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CRISIL
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The quest for equitable growth

Union Budget 2024-25 | Impact note

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Contents

The quest for equitable growth

The government continued its march towards fiscal consolidation in Union Budget 2025, comforted by a broad-based recovery in the Indian economy. It set a target of reducing the fiscal deficit to 4.9% of the gross domestic product (GDP) this fiscal, from 5.6% in the previous one. It also reiterated its commitment to bring the fiscal deficit below 4.5% of GDP by fiscal 2026.

Though real GDP growth was at a healthy 8.2% in the previous fiscal, it is expected to be somewhat softer this fiscal, reined in by moderating fiscal support and the lagged impact of the Reserve Bank of India's (RBI) monetary policy tightening.

In this milieu, the budget has tried to strike some balance between fiscal consolidation and equitable growth — it is continuing to focus on capital expenditure and concurrently providing scope for employment generation. Moreover, it has also announced measures to increase disposable incomes of the salaried class by reducing their tax burden.

How the budget announcements impact the macros

Growth remains at the core of this budget, the first one from NDA 3.0. The government has continued to maintain its focus on capex with an aim to create long-term durable economic growth.

CRISIL expects real GDP growth at 6.8% this fiscal, lower than the 8.2% in fiscal 2024. Despite the moderation, growth will remain above the pre-pandemic decadal average of 6.6%.

Consumption growth, which was lagging till fiscal 2024, is expected to pick up this fiscal, buoyed by better agriculture incomes, expected decline in food inflation and enhanced government funding for rural-focused schemes.

On the investment front, the government's continued emphasis on the Production-Linked Incentive (PLI) scheme helps private investment in strategic areas. The budget has also tried to incentivise employment generation in the economy, which should over time spur consumption demand and act like an indirect support to push up private investments.

To be sure, overall private investment is not yet broad-based. As the government consolidates further fiscally (a fiscal deficit-to-GDP ratio of below 4.5% in fiscal 2026, down from 4.9% budgeted for this fiscal), its ability to support the investment cycle via investments in infrastructure will reduce. The private sector will have to take on a larger role to keep the overall investment momentum going.

A strong investment-driven growth momentum and a fiscally consolidated budget favour inflation control. We expect headline consumer price inflation to soften this fiscal as healthy agriculture output eases food inflation. Other measures announced in the budget, such as increased focus on agriculture research and development, push towards adopting climate-resistant seed varieties, improving vegetable supply chains, etc, should also help keep inflation under control on a durable basis.

Meanwhile, lower gross market borrowings, along with the expectation of an RBI policy rate cut (CRISIL expects the first rate cut to be in October) and lower inflation, will help temper government security (G-sec) yields this fiscal. India's inclusion in global bond indices will mean more eyes on Indian government finances. Fiscal prudence should ensure healthy demand for Indian G-secs.

To that extent, the budget has ticked quite a few check boxes.

Continuity on two key fronts — capex and fiscal consolidation — bodes well for India's long-term growth prospects. Capex, particularly in infrastructure, has a multiplier effect on growth while fiscal consolidation will shrink debt, creating fiscal space for supporting the economy during a shock. With rising geopolitical uncertainties and climate risks, maintaining a fiscal buffer for times of distress is important.

Thankfully, the budget is largely non-inflationary with a focus on infrastructure spending while revenue expenditure growth remains moderate. In this manner, fiscal policy is in sync with monetary policy – a combination that brings stability and durability to growth prospects.

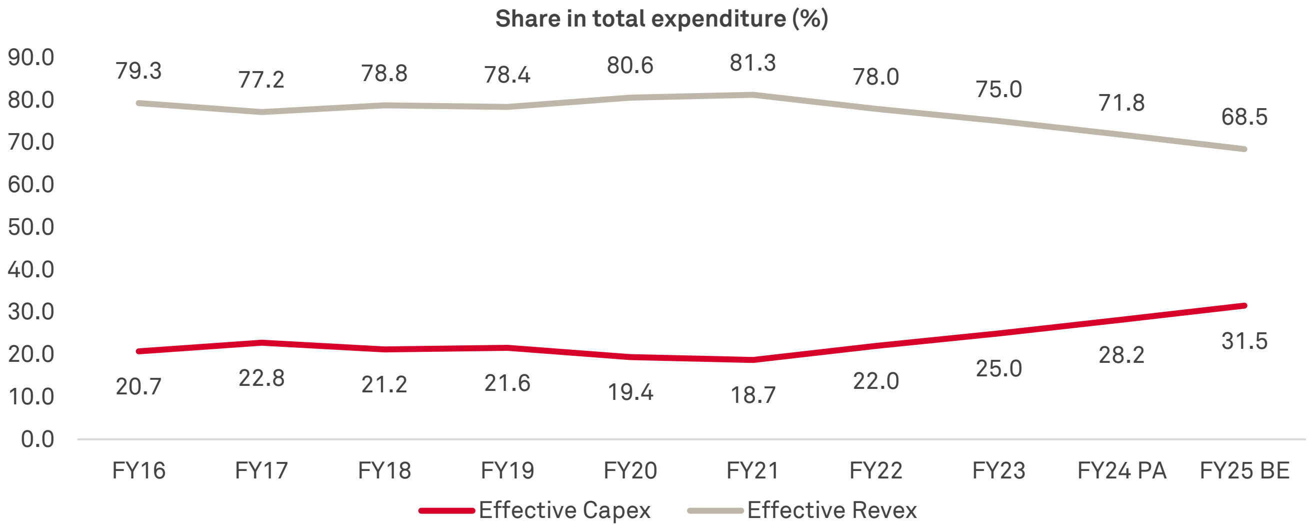
(Detailed macroeconomic outlook table can be referred to at the end of this section.)

Investment support maintained

The central government has continued to maintain its focus on capital expenditure, whose share in the total expenditure mix is budgeted to rise further this fiscal (see chart below). Capital expenditure for fiscal 2025 is budgeted at Rs 11.1 lakh crore, up 17.1% from Rs 9.5 lakh crore in fiscal 2024. At the same time, grants-in-aid for creation of capital assets are also budgeted to increase substantially to Rs 3.90 lakh crore, from Rs 3.03 lakh crore in fiscal 2024. Together, this means effective capital expenditure through the budget rises to Rs 15.0 lakh crore, from Rs 12.5 lakh crore (up 19.9%).

It is worth noting that during April-May fiscal 2025, central government capex was down 14.4% on-year, largely since the nation was in election mode. Hence, the capex run rate must be increased substantially in the remaining months of the fiscal to achieve the full-year target.

Share of capital expenditure continues to rise



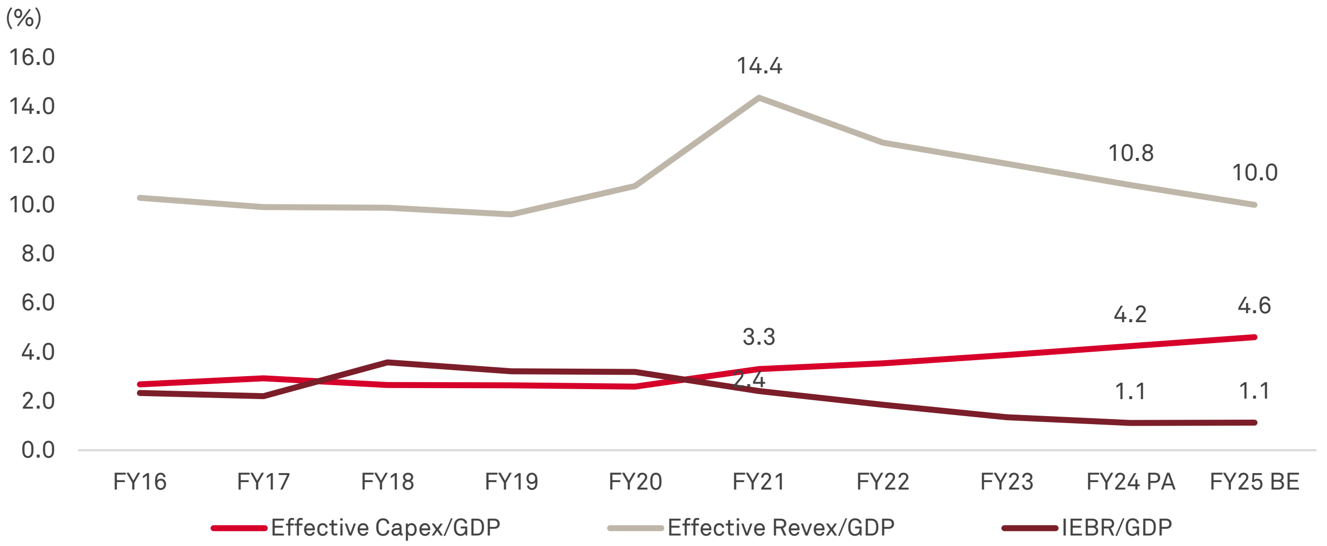
Effective capex = Capital expenditure + Grants for creation of capital assets

Effective revex = Revenue expenditure - Grants for creation of capital assets

Source: Budget 2024-25, CRISIL

Not only does budgetary support to capex continue to improve, but the capex support by public sector enterprises has been budgeted to stabilise this year (see chart below). This support, called Internal and extra budgetary resources (IEBR), is outside the budget calculations and was softening (as a share in GDP) in the past few years.

IEBR in slow lane even as budgetary capex rises

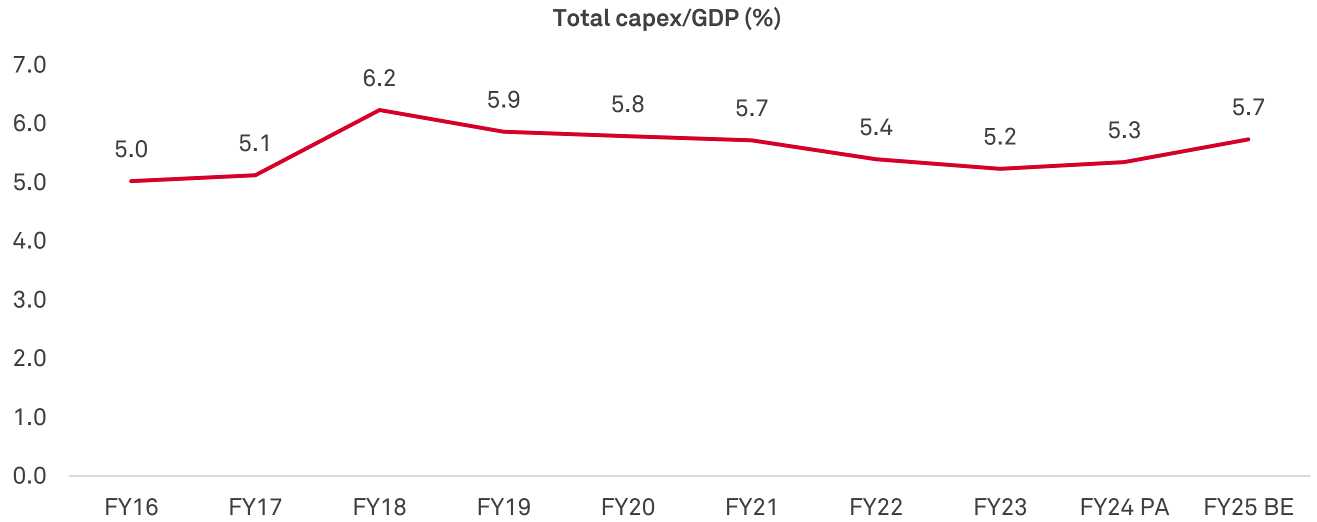


Note: IEBR for FY24 is RE and not PA as the latter is not yet available

Source: Budget 2024-25, CRISIL

The government has budgeted an IEBR (capex) of Rs 3.68 lakh crore for fiscal 2025 compared with Rs 3.26 lakh crore last fiscal. This means the Centre's total capital infusion in the economy (budgetary support + IEBR) has got a boost, rising to 5.7% of GDP, from 5.3% in fiscal 2024 (see chart below).

