ANALYSIS OF INTERIM BUDGET 2024-25

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Economic Research Department (SBI Research) **February 2024**

The Interim Budget 2024-25 presented by the Union Finance Minister Smt Nirmala Sitharaman hits all the right notes in its brief printed sojourn, scoring high on a slew of tangible commitments while weaving an actionable and time bound roadmap, with firm milestones taking forward the colossal works spanning policy reforms, infrastructure, knowledge economy, welfare measures that transcend the barriers towards Viksit Bharat. Interestingly, India will hit $4 trillion in FY25 and at this rate, India is well on its course to touch $5 trillion in FY28 / 2027.

Nearly three hundred years after the word budget was first used in its present sense, the policy document unveiled today (when India has carved a special place on the global stage as the fastest growing large economy, discounting the volatile global environment), firmly steps away from crowd pleasing antics towards envisioning a developed India in its Amrit Kaal period, by enabling each and every Indian to align with the ambitious, yet achievable goal through action oriented collaborative works in unison.

The building blocks to strengthen the myriad pillars of Indian Economy through the last few years have propelled the nation to reach a 'tipping point' on date, ready to take off on a trajectory of incrementally high growth across services, manufacturing, new age agri and embedded niche areas as the robust digital platforms across identity/ mobile/financial services, 2Fs (financialization and formalization), infrastructure, investments, consumption, credit saturation of masses and classes as also new age sunrise areas are enabling transition towards a mammoth knowledge economy in the making, with a India First attitude.

While the numbers, leading to lagging, vouch for the authenticity of traction inherent in the revitalized economy, it's the intent of the policy makers, duly supported by all stakeholders, from people to institutions, fine tuned by regulators and cheered by chaebols and overseas investors that fuels the collective audacity to dream and do more, delivering upon promises that make a difference to each and every individual, bridging the multiple divides across socio-economic-cultural-geographic domains and there lies the BIG success of this rather small interim budget, we believe.

As Mahatma Gandhi said "In a gentle way, you can shake the world."

SECTION I: THE BIG PICTURE

MACRO VIEW

- With the 'mantra' of 'Sabka Saath, Sabka Vikas, and Sabka Vishwas' and the whole of nation approach of "Sabka Prayas", the Union Minister for Finance and Corporate Affairs Smt. Nirmala Sitharaman presented the Interim Union Budget 2024-25 in Parliament, today.
- We have now also estimated the decline in income inequality of casual workers from Periodic Labor Force Survey (PLFS) data **through the Gini coefficient of income of casual workers (rural, male). It is estimated that Income inequality has declined for casual workers (rural, male) from 0.482 FY20 to 0.426 in FY23.** The sharp fall in Gini coefficient for rural casual workers reinforces the tangible proofs of rising propensity of prosperity across hinterland a sharp blow to cacophony from select quarters who, on purpose, choose to distort the picture with incomplete views.
- Aiming to reach a fiscal deficit level below 4.5% of the GDP by 2025-26, fiscal deficit for 2024-25 is set at 5.1%, significantly below the revised 5.8% budgeted for 2023-24. Based on current trends, we expect that fiscal deficit for GDP could be even lower than 5.8%. **Tax buoyancy for FY24 is estimated at 1.5, while for FY25, tax buoyancy is estimated at 1.1. We expect tax buoyancy for both FY24 and FY25 are conservative.**
- Gross tax revenue is revised up to grow by 12.5% in FY24 to Rs 34.3 lakh crore as against the budgeted Rs 33.60 lakh crore. For FY25, the Government has budgeted gross tax revenue of Rs 38.3 lakh crore, growth of 11.5%. Tax to GDP ratio at 11.7 is the highest in 16-years. GST collection target is budgeted to increase by 11.6% to Rs 10.7 lakh crore over FY24 revised estimates. Major subsidies will decline by 7.8% to Rs 3.8 lakh crore.
- The capital expenditure outlay for the next year is being increased by 11.1% to Rs 11.11 trillion, which would be at 3.4% of the GDP. The scheme of 50 year interest free loan for capital expenditure to states will be continued this year with total outlay of Rs1.3 lakh crore. A provision of Rs 75,000 crore rupees as 50 year interest free loan is proposed this year to support the milestone-linked reforms of Viksit Bharat by the State Governments.
- The Government has revised FY24's divestment target to Rs 30,000 crore from Rs 51,000 crore budgeted previously. Furthermore, the target for FY25 has been set at Rs 50,000 crore.
- **The gross and net market borrowings through dated securities during 2024-25 are estimated at Rs 14.13 lakh crores and 11.75 lakh crore respectively and both will be less than that in 2023-24.**
- There are a large number of petty, non-verified, non-reconciled or disputed direct tax demands, many of them dating as far back as the year 1962, which continue to remain on the books, causing anxiety to honest tax payers and hindering refunds of subsequent years. The Interim Budget proposes to withdraw such outstanding direct tax demands up to Rs 25,000 pertaining to the period up to financial year 2009-10 and up to Rs 10,000 for financial years 2010-11 to 2014-15. This is expected to benefit about a crore tax payers.
- The ambitious Har Ghar Solar Roof Top Solar (RTS) for Residential House mission got a resounding fillip with estimated 1 Crore households/MSMEs coverage, enabling up to 300 units free electricity every month with plethora of benefits.
- Three major economic railway corridor programmes identified under the PM Gati Shakti to be implemented to improve logistics efficiency and reduce cost. Forty thousand normal rail bogies to be converted to Vande Bharat standards.
- Government has considerably revised upwards the total dividend received from the Reserve Bank of India, nationalised banks and financial institutions to Rs 1.04 trillion in FY24 from the budget estimate of Rs 48,000 crore for FY24. For FY25, Government has set the target of Rs 102,000 crore.
- India will undertake infrastructure and port connectivity projects in its islands, including Lakshadweep, to address the emerging fervour for domestic tourism. This will help in generating employment also.
- Proposed for 2 crore more houses under PM Awas Yojana (Grameen) will be taken up in the next 5-years. Already 3 crore houses constructed under PM Awas Grameen.
- **Recognising the need to enhance and stabilize farmer's income, over the years, several initiatives have been undertaken by the government to expand marketing opportunities for farmers and to create an efficient and competitive marketing system.**

