Market Intelligence
& Analytics

CRISIL
An S&P Global Company

Continuity on three fronts

Interim Budget 2024-25

February 2024

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Prudent restraint

- A lower fiscal deficit estimate that hinges on moderation in revenue spends and realistic tax collection assumptions stand out in the interim budget for fiscal 2025
- The pronouncements are a mix of capital expenditure (capex) and rural support to bolster growth
- Despite the rural focus and a pre-election setting, the budget is not inflationary, which bodes well for price stability
- The lower fiscal deficit and market borrowings envisaged will ease government bond yields

Continuity on three fronts

1. Fiscal consolidation

Despite the imperative of supporting growth, fiscal consolidation continues. The fiscal deficit for next year is budgeted at 5.1% of gross domestic product (GDP), compared with 5.8% in this fiscal. With that, the central government will be 60 basis points (bps) away from the glide path of ~4.5% fiscal deficit by 2026. The reduction in the target for fiscal 2025 is attributable to lower revenue spends and robust revenue collections amid moderation in capex growth *(see chart on 'How the government plans to bring down fiscal deficit in 2024-25').*

2. Capex thrust to the economy

Budgetary government capital expenditure (capex) growth (includes capex *plus* revenue grants for creation of capital) is set to moderate to 17.7% next fiscal from 21.5% in the current one. However, the level of capex remains high with core infrastructure sectors seeing an increase in allocations, but at a slower pace *(see chart on 'Where is the capex going').*

3. Transparency in capex

The interim budget continues to lean on the budget for capex rather than on public sector units (PSUs), or the internal and external budgetary resources (IEBR) route — also referred to as off-budget. The share of PSU capex in total capex has been consistently falling from a peak of ~57% in fiscal 2018 to a budgeted 18.6% in fiscal 2025. This reduces the dependence on off-budget borrowings by PSUs to incur capex *(see chart on the 'Role of PSU capex diminishing').*

Focus stays on growth despite lower deficit

The interim budget relies on a mix of capex and rural spends to drive growth.

Despite the on-year moderation in capex growth, its share in GDP is higher suggesting a dominant role of government capex *(see chart on 'Capex to play a dominant role in supporting growth')*. Budgeted government capex, which includes revenue grants for creating capital, for the next fiscal is 4.6% of GDP, up from 4.3% for the current fiscal. Public sector capex (when capex by PSU is also included) goes up to 5.6%. This measures the total capex impulse to the economy. Higher capex will support growth, especially in a year when the Indian economy is expected to see a cyclical slowdown *(CRISIL expects real GDP to slow to 6.4% in fiscal 2025 from 7.3% in fiscal 2024)* and private capex is yet to become broad-based.

For the rural areas, after a brief hiatus, the return of budgetary support to rural employment and incomes will support demand, which in recent months has turned sluggish. Aggregate spends on the four key schemes — NREGA, PMAY-G, PMGSY and PM-Kisan — are budgeted to increase 13.2% on-year next fiscal after a ~10% drop in each of the previous two fiscals.

Inflation-neutral

Despite the rural focus and a pre-election setting, the budget is broadly non-inflationary. For instance, a majority of the rural support spends (NREGA, PMAY-G, PMGSY) are asset-creating and employment-generating. For an income-support scheme such as PM-Kisan, the allocation is maintained at fiscal 2024 level. This provides a favourable setting for monetary policy, which in recent months, too, has been tightening liquidity conditions to maintain inflation control. Sticking to fiscal consolidation helps maintain price stability. A lower fiscal deficit would, therefore, create headroom for the central bank to start easing the policy rates this year.

The fiscal math

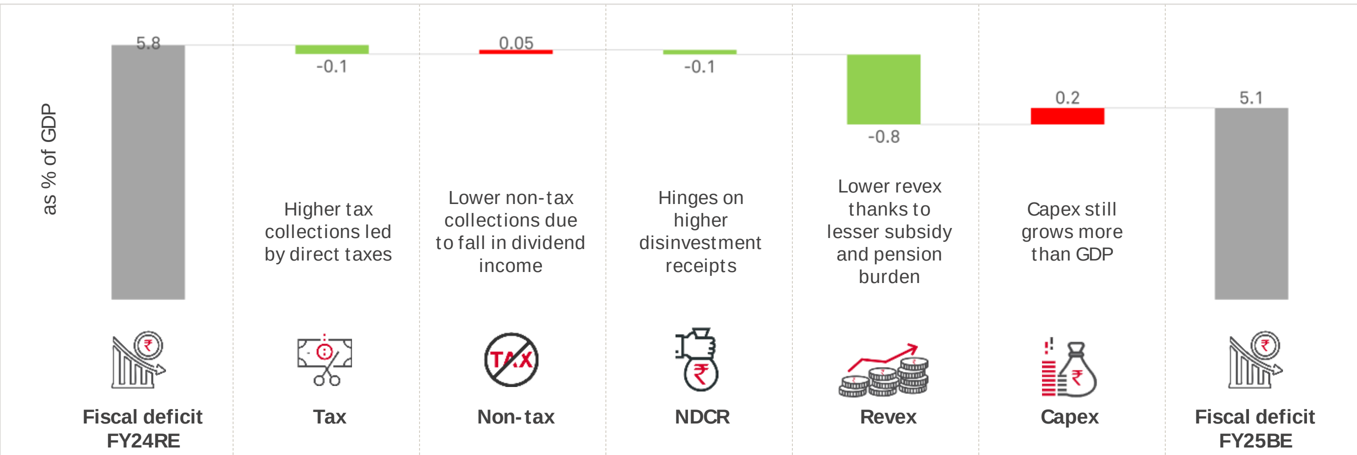
Adhering to the fiscal consolidation path — and rightly so — the government aims to reduce the fiscal deficit to 5.1% of GDP next fiscal from 5.8% (revised estimate) in the current fiscal. To be sure, the government plans to bring down the fiscal deficit to below 4.5% of GDP by fiscal 2026.

The case for fiscal consolidation

- **High debt-to-GDP ratio**: The government's[1] debt, which had ballooned during the pandemic, remains high. It shot up from 76.5% in fiscal 2020 to 90.7% in fiscal 2021 and currently stands at 84.95%[2], as opposed to the 60% limit under the FRBM Act. India has one of the highest level of debt among similarly rated sovereigns. Indonesia and Mexico, both of which are also rated BBB by S&P Global, have a much lower debt-to-GDP ratio of 39.79% and 45.49%, respectively
- **Greater fiscal scrutiny**: India's increased integration with the global financial markets will subject it to sharper fiscal scrutiny and hence fiscal consolidation is desirable. Some of its sovereign bonds will get included in the JP Morgan Government Bond Index-Emerging Markets (GBI-EM) starting June 2024 and likely in the Bloomberg Emerging Market (EM) Local Currency Index later this year

How is fiscal consolidation planned to be achieved?

Notably, the government has been able to budget a reduction in the fiscal deficit while maintaining its capex focus. The proposed reduction of fiscal deficit, therefore, hinges on reduced revenue expenditure thrust and marginally better tax collections *(see chart below)*.



[1] General government debt i.e. Centre and states combined. Central government debt currently stands at 57.2% of GDP
[2] As per S&P Global Ratings

Note: NDCR stands for non-debt capital receipts, largely representing disinvestments

Source: Budget documents, CRISIL

- **Nominal growth assumption realistic:** The government has assumed nominal growth of 10.5% for fiscal 2025, which appears realistic and is in line with CRISIL's forecast
- **Tax targets doable:** Given the improving compliance and rising tax base, which led to a higher-than-budgeted tax growth in fiscal 2024, it is possible for the government to meet its tax targets next fiscal as well (see table below for the budgeted targets under various tax heads), especially as the government is being reasonable in its targets by assuming a lower buoyancy next fiscal

Composition of tax revenue by key sources

		Growth (y-o-y %)					Tax buoyancy				
		Average FY16-FY20	FY22	FY23	FY24RE	FY25BE	Average FY16-FY20	FY22	FY23	FY24RE	FY25BE
Total	Gross tax revenue	10.3	33.7	12.7	12.5	11.5	0.9	1.8	0.8	1.4	1.1
Direct tax	Corporate	6.1	55.6	16.0	11.7	13.0	0.3	3.0	1.0	1.3	1.2
	Income	13.4	42.9	19.7	22.7	13.1	1.3	2.3	1.2	2.6	1.2
Indirect tax	GST	17.2*	27.2	21.6	12.7	11.6	1.7*	1.5	1.3	1.4	1.1
	Excise	9.1	0.7	-19.2	-4.8	5.0	0.9	0.0	-1.2	-0.5	0.5
	Customs	-7.9	48.2	6.8	2.5	5.8	-0.8	2.6	0.4	0.3	0.6

* Average of FY19 and FY20; tax buoyancy numbers for FY25 are based on the government's nominal GDP growth assumption of 10.5%

