Care Edge RATINGS

Expectations from the

# UNION BUDGET

2024 - 25

# CareEdge
Views

# FY24 Budget Focus

1. Key Macro Focus
2. Employment Generation
3. Capex with focus on Self-reliance
4. Climate change and Sustainability
5. Financial Services

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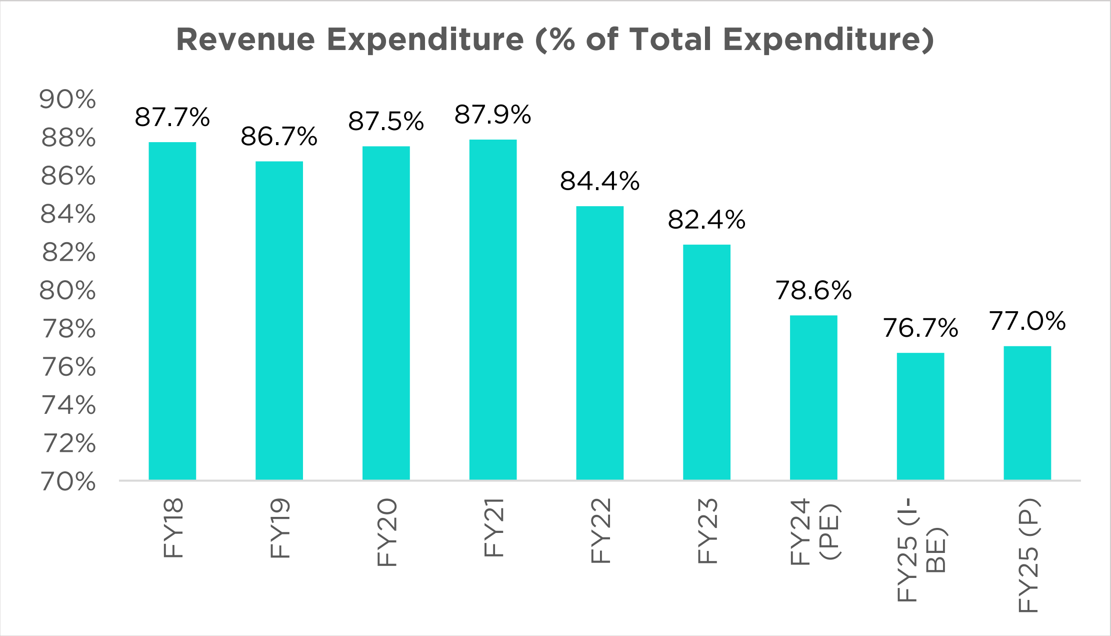
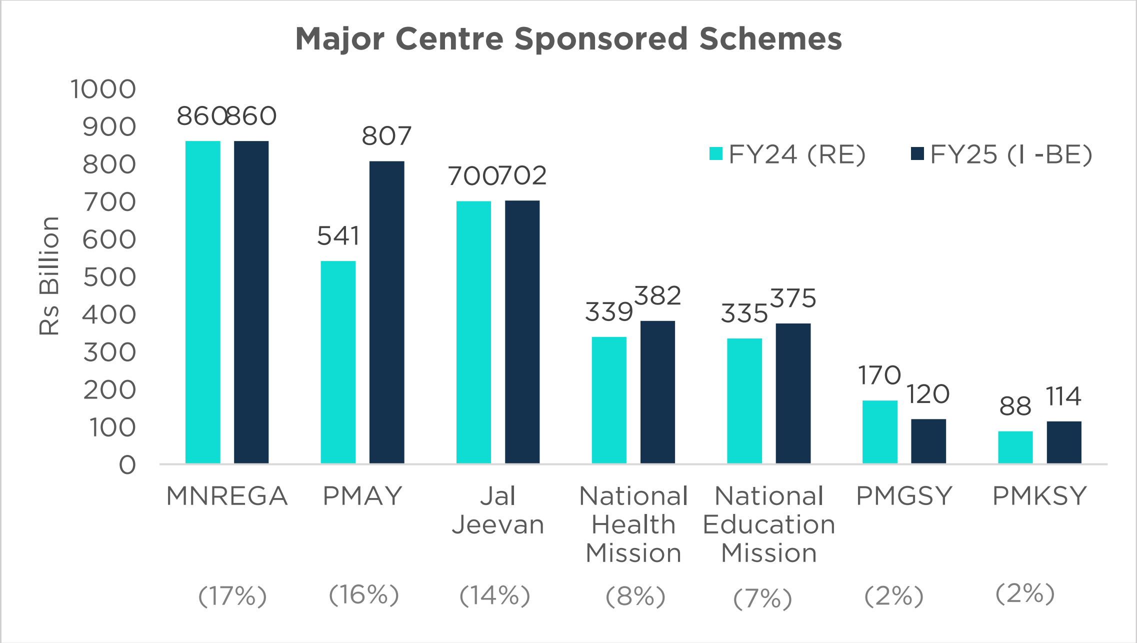
# Key Macro Focus

- Supporting consumption via higher allocation for rural economy, welfare schemes and agriculture
- Focus on capex to continue as government likely to retain its interim budget’s target of capex
- Job creation a priority with higher allocation for MNREGA and PLI for labour intensive sectors
- Upside on revenue side expected led by strong non-tax revenue collections
- Fiscal consolidation and consequently lower borrowing expected.

# Welfare Schemes May Get Higher Allocation




Source: : Union Budget, CGA, CareEdge. PE: Provisional Estimate, I-BE: Interim Budget Estimate, P: CareEdge Projections




Source: Union Budget, CareEdge. Figures in Bracket shows share in Centrally Sponsored Schemes. I-BE: Interim Budget Estimates

- Over past couple of years, share of revenue expenditure in total expenditure has declined from pre-pandemic average of ~88%.
- Expect FY25 revenue expenditure to grow by 6.8%, higher than budgeted growth of 4.6% resulting in ~ Rs 750 billion higher allocation compared to interim budget's estimate.
- Government is expected to do higher allocation towards agriculture, welfare schemes, job creation and rural housing.
- Major schemes/ministries that can see higher allocation include MNREGA, PM Awas Yojana, PM Gram Sadak Yojana, PM Kisan Samman Nidhi and schemes related labour intensive MSME sectors.