Capex support to economy increases



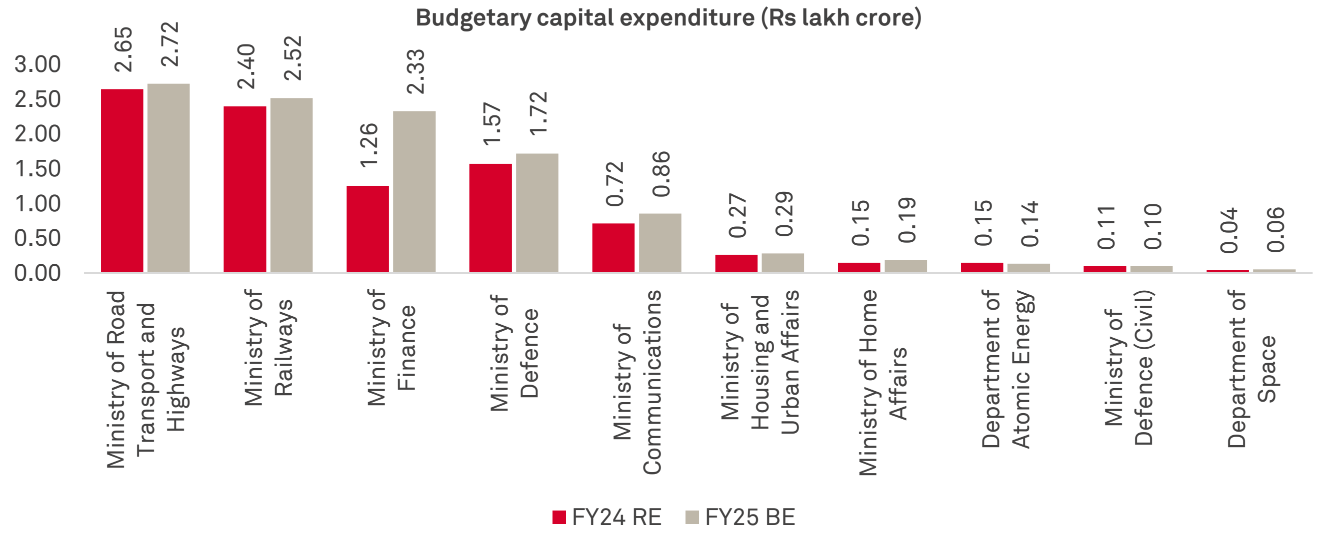
Total capex = Effective capex (through budget) + IEBR

Source: Budget 2024-25, CRISIL

Capex break-up across sectors

The following chart shows the top 10 ministries/departments which account for almost 98% of the budgetary capex of Rs 11.1 lakh crore this fiscal. Ministry of Road Transport and Highways continued to get the highest capex allocation in the budget (24.5% of total budgetary capex), followed by Railways (22.7% share), Ministry of Finance (21.1% share), Ministry of Defence (15.5% share) and Ministry of Communications (7.7% share). These five ministries together get a commanding 91.4% share of the total budgetary capex.

Infrastructure continues to get bulk of the capex



Note: Significantly higher capex allocation to Ministry of Finance is largely a reflection of a) state capex loans that are routed through the ministry and are budgeted to rise to Rs 1.5 lakh crore in fiscal 2025, from Rs 1.05 lakh crore last fiscal and b) a large capex budgeted under a new head, details of which remain unclear

Source: Budget 2024-25, CRISIL

Apart from supporting investments in the economy through its own infrastructure spending programmes, the budget has also been trying to incentivise private sector investments in several sectors through the PLI scheme (for more details and sector-wise allocations, refer to the manufacturing section).

The government has also announced steps such as reduction in corporate tax rate on foreign companies to 35% from 40%, abolition of angel tax and increase in basic customs duties in some cases (to incentivise domestic production). At the same time, import tariffs have been cut for some segments, which will support value addition in those areas and can eventually lead to capex. All these steps should provide some push to the private investment in the economy.

Addressing pain points

A support to consumption

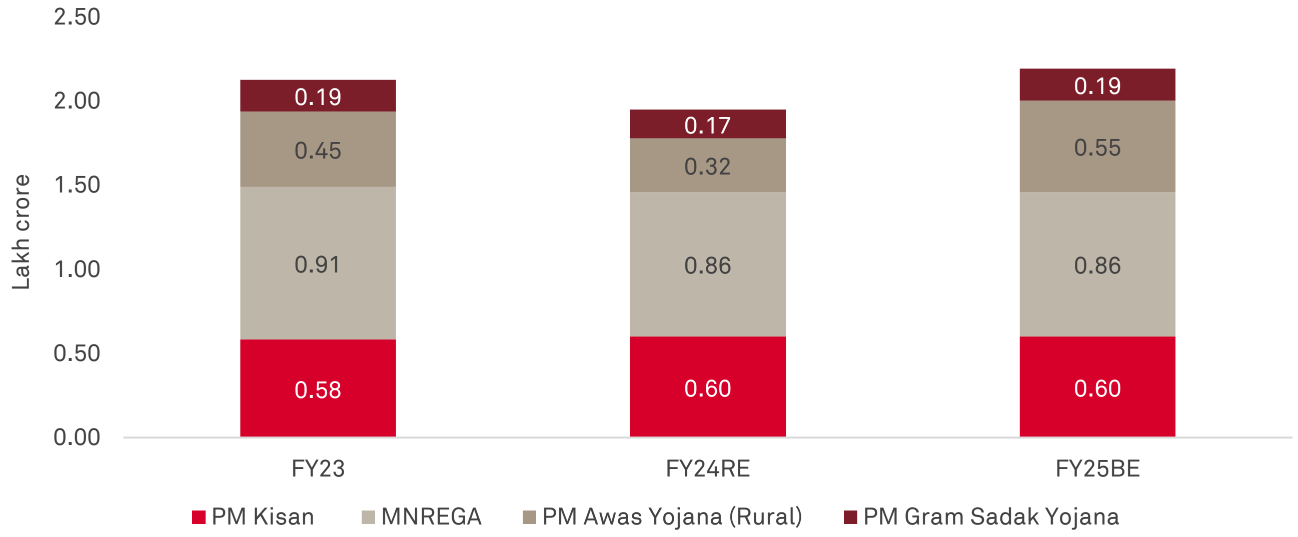
The budget prudently uses part of the higher revenue to support some consumer segments. While most fiscal allocations in this direction are expected to strengthen consumption in the short term, others such as the nudge to employment generation are intended to lift job creation, incomes and, thereby, private consumption over time. Last fiscal, consumption was the weakest in recent times owing to sluggish rural demand. The higher allocations will offer some respite.

Four measures are expected to play a larger role in lifting consumption this fiscal:

1. Higher allocation under PM Awas Yojana-Rural (up 70.3% on-year) and PM Gram Sadak Yojana (up 11.8% on-year), driving the aggregated allocation on major rural schemes [Pradhan Mantri Kisan Samman Nidhi (PM-Kisan), Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), PM Gram Sadak Yojana, PM Awas Yojana-Rural] to Rs 2.2 lakh crore, a 12.6% on-year increase. This will support rural employment, incomes and consumption
2. Besides these, the announcement of the Purvodaya scheme for the enhancement of infrastructure and road connectivity in the eastern states of Bihar, Jharkhand, West Bengal, Odisha and Andhra Pradesh can also create employment opportunities in construction in the region. As most of these are asset-creating spends, the inflation impact is low
3. On the urban front, the budget has increased allocation under PM Awas Yojana-Urban by a sizeable 36.5% on-year
4. Changes to personal income taxation leading to increased tax savings for salaried tax-payers under the new tax regime will add to discretionary spending ability of the middle class

However, a sustained revival in consumption demand hinges on permanent income increases, which can come from higher employment.

Rural spends get a lift



Source: Budget documents, CRISIL

A nudge to skilling and employment creation

The provision of quality skilling and employment opportunities was a key theme of this budget. The government, in conjunction with voluntary participation by the private sector, aims to facilitate employment and skilling opportunities for 4.1 crore youth, earmarking Rs 2 lakh crore of central support, over five years.

- Three **employment-led incentive schemes** are to be launched to provide a fillip to formal employment
  - The first will provide a month's wage to new entrants into the formal workforce, irrespective of the sector they are employed in
  - The second aims to increase hiring of new entrants, specifically in manufacturing, with incentives paid to both employees and employers for hiring a certain number of new entrants
  - The third encourages hiring of new employees, whether new entrants or not, by reimbursing employers hiring above a certain threshold for each additional employee hired
- A new **skill-focused scheme** is to be implemented in conjunction with states and industry. The scheme will focus on the upgradation of 1,000 Industrial Training Institutes under a hub-and-spokes model
- An **internship scheme** is to be launched under which unemployed youth in the age group of 21-24 years will be upskilled at top companies for 12 months while receiving a monthly stipend

The Economic Survey pointed at the larger role that the private sector could play in terms of driving employment, and incomes. In line with this view, the government has incentivised the private sector through these schemes, which focus on financial support to employees and employers. The intention is to effectively strengthen private consumption over a period.

Fiscal measures to control inflation

In India, given the nature of inflation — i.e., food inflation-led — fiscal policy plays a crucial role in inflation control. Monetary measures can support, but more so by taming inflation expectations arising from the risk of persistently high food inflation and its spillover to other sectors if demand remains strong.

- In the short term, fiscal measures similar to those employed in the past — releasing food stocks, facilitating imports, restricting exports, and discouraging hoarding among others — would continue if weather disruptions hit agricultural activity
- In the medium term, budgetary measures such as the free food programme for lower-income segments and enhanced allocation for the price stabilisation fund (PSF) to address food price spikes can cushion the impact of price surges. Together, the budget allocation for these in fiscal 2025 is Rs 2.15 lakh crore — Rs 2.05 lakh crore for the free food programme and a record high Rs 10,000 crore under the PSF, which, now in addition to pulses, onions and tomatoes, will also cover rice and wheat flour
- In addition, the budget announced a few key measures to improve the resilience of the agriculture sector against climate shocks. This will not only benefit agriculture incomes but also help control food inflation

These include taking steps to enhance yields and promote weather-resistant agriculture (by releasing high-yielding climate-resilient varieties of horticulture crops), to strengthen production of key essential crops such as pulses, oilseeds (where India has huge import dependence) and vegetables, and to improve agriculture supply chains, transport, cold storage and marketing.

Combating the impact of climate change on agriculture

The Modi 3.0's first budget has furthered the agenda to take up more focused action towards climate change mitigation and adaptation. While many of these actions will evolve over time, in the short term, the disruptions caused by climate change to various macros — agriculture activity, farmer incomes and inflation — cannot be ignored.

In the past four years, weather shocks such as heatwaves, deficit or excess and unseasonal rains, floods, and cyclones have disrupted the agricultural sector and impacted output, incomes and food prices.

The budget underlined the seriousness of these issues and has increased its allocation to actions to build resilience of agriculture incomes to climate-related shocks.

The government has for many years been incurring expenditures to address vulnerabilities of the farming community — income to farmers (PM-Kisan), crop insurance (PM Fasal Bima Yojana), irrigation (PM Krishi Sinchayee Yojana), and towards strengthening post-harvest infrastructure (Agriculture Infrastructure Fund and PM Kisan Sampada). For fiscal 2025, the total allocation for these schemes was increased 2.3%, driven by increased allocation to irrigation.

As the frequency and intensity of these shocks increase, the sector needs policy support to reduce its vulnerability and improve productivity. This includes facilitating large investments — by both the public and private sectors — in research and development, innovation, and technology for weather proofing agriculture.

Agriculture-focused schemes that act as cushion against climate shocks

Scheme	Description	Rs crore		
		FY23	FY24 RE	FY25 BE
Short-term				
Crop Insurance Scheme	Provides insurance against crop failure/loss due to climate-related vagaries	10,296	15,000	14,600
PM Krishi Sinchayee Yojana	Incentivising water-efficient irrigation practices	5,637	7,031	9,339
Long-term				
PLI scheme for food processing industry	Production-linked incentives for developing food processing units to reduce perishability and combat post-harvest loss	490	1,150	1,444
Agriculture Infrastructure Fund	Financing for the development of agri-infrastructure at both the farm-gate and aggregation points in order to reduce harvest and post-harvest losses	147	600	600
PM Kisan Sampada Yojana	Comprehensive scheme for creation of supply chains from farm to retail. Includes establishment of mega food parks, cold storage chains, food processing facilities, etc.	562	745	729

Source: Budget documents, CRISIL

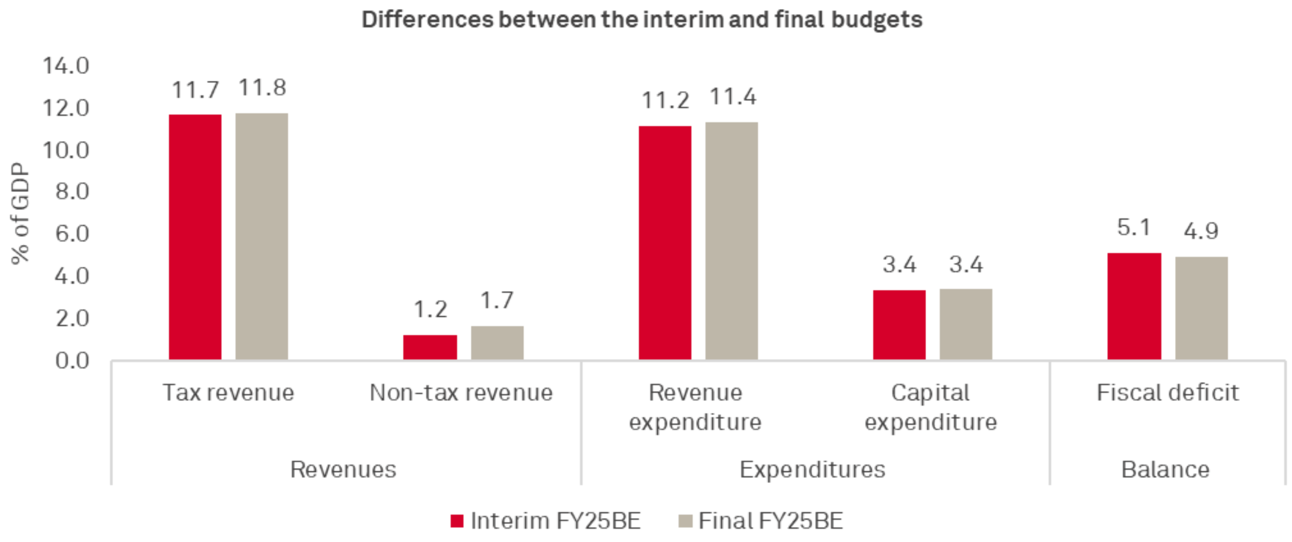
The fiscal math

What has changed from the interim budget?