FISCAL MANAGEMENT: THE GENESIS OF FISCAL MATHS

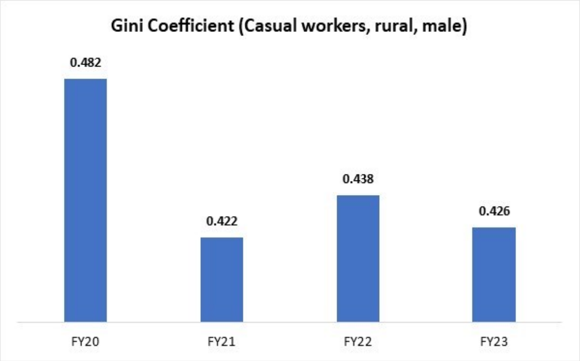
- The fiscal consolidation path charted in interim budget FY 2024-25 continues to be influenced by exceptional deviation taken during the COVID-19 pandemic. As a result, while formal guidance on the medium-term fiscal consolidation path may not be given, the trend in the post COVID-19 period still suggest a material consolidation.
- The end-to-end view of the fiscal situation in the post COVID-19 peiod shows that primary deficit is expected to correct by 80 bps to 1.5% of the GDP in FY25 from the levels in FY 24. In FY21 the primary deficit was in excess of 5% of the GDP. The revenue deficit has also moderated and is projected to be at 2% of the GDP. The public debt as percent of the GDP has also reduced and is expected to down by 90 bps in FY25 from its level of 58.1% in FY24. Thus, the dynamic evolution of the debt to GDP ratio is expected to hit a stable path is the present trends continue.
- **In terms of the increments that is evolution of fiscal number in terms of budgeted vs the realised, there was net increase in revenues realized to the tune of Rs 1.2 lakh crore in FY24. The higher GDP growth translated into higher revenues. Owing to larger devolution on states the net gains to the centre was to the tune of Rs 0.5 lakh crore.**
- With no overshooting in expenditure, the fiscal deficit is reduced by 10 bps to 5.8% and against the earlier estimate of 5.9%.

Direct and Indirect taxes (Rs crore and as a % of GDP)

	FY22	FY23	FY24(BE)	FY24(RE)	FY25(BE)	FY25(BE)/ FY24(RE) (%Gr)	FY24(RE) / FY23 (%Gr)	FY23/ FY22 (%Gr)	Decadal CAGR (FY 15-25 in %)	5 Yr CAGR (FY20-25 in %)
Gross Tax Revenue	27,09,215	30,54,192	33,60,858	34,37,211	38,30,796	11.5	12.5	12.7	11.9	13.8
% of GDP	**11.5**	**11.2**	**11.1**	**11.6**	**11.7**					
Direct Tax										
Corporation Tax	7,12,037	8,25,834	9,22,675	9,22,675	10,42,830	13.0	11.7	16.0	9.3	13.4
% of GDP	**3.0**	**3.0**	**3.1**	**3.1**	**3.2**					
Taxes on Income Other than Corporation Tax	6,96,243	8,33,260	9,00,575	10,22,325	11,56,000	13.1	22.7	19.7	16.2	18.6
% of GDP	**3.0**	**3.1**	**3.0**	**3.4**	**3.5**					
Total Direct Taxes	1408281	1659093	1823250	1945000	2198830	13.1	17.2	17.8	12.3	15.9
% of GDP	**6.0**	**6.1**	**6.0**	**6.6**	**6.7**					
Indiect Taxes										
Customs	1,99,728	2,13,372	2,33,100	2,18,680	2,31,310	5.8	2.5	6.8	2.1	16.2
% of GDP	**0.9**	**0.8**	**0.8**	**0.7**	**0.7**					
Union Excise Duty	3,94,644	3,22,724	3,39,000	3,08,100	3,23,480	5.0	-4.5	-18.2	5.6	6.1
% of GDP	**1.7**	**1.2**	**1.1**	**1.0**	**1.0**					
Service Tax	1,012	431	500	500	100	-80.0	16.1	-57.4	-52.4	-55.9
% of GDP	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**					
Goods and Services Tax	6,98,114	8,49,132	9,56,600	9,56,600	10,67,650	11.6	12.7	21.6	-	12.3
% of GDP	**3.0**	**3.1**	**3.2**	**3.2**	**3.3**					
Major Indirect taxes	1293498	1385660	1529200	1483880	1622540	9.3	7.1	7.1	11.5	11.2
% of GDP	**5.5**	**5.1**	**5.1**	**5.0**	**5.0**					
Source: Union Budget documents & SBI Research										

DEBUNKING THE MYTH OF RURAL DISTRESS / INFORMAL LABOUR PROPELLED BY SELECT QUARTERS: INCOME INEQUALITY OF CASUAL WORKERS (RURAL, MALE) IS ALSO DECLINING VOUCHED BY GINI CO-EFFICIENT

- **Gini coefficient estimated using ITR data of taxable income of individuals shows that individual income inequality has significantly declined from 0.472 to 0.402 during FY14-FY22**
- We have now also estimated the decline in income inequality of casual workers from Periodic labor Force Survey (PLFS) data to understand the movements in income decline at bottom of pyramid. **We have thus estimated the Gini coefficient of income of casual workers (rural, male) based on the PLFS data.**
- **It is estimated that inequality has also declined for casual workers (rural, male) from 0.482 FY20 to 0.426 in FY23.** The sharp fall in Gini coefficient for rural casual workers as per our study reinforces the tangible proofs of rising propensity of prosperity across hinterland, dissipating inequality as also poverty, a sharp blow to cacophony from select quarters who, on purpose, choose to distort the picture with jaundiced views.



- **Additionally, as per our earlier estimates, we believe that by the end of the next decade ~50% of consumption / Rs 16 trillion would be done by 90% of the people who are at the bottom the pyramid.** Meanwhile, an additional Rs 8.2 trillion of consumption has moved to the lower end of the pyramid post pandemic following saving of expenditure through free food, shelter and medical being provided by Government.

AGRICULTURE WITNESSING A PARADIGM SHIFT

- Recognising the need to enhance and stabilize farmer's income, over the years, several initiatives have been undertaken by the government to expand marketing opportunities for farmers and to create an efficient and competitive marketing system. National Agriculture Market (e-Nam) and the recent e-commerce platform Open Network for Digital Commerce (ONDC) have addressed the infrastructural bottlenecks. So far, 1389 markets in 23 States and 4 Union Territories have been linked to e-NAM. In ONDC, so far 4000 farmers producer organisation (FPOs) have joined the ONDC platform with as many as 3,100 varieties of value-added agricultural products sold using the facility. The government wants to bring 6000 FPOs into pan-India digital market place by the end of FY24.
- The infrastructure development in terms of better roads, market density, tele-density, irrigation facilities by the government leading to better connectivity between the rural and urban areas has reduced the gap between the hinterland and the cities. All these efforts have helped in improving the agri-supply chain and farmers' price realization.
- **Remarkable improvement in physical (road/rail) infrastructure and enhanced multi-model connectivity spanning across RUSU (rural & semi-urban) land is changing the rural demand and supply pattern as easy access to key markets from hinterland areas is getting reflected in India Inc. numbers…now a farmer can travel 80-100 kms easily to buy and sell things at nearest/adjoining urban/metro centers (where most of the money is generated) and these purchases will be counted in urban numbers (*inter-alia* implying less numbers being captured for RUSU areas) even though they are being bought/consumed by primarily rural populace. The horizontal integration of cities with surrounding areas (as against the vertical growth prevalent hitherto) needs to be critically analysed and factored while computing rural demand/numbers.**
- The other side of the changing facets of demand-supply dynamics is the increasing propensity of urban consumers to visit the RUSU centers in near vicinity (riding the loops of improved modes/nodes of connectivity) or numerous points-of-presence as restaurants, artisan shops, fairs, recreation & experience centers etc. falling along the highways and find diverse avenues of expenditure which is rechanneling the monetary resources to RUSU centers, strengthening the local ecosystem with incremental opportunities.

