tax saving of an individual, with same income of Rs 100 would be lower at Rs 70. However, the future consumable income, in both the cases, remains the same at Rs 77.

Use of consumption as a tax base, eliminates the problem of double taxation of saving. Accordingly, the twin principles of fiscal neutrality, viz., (a) imposition of tax should not distort the choice between different forms of saving i.e., neutrality of relative rate of return on different financial instruments in pre and post-tax periods and (b) tax should not distort the choices between consumption and saving, i.e., neutrality of tax between present and future consumption, are entirely followed under this type of tax treatment of long-term saving.

Under the existing tax regime, there is bias in favor of investment in short term instruments rather than long term instruments which impose cost on economy. New tax regime will address the problem of tax regime by acting against arbitrage opportunities and saving the economy from misallocation of financial resources.

Another consequence of the old tax regime is that where the concessions take the form of deduction from income as in the case of Section 10, Section 80L and the provisions relating to rollover of capital gains tax, these favour upper bracket taxpayers disproportionately. The post-incentive rates of return vary substantially across taxpayers with different marginal tax rates. In general, the post incentive rate of return increases with the marginal tax rate of the saver. These provisions are, therefore, regressive. The provisions discriminate between taxpayers and non-taxpayers in as much as the rates of return are significantly lower for non-tax-payers. To the extent exemption is allowed for roll over of capital gains, the scheme is biased in favour of taxpayers with income on capital gains.

Therefore, the scheme distorts horizontal equity. Further, since the large taxpayers generally have a larger proportion of their incomes from capital gains, the rollover provisions are biased in favour of the rich thereby distorting the vertical equity of the tax structure. Inequity also arises from asymmetric information about the various tax concessions for savings. To the extent information is available with a taxpayer, s/he is able to avail of the tax concession. This problem is particularly aggravated in the absence of any meaningful taxpayer education and assistance program by the tax administration. (Source: SBI research & RBI)

The modifications proposed in the Union Budget today came as a big relief for the various tax payers as the effective zero tax regime has been enhanced to income ceiling of Rs 12 lakh, while tax slabs have been fine-tuned and tweaked in a gradient structure. With the benefits of higher ceiling of nil income tax accruing under the New Tax Regime only, it is pertinent to examine the usefulness of transition to the New Tax regime by taxpayers who have hitherto continued to remain under the Old Tax regime, benefitting from various deductions on assets / investments / insurance.

To justify the motives behind transition/migration, we have taken the example of a tax filer with House loan of Rs 30.00 lakh, availed for 30 years with a notional interest rate of 9%. The assessee is presumed to come in a terminal tax bracket of 30%.

The total repayment made by the assessee over the tenor of loan:	**Rs 86.90 lakh**
Interest payment:	**Rs 56.90 lakh**
Principal payment:	**Rs 30.00 lakh**
EMI:	**Rs 24,139**

Supposing the taxpayer saves a secular Rs 2.00 lakh each year for the next 30 years (instead of 28.5 years for ~Rs 57 lakh) for the interest being paid on the Housing loan (under the Old regime), the income needed to service the aforesaid interest would be Rs 2.86 lakh annually (2/0.70).

The amount translates to Rs 86.00 lakh during the entire currency of the loan.

The savings on account of exemption on interest would come around Rs 60 lakh (2.00 lakh*30 years)

The net outgo (payment-savings) thus works out to Rs 26 lakh. However, considering the consumption multiplier, the effective amount should rise up to Rs 36.73 lakh (25.71/0.7).

Considering the interest payments follow a diminishing curve, with lower payments in later years, the savings post the break-even point will deteriorate substantially, raising the consumption multiplier should the assessee would have migrated to the New Tax regime.

KEY HIGHLIGHTS OF THE UNION BUDGET 2025-26

- The Union Budget 2025-26 focuses on 10 broad areas covering Garib, Youth, Annadata and Nari with the help of four powerful engines: Agriculture, MSME, Investment, and Exports. The Budget also aims to initiate transformative reforms across six domains to augment our growth potential and global competitiveness.
- From an economic perspective, the Budget's primary focus is on rural economy with focus on crop productivity enhancement, output enhancement in veg proteins, and addressing the falling domestic production in cash crops like cotton. The rural economy growth will be supported by India Post as logistic component.
- Adhering to the path of sound fiscal management, fiscal deficit for FY26 is estimated at the 4.4% of GDP (Rs 15.7 lakh crore) as against the 4.8% of GDP in revised estimate of FY25. The nominal GDP for FY26 is estimated at Rs 357 lakh crore, a 10.1% growth over FY25. This possibly considers a GDP growth of 6%, that is likely on the lower side. Fiscal numbers are thus conservative.
- The Centre's gross tax revenue for FY25 has been revised slightly upwards to Rs 38.5 lakh crore. Regarding FY26 projections, Government has budgeted 10.8% growth to Rs 42.7 lakh crore. Growth in corporate taxes stand at 10.4%, while income taxes are estimated to grow at 14.4%, scaled down from an average 25% growth in last 5 years. This was expected given that the Government has significantly rationalized the personal income taxes under the new income tax regime. The tax buoyancy for FY26 is estimated at 1.1 (based on gross tax revenue). The tax buoyancy numbers look reasonable and are lower than the historical trends thus, likely to be more than achievable. GST collection target is budgeted to increase by 10.9% to Rs 11.8 lakh crore over FY25 revised estimates. Major subsidies will remain stagnant at Rs 3.8 lakh crore.
- Non-tax revenue for FY26 has been budgeted at Rs 5.83 lakh crore which is almost Rs 52,000 crore more than the revised estimates of FY25. The higher budgeted amount is owing to higher dividends and profits and other non-tax receipts. The total dividend from the Reserve Bank of India, nationalised banks and financial institutions is estimated at Rs 2.56 lakh crore for FY26, slightly higher than the revised estimate of FY25 (Rs 2.34 lakh crores).
- For FY26, Gross market borrowing through dated securities has been budgeted at Rs 14.8 lakh crore (slightly higher than the previous budget of Rs 14.0 lakh crore). The net market borrowing therefore stands at Rs 11.5 lakh crore (~73% of fiscal deficit) against Rs 10.5 lakh crore in the previous budget).
- For FY26, Government has set a modest target of Rs 47,000 crore of disinvestment as against 33,000 crore in FY 25.
- No personal income tax payable up to income of Rs 12 lakh (i.e. average income of Rs 1 lakh per month other than special rate income such as capital gains) under the new regime. This limit will be Rs 12.75 lakh for salaried taxpayers, due to standard deduction of Rs 75,000. New structure to substantially reduce taxes of middle class and leave more money in their hands, boosting household consumption, savings and investment. Revenue of about ₹ 1 lakh crore in direct taxes will be forgone.
- The limit for tax deduction on interest for senior citizens has been doubled from the present Rs 50,000 to Rs 1 lakh. The annual limit of Rs 2.40 lakh for TDS on rent increased to Rs 6 lakh. The threshold to collect tax at source (TCS) on remittances under RBI's Liberalized Remittance Scheme (LRS) increased from Rs 7 lakh to Rs 10 lakh. Decriminalization for the cases of delay of payment of TCS up to the due date of filing statement.
- Reduction of compliance burden for small charitable trusts/institutions by increasing their period of registration from 5 years to 10 years.
- The Budget proposes eight new measures in support for promotion of MSMEs. Major ones are : (i) The investment and turnover limits for classification of all MSMEs to be enhanced to 2.5 and 2 times respectively, (ii) Customized Credit Cards with ₹ 5 lakh limit for micro enterprises registered on Udyam portal, 10 lakh cards to be issued in the first year, (iii) A new Fund of Funds, with expanded scope and a fresh contribution of ₹ 10,000 crore to be set up, (iv) A new scheme for 5 lakh women, Scheduled Castes and Scheduled Tribes first-time entrepreneurs to provide term-loans

up to ₹ 2 crore in the next 5 years announced, (v) To enhance the productivity, quality and competitiveness of India’s footwear and leather sector, a focus product scheme announced to facilitate employment for 22 lakh people, generate turnover of ₹ 4 lakh crore and exports of over ₹ 1.1 lakh crore, and (vi) A National Manufacturing Mission covering small, medium and large industries for furthering “Make in India” announced.

- An Export Promotion Mission, with sectoral and ministerial targets, driven jointly by the Ministries of Commerce, MSME, and Finance to be set up, (ii) ‘BharatTradeNet’ (BTN) for international trade to be set-up as a unified platform for trade documentation and financing solutions, and (iii) A national framework to be formulated as guidance to states for promoting Global Capability Centres in emerging tier 2 cities.
- The Agriculture sector has been given a central focus in the Budget. (i) Prime Minister Dhan-Dhaanya Krishi Yojana - Developing Agri Districts Programme: The programme to be launched in partnership with the states, covering 100 districts with low productivity, moderate crop intensity and below-average credit parameters, to benefit 1.7 crore farmers, (ii) A comprehensive multi-sectoral programme to be launched in partnership with states to address under-employment in agriculture through skilling, investment, technology, and invigorating the rural economy. Phase-1 to cover 100 developing agri-districts, and (iii) Government to launch a 6-year “Mission for Aatmanirbharta in Pulses” with focus on Tur, Urad and Masoor. NAFED and NCCF to procure these pulses from farmers during the next 4 years.
- Support to States for Infrastructure with an outlay of ₹1.5 lakh crore, 50-year interest free loans to states for capital expenditure and incentives for reforms.
- Urban Challenge Fund of Rs 1 lakh crore to implement the proposals for ‘Cities as Growth Hubs’, ‘Creative Redevelopment of Cities’ and ‘Water &Sanitation’. The Budget has announced a rollout of a social security scheme for Gig workers using the E Shram portal data.
- Modified UDAN - Regional connectivity to 120 new destinations and carry 4 crore passengers in the next 10 years.
- Rs 15,000 crore for expeditious completion of one lakh dwelling units through blended finance.
- Top 50 tourist destination sites to be developed in partnership with states. Under the ‘Heal in India’ initiative, the government will collaborate with private sector players to promote medical tourism.
- National Framework for GCC - As guidance to states for promoting Global Capability Centres in emerging tier 2 cities.
- Warehousing facility for air cargo: To facilitate upgradation of infrastructure and warehousing for air cargo including high value perishable horticulture produce.
- Power Sector Reforms- Incentivize distribution reforms and augmentation of intra-state transmission. Additional borrowing of 0.5 % of GSDP to states, contingent on these reforms.

THE BIG PICTURE

The much-anticipated policy blueprint, being the Union Budget, presented by the Finance Minister in the august House representative of We, the people, diligently goes on to lay, fabricate and strengthen the building blocks of country’s multi-dimensional resilient growth as also catapulting nation’s leadership on world stage as a knowledge centric economy.

The budget ensures a ‘can-do’ attitude that deploys variegated strategic priorities to strengthen the factors of capital formation, rewards the average/common taxpayers and reaffirms the collective belief in the pillars of democracy through reforms.

The focus of the budget is two pronged; strengthening factors of production in rural and agrarian area, MSMEs/Industries (including blended areas) and wider emerging areas of services delivery where our skilled, and knowledge-centric workforce upends harnessing the demographic dividends.

The *Panchtatvas* of this year’s budget revolve around five principles of government’s unwavering commitment to accelerating holistic growth, securing inclusive development sustainably, invigorating private sector investments towards all-encompassing capital formation, uplifting household sentiments for speeding up consumption, and enhancing spending power of India’s rising middle class, each firmly rooted in our collective audacity to dream more, dare more and do more.

Building the momentum from last July's budget, when the government refocussed its emphasis on upending the poor (garib), youth, farmers (annadata), and women (nari) through interconnected loops of firmly grounded reforms that reinvigorated their hunger for an unbridled glide in the sky, this year's budget too proposes further structural reforms that strategically aspire to build moats of rural prosperity and resilience. 'Prime Minister Dhan-Dhaanya Krishi Yojana' is likely to benefit 1.7 crore farmers in 100 districts with low productivity, moderate crop intensity and below-average credit parameters. The multi-sectoral 'Rural Prosperity and Resilience' programme, in partnership with states, will address under-employment in agriculture through skilling, investment, technology, in turn invigorating the rural economy through providing ample local opportunities for the rural women, young farmers, rural youth, marginal and small farmers, and landless families that should address migration. Intense focus on high yielding seeds, pulses, Makhana, fisheries and vegetables/fruits and cotton while roping in India Post network is a smart move indeed.

MSMEs are the bedrock of any country's competitiveness and enhancing the investment and turnover limits for classification of MSMEs by 2.5 and 2 times respectively should smoothen the incremental flow of capital to them as they strive to attain higher efficiencies of scale and technological upgradation that ultimately lowers costs/OPEX. Hiking the guarantee coverage for established units, as also start-ups should enhance their scaling up the ladder fast.

Customized Credit Cards with a Rs 5 lakh limit for micro enterprises registered on Udyam portal, infusing the AIF centric FoF (Fund of Funds) with second tranche of seed capital of Rs 10,000 crore, new credit scheme for first time entrepreneurs from marginalized cohort/women should democratize access to credit.

Further, urban sector reforms related to governance, municipal services, urban land, and planning are being incentivized through infusing financial flows to Urban Challenge Fund of ` 1 lakh crore to implement the proposals for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water and Sanitation' with PPP at its core.

Public Private Partnership in Infrastructure gets a new fillip, while encouraging states to tap into IIPDF corpus. Rs 1.5 lakh crore is proposed for the 50-year interest free loans to states for capital expenditure and incentives for reforms, second Asset Monetization Plan is proposed to plough back capital of Rs 10 lakh crore in new projects. Urban Challenge Fund of Rs 1 lakh crore to implement the proposals for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water and Sanitation' should infuse financial flows lifeline while incentivizing electricity distribution reforms and augmentation of intra-state transmission capacity by states through 0.5% additional borrowings would ensure the reforms juggernaut keeps rolling.

Top 50 tourist destination sites in the country will be developed in partnership with states through a challenge mode. Rs 20,000 crore corpus is proposed to implement private sector driven Research, Development and Innovation initiative while a Deep Tech Fund of Funds will also be explored to catalyze the next generation startups. The thrust on skills, education, healthcare and technology make this budget an audacious budget indeed.

The fiscal numbers in the budget are conservative with a 10.1% nominal GDP growth and a tax buoyancy of 1.1. Fiscal conservatism has been the cornerstone of every successive budgets under the current dispensation and this year is also no exception.

There are pivotal moments every decade or two that in history become the defining moments of a nation as it progresses ahead at a scorching yet sustainable pace. Today's budget is a harbinger of such stride being initiated by a new India in the making, we believe.

The genesis of fiscal deficit in incremental terms (Rs lakh crore)

Item	FY25RE/ FY25 BE	FY26BE/ FY25RE
Gross Tax gain (1)	0.1	4.2
Non tax receipts gain (2)	-0.1	0.5
Non Debt Receipts (3)	-0.2	0.2
Total Revenue Gain (4: sum of 1 to 3)	-0.2	4.9
Revenue Gain of States (5)	0.4	1.4
Net Revenue gain to Center after adjusting for States transfer (6:4-5)	-0.6	3.5
Expenditure increase (7)	-1.0	3.5
Fiscal Deficit (8)	15.69	15.68
Fiscal Deficit (% of GDP)	4.8	4.4

Source: Negative numbers indicate a shortfall; SBI Research.

Transfer to States is at 59.9% of Gross Tax Revenue

There has been a larger debate in recent times regarding the transfer of financial resources from Centre to states. A cursory look at the numbers shows that the total transfer of resources from centre to states is as much as 59.9% of the gross tax revenue of the states. This includes, 33.3% share of gross tax revenue in divisible pool, 5.4% of gross tax revenue under several schemes of transfer that includes grants and loans to externally aided projects, assistance to states under NDRF, Loans to states under capital expenditure and 19.9% transfer under grants to states under Rural and Urban Local Bodies, SDRF grants and Revenue Deficit Grants. **Clearly, the transfer to states is substantial. The total transfer to states is at Rs 25.6 lakh crores, of which Rs 14.2 lakh crores is from the divisible pool of the Centre and the remaining Rs 12.4 lakh crores is from the consolidated fund of the Centre.**

Also, out of the Rs 5.1 lakh crores of Centrally Sponsored Schemes, the Rural Development Ministry corners the maximum share at 36.4%.

Anatomy of Transfer of Resources from Union to States (Rs Cr)				
	2022-2023	2023-2024	2024-2025 (RE)	2025-26 (BE)
Devolution of States share in taxes(I)	**948406**	**1129494**	**1286885**	**1422444**
% of total Gross tax revenue(%)	**31.1**	**32.6**	**33.4**	**33.3**
Some Important Items of Transfer(II)	**120366**	**160257**	**201055**	**229031**
% of total Gross tax revenue(%)	**3.9**	**4.6**	**5.2**	**5.4**
of which, Assistance to States from NDRF	1666	1048	11474	12048
Externally Aided Projects - Grants	4698	5479	9000	10000
Externally Aided Projects-Loan	28188	31308	34410	42730
Schemes under Provision to Article 275(1) of the Constitution	977	1172	871	1241
Special Assistance as Loan to States for Capital Expenditure	81195	109554	125000	150000
Special Assistance under the demand - Transfers to States	2271	11695	18000	10000
Finance Commission Grants(III)	**172760**	**148522**	**127146**	**132767**
% of total Gross tax revenue(%)	**5.7**	**4.3**	**3.3**	**3.1**
of which, Grant for local bodies - Urban Bodies	17779	21223	21000	26158
Grant for local bodies - Rural Bodies	45578	47260	45000	48573
Grants for Health Sector	3309	4693	10225	15272
Grants-in-Aid for SDRF	16393	19420	20550	21575
Grants-in-Aid for State Disaster Mitigation Fund	3500	4254	5138	5394
Post Devolution Revenue Deficit Grants	86201	51673	24483	13705
Other Transfer to States(IV)	**566885**	**571343**	**604478**	**717042**
% of total Gross tax revenue(%)	**18.6**	**16.5**	**15.7**	**16.8**
of which, Under Centrally Sponsored Schemes (Revenue)	405918	425296	392725	514442
Under Central Sector Schemes	12867	15096	63786	76542
Under Other Categories of Expenditure	148098	130951	147864	125954
Total Transfer to Delhi, Puducherry and Jammu & Kashmir (V)	**56199**	**55213**	**55947**	**58480**
Total Transfer to States/Uts(I+II+III+IV+V)	**1864616**	**2064829**	**2275511**	**2559764**
% of total Gross tax revenue(%)	**61.1**	**59.6**	**59.1**	**59.9**
Gross Tax Revenue	3054192	3465519	3853455	4270233

Source: Union budget documents, SBI Research

State transfer for Centrally Sponsored Schemes_Top 10 ministries				
Ministry/Department	% share to total transfer			
	2022-2023	2023-2024	2024-2025 (RE)	2025-26 (BE)
Department Of Rural Development	43.5	38.0	44.2	36.4
Department Of Drinking Water And Sanitation	14.7	18.0	7.6	14.4
Department Of School Education And Literacy	1.4	10.2	13.4	12.2
Ministry Of Housing And Urban Affairs	11.4	8.9	6.7	10.4
Department Of Health And Family Welfare	10.0	10.9	12.1	10.3
Ministry Of Women And Child Development	5.8	5.7	5.8	5.2
Department Of Water Resources, River Development And Ganga Rejuvenation	1.7	2.8	4.0	3.4
Ministry Of Agriculture And Farmers Welfare	2.0	2.7	3.4	3.3
Department Of Social Justice And Empowerment	1.6	1.8	2.3	2.3
Department Of Food And Public Distribution	2.1	2.1	1.8	1.4

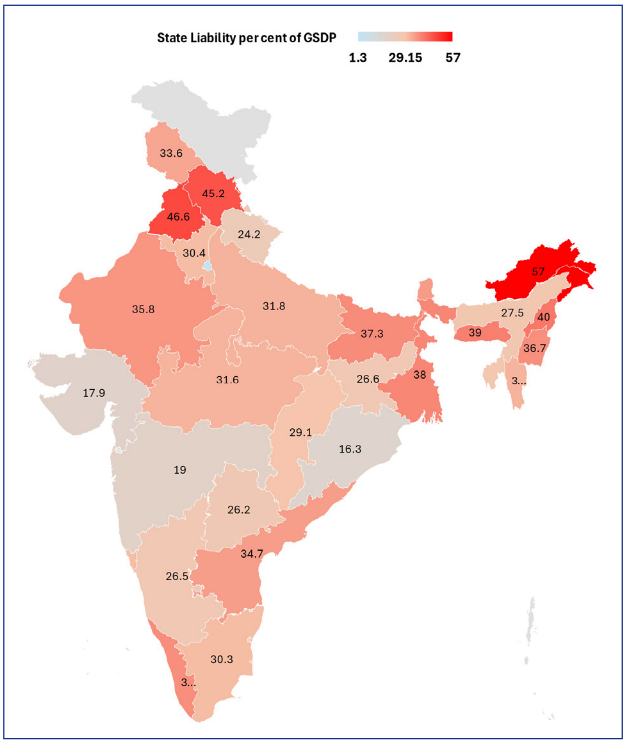
Source: SBI Research, Union budget document.

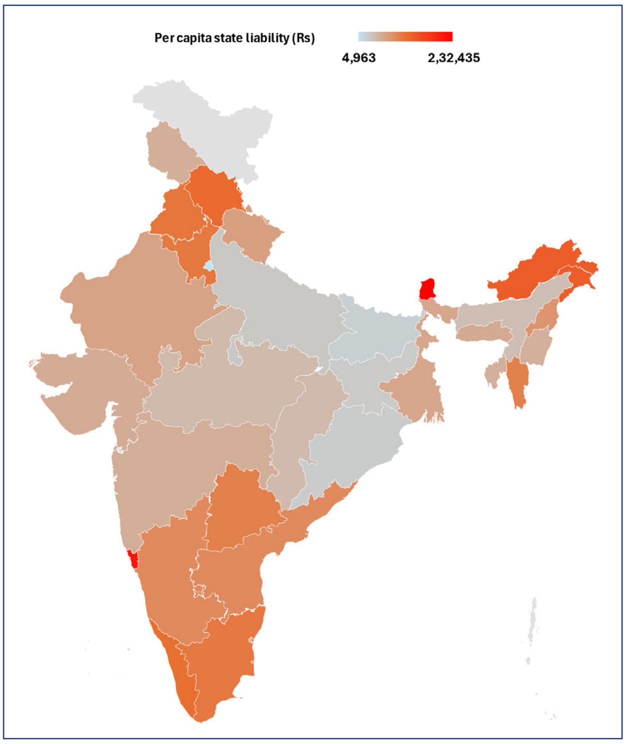
Public Liabilities of State Government reveals divergent trends

Evolution and level of public liability (borrowing and guarantees) are an important indicator of the state's fiscal health. Over the years, both borrowings and guarantees extended by states have increased which have put constraints in the ability of states to provide for local growth.