Our analysis shows that in the last two election years (fiscals 2015 and 2020), key metrics have usually not changed significantly between the interim and the final budget.

That said, since the interim budget this year, the government has benefitted from better-than-expected growth in the economy, and revenue collections. This has allowed it to reduce fiscal deficit – by 20 basis points (bps) each in fiscals 2024 and 2025. Even after reducing fiscal deficit in the current year, there was room for increase in spending.

Fiscal deficit revised down to 4.9% of GDP for current year



Source: Budget documents, CRISIL

Where the revenue gains came from

- **Better-than-expected tax revenues:** Gross tax revenues were revised up 0.2% for fiscal 2025 (relative to interim budget estimates)
- **Income taxes driving improved tax buoyancy:** Income tax collections were revised up 2.7% for current year (relative to interim budget). This is despite higher standard deduction under the new regime. In contrast, corporate tax collections were revised down 2.2% for current year. GST collections were revised down 0.5% for current year, reflecting waning benefits from compliance improvements over past few years
- **Sharper rise in non-tax revenues:** Non-tax revenues were revised up 36.5% for fiscal 2025 (relative to interim budget). The sharp rise this fiscal comes from a 92.8% increase in dividends and profits
- **RBI's record dividend the main driver**: The RBI gave a dividend of Rs 2.1 lakh crore, which was almost twice of Rs 1.04 lakh crore estimated in the interim budget from the RBI and other public financial institutions combined[1]. Dividends from other non-financial PSUs were also revised up 17.2%

[1] Rs 1.04 lakh crore was estimated from the RBI, nationalised banks and financial institutions

How the government is using extra revenues in this fiscal

- A large part of revenue gains was used to reduce the size of fiscal deficit. Absolute fiscal deficit was revised down 4.3% (relative to the interim budget) to Rs 16.1 lakh crore for the current fiscal
- Total expenditure was increased 1.1% relative to the interim budget
- Revenue expenditure was revised up (1.5% relative to the interim budget), but capital expenditure was kept unchanged[2]
- **Urban economy gains more**: Among major expenditure categories, allocation was revised up for urban development the most (6.5% relative to the interim budget) – driven by urban PMAY-U. This was followed by agri and allied activities (3.4%), pensions (1.5%), and education (0.8%)
- **New schemes added**: New Employment Generation Scheme, New Internship Scheme and PM Surya Ghar Muft Bijli Yojana, launched earlier this year, have garnered an additional Rs 18,250 crore (0.4% of total expenditure)
- Most of the above schemes fall under revenue expenditure
- **States' allocation increased**: Special loan for states for capital expenditure was increased to Rs 1.5 lakh crore from Rs 1.3 lakh crore in the interim budget. The budget also introduced new packages for Bihar and Andhra Pradesh, due to which 'Special assistance under the demand – Transfers to States' was revised up 5x to Rs 20,000 crore

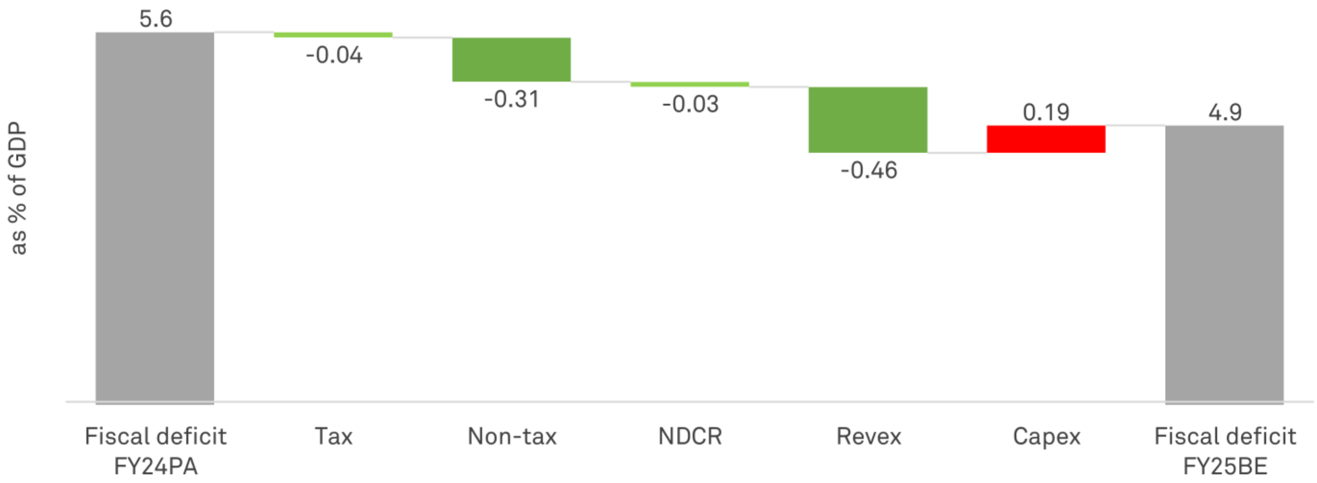
How fiscal consolidation is planned for this fiscal

The proposed reduction of fiscal deficit in fiscal 2025 hinges on an overall moderation in revenue expenditure and better revenue collections. Even as revenue expenditure was revised up relative to the interim budget, its share in GDP is expected to be lower than last year. The rise in revenues would be driven by non-tax sources.

The government has assumed nominal GDP growth of 10.5% for fiscal 2025, which is realistic and in line with CRISIL's forecast.

[2] Revenue expenditure here includes grants in aid for creation of capital assets. Excluding that too, effective revenue expenditure was revised up 1.5%

How government plans to bring down fiscal deficit this year



Note: Fiscal 2024 PA refers to provisional estimates; NDCR stands for non-debt capital receipts, largely representing disinvestments
Source: Budget documents, CRISIL

- Gross tax revenue growth rate at 10.8% on-year in fiscal 2025 will be slower than 13.4% in fiscal 2024 (PA). Income tax and GST growth is expected to moderate over a high base. Taxes are expected to grow roughly at the same rate as GDP, reflecting lower tax buoyancy
- Tax buoyancy (ratio of tax-GDP growth) at 1 in fiscal 2025 would be slightly higher than the pre-pandemic five-year average of 0.9

Composition of tax revenue by key sources

		Growth (y-o-y %)			Tax buoyancy		
		FY16-FY20 (average)	FY24PA	FY25BE	FY16-FY20 (average)	FY24PA	FY25BE
Total	Gross tax revenue	10.3	13.4	10.8	0.9	1.4	1.0
Direct tax	Corporate	6.1	10.3	12.0	0.4	1.1	1.1
	Income	13.4	25.4	13.6	1.3	2.6	1.3
Indirect tax	GST	17.2	12.7	11.0	1.7	1.3	1.0
	Excise	9.1	-4.3	4.5	0.9	-0.4	0.4
	Customs	-7.9	9.2	2.0	-0.8	1.0	0.2

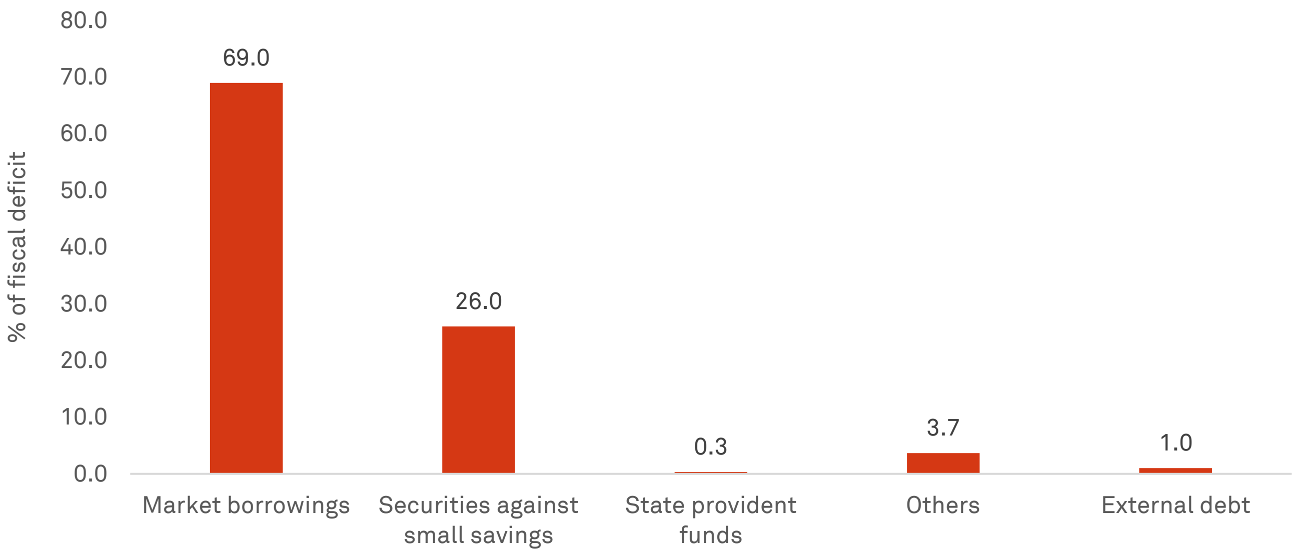
Source: Budget documents, CRISIL

- **Non-tax revenue growth** is expected to be strong for the second consecutive year, at 35.8% in fiscal 2025 after 40.8% in fiscal 2024 (PA). Dividends from the RBI and public sector enterprises are expected to rise to Rs 2.3 lakh crore this fiscal compared with Rs 1.04 lakh crore (RE)[3] past year
- **Disinvestment target is relatively modest** at Rs 50,000 crore this fiscal, though higher than Rs 30,000 crore (RE) the previous year

Financing the deficit

- Market borrowings — in the form of government securities (G-secs) and treasury bills (T-Bills) — remain the major source for financing the fiscal deficit in fiscal 2025
- With reduction in fiscal deficit, the government's net market borrowing through G-secs is budgeted to reduce to Rs 11.6 lakh crore in fiscal 2025 compared with Rs 11.8 lakh crore previous year.

Sources of funding fiscal deficit this fiscal



Note: Market borrowings include short-term borrowing. Others include internal debt and public account, and draw-down of cash balance
Source: Budget documents, CRISIL

[3] RE numbers as PA data is not available

CRISIL's outlook for fiscal 2025

Macro parameter	FY24	FY25F	Rationale for outlook
Real GDP growth (y-o-y %)	8.2	6.8	Moderating fiscal support due to a slimmer fiscal deficit and the peak impact of the RBI's past rate hikes to cap growth. Expected moderation in food inflation and the mild budgetary support to demand, could create space for discretionary consumption and support growth
CPI inflation (y-o-y %)	5.4	4.5	Expectation of healthier farm output assuming a favourable monsoon and high-base effect to pull down food inflation. Non-food inflation to remain soft on the back of benign commodity prices
Fiscal deficit (% of GDP)	5.6	5.1	Robust revenue collections (tax and non-tax) to drive the reduction in fiscal deficit
10-year G-sec yield (March average, %)	7.1	6.8	Reduction in gross market borrowing, coupled with expected policy rate cuts and softer inflation, to lower pressure on yields this fiscal. Healthy foreign capital inflows due to inclusion of Indian G-secs in global bond indices could also aid in the decline
Current account balance (% of GDP)	-0.7	-1.0	Expected moderation in imports growth and robust remittances to keep the current account deficit in check
Exchange rate (March average, Rs/$)	83.0	84.0	A manageable current account deficit and healthy forex reserves to support the rupee, but volatile external financing conditions could exert some pressure