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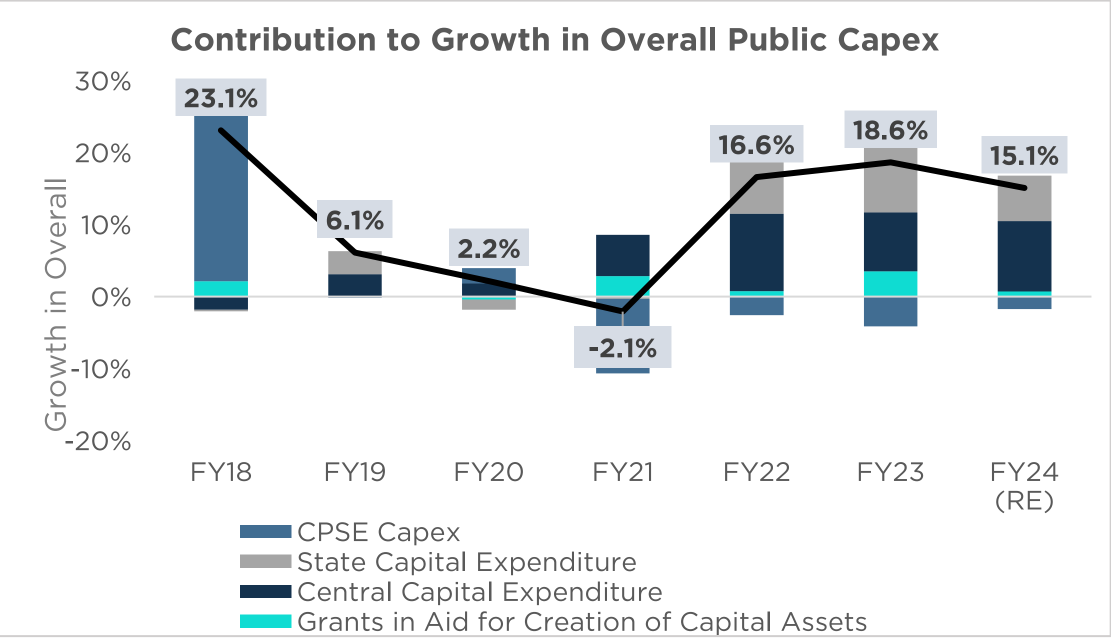
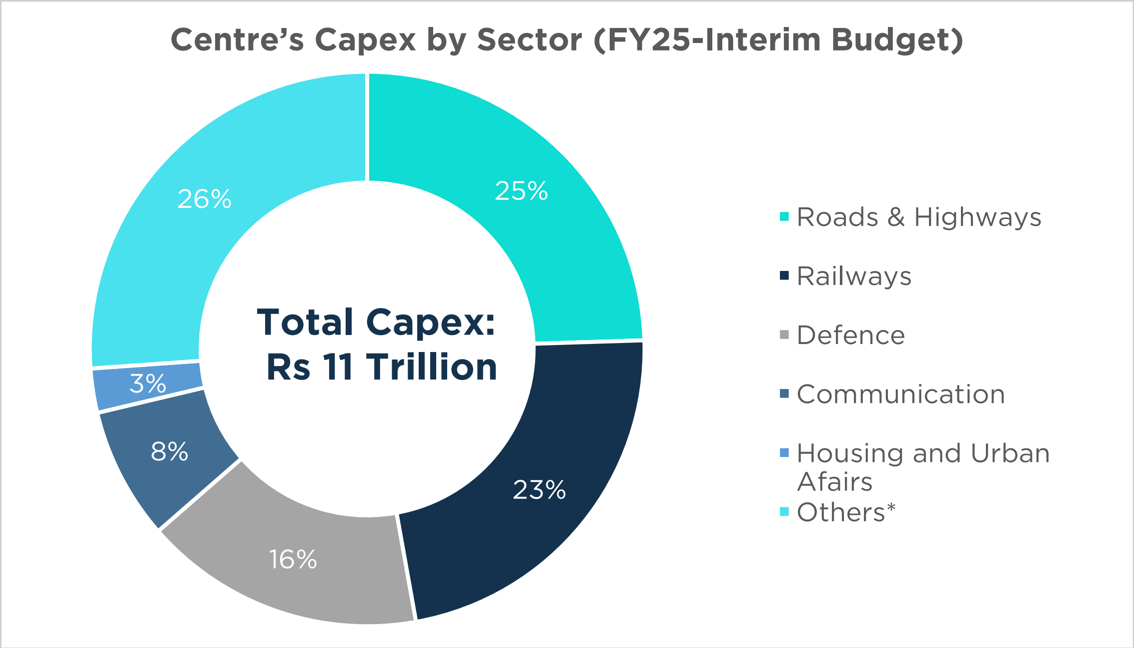
# Capex will Continue to Remain in Focus




Source: Union Budget, CGA, CareEdge. RE: Revised Estimate




Source: Union Budget, CareEdge. *Others include transfer to states and UTs

- Government likely to retain capex target for FY25 at Rs 11.1 trillion, growth of 17% compared to FY24.
- Overall public capex grew by 15.1% in FY24. A slowdown in state capex and contraction in CPSE capex moderated overall public capex growth in FY24.
- CPSE capex have contracted over the past few years. However, FY25 interim budget saw a 5.2% growth in allocation to CPSEs for capex.
- For CPSEs, capex has been led by petroleum and natural gas, power, and renewable energy.