THE ARITHMETIC OF FISCAL MATHS IN FY24

- In FY24, the total revenue gain to the Government is Rs 50,000 crores. Interestingly, there has been a expenditure decline of Rs 10,000 crores in FY24, resulting in an fiscal deficit decline of around Rs 60,000 crores /10 bps of GDP. The states are supposed to get an additional Rs 80,000 crores over the budgeted numbers. Non tax revenue of Centre is likely to be higher by Rs 70,000 crore over budget estimates in FY24. The states will get an additional Rs 1.2 trillion over budget estimates in FY25 and Rs 80,000 crores in FY24.
- In FY25, the projected numbers show a revenue gain of Rs 3.2 trillion to Government, resulting in a fiscal deficit compression of Rs 0.4 trillion in FY25, taking it to 5.1%.
- **In terms of GDP, India could touch $4 trillion in FY25. At this rate, India will cross $5 trillion by FY28.**

The genesis of fiscal deficit in incremental terms (Rs lakh crore)			
Item		FY24RE/FY24 BE	FY25BE/FY24RE
Gross Tax gain	A	0.8	3.9
Non tax receipts gain	B	0.7	0.2
Non Debt Receipts	C	-0.3	0.2
Total Revenue Gain	D=Sum: A to C	1.2	4.4
Revenue Gain of States	E	0.8	1.2
Net Revenue gain to Center after adjusting for States transfer	F=D-E	0.5	3.2
Expenditure increase	G	-0.1	2.8
Fiscal Deficit BE	H	17.9	16.9
Revised Fiscal Deficit	I=H+G-F	17.3	-
New Fiscal Deficit (% of GDP)	J	5.8	5.1
Source: Negative numbers indicate a shortfall; SBI Research			

INTERIM BUDGETS & FINAL BUDGETS: THE ESTIMATES ARE MOSTLY SIMILAR

- We believe that the final budget numbers in July will be mostly similar to the current numbers. A comparison with earlier numbers in FY19 & FY15 Interim and FY15 and FY19 Actual reveals fiscal deficit were either similar or were lower by 10 basis points. **We are expecting a lower fiscal deficit at 5% of GDP in FY25 final budget to be presented in July.**

Interim Budget & Final Budget: the numbers stay mostly the same							
Items	FY25	FY20		Change*	FY15		Change*
	Interim	Interim	Final		Interim	Final	
Tax Revenue(Net to Centre)	26.01	17.1	16.5	-0.56	9.9	9.8	-0.09
Revenue Receipts	30.01	19.8	19.6	-0.14	11.7	11.9	0.22
CapExp	11.11	3.4	3.4	0.02	2.1	2.3	0.13
Total Expenditure	47.65	27.8	27.9	0.02	17.6	17.9	0.31
FD	11.11	7.0	7.0	0.00	5.3	5.3	0.03
Net-Market Loans	11.75	4.7	4.7	0.00	4.6	4.6	0.04
Subsidies	4.09	3.3	3.4	0.04	2.6	2.6	0.04
Fertiliser	1.63	0.7	0.8	0.05	0.7	0.7	0.05
GDP	327.7	210.0	211.0	1.00	128.4	128.8	0.37
FD as % of GDP	5.1	3.4	3.3	-10.00	4.1	4.1	0.00
Source: Budget documents, SBI research, * FD as %of GDP change is in bps							

CAPITAL EXPENDITURE IN FY25

- Our estimate shows that overall capital expenditure in FY25 Interim budget is at Rs 18.4 trillion, after taking into account capex by CPSE and grants for creation of capital. This is 5.6% of GDP and reveals a growth of around 13%.

Capex Arithmetic (Rs Cr)							
	FY 22	FY 23	FY24(BE)	FY24(RE)	FY25(BE)	FY25(BE)/ FY24(RE) (% Gr)	FY24(RE) /FY23 (% Gr)
1.Total Capex through Budget	592874	740025	1000961	950246	1111111	16.93	28.41
% of GDP	**2.5**	**2.7**	**3.3**	**3.2**	**3.4**		
2. Grants for creation of capital assets	242646	306264	369988	321190	385582	20.05	4.87
% of GDP	**1.0**	**1.1**	**1.2**	**1.1**	**1.2**		
3. Capex by CPSE(IEBR)	437600	363120	487745.28	326193.05	343011.8	5.16	-10.17
% of GDP	**1.9**	**1.3**	**1.6**	**1.1**	**1.0**		
4. Effective Capex (1+2)	835520	1046289	1370949	1271436	1496693	17.72	21.52
% of GDP	**3.6**	**3.8**	**4.5**	**4.3**	**4.6**		
5. Capex by budget and CPSE (1+3)	1030474	1103145	1488706	1276439	1454123	13.92	15.71
% of GDP	**4.4**	**4.0**	**4.9**	**4.3**	**4.4**		
6. Grand Total Capex (1+2+3)	1273120	1409409	1858694	1597629	1839705	15.15	13.35
% of GDP	**5.4**	**5.2**	**6.2**	**5.4**	**5.6**		
Source:Union Budget Documents & SBI Research							

SUBSIDY TRENDS

- Overall subsidy in FY24 is likely to be higher by around Rs 38,000 crores in the revised estimates. However, over FY23 levels, there is a significant moderation in subsidy by around Rs 1.2 trillion.
- In FY25, interim budget estimates show a further moderation in subsidy levels by around Rs 30,000 crores.