Note: F is forecast

Source: CRISIL

Sectoral impact

Agriculture and allied sectors

Positive

- The Ministry of Agriculture and Farmers' Welfare saw an increase of ~5% in allocation for fiscal 2025BE compared with fiscal 2024RE. The increase is focused on schemes dedicated towards integrated agriculture sector development, inclusive of sustainable agriculture, enhanced oilseed production (to reduce dependency on imports), provision of advanced and climate-resilient seed varieties and boosting the effectiveness of technology in agriculture
- The Ministry of Fisheries, Animal Husbandry and Dairying saw a 27% jump in allocation for fiscal 2025BE compared with fiscal 2024RE. The Department of Fisheries got a big leg-up (jump of 54% over 2024RE) following the announcement of financial support for establishing a network of nucleus breeding centres for shrimp brood stock, shrimp farming, processing and exports which will be facilitated through NABARD
- Under the Ministry of Chemicals and Fertilisers, the Department of Fertilisers witnessed a dip of 13% in allocation. This is in line with the declining raw material prices for urea and non-urea fertilisers
- The Department of Rural Development saw ~4% growth in the budget allocation for FY25BE. Allocation for short-term employment programme MGNREGA, which has ~48% share in total allocation under the department, remained on par with fiscal 2024RE. Meanwhile, allocation for the scheme focusing of long-term development such as rural houses (Pradhan Mantri Awas Yojana) witnessed a significant jump of 70% over fiscal 2024RE
- Scheme-wise allocations under the above ministries have been tabulated below for further reference

Allocation under various government schemes

Sr No.	Parameter	FY23A (Rs crore)	FY24RE (Rs crore)	FY25BE (Rs crore)	Growth over FY24RE (%)
1	Formation and promotion of 10,000 farmer producer organisations (FPOs)	124	450	582	29%
2	Pradhan Mantri Fasal Bima Yojana (PMFBY)	10,296	15,000	14,600	-3%
3	Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	58,254	60,000	60,000	0%
4	Rashtriya Krishi Vikas Yojana	5,247	6,150	7,553	23%
5	Pradhan Mantri Gram Sadak Yojana	18,783	17,000	12,000	-29%
6	Pradhan Mantri Awas Yojana (PMAY) - Rural	44,962	32,000	54,500	70%
7	MGNREGA	90,806	86,000	86,000	0%
8	Food subsidy	272,802	212,332	205,250	-3%
9	DoF	251,369	188,947	164,151	-13%

Sr No.	Parameter	FY23A (Rs crore)	FY24RE (Rs crore)	FY25BE (Rs crore)	Growth over FY24RE (%)
10	Pradhan Mantri Krishi Sinchayee Yojana	5637	7031	9339	33%
	Total (MoA&FW, MoFAH&D, MoRD, DoF and DoF&PD)	**824840**	**716120**	**697012**	**-3%**

Note: MoA&FW - Ministry of Agriculture and Farmers Welfare, MoFAH&D - Ministry of Fisheries, Animal Husbandry and Dairying, MoRD - Ministry of Rural Development, DoF - Department of Fertilizers, DoF&PD- Department of Food and Public Distribution

Source: Budget documents, CRISIL

Impact

The budget balances long-term structural developments with sustained support for short-term measures.

- The allocation under the Pradhan Mantri Fasal Bima Yojana for fiscal 2025BE has been reduced 3% over fiscal 2024RE as many states have withdrawn from the scheme, owing to financial constraints. However, in the wake of disruptions caused by inclement weather conditions, the government's announcement to release 109 high-yielding and climate-resilient varieties of 32 field and horticultural crops is as an important step. Improved varieties will not only combat the vagaries of the weather but also enhance the seed replacement rate
- The integration of technological innovations into the agricultural ecosystem is underlined by schemes such as Digital Public Infrastructure, which would cover farmers and their land over three years, with annual digital survey for the kharif season in 400 districts, mapping of farmers to their land parcels through farmer and land registries and issuance of *Jan Samarth*-based Kisan Credit Cards. The initiative is expected to improve credit risk assessment and enhance formal credit penetration for farmers, which currently stands at ~60%
- With the government focusing sharply on promoting natural farming practice, it aims to promote sustainability and provide better realisations to farmers. The natural farming practice is estimated to provide a higher benefit/cost ratio owing to lower input cost and can leverage premium pricing for chemical-free produce. While the scheme aims at improving yield and ensuring higher realisation for farmers, as per CRISIL's on-ground assessment, over 35% of organic produce had to be sold as conventional produce owing to lack of market linkages. Hence, in addition to promoting natural farming practice, market linkages will also need to be developed for aiding farmer realisations
- On the oilseeds front, currently 55-60% of edible oil in India is imported from countries such as Indonesia, Brazil, Argentina and Russia, among others. Additionally, fluctuating prices of oilseeds pose a risk to farmers' income. The budget highlights the importance accorded to self-sufficiency in oilseed production, especially for crops such as mustard, groundnut, sesame, soybean and sunflower, which will induce growth in these crops that are currently growing at a CAGR of 7.3% (2015-23)
- Irrigation penetration in India stood at 53% as of fiscal 2020. With a spike of ~33% in budget allocation under the Pradhan Mantri Krishi Sinchayee Yojana, the government intends to increase the gross irrigated area to focus on micro irrigation and watershed management. An increase in irrigation penetration is expected to not only improve crop productivity, but also increase the use of highly efficient liquid/ water soluble fertilisers through fertigation techniques. However, as irrigation investments largely come under the purview of state governments, the state's involvement remains a key monitorable

- India's productivity of cereals stands at 3,479 kg/ha, ~16% lower than the global average of 4,153 kg/ha. An increased allocation of 15% under the umbrella scheme of Krishonnati Yojana will aid the farming community in improving productivity and gaining better returns through 11 schemes. This also aims at promoting sustainable agricultural practices, increasing penetration of farm mechanisation, safeguarding crops from pests and improving market linkages
- India, the world's third-largest fish-producing nation, contributes nearly 8% to global seafood production. Despite its significant output, the industry faces challenges in cold chain logistics, storage facilities, post-harvest infrastructure and quality check measures. Increased funding towards shrimp production is expected to result in higher yields to a targeted 5 tonne per hectare from the current 3 tonne per hectare. Investment in quality check measures, storage and processing, which stood at Rs 60,500 crore in fiscal 2024 is expected to increase exports to over Rs 1 lakh crore over the next two years

Overall, the budget seems to have touched upon the real issues plaguing Indian agriculture — volatility, value (realisation), vital infrastructure and vulnerability (by way of climate change). Concrete measures to address these issues will help achieve the desired development in India's agricultural ecosystem.

Consumption and Automobiles

Positive

Key announcements

Direct taxes

- Standard deduction for salaried employees raised to Rs 75,000 from Rs 50,000
- Deduction on family pension for pensioners enhanced to Rs 25,000 from Rs 15,000
- Tax rate slabs under the new tax regime revised

Automobiles

- Critical minerals such as lithium, copper, cobalt, nickel and their derivatives exempt from customs duty
- Introduction of Scheme to Promote Manufacturing of Electric Passenger Cars with an annual budget allocation of Rs 13 crore

Impact

Consumption

Private final consumption expenditure (PFCE) as a share of nominal GDP declined marginally to 60% in fiscal 2024 from 61% in fiscal 2020, indicating a slowdown in household spending. An increase in disposable income of taxpayers under the revised new tax regime and higher standard deduction (resulting in increase in net cash in hand of a maximum of Rs 17,500 per annum) can give a moderate boost to consumption in sectors such as FMCG, consumer durables and two-wheelers.

Income tax slabs – old regime

Tax brackets (Rs)	Old regime
0-250,000	0%
250,001-500,000	5%
500,001-750,000	20%
750,001-1,000,000	20%
1,000,001-1,250,000	30%
1,250,001-1,500,000	30%
Above 1,500,000	30%

Source: Budget documents, CRISIL

Income tax slabs – new regime (old slabs vs revised slabs)

Tax brackets (Rs)	Old version of new tax regime
0-300,000	0%
300,001-600,000	5%
600,001-900,000	10%
900,001-1,200,000	15%
1,200,001-1,500,000	20%
Above 1,500,000	30%

Tax brackets (Rs)	Revised version of new tax regime
0-300,000	0%
300,001-700,000	5%
700,001-1,000,000	10%
1,000,001-1,200,000	15%
1,200,001-1,500,000	20%
Above 1,500,000	30%

Source: Budget documents, CRISIL

Tax savings under new slabs

Old version of new tax regime		
Tax slab	**Tax rate**	**Tax amount (Rs)**
Rs 3 - 6 lakh	**5%**	15,000
Rs 6 - 9 lakh	**10%**	30,000
Rs 9 - 12 lakh	**15%**	45,000
Rs 12 - 15 lakh	**20%**	60,000
Total tax up to Rs 15 lakh		150,000

Revised version of new tax regime		
Tax slab	**Tax rate**	**Tax amount (Rs)**
Rs 3 - 7 lakh	**5%**	20,000
Rs 7 - 10 lakh	**10%**	30,000
Rs 10 - 12 lakh	**15%**	30,000
Rs 12 - 15 lakh	**20%**	60,000
Total tax up to Rs 15 lakh		140,000

Source: Budget documents, CRISIL

Because of the change in slabs, the maximum tax benefit will be Rs 10,000 per annum. Additionally, taxpayers will benefit by up to Rs 7,500 on account of the increase in standard deduction by Rs 25,000.

A comparison of tax implications under the old regime, old version of the new tax regime and revised version of the new tax regime for gross income Rs 1,000,000

Particulars	Old tax regime (Rs)	Old version of new tax regime (Rs)	Revised version of new tax regime (Rs)
Gross income	**1,000,000**	**1,000,000**	**1,000,000**
Less: standard deduction under Section 16	50,000	50,000	75,000
Total income	950,000	950,000	925,000
Less: deduction under Section 80C	150,000		
Less: NPS under Section 80CCD(1B)	50,000		
Less: medical insurance policies under Section 80D	25,000		
Less: interest on housing loan under Section 24b	200,000		
Taxable income	**525,000**	**950,000**	**925,000**
Income tax	17,500	52,500	42,500
Add education cess	700	2,100	1,700
Tax payout	**18,200**	**54,600**	**44,200**

Note: We have factored all the deductions in the old regime apart from house rent and leave travel allowance

Source: Budget documents, CRISIL

A comparison between tax implications under the old regime, old version of the new tax regime and revised version of the new tax regime for a gross income of Rs 1,550,000

Particulars	Old tax regime (Rs)	Old version of new tax regime (Rs)	Revised version of new tax regime (Rs)
Gross income	**1,550,000**	**1,550,000**	**1,550,000**
Less: standard deduction under Section 16	50,000	50,000	75,000
Total income	1,500,000	1,500,000	1,475,000
Less: deduction under Section 80C	150,000		
Less: NPS under Section 80CCD(1B)	50,000		
Less: medical insurance policies under Section 80D	25,000		
Less: interest on housing loan under Section 24b	200,000		
Taxable income	**1,075,000**	**1,500,000**	**1,475,000**
Income tax	135,000	150,000	135,000
Add education cess	5,400	6,000	5,400
Tax payout	**140,400**	**156,000**	**140,400**

Note: We have factored all the deductions in the old regime apart from house rent and leave travel allowance

Source: Budget documents, CRISIL

A comparison between tax implications under the old regime, old version of the new tax regime and revised version of the new tax regime for a gross income of Rs 2,000,000

Particulars	Old tax regime (Rs)	Old version of new tax regime (Rs)	Revised version of new tax regime (Rs)
Gross income	**2,000,000**	**2,000,000**	**2,000,000**
Less: standard deduction under Section 16	50,000	50,000	75,000
Total income	1,950,000	1,950,000	1,925,000
Less: deduction under Section 80C	150,000		
Less: NPS under Section 80CCD(1B)	50,000		
Less: medical insurance policies under Section 80D	25,000		
Less: interest on housing loan under Section 24b	200,000		
Taxable income	**1,525,000**	**1,950,000**	**1,925,000**
Income tax	270,000	285,000	267,500
Add education cess	10,800	11,400	10,700
Tax payout	**280,800**	**296,400**	**278,200**

Note: We have factored all the deductions in the old regime apart from house rent and leave travel allowance

Source: Budget documents, CRISIL

For taxpayers with a salary of Rs 1,550,000, both the old regime and the revised version of the new regime **are favou**rable as the tax payable is the same — Rs 140,400. However, under the old version of the new regime, the tax payable amount is higher at Rs 156,000. Thus, under the revised version of the new regime a taxpayer will be able to save Rs 15,600.

For individuals availing the benefit from the interest on housing loan under Section 24b, the old tax regime remains advantageous until their gross income reaches Rs 1,550,000. However, once their gross income exceeds Rs 1,550,000, the revised version of new tax regime becomes more favourable.

With the proposed increase in the family pension deduction to Rs 25,000 from Rs 15,000 under the revised version of new tax regime, an individual with an income of Rs 1,670,000 (including Rs 120,000 from pension) will see a Rs 21,320 reduction in their tax outgo. This includes a Rs 15,600 benefit owing to changes in tax slabs and an increase in standard deduction in the revised version of the new tax regime.