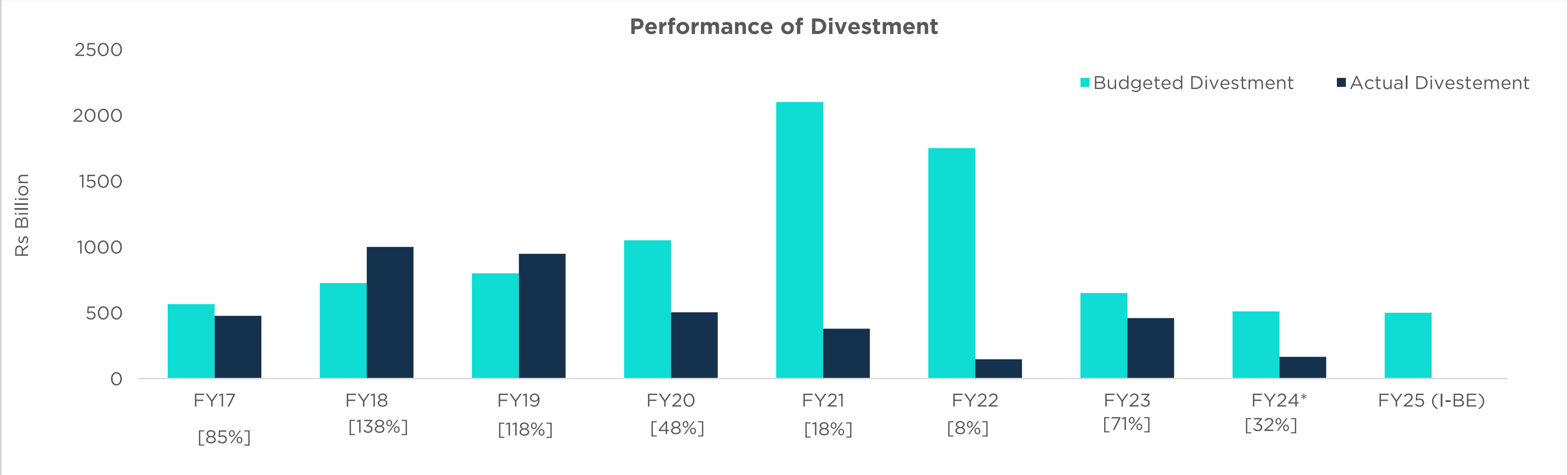
# PLI Allocation in the Budget

| Major PLI Schemes (Rs Million) | FY23 | FY24 (RE) | FY25 (I-BE) |
|---|---|---|---|
| Ministry of electronics and information technology - PLI for Large Scale Electronics and IT Hardware | -- | 45599 | 62000 |
| Department of heavy industry - PLI Automobiles and Auto Components | 57 | 4838 | 35000 |
| Department of pharmaceuticals - PLI Pharma | 14250 | 16963 | 21430 |
| Ministry of food processing industries - PLI for Food Processing | 4898 | 11500 | 14440 |
| Department of industrial policy and promotion - PLI for White Goods (ACs and LED Lights) | 35 | 650 | 2980 |
| Ministry of steel- PLI Scheme for Specialty Steel in India | -- | 24 | 2700 |
| Department of heavy industry - PLI for Advanced Chemistry Cell (ACC) Battery Storage | 17 | 120 | 2500 |
| Ministry of civil aviation - PLI Drone and Drone Component | 300 | 330 | 570 |
| Ministry of textiles - PLI Textiles | 71 | 50 | 50 |
| Department of industrial policy and promotion - PLI Toys | -- | -- | 0.1 |
| Department of industrial policy and promotion - PLI Footwear and Leather Sector | -- | -- | 0.1 |
| Department of telecommunications - PLI for Telecom and Networking Products | 392 | -- | -- |
| **Total** | **20020** | **80073** | **141671** |

Source: Union Budget, CGA, CareEdge. RE: Revised Estimate

- Allocation under major PLI schemes have grown significantly in FY25.
- Large Scale Electronics and IT Hardware, Automobiles and auto components and Pharma has dominated most of the allocation under the PLI Scheme in the interim budget.
- Government may look to increase allocation or include more labor-intensive sectors like textiles, leather and footwear and toys to aid job creation.

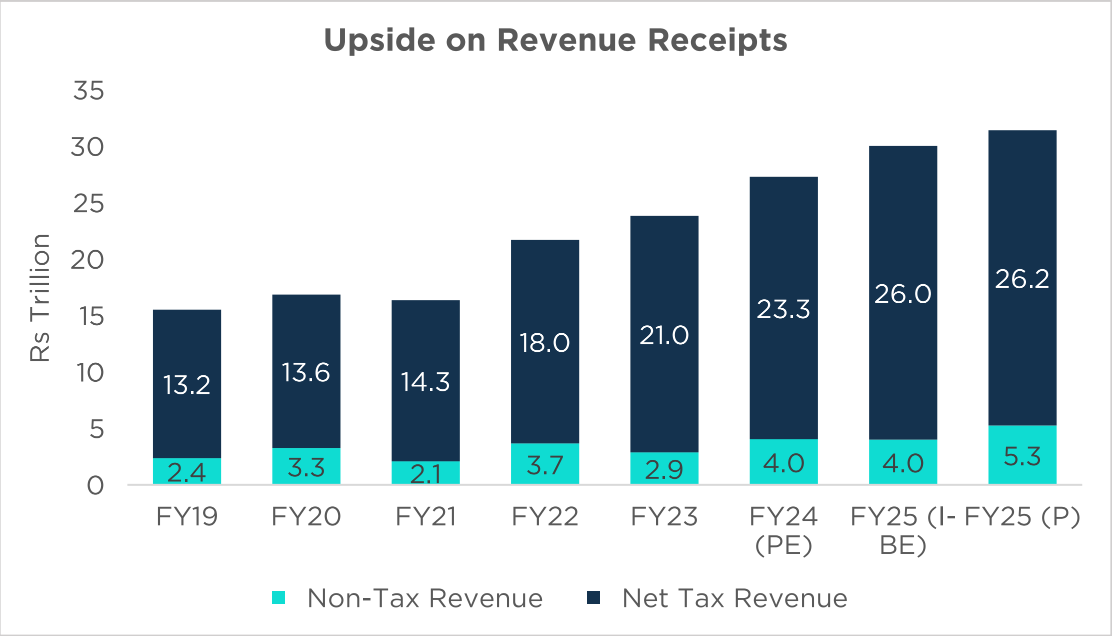
# Government Should Focus on Big Ticket Divestments




Source: Union Budget, DIPAM, CareEdge. I-BE: Interim Budget Estimate * 2024 actual numbers are derived from DIPAM's data on divestment. FY25 budgeted value shows misc. capital receipts which includes divestment. Figures in bracket show actual divestment (% of budgeted divestment).

- The government's divestment plans have missed their targets for five consecutive years.
- Government likely to stick to the FY25 target of miscellaneous capital receipts (includes divestment) of Rs 500 billion. However, achieving this target hinges on government undertaking big-ticket divestments.
- Government has relied on OFS route for undertaking divestments in the recent years. Issues like procedural delays, litigations by labor unions/interest groups, and pricing issues continue to slow divestments.
- We estimate total divestment potential of Rs 11.5 trillion (assuming Centre retains 51% stake). However, decision to divest will depend on market conditions and strategic nature of the firms.
- In case divestment lags going ahead due to headwinds, the government will continue with its focus on asset monetization. Plausible divestment includes Shipping Corp, Pawan Hans, NMDC Steel and CONCOR.

