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Interim Budget 2024

Report

Focus on fiscal consolidation, while continuing capital expenditure push

Fiscal deficit for FY2025 at 5.1%. Deficit for FY2024 reduced at 5.8% from 5.9%

Fiscal Deficit

The Government's fiscal deficit target for FY2024-25 is set at 5.1%, which was better than market expectations of 5.3%. The Government further reinforced its target to reach fiscal deficit levels of below 4.5% by 2025-26. Further, fiscal deficit estimate for FY24 has been revised to 5.8% from 5.9%. The reduction in fiscal deficit figure was on account of strong direct tax collections and slight reduction in government expenditure.

Government expenditure for FY24 has been revised downwards from Rs. 45.03 Lac Crores to Rs. 44.9 Lac Cr on account of lower requirements for grants to local bodies, decrease in allocation for strategic crude oil reserves and capital support to oil marketing companies. However, this was partially offset by increased requirement for MGNREGS, armed forces, fertilizer and food subsidy. Overall, the focus on fiscal consolidation while striking a balance with controlled growth in capital expenditure is a key positive.

Sustained focus on infrastructure development.

Capital Expenditure

For FY25, the budgetary support for capital expenditure increased by nearly 11.1% to Rs. INR 11.11 Lakh crore which is 3.4% of the GDP, in line with market expectations. Capital expenditure outlay has tripled over the last four years which has resulted in a multiplier effect on economic growth and employment creation. The Government has also allocated Rs 1.3 lakh crore towards 50 year interest free loans for States to support development. A sustained capex push coupled with expectations of tight fiscal control is a positive development.

Stronger than expected direct tax collections while non-tax collections supported by strong dividends.

Tax and non-tax Collections

Direct and indirect tax collections are expected to grow at a healthy rate of 13.1% and 9.4% in FY25, respectively. This will result in gross tax revenue growth of 11.5% in FY25. In FY24, government tax revenue collections were supported by robust growth in direct tax collections. It has been revised upwards to Rs 19.45 Lac Crores as compared to BE of Rs. 18.23 Lac Crores.

Strong direct tax collections was more than offset by slightly weaker indirect tax collections. Lower customs duty collections due to a deceleration in external trade and declining commodity prices resulted in the same. Excise duty collections were also weak, due to excise duty cuts on petrol and diesel in the previous fiscal, coupled with a reduction in special additional excise duty (SED) on crude oil. This resulted in Net tax revenue collection being slightly revised downward from Rs. 23.30 Lac Crore to Rs. 23.23 Lac Crore.

Non-tax revenue is expected to grow by 6.4% in FY25. In non-tax revenues, the government had initially planned for Rs. 3.01 lakh crore in FY24. However, record dividend transfer from RBI and PSUs, the revised estimate for non-tax revenue is now Rs. 3.75 lakh crore.

Key Sectoral Highlights

Infrastructure and Manufacturing

Capex outlay for FY25 has increased by 11.1 per cent to around Rs. 11.11 Lakh crore. This higher outlay is on the back of 28.4% increase in FY24. This would form 3.4 per cent of the GDP.

PLI increased from Rs. 4,650 Crores to Rs. 6,200 Crores.

Housing & Infra

Finance Minister also announced that government will launch a new scheme to help deserving sections of the middle class "living in rented houses, or slums, or chawls and unauthorized colonies" to buy or build their own houses.

Under PM Awas Yojana the government aimed to construct 3 crore pucca houses by March 2024, and is closer to achieving this goal. An additional plan to build 2 crores more houses over the next 5 years signals sustained commitment.

Railways

Three major economic railway corridor programmes viz. energy, mineral and cement corridors; port connectivity corridors and high traffic density corridors will be implemented with an objective to spur GDP growth and reduce logistics cost.

Further, 40,000 normal rail bogies will be converted to the Vande Bharat standards to enhance safety, convenience and comfort of passengers.

Power & Green Energy

With an objective to save up on electricity, Rooftop Solarization scheme was announced. Through this scheme, one crore households are expected to obtain up to 300 units free electricity every month, with expected savings of Rs. 15,000-18,000 per household annually.

Viability gap funding will be provided to support the development of offshore wind energy.

Coal gasification and liquefaction capacity of 100 MT will be set up by 2030. This will help in reducing imports of natural gas, methanol, and ammonia.

Phase mandatory blending of compressed biogas (CBG) in compressed natural gas (CNG) for transport and piped natural gas (PNG) for domestic purposes will be mandated.

Greater adoption of e-buses for public transport network.

Agri & Food Processing

Pradhan Mantri Matsya Sampada Yojana (PMMSY) will be stepped up to enhance aquaculture productivity from existing 3 to 5 tons per hectare, double exports to Rs. 1 lakh crore and generate 55 lakh employment opportunities in near future.