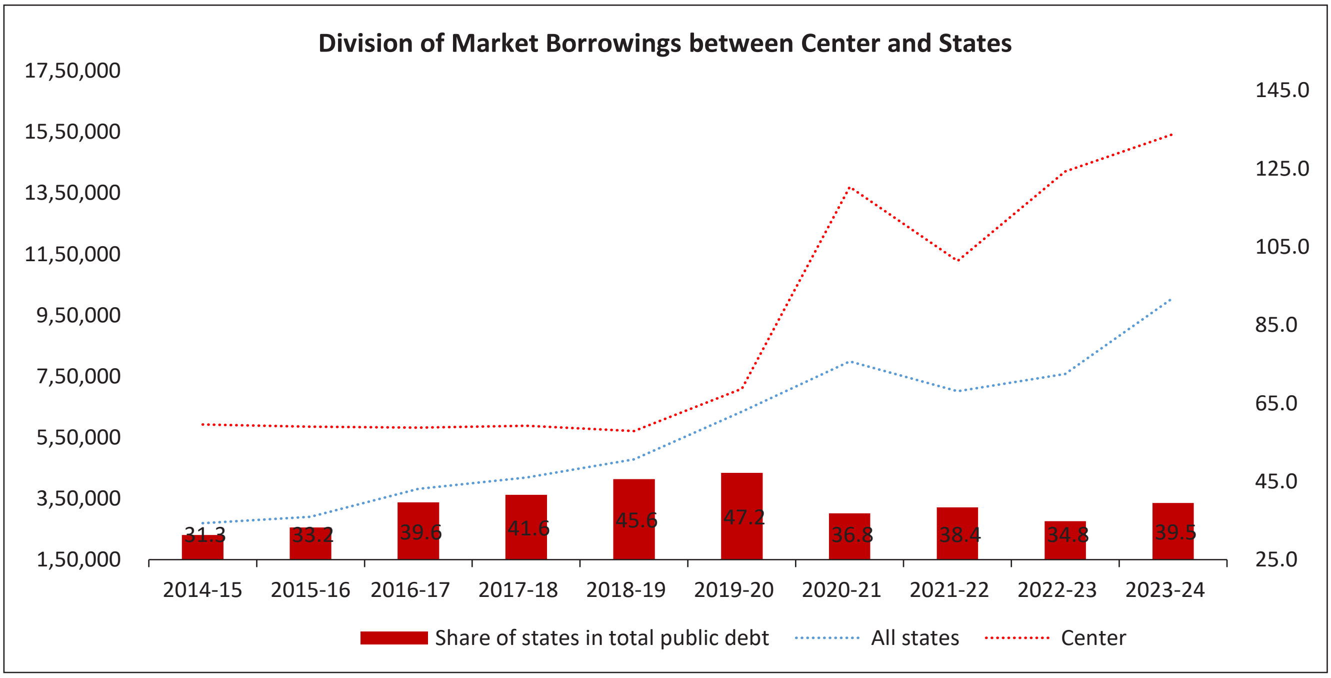
Starting with most general indicator – share of state's outstanding liability in GSDP – shows that as of 2025, the public liabilities of the state average at 31% based on Budget estimates. Since public liabilities are effectively claims on respective state population, the per capita liability of each state was calculated, keeping allowance for the fact inter se mobility of labour will impact this ratio.

The analysis shows that states in Northwest, Southern States and Northeastern states are approaching unsustainable levels of public liability.

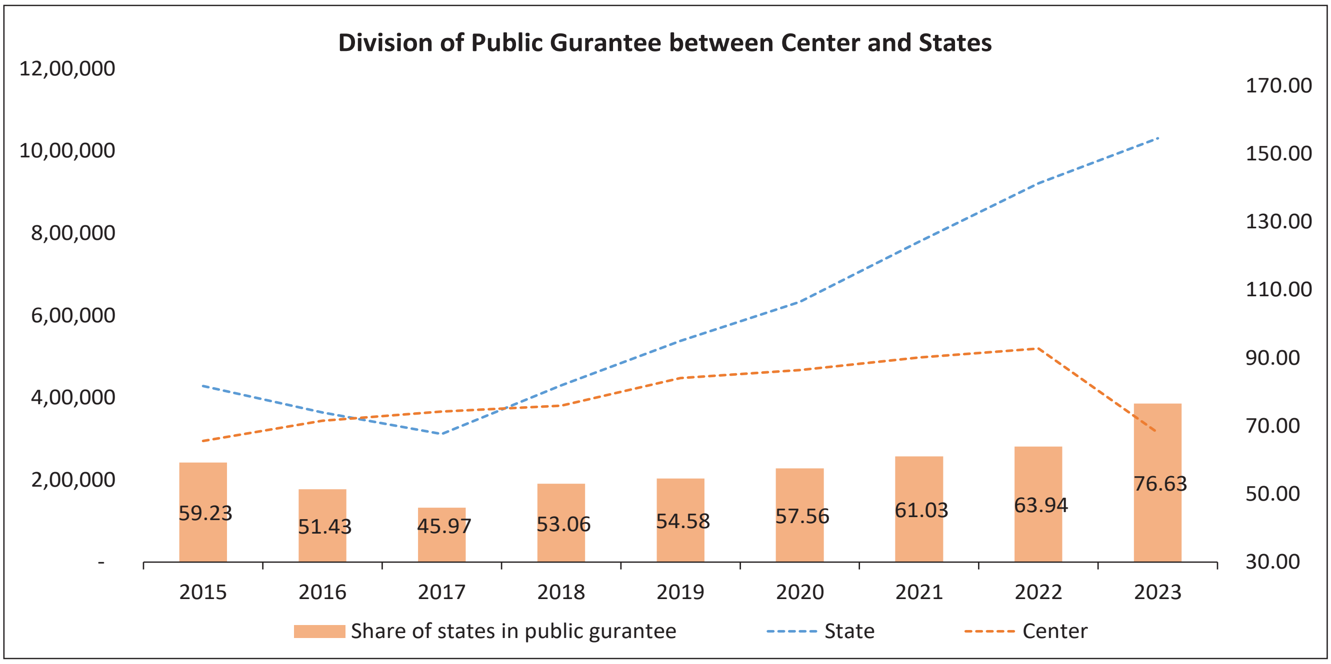




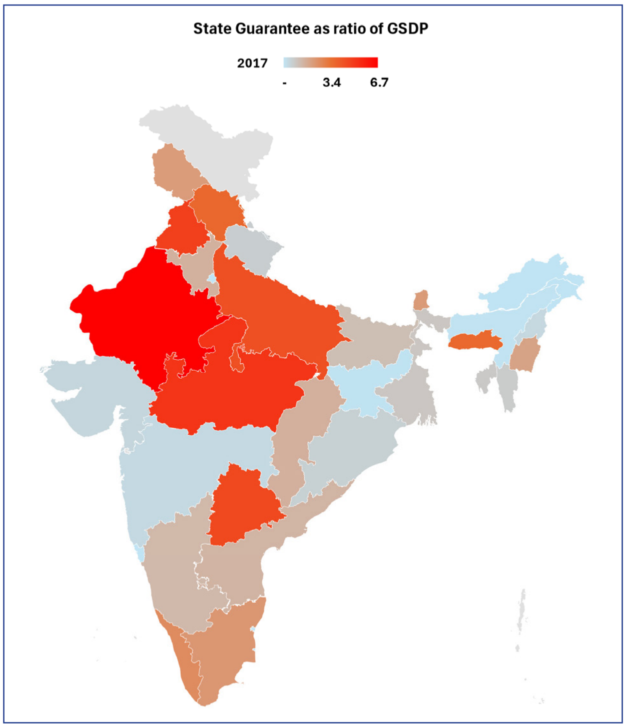
From the point of view of market borrowings, for the decade 2014-2024, the trends in market borrowing of both states and centre exhibit a mirror image. But, the borrowing by states in the first half of the period 2014-2019 was at a higher space in comparison to the centre. In terms of total public borrowing, the share of states rose between 2014-2020 attending a peak of 47.2% during the pandemic. Since then, share of market borrowing of states has been in 35-40% of the total public borrowing.

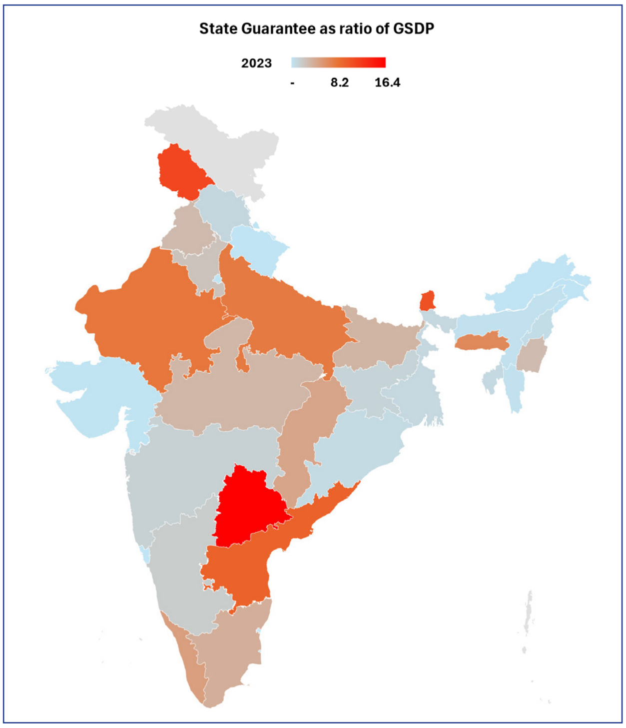


Guarantees extended by states are an interesting case study. Guarantees constitute contingent liabilities and can crystalize in the event of a severe contraction in GSDP due any factor. The division of the public guarantees between centre and states shows that states have resorted to guarantee more often than centre. In fact, share of states in total public guarantee has been rising and has reached 76% by 2023. The outstanding guarantees now exceed the total market borrowings in recent years.

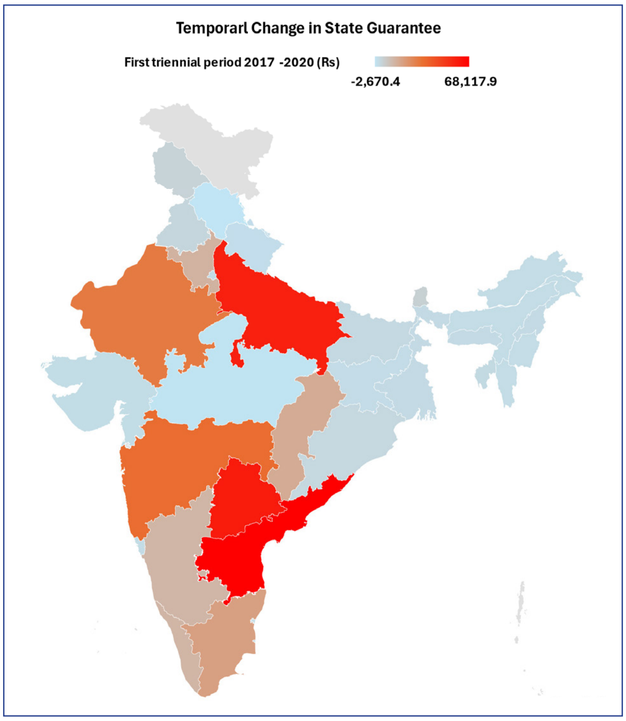


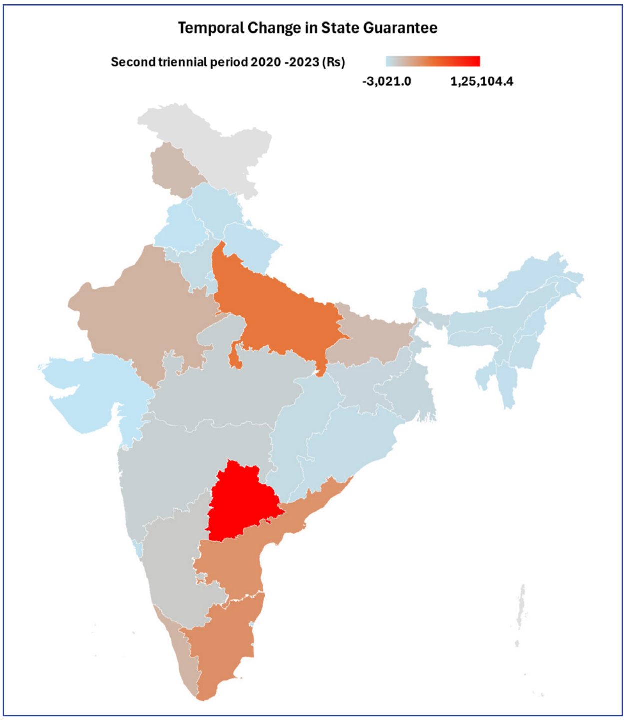
On a spatial scale for the period 2017-2023 for which guarantee figures are available for all states, the analysis shows that there has been a sharp rise in the ratio of guarantee to GSDP. Not only has range expanded during the period 2017-2023, the central tendency has also moved right indicating general rising trend. However, there is clear rising spatial trend in Southeast direction where guarantees now form almost 16% of the GSDP. The contingent liabilities have reduced in northern plains and western region during this period.





If we divide the period 2017-2023 into two triennial period, the changes in nominal guarantees across states show no specific trend. But for southern states and guarantees have risen in general. In case of large states issuances of guarantee slowed in second triennial.





In conclusion, the finances of states using standard ratio show general fall in fiscal health of the states with some exceptions. Regional imbalances created on account of different ability of the states to stabilize local economic situation need careful handling of state finances because of free labour mobility. Some of the measures include expenditure prioritization and greater devolution at lower levels of government for better public good provisioning.

The Budget Numbers

The Centre's gross tax revenue for FY25 has been revised slightly upwards to Rs 38.5 lakh crore. Regarding FY26 projections, Government has budgeted 10.8% growth to Rs 42.7 lakh crore. Growth in corporate taxes stand at 10.4%, while income taxes are estimated to grow at 14.4%, scaled down from an average 25% growth in last 5 years. This was expected given that the Government has significantly rationalized the personal income taxes under the new income tax regime. The tax buoyancy for FY26 is estimated at 1.1 (based on gross tax revenue). The tax buoyancy numbers look reasonable and are lower than the historical trends thus, likely to be more than achievable. GST collection target is budgeted to increase by 10.9% to Rs 11.8 lakh crore over FY25 revised estimates. Major subsidies will remain stagnant at Rs 3.8 lakh crore.

Budget at a glance (Rs Crore and as a % of GDP)

	FY 23	FY 24	FY 25 (BE)	FY 25 (RE)	FY26 (BE)	FY26 (BE)/ FY25 (RE) (%Gr)	FY25 (RE)/ FY24 (%Gr)	FY24/ FY23 (%Gr)	Decadal CAGR (FY 16-26 in %)	5 Yr CAGR (FY 21-26 in %)
1.1 Revenue Receipts	23,83,206	27,29,036	31,29,200	30,87,960	34,20,409	10.8	13.2	14.5	11.1	15.9
% of GDP	**8.8**	**9.2**	**9.6**	**9.5**	**9.6**					
1.1.1 Tax Revenue (Net to centre)	20,97,786	23,27,251	25,83,499	25,56,960	28,37,409	11.0	9.9	10.9	11.6	14.7
% of GDP	**7.8**	**7.9**	**7.9**	**7.9**	**7.9**					
1.1.2 Non-Tax Revenue	2,85,421	4,01,785	5,45,701	5,31,000	5,83,000	9.8	32.2	40.8	8.8	22.9
% of GDP	**1.1**	**1.4**	**1.7**	**1.6**	**1.6**					
1.2 Capital Receipts	18,09,951	17,14,411	16,91,312	16,28,527	16,44,936	1.0	-5.0	-5.3	10.7	-2.6
% of GDP	**6.7**	**5.8**	**5.2**	**5.0**	**4.6**					
1.2.1 Recoveries of Loans	26,161	26,646	28,000	26,000	29,000	11.5	-2.4	1.9	3.4	8.0
% of GDP	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**					
1.2.2 Other Receipts	46,035	33,122	50,000	33,000	47,000	42.4	-0.4	-28.1	1.1	4.4
% of GDP	**0.2**	**0.1**	**0.2**	**0.1**	**0.1**					
1.2.3 Borrowings and other liabilities	17,37,755	16,54,643	16,13,312	15,69,527	15,68,936	0.0	-5.1	-4.8	11.4	-2.9
% of GDP	**6.4**	**5.6**	**4.9**	**4.8**	**4.4**					
1. Total Receipts(1.1+1.2)	41,93,157	44,43,447	48,20,512	47,16,487	50,65,345	7.4	6.1	6.0	11.0	7.6
% of GDP	**15.6**	**15.0**	**14.8**	**14.6**	**14.2**					
2. Total Expenditure (2.1+2.1)	41,93,157	44,43,447	48,20,512	47,16,487	50,65,345	7.4	6.1	6.0	11.0	7.6
% of GDP	**15.6**	**15.0**	**14.8**	**14.6**	**14.2**					
2.1 Revenue Expenditure	34,53,132	34,94,252	37,09,401	36,98,058	39,44,255	6.7	5.8	1.2	9.9	5.0
% of GDP	**12.8**	**11.8**	**11.4**	**11.4**	**11.0**					
2.1.1 Grants for creation of Capital Assets	3,06,264	3,03,916	3,90,778	2,99,891	4,27,192	42.4	-1.3	-0.8	12.5	13.1
% of GDP	**1.1**	**1.0**	**1.2**	**0.9**	**1.2**					
2.1.2 Interest Payments	9,28,517	10,63,872	11,62,940	11,37,940	12,76,338	12.2	7.0	14.6	11.2	13.4
% of GDP	**3.4**	**3.6**	**3.6**	**3.5**	**3.6**					
2.2 Capital Expenditure	7,40,025	9,49,195	11,11,111	10,18,429	11,21,090	10.1	7.3	28.3	16.1	21.3
% of GDP	**2.7**	**3.2**	**3.4**	**3.1**	**3.1**					

Budget at a glance (Rs Crore and as a % of GDP)										
	FY 23	FY 24	FY 25 (BE)	FY 25 (RE)	FY26 (BE)	FY26 (BE)/ FY25 (RE) (%Gr)	FY25 (RE)/ FY24 (%Gr)	FY24/ FY23 (%Gr)	Decadal CAGR (FY 16-26 in %)	5 Yr CAGR (FY 21-26 in %)
3.Effective Capital Expenditure(2.1.1+2.2)	10,46,289	12,53,111	15,01,889	13,18,320	15,48,282	17.4	5.2	19.8	14.9	18.7
% of GDP	**3.9**	**4.2**	**4.6**	**4.1**	**4.3**					
4. Revenue Deficit (2.1-1.1)	10,69,926	7,65,216	5,80,201	6,10,098	5,23,846	-14.1	-20.3	-28.5	4.3	-18.4
% of GDP	**4.0**	**2.6**	**1.8**	**1.9**	**1.5**					
5. Effective Revenue Deficit (4-2.1.1)	7,63,662	4,61,300	1,89,423	3,10,207	96,654	-68.8	-32.8	-39.6	-7.5	-39.8
% of GDP	**2.8**	**1.6**	**0.6**	**1.0**	**0.3**					
6. Fiscal Deficit {2-(1.1+1.2.1+1.2.2)}	17,37,755	16,54,643	16,13,312	15,69,527	15,68,936	0.0	-5.1	-4.8	11.4	-2.9
% of GDP	**6.4**	**5.6**	**4.9**	**4.8**	**4.4**					
7. Primary Deficit (6-2.1.2)	8,09,238	5,90,771	4,50,372	4,31,587	2,92,598	-32.2	-26.9	-27.0	12.4	-23.8
% of GDP	**3.0**	**2.0**	**1.4**	**1.3**	**0.8**					
Revenue Deficit / Fiscal Deficit (%)	61.6	46.2	36.0	38.9	33.4					
Memo:										
Nominal GDP	2,69,49,646	2,95,35,667	3,26,36,912	3,24,11,406	3,56,97,923					
Growth rate(%)	14.2	9.6	10.5	9.7	10.1					

Source: Union Budget Documents & SBI Research.

Capital expenditure has been pegged at Rs 11.2 trillion as against Rs 10.2 trillion in revised for FY25. Total effective capital expenditure is at Rs 19.8 lakh crores as against Rs 17 lakh crores in FY25 budget. It is thus a misnomer to look at the budgetary allocation alone (that at best gives a fractional view @11.21 lakh cr.) since the grants made to states, along with capex by CPSEs upends the total expenditure to Rs 19.8 lakh cr.

Capex Arithmetic (Rs Cr)								
	FY 23	FY24	FY25 (BE)	FY25 (RE)	FY26 (BE)	FY26 (BE)/ FY25 (RE) (%Gr)	FY25 (RE)/ FY24 (%Gr)	FY24/ FY23 (%Gr)
1.Total Capex through Budget	740025	949195	1111111	1018429	1121090	10.1	7.3	28.3
% of GDP	**2.7**	**3.2**	**3.4**	**3.1**	**3.1**			
2. Grants for creation of capital assets	306264	303916	390778	299891	427192	42.4	-1.3	-0.8
% of GDP	**1.1**	**1.0**	**1.2**	**0.9**	**1.2**			
3. Capex by CPSE(IEBR)	363120	389966.32	368632.2	382441.34	431591.17	12.9	-1.9	7.4
% of GDP	**1.3**	**1.3**	**1.1**	**1.2**	**1.2**			
4. Effective Capex (1+2)	1046289	1253111	1501889	1318320	1548282	17.4	5.2	19.8
% of GDP	**3.9**	**4.2**	**4.6**	**4.1**	**4.3**			
5. Capex by budget and CPSE (1+3)	1103145	1339161	1479743	1400870	1552681	10.8	4.6	21.4
% of GDP	**4.1**	**4.5**	**4.5**	**4.3**	**4.3**			
6. Grand Total Capex (1+2+3)	1409409	1643077	1870521	1700761	1979873	16.4	3.5	16.6
% of GDP	**5.2**	**5.6**	**5.7**	**5.2**	**5.5**			

Source: Union Budget Documents & SBI Research.