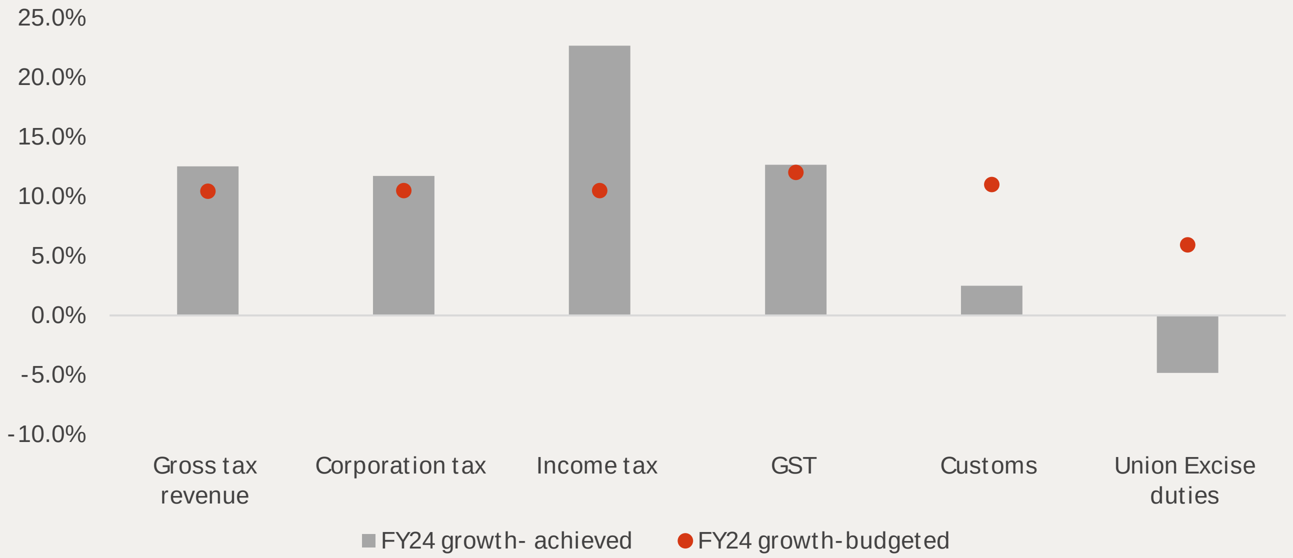
Source: Budget documents, CRISIL

Direct tax collections have been growing at a robust pace, especially income tax. The share of income tax in direct taxes has improved from 38.3% in fiscal 2015 to 52.6% in fiscal 2024. This share is expected to be maintained at the same level in fiscal 2025 as well. In fact, the healthy tax collections this fiscal have largely been led by a surge in income tax collections *(see chart in the box below)*.

Robust direct tax collections

Gross tax revenue increased 12.5% on-year in fiscal 2024 (against a target of 10.4%), driven by higher-than-expected growth in direct income and corporate taxes. Income tax collections grew 22.7%, as against an anticipated 10.5% growth, while corporate tax collections increased 11.7% on-year, exceeding the target of 10.5% growth.

- The sharp rise in income tax collections was facilitated by the government's formalisation push via measures such as tax deducted at source (TDS) and third-party digital sources that led to the creation of a transactions trail
- The impact of the above reforms/process improvement was discernable in the data: more than 7.65 crore income tax returns were filed as on October 31, 2023 (due date for AY2023-24), representing a ~12% increase from AY2022-23

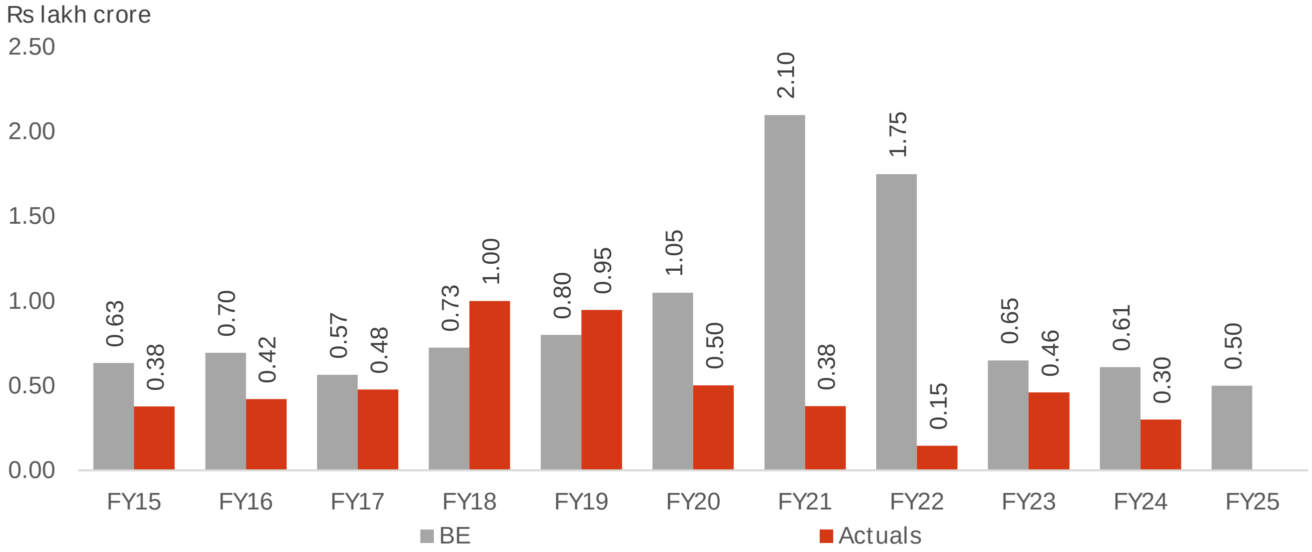


Source: Budget documents, CRISIL

Disinvestment targets need watching

- As for disinvestment targets, the achievements have fallen short in all but two (fiscals 2018 and 2019) of the past 10 fiscals. During fiscals 2021 and 2022, the government set ambitious targets but fell significantly short — by 82% and 91.6%, respectively — partly due to the pandemic. Since then, it has lowered the budget target for disinvestment to more manageable levels
- The government revised downward its estimate for receipts from disinvestment to Rs 0.3 lakh crore (RE) for fiscal 2024, Rs 0.31 lakh crore lower than the budgeted target of Rs 0.61 lakh crore
- For fiscal 2025, the government has set a budget target of Rs 0.5 lakh crore, 66.7% higher than the revised estimate for fiscal 2024. Given the government's record on disinvestments, this will have to be pursued proactively

The government has fallen short of the disinvestment target in the past five fiscals



Note: RE is used for FY24 in place of actuals

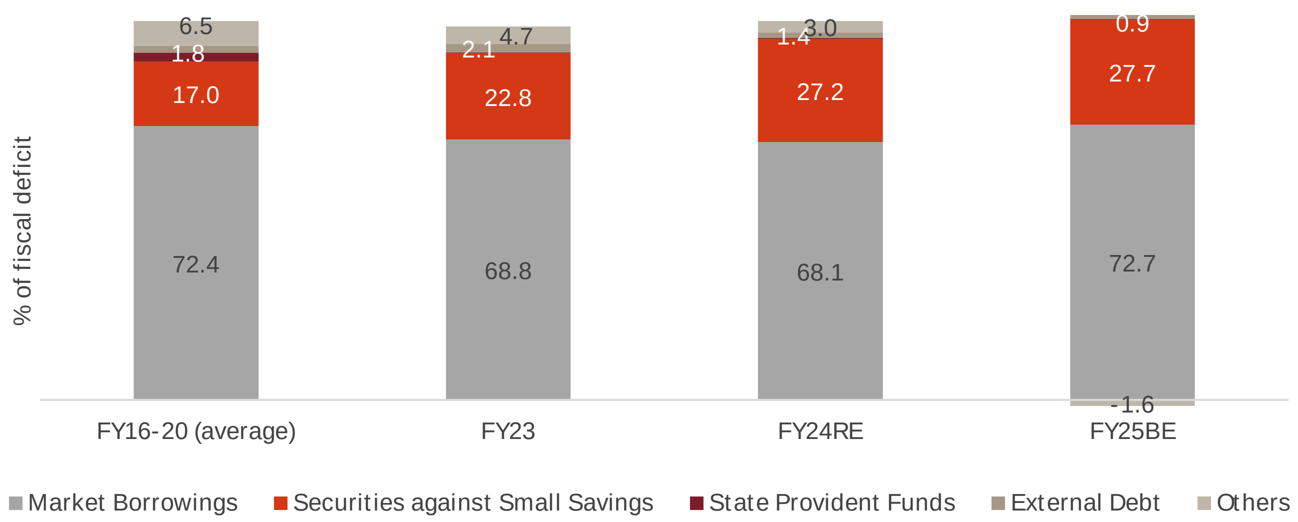
Source: Budget documents, CEIC

Sources of fiscal deficit financing

In terms of composition for financing the fiscal deficit, there is an increase in reliance on market borrowings as yields are expected to fall this fiscal:

- **Market borrowings:** As much as 72.5% of next fiscal's deficit is expected to be financed through this route, taking the share closer to the pre-pandemic five-year average *(see chart below)*. That said, given the reduction in fiscal deficit, in absolute terms, net market borrowing is budgeted to decrease mildly to Rs 11.75 lakh crore from Rs 11.80 lakh crore in fiscal 2024RE. Likewise, gross borrowings are budgeted to come down to Rs 14.13 lakh crore from Rs 15.43 lakh crore
- **Borrowing from NSSF:** The share of small savings securities in total fiscal deficit is expected to go up slightly to 27.7% from 27.2% in the current fiscal
- Share of **external debt** in financing the fiscal deficit is expected to come down, to 0.9% from 1.4%