Automobiles

- Critical minerals such as lithium, copper, cobalt, nickel and their derivatives have now been exempted from customs duty (earlier these ranged from 2.5% to 10.0%). These minerals are critical constituents of electric vehicle (EV) batteries which account for 40-45% of the total cost of an EV. Roughly half of a battery's weight is of nickel and 19% and 18% are of cobalt and lithium, respectively. Copper, although less than 1% of the battery's total weight, accounts for 6% of an EV’s overall weight owing to its use in other parts. These are not likely to reduce battery costs immediately, given that India imports the cells and assembles them into batteries locally. However, EV demand will get a fillip once domestic manufacturing of batteries begins, using imported raw materials

- The Scheme to Promote the Manufacturing of Electric Passenger Cars in India aims to attract global EV manufacturers by offering a cut in import duty on EVs with cost, insurance and freight value above $35,000 to 15% for five years from the current 60-100%, subject to the condition of investment of Rs 4,150 crore and minimum domestic value addition of 25% within three years and 50% within five years. This scheme is expected to boost India's EV manufacturing capabilities, create jobs and support the Make in India initiative. This scheme will help global OEMs to make an entry with premium models
- With the exhaustion of the FAME scheme that was aimed at encouraging EV sales, the Electric Mobility Promotion Scheme was introduced in March 2024 to support sales of two- and three-wheelers for three months with an overall outlay of Rs 500 crore. The scheme provides an incentive of Rs 10,000 for two-wheelers, Rs 25,000 for e-rickshaws and e-carts, or Rs 50,000 for e-autos, with each category capped at 15% of the ex-factory cost. It targets to support 372,215 EVs (333,387 e-two-wheelers and 38,828 e-three-wheelers). However, the scheme will be discontinued on 31 July 2024 and no other scheme incentivising EVs has been introduced
- With no incentives from August 2024, the total cost of acquisition of e-two-wheelers is expected to increase 9-11%. Thus, e-two-wheelers, which are currently 4-6% cheaper than their internal combustion engine (ICE) variants, will become expensive by 2-4% once the incentives are revoked. However, given the decline in lithium prices in the first quarter, the gap is expected to be bridged in the coming quarter. Hence, the withdrawal of the scheme may hamper the EV sales only temporarily until the vehicle prices come on a par with their ICE variants

Manufacturing

Neutral

Key announcements

- Allocations under PLI schemes are in line with the interim budget. The cumulative budgeted incentive payout for fiscal 2025 is pegged at Rs 13,933 crore
- Reduction in custom duties for critical minerals and metals
- Proposal to develop investment-ready 'plug and play' industrial parks with comprehensive infrastructure in or near 100 Tier 1 and 2 cities. Twelve industrial parks to be approved under the National Industrial Corridor Development Programme
- Additional announcements related to energy transition-related segments and promotion of incremental employment

Allocation to the PLI schemes

Sector	FY23A (Rs crore)	FY24RE (Rs crore)	FY25BE (Rs crore)	% growth (FY25BE / FY24RE)
Mobile phones & electronic components	-	4,489	6,125	36%
Medical devices	12	48	85	76%
Pharma — API and KSMs	6	16	58	260%
Pharmaceutical drugs and formulations	655	1,632	2,000	23%
Automobiles and auto components	6	484	3,500	623%
Drones and components	30	33	57	73%
Food processing industry	490	1,150	1,444	26%
Textile products: MMF segments and technical textiles	7	5	45	800%
White goods (ACs and LEDs)	4	65	298	359%
IT hardware products	-	70	75	7%
Specialty steel	-	2	246	10316%
Total	**1,209**	**7,995**	**13,933**	**74%**

Source: Budget documents, CRISIL

- Allocation of incentives under PLI schemes is up 74% in fiscal 2025BE, reflecting robust policy support and widespread industry uptake. These schemes are part of the government's strategy to enhance manufacturing value chains to reduce the country's import dependence and improve the competitiveness of the domestic industries, which, in turn, will support exports. The schemes aim to transform the domestic manufacturing landscape by offering incentives worth Rs 1.97 lakh crore, targeting a capital expenditure of Rs 3.00-3.25 lakh crore over the medium term. Of this, Rs 1.28 lakh crore has been invested until May 2024 led by pharma, PV solar modules and auto components. As the policies mature, it is becoming increasingly evident the government's efforts to invigorate the manufacturing sector are achieving success. For the current fiscal, budget allocation towards PLI schemes for various sectors stands at Rs 13,933 crore, with automobiles and specialty steel seeing a major uptick. A major capex boost is expected in fiscals 2025 and 2026. The subsequent incentive payouts would start to roll in in fiscals 2027 and 2028

- Rationalising import costs for critical minerals and raw materials through duty adjustments will reduce costs and incentivise domestic value addition in emerging sectors, such as electric vehicle batteries, storage systems, PV module manufacturing and electronics, where critical minerals form a crucial part of the value chain
- The plug-and-play initiative will be implemented in collaboration with the state governments and private sector, leveraging town planning schemes for optimal results. It is expected to enhance regional economic development and create numerous job opportunities. However, it requires a robust action plan and a roadmap for successful implementation
- The focus on energy transition is in keeping with the country's move towards non-fossil fuels, with climate finance taxonomy aiding climate commitments and the 500 GW non-fossil capacity targeted by 2030. The budget has extended nil duty for ferrous scrap to improve import scrap availability and support carbon emission reduction in the steel sector
- The proposed employee-linked incentive scheme will encourage companies to create jobs, while EPFO reimbursements will support corporates

Detailed coverage on various manufacturing sectors is in the respective sections of this document.

Electronics

Neutral

Key budget announcements

- Customs duty for printed circuit boards of mobile phones reduced to 15% from 20%
- No customs duty on specified goods used in the manufacture of connectors versus 5-7.5% earlier
- No customs duty on oxygen-free copper used in the manufacture of resistors versus 5% earlier
- Customs duty on mobile phones reduced to 15% from 20%

Impact

- Since the electronics manufacturing ecosystem is import-dependent, reduction in custom duty on printed circuit boards of mobile phones along with nil levy on components used in resistors and connectors will boost domestic manufacturing, as these components are essential for production of various electronic devices such as mobile phones and IT hardware. Therefore, these revisions are expected to aid domestic manufacturers of electronic products
- About 96% of all phones sold in India are manufactured locally, while the remaining 4% are largely premium devices that are imported. The reduction in customs duty on mobile phones to 15% from 20% is expected to aid makers of premium mobile phones, considering they may not entirely pass on the cost benefits to customers

MSME

Positive

Key budget announcements

- The limit for Tarun category under Mudra loans has been enhanced to Rs 20 lakh from Rs 10 lakh for entrepreneurs who have successfully repaid their loans
- A credit guarantee scheme, covering up to Rs 100 crore per applicant but requiring an upfront guarantee fee, will be introduced to facilitate term loans for micro, small and medium enterprises (MSMEs) to purchase machinery and equipment without requiring collateral or a third-party guarantee
- For MSME loans falling into the 'special-mention account' bucket for reasons beyond a borrower's control, a new mechanism for facilitating credit flow to MSMEs will be introduced by a government-promoted fund
- Small Industries Development Bank of India (SIDBI) will open 24 new branches this fiscal to serve MSME clusters and provide direct credit to them
- Public sector banks will build an in-house technology-based underwriting model to evaluate MSMEs
- Tax deducted at source (TDS) for e-commerce operators has been reduced from 1.0% to 0.1%
- E-commerce export hubs will be established through public-private partnerships
- The turnover threshold of buyers for mandatory onboarding on the TReDS platform has been reduced to Rs 250 crore from Rs 500 crore

Impact

- The budget has addressed the credit requirement of the MSME sector, which faces a significant funding gap of Rs 20-25 lakh crore. Increasing the limit of Mudra loans for entrepreneurs who have repaid loans under the Tarun category is a notable development. The Tarun category accounts for a fourth of all Mudra loans. Currently, Mudra loans represent 10-15% of the total MSME credit in India
- MSMEs typically lack sufficient collateral, and their financial records often do not meet banking standards. A new credit guarantee scheme, covering Rs 100 crore per applicant, will support MSMEs in obtaining term loans for machinery and equipment without collateral, though requiring an upfront guarantee fee. This will help enhance the penetration of formal credit (which is less than 20%, according to the World Bank) for MSMEs. While details of the guarantee fee and other operational features of the credit guarantee scheme are still awaited, it is expected to complement Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) once operationalised. CGTMSE is a major credit guarantee scheme of the government for MSMEs. It enables collateral-free credit for MSMEs through banks, non-banking financial companies (NBFCs) and financial institutions in India, offering credit limits up to Rs 5 crore and providing guarantees for 75-85% of the loan amount. As of fiscal 2023, CGTMSE had cumulatively approved guarantees for Rs 4.25 lakh crore across 1 crore accounts
- A government-promoted fund guarantee for MSMEs in the 'special-mention account' stage will support them during stress periods. But its modalities are awaited

- The announcement that SIDBI will open new branches to serve MSME clusters and provide direct credit will enhance capital flow to MSMEs. Currently, SIDBI's direct MSME lending accounts for less than 10% of its total lending
- Development of an in-house, technology-based underwriting model by public sector banks will help attract new-to-credit borrowers into the formal system. However, its implementation is a monitorable
- Reduction in TDS for e-commerce operators from 1.0% to 0.1% will free up more working capital for MSME sellers on the platform
- Establishment of e-commerce hubs will enhance the export potential of MSMEs and traditional artisans
- A reduction in the turnover threshold for onboarding on the TReDS platform to Rs 250 crore will bring 22 more central public sector enterprises and 7,000 more companies onto the platform. However, additional measures would be required to incentivise buyers, which will then increase traction on the platform

Metals and critical minerals

Positive

Key announcements

- Reduction of basic customs duty (BCD) on ferro-nickel from 2.5% to nil
- Nil BCD on ferrous scrap and specified raw materials for manufacture of electrical steel to continue till March 2026
- BCD on blister copper reduced from 5% to nil, while that on copper scrap remains at 2.5%.
- BCD on ores of critical minerals such as antimony, beryllium, bismuth, cobalt, copper, gallium, germanium, hafnium, indium, lithium, molybdenum, niobium, nickel, potash, rare earth elements (REE), rhenium, strontium, tantalum, tellurium, tin, tungsten, vanadium, zirconium, selenium, cadmium, silicon other than quartz and silicon dioxide reduced to nil from 2.5-10.0%

Impact

Ferrous sector

In line with the demand of stainless steel players to procure key raw materials at competitive prices, BCD on the import of ferro-nickel has been revised from 2.5% to nil in the current budget. Similarly, nil duty for ferrous scrap has been rolled over till March 31, 2026 with imports of ferrous waste and scrap rising 7.6% on-year to 11.16 million tonne in fiscal 2024.

Nil duty would lower the cost of production and provide relief to domestic steel producers, especially stainless steel manufacturers, impacted by declining prices due to competitive imports. In case of ferro-nickel, 65-75% of the imports are from Indonesia, which is part of ASEAN–India Free Trade Area (AIFTA), thus the decline in the cost of stainless steel production at blended levels will be limited to ~Rs 200 per tonne.

India remains deficient in terms of steel scrap availability, as 30-35% of total steel scrap consumed is imported. Emissions per tonne have remained high for Indian mills compared with their global counterparts due to lower scrap availability and, hence, lower scrap usage in steel production. The average emission in India for blast furnace-basic oxygen furnace (BF-BoF) based steel production is in the range of 2.2-2.5 tonne of CO_2 per tonne of crude steel compared with the global average of 1.7-1.8 tonne of CO_2. Extension of nil duty till March 2026 will continue to improve scrap availability via imports and complement the government's efforts to reduce carbon emissions of the steel sector.

Copper

India imported 310 kilo tonne (KT) of copper scrap in fiscal 2024 that met ~23% of domestic copper demand. Continuation of the existing 2.5% BCD will enable India to develop a strong secondary copper supply chain amid expectations of continued global shortage of mined copper and moves to improve domestic production.

Domestic copper producers imported 205 KT of blister copper, an intermediate produced from copper concentrate, in fiscal 2024. The change in BCD from existing 5% to nil will help primary copper manufacturers reduce the cost of production amid a copper concentrate supply crunch. The reduction in BCD on copper concentrate, a critical mineral, from existing 2.5% to nil will also reduce the cost of production. As 40-45% of domestic copper production depends on imported copper concentrate, the reduction of BCD will improve the profitability of primary copper manufacturers.

Critical minerals

India relies on imports for supply of critical minerals. The complete exemption of BCD for 25 critical minerals from upto 10% imposed earlier, along with the development of critical mineral recycling, is a crucial step towards achieving self-reliance in the fields of nuclear and renewable energy, defence, telecommunications and high-tech electronics.

Nil duty on battery metals such as nickel, lithium, cadmium and cobalt will lower raw material costs for battery cell manufacturers under advanced chemistry cell (ACC) - Production Linked Incentive (PLI), thereby boosting domestic cell manufacturing. The focus on semiconductor minerals such as silicon, gallium, germanium will support chip fabs and semiconductor component manufacturing in India. Further, duty reduction will augment the government's efforts to expand space and defence manufacturing.