Tax revenue trends

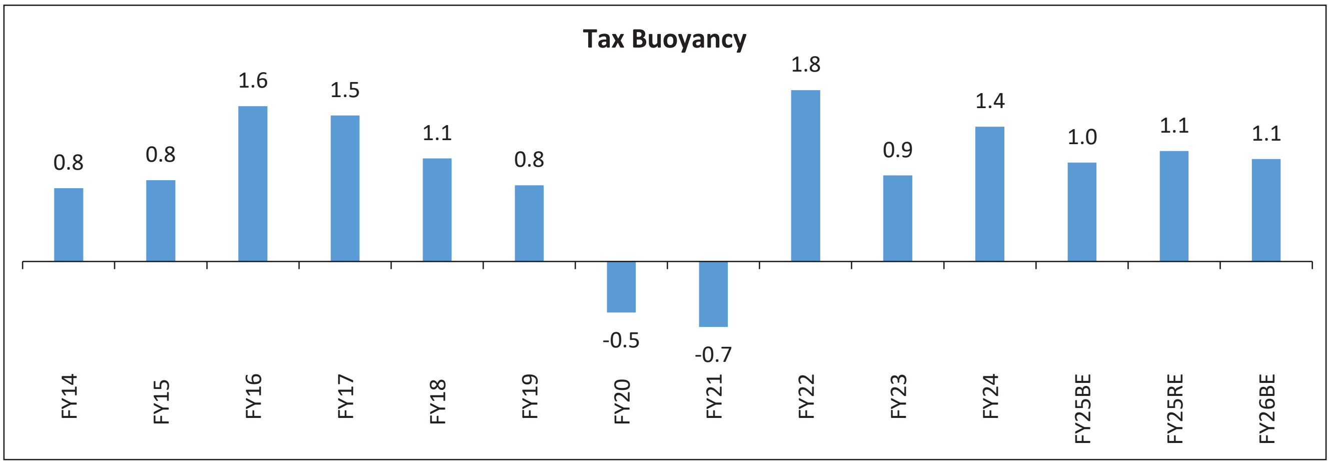
The Centre's gross tax revenue for FY25 has been revised slightly upwards to Rs 38.5 lakh crore. Regarding FY26 projections, Government has budgeted 10.8% growth to Rs 42.7 lakh crore. Growth in corporate taxes is at 10.4%, while income taxes are estimated to grow at 14.4%, scaled down from an average 25% growth in last 5 years.

Direct and Indirect taxes (Rs crore and as a % of GDP)										
	FY 23	FY24	FY25(BE)	FY25 (RE)	FY26 (BE)	FY26(BE)/ FY25(RE) (%Gr)	FY25(RE)/ FY24 (%Gr)	FY24/ FY23 (%Gr)	Decadal CAGR (FY 16-26 in %)	5 Yr CAGR (FY 21-26 in %)
Gross Tax Revenue	3054192	3465519	3840170	3853455	4270233	10.8	11.2	13.5	11.4	16.1
% of GDP	**11.3**	**11.7**	**11.8**	**11.9**	**12.0**					
Direct Tax										
Corporation Tax	8,25,834	9,11,055	10,20,000	9,80,000	10,82,000	10.4	7.6	10.3	9.1	18.8
% of GDP	**3.1**	**3.1**	**3.1**	**3.0**	**3.0**					
Taxes on Income Other than Corporation Tax	8,33,260	10,45,178	11,87,000	12,57,000	14,38,000	14.4	20.3	25.4	17.5	24.2
% of GDP	**3.1**	**3.5**	**3.6**	**3.9**	**4.0**					
Total Direct Taxes	1659093	1956233	2207000	2237000	2520000	12.7	14.4	17.9	13.0	21.7
% of GDP	**6.2**	**6.6**	**6.8**	**6.9**	**7.1**					
Indirect Taxes										
Customs	2,13,372	2,33,119	2,37,745	2,35,000	2,40,000	2.1	0.8	9.3	1.3	12.2
% of GDP	**0.8**	**0.8**	**0.7**	**0.7**	**0.7**					
Union Excise Duty	3,19,000	3,09,291	3,24,000	3,10,000	3,22,000	3.9	0.2	-3.0	1.1	-3.8
% of GDP	**1.2**	**1.0**	**1.0**	**1.0**	**0.9**					
Service Tax	431	425	100	100	100	0.0	-76.5	-1.3	-53.5	-42.7
% of GDP	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**					
Goods and Services Tax	8,49,132	9,57,208	10,61,899	10,61,899	11,78,000	10.9	10.9	12.7	-	16.5
% of GDP	**3.2**	**3.2**	**3.3**	**3.3**	**3.3**					
Major Indirect taxes	1381935	1500043	1623744	1606999	1740100	8.3	7.1	8.5	9.4	10.1
% of GDP	**5.1**	**5.1**	**5.0**	**5.0**	**4.9**					

Source: Union Budget documents & SBI Research.

TAX BUOYANCY

The tax buoyancy (based on gross tax revenues) for FY26 is reasonably estimated at 1.1 as nominal GDP growth is projected by 10.1% while gross tax revenues are projected to grow by 10.8%. The tax buoyancy numbers look reasonable and are lower than the historical trends and thus, are likely to be more than achievable.



GOVERNMENT BORROWINGS

Central Government Borrowings

Gross market borrowings of the Centre for FY25 stood at Rs 14.0 lakh crore, with Net borrowing at Rs 10.7 lakh crore (almost Rs 90,000 crore less than the BE). The Government undertook switch of Rs 1.5 lakh crore. Meanwhile, the buyback has been Rs 88,000 crore.

For FY26, Gross market borrowing through dated securities has been budgeted at Rs 14.8 lakh crore (slightly higher than the previous budget of Rs 14.0 lakh crore). Repayments have also been estimated at Rs 3.3 lakh crore. The Net market borrowing therefore stands at Rs 11.5 lakh crore (~73% of fiscal deficit) against Rs 10.5 lakh crore in the previous budget. The Government has also announced switch of Rs 2.5 lakh crore in FY26. Notably, the Government stocks repurchased by means of switch will not have any impact on the fiscal situation.

State Gross borrowing for FY26 is expected at Rs 10.9 lakh crore and with repayment of Rs 3.7 lakh crore, Net borrowing is pegged at Rs 7.2 lakh crore. Thus, **the Net borrowing of the Centre and State combined comes to Rs 18.7 lakh crore.**

Market Borrowings through Dated Securities (Rs lakh crore)				
Centre	**FY24**	**FY25 (BE)**	**FY25 (RE)**	**FY26 (BE)**
Gross Borrowing	15.4	14.0	14.0	14.82
Repayments*	3.63	2.38	3.26	3.28
Net Borrowing	11.8	11.6	10.7	11.54
State				
Gross Borrowing	10.1	10.0	10.2	10.9
Repayments	2.8	3.2	3.2	3.7
Net Borrowing	7.3	6.8	7.0	7.2
Total				
Gross Borrowing	25.5	24.0	24.2	25.7
Net Borrowing	19.1	18.4	17.7	18.7

Source: Union Budget Documents, RBI & SBI Research,* FY25 repayment is including a buyback of Rs 88000 cr and excluding switches, adjusted with additional recovery from GST Compensation Fund against back to back loan extended to States/Uts: FY24-Rs 78104cr, FY25-Rs123604 cr and FY26-Rs 67500cr.

Extra Budgetary Resources for PSUs

Extra budgetary resources (EBR) for PSUs have increased by whopping 97.2% to Rs 4.3 lakh crore in FY26 (1.2% of GDP) as compared to Rs 2.2 lakh crore in FY25 RE. EBR for all sectors displayed significant increase with maximum increase of ~Rs 74,000 crore allocated in Petroleum and Natural Gas.

Total borrowing requirement of the Centre, State and PSUs in FY26 comes to Rs 23.1 lakh crore or 6.5% of the GDP.

The Government has budgeted the EBR mobilised through NSSF and fully serviced bonds to nil since FY23. When we look at NSSF, the Government has projected net decline in collection to Rs 3.88 lakh crore in FY26 from the revised Rs 4.37 lakh crore in FY25. Interestingly, when the investment of NSSF funds is looked at, it is observed that investment in public agencies has reduced to zero. This is good for transparency.

Extra Budgetary Resources for PSUs (Rs Crore)

	FY24	FY25 (RE)	FY26 (BE)	FY26 (BE)/ FY25 (RE) (%Gr)	FY25 (RE)/ FY24 (%Gr)
Coal	2330	4172	22778	445.9	79.0
Ministry of Housing and Urban Affairs	14633	40000	62207	55.5	173.3
Petroleum and Natural Gas	34668	58416	132351	126.6	68.5
Power	37588	47169	85838	82.0	25.5
Steel	4189	649	11923	1737.1	-84.5
Railway	2285	0	13000	-	-
Others	64690	68465	103494	51.2	5.8
Total	160384	218872	431591	97.2	36.5
% of GDP	0.5	0.7	1.2	-	
GDP	29535666.84	32411406	35697923	10.1	9.7

Source: Union Budget Documents & SBI Research

NSSF Fund allocation (Rs crore)

	FY24	FY25 RE	FY26 BE
Net collection during the year	**305369**	**436832**	**388225**
Net additional allocation during the year	**415122**	**387189**	**304076**
Central Government securities (Budgetary borrowing from NSSF)	**451399**	**476440**	**343382**
Special Central Government Securities	231255	151047	45301
Reinnvestment in Central Government Special Securities	220144	325394	298081
Special State Government Securities	**-35926**	**-39252**	**-39307**
Public Agencies	**-350**	**-50000**	**0**

Source: SBI Research, Union Budget Documents.

Total Borrowing Requirements including EBR (Rs lakh crore)

	FY24	FY25 (RE)	FY26 (BE)
Net market borrowing of Centre	11.8	10.7	11.5
Net market borrowing of State	7.3	7.0	7.2
Extra Budgetary Resources of Center (through fully serviced bonds & NSSF)	0.0	0.0	0.0
Extra Budgetary Resources for PSUs	1.6	2.2	4.3
Total Borrowing	**20.7**	**19.9**	**23.1**
Total Borrowing (% of GDP)	**7.0**	**6.1**	**6.5**

Source: Union Budget Documents & SBI Research.

Financing of Fiscal Deficit

The Government continues to rely on small savings for financing its fiscal deficit, with the number pegged at Rs 3.4 lakh crore or 22.0% of the fiscal deficit in FY25, though it is lower than Rs 4.1 lakh crore (26% of fiscal deficit) in FY24. This, in turn, underlines the importance of small savings collections for the Government and bond market.

Based on the ownership pattern of Government of India dated securities as on Mar'25 and given the total Net borrowings at Rs 17.7 lakh crore (G-sec, SDL and T-bill issuances), we believe that the demand of securities from banks to be in line with the incremental supply (around Rs 8.6 lakh crore) to ensure LCR compliance and also benefit from reasonably high carry.

Sources of Financing Fiscal Deficit (Rs Crore)

	FY 23	FY24	FY25 (BE)	FY25 (RE)	FY26 (BE)	FY26 (BE)/ FY25 (RE) (%Gr)	FY25 (RE)/ FY24 (%Gr)
External Debt	37,124	55,121	15,952	31,992	23,490	-26.6	-42.0
% of GDP	**0.1**	**0.2**	**0.0**	**0.1**	**0.1**		
Market Borrowing(Gsec*+ Tbills)	**12,17,845**	**12,30,959**	**11,13,182**	**10,42,678**	**1153834**	**10.7**	**-15.3**
% of GDP	**4.5**	**4.2**	**3.4**	**3.2**	**3.2**		
Securities against Small Savings	3,95,860	4,51,399	4,20,063	4,11,872	3,43,382	-16.6	-8.8
% of GDP	1.5	1.5	1.3	1.3	1.0		
State Provident Funds	5,089	5,059	5,000	5,000	5,000	0.0	-1.2
% of GDP	0.0	0.0	0.0	0.0	0.0		
Other Receipts (Internal Debts and Public Account)	83,460	-88,689	-81,282	26,034	40,746	56.5	8.4
% of GDP	0.3	-0.3	-0.2	0.1	0.1		
Draw-Down of Cash Balance*	-1,622	794	1,40,397	51,951	2,484	-95.2	6442.9
% of GDP	0.0	0.0	0.4	0.2	0.0		
Fiscal Deficit	17,37,755	16,54,643	16,13,312	15,69,527	15,68,936	0.0	-5.1
% of GDP	6.4	5.6	4.9	4.8	4.4		
Memo:							
Net Borrowing as a % of FD	**70**	**74**	**69**	**66**	**74**		

Source:Union Budget Documents & SBI Research,* Market borrowings and draw down of cash does not include buy back of securities during RE 2024-2025.

DISINVESTMENT

The Government has revised FY25's disinvestment target to Rs 33,000 crore from Rs 50,000 crore budgeted previously. Furthermore, the target for FY26 has been set at Rs 47,000 crore as Government is missing its disinvestment targets for the sixth consecutive year.

Disinvestment – Target vs. Actual (in Rs crore)

Year	Budget Estimate	Revised Estimate	Actual
FY19	80,000	80,000	94,727
FY20	1,05,000	65,000	50,304
FY21	2,10,000	32,000	37,897
FY22	1,75,000	78,000	13,627
FY23	65,000	50,000	46,035
FY24	51,000	30,000	33,122
FY25 BE	50,000	33,000	-
FY26 BE	47,000	-	-

Source: Union Budget Documents, SBI Research.

INFRASTRUCTURE

Infrastructure remains a continued focus of the Union Budget 2025-26. The thrust has been on mix of public sector and PPP mode. Some of the major announcements include the following:

- Infrastructure-related Ministries will come up with a 3-year pipeline of projects in PPP mode.

- An outlay of ₹1.5 lakh crore proposed for the 50-year interest free loans to states for capital expenditure and incentives for reforms.
- Second Plan for 2025-30 to plough back capital of ₹ 10 lakh crore in new projects announced.
- Water sector has been a focus area and Jal Jeevan Mission will be extended till 2028.
- Government will set up an Urban Challenge Fund of Rs.1 lakh crore to implement the proposals for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water and Sanitation'

On the financing side, for infrastructure the budget proposes:

- To extend the date of making investment in Sovereign Wealth Funds and Pension Funds by five more years, to 31st March, 2030.
- Creation of a Maritime Development Fund with a corpus of ₹ 25,000 crore with up to 49% contribution by the Government, and the balance from ports and private sector.
- NaBFID to set up a 'Partial Credit Enhancement Facility' for corporate bonds for infrastructure.

The measures are expected to enhance flow of funds towards infrastructure, reduce cost of funds and allow flow of long term FDI into infrastructure through AIF, sovereign wealth funds and pension funds.

REGULATORY REFORMS

The Budget aims to initiate transformative reforms in Taxation, Power Sector, Urban Development, Mining, Financial Sector, and Regulatory Reforms to augment India's growth potential and global competitiveness. These reforms can be view as non-financial and financial sector reforms.

NON-FINANCIAL REFORMS

Under this category, the budget has made some significant announcements which are administrative in nature. The Budget has proposed forming a High-Level Committee for Regulatory Reforms to review all non-financial sector regulations, certifications, licenses, and permissions. To decriminalise more than 100 provisions in various laws, Jan Vishwas Bill 2.0 will be tabled in Parliament.

FINANCIAL SECTOR REFORMS

Under the Financial Stability and Development Council, a mechanism will be set up to evaluate impact of the current financial regulations and subsidiary instructions. A forum for regulatory coordination and development of pension products to be set up.

SUBSIDY TRENDS

The subsidy expenditure under three major heads will remain stagnant at Rs 3.8 lakh crore for FY26. Except from food subsidy, as compared to FY25 (RE) all other subsidies are postulated to decline.

Subsidy Trends (Rs crore and as a % of GDP)

	FY 23	FY24	FY25 (BE)	FY25 (RE)	FY26 (BE)	FY26 (BE)/ FY25 (RE) (%Gr)	FY25 (RE)/ FY24 (%Gr)	FY24/ FY23 (%Gr)	Decadal CAGR (FY 16-26 in %)	5 Yr CAGR (FY 21-26 in %)
Total 3 Major Subsidies	530959	412346	381175	383419	383407	0.00	-7.02	-22.34	4.7	-11.5
% of GDP	**2.0**	**1.4**	**1.2**	**1.2**	**1.1**					
Fertiliser Subsidy	251339	188292	164000	171299	167887	-1.99	-9.02	-25.08	8.8	5.6
% of GDP	**0.9**	**0.6**	**0.5**	**0.5**	**0.5**					
Food Subsidy	272802	211814	205250	197420	203420	3.04	-6.80	-22.36	3.9	-17.8
% of GDP	**1.0**	**0.7**	**0.6**	**0.6**	**0.6**					
Petroleum Subsidy	6817	12240	11925	14700	12100	-17.69	20.10	79.54	-8.7	-20.6
% of GDP	**0.03**	**0.04**	**0.04**	**0.05**	**0.03**					

Source: Union Budget documents & SBI Research.

BANKING & FINANCIAL SECTOR

Rationalisation of TDS & TCS

- ***Sr Citizen:*** TDS for senior citizens deposits increased to Rs 1 lakh from Rs 50,000. Senior citizens are holding around 20% of the deposits of the banking system and around 38% of the individual deposits. The total TDS of Sr citizen is around Rs 25,000 crore @10%. The TDS increase may help around 7.5 crore Sr citizens. Moreover, this could be particularly advantageous in light of the draft LCR framework, which is expected to be implemented in the near term.
- ***Rent Payment :*** TDS on Rent limit enhanced to Rs 6 from Rs 2.40 lakh annually. This will reduce the number of transactions liable to TDS, thus benefitting small tax payers receiving small payments.
- ***Remittances/Education Loans/Sale of Goods:*** TCS on remittances under RBI's Liberalized Remittance Scheme (LRS) is proposed to be increased from Rs 7 lakh to Rs 10 lakh while there is a complete removal of TCS on remittances for education purposes, where such remittance is out of a loan taken from a specified financial institution. Both TDS and TCS are being applied on any transaction relating to sale of goods, TCS is now being omitted to prevent compliance difficulties.
- The planned rationalisation of TDS rates will significantly reduce confusion and compliance complexity across different sectors.

Enhanced Loan Limit for Unorganised Sector

- Under PM SVANidhi scheme, street vendors will now be provided with credit cards. These credit cards will have a limit of Rs 30,000, allowing vendors to take loans of up to Rs 30,000 for their businesses. The interest rates on these credit cards will be minimal.
- This scheme was launched by the Ministry of Housing and Urban Affairs on July 2, 2020, during the COVID-19 pandemic.
- The government has paid Rs 147.82 crore in interest subsidy to street vendors under PM SVANidhi scheme since it began in 2020 and till March 31, 2024.

FDI in Insurance

- FDI limit for the insurance sector will be raised from 74% to 100%. This enhanced limit will be available for those companies which invest the entire premium in India.
- As insurance is a capital-intensive industry, this move was much needed and expected to attract more global insurers, enhance competition, and introduce new market entrants. It will bring in essential capital, improve competition, and increase insurance penetration. Overall, this decision is a major positive development for the entire insurance sector.
- The FDI cap was previously raised from 26% to 49% in 2015 and then to 74% in 2021. As per IRDAI Annual Report 2023-24, FDI in private life insurer is only 35% (Average) and 20% (Average) in General insurance. So, we believe increasing the limit to 100% may not bring the desired capital for the sector and it may require additional efforts. However, this move may bring in new players in the industry.

Central KYC registry

- FM has proposed to launch revamped Central KYC registry in 2025. This will reduce the repetitive KYC documentation and verification and improve efficiency by streamlining KYC processes across financial sectors. As PMJDY accounts are due for updation in completion of 10-years. This CKYC process will help banks to update KYC very smoothly.
- **The Central KYC Record Registry was started in 2016, caters to Reporting Entities (REs) of all four major regulators of financials sector i.e. RBI, SEBI, IRDAI & PFRDA.As on 30th September 2024, CKYCRR hosts more than 94 crore KYC records and the growing number of KYC Records downloaded by REs from CKYCRR signify the benefit and ease this repository has provided to the REs and their customers.**

- Additionally, Budget proposed for 'Grameen Credit Score' framework to serve the credit needs of SHG members and people in rural areas. This system will assess the creditworthiness of rural borrowers, helping them access loans and financial services more easily.

PROMOTING EASE OF DOING BUSINESS

Through the decade, GoI has demonstrated a steadfast commitment to promoting 'Ease of Doing Business' ensuring the regulations must keep pace with technological innovations and global policy developments, ensuring a light-touch regulatory framework based on principles and trust to further unleash productivity and employment.