Sources of deficit financing for fiscal 2025 mostly relying on market borrowing



Note: 'Others' includes drawdown of cash balance and other receipts

Source: Budget documents, CRISIL

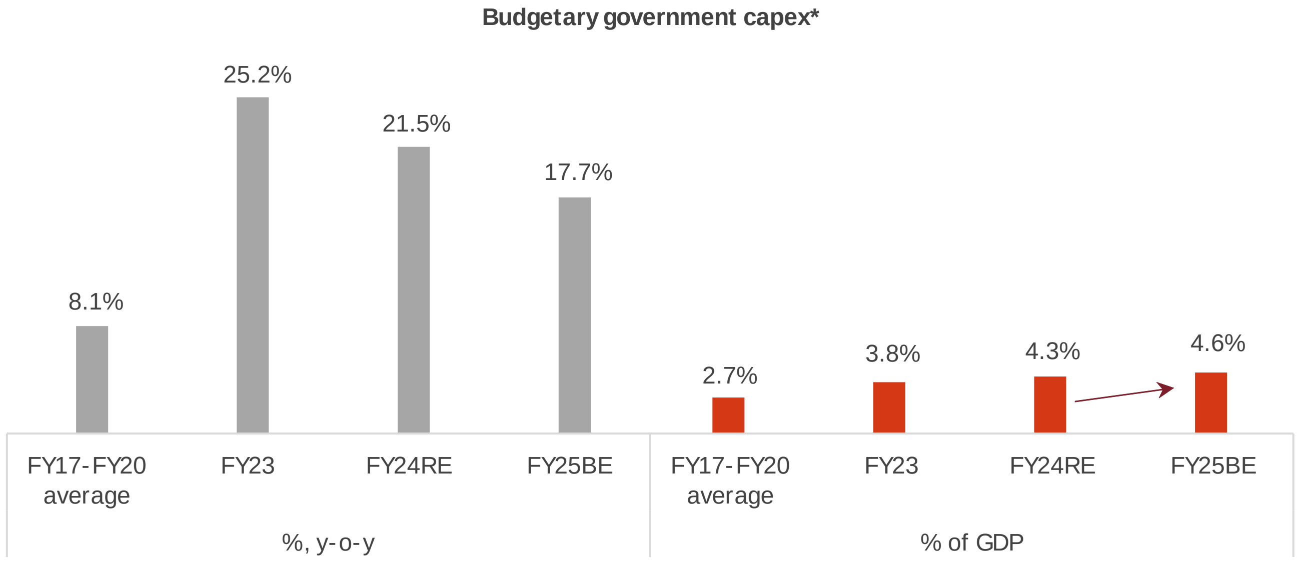
Implications of fiscal consolidation

- **Growth**: Fiscal consolidation is unlikely to be a growth spoiler, as:
  - Capex has been projected to rise, despite the reduction in fiscal deficit to 5.1% of GDP from 5.8% this fiscal. Put another way, the government's capex is projected to grow 17.7% in fiscal 2025, over a high base of 21.5% growth achieved this fiscal
  - The reduction in fiscal deficit creates headroom for the central bank to undertake rate cuts. To be sure, after having hiked policy rates by 250 bps between May 2022 and February 2023, Monetary Policy Committee (MPC) has maintained status quo. With inflation expected to ease down the road and given the fiscal rectitude, the MPC could be expected to cut rates from June
  - Private investments to pick up: With deleveraged balance sheets, rising capacity utilisation, and thrust from the Production Linked Incentive scheme, clean energy and new age sectors, the ground appears ready for a broad-based uptick in private sector investments
- Yields
  - In absolute terms, fiscal deficit will be brought down to Rs 16.85 lakh crore from Rs 17.35 lakh crore. This will allow the government to reduce its gross market borrowings of dated securities this fiscal. That should help push yields down. The 10-year benchmark yield has already eased in reaction. Other factors that are likely to push yields lower next fiscal are an expected fall in inflation to an average 4.5% from an estimated 5.5% this fiscal, lower crude oil prices (average ~$80 per barrel in 2024 compared with $82.6 in 2023) and increased demand for G-secs following their inclusion in the global bond indices

Leaning on a mix of capex and rural spends

- The moderation in capex growth next year is in line with the government's fiscal consolidation plans. There are two ways of looking at the capex thrust from the pronouncements:
  - The budgeted government capex, which includes capital expenditure *plus* revenue grants for capital creation, sees lower growth of 17.7% next fiscal compared with 21.5% this fiscal
  - A more comprehensive measure — public sector capex, which includes budgeted government capex (as above) and PSU capex — sees a growth uptick to 15.2% next fiscal from 13.4% this fiscal. It is interesting to note that this measure grew at a much slower pace than the budgeted 27.7% this fiscal
- Regardless of the way it is measured, the impact of capex on the economy is clear
  - Budgeted government capex rises to 4.6% of GDP next fiscal from 4.3% this fiscal and is much higher than the 2.7% average seen pre-pandemic during fiscals 2017-2020
  - Public sector capex is even higher at 5.6% of GDP in fiscal 2025

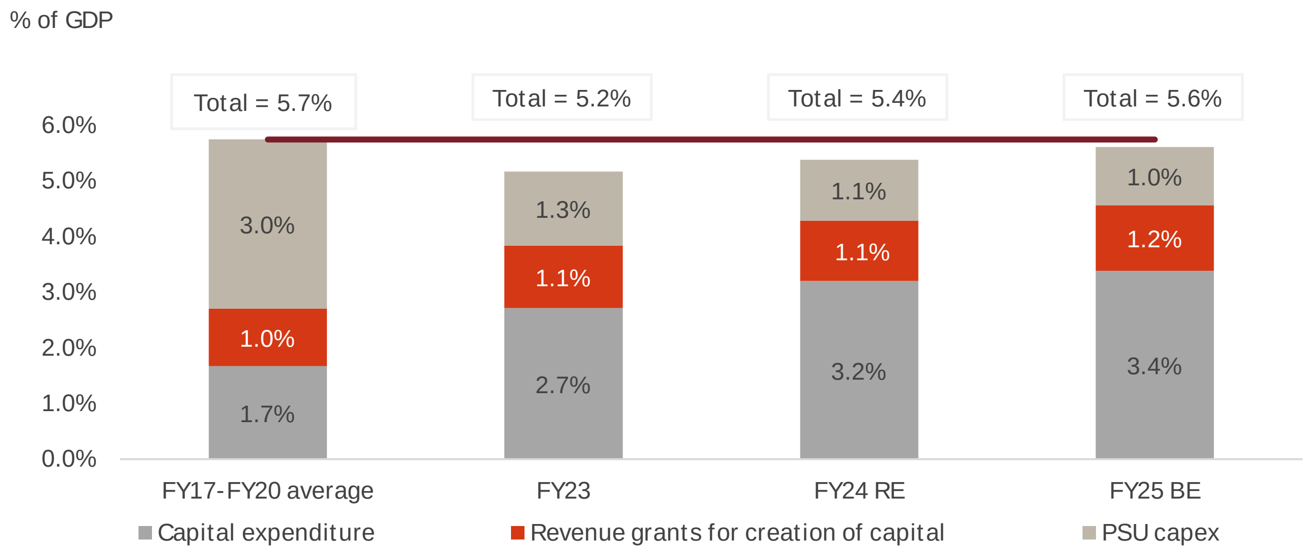
Capex to play a dominant role in supporting growth



Note: *Budgetary government capex includes capital expenditure which is budgeted to grow 16.9% on-year in FY25 *plus* revenue grants for creation of capital which is 20% higher in FY25.

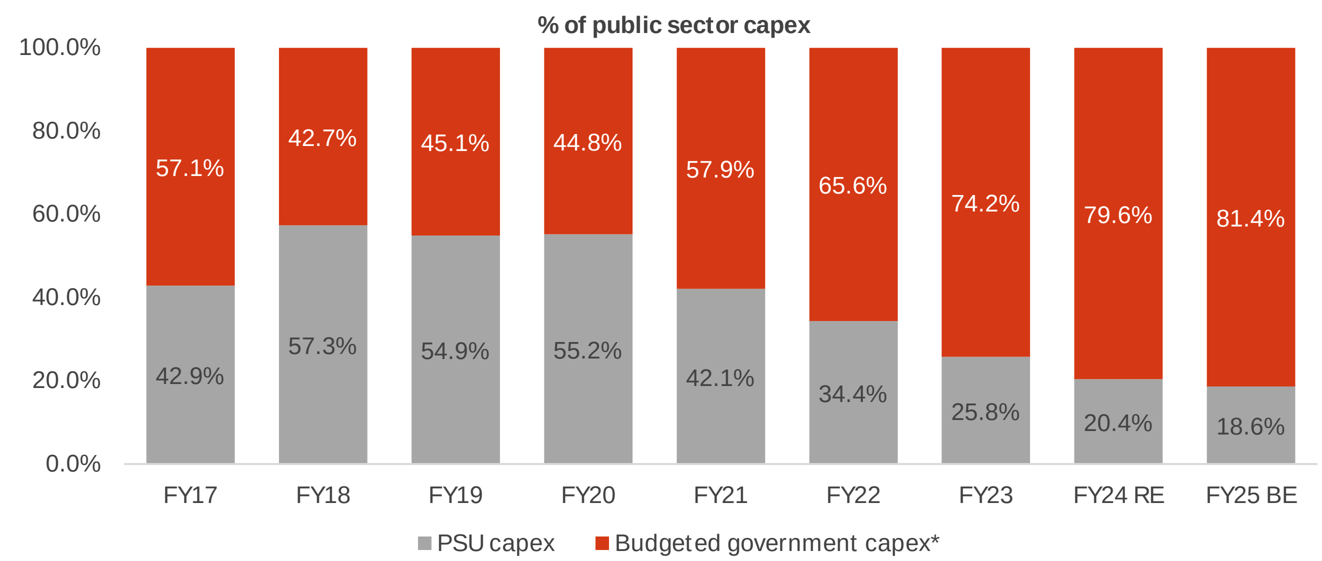
Source: Budget documents, CRISIL

Where the capex impulse originates



Source: Budget documents, CRISIL

Role of PSU capex diminishing



Note: *Budgetary government capex includes capital expenditure which is budgeted to grow 16.9% on-year in FY25 *plus* revenue grants for creation of capital which is 20% higher in FY25.