Subsidy Trends (Rs crore and as a % of GDP)										
	FY22	FY23	FY24(BE)	FY24(RE)	FY25(BE)	FY25(BE)/ FY24(RE) (%Gr)	FY24(RE) / FY23 (%Gr)	FY23/ FY22 (%Gr)	Decadal CAGR (FY 15-25 in %)	5 Yr CAGR (FY 20-25 in %)
Total 3 Major Subsidies	446149	530959	374707	413466	381175	-7.8	-22.1	19.0	4.3	10.8
% of GDP	**1.9**	**1.9**	**1.2**	**1.4**	**1.2**					
Fertiliser Subsidy	153758	251339	175100	188894	164000	-13.2	-24.8	63.5	8.7	15.1
% of GDP	**0.7**	**0.9**	**0.6**	**0.6**	**0.5**					
Food Subsidy	288969	272802	197350	212332	205250	-3.3	-22.2	-5.6	5.7	13.6
% of GDP	**1.2**	**1.0**	**0.7**	**0.7**	**0.6**					
Petroleum Subsidy	3423	6817	2257	12240	11925	-2.6	79.5	99.2	-15.0	-20.9
% of GDP	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**					
Source: Union Budget documents & SBI Research										

GOVERNMENT BORROWING

- **Total Gross Market Borrowings of the Government for FY24 remains same as the BE at Rs 15.4 lakh crore and net borrowing at Rs 11.80 lakh crore. However, the short-term borrowing is now estimated at only Rs 1323 crore as against the budgeted Rs 50,000 crore.**
- For FY25, the Government Borrowing is budgeted at low level of Rs 14.13 lakh crore and the net borrowing requirement is pegged at Rs 11.75 lakh crore taking into account repayments of Rs 2.36 lakh crore (with switch of Rs 1 lakh crore). Notably, the Government stocks repurchased by means of switch will not have any impact on the fiscal situation as they will get prematurely redeemed and interest will cease to accrue on such redeemed Government stocks. **Interestingly, the Government has adjusted the repayment amount by Rs 1.24 lakh crore from GST compensation fund.** It is pertinent to note that the government issued Rs 1.10 lakh crore through dated securities for back-to-back loans to States amidst the pandemic in FY21 and another Rs 1.59 lakh crore in FY22. However, of this Rs 78,000 crore matured in FY24 (accordingly the same has been adjusted in repayments for FY24) and the remaining Rs 1.91 lakh crore is maturing in FY26 (Rs 0.55 lakh crore) and FY27 (Rs 1.36 lakh crore). In September 2021, at the 45th meeting of the GST Council, it was proposed that the cess be extended to March 2026 to cover repayment of the Centre's special borrowing to cover compensation to states over the pandemic years. The GST cess collected during FY25 will be used to repay the normal G-sec redemptions during FY25 and the remaining GST bonds maturing in FY26 and FY27 will be repaid by the GST cess collected in the respective years.
- Furthermore, the Government has budgeted Rs 50,000 crore short-term borrowings through various (91-day- Rs 39584 crore, 182 day- Rs 9626 crore, 364 day- Rs 789 crore) treasury bills.

Financing through small savings

- Apart from the market borrowings, the Government continues to relay on Small Saving scheme to meet a part of its expenditure. The issuance of securities against small savings has been estimated at Rs 4.71 lakh crore for FY24. For FY25, it has been budgeted at Rs 4.66 lakh crore.

State Government Borrowings

- States' gross borrowings are expected to come down to Rs 9.7 lakh crore while net borrowings to Rs 6.8 lakh crore in FY24. For FY25, the net borrowings are pegged at Rs 6.85 lakh crore and gross borrowings are expected to come around Rs 10.0 lakh crore after taking a repayment of around Rs 3.2 lakh crore.
- Thus, total gross borrowing of the Centre and States for FY25 comes to Rs 24.2 lakh crore while net borrowing stands at Rs 18.6 lakh crore.

Market Borrowings through Dated Securities (Rs lakh crore)

Centre	FY23	FY24 (BE)	FY24 (RE)	FY25 (BE)
Gross Borrowing	14.21	15.43	15.43	14.13
Repayments*	3.13	3.62	3.63	2.38
Net Borrowing	11.08	11.81	11.80	11.75
State				
Gross Borrowing	7.58	10.88	9.70	10.05
Repayments	2.39	2.89	2.89	3.20
Net Borrowing	5.19	7.99	6.81	6.85
Total				
Gross Borrowing	21.79	26.31	25.13	24.18
Net Borrowing	16.27	19.80	18.61	18.60

Source: Union Budget Documents, RBI & SBI Research; SDL gross borrwing for FY24(BE) as per state borrowing calendar,*Repayment in FY24(RE) and FY25(BE) is net of recovery of ₹.78 and ₹1.24 lakh crore respectively from GST compensation fund

Borrowing for providing Back To back Loan to State Governments/UTs during the year 2020-21 and 2021-22 to meet GST Compensation Shortfall

	Maturity date	2020-2021	2021-2022
5.22% Government Stock 2025	15.06.2025	6000	
4.48% Government Stock 2023	02.11.2023	55104	
5.15% Government Stock 2025	09.11.2025	49104	
5.63% Government Stock 2026	12.04.2026		136000
4.26% Government Stock 2023	17.05.2023		23000

EBR & DISINVESTMENT

- For FY24 the EBR for PSUs was budgeted at Rs 3.50 lakh crore (21% yoy) which has been revised downward to Rs 1.6 lakh crore, which is a welcome development. This year again the EBR is budgeted at Rs 1.7 lakh crore with maximum decline in steel followed by Railways.
- The Government has revised FY24's divestment target to Rs 30,000 crore from Rs 51,000 crore budgeted previously. Furthermore, the target for FY25 has been set at Rs 50,000 crore. After Air India and NINL privatisations, the Government's divestment dreams have come to a temporary halt with the Government missing its divestment targets for the fifth consecutive year.
- Disinvestment target is kept at a lower level despite record appreciation in stock price of CPSEs and PSBs.
- **Overall market cap of CPSEs is now at ~ Rs 40 trillion and value of Government stake in around Rs 27 trillion. Further, current PSBs market cap is around Rs 14 trillion, and Government stake is around Rs 10 trillion. Both PSB and CPSEs have reported excellent increase in equity value in 2023. Hence, scope of disinvestment remains but with favorable profit cycle, focus may continue on dividend payouts with creation of wealth for shareholders. Importantly, buoyant market conditions will create a self fulfilling prophecy of disinvestment opportunities at a later date.**

Extra Budgetary Resources for PSUs (Rs Crore)

	FY24(BE)	FY24(RE)	FY25(BE)	FY25(BE)/ FY24(RE) (%Gr)
Coal	2508	2330	2192	-5.9
Ministry of Housing and Urban Affairs	14932	14633	13500	-7.7
Petroleum and Natural Gas	45910	34668	29481	-15.0
Power	41286	37588	46188	22.9
Steel	1562	4189	1260	-69.9
Railway	36733	2285	1229	-46.2
Others	207457	64690	74271	14.8
Total	350388	160384	168121	4.8
% of GDP	1.2	0.5	0.5	-
GDP	30175065	29657745	32771808	10.5

Source: Union Budget Documents & SBI Research

Disinvestment – Target vs. Actual (in Rs crore)

Year	Budget Estimate	Revised Estimate	Actual
FY16	69,500	25,312	42,132
FY17	56,500	45,500	34,939
FY18	72,500	1,00,045	1,00,057
FY19	80,000	80,000	94,727
FY20	1,05,000	65,000	50,304
FY21	2,10,000	32,000	37,897
FY22	1,75,000	78,000	13627
FY23	65,000	50000	46035
FY24	51,000	30000	-
FY25	50,000		