To develop this modern, flexible, people-friendly, and trust-based regulatory framework appropriate for the twenty-first century, the Union Budget has proposed 4 specific measures:

High Level Committee for Regulatory Reforms	A High-Level Committee for Regulatory Reforms will be set up for a review of all non-financial sector regulations, certifications, licenses, and permissions and is expected to make recommendations within a year. The objective is to strengthen trust-based economic governance and take transformational measures to enhance 'ease of doing business', especially in matters of inspections and compliances. States will be encouraged to join in this endeavor. ***Effect:*** *The cost of compliance should go down, boosting investors' confidence and capital flows.*
Investment Friendliness Index of States	An Investment Friendliness Index of States will be launched in 2025 to further the spirit of competitive cooperative federalism. ***Effect:*** *Should encourage a healthy competition amongst states to smoothen frictions in investment policies, boosting FDI and entrepreneurial development at population scale.*
FSDC Mechanism	Under the Financial Stability and Development Council (FSDC), a mechanism will be set up to evaluate impact of the current financial regulations and subsidiary instructions. It will also formulate a framework to enhance their responsiveness and development of the financial sector. ***Effect:*** *Markets to evolve in lockstep with changing trajectory of globally accepted best practices that make it more vibrant and resilient while protecting the interests of both investors and users.*
Jan Vishwas Bill 2.0	In the Jan Vishwas Act 2023, more than 180 legal provisions were decriminalized. The Government now proposes to bring up the Jan Vishwas Bill 2.0 to decriminalize more than 100 provisions in various laws. ***Effect:*** *Rationalizing redundant laws should facilitate faith in the jurisprudence of system and de-clog the investments*
The Union government's Direct Tax proposals highlight the enhancement of Ease of Doing Business as one of its six primary objectives in the tax proposals.	In an effort to alleviate the compliance burden on small charitable trusts and institutions, the government has proposed extending their registration period from 5 years to 10 years. ***Effect:*** *This measure will streamline administrative processes, reduce frequent renewals, and foster a more efficient regulatory environment, ultimately promoting greater ease and stability in conducting business for these organizations.*
To simplify the transfer pricing process and provide an alternative to annual assessments, the government has proposed a scheme to determine the arm's length price for international transactions over a three-year period.	This initiative will reduce the frequency of evaluations, allowing businesses to avoid the complexities and administrative burdens of yearly examinations. ***Effect:*** *The move will foster a more predictable and efficient regulatory environment.*

In a bid to reduce litigation and provide greater certainty in international taxation, the government has proposed expanding the scope of safe harbor rules.	Section 92CB of the Income Tax Act ('ITA') defines Safe Harbor as circumstances under which the income tax authorities shall accept the transfer pricing declared by the assessee. ***Effect:*** *This expansion will offer businesses a clearer and more predictable framework, minimizing disputes and fostering a more efficient tax environment.*
The government had announced in the July 2024 Budget that all processes, including the implementation of appellate orders, would be digitized and made paperless.	This initiative has now been fully operationalized. ***Effect:*** *By transitioning to digital processes, the government is streamlining operations, reducing paperwork, and increasing efficiency, thereby enhancing transparency and simplifying compliance.*
The budget also highlights the significance of the ***Vivad se Vishwas*** Scheme, which focuses on resolving income tax disputes that are pending in appeal.	The government emphasized that 33,000 taxpayers have already utilized this scheme. ***Effect:*** *By facilitating quicker resolution of disputes, the scheme reduces legal uncertainties and promotes a more efficient tax environment, thereby enhancing the ease of doing business.*
The government has also extended the incorporation of Indian Start Ups by 5 years to allow the benefit available to start-ups which are incorporated before 1st Apr'2030.	This is a progressive step that augurs well for start-up ecosystem. ***Effect:*** *It will reduce time constraints, enabling startups to plan and grow with greater flexibility, while encouraging investment and reducing regulatory barriers.*
It is proposed to provide a presumptive taxation regime for non-residents who provide services to a resident company that is establishing or operating an electronics manufacturing facility	The budget further proposes to introduce a safe harbor for tax certainty for non-residents who store components for supply to specified electronics manufacturing units. ***Effect:*** *The move should reinvigorate overseas investments, in particular from non resident diaspora to partner in ambitious electronics manufacturing.*
Presently the tonnage tax scheme is available to only sea going ships.	The benefits of existing tonnage tax scheme are proposed to be extended to inland vessels registered under the Indian Vessels Act, 2021 to promote inland water transport in the country. ***Effect:*** *To strengthen inland water transport as a credible alternative to clogged rail / road networks*

AGRICULTURE AND ALLIED SECTOR

As part of measures to enhance productivity and resilience in Agriculture sector, the Union Budget 2025-26 has announced several measures including:

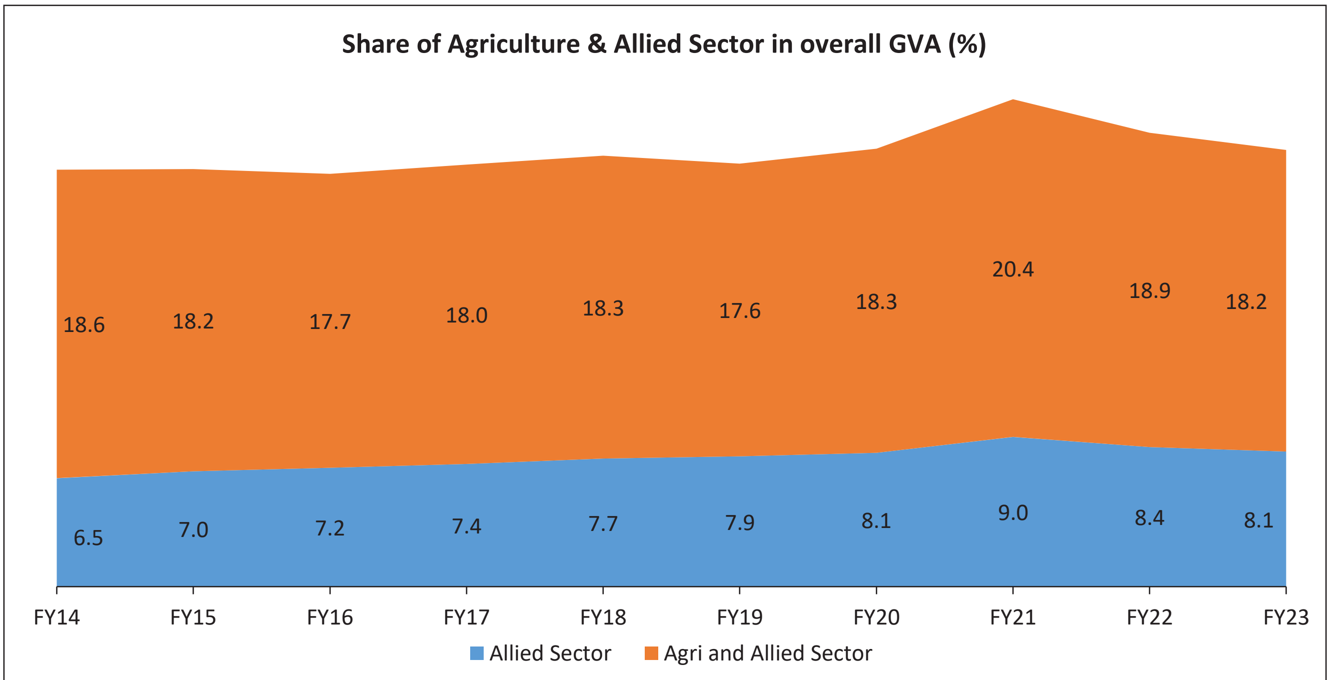
- ***PM Dhan-Dhaanya Krishi Yojana:*** The programme to be launched in partnership with the states, covering 100 districts with low productivity, moderate crop intensity and below-average credit parameters. The scheme will focus on five key areas: (i) Enhancing agricultural productivity by adopting better farming techniques, (ii) Promoting crop diversification and sustainable agricultural practices to ensure long-term benefits, (iii) Developing post-harvest storage facilities at the panchayat and block levels to reduce crop wastage, (iv) Improving irrigation facilities to increase agricultural output and (v) Facilitating access to long-term and short-term credit for farmers to invest in better farming practices. This will benefit around 1.7 crore farmers. With rising income levels, the consumption of vegetables and fruits is increasing across the country. So, this scheme aims to create ample opportunities in rural areas so that migration becomes an option, not a necessity.
- ***Building Rural Prosperity and Resilience:*** A comprehensive multi-sectoral programme to be launched in partnership with states to address under-employment in agriculture through skilling, investment, technology, and invigorating the rural economy. Phase-1 to cover 100 developing agri-districts. A National Mission on High Yielding Seeds to be launched aiming at strengthening the research ecosystem, targeted development and propagation of seeds with high yield, and commercial availability of more than 100 seed varieties.

- ***Aatmanirbharta in Pulses:*** Government to launch a 6-year "Mission for Aatmanirbharta in Pulses" with focus on Tur, Urad and Masoor. NAFED and NCCF to procure these pulses from farmers during the next 4 years.
- ***Makhana Board in Bihar:*** A Makhana Board to be established to improve production, processing, value addition, and marketing of makhana. Farmers cultivating makhana will require enhanced financial support for better seed quality, improved farming techniques, and mechanization. Investments in processing units, storage facilities, and cold chains will increase, requiring term loans and infrastructure financing.
- ***Fisheries:*** Government to bring a framework for sustainable harnessing of fisheries from Indian Exclusive Economic Zone and High Seas, with a special focus on the Andaman & Nicobar and Lakshadweep Islands.
- ***Mission for Cotton Productivity:*** A 5-year mission announced to facilitate significant improvements in productivity and sustainability of cotton farming and promote extra-long staple cotton varieties. Expansion in cotton farming and productivity will drive the need for better storage, ginning, processing, and marketing infrastructure. This will benefit lakhs of cotton growing farmers as the best of science & technology support will be provided to farmers.
- ***Enhanced Credit through KCC***: The loan limit under the Modified Interest Subvention Scheme to be enhanced from ₹ 3 lakh to ₹ 5 lakh for loans taken through the KCC. This will help around 7.7 crore farmers, fishermen, and dairy farmers. This is expected to have significant impact on Bank's Agri portfolio. The higher loan limit will lead to increased credit demand from farmers across Agri & Allied activities. Banks will witness a rise in the agricultural loan portfolio particularly across KCC, contributing to priority sector lending (PSL) targets.

Allied Sector – Key Driver of Agricultural Growth

The Allied component of agriculture, such as livestock, forestry and logging, and fishing and aquaculture plays a significant role in diversification of income and reducing dependency on traditional crop farming. Further, allied sectors contribute to food security and nutritional diversity, thereby improving the livelihood of farmers and reducing rural poverty. The allied sectors are, thus, indispensable part – not just complementary to primary agriculture – but overall economy by amplifying its impact, creating additional value, and help linking rural economies to broader economic growth.

The share of allied sector in overall Agriculture sector has increased considerably from 6.4% in 2012-13 to 8.1% in 2022-23. Within the sector, the share of crops is highest (10% in FY23), while the share of livestock and fishing and aquaculture is gradually increasing and gaining center traction within agriculture sector.



We tried to gauge the responsiveness of agriculture sector's GVA output to factors of production i.e., capital and labor using Cobb-Douglas production function.

$$Y = A.K^{\alpha}.L^{\beta}$$

$\ln Y_t = \ln(A) + \alpha.\ln(K) + \beta.\ \mathrm{Ln}(L) + e_t$

where,

Y = GVA of Agriculture and Allied Sector

K = Capital stock

L = labor employed

A = total factor productivity

The regression on log-log model estimates the output elasticities of capital and labor, indicating the responsiveness of output to changes in capital and labor

Regression Results		
	elasticity	P > |t|
ln_K	2.82	0.00
ln_L	1.57	0.00
R2: 0.98		

Our estimates find higher elasticity of capital stock (2.82) – reflecting the need and **potential multiplier impact of capital spending on agriculture sector**. It says that 1% increase in capital stock would lead to 2.82% increase in sectors GVA; as higher capital allocation would improve irrigation systems, enhancing cold storage facilities, and modernize logistic infrastructure. This, in turn, reduces post-harvest losses, ensure better market access, and support efficient supply chains.

MSME

The Budget proposes plethora of new measures in support for promotion of MSMEs.

- ***Revision in classification criteria for MSMEs:*** The investment and turnover limits for classification of all MSMEs to be enhanced to 2.5x and 2x respectively. The government's decision to enhance the investment and turnover thresholds for MSME classification is a commendable move. This adjustment will enable more enterprises to avail of MSME benefits, fostering growth, competitiveness and operational efficiency.

Revision in classification criteria for MSMEs				
Rs crore	**Investment**		**Turnover**	
	Current	**Revised**	**Current**	**Revised**
Micro	1	2.5	5	10
Small	10	25	50	100
Medium	50	125	250	500

- This will provide opportunity to improve/meet overall Priority sector lending targets and help to reduce the gap of Micro segment shortfall in PSL for the Banks as well. With the increase of the horizon of MSME definition, company which are unrated and having URN and revenues up to Rs. 500 Cr can be on-boarded as MSME. It will increase the numbers of potential universe. Further number of suppliers under TReDS will also increase due to revised definition.

- ***Credit Cards for Micro Enterprises:*** Customized Credit Cards with ₹ 5 lakh limit for micro enterprises registered on Udyam portal, 10 lakh cards to be issued in the first year. This is a big booster for the availability of much-needed finance for the enterprises registered in the Udyam portal. With these cards, MSMEs will have greater financial flexibility to manage short-term expenses, procure raw materials, and seize growth opportunities. Another significant impact will be increased participation from micro-enterprises in the formal economy, enabling them to access structured credit and financial benefits in future as well. It will make the processing of credit more seamless and reduce the paperwork and it will boost the achievement of overall the Priority sector lending.

- ***Fund of Funds for Startups:*** A new Fund of Funds, with expanded scope and a fresh contribution of ₹10,000 crore to be set up. The credit schemes for the MSME sector and startups such as the customised credit cards and a dedicated Rs 10,000 crore Fund of Funds will be critical for deepening financial inclusion. However, the focus should now shift towards simplifying access to these schemes, particularly for businesses in tier 2 and 3 cities.
- ***Scheme for First-time Entrepreneurs:*** A new scheme for 5 lakh women, Scheduled Castes and Scheduled Tribes first-time entrepreneurs to provide term-loans upto ₹ 2 crore in the next 5 years announced. Empowerment of women entrepreneurs will provide greater financial independence and enhanced decision-making power for women in households and communities. More SC/ST owned enterprises will have equal opportunities to establish successful businesses, reducing economic disparity.
- ***Focus Product Scheme for Footwear & Leather Sectors:*** To enhance the productivity, quality and competitiveness of India's footwear and leather sector, a focus product scheme has been announced to facilitate employment for 22 lakh persons, generate turnover of ₹ 4 lakh crore and exports of over ₹ 1.1 lakh crore. This will bring opportunity to source high ticket SME loans.
- ***Measures for the Toy Sector:*** A scheme to create high-quality, unique, innovative, and sustainable toys, making India a global hub for toys announced.
- ***Support for Food Processing:*** A National Institute of Food Technology, Entrepreneurship and Management to be set up in Bihar.
- ***Manufacturing Mission - Furthering "Make in India":*** A National Manufacturing Mission covering small, medium and large industries for furthering "Make in India" announced. The Government's renewed emphasis on the "Make in India" initiative aims to strengthen the MSME sector, which is a vital component of the nation's economy. However, these enterprises are poised to encounter significant competition from international programs like "Make in USA" and similar initiatives in other countries, which are bolstering their domestic manufacturing capabilities. This global competition could impact the market share and growth prospects of Indian MSMEs. To navigate these challenges, Indian MSMEs must focus on enhancing productivity, adopting innovative technologies, and improving energy efficiency.
- ***CGTMSE Coverage: Significant enhancement of credit availability with guarantee cover***: To improve access to credit, the credit guarantee cover will be enhanced (a) For Micro and Small Enterprises, from Rs 5 crore to Rs 10 crores, leading to additional credit of Rs 1.5 lakh crore in the next 5 years, (b) For Startups, from Rs 10 crore to 20 crores, with the guarantee fee being moderated to 1% for loans in 27 focus sectors important for Atmanirbhar Bharat, (c) For well-run exporter MSMEs, for term loans from Rs 5 Cr up to Rs 20 crore.
- Increase in startup MSME credit guarantee to ₹20 crore from the current ₹10 crore is a great step in allowing ease of working capital financing for startup MSMEs. This has been a big bottleneck for startups to grow without diluting their equity. The increase in credit guarantee cover for micro-enterprises from Rs 5 crore to Rs 10 crore is a significant step. This initiative is expected to inject an additional Rs 1.5 lakh crore in credit over the next five years, empowering small businesses to invest in innovation and expansion.
- Banks will be encouraged to lend more to small businesses and less reliance on collateral assessment will speed up the lending process. CGTMSE coverage would act as a buffer against potential losses from defaults on big export credit facilities. This could contribute to improved asset quality and reduced non-performing assets (NPAs) for Banks.

EXPORTS

- The government's decision to establish an Export Promotion Mission for facilitating easier access to export credits, providing cross-border factoring support and assisting MSMEs in overcoming non-tariff barriers is a highly commendable step, as it will empower MSMEs to expand their international footprint

- The simplification of customs procedures, and extended export timelines for handicrafts and leather sectors will significantly enhance India's trade footprint. These steps, coupled with rationalised customs tariffs and reduced duties, will drive both export growth and domestic consumption.
- The introduction of BharatTradeNet will revolutionise India's logistics sector by streamlining trade documentation and financing. This initiative will not only simplify cross-border transactions but also foster greater connectivity with international markets, driving India's competitiveness on the global stage. As a result, India's logistics sector will experience faster growth, increased trade volume, and stronger global integration.

INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC) – GIFT CITY

In line with GoI's efforts to position the IFSC-GIFT City as a global financial centre attracting investments that position strategically as both the SEZ as also IFSC status infusing liberal policies, tax benefits, robust infrastructure, strong financial & technological ecosystem, talent pool, government support along with various incentives, subsidies & exemptions, the Union Budget has proposed a slew of measures that boost its appeal as a global financial centre of excellence:

- To attract and promote additional activities in the IFSC, specific benefits to **ship-leasing units, insurance offices and treasury centres** of global companies which are set up in IFSC are proposed.
- The cut-off date/sunset dates for commencement in IFSC has been extended by five years to 31.3.2030 to claim benefit related to IFSC units for exemptions, deductions and relocations etc.

Insurance

- To exempt the proceeds received on life insurance policy issued by IFSC insurance intermediary office without the condition on maximum premium amount.

Shipbuilding/ ship leasing

- The government has extended tax exemptions under Section 10(4H) to include capital gains on the transfer of equity shares of a ship leasing domestic company for non-residents
- To extend the exemption in section 10(34B) to dividend paid by a ship leasing company in IFSC to a unit of IFSC engaged in ship leasing.

Treasury

- It is proposed that any advance or loan between two group entities, where one of the group entities is set up in IFSC for undertaking treasury activities or treasury services, shall be excluded from dividend.
- To provide exemption to any income accruing or arising to or received by a non-resident because of transfer of non-deliverable forward contracts entered with any Foreign Portfolio Investor, being a unit in an International Financial Services Centre, which fulfils prescribed conditions.

Potential Benefits: Simplify fund movement and avoid potential tax complications associated with deemed dividend. Encourages more vibrant Treasury operations and NDF market while making IFSC more attractive destination for setting up treasuries.

Others

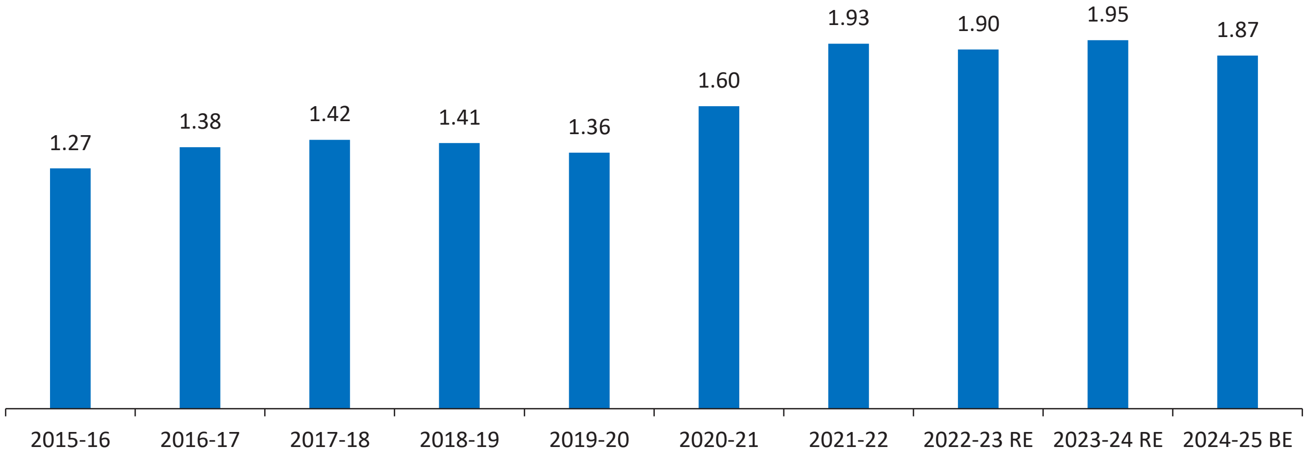
- It is proposed that transfer of a share or unit or interest held by a shareholder in an original fund (being a retail scheme or exchange traded fund regulated under IFSCA Regulations 2022) in consideration for the share or unit or interest in a resultant fund in a relocation, shall not be regarded as transfer for the purpose of calculating capital gains.

Potential benefits: Facilitates fund relocation, restructuring, protecting investors interest, increases IFSC's attractiveness

HEALTH

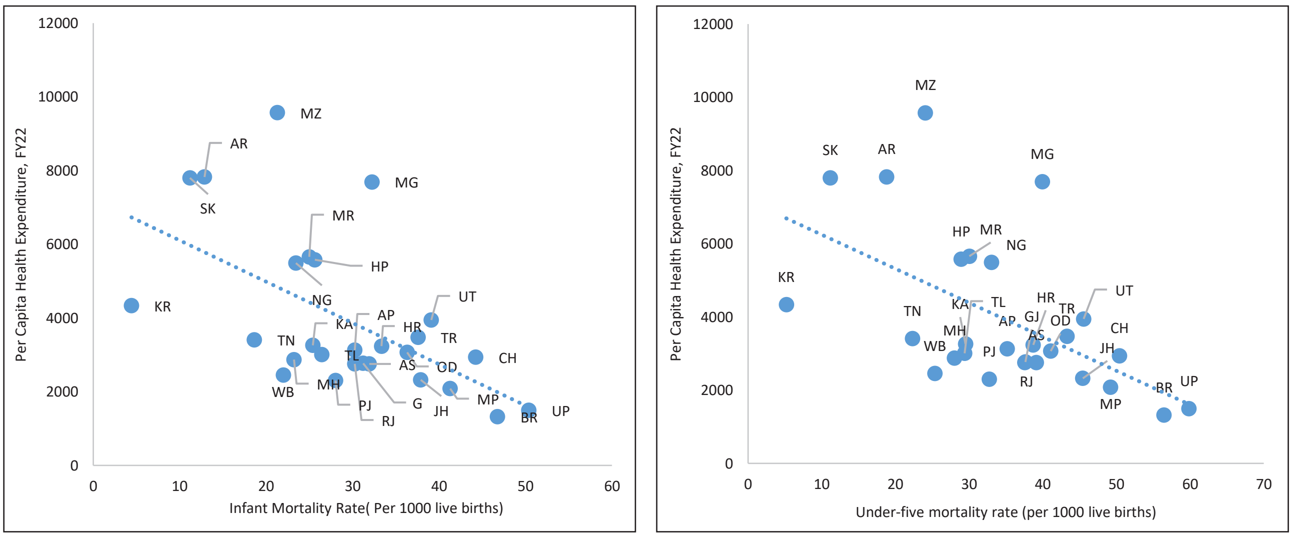
- The budget underscored the critical importance of high-quality, affordable, and comprehensive healthcare in realizing the vision of a Viksit Bharat by 2047. Emphasizing the necessity of investing in human capital for fostering a prosperous economy, the budget placed a spotlight on initiatives such as Saksham Anganwadi and Poshan 2.0. These programs are designed to provide vital nutritional support to over 8 crore children, 1 crore pregnant women and lactating mothers across the nation, alongside approximately 20 lakh adolescent girls in aspirational districts and the northeastern regions.
- The Total Budget expenditure on Health for FY26 stands at Rs 95,957 Crores which is an increase of 11% when compared to the previous year. However, these expenditures are just 0.3% of GDP. Even when coupled with states' expenditure, the total health expenditure as % of GDP may come around 2% of the GDP.