# Upside Expected on Revenue Side

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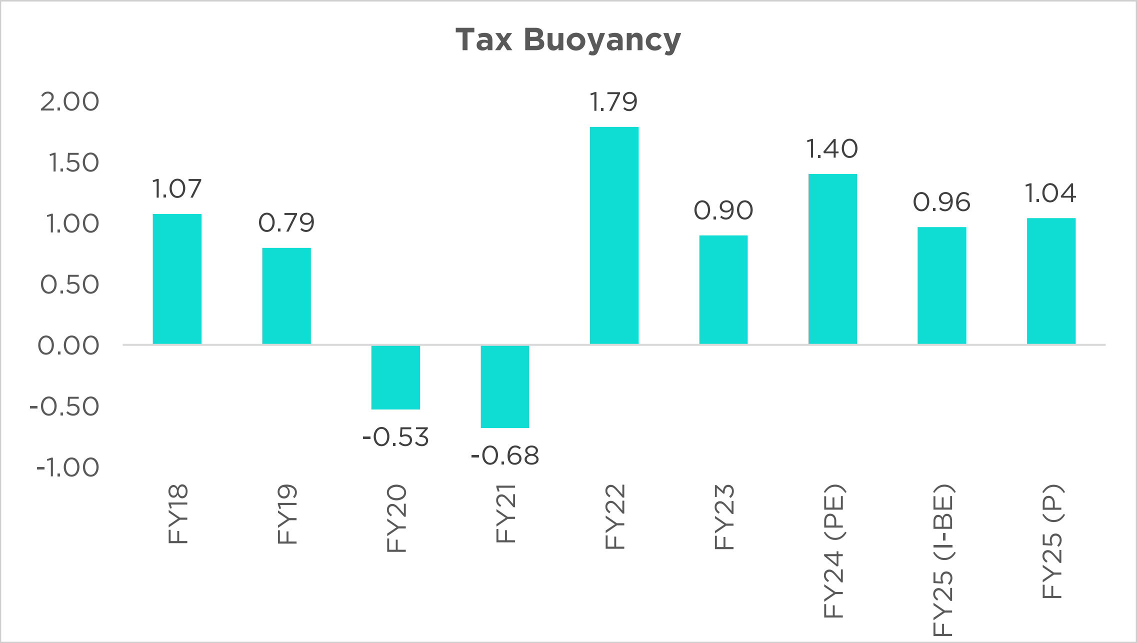
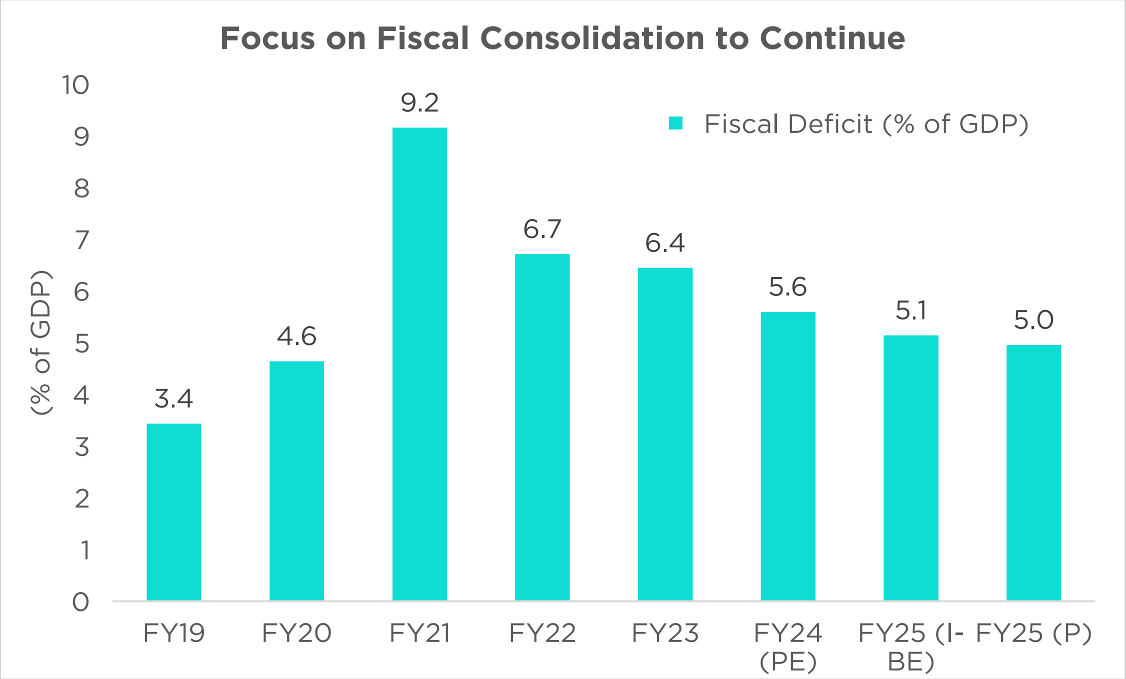



Source: Union Budget, RBI, CareEdge, Tax Buoyancy defined as growth in tax revenue to GDP growth

- The higher-than-expected transfer from the RBI could provide an additional upside of Rs 1.25 trillion to the non-tax revenue compared to budgeted amount.
- Expect gross tax revenue to grow by 11% in FY25, higher than budgeted growth of 10.6% led by strong growth in direct tax collections.
- Expect a total upside of Rs 1.4 trillion in overall revenue collection when compared to estimates of interim budget (~Rs 1.25 trillion in non-tax revenue plus ~Rs 150 billion from tax revenue).
- Consequently, we expect tax buoyancy at 1.04 marginally higher than budgeted buoyancy of 0.96 in FY25.

# Fiscal Deficit Target May be Further Reduced

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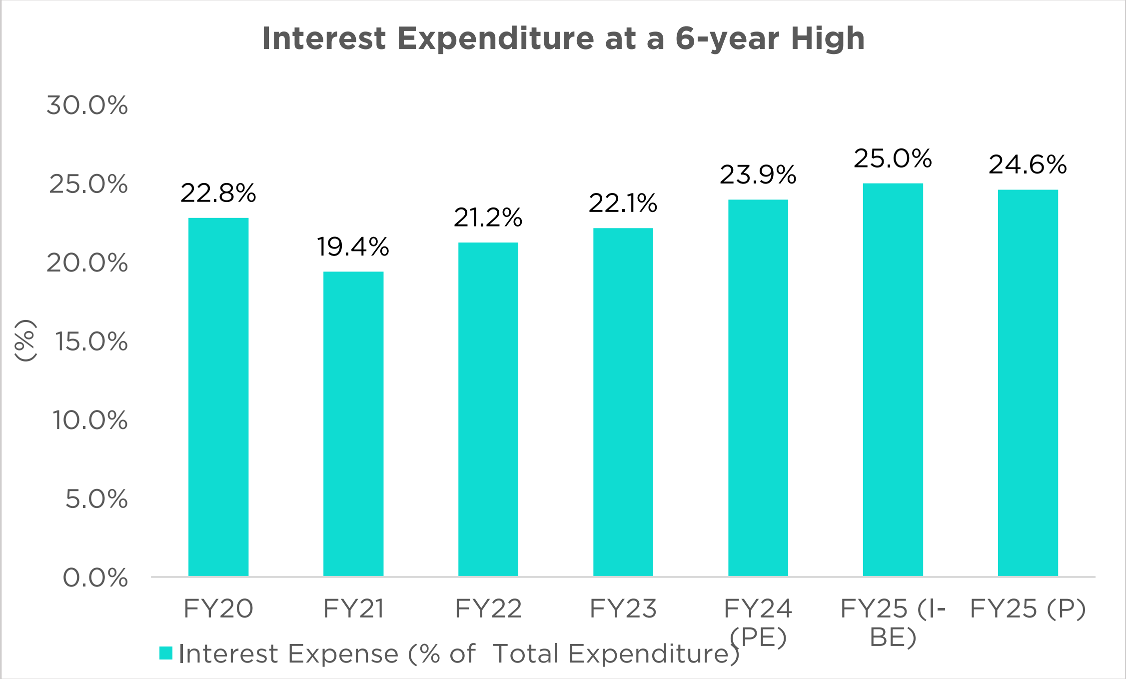


Source: Union Budget, RBI, CareEdge, Tax Buoyancy defined as growth in tax revenue to GDP growth

- Additional revenue growth expected to help reduce the fiscal deficit target for FY25 to 5% of GDP ( from interim budget's target of 5.1% of GDP), even after accounting for higher revenue expenditure.
- Higher projection of nominal GDP growth for FY25 at 10.7% (as against interim budget estimate of 10.5%).
- General government debt has shot up to 83% of GDP in FY24, resulting in high interest burden. With sovereign rating agencies watching the debt trajectory, the focus on fiscal consolidation should continue.