Source: Union Budget Documents,SBI Research

BANKING SECTOR

- Following the credit boom in the first decade of the millennium, the Indian economy has faced a severe financial system crisis. With the RBI's Asset Quality Review (AQR) and prompt corrective action (PCA) framework in FY15, the GNPAs of ASCBs increased to five-fold from 2.2% in FY11 to 11.2% in FY18 and banks became risk averse. However, with the policy reforms of Government and RBI to strengthen the financial sector, the banking, non-banking, and non-financial sectors de-leveraged their balance sheets. Some of the important policy reforms are recapitalisation and merger of PSBs, and amendment of the SARFAESI Act 2002 to enacting the Insolvency and Bankruptcy Code 2016 (IBC) etc.
- **With numerous investment-boosting reforms and healthier balance sheets, private corporate investment has begun to crowd in, and banks are responding with greater credit disbursement. The bank credit growth had declined from 22.3% in 2008 to 8.2% in FY16, has rebounded to reach 15% in FY23 and increased to 16.8% till Jan'2024 of FY24.**
- Fiscal deficit and lowering of Government borrowing will support profitability of banks.

TOURISM

- **India will undertake infrastructure and port connectivity projects in its islands, including Lakshadweep, to address the emerging fervour for domestic tourism**. This will help in generating employment also. States will be encouraged to take up comprehensive development of iconic tourist centres, branding, and marketing them at a global scale, and the central government will provide long-term interest-free loans to the states for financing this development.
- The budget estimate for the financial year (FY) 2024-25 stands at ₹2,449.62 crores compared to the revised estimate for 2023-24 stood at ₹1692.10 crores.
- Religious tourism is still the biggest segment of tourism in India. With the creation of a new religious tourist centre with improved connectivity and infrastructure can create a meaningfully large economic impact.
- It is estimated that India is set to be the fourth-largest global spender on travel by 2030, with travel and tourism predicted to become a $410 billion market — a surge of more than 170% from $150 billion in 2019.

MICRO CREDIT SCHEMES

- The government thrust towards extending micro credit though Self-Help Groups (SHG) has continued in the interim budget. Two separate schemes have been referred and expanded.
- Agriculture and food processing: The existing Pradhan Mantri Formalisation of Micro Food Processing Enterprises Yojana has assisted 2.4 lakh SHGs and sixty thousand individuals with credit linkages. It now contemplated that private and public capital will be encouraged in post-harvest activities including aggregation, modern storage, efficient supply chains, primary and secondary processing and marketing and branding. This is expected to further expand the opportunities in food processing sector and hence micro credit though SHGs.
- Lakhpati Didi: Eighty-three lakh SHGs with nine crore women are directly engaged in rural sector. SHGs have assisted nearly one crore women since the launch of the scheme. The scheme offers micro loans between Rs. 1-5 lakh. The target for Lakhpati Didi is now enhanced from 2 crore to 3 crore.

CONNECTIVITY

Connectivity

- Three major economic railway corridor programmes will be implemented - energy, mineral and cement corridors, port connectivity corridors and high traffic density corridors.
- Expansion of existing airports and development of new airports will continue expeditiously.
- Metro and NaMo Bharat systems will be expanded in the spirit of transit-oriented development.

Blue economy

- A scheme for restoration and adaptation measures, and coastal aquaculture and mariculture with integrated and multi-sectoral approach will be launched.

Impact: We expect that announcement in infrastructure sector create both opportunities and risk for the bank in general. The announcement in blue economy sector is significant from the point of view of greening the banks' balance sheet in the long run. Logistics cost are expected to decline in the medium run increasing competitiveness.

SUSTAINABLE DEVELOPMENT

- While enunciating the approach of government towards an all-round, all-pervasive and all-inclusive development, FM announced a slew of measures for the promotion of green growth and renewable energy.
- **The ambitious Har Ghar Solar Roof Top Solar (RTS) for Residential House mission got a resounding fillip with estimated 1 Crore households/MSMEs coverage, enabling up to 300 units free electricity every month with benefits spanning across: (i) Savings up to Rs 15-18,000 annually for households from free solar electricity and selling any surplus to the distribution companies; (ii) Charging of electric vehicles (iii) Entrepreneurship opportunities for a large number of vendors for supply and installation; (iv) Employment opportunities for the youth with technical skills in manufacturing, installation and maintenance.**
- Financial Intermediaries can promote inclusion of Roof Top Solar installation cost as part of overall housing loan assessment while also targeting MSME clients apart from forging Tie ups with new age startups (including fintech), active in ESG space, to push the drive deep.
- With the aim of meeting the commitment of '**net-zero' by 2070**, FM has proposed the following measures in the Interim Budget 2024-25: (a) Viability gap funding to be provided for harnessing offshore wind energy potential for initial capacity of one giga-watt, (b) Coal gasification and liquefaction capacity of 100 MT to be set up by 2030. This will also help in reducing imports of natural gas, methanol, and ammonia, (c) Phased mandatory blending of Compressed Bio Gas (CBG) in Compressed Natural Gas (CNG) for transport and Piped Natural Gas (PNG) for domestic purposes to be mandated, and (d) Financial assistance to be provided for procurement of biomass aggregation machinery to support collection.

HEALTHCARE

- With focus on Yuva Shakti and marching towards the goal of Viksit Bharat by 2047, FM has proposed setting up of more medical colleges. The new Medical Colleges will be set up by utilizing the existing hospital infrastructure under various departments.
- FM also proposed that ASHA workers, Anganwadi workers and helpers will also be covered under the Ayushman Bharat Scheme.
- Further, Saksham Anganwadi and Poshan 2.0 to be expedited for improved nutrition delivery, early childhood care and development.
- Government will encourage Cervical Cancer Vaccination for girls (9-14 years) and U-WIN platform for immunisation efforts of Mission Indradhanush to be rolled out.

AGRICULTURE, FOOD PROCESSING AND FISHING

- Farmer's welfare and boosting rural demand is one of the main highlights of interim budget 2024-25. The interim budget 2024-25 has promised for stepping up value addition in agricultural sector and boosting of farmers' income. FM has promised to further promote private and public investment in post-harvest activities including aggregation, modern storage, efficient supply chains, primary and secondary processing and marketing and branding to ensure faster growth of the agriculture and food processing sector.
- **A strategy will be formulated to achieve 'atmanirbharta' for oil seeds such as mustard, groundnut, sesame, soybean, and sunflower. This will cover research for high-yielding varieties, widespread adoption of modern farming techniques, market linkages, procurement, value addition, and crop insurance. This will help to reduce India's import bill for vegetable oils.**
- After the successful adoption of Nano Urea, application of Nano DAP on various crops will be expanded in all agro-climatic zones. Nano fertilisers will improve crop yield with less fertiliser consumption reducing subsidy bill.
- Implementation of Pradhan Mantri Matsaya Sampada Yojana to be stepped up to enhance aquaculture productivity, double exports and generate more employment opportunities. 5 Integrated Aquaparks to be set up. The efforts to increase productivity and yields under this scheme should act as a tailwind for shrimp exports.