Health Expenditure as % of GDP

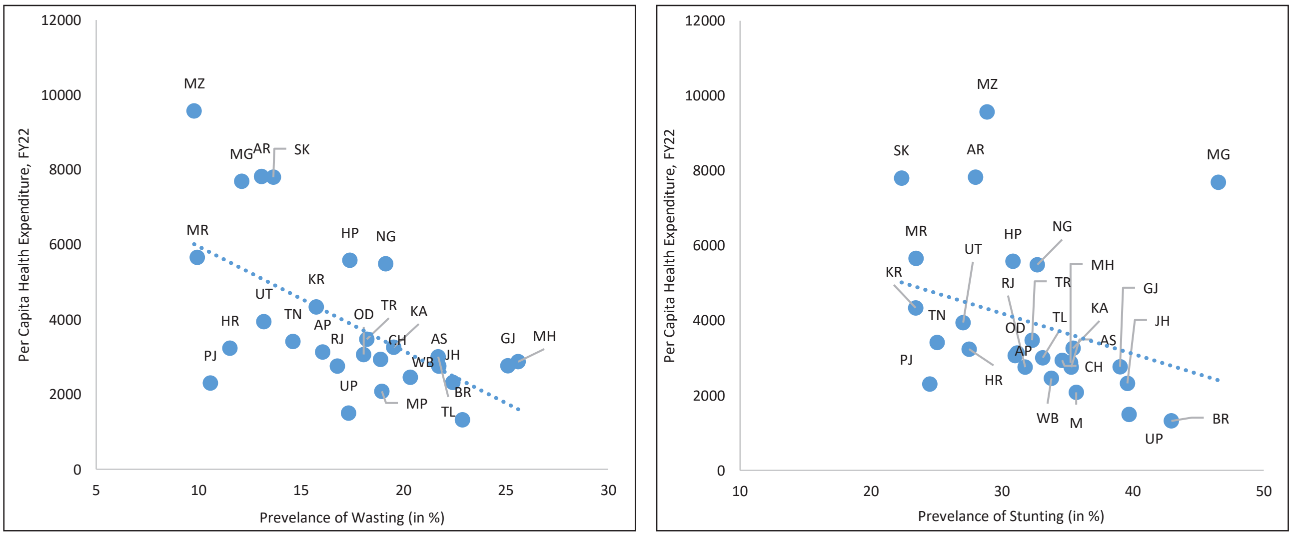


- There exists a direct relationship between health expenditure and healthcare outcomes. States with higher per capita health expenditure show significant improvements in public health outcomes. States exhibiting elevated health expenditures per capita have demonstrated a marked reduction in infant mortality, under-five mortality as well as prevalence of stunting and wasting among children.

Per Capita Health Expenditure vis-à-vis Healthcare outcomes



Contd...



Source: SBI Research.

- States such as Sikkim with per capita health expenditure of Rs 7800 show IMR of 11.2 while poor performing states like Bihar with per capita health expenditure of Rs 1320 have IMR of 46.8. A similar pattern can be observed for under-5 mortality and prevalence of stunting and wasting. This underscores the pivotal role of increased public health care expenditure in mitigating critical healthcare disparities. Thus, a sustained augmentation of health funding is indispensable for amelioration of societal well-being.
- In a concerted effort to augment healthcare accessibility and advance medical education, the government has declared the addition of 10,000 new seats in medical colleges and hospitals by the coming year, with an overarching target of expanding to 75,000 seats within the next five years.
- In addition, the budget revealed that the government will facilitate the establishment of Day Care Cancer Centres in all district hospitals over the next three years, with 200 Centres slated for inauguration in 2025-26. The initiative is expected to alleviate the burden on tertiary care institutions, reduce treatment-related travel hardships, and improve early detection and management of cancer at the grassroots level.

EDUCATION AND SKILLING

- The budget placed substantial emphasis on the development of human capital, with a particular focus on education. In an effort to cultivate a scientific temperament among the nation's youth, the government has unveiled plans to establish 50,000 Atal Tinkering Labs over the next five years. This initiative will foster innovation and creativity by providing students with hands-on exposure to cutting-edge technologies and scientific concepts. The positive impact will be manifold, including the nurturing of a robust research and development ecosystem and the enhancement of problem-solving skills.
- Acknowledging the pivotal role of skill development in harnessing the potential of India's demographic dividend, the government has unveiled plans to establish five National Centres of Excellence for skilling, in collaboration with global expertise and international partnerships. These centres will be dedicated to equipping the youth with the essential competencies needed for "Make for India, Make for the World" manufacturing. The collaboration will encompass comprehensive curriculum design, trainer training, a robust skills certification framework, and regular evaluations to ensure the alignment of skills development with industry standards and evolving global demands.
- To enhance students' comprehension of their subjects, the government has proposed the implementation of the Bharatiya Bhasha Pustak scheme, aimed at providing digital Indian language textbooks for both school and higher education.

- Moreover, the government has declared the establishment of broadband connectivity under the Bharatnet project to all government secondary schools and primary healthcare centers. This initiative will significantly enhance access to digital resources and improve the quality of education and healthcare services across rural and remote areas.
- While over 90% of schools in India are equipped with basic amenities such as electricity and gender-specific toilets only 57% schools in the country have functional computers. The state-wise situation is quite diverse with more than 90% of schools have computer facility in some states (like Delhi, Kerala, Punjab, Gujarat, etc.), there are states where computer facility is available in less than 40% of schools (like UP, WB, Bihar, etc.). This indicate that out of 24.8 crore students almost 10 crore students have no access to computer facility. The dream of Viksit Bharat cannot be accomplished without digital revolution and for which computer education is sine quo non and in this direction Bharatnet project will be a game-changer.

State wise % of schools with Computer facility

Delhi	100%	Odisha	59%
Kerala	99%	Goa	56%
Punjab	99%	Karnataka	53%
Gujarat	98%	Rajasthan	52%
Haryana	97%	Tripura	49%
Sikkim	92%	Madhya Pradesh	49%
Andhra Pradesh	87%	Himachal Pradesh	47%
Uttarakhand	87%	Mizoram	47%
Nagaland	84%	Arunachal Pradesh	43%
Maharashtra	81%	J&K	41%
Telangana	78%	Uttar Pradesh	40%
Jharkhand	75%	Manipur	33%
Tamil Nadu	73%	West Bengal	22%
Assam	68%	Bihar	20%
Chhattisgarh	67%	Meghalaya	19%
India			**57%**

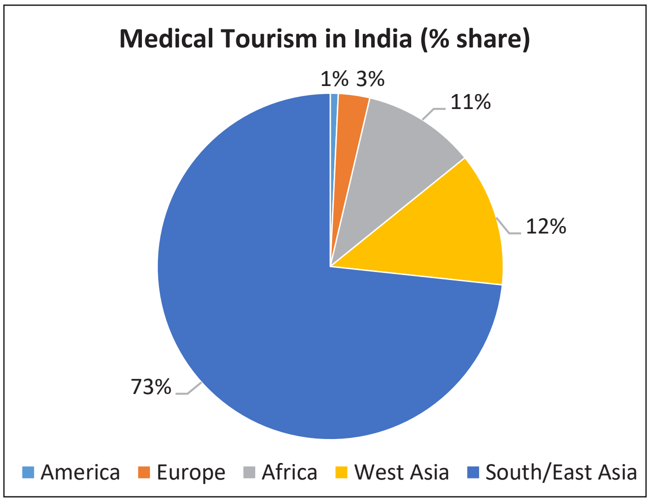
Source: SBI Research

- Highlighting a remarkable 100% increase in student enrolment across the 23 IITs, from 65,000 to 1.35 lakh over the past decade, the government has unveiled plans for infrastructure expansion in the five IITs established post-2014, aimed at accommodating an additional 6,500 students. Furthermore, the capacity of hostels and other essential infrastructure at IIT Patna will be significantly enhanced to support this growth.
- In 2023, the government unveiled three Centres of Excellence in Artificial Intelligence focused on agriculture, healthcare, and sustainable cities, a venture now extended to the education sector with an allocation of Rs 500 crores.

TOURISM

- The Government has unveiled a series of transformative initiatives aimed at boosting the tourism sector, with a focus on infrastructure development, skill enhancement, and enhancing global accessibility. The government will develop the top 50 tourist destinations across the country in collaboration with states through a competitive challenge mode. States will be required to allocate land for the construction of essential infrastructure, while hotels at these destinations will be integrated into the Infrastructure HML. This initiative is expected to bolster the tourism sector by enhancing destination appeal, improving accessibility, and offering world-class amenities, thereby attracting more domestic and international tourists and fostering sustainable tourism growth.
- To foster employment-driven growth, several key initiatives have been announced in the Budget. Comprehensive skill-development programs, including specialized training at Institutes of Hospitality Management, will be organized to equip the youth with the necessary expertise. MUDRA loans will be provided to support the development of homestays, encouraging local entrepreneurship. **According to estimates, the demand for Homestays is approximately 3 million due to the growing influx of tourists. With the extension of MUDRA loans for Homestays, an opportunity of approximately Rs 1,500 crores of loans under the Shishu category has been created. If extended to the Kishore category, this potential could rise to an average of Rs 8,250 crores. This initiative will significantly bolster the growth of Homestays, fostering the expansion of local hospitality infrastructure and thereby contributing to the broader development of the tourism sector by providing more accommodation options and enhancing the overall tourist experience.**

- Additionally, the government will focus on improving travel accessibility by enhancing connectivity to major tourist destinations. States will also be incentivized with performance-based rewards to manage destinations effectively, covering aspects like tourist amenities, cleanliness, and marketing efforts.
- The introduction of streamlined e-visa facilities, coupled with visa-fee waivers for specific tourist groups, will simplify the process for international travelers.
- Building upon the emphasis placed on sites of spiritual and religious importance in the July Budget, there will be a concentrated focus on destinations intrinsically linked to the life and epoch of Lord Buddha.
- The promotion of Medical Tourism and "Heal in India" initiatives will be advanced through strategic collaborations with the private sector, alongside efforts to enhance institutional capacity and streamline visa regulations, thereby facilitating seamless international access to India's healthcare services. During Jan-Oct, India received 76.8 lakh foreign tourist, out of which 7.3% are for medical purpose (~5.6 lakh tourist) of which two-third are from South/East Asia. The above move will take the medical tourists upto 10 lakh in next couple of years.



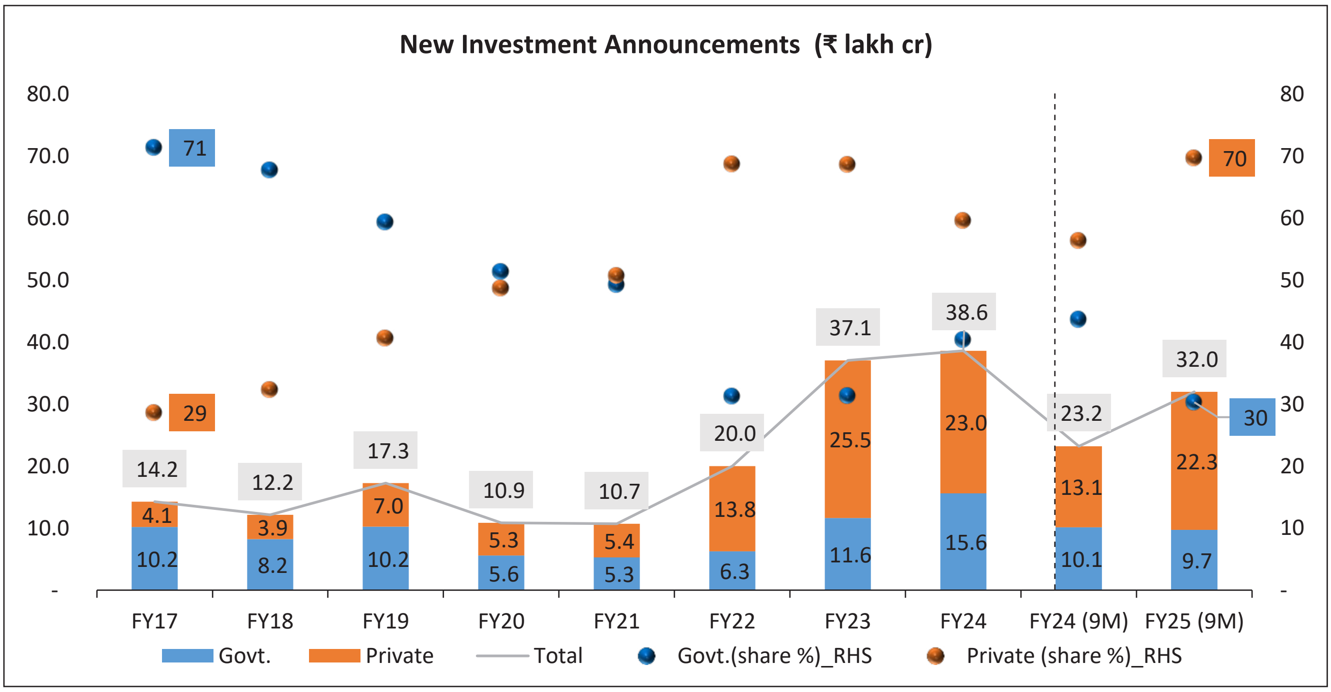
INDIA POST AS A CATALYST

- FM has proposed that India Post will be transformed into a large public logistic organisation to become a catalyst for the rural economy. The expanded range of services will include: (i) rural community hub colocation; (ii) institutional account services; (iii) DBT, cash out and EMI pick-up; (iv) credit services to micro enterprises; (v) insurance; and (vi) assisted digital services.
- In 2018, PM has launched India Post Payment Bank (IPPB), which accomplishment of generating a net profit of Rs 20.16 crore during 2022-23, demonstrating the power of IPPB's customer-centric and cost-effective banking model.
- Today IPPB has become the Most Accessible, Affordable and Trusted Bank for the unbanked & underbanked common man in India by leveraging the World's Largest Postal Network comprising 1,55,000 Post Offices (1,35,000 in rural areas) and more than 4,00,000 postal employees, aided amply by the country's Digital Public Infrastructure in delivering citizen centric financial services to the common man at their doorstep.
- The proposal has six components, 1) rural community hub co-location; 2) institutional account services; 3) DBT, cash out and EMI pick-up; 4) credit services to micro enterprises; 5) insurance; and 6) assisted digital services.
- Five of the six are financial services while community hub co-location appears similar to implement community hubs in rural areas. Such experiment has been attempted in rural communities in developed countries such as Canada and New Zealand. These hubs have different models of operations but with common theme to provide access to essentials revives, use of ICT and even use coworking models.
- With the present move, India post will increase it's revenue and will be an independent organization without any Government support, which was about to close due to the popularity of mobile and other courier services.
- The operational modalities of the proposal are awaited.

Section 2
Corporate and Industry

INVESTMENT ANNOUNCEMENTS CONTINUE TO RISE

- New investment announcements which were around Rs 10 trillion during 2020/21, improved to more than Rs 37 trillion in last two years (FY23/FY24) supported by both Government as well as private participation.
- In 9MFY25 i.e., the nine months of FY25 (April-December 2024), total investment announcements stood at Rs 32.01 lakh crore, a 39% increase from Rs 23 lakh crore in 9MFY24, reflecting a positive investment outlook.
- The private sector accounted for nearly 56% (9MFY24) and nearly 70% (9MFY25) of these announcements, signaling strong corporate confidence.



- Major industries where new announcements were made during last nine months include Power including Renewable Energy, Roadways, Shipping, Railways, Residential Building, Basic Metal, Electronics, Automobiles, etc.

New Investment Announcements Sectorwise (major sector) 9MFY25		
Sectors	**Number of Projects**	**Amount Rs Crore**
Manufacturing	**1,493**	**5,97,921**
Basic Metals	190	1,67,700
Electronics	89	1,01,288
Automobiles & Ancillaries	117	88,899
Cement & Asbestos	42	46,120
Electrical Machinery	81	43,744
Inorganic Chemicals	182	27,609
Food Products	106	19,448

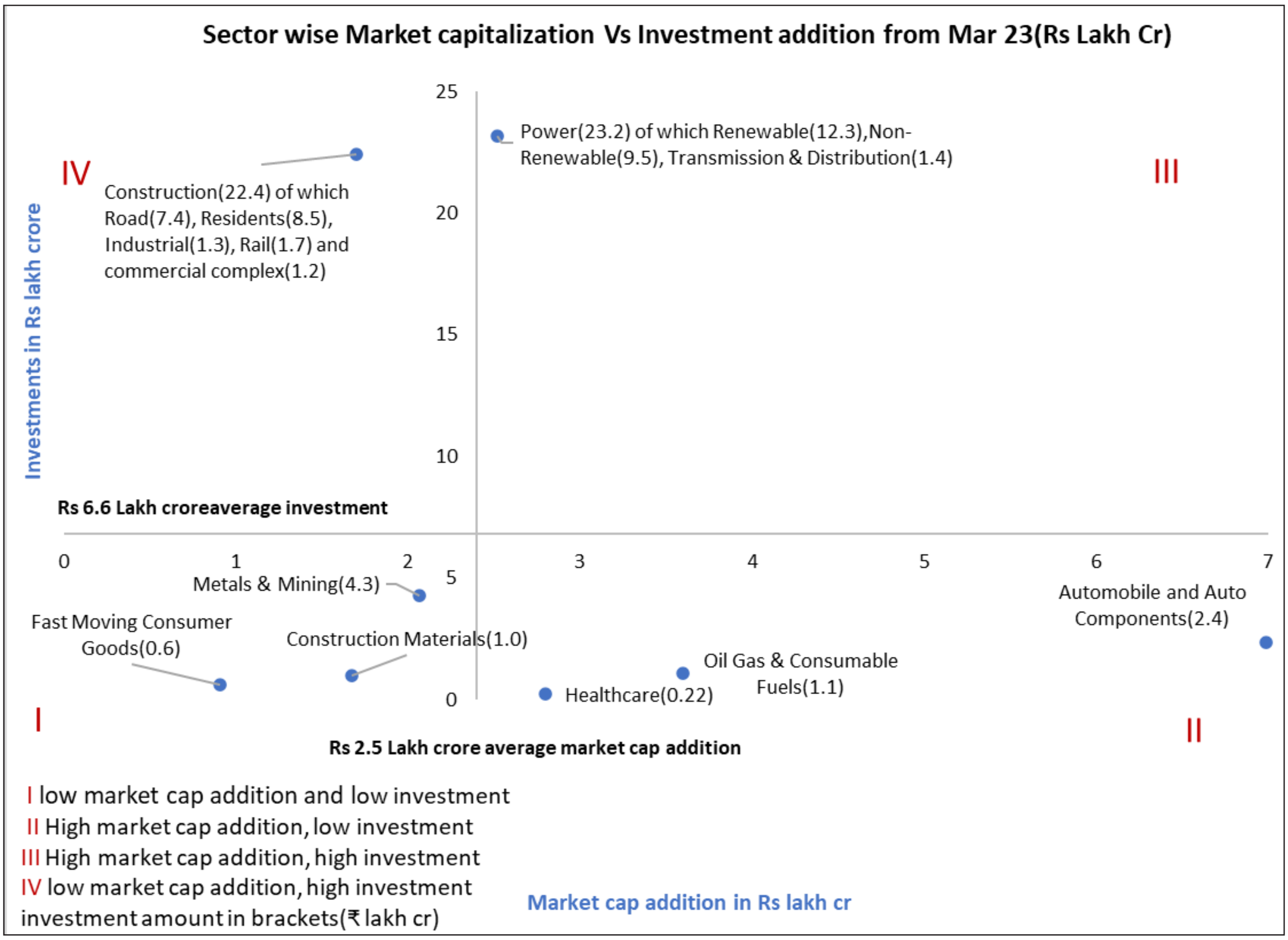
New Investment Announcements Sectorwise (major sector) 9MFY25		
Sectors	**Number of Projects**	**Amount Rs Crore**
Miscellaneous Manufacturing	53	17,177
Drugs & Pharmaceuticals	110	14,873
Plastic & Plastic Products	107	13,039
Non Electrical Machinery	75	12,579
Organic Chemicals	95	12,499
Alcohols & Derivatives	69	10,937
Textiles	35	8,572
Others	142	13,437
Oil & Gas	**62**	**35,623**
Mining	**72**	**56,628**
Power	**1,172**	**13,58,783**
Renewable	666	9,61,247
Non-Renewable	63	3,10,752
Transmission & Distribution	443	86,784
Building Infrastructure	**4,268**	**7,37,658**
Residential Buildings	2,352	5,05,528
Commercial Complexes	493	59,394
Healthcare	301	34,399
Industrial & Software Parks	129	33,317
Educational & Govt Buildings	465	33,252
Tourism & Recreation	182	23,743
Logistics & Warehouses	193	19,147
Data Centers	21	15,286
Hospitality	132	13,592
Transport Infrastructure	**1,372**	**3,32,173**
Road Infrastructure	1,172	2,15,884
Shipping Infrastructure	36	59,179
Rail Infrastructure	130	51,269
Aviation and Telecom Infrastructure	34	5,841
Water & Irrigation	**769**	**83,158**
All Sectors	**9,208**	**32,01,944**

Source: Projects Today; SBI Research

The link between investment announcements and market capitalisation

While analyzing the addition in market cap vis-à-vis investment announcements, we observed an interesting trend. For example, if we see Power sector including renewable and transmission and distribution the sector reported high market cap addition on the back of high investment intentions worth Rs 23 lakh crore, in last two years. Construction sector including Road, Residential, Commercial, Industrial, Rail etc. also reported higher investment announcements though the market cap addition is low, indicating the scope of increase in market capitalization in these sectors in future.

Sectors such as Metals, FMCG, Construction Materials (Cement etc.) reported lower market cap addition and lower investment announcements in last two years.



Improvement in credit ratio (upgrade to downgrade)

Sector wise rating upgrades to downgrades reflects improvement in credit ratios across various sectors. Sectors such as Healthcare, Pharma, Auto Ancillary, Cement, Gas Distribution, FMCG, Hotel Restaurants & Leisure, NBFC, etc. reported better and improved U/D ratio in 9MFY25 as compared to the same period last year.