Additionally, the government has committed to secure overseas sites for mining critical minerals to secure mineral supplies. Domestically, it has already auctioned three tranches of critical mineral blocks, resulting in 14 successful auctions. Furthermore, the government plans to launch the fourth tranche consisting of 21 blocks of critical minerals spread across six states. In addition, it will also launch the auction of the first tranche of offshore blocks for mining, building on exploration efforts already carried out. The government has been actively looking for opportunities to engage with private sector players to carry out joint ventures at these offshore mining sites, develop a critical mineral ecosystem in India and reduce reliance on imports.

Infrastructure

Neutral

Allocation to 10 core infrastructure ministries

(Rs crore)	FY23A				FY24RE				FY25BE			
	GBS	IEBR	GIA	Total	GBS	IEBR	GIA	Total	GBS	IEBR	GIA	Total
Ministry of Railways	159,256	44,727	-	**203,983**	240,000	20,000	-	**260,000**	252,000	13,000	-	**265,000**
Ministry of Road Transport and Highways	205,986	-	7,495	**213,481**	264,526	-	8,806	**273,332**	272,241	-	8,735	**280,976**
Ministry of Rural Development	-	-	150,296	**150,296**	4	-	129,142	**129,146**	4	-	154,829	**154,833**
Ministry of Urban Development	26,878	16,512	31,829	**75,219**	26,533	16,789	33,780	**77,102**	28,626	16,020	39,255	**83,901**
Ministry of Power	23	57,384	4,894	**62,301**	124	59,120	13,108	**72,352**	1,086	67,286	15,291	**83,663**
Ministry of New and Renewable Energy	13	18,249	4,113	**22,375**	15	21,355	6,924	**28,294**	17	30,715	9,273	**40,005**
Ministry of Water Resources	168	8	4,923	**5,099**	325	2	7,450	**7,776**	400	2	13,183	**13,585**
Ministry of Shipping	678	3,418	410	**4,507**	1,166	4,319	437	**5,922**	1,078	5,218	681	**6,977**
Ministry of Civil Aviation	86	4,442	1,389	**5,917**	772	3,428	711	**4,910**	99	3,448	359	**3,906**
Department of Atomic Energy	13,832	10,063	770	**24,665**	15,004	9,161	1,010	**25,175**	13,861	10,779	806	**25,446**
Infra capex	406,921	154,802	206,119	767,843	548,469	134,173	201,368	884,010	569,413	146,467	242,411	958,292

GBR – gross budgetary support; IEBR – internal and extra budgetary resources

Source: Budget documents, CRISIL

While the overall gross budgetary capex support increased 17% over FY24RE to Rs 11.11 lakh crore, the budgetary support for 10 core infrastructure ministries increased only 4% to Rs 5.6 lakh crore. A large share of the deviation is on account of higher allocation to the Ministry of Finance, under which the Department of Economic Affairs has been allocated Rs 66,197 crore for disbursement towards central schemes, the details of which are yet to be announced.

Key announcements

- A total sum (gross budgetary support + internal and extra budgetary resources) of Rs 7.16 lakh crore has been provided to 10 core infrastructure ministries towards capital spending, which is consistent with the figure in the interim budget
- The Pradhan Mantri Gram Sadak Yojana (PMGSY)-IV initiative aims to ensure all-weather connectivity for 25,000 rural habitations. Other significant road connectivity projects include the Patna-Purnea and the Buxar-Bhagalpur expressways, extensions to Bodhgaya, Rajgir, Vaishali and Darbhanga, and an additional

two-lane bridge over the river Ganga at Buxar. A total cost of Rs 26,000 crore has been earmarked for these projects

- Irrigation and flood relief assistance will be provided to Bihar, Assam, Uttarakhand, Himachal Pradesh and Sikkim. This includes an allocation of Rs 11,500 crore for the Kosi-Mechi project in Bihar and 20 other ongoing irrigation projects
- Transit-oriented development strategies will be devised for 14 major cities with populations exceeding 30 lakh, incorporating implementation as well as financing frameworks. Additionally, 35 cities will be developed as growth hubs through comprehensive economic and transit planning, along with the development of peri-urban areas
- Reforms in the domestic shipping sector with regard to ownership, leasing and flagging are expected to support the players

Note: Core infrastructure ministries constitute road, railways, rural development, urban development, power, new and renewable energy, civil aviation, shipping, water resources, and atomic energy

Impact

- The total capital expenditure (gross budgetary support + internal and extra budgetary resources) for 10 core infrastructure ministries has been increased by 4.9% over fiscal 2024RE. The moderate increase in capital allocation to core infrastructure ministries suggests the need for crowding in of private sector investment
- Urban development is anticipated to see increased investments, particularly in public transport, water supply and sanitation, and waste management projects
- While the construction of national highways has progressed at a robust pace, rural road development has been lagging. However, with the announcement of PMGSY-IV, an uptick in rural road execution is expected

Reform in the shipping sector is anticipated to support the sector; but further clarification and an action plan will be required to gauge the impact

Power and renewable energy

Positive

Key budget announcement

- The key budgetary allocations of Rs 0.52 lakh crore and Rs 0.87 lakh crore were made to the Ministry of New and Renewable Energy (MNRE) and Ministry of Power (MoP), respectively. The allocation in key schemes under MNRE increased 25% from that announced in the interim budget owing to 16% higher allocation to the Indian Renewable Energy Development Agency (IREDA) and Pradhan Mantri Surya Ghar Muft Bijli Yojana of Rs 6,250 crore for fiscal 2025 BE
- Following the announcement of viability gap funding (VGF) support for Battery Energy Storage Systems (BESS) in February's interim budget, the government further announced removal of basic customs duty (BCD) on critical minerals, such as lithium and cobalt from the existing rate of 5%
- Continued exemption for capital goods used in manufacturing photovoltaic (PV) cells and panels also announced, and the exemption of BCD for solar glass removed

- Budgetary allocation for power projects, including setting up of a new 2,400 MW power plant at Pirpainti, among others, totalling Rs 21,400 crore, announced. The government will also provide financial aid to set up an 800 MW commercial coal power plant based on Advanced Ultra Super Critical (AUSC) technology through the joint venture between National Thermal Power Corporation and Bharat Heavy Electricals Ltd
- A provision of Rs 1.5 lakh crore for long-term interest-free loans to support states in their resource allocation was announced

Capital outlay for MNRE and MoP

Parameter (Rs crore)	FY23A				FY24RE				FY25BE				
	GBS	GIA	IEBR	Total	GBS	GIA	IEBR	Total	GBS	GIA	IEBR	Total	FY25 BE vs FY24 RE
MNRE	-	5,254	18,249	23,503	-	7,587	21,356	28,943	-	20,876	30,715	51,591	78%
IREDA	-	-	18,065	18,065	-	-	20,497	20,497	-	-	30,130	30,130	47%
Solar power (grid)	-	2,736	-	2,736	-	4,757	-	4,757	-	10,000	-	10,000	110%
Solar power (off-grid)	-	57	-	57	-	60	-	60	-	24	-	24	-60%
Solar Energy Corporation of India	-	-	183	183	-	-	859	859	-	-	585	585	-32%
Kisan Urja Suraksha evam Utthaan Mahabhiyan Yojana	-	801	-	801	-	1,100	-	1,100	-	1,996	-	1,996	81%
Green energy corridor	-	250	-	250	-	434	-	434	-	600	-	600	38%
Green hydrogen	-	-	-	-	-	100	-	100	-	600	-	600	500%
Bio power (grid)	-	-	-	-	-	5	-	5	-	80	-	80	1500%
Bio power (off-grid)	-	-	-	-	-	20	-	20	-	125	-	125	525%
Hydro (grid)	-	18	-	18	-	20	-	20	-	50	-	50	150%
Hydro (off grid)	-	-	-	-	-	-	-	-	-	1	-	1	NA
PM Surya Ghar Muft Bijli Yojana	-	-	-	-	-	-	-	-	-	6,250	-	6,250	NA
Others	-	1,391	-	1,391	-	1,091	-	1,091	-	1,149	-	1,149	5%
MoP	23.11	8,512	57,384	65,920	119.01	16,597	59,120	75,836	1,078.93	18,748	66,717	86,544	14%
Investment in public enterprises	-	-	57,384	57,384	-	-	59,120	59,120	-	-	66,717	66,717	13%
Revamped distribution sector scheme (RDSS)	-	2,738	-	2,738	-	10,400	-	10,400	-	12,585	-	12,585	21%
Manufacturing zones	-	-	-	-	-	40	-	40	-	80	-	80	100%
Support for flood moderation - hydro projects	10	-	-	10	109	-	-	109	449	-	-	449	312%

Parameter (Rs crore)	FY23A				FY24RE				FY25BE				
	GBS	GIA	IEBR	Total	GBS	GIA	IEBR	Total	GBS	GIA	IEBR	Total	FY25 BE vs FY24 RE
Central assistance for Pakul Dul Hydro Electric Project under J and K Prime Minister's Development Package 2015 as grant to Chenab Valley Power Projects Pvt Ltd	-	425	-	425	-	604	-	604	569	-	-	569	-6%
VGF for development of BESS	-	-	-	-	-	-	-	-	-	96	-	96	NA
Others	13.11	5,349	-	5362	10.01	5,553	-	5,563	61	5,986	-	6,047	9%

BE: Budget estimates; RE: revised estimates; NA: Not applicable

Notes:

1) Gross budgetary support (GBS) for both the ministries is minimal as maximum allocation in revenue expenditure mode via subsidies, allocation mainly contributes to office infrastructure.

2) Grant-in-aid (GIA) component refers to schemes classified under revenue expenditure, owing to the nature of the subsidies; however, they are expected to result in capital asset creation. The classification of schemes under GIA is as per CRISIL estimates.

3) GIA, GBS, internal and external budgetary resources

4) The totals above would exclude any operating expenditure line items as identified based on internal classification for the respective ministries.

Source: Budget documents, CRISIL

Impact

The impetus on furthering green energy transition in India continues to take a leap in the fiscal 2025 budget. In addition to increase in allocation for key schemes promoting non-fossil capacities, the budget also focuses on green funding through taxonomy for climate finance. This will support the achievement of the country's climate commitments and green transition. Additionally, the boost to residential rooftops, storage and development of a manufacturing ecosystem by relaxing duties continues to be a positive.

- The key budget allocation to MNRE increased 25% from February's interim budget, owing to 16% higher allocation made to IREDA and PM Surya Ghar Muft Bijli Yojana. The allocations for the rooftop scheme are estimated to support residential rooftop additions in the range of 1.9-2.1 GW, considering a 2 KW average size for solar rooftop plants and MNRE capital expenditure benchmarks[4]
- Battery cells form 80-85% of the cost of storage batteries. With lithium and cobalt together forming 25-35% of cell costs, reduction in BCD from 5% to nil should reduce production cost by 1-1.5%. Though the announcement will only result in a marginal drop in capital cost in the near term, it will prove useful as India marches towards an addition of 27-29 GW of battery capacity by fiscal 2030 to strengthen energy storage installations. The allocation of Rs 96 crore as VGF for BESS will help add 1 GW to this total as planned by the government. A 77% fall in lithium prices on-year in the first half of 2024 has also helped pare capital costs this calendar year
- The continued exemption for capital goods required to manufacture solar cells and modules will help pare capital costs for the setting up of 48 GW cells and module capacity as allocated under PLI. The capacity

[4] This has been calculated on an allocation amount of Rs 5,475 crore out of the total outlay of Rs 6,250 crore considering scheme component ratio of 88% to rooftop subsidy disbursement with remaining being power utility incentives.

expansion is expected to drive investments to the tune of Rs 25,000-35,000 crore. The expansion of domestic PV manufacturing has the potential to reduce solar module import dependency from 50% as seen in fiscal 2024 to 7-10% by fiscal 2027. While BCD has been increased on solar glass, sufficient domestic manufacturing capacity will not result in an adverse impact

- The focus on coal additions, despite being at odds with India's clean commitments, is necessary to manage power system requirements where coal is expected to form 50% of electricity generation by fiscal 2030. Bihar accounted for ~3% of the country's power demand in June 2024, where supply comprised 90% from coal sources. Juxtaposed with this, Bihar's peak deficit and energy deficit were 7.8% and 1.4%, respectively in fiscal 2024. Thus, additions of 2,400 MW (800 MW x3) of coal capacity in Pirpainti will help supplement power generation in the state to avoid deficit situations. The government's fiscal aid for propelling the AUSC technology pilot project, expected in Sipat, Chhattisgarh, with a capacity of 800 MW, will be a critical first step to launching a more efficient coal fleet, where the technology promises an efficiency of 46%, compared with 38-42% with the existing technologies
- Out of Rs 1.5 lakh crore provisioned for states to meet their resource allocation, a part of it can also be utilised by them to fund their RDSS share. States are expected to fund 67% of Rs 3 lakh crore of the total outlay under the scheme, currently being financed through debt offered by Power Finance Corporation/ Rural Electrification Corporation