HOUSING

- Proposed for 2 crore more houses under PM Awas Yojana (Grameen) will be taken up in the next 5-years. Already 3 crore houses constructed under PM Awas Grameen. Further, a scheme to be launched to help people – living in rented houses, slums or chawls – to buy or build their own houses
- These will support the housing market to grow. This will not only create lot of job opportunities for those in housing and construction industry but will also provide a lot of scopes on the ancillary industries like cement, paint etc.

TAX PROPOSALS

- No change in tax rates, both in direct and indirect taxes, including import duties.
- In earlier years, Government has reduced Corporate Taxes to 22% for existing domestic companies, 15% for certain new manufacturing companies. No tax liability for taxpayers with income up to ₹7 lakh under the new tax regime
- Withdrawal of outstanding direct tax demand: Up to ₹25,000 pertaining up to FY10 and Up to ₹10,000 for FY11 -FY15. Expected to benefit approx. 1 crore taxpayers.
- Continuity in taxation: Certain tax benefits to Start-ups and investments made by sovereign wealth funds/ pension funds, tax exemption of some IFSC units earlier expiring on 31.03.2024 extended up to 31.03.2025.

RAILWAYS

- Railways is one of the key drivers of the PM GatiShakti scheme and the National Logistics Policy. The substantial fund allocation was aimed at the ambitious project of laying new railway lines, aimed at easing congestion within the Indian Railways network and ensuring its preparedness for the future.
- In keeping with the above objective major highlights for Fy25 are as follow:
    - Gross tariff receipts will increase by only 7.8% to Rs 2.78 lakh crore in FY25.
    - Operating Ratio is expected to increase marginally from 98.7% in FY24 to 98.2% in FY25.
    - Three major railway corridors including port connectivity corridor, energy, mineral and cement corridor and high traffic density corridor.
    - Nearly 40,000 normal bogies will be converted to standard Vande Bharat bogies.
    - Along with updating the signaling systems, the additional capital expenditures would also be used to roll out 300–400 Vande Bharat trains in various configurations, one of which would include sleeper cars.

Railway Financial (Rs Crore)										
Components (Rs Cr)	FY22	FY23	FY24(BE)	FY24(RE)	FY25(BE)	FY25(BE)/ FY24(RE) (%Gr)	FY24(RE) / FY23 (%Gr)	FY23/ FY22 (%Gr)	Decadal CAGR (FY 15-25 in %)	5 Yr CAGR (FY 20-25 in %)
1. Total Railway Receipts(2+3)	191367	240177	265000	258600	278500	7.7	7.7	25.5	5.6	9.8
2. Gross Traffic Receipts	191206	239983	264600	257900	278100	7.8	7.5	25.5	5.9	9.8
2.1 Passenger Earnings	39214	63417	70000	73000	80000	9.6	15.1	61.7	6.6	9.6
Passenger Earnings / Gross Traffic Receipts (%)	21%	26%	26%	28%	29%					
2.2 Freight Earnings	141096	162263	179500	169000	180000	6.5	4.2	15.0	5.5	9.7
Freight Earnings / Gross Traffic Receipts (%)	73.8	67.6	67.8	65.5	64.7					
2.3 Other Earnings*	10896	14303	15100	15900	18100	13.8	11.2	31.3	7.6	12.2
3. Total Miscellaneous Receipts	161	194	400	700	400	-42.9	260.1	21.1	-21.2	3.4
4. Total Expenditure from railway revenues	206392	237660	262790	256600	275700	7.4	8.0	15.1	6.7	9.8
5. Revenue net of dividend payouts	-15025	2517	2210	2000	2800	40.0	-20.6	-116.8	-16.4	12.0
Memo:										
Gross Traffic Receipts (% of GDP)	0.81	0.88	0.88	0.87	0.85					
Net Revenue (% of GDP)	-0.06	0.01	0.01	0.01	0.01					
Operating Ratio	107.4%	98.1%	98.5%	98.7%	98.2%					

Source: Union Budget Documents & SBI Research, *Other earnings are defined as the sum of other coaching earnings, sundry other earnings and suspense.

KEY HIGHLIGHTS

- The budget statement is broadly in line with the long-term vision of the Government laying the basis for a regular budget that is likely to come up during July 2024. Given the current nature of budget, no major announcements directly benefitting the corporates were made. However, sectors such as Steel, Cement, Constructions, Food Processing, Dairy, FMCG, EV and Housing appear to benefit from the announced measures.
- BSE Sensex opened at 71998 in the morning touching a high of 72152 and closed at 71645 broadly depicting the swaying sentiment during budget being announced.
- Implementation of 3 major railway corridor programmes under PM Gati Shakti-to improve logistics efficiency and reduce cost. Promotion of foreign investment via bilateral investment treaties will give a huge boost to sector such as Cement, Steel, Construction, Capital goods etc.
- Further, expansion of existing airports and comprehensive development of new airports under UDAN scheme along with Promotion of urban transformation via Metro rail and NaMo Bharat will add to the investment programs and create a sustainable demand for the above sectors.
- With Pradhan Mantri Awas Yojana (Grameen) close to achieving target of 3 crore houses, additional 2 crore targeted for next 5 years and announcement of Housing for Middle Class scheme to promote middle class to buy/built their own houses will only add to the demand.
- Viability gap funding for offshore wind with capacity of one giga-watt, Coal gasification and liquefaction capacity of 100 MT will be set up by 2030, Mandatory blending of compressed biogas (CBG) in compressed natural gas (CNG) for transport and piped natural gas (PNG) for domestic purposes will be mandated, Major thrust to electric charging facility initiatives in respect climate mitigation measures are also welcome steps to the commitment to meet 'Net Zero' by 2070.
- The proposed measures create a mix of opportunities. Offshore and EV may emerge as new opportunity, the creating substitutes for key inputs may lead to onshoring of some imports.
- Recent Q3FY24 results of more than 600 listed corporates ex BFSI in sectors such as Aerospace and Defence, Automobiles and Auto Ancillaries, Capital Goods, Infrastructure Developer and Operators, Pharmaceuticals, Retail, Steel, etc. appear to be trending with a positive bias.
- Overall, the budget reflects the continuity in the long-term vision of the Government. However, full impact can only be effected when a regular budget takes shape for the vision to be implemented.

CORPORATE RESULTS Q3FY24 - EARLY TRENDS

- As per the early trend Q3FY24 results declared by more than 600 listed entities ex BFSI, though the top line grew by only 2% (YoY), operating profit and PAT continued to be robust and grew by 29% and 40% respectively.
- Some of the sectors reported all-round growth includes Aerospace and Defence, Automobiles and Auto Ancillaries, Capital Goods, Infrastructure Developer and Operators, Pharmaceuticals, Retail, Steel, etc.