Source: Budget documents, CRISIL

Capex tilts towards non-core infra spends

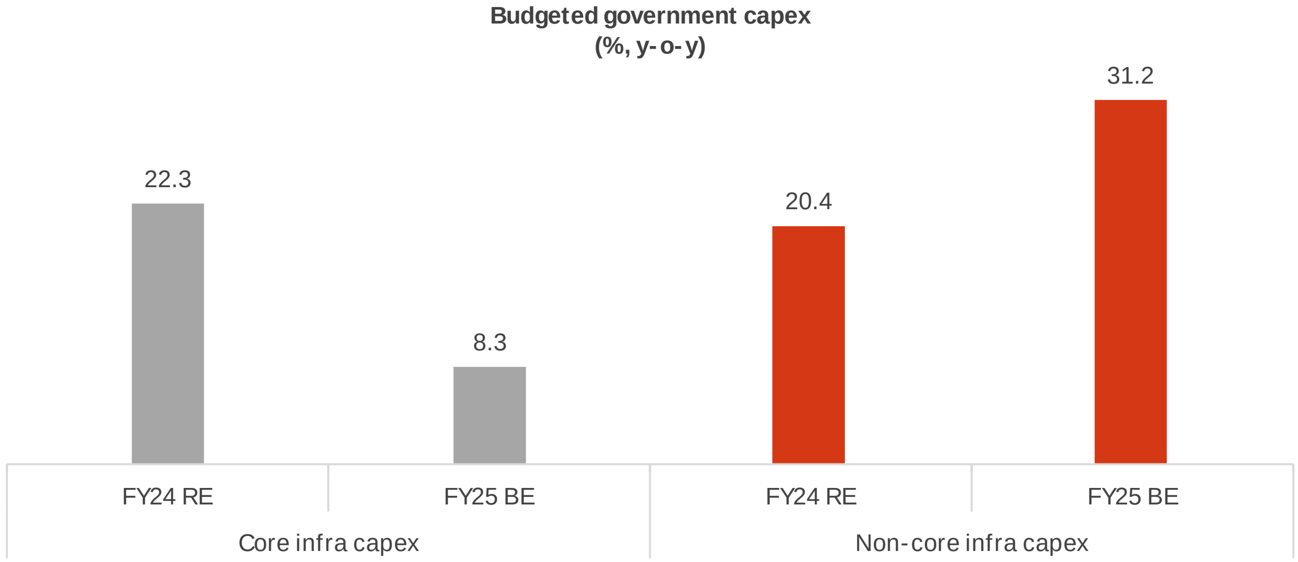
What is interesting to note is that while the budgeted government capex is to grow by 17.7% in fiscal 2025, much of it is seen in the non-core infrastructure segments. For the next fiscal, allocation to core-infra capex such as roads and highways, railways, housing, urban development, power and energy is budgeted to grow 8.3%, down from 22.3% in this fiscal.

- But the 8.3% growth in core infra sectors is on a high base and hence can be considered reasonably robust

Non-core infra capex allocation is expected to rise 31.2% in fiscal 2025 after growing 20.4% in fiscal 2024.

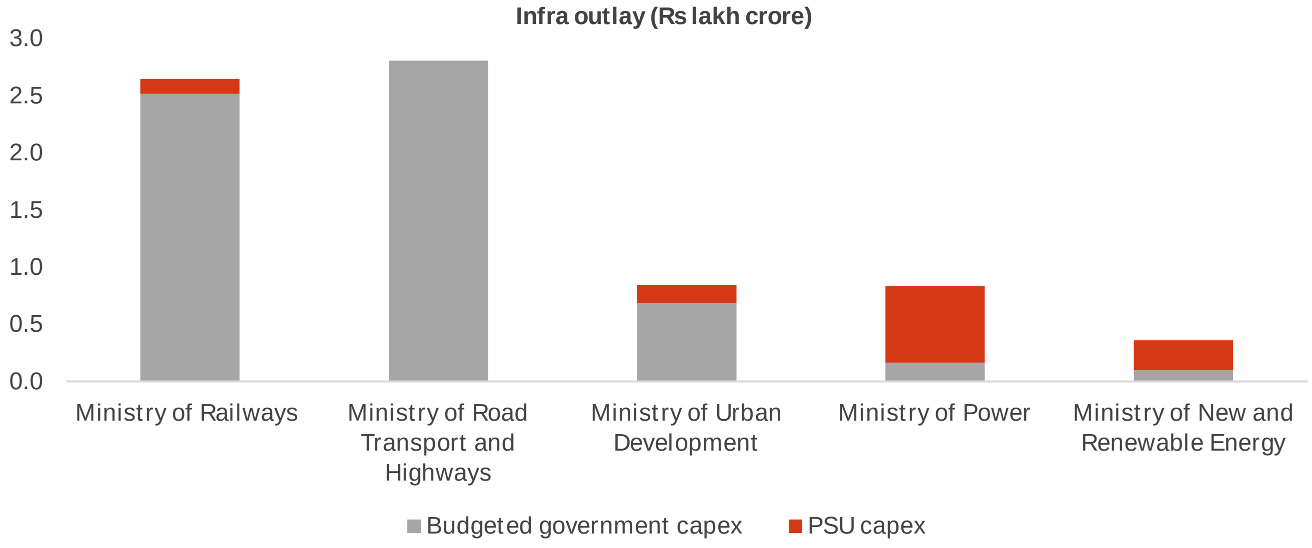
- Higher allocation in the non-core infra sectors is towards sectors such as telecom, petroleum, transfer to states and an over Rs 70,000 crore allocation towards ‘new schemes’ under the Department of Economic Affairs

Where is the capex going?



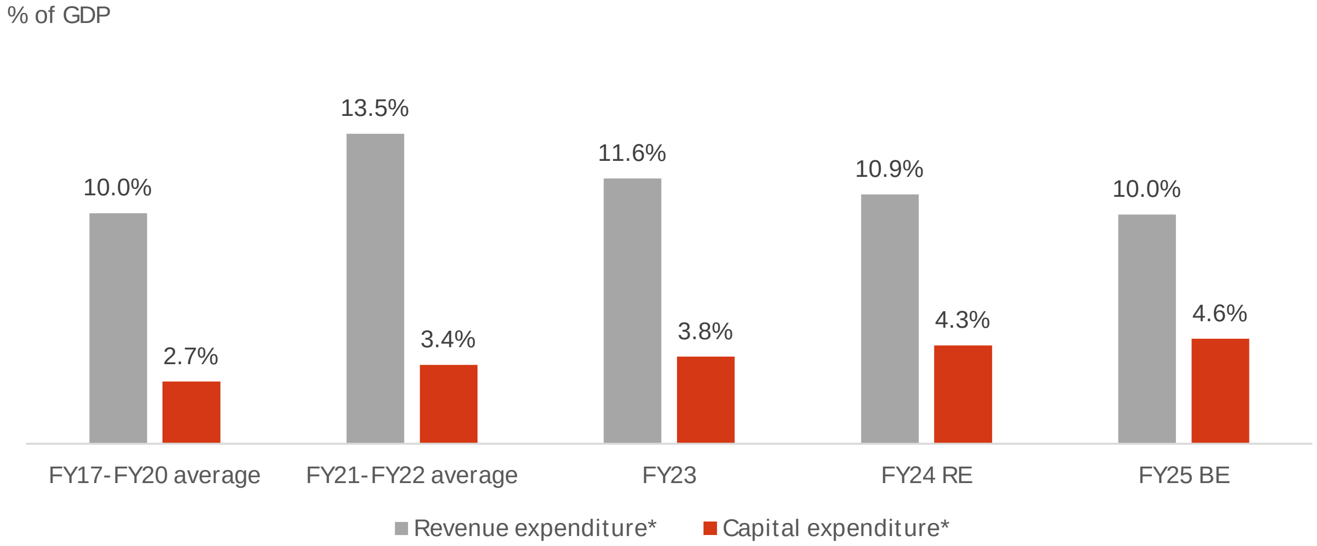
Source: Budget documents, CRISIL

How is infra capex for key sectors being funded?