Five integrated aqua parks will also be setup under the same scheme.

Atmanirbhar for oil seeds such as mustard, groundnut, sesame, soybean, and sunflower.

Expand Nano DAP usage in crops.

Comprehensive program for daily development to be formulated.

Healthcare

Healthcare cover under the Ayushman Bharat Scheme will be extended to include all ASHA workers, Anganwadi workers, and helpers.

Setup more medical collages by utilizing existing hospital infrastructure.

To prevent Cervical cancer, encourage vaccination for girls between age group of 9 to 14 years.

Saksham Anganwadi and Poshan 2.0 to be expedited for improved nutrition delivery, early childhood care and development.

Tourism

Government has decided to provide Long-term interest free loans to States for financing development, branding and marketing iconic tourist centers. Projects for port connectivity, tourism infrastructure, and amenities will also be taken up on country's islands.

Research and Innovation

A corpus of Rs. 1 Lac Crore is announced to be established with fifty-year interest free loan. Corpus will provide long-term financing or refinancing with long tenors and low or nil interest rates with an objective to encourage the private sector to scale up research and innovation significantly in sunrise domains.

A new scheme is set to be launched for strengthening deep-tech technologies for defense purposes.

Tax revenue assumptions for FY2025 seem conservative

Gross tax collections for FY2025 are expected to grow at 11.5% in FY2025 down from 12.5% in FY2024. Net tax collections growth is expected to be at 11.9% in FY2025. Direct taxes are expected to grow by 13.1% YoY driven equally by personal income tax and corporate tax.

GST collections are expected to grow by 11.6% YoY while customs duties are expected to grow by 5.8% YoY. Excise duties are expected to grow by 5.0% YoY.

Tax revenue growth for FY2025 seems to be conservative as tax buoyancy in FY24 is at 1.41 and in FY25 it is estimated at 1.09. This is in the backdrop of consistent GDP growth expectations in FY25 (10.5%).

Key Fiscal Indicators (% of GDP)

	FY23A	FY24BE	FY24RE	FY25BE
Gross Tax Revenue	11.2%	11.1%	11.6%	11.7%
Devolution to States	3.5%	3.4%	3.8%	3.8%
Net Tax to Centre	7.7%	7.7%	7.8%	7.9%
Direct Taxes	6.1%	6.0%	6.6%	6.7%
Indirect taxes	5.1%	5.1%	5.0%	5.0%
Capital Receipt (ex-borrowing)	0.3%	0.3%	0.2%	0.2%
Revenue Expenditure	12.7%	11.6%	11.9%	11.2%
Subsidies	2.1%	1.3%	1.5%	1.3%
Total Capital Expenditure	2.7%	3.3%	3.2%	3.4%
Total Expenditure	15.4%	14.9%	15.1%	14.5%
Revenue Deficit	3.9%	2.9%	2.8%	2.0%
Fiscal Deficit	6.4%	5.9%	5.8%	5.1%
Primary Deficit	3.0%	2.3%	2.3%	1.5%

Source: Budget documents, Angel Research

Exhibit 2: Budget 2023-24 at a glance

Particular	Budget (₹ Cr)				YOY (%)	
	FY23A	FY24BE	FY24RE	FY25BE	FY24RE	FY25BE
(A) Revenue Receipts (1+2)	2,383,206	2,632,281	2,699,713	3,001,275	13.3	11.2
Gross Tax Revenue (a+b)	3,054,192	3,360,858	3,437,211	3,830,796	12.5	11.5
Devolution to States/Trf to NCCD	956,406	1,030,228	1,113,294	1,229,223	16.4	10.4
%	31.31%	30.65%	32.39%	32.09%		
1) Tax Revenue (Net to Centre)	2,097,786	2,330,631	2,323,918	2,601,574	10.8	11.9
a) Direct Taxes	1,659,093	1,823,250	1,945,000	2,198,830	17.2	13.1
Income Tax	833,260	900,575	1,022,325	1,156,000	22.7	13.1
Corporate Tax	825,834	922,675	922,675	1,042,830	11.7	13.0
b) Indirect taxes	1,395,098	1,537,608	1,492,211	1,631,966	7.0	9.4
Custom Duties	213,372	233,100	218,680	231,310	2.5	5.8
Excise Duties	322,724	339,000	308,100	323,480	-4.5	5.0
Service Tax	431	500	500	100	16.1	-80.0
GST	849,132	956,600	956,600	1,067,650	12.7	11.6
Others	9,439	8,408	8,331	9,426	-11.7	13.1
2) Non Tax Revenue	285,421	301,650	375,795	399,701	31.7	6.4
(B) Capital Receipts (3+4+5)	1,809,951	1,870,816	1,790,773	1,764,494	-1.1	-1.5
3) Recovery of Loans	26,161	23,000	26,000	29,000	-0.6	11.5
4) Disinvestment	46,035	61,000	30,000	50,000	-34.8	66.7
5) Borrowings and Other Liabilities	1,737,755	1,786,816	1,734,773	1,685,494	-0.2	-2.8
Total Receipt (A+B)	4,193,157	4,503,097	4,490,486	4,765,769	7.1	6.1
(C) Revenue expenditure	3,453,132	3,502,136	3,540,239	3,654,657	2.5	3.2
6) Of which interest payments	928,517	1,079,971	1,055,427	1,190,440	13.7	12.8
(D) Capital expenditure	740,025	1,000,961	950,246	1,111,111	28.4	16.9
Total Expenditure (C+D)	4,193,157	4,503,097	4,490,486	4,765,768	7.1	6.1
(E) Fiscal Deficit (C+D-A-3-4)	1,737,755	1,786,816	1,734,773	1,685,494	-0.2	-2.8
(F) Revenue Deficit (C-A)	1,069,926	869,855	840,527	653,383	-21.4	-22.3
(G) Primary Deficit (E - 6)	809,238	706,845	679,346	495,054	-16.1	-27.1
GDP	27,241,000	30,175,065	29,657,745	32,771,808	8.9	10.5
Fiscal Deficit (% of GDP)	6.4%	5.9%	5.8%	5.1%		