Housing and real estate

Neutral

Key announcements

- Increase in the Pradhan Mantri Awas Yojana (PMAY)–Urban target by 1 crore houses, or ~81%, from the previous target of ~1.2 crore houses with planned allocation of Rs 2.2 lakh crore over the next five fiscals
- Increase in the PMAY–Rural target by 2 crore houses, or ~68%, from the previous target of ~3 crore houses
- Revision in long-term capital gains tax to 12.5% from 20.0% and removal of indexation benefit on sale of real estate properties, in addition to other taxation-related announcements
- Urban and rural land-related reforms and actions to be initiated in collaboration with states

Impact

- PMAY was introduced in 2015 with the aim of providing affordable housing to all by end-2022. The timeline was revised to fiscal 2024 and 2025 for PMAY–Rural and PMAY–Urban, respectively, owing to delays in completion. As of July 2024, while ~85% of the target of PMAY was achieved, many from the low-income group are still without *pucca* houses. The increase in the target by 3 crore houses (rural as well as urban) bodes well for those who could not avail the benefits of the scheme till date. It will also facilitate accommodation of growing number of families, particularly in rural areas
- Also, the planned allocation of Rs 2.2 lakh crore for PMAY–Urban over the next five fiscals is likely to revive interest in affordable housing, which has lately seen a decline in construction activity, with developers increasingly shifting focus towards the premium and luxury segments in metros, Tier I and II cities, etc

- The re-introduction of Credit-Linked Subsidy Scheme after a gap of two years is expected to support housing loan growth as well. The scheme provides subsidised home loans to buyers of affordable homes under PMAY
- The government's initiative in implementing land reforms, particularly digitisation of land records and maps in urban areas, is likely to improve transparency and reduce documentation challenges, thereby streamlining land deals and transactions for developers
- The government's continued focus on housing is expected to provide impetus to the real estate sector, stakeholders such as developers and EPC contractors, and allied industries such as steel and cement
- On the taxation front, although long-term capital gains tax on real estate property has been reduced to 12.5% from 20.0%, the removal of indexation benefit may have a larger negative impact on those planning to sell their old properties. The extent of impact would depend on various factors including tenure of asset holding and capital appreciation during the period. On the other hand, changes in the personal tax regime, such as increase in the standard deduction to Rs 75,000 from Rs 50,000, and changes in tax slabs, will put more disposable income in the hands of the salaried class, which is likely to boost the affordability of homebuyers. The government's initiative to encourage states to moderate stamp duty rates can have a positive impact as well
- Meanwhile, the three-fold increase in Housing and Urban Development Corporation allocation indicates that the PMAY–Urban capex may require internal and extra budgetary resources support in addition to gross budgetary support

Sr no.	Parameters	FY23A (Rs crore)	FY24RE (Rs crore)	FY25BE (Rs crore)	Growth in FY25BE over FY24RE
1	Pradhan Mantri Awas Yojana–Urban	28,653	22,103	30,171	36%
2	Pradhan Mantri Awas Yojana–Gramin	44,962	32,000	54,500	70%

Source: Budget documents, CRISIL

BFSI

Neutral

Key announcements

- A credit guarantee scheme, covering up to Rs 100 crore per applicant but requiring an upfront guarantee fee, will be introduced to facilitate term loans for MSMEs to purchase machinery and equipment without requiring collateral or a third-party guarantee
- For MSME loans in the 'special-mention account' bucket for reasons beyond a borrower's control, a new mechanism for facilitating credit flow to MSMEs will be introduced by a government-promoted fund
- The turnover threshold of buyers for mandatory onboarding on the TReDS platform reduced to Rs 250 crore from Rs 500 crore
- Mudra loans in the Tarun category will be enhanced from Rs 10 lakh to Rs 20 lakh for entrepreneurs who have successfully repaid their loans

- Under the Pradhan Mantri Pradhan Mantri Awas Yojana-Urban 2.0 (PMAY-U) housing, 1 crore additional houses for urban poor and middle-class families has been announced. Within the PMAY-U 2.0, the Credit-Linked Subsidy Scheme (CLSS) has been revived, with an allocation of Rs 3,000 crore towards CLSS–I, covering the economically weaker section (EWS) and lower-income group (LIG) categories, and an allocation of Rs 1,000 crore under CLSS–II for the middle-income group (MIG) category
- Financial support for education loans has been announced for loans up to Rs 10 lakh for higher education in domestic institutions
- An integrated technology platform is set up to improve the outcomes under the Insolvency and Bankruptcy Code (IBC) for achieving consistency, transparency, timely processing and better oversight for all stakeholders

Impact

The initiatives announced by the government under the financial services space touches three segments: retail education, affordable housing and MSMEs. The Budget measures towards affordable housing and education segments will moderately boost the credit flow. While the announcements regarding IBC process improvement, non-cashflow-based underwriting based on digital footprint by banks, and credit guarantee towards MSMEs suggest steps in the right direction, their implementation and subsequent impact will be monitorable.

- MSMEs typically lack sufficient collateral, and their financial records often do not meet banking standards. A new credit guarantee scheme, covering Rs 100 crore per applicant, will support MSMEs in obtaining term loans for machinery and equipment without collateral, though requiring an upfront guarantee fee. This will help enhance the penetration of formal credit (which is less than 20%, according to World Bank) for MSMEs. While details of the guarantee fee and other operational features of the credit guarantee scheme are still awaited, it is expected to complement CGTMSE once operationalised. CGTMSE is a major credit guarantee scheme of the government for MSMEs. It enables collateral-free credit for MSMEs through banks, NBFCs and financial institutions in India, offering credit limits up to Rs 500 lakh and providing guarantees for 75-85% of the loan amount. As of fiscal 2023, CGTMSE had cumulatively approved guarantees for Rs 4.25 lakh crore across 1 crore accounts
- A government-promoted fund guarantee for MSMEs in the 'special-mention account' stage will support them during stress periods, but its modalities are awaited
- A reduction in the turnover threshold for onboarding on the TReDS platform to Rs 250 crore will bring 22 more central public sector enterprises and 7,000 more companies onto the platform. However, additional measures would be required to incentivise buyers, which will then increase traction on the platform
- The budget has addressed the credit requirement of the MSME sector, which faces a significant funding gap of Rs 20-25 lakh crore. Increasing the limit of Mudra loans for entrepreneurs who have repaid loans under the Tarun category is a notable development. The Tarun category accounts for a fourth of all Mudra loans. Currently, Mudra loans represent 10-15% of the total MSME credit in India
- CLSS is a central government sector component, implemented through Central Nodal Agencies (CNAs) such as National Housing Bank (NHB), Housing and Urban Development Corporation (HUDCO) and State Bank of India (SBI). The scheme was announced in June 2015 for EWS/LIG categories and in January 2017 for the MIG category. The aggregate subsidy released under the erstwhile scheme amounted to Rs 58,916

crore, of which NHB received the highest fund allocation of 84% (at Rs 49,715 crore), benefiting 16.45 lakh households in the EWS/LIG segments and 4.62 lakh households under the MIG segment. The scheme's revival with an allocation of Rs 4,000 crore across the three income segments is expected to support ~1.7 lakh households. The allocation of three crore houses under PMAY–Urban and Rural scheme will further boost affordable financing by banks and non-bank lenders

- The newly announced financial plan for domestic higher education is expected to help one lakh students annually, increasing youth population with higher education
- As of March 2024, recoveries through resolution under IBC stood at 32% and through liquidation at just 6.3%. The average time to turn around stood at 679 days and 495 days, respectively, much above the permitted maximum timeline of 330 days for the completion of corporate insolvency resolution process
- Since its passage, IBC has admitted 947 cases with an aggregate claim value of Rs 10.46 lakh crore and realisation of Rs 3.4 lakh crore. An integrated technology platform has been proposed to help reduce the timeline for resolution and also achieve consistency, transparency, timely processing and better oversight for all stakeholders. Apart from this, the finance minister has proposed more reforms of the tribunal and appellate tribunals. New tribunals are expected to be set up with a focus on case resolutions under the Companies Act, 2013, speeding up the process

Resolution (days)	No of cases	Recovery
0-330	140	49.22%
330-599	354	35.98%
600 or more	453	26.11%

Source: Industry, CRISIL

Capital markets

Neutral

Social security net expands, investors get a mixed bag

Social security measures

In a bid to enhance the pace of formalisation of the economy and increase employment in the organised segment, the budget has doled out incentives for employers and employees. The government will reimburse employers Rs 3,000 per month for two years for their contribution under the Employees' Provident Fund Organisation (EPFO) to their workforce beyond a minimum threshold addition with a salary of less than Rs 100,000. Further, the government will provide one month's wages as subsidy (maximum of Rs 15,000) to all employees with salary less than Rs 100,000 and entering the EPFO roll call for the first time.

Further, to expand the social security net for long-term retirement planning, the government has raised the contribution from employers under the National Pension System to 14% from 10% for all employees, including private sector workers subscribing to the new tax regime; previously the 14% benefit was provided to government sector workers. The newly proposed NPS-Vatsalya, a plan for contribution by parents and guardians for minors, can be converted seamlessly into a normal NPS account once the minor becomes an adult.

These measures will reduce the tax incidence while enhancing investments on retirement planning. Globally, tax incentives are the key drivers of participation in retirement savings[5]. Flow of money into the provident and pension fund industry can be sticky and is expected to provide a fillip to the capital markets over the long term.

The government's move to reduce tax deducted at source (TDS) from insurance policy payout to 2% from 5% is also a positive for pension planning as it will increase the payout for policyholders, especially of annuities from life insurance companies.

Change in capital gains

Meanwhile, rationalisation and simplification of capital gains taxation has been proposed to reduce the compliance burden, promote entrepreneurial spirit and provide tax relief to citizens.

- **Rationalisation of the holding period:** There will be only two holding periods, 12 months and 24 months, for determining whether capital gains are short-term capital gains (STCG) or long-term capital gains (LTCG). Listed financial assets held for more than a year (12 months) will be classified as long-term, while unlisted financial assets and all non-financial assets will have to be held for at least two years (24 months) to be classified as long term. The holding period for units of listed business trusts (real estate investment trusts or REITs/ infrastructure investment trusts or InvITs) will now be on a par with listed equity shares at 12 months instead of 36 months to qualify as long-term capital assets
- **Increase in LTCG tax, inclusion of instruments and enhancement in the exemption limit:** LTCG tax has been revised to 12.5% for all financial and non-financial assets. Meanwhile, the taxation of equity fund of funds (FoFs) investing more than 65% in equity, along with overseas FoFs, gold/silver exchange-traded funds (ETFs) and gold funds, has been changed to bring it in line with equity mutual funds and direct equity, having a material impact on their tax incidence. To reduce the impact of tax incidence on small taxpayers, the budget has increased the limit of exemption of capital gains on direct equity and equity mutual funds to Rs 1.25 lakh from Rs 1 lakh per year
- **Increase in STCG tax, inclusion of certain instruments:** STCG tax on certain financial assets such as direct equity, equity mutual funds and REITs/InvITs has been increased to 20% from 15%. Further, with the new reclassification of instruments, listed bonds, equity FoFs and gold/silver ETFs will also be subject to the new STCG tax rate compared with personal income tax slabs previously
- **Changes in unlisted investment space:** The government has also changed the LTCG taxation regime for unlisted assets such as physical real estate, gold, unlisted stock and foreign equities, and debt. Indexation benefits for these products have been removed, changing the tax from 20% with indexation to 12.5% tax for a holding period of 24 months. Unlisted bonds, however, will continue to be taxed as per personal income tax slabs, except for reduction in the holding period to 24 months. Meanwhile, all these instruments will continue to be taxed as per income tax slabs for STCG
- **Abolishment of angel tax:** The government has abolished angel tax for all investors
- **Hike in securities transaction tax (STT) on futures and options (F&O):** The government has almost doubled STT, from 0.0625% to 0.1% on sale of options in securities and from 0.0125% to 0.02% on sale of futures in securities

[5] OECD report – Financial incentives and retirement savings

Rationalisation of the holding period across asset classes will bring standardisation, encouraging better financial planning. However, increase in LTCG and STCG could impact investments from individual investors in the capital markets. Meanwhile, the hike in STT on F&O is expected to increase the cost of trading in the market, while reducing speculative trading among individual investors, as outlined in the Economic Survey.

Meanwhile, the removal of indexation benefit from the unlisted space could impact investments, especially by wealthy investors.

On a positive note, reclassification of FoFs, gold/silver ETFs, overseas FoFs and gold funds to include them under the equity and equity mutual fund tax regime has been a long-standing demand of the mutual fund industry and is expected to boost the segment, including enabling product innovation. The abolishment of angel tax is also a big plus, as it will provide a fillip to the start-up ecosystem in the country, while enhancing investing opportunities for categories such as alternative investment funds.

Additionally, the reduction of TDS on commissions paid to insurance agents and mutual fund distributors to 2% from 5% is expected to incentivise the segment.