Source: Budget documents, CRISIL

Support to rural economy slows the normalisation of pandemic-spends



Note: *Revenue grants for capital creation excluded from revenue expenditure and added to capital expenditure

Source: Budget documents, CRISIL

- The normalisation of pandemic-era spending continues. The pandemic had driven an increase in revenue expenditure, led by a bloated subsidy bill and higher rural spends (especially on employment-generating, asset-creating schemes) as the government provided support to alleviate the impact of income loss and unemployment caused by the lockdown
- Over the past two years, with robust domestic economic recovery, the government tilted towards capex to support growth. However, with rural incomes and demand facing challenges, due to weather shocks, some support has been restored next fiscal. Hence the compression in the revenue expenditure ratio is lesser compared with this fiscal

CRISIL's outlook for fiscal 2025

Macro parameter	FY24E	FY25F	Rationale for outlook
Real GDP growth (y-o-y %)	7.3^	6.4	Slowing global growth to weaken India's exports, while peak impact of past rate hikes should moderate domestic demand. Budgetary support to capex and rural incomes to support growth
CPI inflation (y-o-y %)	5.5	4.5	Lower commodity prices, high-base effect, especially in food inflation, and cooling domestic demand to help moderate inflation. A non-inflationary budget that focusses on asset-creation rather than direct cash support bodes well for core inflation and hence monetary policy
Fiscal deficit (% of GDP)	5.8	5.1	Continued pursuit of fiscal consolidation aided by moderation in revenue spend and robust tax collections brings down the deficit and allows for lower government market borrowings
10-year G-sec yield (fiscal-end, %)	7.0	6.8	Reduction in gross market borrowing to lower pressure on yields in fiscal 2025. Additionally, lower inflation and expected rate cuts by the MPC lend a further downside to the yield. India's bond inclusion in the JP Morgan global bond index is also favourable

^NSO's first advance estimate, E is estimate and F is full-year forecast

Source: CRISIL

Capital markets

Neutral

Sharper focus on fiscal prudence, consolidation a good augury

The government's decision to stick to the path of fiscal consolidation despite election-year pressures is broadly positive for the capital markets.

The interim budget projected the fiscal 2025 deficit at 5.1% and at 4.5% for fiscal 2026. The estimate for fiscal deficit for the current fiscal was revised to 5.8% from 5.9% earlier.

The government also reduced its gross and net market-borrowing projections to Rs 14.13 lakh crore and Rs 11.75 lakh crore for fiscal 2025, compared with Rs 15.43 lakh crore and Rs 11.80 lakh crore for fiscal 2024. The estimates are expected to be non-inflationary, offering a positive setting for the monetary policy and comfort to government yields in the short-to-medium term.

That said, inflation and growth dynamics, coupled with the Reserve Bank of India's (RBI) actual interest rate trajectory and the global central banks' monetary policies will continue to play their part on domestic yields.

While the government did not announce any fresh measures or sops for individuals and investors, continuation of the existing rules on income tax as well as focus on growth and ease of business are likely to keep investor sentiment positive. The extension of tax benefits for startups, investments by sovereign wealth funds and pension funds until March 2025 is likely to be a key positive for foreign fund inflows.

Status quo in terms of reforms and growth initiatives is expected to benefit the capital markets as investors shift away from traditional instruments and financialize their savings to seek better yield on their portfolio investments.

Sectoral impact

Agriculture

Neutral

Key budget announcements

- The cumulative budget allocation under the Ministry of Agriculture and Farmers' Welfare, Department of Fertilisers, Ministry of Rural Development, Ministry of Animal Husbandry and Fisheries, and Department of Food and Public Distribution has reduced ~3% in fiscal 2025 over fiscal 2024RE
- The Ministry of Agriculture and Farmers' Welfare observed a marginal 1% rise in allocation in fiscal 2025 over fiscal 2024RE
  - Allocation under the Rashtriya Krishi Vikas Yojana, which aims at integrated development focusing on food security, sustainable agriculture, production of oilseeds and agricultural extension, has registered a significant 23% jump over fiscal 2024RE to ~Rs 7,553 crore
  - Allocation under the Krishonnati Yojana, which aims at the holistic development of the agricultural sector, has seen a 17% improvement in the allocation for fiscal 2025 over fiscal 2024RE
  - For the country to be more self-sufficient in oilseed production, the government has announced the Atmanirbhar Oilseeds Abhiyan to promote research of high-yielding varieties, adoption of modern farming techniques in oilseed production and support farmers in the establishment of market linkages, procurement and value addition
  - The importance of value addition, proper storage and warehousing infrastructure in the agriculture sector has been highlighted with ~17% increase in allocation under the Food Storage and Warehousing Fund and Prime Minister Formalisation of Micro Food Processing Enterprises Scheme by ~10% over fiscal 2024RE. However, schemes such as the PM Kisan Sampada Yojana have registered a minimal ~2% decline in the allocation for fiscal 2025 over fiscal 2024RE
  - Additionally, the government aims to promote private and public investments in post-harvest activities, including aggregation of the produce through farmer producer organisations (FPOs) and farmer producer companies, improving the modern storage facilities to create an efficient supply chain, and increasing prospects for primary and secondary processing. In the same context, allocation for the formation and promotion of 10,000 FPOs has witnessed a 29% jump in fiscal 2025 over fiscal 2024RE
  - To empower women in the farming community, the government has introduced Namo Drone Didi Yojana, with an allocation of ~Rs 500 crore for fiscal 2025
  - Under the Ministry of Agriculture and Farmers' Welfare, allocations to PM-AASHA and PM Fasal Bhima Yojana have declined 21% and 3%, respectively
- Allocation to the Department of Fertilisers declined 13% in fiscal 2025 over fiscal 2024RE
  - While urea subsidy allocation has declined ~7% over fiscal 2024RE, nutrient-based subsidy (NBS) witnessed a significant decline of ~25% for the same period
  - The application of new-age fertilisers such as nano di-ammonium phosphate (DAP) has been promoted, the usage of which is expected to be advocated across all the agro-climatic zones of the country
- The Ministry of Rural Development registered ~4% growth in the budget allocation for fiscal 2025

- Allocation for the Mahatma Gandhi National Rural Employment Guarantee Act scheme, which has consistently supported the income of the rural population, remains on a par with fiscal 2024RE. However, fiscal 2024RE witnessed a 46% rise over fiscal 2024BE to Rs 86,000 crore

- The Department of Food and Public Distribution has registered a 4% decline in the budget outlay for fiscal 2025, with a 3% reduction in the food subsidy bill over fiscal 2024RE
- A significant ~26% increase in budget allocation under the Pradhan Mantri Krishi Sinchai Yojana for fiscal 2025 over fiscal 2024RE stands at Rs 8,890 crore

Allocation under various government schemes

Sr No.	Parameter	FY24BE (Rs crore)	FY24RE (Rs crore)	FY25BE (Rs crore)	Growth over FY24RE (%)
1	Pradhan Mantri Fasal Bhima Yojana (PMFBY)	13,625	15,000	14,600	-3%
2	Rashtriya Krishi Vikas Yojana (RKVY)	7,150	6,150	7,553	23%
3	Pradhan Mantri Kisan Samman Nidhi (PM Kisan)	60,000	60,000	60,000	0%
4	Formation and Promotion of 10,000 FPOs	955	450	582	29%
5	Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)	60,000	86,000	86,000	0%
6	Pradhan Mantri Gram Sadak Yojana (PMGSY)	19,000	17,000	12,000	-29%
7	Pradhan Mantri Awas Yojna (PMAY)	54,487	32,000	54,500.14	70%
8	Food Subsidy	1,97,350	2,12,332	2,05,250	-3%
	Total (MoA&FW, MoFAH&D, MoRD, DoF and DoF&PD)	**6,72,239**	**7,16,120**	**6,91,980**	**-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 Fertilisers, DoF&PD- Department of Food and Public Distribution

Source: Budget documents

Impact

- The rural budget this year steers away from additional short-term measures to infuse cash in the hand of farmers and focuses on structural measures. While these may not yield immediate benefits to the farmers, they are expected to contribute to sustainable growth in farm incomes in the medium to long term
- 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 under the umbrella scheme of Krishonnati Yojana will aid the farming community in improving productivity and gaining better returns encapsulated by 11 schemes. This also aims at promoting sustainable agricultural practices, increasing penetration of farm mechanisation, safeguarding crops from pests and improving marketing linkages
- In the context of emphasis being laid on oilseeds, 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 weighted average prices of oilseeds had risen 12% and 42% in fiscals 2021 and 2022, respectively, owing to climatic conditions and geopolitical tensions between Russia and Ukraine, respectively, but declined consecutively for the next two years (fiscals 2023 and 2024). The government aims to be self-sufficient in oilseed production through the Atmanirbhar Oilseeds Abhiyan and has focused on the procurement of oilseeds to safeguard farmer income when prices remain volatile