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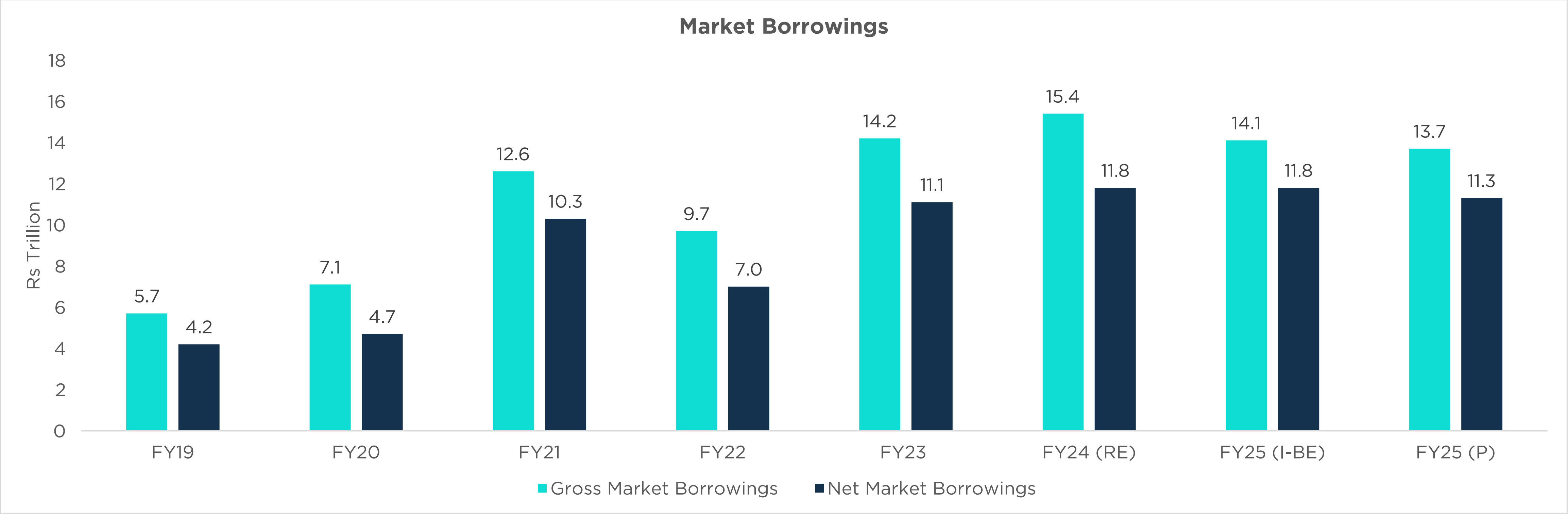
# Lower Borrowing to Reduce Yields




Source: Union Budget, CGA, CareEdge. PE: Provisional Estimate, I-BE: Interim Budget Estimate, P: CareEdge Projections

- Government borrowing is expected to fall, with net borrowing in the range of Rs 11.2-11.4 trillion ( Rs 11.8 trillion as per Interim Budget) and gross borrowing expected between Rs 13.6-13.8 trillion (Rs 14.1 trillion as per Interim Budget) in FY25
- Lower supply of G-secs in FY25, combined with increased demand resulting from passive inflows following India's inclusion in global bond indices, is expected to ease G-sec yields in the fiscal year.
- Anticipation of the RBI initiating policy rate cuts in H2 may further exert downward pressure on G-sec yields.
- By the end of FY25, 10-year G-Sec yields are projected to range between 6.5-6.6%.

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# Key Budget Themes

Expectations

# Key Budget Themes

- Employment Generation
- Capex with focus on Self-reliance
- Climate change and Sustainability
- Financial Services

# Employment Generation

## Textile

- Introduction of **PLI scheme** for cotton-based apparel and garment manufacturing. Would also help boost our exports.

## Hospitality and Tourism

- Measures to boost the sector by according '**Infrastructure' status to Hotel industry** and '**Industry' status to Travel & Tourism sector**.
- Incentives such as **tax breaks or subsidies** to promote investments in sustainable tourism

## Real Estate

- Increased fund allocation to **PMAY/schemes focused on affordable housing** - vital for sustaining robust housing construction and driving employment

## Infrastructure

- **Boost in construction activity** through increased project awards **across PPP & EPC** mode in Infrastructure and thereby raise employment generation:
  - Highways
  - Railways
  - Energy Eco system
  - Others - Airports ; Urban Infrastructure

# Capex with focus on Self-reliance

## Renewable Energy

- Promotion of **domestic manufacturing ecosystem for RE** through a mix of budgetary support, grants, tax breaks and PLIs:

    - Solar and wind **energy equipment**,
    - **Storage** (battery storage and pumped storage components) and
    - Green hydrogen (**electrolysers**).

# Capex with focus on Self-reliance

## Transportation Infrastructure (Roads & Railways)

Focus on enhancing the first-mile and last-mile connectivity, optimize logistics costs & enhance cost competitiveness

**Highways:**

- Increased budgetary allocation **of 5-7% towards roads & highways** in line with interim budget; focus to deepen on **coastal roads connectivity**.

**Railways**

- Higher budgetary allocation of **12-15% to Rs.2.75 lakh crore**
- Augmentation of Vande Bharat Trains by ~50-60x; large investments in **rolling stock, track construction, and railway safety**
- Introduction of -
  - **Hybrid Annuity Model** for railways capex
  - **PLI Scheme** for indigenous manufacturing of railway ancillary parts

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# Capex with focus on Self-reliance

## Telecom

- **PLI schemes** to widen domestic manufacturing of telecom equipment for faster **4G & 5G network expansion**
- **Extension of custom duty exemption** to vessels laying cables in India, which is expiring on **September 30, 2024**
- **Waiver of 5% of adjusted gross revenue (AGR**) contribution till exhaustion of universal service obligation fund (USOF) of Rs.80,000 crore

## Ship Building

- Augmenting **Ship Building capacity with dedicated corpus** – Rs.10,000 crore to Rs.15,000 crore to enhance India's defence capabilities
- **Incentivize** commercial ship building

# Capex with focus on Self-reliance

## Pharma

- Increase **budget allocation** and **incentivize** setting-up facilities under the **PLI scheme for bulk drugs** (KSMs & APIs) to reduce reliance on China.
- **Incentivize healthcare-related device manufacturing firms** to develop a robust and advanced ecosystem domestically to reduce import-dependence.

## Textile

- **Higher subsidy allocation** towards modernization, efficiency and productivity improvement schemes like the **Amended Technology Upgradation Fund Scheme (ATUFS)** for boosting capital investment and making India's exports more competitive.