A comparative table of credit ratios (upgrade to downgrade) 9MFY25 and 9MFY24 is as under: -

Sector wise Rating Upgrades and Downgrades							
Major Sector	9MFY24			9MFY25			Change in U/D ratio
	Rating Upgrades	Rating Downgrades	Upgrade to Down Grade Ratio	Rating Upgrades	Rating Downgrades	Upgrade to Down Grade Ratio	
Capital Goods-Non Electrical Equipment	419	1420	0.30	601	1966	0.31	0.01
Construction & Engineering	213	736	0.29	313	998	0.31	0.02
Healthcare	85	247	0.34	126	333	0.38	0.03
Consumer Durables & Apparel	162	817	0.20	224	1098	0.20	0.01
Textiles	91	591	0.15	100	691	0.14	-0.01
Metals and Mining	119	319	0.37	154	438	0.35	-0.02
Pharmaceuticals	37	104	0.36	59	148	0.40	0.04
Steel	100	270	0.37	115	327	0.35	-0.02

Sector wise Rating Upgrades and Downgrades							
Major Sector	9MFY24			9MFY25			Change in U/D ratio
	Rating Upgrades	Rating Downgrades	Upgrade to Down Grade Ratio	Rating Upgrades	Rating Downgrades	Upgrade to Down Grade Ratio	
Capital Goods - Electrical Equipment	40	181	0.22	62	232	0.27	0.05
IT	46	99	0.46	59	122	0.48	0.02
Sugar	27	45	0.60	39	67	0.58	-0.02
Auto Components and Ancilliaries	71	93	0.76	99	113	0.88	0.11
Fertilizers & Agriculture chemicals	9	17	0.53	16	31	0.52	-0.01
Cement	8	23	0.35	12	27	0.44	0.10
Energy	16	25	0.64	19	36	0.53	-0.11
Gas Distribution Utilities	5	6	0.83	10	7	1.43	0.60
FMCG	3	6	0.50	4	7	0.57	0.07
Automobiles	5	17	0.29	6	22	0.27	-0.02
Gems & Jewellery-Diamonds Polishing	1	26	0.04	1	39	0.03	-0.01
Telecommunication Services	8	10	0.80	10	15	0.67	-0.13
Hotels Restaurants & Leisure	61	74	0.82	94	93	1.01	0.19
Tyres & Rubber	6	10	0.60	7	13	0.54	-0.06
Gems & Jewellery-Diamonds jewellery retailing	5	20	0.25	6	25	0.24	-0.01
Retailing	102	361	0.28	138	513	0.27	-0.01
NBFC	70	95	0.74	101	122	0.83	0.09
Total	**1951**	**5712**	**0.34**	**2288**	**6406**	**0.36**	**0.02**

Source: CRISIL; numbers are for all rating agencies; SBI Research.

Insolvency and Bankruptcy Code (IBC) and National Company Law Tribunals

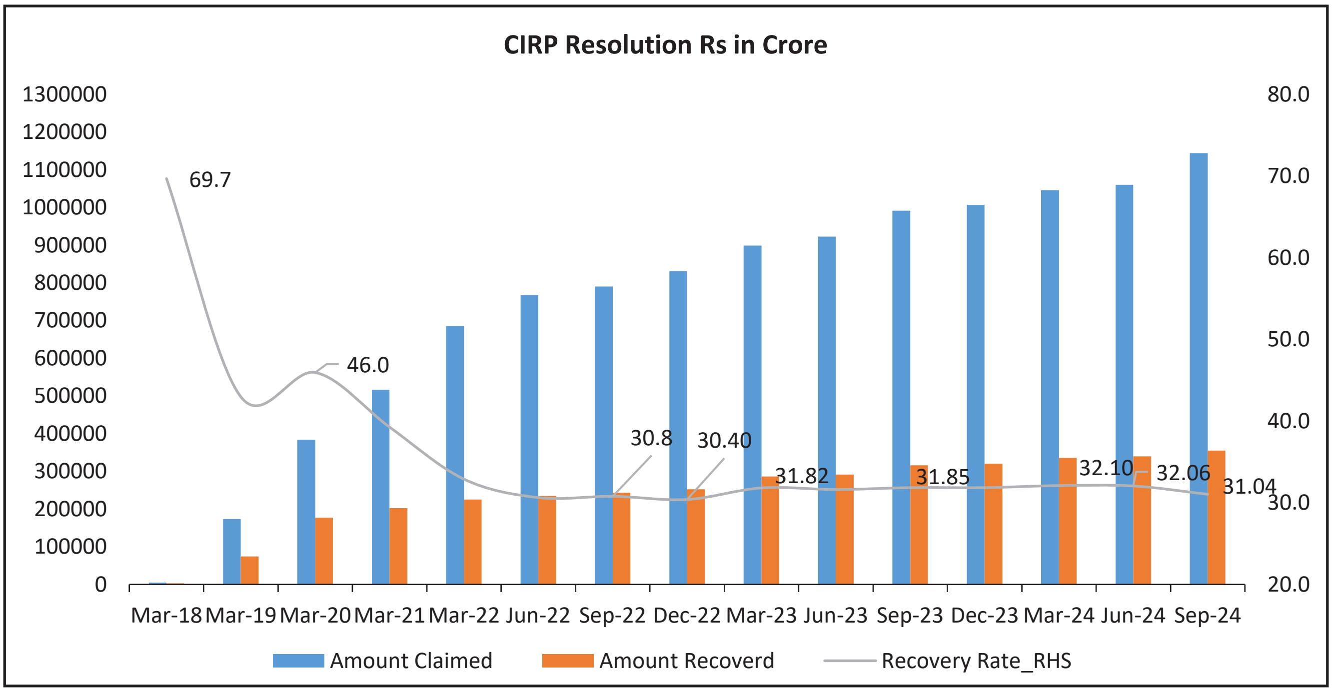
The IBC has resolved around 1,068 companies (as of Sept'2024), resulting in direct recovery of over Rs 3.6 lakh crore to creditors. In addition, 28000 cases involving over Rs 10 lakh crore have been disposed of, even prior to admission.

Resolutions under the Code have spanned across all sectors, from large steel manufacturing companies and real estate projects to small FMCG companies. Out of the 12 large accounts referred by the RBI for resolution under the Code, 10 have been successfully resolved. This highlights that the resolution process under the Code is designed to be sector-agnostic so that all types of distressed entities can find a viable solution to their financial distress.

In the last budget, proposals were made for appropriate changes to the IBC, reforms and strengthening of the tribunal and appellate tribunals to be initiated to speed up insolvency resolution. Additional tribunals will be established, out of those, some will be notified to decide cases exclusively under the Companies Act. It is also proposed that an Integrated Technology Platform will be set up for improving the outcomes under the Insolvency and Bankruptcy Code (IBC) for achieving consistency, transparency, timely processing, and better oversight for all stakeholders. These measures once established will definitely enhance efficiency of the IBC and value for all the stakeholders.

The next step towards insolvency and bankruptcy reform is to improve operational efficiencies to speed up the resolution process. This is especially important for MSMEs, for whom legal costs can prove to be substantial. Improving time efficiencies in the system comes down to using innovative resolution routes such as the pre-pack arrangements for MSMEs, inter-disciplinary capacity building of resolution professionals across legal, financial and industry basics and minimising judiciary delays in proceedings.

Sectoral Distribution Of CIRPs as on September 2024							
Year	Admitted	No. of CIRPs					Ongoing
		Closed					
		Appeal/ Review/ Settled	Withdrawal under Section 12 A	Approval of Resolution Plan	Commencement of Liquidation	Total	
Manufacturing	2990	420	433	500	1070	2423	567
Food, Beverages & Tobacco Products	386	46	57	59	145	307	79
Chemicals & Chemical Products	326	56	64	51	98	269	57
Electrical Machinery & Apparatus	212	27	23	28	95	173	39
Fabricated Metal Products	157	25	28	22	50	125	32
Machinery & Equipment	326	59	57	39	107	262	64
Textiles, Leather & Apparel Products	506	61	75	68	212	416	90
Wood, Rubber, Plastic & Paper Products	352	47	50	62	119	278	74
Basic Metals	495	61	45	129	179	414	81
Others	230	38	34	42	65	179	51
Real Estate, Renting & Business Activities	1746	321	272	165	479	1237	509
Real Estate Activities	504	101	74	49	76	300	204
Computer and related activities	225	29	41	17	87	174	51
Research and Development	11	2	3	1	2	8	3
Other Business Activities	1006	189	154	98	314	755	251
Construction	934	182	148	123	198	651	283
Wholesale & Retail Trade	809	105	79	71	349	604	205
Hotels & Restaurants	165	30	27	30	41	128	37
Electricity & Others	219	28	21	47	87	183	36
Transport, Storage & Communications	219	25	25	22	92	164	55
Others	920	110	115	110	314	649	271
Total	**8002**	**1221**	**1120**	**1068**	**2630**	**6039**	**1963**



v

SECTOR : IRON & STEEL

OVERALL IMPACT : POSITIVE

Budget Proposals and Impact

- Modified UDAN - Regional connectivity to 120 new destinations and carrying 4 crore passengers in the next 10 years
- Rs 15,000 crore for expeditious completion of one lakh dwelling units through blended finance.
- Support to States for Infrastructure - with an outlay of Rs 1.5 lakh crore, 50-year interest free loans to states for capital expenditure and incentives for reforms.
- Urban Challenge Fund: Rs 1 lakh crore to implement the proposals for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water & Sanitation'
- Top 50 tourist destination sites to be developed in partnership with states
- National Framework for GCC - As guidance to states for promoting Global Capability Centers in emerging tier 2 cities
- Warehousing facility for air cargo: To facilitate upgradation of infrastructure and warehousing for air cargo including high value perishable horticulture produce
- NaBFID to set up a 'Partial Credit Enhancement Facility' for corporate bonds for infrastructure
- Capital outlay of Rs 1.92 lakh crore has been provided for Defence

Backdrop

In 9MFY25, India reported crude steel production of 111 MT, reporting a growth of around 4% YoY as compared to production of 106.7 MT in 9MFY24. The performance of Steel sector during FY25 has not been encouraging so far with global steel demand remaining weak, leading to rising imports into India coupled with Chinese dumping affecting domestic steelmaker earnings. With production of finished steel at 106.9 MT and consumption of finished steel at 111.3 MT during 9MFY25 as compared to 102.7 MT and 100.1 MT respectively in 9MFY24, the sector reported a growth of around 4% in production and 11.2% in consumption.

The Government has taken various steps to boost the sector including the introduction of National Steel Policy 2017 and allowing 100% Foreign Direct Investment (FDI) in the steel sector under the automatic route. The National Steel Policy 2017 (NSP) was adopted with the vision to create a globally competitive steel industry in India. The NSP aims at achieving objectives such as building a globally competitive industry with a crude steel capacity of 300 million tonnes by FY2031, increasing the per capita steel consumption to 160kg by FY2031, meeting domestically the entire demand of various types of steel by FY2031 etc. Rural steel consumption to act as a catalyst in achieving domestic demand and production target of 300 million tonnes in line with NSP-2017.

The sustained growth in steel sector is fueled by ongoing development projects and increased public infrastructure spending. The primary drivers of steel demand included expansion in end-user sectors and the implementation of policies like the National Steel Policy and Production-Linked Incentive schemes. Government initiatives on housing, urban and rural infrastructure also contributed to the rising demand.

According to the data released by the Department for Promotion of Industry and Internal Trade (DPIIT), between April 2000-September 2024, Indian metallurgical industries attracted FDI inflows of US$ 18.06 billion.

The first round of Production Linked Incentive (PLI) Scheme for Specialty Steel was notified on July 29th, 2021, by the Ministry of Steel with a budgetary outlay of Rs 6322 Crore with the objective to promote manufacturing of value-added steel grades within the country and help the Indian steel industry mature in terms of technology as well as move up the value chain. This will also result in reduction in Imports of these grades and will be a step towards Atma Nirbhar Bharat.

In the first round, 44 projects by 26 companies are active with a committed investment of about Rs 27,106 crore and 24 million tonnes of downstream capacity creation. As of November 2024, the actual investment achieved is around Rs 18,300 crore with direct employment generation of around 8300. Ministry of Steel estimates that the payout for the participants in first round will be about Rs 2000 crore. As of November 2024, the selected companies have already invested about Rs 18,300 crores.

Recently, the Ministry of Steel has come out with PLI scheme 1.1 for specialty Steel for five product categories which is the same as the existing PLI Scheme to enable further participation and shall be implemented during the production period of FY 2025-26 to FY 2029-30.

This will not only boost further participation to invest but also strengthen Brand India, reduce imports, and position India as a global steel powerhouse. The changes made in PLI scheme for specialty steel reflect the government's commitment to strengthening domestic production, fostering innovation, and reducing imports.

PLI Scheme 1.1 covers five product categories in line with the existing PLI Scheme, namely Coated/ Plated Steel Products, High Strength / Wear resistant Steel, Specialty Rails, Alloy Steel Products & Steel wires and Electrical Steel. These products have a wide range of application, from white goods to transformers to Automobiles and other niche sectors.

Green Steel – Recently, the Steel Ministry has announced the taxonomy for the Green Steel which will help to set a benchmark for adopting global best practices and help India to become a global leader in green steel production. 'Green steel' is defined as steel produced with emissions lower than 2.2 tonnes of carbon dioxide per tonne of finished steel. A star-rated grading system will also measure the greenness of steel, with five-star rating for emission intensity lower than 1.6 tonnes of CO_2 equivalent per tonne of finished steel.

While announcing the taxonomy for green steel, Steel Ministry has proposed that in future over a third of the total government steel procurement will be of low carbon variant. According to the Steel Ministry, up to 37% of all future steel procurement will be earmarked for green steel as an incentive to lower carbon intensity.

In addition, the government's Steel's Scrap Recycling Policy encourages efficient recycling of scrap. The total domestic consumption of steel scrap in India is approximately 30 Million Tonnes (MT), of which around 5 MT is imported. Ensuring the availability of high-quality scrap in sufficient quantities is crucial for transitioning to green steel and supporting the future growth of the steel industry.

Performance of Indian Steel industry

Category	FY24* (mt)	FY23 (mt)	% growth (YoY)	9M FY25*(mt)	9M FY24 (mt)	% growth (YoY)
Crude Steel Production	144.0	127.2	13.2	111.0	106.7	4.0
Hot Metal Production**	87.0	81.2	7.2	36.6	35.3	3.8
Pig Iron Production	7.3	5.9	24.8	6.3	5.6	12.2
Sponge Iron Production$	51.5	43.6	18.1	36.6	33.7	8.7
Total Finished Steel (alloys/stainless + non alloys)						
Production	138.8	123.2	12.7	106.9	102.7	4.1
Import	8.3	6.0	38.2	7.3	6.0	20.3
Export	7.5	6.7	11.5	3.6	4.8	-24.6
Consumption	136.3	119.9	13.6	111.3	100.1	11.2

Source: JPC Trend report,* provisional,**FY 25 till Aug,$till 9MNov; mt = million tonnes.

The steel industry has emerged as a major focus area given the dependence of a diverse range of sectors on its output as India works to become a manufacturing powerhouse through policy initiatives like 'Make in India'. With the industry accounting for about 2% of the nation's GDP, India ranks as the world's second-largest producer of steel. Huge scope for growth of the sector with comparatively low per capita steel consumption and the expected rise in consumption due to increased infrastructure construction and the thriving automobile and railways sectors.

Key previous budget announcements for the sector

- Twelve Industrial parks under the National Industrial Corridor Development Programme
- PM Awas Yojana Urban 2.0 - One crore urban poor and middle-class families will be addressed with an investment of Rs 10 lakh crore
- Removal of BCD on ferro nickel will reduce cost of production, as it's a key raw material for stainless steel makers
- Capital outlay of Rs 2.52 lakh crore provided for the Railways
- Capital outlay for Road Transport and Highways have increased to Rs 2.72 lakh crore
- Capital outlay of Rs 1.72 lakh crore for defense

Credit Ratios

Sector Credit Ratios (Upgrade vis-à-vis downgrades) during 9MFY25 as compared to 9MFY24 as under:

Credit Ratio							
Sector	Total No. of Companies (o/s as on Jan 2025)	9MFY24			9MFY25		
		Upgrades	Downgrades	Ratio	Upgrades	Downgrades	Ratio
Iron & Steel	1177	83	249	0.33	95	288	0.33

Source: CRISIL; SBI Research; numbers are for all rating agencies.

Credit ratio in steel sector remain at the same level during 9MFY25 as compared to 9MFY24. With 95 upgrades and 288 downgrades during 9MFY25, credit ratios stood at 0.33 in 9MFY25.

Sectors Performance - Key Financials of Select Companies

Key Financials of Select Iron & Steel Companies for H1FY25 vis-à-vis H1FY24 (Rs in Crore)									
Name of the Company	H1FY25			H1FY24			Growth H1FY25 on H1FY24		
	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
Tata Steel Ltd	107902	12478	1677	114123	2374	-5986	-5%	426%	LTP
JSW Steel Ltd	81441	10531	1271	85605	14874	5201	-5%	-29%	-76%
Steel Authority of India Ltd	48673	4821	979	54071	5109	1518	-10%	-6%	-36%
Jindal Steel & Power Ltd	24831	5040	2198	24839	4913	3082	0%	3%	-29%
Jindal Stainless Ltd	19207	2397	1255	19981	2423	1502	-4%	-1%	-16%

Source: CLine; listed, consolidated priority; SBI Research, LTP= loss to profit.

All the major steel companies have reported degrowth in top line as well as bottom line in first half of FY25 as compared to the same period previous year. Steel major Tata Steel and JSW Steel reported 5% decline in revenue in H1FY25, while Steel Authority of India reported 10% decline in revenue for the same period. Sector is facing challenges on account of increased Chinese imports, which is also adversely affecting margins of the domestic players.

Market Reaction

Market Movement from Previous Budget and on Budget Day (01st Feb'25)								
Sector - Iron & Steel Name of the Companies	1-Feb-24	23-Jul-24	31-Jan-25	1-Feb-25	Movement Over (%)		Movement on Budget Day	
					1-Feb-24	23-Jul-24	Price	%
Tata Steel Ltd	135	160	135	133	-1.4%	-17.0%	-1.7	-1.2%
JSW Steel Ltd	802	895	945	934	16.5%	4.4%	-10.8	-1.1%
Steel Authority of India Ltd	119	141	107	107	-10.7%	-24.6%	-0.9	-0.8%
Jindal Steel & Power Ltd	742	953	792	776	4.6%	-18.5%	-15.2	-1.9%
Jindal Stainless Ltd	565	734	653	624	10.5%	-14.9%	-29.2	-4.5%

Source: NSE; closing price as on date.

SECTOR : FMCG

OVERALL IMPACT: MODERATELY POSITIVE

Budget Proposals and Impact

- Support for Food Processing - Establishment of a National Institute of Food Technology in Bihar, enhanced income for the farmers and skilling, entrepreneurship and employment opportunities for the youth
- Rs 1.71 lakh crore for agriculture and allied sector
- Prime Minister Dhan-Dhaanya Krishi Yojana - Developing Agri Districts Programme - To cover 100 districts and likely to help 1.7 crore farmers
- Aatmanirbharta in Pulses - Launch a 6-year Mission with special focus on Tur, Urad and Masoor, emphasizing increasing productivity, improving post-harvest storage and management, assuring remunerative prices to the farmers.
- Makhana Board to be set up to improve production, processing, value addition, and marketing and organisation of FPO

Further, the Budget has emphasized rural focus and its emphasis on labour incentive industries, reduction in personal income tax and enhancement to rural income will have an enabling impact on consumption and the sector.

Backdrop

Fast-moving consumer goods (FMCG) sector is India's fourth-largest sector and has been expanding at a healthy rate over the years as a result of rising disposable income, a rising youth population, and rising brand awareness among consumers. With household and personal care accounting for 50% of FMCG sales in India, the industry is an important contributor to India's GDP.

To create global food champions and improving the visibility of Indian food brands abroad, Government of India has approved a Production Linked Incentive Scheme for Food Processing Industry (PLISFPI) for implementation during FY22 till FY27 with an outlay of Rs 1,0,900 crore, for four segments namely (i) Ready to Cook/ Ready to Eat (RTC/ RTE) foods including Millet products, (ii) Processed Fruits & Vegetables, (iii) Marine Products and Mozzarella Cheese, (iv) Innovative/ Organic products of SMEs in these segments.

In addition, Government's initiative to promote millets for its health benefits would increase the consumption and production of the millets in the nation. To support this, the government declared that the Indian Institute of Millet Research in Hyderabad will become a worldwide centre of excellence for the exchange of best practices, knowledge, and innovations.

The Government has allowed 100% Foreign Direct Investment (FDI) in food processing and single-brand retail and 51% in multi-brand retail. This would bolster employment, supply chain and high visibility for FMCG brands across organized retail markets thereby bolstering consumer spending and encouraging more product launches.

According to the data released by the Department for Promotion of Industry and Internal Trade (DPIIT), between April 2000-September 2024, Food Processing Industries attracted FDI inflows of US$ 12.95 billion.

Rising income, integration of quick commerce coupled with various Govt. initiatives will augur well and drive the future of FMCG sector. Previous budget announcements like digital crop survey for Kharif using the DPI in 400 districts and natural farming in the next two years where one crore farmers across the country will be initiated into natural farming supported by certification and branding will enable in increasing farmers' income.

Credit Ratios

Sector Credit Ratios (Upgrade vis-à-vis downgrades) during 9MFY25 as compared to 9MFY24 as under: -

Credit Ratio							
Sector	Total No. of Companies (o/s as on Jan 2025)	9MFY24			9MFY25		
		Upgrades	Downgrades	Ratio	Upgrades	Downgrades	Ratio
FMCG	101	5	17	0.29	5	17	0.29

Source: CRISIL; SBI Research; numbers are for all rating agencies.

With 5 upgrades and 7 downgrades, credit ratios for 9MFY25 remains at same level as last year and stood at 0.29 for 9MFY25.