- With ~17% increase in allocation under the Food Storage and Warehousing Fund, the government aims at minimising post-harvest loss due to inadequate storage facilities. Government estimates show ~6% of crops in India suffer post-harvest loss, which translates into a whopping ~Rs 1.2 lakh crore loss. Of this, highly perishable fruits and vegetables comprise a significant ~48% share. Henceforth, establishment of a modern storage system with controlled/modified atmosphere facilities can help address post-harvest concerns. While this will not increase cash in hand of farmers in the short term, it should yield sustainable benefits by reducing crop losses, boosting the processing infrastructure
- The allocation of ~Rs 500 crore under the Namo Drone Didi yojana will ensure the supply of 15,000 drones to women self-help groups (SHG) for renting drones to farmers. It is expected to empower women by strengthening their role in local farming operations as well as generate income. In addition, this will help in better penetration of nano fertilisers that need to be sprayed across the crops foliage for optimal results
- The 25% decline in NBS subsidy allocation for non-urea fertilisers is in line with the decline in prices of key inputs such as phosphoric acid, rock phosphate and ammonia. Prices of these raw materials spiked in fiscals 2022 and 2023, followed by a drop in fiscal 2024; prices of phosphoric acid, rock phosphate and ammonia are estimated to decline 30-35%, 20-22% and 50-55%, respectively. Prices are expected to decline further in fiscal 2025
- The announcement of the expansion of nano DAP across all climatic zones points towards the promotion of such new-age fertilisers that will eventually help reduce the burden on both farmers and the government. For the farmer, a 500ml bottle of nano DAP can replace a 50kg bag of conventional DAP and the bottle is priced at Rs 600, less than half the price of the bag. For the government, it has the potential to reduce imports and subsidy bills. India imports ~60% of its DAP requirement with DAP contributing to an average of 14-15% of the fertiliser subsidy
- The allocation under the Pradhan Mantri Fasal Bhima Yojana for fiscal 2025 has been reduced by 3% over fiscal 2024RE. However, an increase in allocation would have been beneficial for the farming community amid climate change concerns. India has witnessed erratic monsoon with aberrations in spatial and temporal distribution for the past two years, leading to significant crop damage
- Irrigation penetration in India stood at 53% as of fiscal 2020. With a ~26% spike in budget allocation under the PM Krishi Sinchai Yojana, the government intends to increase the gross irrigated area to focus on micro irrigation and watershed management. An increase in irrigation penetration not only improves crop productivity but is also expected to increase the usage of highly efficient liquid fertilisers through fertigation techniques. However, as irrigation investments are majorly the state governments' affair, a state's involvement remains a key monitorable
- Allocation under the MNREGA remained on a par over fiscal 2024RE, at Rs 86,000 crore. The number of beneficiary households in fiscal 2024 is estimated at 5.62 crore, which is near the pre-pandemic level of fiscal 2020 (5.48 beneficiary households). However, during the peak pandemic period (fiscals 2021-2022), the average number of beneficiary households stood at 7.4 crore, ~35% higher than the pre-pandemic level, following the migration of urban labour force to villages

While the interim budget has focused on allied and agriculture post-harvest schemes, the union budget's offerings remain a monitorable.

Food processing

Positive

Key budget announcements

- The budget allocation for the Pradhan Mantri Matsya Sampada Yojana (PMMSY) under the Department of Fisheries rose to Rs 2,352 crore in fiscal 2025BE from Rs 1,500 crore in fiscal 2024RE
- The government raised the allocation to the Livestock Health and Disease Control programme by 65% to Rs 2,465 crore in fiscal 2025BE
- The allocation for PM Formalisation of Micro Food Processing Enterprises (PMFME) scheme increased 10% to Rs 880 crore in fiscal 2025BE from Rs 800 crore in fiscal 2024RE

Allocation under various government schemes

Sr No.	Parameter	FY24BE (Rs. Crore)	FY24RE (Rs. Crore)	FY25BE (Rs. Crore)	Growth over FY24RE (%)
1	Blue revolution (Pradhan Mantri Matsya Sampada Yojana - PMMSY)	2,025	1,500	2,352	57%
2	Livestock Health and Disease Control Programme	2,350	1,500	2,465	64%
3	PM Formalisation of Micro Food Processing Enterprises scheme (PMFME)	639	800	880	10%

Source: Budget documents

Impact

- India is the world's third-largest fish producer, accounting for nearly 5% of global seafood exports, and competing with Ecuador, Vietnam, Chile and Russia. Between fiscals 2016 and 2023, Indian seafood exports surged from ~Rs 30,000 crore to ~Rs 64,000 crore. With increased efforts to upgrade infrastructure, seafood exports are expected to double within the next five years
  - The increased budget allocation under PMMSY will enhance post-harvest infrastructure, bridge value chain gaps, improve traceability and boost fish productivity, ultimately spurring domestic production and exports
  - The overall funding for the Department of Fisheries rose 52% in fiscal 2025BE over fiscal 2024RE to boost employment in the sector to 5.5 million from 28 million currently (Andhra Pradesh, West Bengal, Karnataka, Orissa and Gujarat together account for 60% of domestic fisheries production)
- The Livestock Health and Disease Control programme is expected to enhance animal health and bring Indian animal yields closer to the global average. Currently, Indian cows and buffaloes yield ~9 litre and 12 litre of milk per day, respectively, while the global average is 20 litre per day for cows and 22 litre per day for buffalos
  - Boosting milk production not only guarantees sufficient supply of raw materials for the growing domestic dairy industry but also enhances exports, which declined 55% over the April to September 2023 period due to lower milk production volumes in India. Elevated animal yield and increased milk production present an opportunity to raise export earnings

- Over 90% of the food processing units in India fall under the unorganised segment and often lack adequate processing infrastructure, thereby affecting food quality
  - Increased funding for PMFME will support micro food processing enterprises through training programmes, financial assistance and compliance support
  - In fiscal 2024, the programme had over 40,000 beneficiaries, including individual micro enterprises, farmer producer organisations (FPOs), self-help groups (SHGs) and producers cooperatives
  - The higher allocation for PMFME aims to boost value addition in the food processing sector and enhance overall food quality

Infrastructure

Neutral

Key budget announcements

- The aggregate gross budgetary support (GBS) for capex next fiscal is up 17% over fiscal 2024RE at Rs 11.1 lakh crore. For core infrastructure ministries, this is up 4% at Rs 5.7 lakh crore
- Railway capital expenditure budgeted at Rs 2.65 lakh crore is 2% higher than fiscal 2024RE, while the GBS at Rs 2.52 lakh crore increased 5% over fiscal 2024RE. The three corridors targeted — 1) energy, mineral and cement, 2) port connectivity and 3) high traffic density — will be developed under the PM Gati Shakti plan. Additionally, 40,000 normal rail bogies would be upgraded to Vande Bharat standards to enhance safety, convenience and comfort of passengers
- The government intends to expand metro rail and Namo Bharat to more cities with focus on rapid urbanisation. Currently, 874 km of metro rail is operational in the country while another 986 km is under construction

Allocations to core infrastructure ministries

Figures in Rs crore	FY23A				FY24BE				FY24RE				FY25BE				FY25BE vs FY24RE
	GBS	IEBR	GIA	Total	GBS	IEBR	GIA	Total	GBS	IEBR	GIA	Total	GBS	IEBR	GIA	Total	
Ministry of Railways	159,256	44,727	-	203,983	240,000	52,783	-	292,783	240,000	20,000	-	260,000	252,000	13,000	-	265,000	2%
Ministry of Road Transport and Highways	205,986	-	7,495	213,481	258,606	-	8,753	267,358	264,526	-	8,806	273,332	272,241	-	8,735	280,976	3%
Ministry of Rural Development	-	-	150,296	150,296	4	-	130,524	130,528	4	-	129,142	129,146	4	-	154,600	154,604	20%
Ministry of Urban Development	26,878	16,512	31,829	75,219	25,997	16,963	41,830	84,790	26,533	16,789	33,780	77,102	28,626	16,020	39,862	84,508	10%
Ministry of Power	23	57,384	4,894	62,301	17	60,805	19,472	80,294	124	59,120	13,108	72,352	518	67,286	15,988	83,792	16%
Ministry of New and Renewable Energy	13	18,249	4,113	22,375	12	37,828	9,752	47,591	15	21,355	6,924	28,294	17	26,499	9,762	36,279	28%
Ministry of Water Resources	168	8	4,923	5,099	360	2	12,083	12,446	325	2	7,450	7,776	400	2	12,807	13,209	70%
Ministry of Shipping	678	3,418	410	4,507	1,068	3,633	381	5,082	1,166	4,319	437	5,922	1,078	5,218	681	6,977	18%

Figures in Rs crore	FY23A				FY24BE				FY24RE				FY25BE				FY25BE vs FY24RE
	GBS	IEBR	GIA	Total	GBS	IEBR	GIA	Total	GBS	IEBR	GIA	Total	GBS	IEBR	GIA	Total	
Ministry of Civil Aviation	86	4,442	1,389	5,917	87	3,448	1,046	4,580	772	3,428	711	4,910	42	3,448	359	3,849	-22%
Department of Atomic Energy	13,832	10,063	770	24,665	15,982	13,059	1,260	30,301	15,004	9,161	1,010	25,175	13,861	10,779	806	25,446	1%
Infra capex	**406921**	**154802**	**206119**	**767843**	**542132**	**188521**	**225101**	**955754**	**548469**	**134173**	**201368**	**884010**	**568788**	**142251**	**243599**	**954638**	8%
Total Capex	**740025**	**363120**	**306264**	**1409409**	**1000961**	**487745**	**369988**	**1858694**	**950246**	**326193**	**321190**	**1597629**	**1111111**	**343012**	**385582**	**1839705**	**15%**

Source: Budget documents

Impact

- While the overall growth in GBS stands at 17%, growth in the total gross budgetary outlay for 10 core infrastructure ministries is only 4%. The differential in growth rate arises from the fact that non-core infrastructure ministries such as the Ministry of Telecommunications and the Ministry of Petroleum and Natural Gas have seen increased allocation. Additionally, the Department of Economic Affairs has been allocated Rs 74,052 crore, of which, Rs 70,448 crore has been allocated for new schemes. The deployment of this amount will be a key monitorable going forward
- While growth has moderated, it is on a high base and the overall quantum of capex allocation is still high. The moderation implies the central government's capex is on a glide path to stabilisation. The foot is still on the pedal after a phase of robust growth where infrastructure capex was used to pump prime the economy during the Covid-19 years, thereby setting the stage for the private sector to step in and continue the healthy pace of capex for the infra build-out
- Development of the three new rail corridors along with the completion and full operationalisation of the dedicated freight corridor will improve the logistical efficiency and aid the government in achieving its target of reducing the overall logistics cost, which currently stands at 14% of the GDP