Source: Company, Budget documents, Angel Research

Lower subsidy burden in FY2025 to support fiscal consolidation

The subsidy bill grew by a minimal amount of Rs. 0.37 Lakh crores over the budgeted estimate to touch Rs. 4.40 lakh crore this fiscal. Further, subsidy bill for FY25 dropped by 6.99% to 4.09 Lakh crores. The drop in subsidy in FY25 is being seen against the backdrop of a drop in international prices, a push for bio- and organic fertilizers and the increased use of nano-urea.

Exhibit 3: Subsidy

Subsidy Break-down (₹ Cr)	FY19A	FY20A	FY21A	FY22A	FY23A	FY24BE	FY24RE	FY25BE
Major Subsidies	196,769	228,341	707,707	446,150	530,959	374,707	413,466	381,175
Fertilizer Subsidy	70,605	81,124	127,922	153,758	251,339	175,100	188,894	164,000
YoY growth (%)	6.30%	14.90%	59.90%	20.20%	63.46%	-30.33%	-24.85%	-13.18%
Food Subsidy	101,327	108,688	541,330	288,969	272,802	197,350	212,332	205,250
YoY growth (%)	1.00%	7.30%	193.80%	-46.60%	-5.59%	-27.66%	-22.17%	-3.34%
Petroleum Subsidy	24,837	38,529	38,455	3,423	6,817	2,257	12,240	11,925
YoY growth (%)	1.50%	55.10%	2.60%	-91.10%	99.16%	-66.89%	79.54%	-2.57%
Interest Subsidy	20,009	23,702	30,216	41,251	41,676	27,565	23,980	25,550
YoY growth (%)	-9.70%	18.50%	15.70%	36.50%	1.03%	-33.86%	-42.46%	6.55%
Other Subsidy	6,176	10,260	20,243	16,506	5,281	812	3,090	2,998
YoY growth (%)	-44.40%	66.10%	95.70%	-18.50%	-68.01%	-84.62%	-41.48%	-3.01%
Total Subsidy	222,954	262,304	758,165	503,908	577,916	403,084	440,536	409,723
YoY growth (%)	-0.70%	17.60%	124.20%	-33.50%	14.69%	-30.25%	-23.77%	-6.99%
% to GDP	1.20%	1.30%	3.80%	2.10%	2.12%	1.34%	1.49%	1.25%

Source: Company, Budget documents, Angel Research

Fertilizer subsidy is expected to decline from Rs. 1.88 lakh crore this fiscal to Rs.1.66 lakh crore in budgeted estimates for the next FY. The government push towards nano urea, the liberalized Market Development Assistance (MDA) scheme, and the PM PRANAM (PM Programme for Restoration, Awareness, Nourishment, and Amelioration of Mother Earth) are expected to result in less expenditure on subsidy towards indigenous urea and thus a lower allocation in FY25.

Food subsidy touched Rs. 2.12 lakh crore in 2023-24 as against a budgeted estimate of Rs. 1.97 lakh crore. This increase can be attributed to the decision to extend the Pradhan Mantri Garib Kalyan Anna Yojana by another five years from January 1, 2024. For 2024-25, it has now pegged it at Rs. 2.05 lakh crore. The flagship welfare programme provides free grains to around 81.35 crore beneficiaries.

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