Sectors Performance - Key Financials of Select Companies

Key Financials of Select Iron & Steel Companies for H1FY25 vis-à-vis H1FY24 (Rs in Crore)									
Name of the Company	H1FY25			H1FY24			Growth H1FY25 on H1FY24		
	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
Hindustan Unilever Ltd	31252	7465	5207	30631	7417	5213	2%	1%	0%
Britannia Industries Ltd	8696	1508	1036	8340	1561	1042	4%	-3%	-1%
Godrej Consumer Products Ltd	6958	1458	942	6986	1253	752	0%	16%	25.3%
Dabur India Ltd	6378	1208	912	6334	1266	964	1%	-5%	-5%
Hatsun Agro Product Ltd	4447	571	195	4056	457	158	10%	25%	24%

Source: CLine; listed, consolidated priority; SBI Research.

Around 119 listed FMCG companies reported 5.1% growth in topline in H1FY25 as compared to H1FY24. Further, the same set of companies reported EBIDTA and PAT growth of 3.7% and 4.2% respectively during the same period. Sector leaders like Hindustan Unilever Ltd. (HUL) reported 2% growth in top line, while EBIDTA and PAT stood at almost flat level. Britannia reported 4% growth in topline, while Hatsun Agro reported 10% growth in revenue during H1FY25.

Market Reaction

Market Movement from Previous Budget and on Budget Day (01st Feb'25)								
Sector - FMCG Name of the Companies	1-Feb-24	23-Jul-24	31-Jan-25	1-Feb-25	Movement Over (%)		Movement on Budget Day	
					1-Feb-24	23-Jul-24	Price	%
Hindustan Unilever Ltd	2474	2767	2469	2506	1.3%	-9.4%	37.3	1.5%
Britannia Industries Ltd	5148	5942	5130	5201	1.0%	-12.5%	71.7	1.4%
Godrej Consumer Products Ltd	1254	1518	1121	1192	-5.0%	-21.5%	70.5	6.3%
Dabur India Ltd	555	654	530	539	-2.8%	-17.6%	9.3	1.7%
Hatsun Agro Product Ltd	1125	1194	942	952	-15.3%	-20.3%	10.4	1.1%

Source: NSE; closing price as on date.

SECTOR : CEMENT

OVERALL IMPACT: POSITIVE

Budget Proposals and Impact

- Capital outlay of Rs 2.52 lakh crore has been provided for the Railways
- Top 50 tourist destination sites to be developed in partnership with states
- National Framework for GCC - As guidance to states for promoting Global Capability Centers in emerging tier 2 cities
- Warehousing facility for air cargo: To facilitate upgradation of infrastructure and warehousing for air cargo including high value perishable horticulture produce
- Support to States for Infrastructure: With an outlay of Rs 1.5 lakh crore, 50-year interest free loans to states for capital expenditure and incentives for reforms.
- Urban Challenge Fund Rs 1 lakh crore to implement the proposals for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water &Sanitation'
- Modified UDAN - Regional connectivity to 120 new destinations and carry 4 crore passengers in the next 10 years
- Rs 15,000 crore for expeditious completion of one lakh dwelling units through blended finance.
- Capital outlay for Road Transport and Highways have increased to Rs 2.72 lakh crore

Backdrop

India is the second-largest producer of cement in the world, accounting for around 9% of the global installed capacity. As India has a high quantity and quality of limestone deposits through-out the country, the cement industry promises huge potential for growth.

The per capita consumption of cement in India is around 290 kg compared to the world average of around 540 kg. India's per capita consumption of cement has been on the rise in recent years, reflecting the growth in infrastructure projects, urbanization, and construction activities across the country.

The cement production surpassed the pre-pandemic level and grew by further 9% to 427 MT in FY24, as compared to around 380 MT in FY23. In FY24, the growth was mainly driven by high demand on the back of the government's push for infrastructure development especially in the rural segment, urban housing, and construction activities like metros, highways, smart cities, etc., in different regions of India. The cement production in 9MFY25 was 316 MT as compare 306 MT in 9MFY24, recording yoy growth of 3.3%. To meet the consumption demand, cement companies are expected to do capacity addition, and the projected cement production is expected to grow at a CAGR of 7%-8% to reach 585-612 MT by FY29.

The installed cement capacity grew to 632 MT in FY24 from 518 MT in FY20. In the future, i.e. till FY27, the industry is expected to add 100-110 MTPA cement capacity. In the long term, currently announced capacities are expected to result in a capacity addition of 140-150 MTPA by FY28-FY30.

With strong demand in recent years, capacity utilization is estimated to peak at around 66%. This is 400-500 basis points higher than FY24. However, considering moderation in demand growth vis-a-vis new supply of capacities, the capacity utilization is expected to remain between 68%-69% on an average over the medium term.

With Government announcing schemes pertaining to infrastructure development including affordable housing that will for the cement industry. Further, schemes like Gati Shakti, National Infrastructure Pipeline (NIP), Pradhan Mantri Awas Yojan etc. will continue to drive the sector demand.

The housing sector is the key contributor to cement market growth. It is estimated that about 60% of cement is consumed by the sector. The government plans to increase the capacity of railways and the facilities for handling and storage to enable the transfer of cement and cut out on transportation costs. These measures are expected to result in an increased construction activity in the country, thereby boosting demand for cement.

According to the data released by Department for Promotion of Industry and Internal Trade (DPIIT), cement and gypsum products attracted Foreign Direct Investment (FDI) worth US$ 7.9 billion between April 2000 and September 2024. Whilst April to November was a slow period for cement industry, cement demand in India, we believe that the demand momentum is picking up and it will remain strong in the years to come. And Indian cement industry is gearing up to meet the surge in demand in the coming years. We believe, with government's focus on mega projects like highways, railways, and housing schemes, coupled with rural development and industrial growth, is expected to fuel significant cement demand.

Some of the key announcements in last budget

- Capital outlay of Rs 2.52 lakh crore has been provided for the Railways
- Capital outlay for Road Transport and Highways have increased to Rs 2.72 lakh crore
- Twelve industrial parks under the National Industrial Corridor Development Programme
- PM Awas Yojana Urban 2.0 - One crore urban poor and middle-class families will be addressed with an investment of Rs 10 lakh crore
- Enabling policies and regulations for efficient and transparent rental housing markets with enhanced availability will also be put in place
- Phase IV of PMGSY will be launched to provide all weather connectivity to 25,000 rural habitations
- Promotion of tourism through various announcements including development of Vishnupad Temple Corridor and Mahabodhi Temple Corridor modelled on Kashi Vishwanath Temple Corridor, assistance to development of Odisha's scenic beauty, temples, monuments, craftsmanship, wildlife sanctuaries, natural landscapes and pristine beaches etc.

Credit Ratios

Sector Credit Ratios (Upgrade vis-à-vis downgrades) during 9MFY25 as compared to 9MFY24 as under:

Credit Ratio							
Sector	Total No. of Companies (o/s as on Jan 2025)	9MFY24			9MFY25		
		Upgrades	Downgrades	Ratio	Upgrades	Downgrades	Ratio
Cement	82	9	20	0.45	4	11	0.36

Source: CRISIL; SBI Research; numbers are for all rating agencies.

With 4 upgrades and 11 downgrades during 9MFY25, credit ratio stands at 0.36, as against 0.45 during 9MFY24.

Sectors Performance - Key Financials of Select Companies

Key Financials of Select Iron & Steel Companies for H1FY25 vis-à-vis H1FY24 (Rs in Crore)									
Name of the Company	H1FY25			H1FY24			Growth H1FY25 on H1FY24		
	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
UltraTech Cement Ltd	33704	5058	2520	33749	5600	2971	0%	-10%	-15%
Ambuja Cements Ltd	15828	2235	1256	16137	2969	2123	-2%	-25%	-41%
ACC Ltd	9768	1080	559	9636	1320	854	1%	-18%	-34%
Shree Cement Ltd	9178	1541	355	9809	1831	1019	-6%	-16%	-65%
Dalmia Bharat Ltd	6708	990	194	6780	1205	267	-1%	-18%	-27%

Source: CLine; listed, consolidated priority; SBI Research.

In FY24, 35 listed companies reported 4% decline in revenue and 19% EBIDTA degrowth. Cement Majors such as Ultratech, Ambuja, ACC etc. reported flat or negative growth in topline in H1FY25 as compared to H1Y24.

Market Reaction

Market Movement from Previous Budget and on Budget Day (01st Feb'25)								
Sector - Cement Name of the Companies	1-Feb-24	23-Jul-24	31-Jan-25	1-Feb-25	Movement Over (%)		Movement on Budget Day	
					1-Feb-24	23-Jul-24	Price	%
UltraTech Cement Ltd	9922	11556	11487	11259	13.5%	-2.6%	-228	-2.0%
Ambuja Cements Ltd	565	691	513	502	-11.3%	-27.4%	-11	-2.2%
ACC Ltd	2526	2649	2008	2001	-20.8%	-24.5%	-7	-0.3%
Shree Cement Ltd	29614	28056	27796	27364	-7.6%	-2.5%	-432	-1.6%
Dalmia Bharat Ltd	2280	1778	1866	1827	-19.9%	2.8%	-39	-2.1%

Source: NSE; closing price as on date.

SECTOR : AUTOMOBILE

OVERALL IMPACT: NEUTRAL

Budget Proposals and Impact

- With focus on make in India and to give EV and Battery Manufacturing push Government has announced custom duty exemption of 35 capital goods for EV battery manufacturing. This will boost domestic manufacture of lithium-ion battery electric vehicles.
- Support for domestic manufacturing of motors, controllers and other critical components
- Integration of EV manufacturing with Clean Tech manufacturing program
- Reduction in customs duty for Motorcycle, Complete Buit Up (CBU), with engine capacity not exceeding 1600 CC from 50 to 40 and for Engine capacity 1600 CC and above (CBU) from 50 to 30. For Semi-knocked down (SKD) Completely knocked down (CKD) the same is reduced from 25 to 20 and 15 to 10 respectively.
- Motor vehicles (for passenger i.e. LCV and Busses) and for Motor vehicles (for goods), BCD reduced form 40 with +4 Social Welfare Surcharge (SWS) to 20 with +20 Agriculture Infrastructure and Development Cess (AIDC).

Though no major direct announcement is being made for the sector, steps towards EC and battery manufacturing are long term enabler for the sector.

Backdrop

In FY25 (up to Dec'24) domestic Auto sector reported excellent growth of around 9.3%, across categories, as compared to 12.5% growth reported in FY24. Two-wheeler sector reported YoY growth of around 12% as compared to 13% during FY24, while three-wheelers sale grew by 9.4% in the first nine months of FY25. While PV reported growth of 1.8%, commercial vehicles reported degrowth of 2.3% with sales of around 6.83 lakh units in FY25 as compared to around 7 lakh units' sale in 9MFY24.

The Indian automobile industry is a significant driver of economic growth, offering a diverse range of domestically produced vehicles. Recognizing the sector's potential, the government has extended the PLI Scheme by one year.

Export sales grew double the rate of domestic sales in reporting around 18% YoY growth in 9MFY25 as compared to the same period last year. Double digit growth number reported across categories in export sans three-wheeler, which reported almost flat export of 2.2 lakh units in 9MFY25. Two-wheeler export reported growth of more than 20% with export of more than three million units in nine months of FY25. Tables showing growth in each category is as under: -

Automobile - Domestic Industry sales						
Category	**FY24**	**FY23**	**YoY %**	**9M FY25**	**9MFY24**	**YoY %**
Two Wheeler	17974365	15862087	13.3%	15039570	13470842	11.6%
Three Wheeler	691749	488768	41.5%	459095	419584	9.4%
Four Wheeler - PV	4218746	3890114	8.4%	3139288	3083245	1.8%
Commercial Vehicle	967878	962468	0.6%	683471	699850	-2.3%
Total All Auto	23852738	21203437	12.5%	19321424	17673521	9.3%

Source: SIAM; SBI Research.

Automobile -Export Industry sales						
Category	**FY24**	**FY23**	**YoY %**	**9M FY25**	**9MFY24**	**YoY %**
Two Wheeler	3458416	3652122	-5.3%	3061655	2542909	20.4%
Three Wheeler	299977	365549	-17.9%	225133	227438	-1.0%
Four Wheeler - PV	672105	662891	1.4%	578088	506217	14.2%
Commercial Vehicle	65816	78645	-16.3%	57471	50778	13.2%
Total All Auto	4496314	4759207	-5.5%	3922347	3327342	17.9%

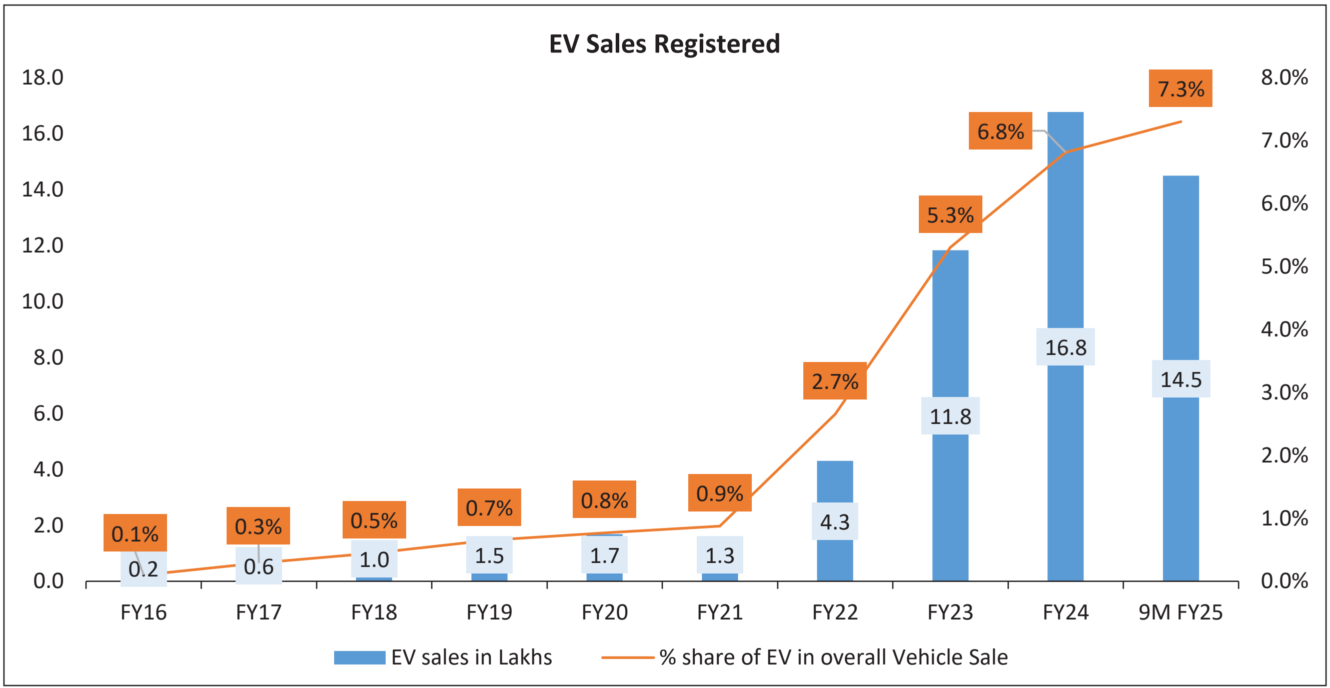
Source: SIAM; SBI Research.

Automobile industry has historically been a good indicator of the economy and one of the important contributor to the country's GDP. The two wheelers segment dominates the market in terms of volume, owing to a growing middle class and a huge percentage of India's population being young.

India is also a prominent auto exporter with strong export growth potential going forward. In addition, several initiatives by the Government of India such as the Automotive Mission Plan 2026, scrappage policy, and production-linked incentive scheme are expected to make India one of the global leaders in Automobile space.

Moreover, the growing interest of companies in exploring the rural markets further aided the growth of the sector including in EV space. Many startups company entered EV ecosystem looking to the prospects in the sector. In addition, increasing logistics and passenger transportation industries are driving up demand for commercial vehicles.

Electric vehicles have increasingly become an integral part of the automotive industry with more and more players joining the space. EV Sales registered exponential growth in last few years. The share of registered EV vehicle to total vehicle sale increased from just 0.1% in FY16 to around 7.3% in 9MFY25. Total EV sales increased 11x in five years i.e. 16.8 lakh units in FY24 from 1.5 lakh units in FY19. EV sales of around 14.5 lakh units have already been reported in nine months of FY25 with estimated EV sales for the full year to cross 2 million units.



Source: SBI Research; CEIC

Some of the key previous announcements for the sector

- Increasing the production linked incentive scheme for automobile and auto components to Rs 3500 crore in FY25, as compared to Rs 604 crore allocated in FY24
- Waiving import duties on 25 minerals, including lithium, which is expected to lower the manufacturing costs of batteries. This will, consequently, reduce the prices of electric vehicles for consumers
- National Programme on Advanced Chemistry Cell (ACC) Battery Storage - Government has allocated Rs 250 crore for FY25
- Allocated Rs 500 crore for the Electric Mobility Promotion Scheme 2024, which the government introduced in April this year

Credit Ratios

Sector Credit Ratios (Upgrade vis-à-vis downgrades) during 9MFY25 as compared to previous year for the same period is as under:

Credit Ratio							
Sector	Total No. of Companies (o/s as on Jan 2025)	9MFY24			9MFY25		
		Upgrades	Downgrades	Ratio	Upgrades	Downgrades	Ratio
Automobile	74	2	13	0.15	11	15	0.73

Source: CRISIL; SBI Research; numbers are for all rating agencies.

Credit ratios for the sector improved to 0.73 in 9MFY25 as compared to 0.15 in 9MFY24.

Sectors Performance - Key Financials of Select Companies

Key Financials of Select Iron & Steel Companies for H1FY25 vis-à-vis H1FY24 (Rs in Crore)									
Name of the Company	H1FY25			H1FY24			Growth H1FY25 on H1FY24		
	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
Tata Motors Ltd	207850	27944	9142	205972	26185	7133	1%	7%	28%
Mahindra & Mahindra Ltd	74699	14377	6907	67688	11975	6168	10%	20%	12%
Maruti Suzuki India Ltd	69463	10178	6862	66383	8831	6329	5%	15%	8%
Hyundai Motor India Ltd	34605	4546	2865	33283	4437	2958	4%	2%	-3%
Bajaj Auto Ltd	24374	4444	3327	20640	4062	3664	18%	9%	-9%
Ashok Leyland Ltd	21759	3881	1317	21026	3341	1154	3%	16%	14%

Source: CLine; listed, consolidated priority; SBI Research.

All major players, across sector, reported growth in top line during H1FY2025 as compared to H1FY24, reflecting positive demand for the sector. However, majority of the players reported single digit growth in top line except Mahindra and Mahindra and Bajaj Auto Ltd. Maruti Suzuki India reported 5% growth in Top line while EBIDTA and PAT grew by 15% and 7% respectively in H1FY25.

Overall, around 20 listed entities in the space reported 5% growth in Topline while EBIDTA and PAT grew by around 12% as compared to H1FY24.

Market Reaction

Market Movement from Previous Budget and on Budget Day (01st Feb'25)								
Sector - Automobile Name of the Companies	1-Feb-24	23-Jul-24	31-Jan-25	1-Feb-25	Movement Over (%)		Movement on Budget Day	
					1-Feb-24	23-Jul-24	Price	%
Tata Motors Ltd	878	1001	716	707	-19.6%	-29.4%	-9.6	-1.3%
Mahindra & Mahindra Ltd	1651	2823	2990	3077	86.4%	9.0%	86.9	2.9%
Maruti Suzuki India Ltd	10631	12630	12311	12917	21.5%	2.3%	605.9	4.9%
Hyundai Motor India Ltd	NA	NA	1678	1750	NA	NA	72.9	4.3%
Bajaj Auto Ltd	7654	9378	8848	9156	19.6%	-2.4%	307.8	3.5%
Ashok Leyland Ltd	175	230	217	206	18.1%	-10.2%	-10.5	-4.8%
NIFTY AUTO INDEX	19329	25322	22868	23305	20.6%	-8.0%	437.9	1.9%

Source: NSE; closing price as on date.

SECTOR : CONSTRUCTION

OVERALL IMPACT: POSITIVE

Budget Proposals and Impact

- Capital outlay of Rs 2.52 lakh crore has been provided for the Railways
- Support to States for Infrastructure - with an outlay of Rs 1.5 lakh crore, 50-year interest free loans to states for capital expenditure and incentives for reforms
- Urban Challenge Fund Rs 1 lakh crore to implement the proposals for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water & Sanitation'
- Modified UDAN - Regional connectivity to 120 new destinations and carry 4 crore passengers in the next 10 years
- Rs 15,000 crore for expeditious completion of one lakh dwelling units through blended finance
- Top 50 tourist destination sites to be developed in partnership with states
- National Framework for GCC - As guidance to states for promoting Global Capability Centers in emerging tier 2 cities
- Warehousing facility for air cargo - To facilitate upgradation of infrastructure and warehousing for air cargo including high value perishable horticulture produce
- NaBFID to set up a 'Partial Credit Enhancement Facility' for corporate bonds for infrastructure.
- Nuclear energy Mission – Development of at least 100 GW of nuclear energy by 2047. A Nuclear Energy Mission for research & development of Small Modular Reactors (SMR) with an outlay of Rs 20,000 crore to be set up. At least 5 indigenously developed SMRs will be operationalized by 2033.
- Capital outlay for Road Transport and Highways have increased to Rs 2.72 lakh crore

Backdrop

Infrastructure sector is a key driver for the Indian economy and developing India's infrastructure will play a vital role in achieving USD 5 trillion economy. The sector is distinctly responsible for driving India's overall development and accordingly enjoys intense focus from the Government across all fronts whether these are policy measures or announcements of new projects for creation of world class infrastructure in the country.

Indian construction industry is experiencing robust growth across both residential and commercial sectors, driven by government initiatives, increased demand, and the adoption of modern technologies. With significant contributions to GDP and employment, the sector is set to play a crucial role in India's economic advancement.

Construction sector is a vital component of the nation's economy, contributing approximately 9% to the GDP and employing around 75 million people. It encompasses various sectors, including residential, commercial, industrial, and infrastructure construction, with a significant focus on infrastructure development driven by government initiatives like the National Infrastructure Pipeline and the Smart Cities Mission etc.

Infrastructure is currently one of the Government's prime focus areas and has huge scope for development. Construction sector has seen robust growth, supported by increased government spending and major projects like roads, railways, Shipping, Airport, Ports, and urban development etc. to realize its goal of making India a self-sufficient economy. Public and private investments have increased due to initiatives such as the National Infrastructure Pipeline and the "Make in India" campaign aimed at enhancing the country's infrastructure capabilities.

The outlook of the sector remains positive as ongoing regulatory reforms and technological advancements expected to further boost efficiency and project execution.