# Climate change and Sustainability

## Renewable Energy (RE)

- **Extension of inter-state transmission system (ISTS)** charge waiver beyond June 30, 2025
- **Promotion of Compressed Biogas (CBG**) for meeting automotive fuel and domestic requirements by offering better rates for CBG. This would simultaneously prevent air pollution by waste burning.
- **Single-window clearance for standalone storage (BESS/PSP**) and continued momentum in tendering activity for storage-linked RE capacity


## Sugar and Ethanol

- **Favorable adjustments to the ethanol policy**, particularly for the use of **sugarcane juice and B-heavy molasses** for ethanol production - to support the government's goal of achieving 20% ethanol blending in gasoline.

# Climate change and Sustainability

## Auto and Auto Components

- **Extension of FAME-II and EMPS 2024 schemes** for accelerating adoption of EVs, Electric 2W & 3W
- Reduction of **GST rates on lithium-ion batteries** to facilitate transition towards EV
- **Tax incentives for hybrid vehicles** to encourage their adoption alongside EVs

## Natural Gas

- Bringing the environmentally cleaner natural gas within the **ambit of GST regime** which could provide significant boost towards enhancing its share in India's overall primary energy mix.

## Real estate & Infrastructure

- **Promoting green bond issuances** and facilitating access to low-cost loans for green certified buildings
- **Tax benefits / incentives** on deployment of **eco-friendly construction materials**

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# Financial Services

## Resilience Improves

The banking sector has logged sustained improvement in capital buffers, asset quality and profitability amidst strong business expansion. Credit growth remains robust, primarily driven by personal loans and services sector. Deposit mobilization by banks gathered pace in FY24 with term deposits accounting for the better part of new accretions. Interest rates have risen as banks stepped up efforts to mobilize funds to sustain the rapid rise in credit demand.

NBFCs maintained robust credit growth in FY24. Personal loan growth decelerated whereas growth in loans to industry and services accelerated. The GNPA ratio of continued its downward trajectory, while the capital position remained steady.

# Financial Services

## Banking and NBFCs

### Incentivize Inflows

- Undertake steps to improve deposit inflows into the banking sector.

### Housing

- Relaunching a scheme similar to PMAY CLSS for affordable housing.

### MSME Lending

- Greater impetus on MSME focused schemes to enable MSMEs access funds for capital expenditure / working capital.

### Sectoral reforms

- Banks: Progress on reforms such as ECL Framework, etc.
- NBFCs: Reduce differentiation in regulations between banks and NBFCs e.g. micro gold loan loans (under Rs 50k) to farmers.

### Equity Dilution in select public sector banks

- The Central Government could look at diluting stakes in select public sector banks to meet listing norms.

# Financial Services

## Insurance and Others

### Infuse capital in public sector general insurance companies

- The companies have lower solvency ratios which need to be addressed along with the need for growth capital

### Sectoral reforms

- Insurance: Reforms on the line of composite license, micro insurance, IND AS, etc. to drive the target of insurance for all

### Optimization of IBC

- Currently under the IBC, cases take nearly two years to resolve while recovering around 30% of the claims. Norms for speedy resolution, increasing recoveries could be enhanced.

### Promote non-infra project financing

- Create specialized financial institutions to promote non-infrastructure project financing

# Q&A Session

Please key in your queries

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# **Sector Specific** Expectations

# Sector Specific
Expectations

- Agri – Fertilizers
- Agri – Sugar & Ethanol
- Auto and Auto Components
- BFSI
- Capital Goods
- Cement
- Hospitality & Tourism
- Natural Gas
- Pharma and Healthcare
- Power (Excluding Renewables)
- Railways
- Real Estate
- Renewable Power
- Roads & Highways
- Steel
- Textile

# Agri – Fertilizers

With the implementation of direct benefit transfer (DBT) in fertilizer sector in FY17, subsidy payment is disbursed within 7 days after POS sale whereas in the earlier system, ~90% subsidy was released after receipt of fertilizer in the respective district and the balance ~10% was released after POS sale; subsidy receivables have increased for fertilizer manufacturers. However, GOI is planning for quiet sometime to implement DBT 2.0 wherein subsidy is expected to be directly transferred to farmer's account which could be beneficial for the fertilizer manufacturers.

## Expectations

- Implementation of DBT 2.0 so that working capital management of fertilizer companies can improve significantly.
- There is an expectation for some incentive for promotion of the organic fertilisers to make India a hub for organic fertiliser production.
- Need a push to improve awareness for widespread use of nano-urea considering significant saving of transportation cost.

# Agri – Sugar & Ethanol

The Union Budget 2023 did not provide any direct benefit to sugar and allied businesses, however, announcements related to agriculture had a positive impact on the industry's productivity. Govt also exempted basic customs duty on imported ethyl alcohol in tandem with better tax regimes to drive the E20 programme. Sugar & Ethanol Industries are pivotal to India's agricultural and energy sectors and is seeking specific policy interventions to drive growth, sustainability, and profitability.

## Expectations

- Increase in Minimum Support Price (MSP) of Sugar to commensurate with increased Fair & Remunerative Price (FRP) of Sugarcane, which is a long due requirement of the industry as the previous MSP revision happened in 2019.
- Favorable adjustments to the ethanol policy, particularly for the use of sugarcane juice and B-heavy molasses for ethanol production and government relaxing/lifting restrictions imposed on the diversion of sugar syrup and B-heavy molasses towards ethanol production. This would support the government's goal of achieving 20% ethanol blending in gasoline. Further industry is advocating for financial support to convert existing ethanol plants into multi-feed units capable of processing food grains in addition to sugarcane
- Government lifting restrictions imposed on sugar exports to prevent domestic oversupply and capitalize on global market opportunities.
- Inclusion of sugar and allied businesses in the 'Priority Sector' category which will enhance the credit access and other benefits of the industry players.

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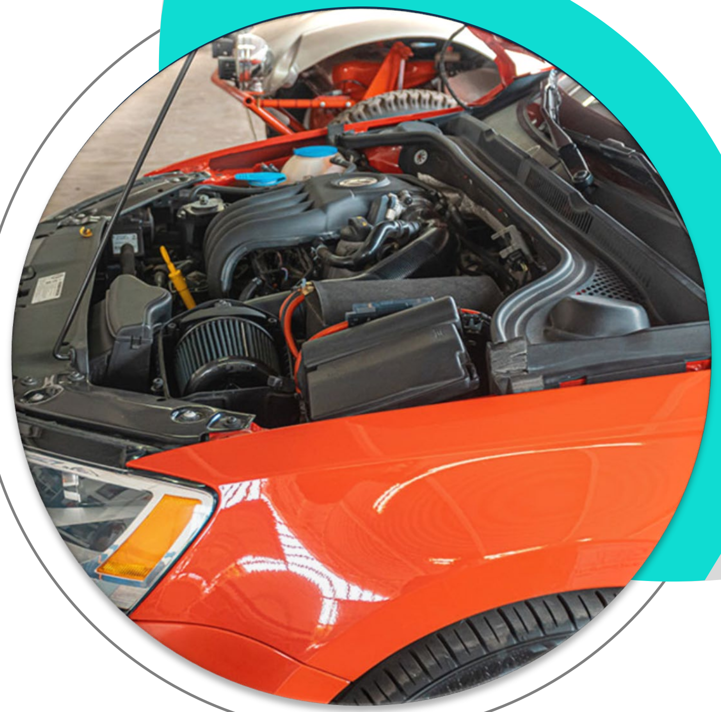
# Auto and Auto Components

The FY24 budget and the interim budget for FY25 focused on faster adoption of Electric Vehicles. This year while the focus on EVs is expected to continue, incentives to boost adoption of Strong Hybrid Vehicles are anticipated to gain traction.