Push towards new tax regime

Continuing with its drive to push the new tax regime in the country, the government has provided an additional tax slab for income tax payees who have adopted the new tax regime. The standard deduction under the new income tax regime has been increased to Rs 75,000 from Rs 50,000. Further, two lower incidence slabs have been changed (see table). These changes are expected to translate into tax savings of Rs 17,500 for the investor.

New tax slab	Old tax slab	Tax rate (%)
Rs 0-3 lakh	Rs 0-3 lakh	Nil
Rs 3-7 lakh	Rs 3-6 lakh	5
Rs 7-10 lakh	Rs 6-10 lakh	10
Rs 10-12 lakh	Rs 10-12 lakh	15
Rs 12-15 lakh	Rs 12-15 lakh	20
Above Rs 15 lakh	Above Rs 15 lakh	30

Coloured row indicates the change in tax slabs

Source: Budget documents, CRISIL

As per the government, nearly two-thirds of taxpayers of the 8.61 crore income tax returns filed in fiscal 2024 opted for the new tax regime. The increase in standard deduction and change in income tax slab is expected to provide more money in the taxpayers' hands, which could improve consumption and participation in the capital markets.

Status quo for debt market

Maintaining the path of fiscal prudence, the government reduced the fiscal deficit target for the year by 20 bps to 4.9% from 5.1% stated in the interim budget by optimum utilisation of extra revenue. Total receipts other than borrowings and total expenditure are estimated at Rs 32.07 lakh crore and Rs 48.21 lakh crore, respectively, and net tax receipts at Rs 25.83 lakh crore.

The government announced a slight reduction in its gross market borrowing at Rs 14.01 lakh crore and net borrowing at Rs 11.63 lakh crore. Further, it lowered issuances of treasury bills in the current fiscal by utilising additional cash balance, which helped reduce stress on government finances by lowering redemption. To help states develop infrastructure, the government will provide interest-free loans worth Rs 1.5 lakh crore on a long-term basis. This is expected to reduce states' borrowing from the primary market as states utilise this limit before entering the primary market, which may result in spread contraction in the next two quarters.

Changes in customs duty

Decrease in customs duty

Sector	Commodity	Rate of customs duty: From	Rate of customs duty: To	Remarks	Impact
Aquafarming and marine exports	Prawn and shrimps feed	15%	5%	Feed costs account for 70-80% of total costs for seafood producers. With almost half of the producers' fish feed requirements being met through imports, exemption of BCD is expected to lower feed costs by 3-5%, boosting competitiveness and profitability of shrimp producers	
	Fish feed	15%	5%		
	Following inputs for manufacture of prawn and shrimps feed or fish feed: (i) Mineral and vitamin premixes (ii) Krill meal (iii) Fish lipid oil (iv) Crude fish oil (v) Algal prime (flour) (vi) Algal oil	30/15/5%	Nil		
	Artemia	5%	Nil		
	Artemia cysts	5%	Nil		
	SPF polychaete worms	30%	5%		
	Live SPF vannamei shrimp (litopenaeus vannamei) broodstock and live black tiger shrimp (penaeus monodon) broodstock	10%	5%		
	Insect meal for use in R&D for aquatic feed manufacturing	15%	5.00%		
	Single cell protein from natural gas for use in R&D for aquatic feed manufacturing	15%	5%		
	Pre-dust breaded powder for use in processing of seafood	30%	Nil		
Critical minerals	Ores and salts of antimony, beryllium, bismuth, cobalt, copper, gallium, germanium, hafnium, indium, lithium, molybdenum, niobium, nickel, potash, REE, rhenium, strontium, tantalum, tellurium, tin, tungsten, vanadium, zirconium, selenium, cadmium, silicon other than quartz and silicon dioxide	10/7.5/5/2.5 %	Nil	India is largely reliant on imports of critical minerals. The complete exemption of the 25 critical minerals earmarked by the government, which were earlier subjected to up to 10% BCD, along with the development of critical mineral recycling is a crucial step in the self-reliance initiatives for energy transition framework	

Sector	Commodity	Rate of customs duty		Remarks	Impact
		From	To		
	Graphite	7.5/5	2.5%	Industries such as metals and railways, which use graphite-based material at different stages of production process, and battery assemblers, will benefit from decline in raw material cost, mainly imported from China, Madagascar, Mozambique, and the UAE	
	(i) Silicon quartz (ii) Silicon dioxide	7.5/5	2.5%	India does not have a polysilicon capacity till date. The reduction in BCD will be useful in the medium term where 30-35 GW of polysilicon capacity is expected to be added	
Cancer drugs	(i) Trastuzumab deruxtecan (ii) Osimertinib (iii) Durvalumab	10%	Nil	This move is expected to save cost and increase affordability of drugs. It is also expected to support domestic production of these medications and enhance the competitiveness of exports	
Precious metals	Gold bar	15.00%	6%	The announcement comes amid persistent increase in gold prices, and is likely to improve the accessibility of jewellery, stimulate demand and lead to value-addition to the industry	
	Gold dore	14%	5.35%		
	Silver bar	15.00%	6%		
	Silver dore	14%	5.35%		
	Coins of precious metals	15%	6.00%		
	Gold/silver findings	15%	6.00%		
	Platinum, palladium, osmium, ruthenium, iridium	15%	6.40%	These metals are used in electronics manufacturing. With the focus of the government on improving domestic electronic manufacturing, the duty reduction will help strengthen the domestic electronic manufacturing supply chain	
	Platinum and palladium used in the manufacture of noble metal solutions, noble metal compounds and catalytic convertors	7.50%	5.00%		
	Bushings made of platinum and rhodium alloy when imported in exchange of worn out or damaged bushings exports	7.50%	5%		

Sector	Commodity	Rate of customs duty		Remarks	Impact
		From	To		
Textile and leather sectors	MDI for manufacture of spandex yarn	8%	5%	In February 2021, the government introduced a 7.5% import duty to encourage domestic investment. However, over the past three years, no significant capacity expansions have been announced. The recent reduction in import duty is expected to enhance profitability for downstream yarn manufacturers	
	Wet white, crust and finished leather for manufacture of textile or leather garments, leather/synthetic footwear or other leather products for export	10%	Nil	Exemption of import duties is expected to help in lowering the overall production cost of leather goods in India. However, this would also make imports of leather products cheaper, increasing competitiveness in the leather products market	
	Certain additional accessories and embellishments for manufacture of textile or leather garments, leather/synthetic footwear or other leather products for export	As applicable	Nil		
Steel sector	Ferro-nickel	3%	Nil	Removal of BCD on ferro-nickel from 2.5% will improve the margins of domestic stainless steel producers. However, in case of ferro-nickel, 65-75% of the imports are from Indonesia, which is part of ASEAN–India Free Trade Area (AIFTA), thus impact of the duty cut will be limited to ~Rs 200 per tonne decline in cost of stainless steel production at blended levels	
	Ferrous scrap	Nil (till 30.09.2024)	Nil (till 31.03.2026)	Per tonne emission of Indian steel mills is higher than the global average owing to lower domestic availability of scrap steel. Therefore, rollover of zero BCD on scrap will continue to improve availability, thereby	

Sector	Commodity	Rate of customs duty		Remarks	Impact
		From	To		
				supporting the government's long-term objective of reducing carbon emission from the steel sector	
	Certain specified raw materials for manufacture of CRGO steel	Nil (till 30.09.2024)	Nil (till 31.03.2026)	~36% of the electrical steel demand is met through imports, of which CRGO steel is 40-45%. Rollover of duty on raw material bodes well in terms of protecting the key players operating in this niche segment	
Copper sector	Blister copper	5%	Nil	Blister copper being an important raw material for primary copper manufacturing, and India being heavily import-dependent, will help domestic copper industry improve profitability	
Capital goods	Certain additional goods for use in petroleum exploration operations	7.5-10%	Nil	The reduction in import duty on capital goods to be used for oil exploration is a welcome step in boosting domestic exploration efforts. The government has been focused on increasing the area under active exploration from the current 10% to 16% through OLAP bidding rounds. The current tax deductions will reduce the overall cost of exploration of Indian companies, supporting profitability of the segment	
	Certain additional capital goods for use in manufacture of solar cells and modules	7.50%	Nil	The continued exemption for capital goods required for manufacturing solar cells and modules, will help pare capital costs for the setting up of 48 GW cells and module capacity allocated under PLI scheme. The capacity expansion is expected to drive investments to the tune of Rs 25,000-35,000 crore. The expansion of domestic photovoltaic	

Sector	Commodity	Rate of customs duty		Remarks	Impact
		From	To		
				manufacturing has the potential to reduce solar module import dependency from 50% as seen in fiscal 2024 to 7-10% by fiscal 2027	
Shipping sector	Components and consumables for manufacture of vessels	Nil (till fiscal 2024)	Nil (till fiscal 2029)	The exemption is anticipated to augur well for the shipbuilding industry, which is highly capital-intensive, and at present, Indian commercial ship-building orders account for less than 1% of the global ship-building order book. India relies heavily on import of components and spare parts, further adding to the total cost. The exemption on customs duty provides some relief to the shipping industry and is likely to boost the development in this sector	
	Technical documentation and spare parts for construction of warships	Nil (till fiscal 2024)	Nil (till fiscal 2026)		
IT and electronics	Cellular mobile phone	20%	15%	Imported mobile phone prices are expected to fall 4-5%, making them competitive with the domestically manufactured phones. On the other hand, reduction in import duties of mobile parts (stated below) is expected to reduce manufacturing cost of domestic phones, making them competitive with imported ones	
	Charger/adapter of cellular mobile phone	20%	15%		
	Printed circuit board assembly (PCBA) of cellular mobile phone	20%	15%	Since the domestic electronic manufacturing ecosystem is import-dependent, further reduction in custom duties on PCBA, components used in resistors, and connectors will boost domestic manufacturing, as these components are essential for the production of various other electronic devices	
	Specified goods for use in manufacture of connectors	5/7.5%	Nil		
	Oxygen-free copper for use in manufacture of resistors	5%	Nil		
	All types of polyethylene for use in manufacture of orthopedic implants	As applicable	Nil	At present, 75-80% of medical devices are imported. Reducing customs duties on	

Sector	Commodity	Rate of customs duty		Remarks	Impact
		From	To		
Medical equipment	Special grade stainless steel, titanium alloys, cobalt-chrome alloys, and all types of polyethylene for use in manufacture of other artificial body parts	As applicable	Nil	imported polyethylene, X-ray tubes, flat panel detectors, special grade stainless steel, titanium alloys, and cobalt chrome alloys will boost domestic manufacturing	
	X-ray tubes and flat panel detectors (including scintillators) for use in manufacture of medical, surgical, dental or veterinary X-ray machines	15%	5% (till 31.03.2025), 7.5% (1.4.2025 to 31.3.2026), 10% (1.4.2026 onwards)		

Source: Budget documents, CRISIL

Increase in customs duty

Sector	Commodity	Rate of customs duty		Remarks	Impact
		From	To		
Chemicals	Ammonium nitrate	7.50%	10%	Calcium ammonium nitrate (CAN) fertilisers, widely used by farmers, are water-soluble and considered sustainable. CAN fertilisers account for 25-30% of water-soluble fertilisers. Increase in customs duty is expected to result in a price rise of the final product, and, if passed on to farmers, can lead to an increase in input costs for farmers	
	PVC flex films/flex banners	10%	25%	The increase in BCD is unlikely to have a significant effect on the overall PVC market, as PVC flex banner imports constitute a relatively small portion of the total PVC imports. The primary objective for the increase is to incentivise the use of more environment-friendly alternatives	

Sector	Commodity	Rate of customs duty		Remarks	Impact
		From	To		
	Laboratory chemicals under heading 9802	10%	150%	Domestic demand of high-purity chemicals (~99%) are mostly met through imports. The recent hike in BCD on laboratory chemicals will hike research and development costs around the country, impacting both educational institutions and corporates. This might lead to higher cost in innovations and development of new molecules without any suitable alternatives	
Renewable sector	Solar glass for manufacture of solar cells or modules	Nil	10 (w.e.f 1.10.24)	Solar glass accounts for 2% of the total module cost. The increase in BCD will lead to a marginal increase of 0.2% in the cost of modules	
Miscellaneous items	PCBA of specified telecom equipment	10%	15%	About one-third of the telecom equipment used in India is currently imported. However, with attractive PLI schemes, imports have reduced nearly by 50% in the past five years and are expected to further reduce with increased customs duty encouraging domestic production	
	Garden umbrella (tariff item 6601 10 00)	20%	20% or Rs 60 per piece whichever is higher	India, being a net importer of garden and similar umbrellas, benefits from the rise in customs duty as almost 99% of imports are from China at extremely competitive prices. Over fiscals 2022-2024, imports witnessed a double-digit rise. Rise in customs duty will push up the prices of imported garden umbrellas and reduce the price differential supporting Indian manufacturers	

Source: Budget documents, CRISIL

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