Some of the key announcements in previous budget for the sector

- Twelve industrial parks under the National Industrial Corridor Development Programme
- PM Awas Yojana Urban 2.0 - One crore urban poor and middle-class families will be addressed with an investment of Rs 10 lakh crore
- Enabling policies and regulations for efficient and transparent rental housing markets with enhanced availability will also be put in place
- Phase IV of PMGSY will be launched to provide all weather connectivity to 25,000 rural habitations
- Promotion of tourism through various announcements including development of Vishnupad Temple Corridor and Mahabodhi Temple Corridor modelled on Kashi Vishwanath Temple Corridor, assistance to development of Odisha's scenic beauty, temples, monuments, craftsmanship, wildlife sanctuaries, natural landscapes and pristine beaches etc.

Credit Ratios

Sector Credit Ratios (Upgrade vis-à-vis downgrades) during 9MFY25 as compared to 9MFY24 as under: -

Credit Ratio							
Sector	Total No. of Companies (o/s as on Jan 2025)	9MFY24			9MFY25		
		Upgrades	Downgrades	Ratio	Upgrades	Downgrades	Ratio
Constructions	3294	202	688	0.29	287	698	0.41

Source: CRISIL; SBI Research; numbers are for all rating agencies; Constructions & Engineering.

With upgrades of 287 and downgrades of 698 during 9MFY25, credit ratio improved by 12 bps to 0.41 from 0.29 in 9MFY24.

Sectors Performance - Key Financials of Select Companies

Key Financials of Select Iron & Steel Companies for H1FY25 vis-à-vis H1FY24 (Rs in Crore)									
Name of the Company	H1FY25			H1FY24			Growth H1FY25 on H1FY24		
	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
Larsen & Toubro Ltd	116674	14963	7553	98906	13357	6972	18%	12%	8%
Reliance Infrastructure Ltd	14451	1287	3458	12743	854	-619	13%	51%	LTP
NCC Ltd	10724	921	397	9100	713	271	18%	29%	47%
K E C International Ltd	9625	591	173	8743	519	98	10%	14%	76%
Kalpataru Projects International Ltd	9517	817	210	8759	753	203	9%	8%	3%

Source: CLine; listed, consolidated priority; SBI Research.

In H1FY25, more than 200 entities, in listed space, reported double digit growth in both revenue and EBIDTA. L&T reported 18% growth in revenue, while EBIDTA and PAT grew by 12% and 8% respectively in H1FY25.

Market Reaction

Market Movement from Previous Budget and on Budget Day (01st Feb'25)								
Sector - Construction Name of the Companies	1-Feb-24	23-Jul-24	31-Jan-25	1-Feb-25	Movement Over (%)		Movement on Budget Day	
					1-Feb-24	23-Jul-24	Price	%
Larsen & Toubro Ltd	3398	3538	3567	3448	1.5%	-2.6%	-120	-3.4%
Reliance Infrastructure Ltd	225	175	251	246	9.7%	40.6%	-4	-1.7%
NCC Ltd	208	338	252	232	11.3%	-31.4%	-21	-8.2%
K E C International Ltd	661	881	841	827	25.1%	-6.1%	-14	-1.7%
Kalpataru Projects International Ltd	803	1281	1059	1028	28.1%	-19.7%	-30	-2.9%
NIFTY INFRA INDEX	7826	9085	8349	8254	5.5%	-9.1%	-94	-1.1%

Source: NSE; closing price as on date.

SECTOR : POWER

OVERALL IMPACT : POSITIVE

Budget Proposals and Impact

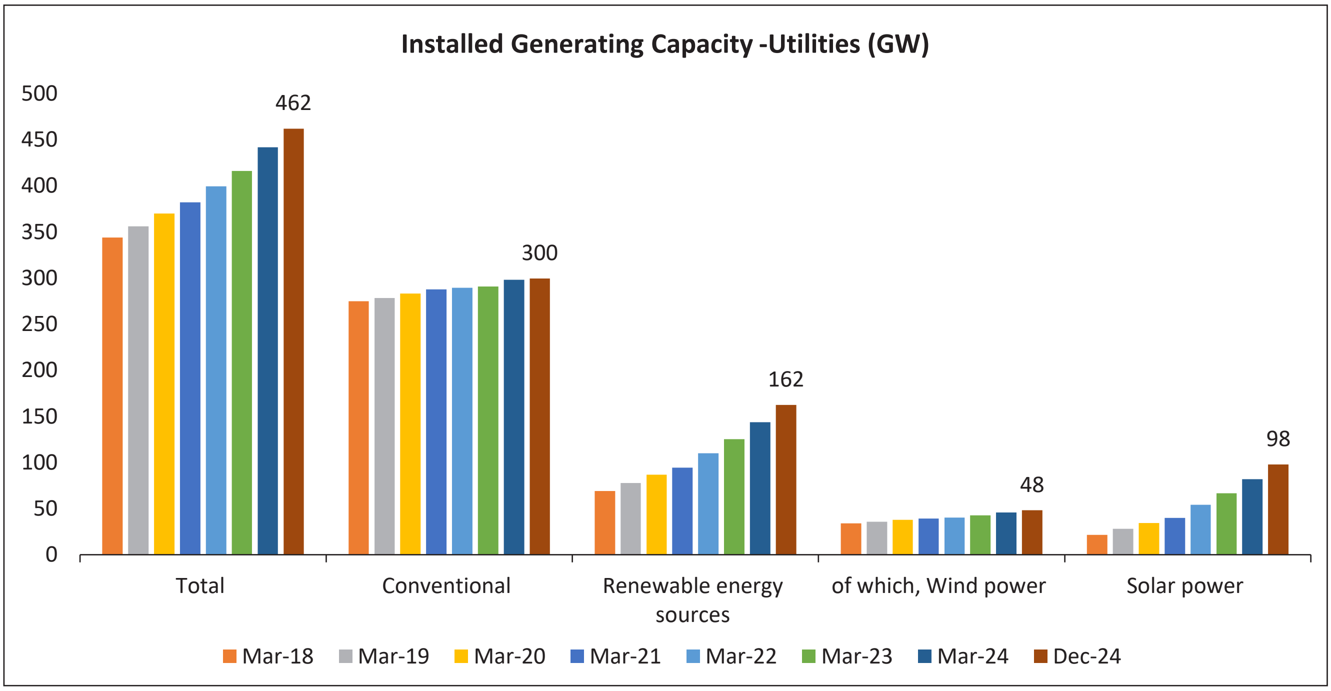
- Power Sector Reforms- Incentivize distribution reforms and augmentation of intra-state transmission. Additional borrowing of 0.5 % of GSDP to states, contingent on these reforms
- Nuclear energy Mission – Development of at least 100 GW of nuclear energy by 2047
- A Nuclear Energy Mission for research & development of Small Modular Reactors (SMR) with an outlay of Rs 20,000 crore will be set up. At least 5 indigenously developed SMRs will be operationalized by 2033
- National manufacturing mission to support clean tech manufacturing to support domestic production of EV batteries, solar panels

Backdrop

Infrastructure sector is a key driver for the Indian economy and power sector is the heart of it. Indian power sector has evolved over the years and so does the share of fuel mix, comprising conventional sources such as coal, hydro etc. and environmentally sustainable sources including solar and wind. Sustained economic growth will continue to drive electricity demand in India. The share of renewable energy (RE) increased from 17.5% in March 2017 to 35% in December'2024 and the share of solar power increased from 3.76% to 21.2% during the same period.

India has made significant strides in promoting renewable energy and boosting domestic manufacturing of renewable energy equipment through initiatives such as the Production-Linked Incentive (PLI) scheme. The PLI scheme aims to enhance India's manufacturing capabilities in key sectors, including solar panels, wind turbines, and battery storage, by offering incentives to domestic manufacturers. The domestic manufacturing efforts under the PLI scheme are expected to significantly support India's renewable energy targets by reducing costs, improving energy security, and boosting employment. Domestic capacities are being built. For now, India sources 75% of lithium-ion batteries from China, and it has near negligible production capacity for key components like polysilicon, ingots, and wafers.

Total installed generation capacity, as on December'2024, is 462 GW comprises of 65% conventional (300 GW) and 35% (162 GW) from Renewable energy sources.

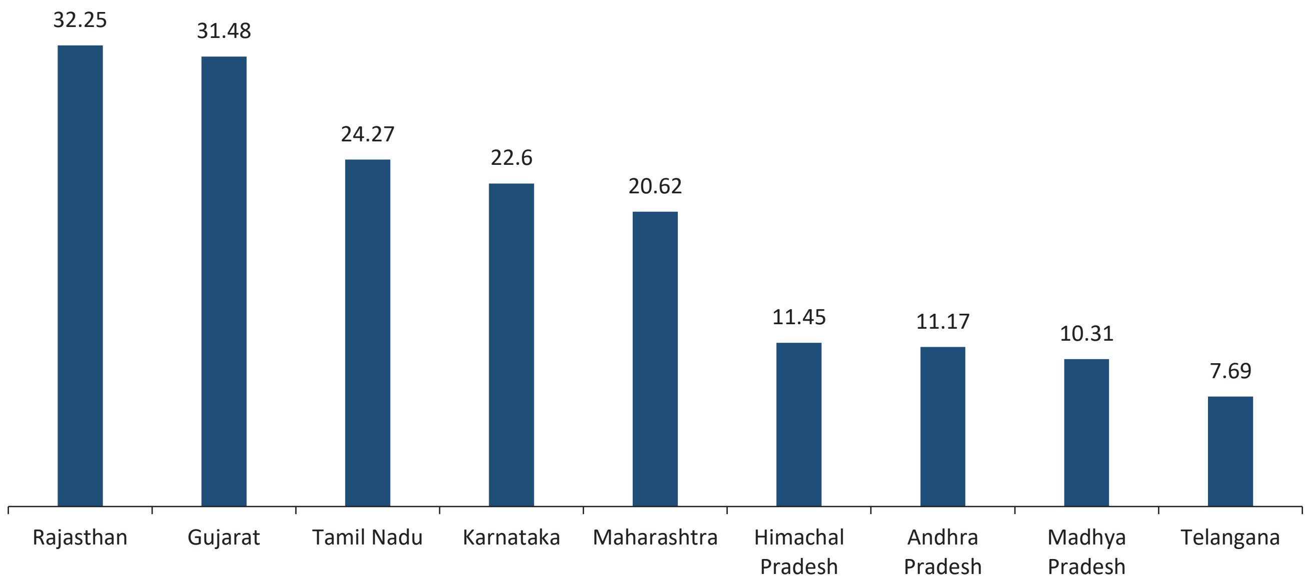


It is important to note that while conventional capacity is growing at a CAGR of 1.3% in last eight years, renewable energy grew at a CAGR of around 14% and within which solar power grew at a CAGR of around 30% during the same period.

Power demand has been growing up at 9% in past 2-3 years and will continue to keep growing. Further, the power sector overall has become much more viable and has started attracting investment in all segments of the sector.

Among the top performing states in installed Renewable energy capacity, Rajasthan ranks 1st with an installed capacity of 32.25 GW (as on Dec'24) followed by Gujarat (31.48GW) and Tamil Nadu (24.27 GW).

State wise top performers in installed Renewable energy capacity (GW)

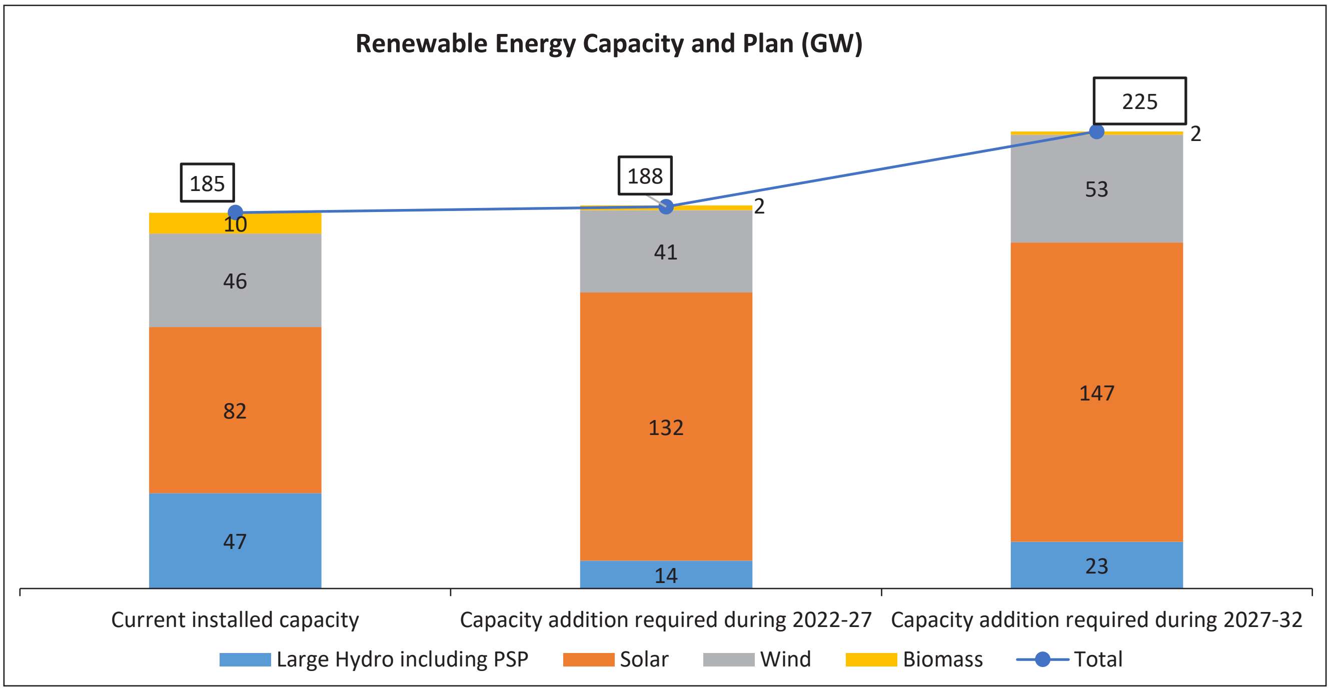


Source: Ministry of new and renewable energy

However, increasing power price is one of the important areas to address. One of the reasons for such increase in power prices is that many discoms have not tied up resources for long-term power supply, making them dependent on short-term power purchases which is naturally higher than long-term prices. The Government needs to persuade the discoms to enter long-term PPAs for majority of their electricity requirement at 80-85%.

The government announced its intent to achieve renewable energy capacity of 500 GW by 2030, at COP26. India's current RE capacity is at 162 GW as of December'2024. This means another 338 GW of RE has to be added by 2030 to meet the commitment. The 500 GW mission is translating a target of more than 60 GW of RE capacity to be added per annum over the next six years, that is by 2030, suggesting huge opportunity in the renewable space.

Further, as per the draft National Electricity Plan more than 450 GW of renewable capacity (including large Hydro) should be added in two phases to achieve the installed generation capacity of 663 GW by 2031-32.



Source: CEA; draft National Electricity Plan

The Government of India has identified the power sector as a key sector of focus to promote sustained industrial growth. The government has taken many initiatives to boost the Indian power sector. Total FDI inflows in the power sector reached US$ 19.55 billion between April 2000-September'2024.

Ministry of New & Renewable Energy has taken several initiatives to promote diversified deployment and production of RE technologies which aims to accelerate India's energy transition to renewable sources, reduce dependence on fossil fuels. Some of the important schemes with this objective are Pradhan Mantri Kisan Urja Suraksha Evam Utthaan Mahabhiyan (PM-KUSUM) for decentralised solar aiming to energise the agricultural pumps through Solar power, Roof Top Solar (RTS) Programme, Central Public Sector Undertaking (CPSU) Scheme for Grid-Connected Solar Photovoltaic (PV) Power Projects, Development of Solar Parks and Ultra Mega Solar Power Projects, Performance Linked Initiatives (PLI) Scheme for 'National Programme on High-Efficiency Solar PV Modules', Green Energy Corridor Scheme for construction of intra-state and inter-state transmission lines for power evacuation and grid interaction etc. for development of Solar Power sector. Ministry has also taken various key policy initiatives and schemes to tap the potential of other renewable Energy sources like Wind power, Bio Power and Small Hydro Power.

In the Budget for 2024, the government's power sector initiatives included 50% higher fund allocation. Increased funds have been allocated to green hydrogen, solar power, and green-energy corridors. Production Linked Incentive Scheme (Tranche II) on 'National Programme on High Efficiency Solar PV Modules,' with an outlay of Rs. 19,500 crore was also approved and launched.

Drivers in Renewable Energy Adoption

- Government Policy and Incentive
- Decline in renewable Technology Cost
- Technology advancement and innovation
- Climate Commitment and international support
- Energy security and reduction of fossil fuel dependence
- Investment and private sector involvement

Further, role of technological innovation -India's renewable energy sector is witnessing transformative advancements, led by innovation in energy storage, digitalization and artificial intelligence and decentralized energy solutions. These innovations, enable efficient integration of renewables into the grid, ensuring reliability and optimizing power generation across regions.

Some of the key announcements in previous budget for the sector

- Pumped Storage Policy- for electricity storage and facilitation of smooth integration of the growing share of renewable energy.
- AUSC Thermal Power Plants - A joint venture between NTPC and BHEL will set up a full scale 800 MW commercial plant.
- Energy Audit - Financial support for shifting of micro and small industries to cleaner forms of energy.
- Facilitate investment grade energy audit in 60 clusters, next phase expands to 100 clusters.
- PM Surya Ghar Muft Bijli Yojana - 1 crore Households to get free electricity.
- To expand the list of exempted capital goods for use in the manufacture of solar cells and panels in the country.
- Taxonomy for climate finance for enhancing the availability of capital for climate adaptation and mitigation. This will support achievement of the country's climate commitments and green transition.

The recently launched National Green Hydrogen Mission, with an outlay of Rs 19,700 crores, will facilitate transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports, and make the country assume technology and market leadership in this sunrise sector. Target is to reach an annual production of 5 MMT by 2030.

Credit Ratios

Sector Credit Ratios (Upgrade vis-à-vis downgrades) during 9MFY25 as compared to 9MFY24: -

Credit Ratio							
Sector	Total No. of Companies (o/s as on Jan 2025)	9MFY24			9MFY25		
		Upgrades	Downgrades	Ratio	Upgrades	Downgrades	Ratio
Power	1911	192	278	0.69	256	259	0.99

Source: CRISIL; SBI Research; numbers are for all rating agencies; includes Power utilities,power storage equipments, IPP and Energy Traders.

With 256 upgrades and 259 downgrades during 9MFY25, credit ratio improved by 30 bps. Sector reported credit ratio of 0.99 during 9MFY25 as compared to 0.69 during 9MFY24.

Sectors Performance - Key Financials of Select Companies

Key Financials of Select Iron & Steel Companies for H1FY25 vis-à-vis H1FY24 (Rs in Crore)									
Name of the Company	H1FY25			H1FY24			Growth H1FY25 on H1FY24		
	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
NTPC Ltd	93217	25672	10886	88058	25311	9634	6%	1%	13%
Tata Power Company Ltd	32991	6193	2282	30951	5484	2158	7%	13%	6%
Adani Power Ltd	28295	11470	7210	23996	8686	15354	18%	32%	-53%
Power Grid Corporation of India Ltd	22284	19228	7517	22315	19042	7379	0%	1%	2%
Torrent Power Ltd	16210	3065	1492	14289	2406	1075	13%	27%	39%

Source: CLine; listed, consolidated priority; SBI Research.

Around 37 listed entities in the sector reported revenue growth of around 10% while EBIDTA grew by around 7% in H1FY25 as compared to H1FY24. NTPC reported revenue growth of 6% with 13% growth in PAT.

Market Reaction

Market Movement from Previous Budget and on Budget Day (01st Feb'25)								
Sector - Power Name of the Companies	1-Feb-24	23-Jul-24	31-Jan-25	1-Feb-25	Movement Over (%)		Movement on Budget Day	
					1-Feb-24	23-Jul-24	Price	%
NTPC Ltd	322	382	324	318	-1.3%	-16.9%	-6.3	-1.9%
Tata Power Company Ltd	389	416	365	368	-5.3%	-11.5%	3.9	1.1%
Adani Power Ltd	564	697	509	513	-9.1%	-26.4%	4.4	0.9%
Power Grid Corporation of India Ltd	266	334	302	290	9.0%	-13.2%	-11.8	-3.9%
Torrent Power Ltd	1052	1492	1463	1397	32.9%	-6.3%	-66.1	-4.5%

Source: NSE; closing price as on date.

MARKET MOOD: MOVEMENT IN KEY INDICES FROM PREVIOUS BUDGET DAY AND ON BUDGET DAY

Market Movement of Key Indices from Previous Budget and on Budget Day (1st Feb'25)								
Indices	1-Feb-24	23-Jul-24	31-Jan-25	1-Feb-25	Movement Over (%)		Movement on Budget Day	
					1-Feb-24	23-Jul-24	Price	Percentage
BSE SENSEX	71,645	80,429	77,501	77,506	5,861	-2,923	5.4	0.01%
NIFTY 50	21,697	24,479	23,508	23,482	1,785	-997	-26.3	-0.1%
NIFTY MIDCAP 100	48,298	56,285	53,712	53,486	5,188	-2,799	-226.0	-0.4%
NIFTY AUTO	19,329	25,322	22,868	23,305	3,977	-2,016	437.9	1.9%
NIFTY BANK	46,189	51,778	49,587	49,507	3,318	-2,271	-80.3	-0.2%
NIFTY FMCG	55,216	62,511	56,692	58,396	3,180	-4,115	1704.1	2.9%
NIFTY INFRA	7,826	9,085	8,349	8,254	428	-831	-94.1	-1.1%
NIFTY PHARMA	17,839	20,755	21,439	21,335	3,496	579	-103.8	-0.5%
NIFTY REALITY	848	1,066	921	953	104	-113	31.2	3.3%
NIFTY MEDIA	2,128	1,976	1,580	1,615	-513	-361	34.8	2.2%
NIFTY METAL	7,891	9,263	8,400	8,299	407	-965	-101.2	-1.2%

Source: NSE; BSE; closing points as on date.

Notes

The banker to every indian

Contact Details:

Dr. Soumya Kanti Ghosh

Member, 16th Finance Commission &

Group Chief Economic Adviser

Economic Research Department

State Bank of India, Corporate Centre,

M C Road, Nariman Point

Mumbai - 400 021

Phone 022 - 22742440

Email - soumya.ghosh@sbi.co.in | gcea.erd@sbi.co.in

@kantisoumya