## Expectations

- Extension of FAME-II which ended in March 2024 to further accelerate the adoption of EVs or extension of EMPS 2024 beyond July 2024 to accelerate the adoption of electric two-wheelers and three-wheelers.
- Reduction of GST rate on lithium-ion batteries from existing 18% to facilitate the EV transition.
- Tax incentives for hybrid vehicles to encourage their adoption alongside EVs.
- Reduction of GST rate on entry-level ICE two-wheelers from existing 28%.
- Incentives for faster deployment of electric buses by STUs.
- Incentivizing capex expenditure and rationalizing GST rates on EVs and its components for Auto Component Sector

# Financial Services

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# Capital Goods

In the interim budget, the capital expenditure outlay for 2024-25 was budgeted to increase by 11.1% to INR 11.11 lakh crore, with continued thrust on roads, railways and energy. The Government's persistent emphasis on infrastructure development and substantial increase in the capital expenditure budget in the recent past has benefitted the capital goods sector. Large capex requirement by public and private sector entities towards achieving net-zero emission goals of India also augurs well for the long-term growth of the capital goods sector.

## Expectations

- Continued higher allocation towards improving logistics infrastructure, defence, renewable energy, urban development, etc.
- Incentivization of indigenous production of capital goods and increased exports.
- Expansion of the Production Linked Incentive (PLI) scheme to include more sectors
- Incentive scheme to boost domestic manufacturing of underground mining equipment and heavy earth moving machinery.

# Cement

Indian cement sector outlook remains stable and promising in the long term. Currently, good demand fundamentals, benign input costs and comfortable balance sheets are the factors which would keep the sector in good stead, despite the increasing competitive intensity and a large supply pipeline may put pressure on cement prices in the medium term.

## Expectations

- Reduction in GST applicable on cement that is currently 28%.
- Dedicated policy towards capex on green energy for power and usage of alternative fuel raw materials for fuel, allowing sustainable growth in the cement industry and incentivizing industry players to reduce carbon emissions at a faster rate.

# Hospitality & Tourism

The hospitality sector is currently in its upcycle. The growth is driven by favourable demographics, robust domestic demand, increased investments and ongoing improvement in infrastructure and connectivity. Hotel & tourism sectors have been among the key growth sectors for the economy.

## Expectations

- Accord 'Infrastructure' status for the Hotels Industry and 'Industry' status for the Travel & Tourism Sector
- Rationalisation of GST rates across all segments
- Incentives such as tax breaks or subsidies to invest in sustainable tourism
- Streamlining the licensing process by implementing a single window system for all approvals
- Equalising regulations for online travel agencies

# Natural Gas

India has set an ambitious target to increase the share of natural gas in its overall primary energy mix to 15% by 2030 from the prevailing 6% share. The share of natural gas in India's overall energy mix has improved over the last few years on the back of improving domestic gas production. Going forward, gas-surplus countries accordingly are significantly enhancing natural gas export capacities, sizeable volume of natural gas can come to India. Prices of natural gas have also moderated over the last year. Accordingly, it is an opportune time to enhance the share of natural gas in the overall energy mix of India.

## Expectations

- Natural gas continues to remain outside the purview of GST regime. There has been long pending expectation to include natural gas within the GST regime which could be the single biggest boost to enhance share of natural gas in India's primary energy mix.

# Pharma and Healthcare

In FY24, the Indian pharmaceutical industry, encompassing both domestic and exports, expanded by nearly 9% year-over-year, reaching approximately USD 54 billion. Exports experienced a healthy growth rate of 10%, while the domestic market saw a consistent increase of 9% compared to FY23. The growth in domestic market is attributed to hike in prices allowed under NPPA and increase in demand for chronic therapeutic segments. CareEdge Ratings forecasts industry growth rate of approximately 9% in the forthcoming years. This expectation is based on the anticipated parallel growth rates in both export and domestic markets, each expected to sustain a growth rate of around 9%.

## Expectations

- Implementing tax incentives to encourage Research and Development (R&D) activities into complex drugs.
- Increasing budget allocation under the Production Linked Incentive (PLI) scheme to decrease reliance on China for bulk drugs.
- Incentivize healthcare-related device manufacturing firms to develop a robust and advanced ecosystem domestically.
- Raising the deduction limit on health insurance premiums under Section 80D of the Income Tax Act.
- Enhancing healthcare budget allocation to improve infrastructure in rural and semi-urban areas.

# Power (Excluding Renewables)

- Build resilience through technology

In light of the increasing demand faced by the thermal power generation sector, new power plants need to be constructed swiftly, incorporating the latest environmentally friendly and highly fuel-efficient technology. This approach will ensure competitive tariffs, encouraging private participation and facilitating financing. Additionally, the transmission sector has to keep pace with the increasing renewable energy generation, short-term merchant sales and cross-border transactions. Lastly, power distribution companies have to continue to prioritise operational turnaround and financial sustainability for their long-term viability.

## Expectations

- Provide financial aid for the adoption of Advanced Ultra Supercritical (AUSC) technology in new thermal power plants.
- Develop infrastructure to facilitate more efficient coal evacuation.
- Extend the waiver of inter-state transmission charges (ISTS) beyond June 30, 2025.
- Strengthen efforts to privatize underperforming electricity distribution companies.
- Create a more favourable ecosystem for the manufacturing and installation of smart meters.

# Railways

Budgetary allocation to railways doubled from Rs. 1.2 lakh crore in 2021-22 to Rs.2.40 lakh crore in 2023-24. An increase in the pace of track construction, thrust on high-speed trains, focus on enhancing first-mile last-mile connectivity and substantial completion of dedicated freight corridor augur well for the sector. However, cross-subsidization of passenger traffic to freight traffic, lack of regulatory body and effective dispute resolution mechanism continue to pose sector challenges.

## Expectations

- Increased budgetary allocation of ~12-15% to Rs.2.75 lakh crore.
- Focus on enhancing the first-mile and last-mile connectivity with greater clarity on economic railway corridors
- Announcement of regulatory body for railways and reforms in haulage rates
- Augmentation of Vande Bharat Trains by ~50-60x and large investment in rolling stock
- Higher budgetary allocation for station redevelopment & safety

# Real Estate

Sustaining real estate demand is vital as it supports over 200 related industries. In the past few years, the government has taken various measures including increased tax exemptions on housing loan interest, tax relief for transactions up to ₹2 crore, the PMAY 'Housing for All' scheme, implementing denotification scheme of SEZ and the SWAMIH scheme for stalled projects which have contributed towards demand growth. The sector now seeks a revival strategy for affordable housing, industry status, and additional tax incentives to further boost demand. Key expectations from budget 2024-25 are as under:

## Grant of industry status

- It could ease the availability of funds and increase participation from foreign investors

## Revival of stalled projects and affordable housing

- By allocating additional funds under SWAMIH Scheme.
- Launching a new subsidy scheme like CLSS under PMAY to improve affordability.
- Revising the upper limit of affordable housing to match rising home prices.