Roads

- The overall gross budgetary outlay for the Ministry of Road Transport and Highways doubled from Rs 1.28 lakh crore in fiscal 2019 to Rs 2.64 lakh crore in fiscal 2024RE. Against this backdrop, the roads and highways capex for the next fiscal has witnessed a sharp moderation in growth rate and is only higher by 3% vis-à-vis fiscal 2024RE. Similar to the previous fiscal, the entire allocation of Rs 2.72 lakh crore would be via GBS as the IEBR limit has been completely eliminated in order to reduce the National Highways Authority of India's (NHAI) dependence on market borrowings. On the other hand, the asset monetisation target has increased from Rs 10,000 crore in fiscal 2024RE to Rs 15,000 crore in fiscal 2025BE. To be sure, in 9M fiscal 2024, NHAI has been able to monetise ~16,000 crore, which bodes well for the divestment target set out for fiscal 2025. This assumes greater significance as roads account for close to 30% of the National Monetisation Plan (NMP) targets and healthy progress in monetisation of road assets is imperative for the achievement of overall NMP targets
- The budgetary allocation of Rs 1.68 lakh crore towards the NHAI for the next fiscal has remained flattish vis-à-vis fiscal 2024RE. The elimination of IEBR and minimal contribution of cess implies that a significantly large portion of NHAI funding would be met through GBS
- Furthermore, the NHAI has been aiming to modify the build-operate-transfer (BOT) model with fast-tracked clearances to award more projects, as the share of this model has dipped to negligible levels in recent years. Large developers are also likely to be interested in BOT projects amidst dipping profitability in the hybrid annuity model owing to competitive bidding. Notably, if successful, the shift towards the BOT model could reduce funding burden on the ministry since 100% of the construction cost is borne by the developer in this model

Power and renewable energy

Positive

The total budget of the Ministry of New and Renewable Energy (MNRE) has increased ~43% in fiscal 2025BE to Rs 41,121 crore over fiscal 2024RE; revised estimates for fiscal 2024 were ~60% of fiscal 2024BE.

- The total budget for Indian Renewable Energy Development Agency (IREDA), the nodal development financial institution, has increased to Rs 25,914 crore, a 26% jump over fiscal 2024RE, with 100% of the money to be raised via the IEBR route
- Outlay for solar (grid) has increased 110% to ~Rs 10,000 crore. The government has announced rooftop solarisation through which 1 crore households can obtain free electricity every month. This capital subsidy will most likely flow from MNRE
- Allocation to the Green Energy Corridor (GEC) scheme has also increased to Rs 600 crore from Rs 434 crore
- The total budget of the Ministry of Power (MoP) has increased ~15% to Rs 87,114 crore over fiscal 2024RE, with the fiscal 2024RE at ~95% of fiscal 2024BE. Of the overall spend, IEBR funds raised by central public sector enterprises linked to the ministry accounted for ~77%
- Outlay for the Reform Linked Distribution Scheme has gone up by 39% to Rs 14,500 crore

Capital outlay and allocation for MNRE and MoP

Parameter (Rs crore)	FY23A				FY24BE				FY24RE				FY25BE				
	GBS	GIA	IEBR	Total	GBS	GIA	IEBR	Total	GBS	GIA	IEBR	Total	GBS	GIA	IEBR	Total	vs FY24 RE
MNRE	0	5,777	18,248	24,025	0	9,752	37,828	47,580	0	7,388	21,356	28,744	0	14,622	26,499	41,121	41%
IREDA	0	0	18,065	18,065	0	0	35,777	35,777	0	0	20,497	20,497	0	0	25,914	25,914	26%
Solar power (grid)	0	2,736	0	2,736	0	4,970	0	4,970	0	4,757	0	4,757	0	10,000	0	10,000	110%
Solar power (off-grid)	0	57	0	57	0	362	0	362	0	60	0	60	0	20	0	20	-67%
SECI	0	0	183	183	0	0	2,051	2,051	0	0	859	859	0	0	585	585	-32%
KUSUM	0	1,325	0	1,325	0	1,996	0	1,996	0	1,100	0	1,100	0	1,496	0	1,996	81%
GEC	0	250	0	250	0	500	0	500	0	434	0	434	0	600	0	600	38%
Green hydrogen	0	0	0	0	0	297	0	297	0	100	0	100	0	600	0	600	500%
Biopower (grid)	0	0	0	0	0	0	0	0	0	5	0	5	0	80	0	80	1500%
Biopower (off-grid)	0	0	0	0	0	0	0	0	0	20	0	20	0	125	0	125	525%
Hydro (grid)	0	18	0	18	0	30	0	30	0	20	0	20	0	50	0	50	150%
Hydro (off-grid)	0	0	0	0	0	1	0	1	0	0	0	0	0	1	0	1	-
Share of above schemes as % of MNRE budget	0%	76%	100%	94%	0%	84%	100%	97%	0%	88%	100%	97%	0%	92%	100%	98%	1%
MoP	23.11	8,512	57,384	65,920	11.01	19,430	60,805	80,246	119.01	16,597	59,120	75,836	511	19,317	67,286	87,114	15%
Investment in public enterprises	0	0	57,384	57,384	0	0	60,805	60,805	0	0	59,120	59,120	0	0	67,286	67,286	14%
RDSS	0	2,738	0	2,738	0	12,072	0	12,072	0	10,400	0	10,400	0	14,500	0	14,500	39%
Manufacturing zones	0	0	0	0	0	100	0	100	0	40	0	40	0	80	0	80	100%

Parameter (Rs crore)	FY23A				FY24BE				FY24RE				FY25BE				
	GBS	GIA	IEBR	Total	GBS	GIA	IEBR	Total	GBS	GIA	IEBR	Total	GBS	GIA	IEBR	Total	vs FY24 RE
MNRE	0	5,777	18,248	24,025	0	9,752	37,828	47,580	0	7,388	21,356	28,744	0	14,622	26,499	41,121	41%
Support for flood moderation – hydro projects	10	0	0	10	0.01	0	0	0	109	0	0	109	450	0	0	450	313%
Share of above schemes as % of MoP budget	**43%**	**32%**	**100%**	**91%**	**0%**	**63%**	**100%**	**91%**	**92%**	**63%**	**100%**	**92%**	**88%**	**75%**	**100%**	**94%**	**2%**

GIA: Grant in aid, BE: Budget estimates; RE: Revised estimates

Notes:

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

2) GIA component refers to schemes that are classified under revenue expenditure due to the nature of being subsidies, but are expected to result in capital asset creation. The classification of schemes under GIA is as per CRISIL estimates

Source: Budget documents, CRISIL MI&A Research

Impact

- Increased budget for IREDA signifies higher lending activity by the entity, as evident from the 11% increase in its outstanding loan book of Rs 34,800 crore to renewable energy (solar, wind, biopower, hydro, hybrid and waste to energy) as of September 2023, compared with as of March 2023
- The rooftop solarisation project is expected to boost installations in the segment. The scheme could translate into capacity additions of 20-22 GW in the residential rooftop segment, resulting in investments of Rs 91,000-110,000 crore. The overall solar rooftop base is expected to reach 31-33 GW from 11 GW as of December 2023. If fully implemented, this will help achieve 80-85% of the overall government target of 40 GW in rooftop solar installations, driven by the lagging residential category. The residential installed base that stood at 2.65 GW as of December 2023 will bump up by ~8x by the end of scheme implementation. Though finer details are yet to be released, based on the current financial assistance, incremental investments will need government subsidies worth at least Rs 35,000 crore over the scheme period. The government's budgetary allocation will remain critical for successful implementation over the scheme period
- Outlay for dedicated power transmission systems for renewable energy integration under GEC is expected to aid completion of Phase I of the scheme and initiate Phase II. Under Phase I, only 827 ckm of transmission lines and 1,396 MVA of transformation capacity (9% and 6% of corresponding totals) were pending commissioning as of July 2023. Further, under Phase II, 7,574 ckm of transmission lines and 29,737 MVA of transformation capacity are planned incrementally. The expenditure is planned across Gujarat, Himachal Pradesh, Karnataka, Kerala, Rajasthan, Tamil Nadu and Uttar Pradesh
- The interim budget speech also indicated a policy on viability gap funding (VGF) for the offshore wind segment. At an estimated capital expenditure of Rs 180-200 million per MW by 2030, the levelised cost of energy for the segment works out to Rs 6.5–7 per unit[3]. In the past, Gujarat and Tamil Nadu have shown interest towards purchasing offshore wind power at Rs 4/unit[3]. To achieve such a tariff, CRISIL MI&A Research estimates Rs 65-75 billion funding will be required through the VGF route, comprising ~40% of the total cost. The government has not classified any line item for funding

Of the total outlay of Rs 3,03,758 crore under the Revamped Distribution Sector Scheme (RDSS) over fiscals 2022-2026, the government has promised GBS of Rs 97,631 crore. Of this, Rs 28,452 crore has been budgeted cumulatively till fiscal 2025.