Gorwth in key parameters

FY24	No of Cos.	Net Sales	EBIDTA	PAT
Q1	3305	-2.19	22.72	33.09
Q2	3314	-0.34	40.86	42.04
Q3	606	2.00	29.26	39.70

Source: Cline; listed entities ex BFSI

MARKET MOOD: MOVEMENT OF KEY INDICES

Market Movement of Key Indices from Previous Budget (1st Feb'23) and on Budget Day (1st Feb'24)

Indices	01-Feb-23	31-Jan-24	1-Feb-24	Movement Over 01-Feb-23		Movement on Budget Day	
				Price	Percentage	Price	Percentage
BSE SENSEX	59,708.08	71752.11	71645.30	11937.22	19.99%	-106.81	-0.15%
NIFTY 50	17,616.30	21725.70	21697.45	4081.15	23.17%	-28.25	-0.13%
NIFTY MIDCAP 100	30,386.65	48568.60	48298.00	17911.35	58.94%	-270.60	-0.56%
NIFTY AUTO	13,206.85	19227.15	19328.70	6121.85	46.35%	101.55	0.53%
NIFTY BANK	40,513.00	45996.80	46188.65	5675.65	14.01%	191.85	0.42%
NIFTY FMCG	44,958.30	55071.40	55215.80	10257.50	22.82%	144.40	0.26%
NIFTY INFRA	5,009.45	7859.90	7825.90	2816.45	56.22%	-34.00	-0.43%
NIFTY PHARMA	12,355.80	17938.65	17839.20	5483.40	44.38%	-99.45	-0.55%
NIFTY REALITY	407.70	856.20	848.15	440.45	108.03%	-8.05	-0.94%
NIFTY MEDIA	1,847.30	2151.00	2127.60	280.30	15.17%	-23.40	-1.09%
NIFTY METAL	6,177.05	7973.10	7891.05	1714.00	27.75%	-82.05	-1.03%

Source: NSE; BSE; closing points as on date

INSOLVENCY & BANKRUPTCY (IBC):INSTILLING MORE DECIPLINE THAN RECOVERY

- Since the inception of IBC in December 2016, 7058 Corporate Insolvency Resolution Process (CIRPs) have been admitted by end-Sept 2023, of which ~72% have been closed. Of these, around 20% were closed on appeal or review or settled, ~18% were withdrawn, ~44% ended in orders for liquidation and ~16% culminated in approval of resolution plans.

- Out of total admitted cases of CIRP 38% are from manufacturing sector, while 21% from Real Estate, Renting & Business Activities. Sector wise distribution of CIRP is given on the table.

As of Sept'2023	
Status of CIRPs	**No. of CIRPs**
Admitted	**7058**
Closed on Appeal / Review / Settled	1053
Closed by Withdrawal under section 12A	947
Closed by Resolution	808
Closed by Liquidation	2249
Ongoing CIRP	**2001**
> 270 days	1341
> 180 days ≤ 270 days	263
> 90 days ≤ 180 days	191
≤ 90 days	206

Source: IBBI; SBI Research

Corporate Insolvency Resolution Process

Year	CIRPs at the beginning of the Period	Admitted	Closure by				CIRPs at the end of the Period
			Appeal/Review/ Settled	*Withdrawal under Section 12A*	*Approval of Resolution Plan*	*Commencement of Liquidation*	
2016-17	-	37	1	-	-	-	36
2017-18	36	707	95	-	19	91	538
2018-19	538	1157	155	97	77	304	1062
2019-20	1062	1989	343	216	133	540	1819
2020-21	1819	537	89	162	121	350	1634
2021-22	1634	891	116	184	147	342	1736
2022-23	1736	1261	172	200	184	409	2032
2023-24 ^	2032	479	82	88	127	213	2001
Total	**NA**	**7058**	**1053**	**947**	**808**	**2249**	**2001**

Source: IBBI; SBI Research; ^ upto Sept'23

Sectoral Distribution Of CIRPs as on Sept 30, 2023

Sector	No. of CIRPs						
	Admitted	Closed					Ongoing
		Appeal/Review/ Settled	*Withdrawal under Section 12 A*	*Approval of Resolution Plan*	*Commencement of Liquidation*	*Total*	
Manufacturing	2708	363	370	388	928	2049	659
Food, Beverages & Tobacco Products	355	44	46	45	125	260	95
Chemicals & Chemical Products	289	47	50	41	82	220	69
Electrical Machinery & Apparatus	192	23	21	14	82	140	52
Fabricated Metal Products	143	20	26	18	48	112	31
Machinery & Equipment	292	53	47	30	94	224	68
Textiles, Leather & Apparel Products	466	56	66	52	187	361	105
Wood, Rubber, Plastic & Paper Products	314	40	45	52	105	242	72
Basic Metals	458	53	39	107	146	345	113
Others	199	27	30	29	59	145	54
Real Estate, Renting & Business Activities	1508	282	230	118	414	1044	464
Real Estate Activities	414	89	55	35	68	247	167
Computer and related activities	204	25	35	13	73	146	58
Research and Development	9	2	2	1	1	6	3
Other Business Activities	881	166	138	69	272	645	236
Construction	811	152	120	89	166	527	284
Wholesale & Retail Trade	698	91	68	57	292	508	190
Hotels & Restaurants	149	26	24	21	39	110	39
Electricity & Others	199	26	18	41	74	159	40
Transport, Storage & Communications	195	21	22	15	78	136	59
Others	790	92	95	79	258	524	266
Total	**7058**	**1053**	**947**	**808**	**2249**	**5057**	**2001**