## Tax Benefits

- Revision in tax slab rate and threshold limit and raising the standard deduction
- Raising the deduction for interest on home loan
- Reducing long-term capital gain tax rate

## Digitisation

- Digitization of land records

# Renewable Power

India has reiterated its endorsement for multiplying renewable energy (RE) capacity three-fold by 2030 at the COP28 Summit but also remains cognizant of its energy security needs as a developing nation as well as the variability induced by the growing share of RE in its energy mix.

## Expectations

- Single-window clearance for standalone storage (BESS/PSP) and continued momentum in tendering activity for storage-linked RE capacity through REIAs.
- Extension of the inter-state transmission system (ISTS) charge waiver beyond June 30, 2025, to maintain the cost-competitiveness of RE.
- Ensuring adequate power evacuation through dedicated transmission capacity buildout across Green Energy Corridor and ISTS projects.
- Strict enforcement of central Renewable Purchase Obligations (RPO), fortified by penalties for non-compliant states.
- Rationalisation of GST on RE components from 12% to 5% to reduce end-consumer costs.
- Enhancement of fund allocation for green hydrogen over and above current outlay under the SIGHT programme.

# Roads & Highways

Budgetary allocation towards the roads sector constitutes around 25% of the capex spending of the Government of India during the interim Budget of 2024-25. The thrust of government on infrastructure development is expected to continue. Despite a 20% rise in road construction pace of national highways during 2023-24, challenges related to project execution and land acquisition require attention. The pace of asset monetization has gained momentum during 2023-24 while garnering ~Rs.40,000 crore for the National Highways Authority of India. Thrust on asset monetisation is expected to fetch ~Rs.55,000 -60,000 crore in 2024-2025.

## Expectations

- Increased budgetary allocation of 5-7% towards roads & highways
- Gradual shift of project awarding from EPC to BOT-Toll under revised model concession agreement

# Steel

Regarding domestic steel consumption, during the last three fiscals, the industry has recorded a double-digit growth, largely because of the government's emphasis on infrastructure spending and the 'Make In India' initiative. However, the robust growth in domestic demand along with weak global steel demand has resulted in increased steel imports over the last two fiscals. CareEdge Ratings expects domestic steel consumption to increase at a CAGR of around 8.3% over the next 2-3 years. This expectation is based on the continuing government focus towards infrastructure creation and the Make in India initiative which is likely to support the demand for steel from various end-user sectors.

## Expectations

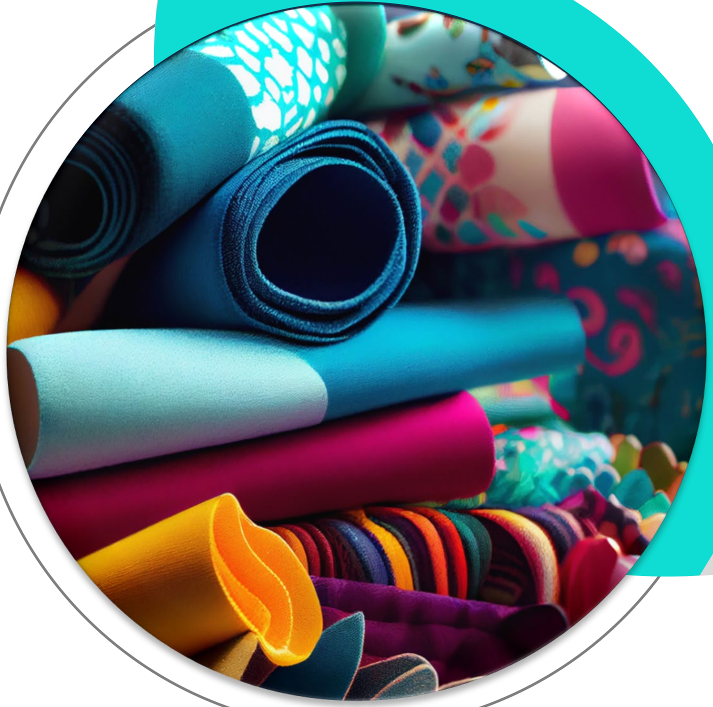
- The industry is contemplating setting up a safeguard duty/anti-dumping duty to restrict steel imports
- The industry has also demanded a cap on steel imports (in quantity terms) from other FTA countries.
- Extension of PLI schemes to other manufactured steel products
- For the stainless-steel industry: the imposition of duty based on subsidy margins/ dumping margins to curtail cheap quality stainless steel imports

**On the Raw material front.**

- Continuation of export duty on certain grades of iron ore (currently iron ore with Fe content above 58% attracts an export duty of 30%
- Removal of customs duty on coking coal/ other grades of coal like PCI coal etc. and bring it down to Nil as the same is not available in the country.

# Textile

The Indian textile industry has witnessed a period of ups and downs in recent years. Though the Government of India has set ambitious export targets of USD 100 billion by 2030, the global environment is still recovering from the demand slowdown amidst high inflation, the Red Sea crisis and geopolitical tensions. The government has taken various initiatives outside the budget to boost sector export such as the extension of the Rebate of State and Central Taxes and Levies (RoSCTL), trade agreements and the introduction of BIS requirements for polyester yarn to curb inferior quality import.



## Expectations

- Expand the scope of the production-linked incentives (PLI) scheme to increase coverage for products like garments and other applications to boost investments, exports, and job creation.
- Change in duty rates for raw materials and finished products to avoid an inverted duty structure. Additionally, the reduction or removal of import duty on cotton was imposed by the government in February 2021.
- Increasing allocation for modernization schemes like the Amended Technology Upgradation Fund (ATUF) to improve efficiency and productivity.
- More foreign trade agreements and tariff reductions to facilitate deeper export penetration in global markets.

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**About:**

CareEdge is a knowledge-based analytical group offering services in Credit Ratings, Analytics, Consulting and Sustainability. Established in 1993, the parent company CARE Ratings Ltd (CareEdge Ratings) is India's second-largest rating agency, with a credible track record of rating companies across diverse sectors and holding leadership positions in high-growth sectors such as BFSI and Infra. The wholly-owned subsidiaries of CareEdge Ratings are (I) CARE Analytics & Advisory Private Ltd previously known as CARE Risk Solutions Pvt Ltd, (II) CARE ESG Ratings Ltd, previously known as CARE Advisory Research and Training Ltd and (III) CareEdge Global IFSC Ltd. CareEdge Ratings' other international subsidiary entities include CARE Ratings (Africa) Private Ltd in Mauritius, CARE Ratings South Africa (Pty) Ltd, and CARE Ratings Nepal Ltd.



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