[3] Based on secondary news reports on utility stance on the segment

This corresponds to 29% of overall funding requirement from the central government, suggesting that funding requirement in the next budget may go up significantly. To reiterate, installation of smart meters under the scheme remains low at less than 5%.

Real estate

Positive

Key budget announcements

- The target of Pradhan Mantri Awas Yojana-Gramin (PMAY-G) has been increased by two crore houses for the next five years, a ~68% addition to the current target of about three crore houses
- A new housing scheme will be launched for eligible middle-class households to buy or build their own houses

Allocations to PMAY

Sr no	Parameters	FY23A (Rs crore)	FY24BE (Rs crore)	FY24RE (Rs crore)	FY25BE (Rs crore)	Growth in FY25BE over FY24RE (%)
1	PMAY (U)	28,653	25,103	22,103	26,171	18%
2	PMAY (G)	44,962	50,487	28,174	50,650	80%

Note: PMAY (G) figures include just the programme component

Source: Budget documents

Impact

- PMAY was introduced in 2015 to provide affordable housing for all by the end of 2022. Owing to delay in completion, the timeline was revised to fiscals 2024 and 2025 for PMAY-G and PMAY-Urban (U), respectively. The announcement to bring two crore additional houses under the ambit of PMAY-G over the next five years is a positive. For one, it will reduce housing shortage in rural areas. The incremental target will support cement and building construction segments, too, as it will lead to incremental cement demand of at least 15 MTPA. It will also support other allied building and construction activities. Execution under the scheme has been encouraging so far. Of the targeted 2.95 crore houses, 2.55 crore have been completed as of January 2024, with as much as 70% of these having women as either sole or joint owners
- While PMAY focussed on affordable housing, thereby catering to the low-income group, the announcement of a new housing scheme for eligible middle-class households who live in rented houses, slums, chawls and other unauthorised colonies would benefit that section of the population
- The government's continued focus on housing is expected to provide an impetus to the real estate sector as well as its stakeholders, such as developers, engineering, procurement and construction contractors, and allied industries such as steel, cement, etc

Manufacturing

Positive

Key budget announcements

- A corpus of Rs 1 lakh core will be allocated to offer long-term financial support at zero to minimal interest rates to amplify research and innovation within the sunrise sectors
- Three key economic railway corridors have been announced under the PM Gati Shakti initiative: (i) energy, mineral and cement corridors, (ii) port connectivity corridors, and (iii) high-traffic density corridors. These projects are aimed at facilitating multi-modal connectivity, thereby enhancing logistics efficiency and reducing operational costs

Allocation to the Production Linked Incentive (PLI) schemes

Sector (Rs crore)	FY24BE	FY24RE	FY25BE	Growth (FY25BE over FY24RE)
Mobile phones & electronic components	4,499	4,489	6,125	36%
Medical devices	100	48	85	76%
Pharma - API and KSMs	100	16	58	260%
Pharmaceuticals drugs and formulations	1,000	1,632	2,000	23%
Automobiles and auto components	604	484	3,500	623%
Drones and drone components	33	33	57	73%
Food processing industry	1,530	1,150	1,444	26%
Textile products: MMF segment and technical textiles	5	5	5	0%
White goods (ACs & LEDs)	65	65	298	359%
IT hardware products	146	70	75	7%
Specialty steel	-	2	270	11341%
Total	**8,082**	**7,995**	**13,917**	**74%**

Source: Budget documents

Impact

- India`s research and development (R&D) spend, at 0.65% of gross domestic product (GDP), considerably lags global peers. R&D spend in Germany is 3.1% and China 2.4%. The corpus, therefore, aims to boost innovation by increasing R&D spend as a % of GDP, to improve India's rank in the Global Innovation Index, which stood at 40th out of 132 economies in 2023
- Goods transportation costs stand at ~Rs 2.5/tonne per km by road, compared with Rs 1.36/tonne per km by railways. The National Rail Plan envisages increasing the railways' modal share in freight transport to 45% by 2030 from the present ~26%. Initiatives such as commodity-specific economic rail corridors and commissioning of the eastern and western dedicated freight corridors will facilitate this. This will lower logistics costs from the current 12% of GDP, enhancing manufacturing competitiveness and advancing India's economic objectives. In comparison, logistics cost in Germany is 8% of GDP for Germany, Japan, 9%, and US, 8%

Allocation of incentives under the PLI schemes surged 74% in fiscal 2025BE, reflecting robust policy support and widespread industry uptake. The development is poised to bolster India's manufacturing GDP contribution from its current rate of 17% to the government's target of 25% in the medium term while driving export expansion and improving India's competitiveness, facilitating integration into global value chains across emerging and established sectors.

Oil and gas

Neutral

Key budget announcements

- The Ministry of Petroleum and Natural Gas has been allocated Rs 1.34 lakh crore for fiscal 2025, a 19% increase over fiscal 2024RE
  - Overall allocation, excluding capital allocation to oil marketing companies (OMCs), increased only 6%
  - Capital support to OMCs has been set at Rs 15,000 crore for fiscal 2025. Notably, the budgeted amount of Rs 30,000 crore in fiscal 2024BE has been revised to nil in Budget 2024RE
  - The Rs 5,000 crore plan to fill strategic petroleum reserves, has been deferred temporarily

Impact

- In fiscal 2025, budgetary allocations for the Ministry of Petroleum and Natural Gas are anticipated to rise 19%, due to the Rs 15,000 crore capital infusion for OMCs. Excluding the capital infusion, allocations are expected to improve only 6% on-year and support growth of the oil and gas industry. It should be noted that the initial capital assistance of Rs 30,000 crore for fiscal 2024BE has been revised to nil. With stable oil prices and improving demand resulting in a favourable profitability scenario for the OMCs, capital infusion will remain a monitorable
- The government has deferred the Rs 5,000 crore plan for boosting crude oil cover. Given that crude oil prices are likely to remain rangebound at $80-85 per barrel in 2024, likelihood of the government boosting strategic petroleum reserves is low

MSME

Neutral

Announcement

- Allocation of Rs 22,138 crore to the micro, small and medium enterprise (MSME) sector
- Allocation of Rs 4,824 crore to the Pradhan Mantri Vishwakarma Yojana, which provides end-to-end support to artisans and craftsmen
- Extension of the deadline by one year to March 31, 2025, for start-ups under the International Financial Services Centre (IFSC) to ensure continuity in their tax benefits
- Implementation of the Pradhan Mantri Matsya Sampada Yojana (PMMSY) to be stepped up, and five integrated aquaparks to be set up

Impact

- Budgetary allocation to the MSME sector is Rs 22,138 crore for next fiscal, in line with current fiscal, marking an eightfold increase over the decade (2015-2025)
- About 56% of the budgetary allocation is directed towards credit, the major pain point for MSMEs given that formal credit penetration for the sector stands at a mere 20%. However, the allocation has reduced 29% compared with 2024RE
- Launched in September 2023, the Pradhan Mantri Vishwakarma Yojana, which provides artisans holistic support, skill enhancement, credit access and market linkages, received budgetary allocation of Rs 4,824 crore, i.e., 22% of total MSME allocation. As on December 29, 2023, over 1,25,700 craftsmen had enrolled for the scheme
- Extending the deadline for start-ups under the IFSC by one year to March 31, 2025, is a positive move, ensuring continuity in their tax benefits. Start-ups under the IFSC receive numerous tax benefits — each unit is granted a 100% tax exemption for 10 years
- Focus on the PMMSY has sharpened, with the establishment of five integrated aquaparks. Further, a strategy to achieve ‘atmanirbharta’ for oil seeds and a comprehensive programme for supporting dairy farmers are being formulated with efforts underway to control foot and mouth disease. These initiatives will benefit MSMEs, given they account for ~70% share in these sectors

Tourism

Positive

Key budget announcements

- States will be encouraged to develop iconic tourist centres, with global branding and marketing initiatives to attract business and promote opportunities for local entrepreneurship, supported by long-term interest-free loans
- A framework for rating centres based on facility and service quality will be established
- Projects focusing on port connectivity, tourism infrastructure and amenities on islands, including Lakshadweep, aim to address the fervour for domestic tourism while also generating employment opportunities

Budgetary allocation to Ministry of Tourism

Sr no	Parameters	FY23A (Rs crore)	FY24BE (Rs crore)	FY24RE (Rs crore)	FY25BE (Rs crore)	Growth in FY25BE over FY24RE (%)
1	Budget allocation	682	2,400	1,692	2,450	45%

Source: Budget documents

Impact

- Allocation for the Ministry of Tourism has increased 45% to Rs 2,450 crore, of which 85% is earmarked for tourism infrastructure development, marking a rise from 77% in fiscal 2024RE. Priority is given to the Swadesh Darshan and Pilgrimage Rejuvenation and Spiritual Augmentation Drive schemes, with impressive 114% and 20% on-year increase in allocations, respectively

  Despite being home to one of the wonders of the world and offering tourism experiences tailored to diverse age groups and interests, India ranks 25th globally for inbound tourists. The development of iconic tourist centres, backed by marketing and branding efforts, coupled with long-term interest-free loans extended to states, and the focus on port connectivity, tourism infrastructure and island amenities, will boost both inbound and domestic tourism. This, in turn, will open up employment and entrepreneurship opportunities. Additionally, these measures will help increase employment and GDP contributions of tourism from 8% and 6.8% currently to the top 20 country average of around 11.4% and 10.3%, respectively.

Notes

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Pivots, Pillars and Pace

Navigating the future of India's economy

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