Source: IBBI; SBI Research

INSOLVENCY & BANKRUPTCY (IBC): STATUS CHECK

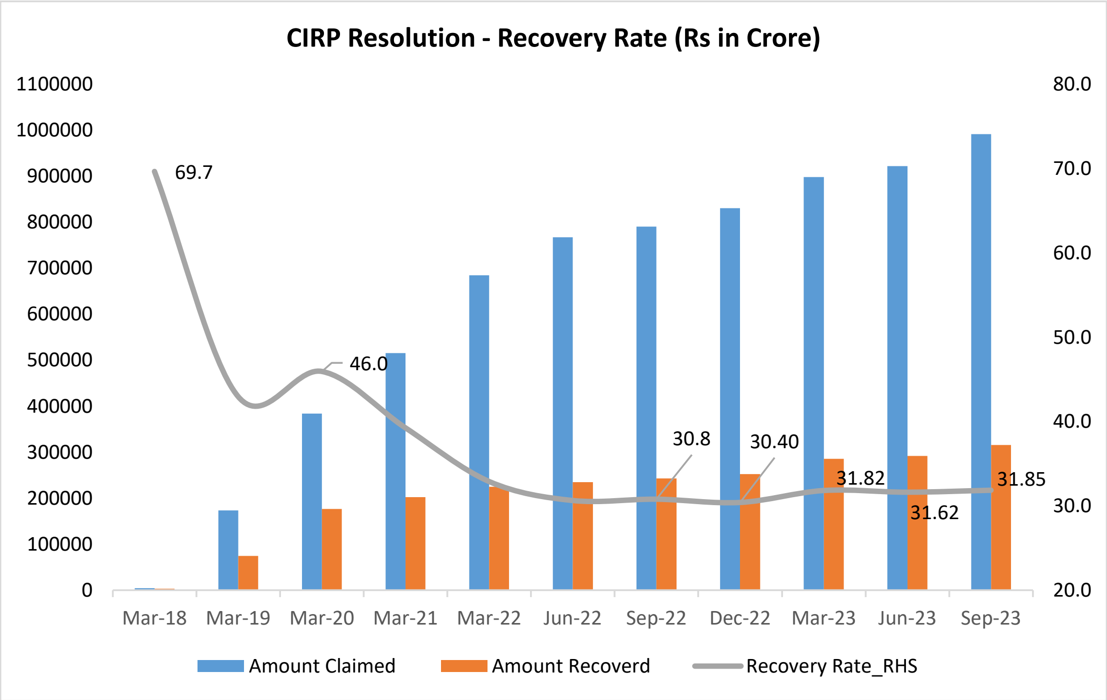
- It is also observed that out of 7054 cases admitted, around 3141 cases i.e., 45% are initiated by financial creditors, whereas 49% i.e. 3491 cases are initiated by operational creditors and remaining 6% by corporate debtors.

- Till Sept 2023, 808 CIRPs have ended in resolution. Realisation by financial creditors (FCs) under resolution plans in comparison to liquidation value has been ~169% (~183% as of March'20) while the realization in comparison to their claims stands at ~32% (~46% as of March'20).

- **However, it is pertinent to mention that realization by FCs as % of Admitted Claims stood at ~ 40% during FY23 reversing the blip seen during/post pandemic (FY22 ~ 14%).**

Initiation of Corporate Insolvency Resolution Processs				
Quarter	No. of Resolutions Processes Initiated By			
	Financial Creditor	Operational Creditor	Corporate Debtor	Total
2016-17	8	7	22	37
2017-18	286	310	111	707
2018-19	517	569	71	1157
2019-20	883	1054	51	1988
2020-21	197	318	22	537
2021-22	372	473	43	888
2022-23	654	537	70	1261
2023-24 ^	224	223	32	479
Total	**3141**	**3491**	**422**	**7054**
Share	**45%**	**49%**	**6%**	**100%**

Source: IBBI; SBI Research ; ^ upto Sept'23

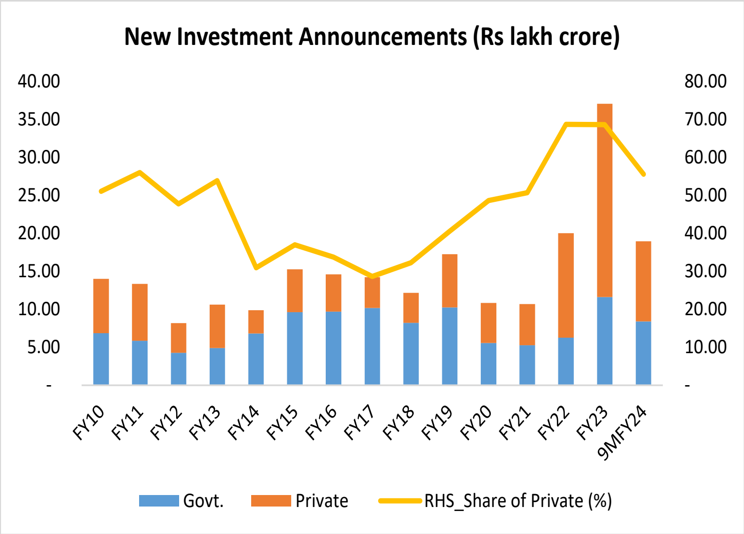


- **What is also important to mention that credit discipline has also been incipient as the number of cases withdrawn tell us, as of Aug'23 cases with amount involved of more than Rs 9 lakh crore are being withdrawn before admission, vouching for efficacy of IBC mechanism in establishing a rule of law, based on fair and just practices.**

- Also, the significant improvement in operational and management parameters of the post-IBC regime corporates vouches for a 'Leap of Faith' through IBC mechanism wherein incremental value is created for all stake holders and circularity of resources is augmented.

- Corporate, led by private sectors has shown capex intentions with all time high new investment announcements of Rs 37 lakh crore in FY23, as compared to Rs 20 lakh crore in FY22. With higher capacity utilization and strong order book in pipeline, in 9MFY24 also, the investment momentum continues with announcements around Rs 20 lakh crore. What is pertinent to mention that the private sector participation is increasing since last 2-3 years and reached around 68% from near 50% in earlier years.

- Major industries where new announcements were made includes Roadways, Iron & Steel, Basic Chemicals, Real Estate, Non-conventional Energy, Electronics, Automobiles, Hydel Based Power, Data Centre, Power distribution etc.



New Investment Announcements Sectorwise (major sector) FY23 and FY24				
Sectors	FY23		FY24 (9M)	
	Number of Projects	Amount Rs Crore	Number of Projects	Amount Rs Crore
Basic Chemicals	781	11,60,946	394	1,12,431
Roadways	1,702	4,29,272	988	2,16,966
Electronics	65	3,65,808	70	72,590
Real Estate	1,473	2,13,174	1,547	2,21,990
Community Services	2,607	2,14,757	1,623	1,37,924
Non Conventional Energy	193	2,11,821	154	1,06,686
Hydel Based Power	79	1,75,297	69	3,22,110
Automobiles	50	81,554	33	54,481
Iron & Steel	230	80,319	207	1,28,706
Non Metallic Mineral Products	66	73,842	68	45,358
Non Ferrous Metals	32	60,929	15	3,274
Shipping Infrastructure	60	55,184	28	26,617
Power Distribution	556	46,795	224	31,538
Commercial Complexes	366	41,271	352	31,394
Paper & Paper Products	37	31,846	19	5,686
Storage & Distribution	273	31,016	182	15,376
Food Products	228	74,030	172	33,146
Mining	123	43,821	82	44,867
Railways	510	16,074	121	90,944
Electrical Machinery	55	15,261	36	17,566
Automobile Ancillaries	72	1,126	62	6,005
All Sectors	**10,525**	**37,06,408**	**7,160**	**18,97,446**

Source: Projects Today; SBI Research

Contact Details

Dr. Soumya Kanti Ghosh
Group Chief Economic Adviser
Economic Research Department
State Bank of India, Corporate Centre
Madam Cama Road, Nariman Point
Mumbai - 400 021
Phone: 022-22742440
Email: gcea.erd@sbi.co.in|soumya.ghosh@sbi.co.in
X : @kantisoumya