



Union Budget FY24



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Story in a nutshell

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MAIN SCREEN

PERSONAL BALANCE SHEET



Rupee comes from...

- Non-Debt Capital Receipts (2%) 
- Customs (4%) 
- Union Excise Duties (7%) 
- Non-Tax Revenue (6%) 
- Income Tax (15%) 
- GST & Other Taxes (17%) 
- Borrowings & Other Liabilities (34%) 
- Corporation Tax (15%) 

Budget



Rupee goes to...

- States' Share of Taxes & Duties (18%) 
- Finance Commission & other transfers (9%) 
- Interest Payments (20%) 
- Central Sector Schemes (17%) 
- Defence (8%) 
- Centrally Sponsored Schemes (9%) 
- Subsidies (7%) 
- Other Expenditure (8%) 
- Pensions (4%) 

Union budget FY24 rests on 7 pillars (Saptarishi) - (I/II)



Inclusive Development

- Focus on: Agriculture, Education & Health
- **Agriculture Accelerator fund** for start ups in rural areas
- INR 20 lakh Cr targeted credit outlay for **Animal Husbandry, Dairies & Fishery** sectors
- **National Digital Library** for children to be set up
- Launch of mission to **eliminate Sickle cell anemia** by 2047
- **157 new nursing colleges** to be established



Reaching the last mile

- INR 15,000 Cr **PVTG development fund** to provide housing, water, road, telecom, education & health in PVTG areas
- Centre will **recruit 38,800 teachers and support staff** for the 740 Eklavya Model Residential Schools,
- Financial assistance for **sustainable micro-irrigation** systems in drought prone regions of Karnataka



Youth Power

- **PMKVY 4.0** for skilling to be launched to cover Coding, AI, Robotics courses; 30 Skill India International Centres to be setup across states
- **Unified Skill India Digital** platform for enabling formal skilling
- **National Apprenticeship Promotion Scheme** to support 47 lakh youth



Financial Sector

- INR 2 lakh Cr **collateral free credit scheme** for MSMEs
- INR 30 lakh, **Senior citizen saving scheme** deposit limit (up from INR 15 lakh)
- **Mahila Samman Bachat Patra** to enable small saving scheme up to INR 2 lakh for 2 years for women
- Continued support for **public digital infrastructure**

Union budget FY24 rests on 7 pillars (Saptarishi) - (II/II)



Green Growth

- Provision of INR 35,000 Cr for priority capital investments towards **energy transition, net zero, energy security** etc.
- **PM-Pranam** to be launched to promote usage of alternative fertilizers
- **10,000 Bio-Input Resource Centres** to be set-up for a national-level micro-fertilizer and pesticide manufacturing network
- **Green Credit Programme** to incentivize sustainability



Unleashing the potential

- **3 specialized AI centres** to be set up to develop AI based solutions across sectors
- **National Government Data Policy** to be introduced to enable access to anonymized data
- **100 5G services labs** to be set up for application development to be set up
- Outlay for R&D grant for **lab grown diamonds**



Infra and Investment

- Capital investment outlay of **INR 10 lakh Cr** (33% increase)
- **INR 2.4 lakh Cr** capital outlay for Railways (highest ever)
- Creation of **Urban Infra in Tier 2 & 3 cities** through UIDF
- Continuation of **50-year interest free loan to state governments** till 2024 (outlay of INR 1.3 lakh Cr)



Decoding the Budget Arithmetic

Particulars (INR Cr)	FY23 BE	FY23 RE	FY24 BE	Difference FY23 RE–FY24 BE	Growth	
					FY23 Vs FY24 Absolute	FY24 BE Vs FY23 BE %
Receipts	3,944,909	4,187,232	4,503,097	242,323	315,865	14.2%
Revenue	2,204,422	2,348,413	2,632,281	143,991	283,868	19.4%
Capital	1,740,487	1,838,819	1,870,816	98,332	31,997	7.5%
Expenditure	3,944,909	4,187,232	4,503,097	242,323	315,865	14.2%
Revenue	3,194,663	3,458,959	3,502,136	264,296	43,177	9.6%
Capital	750,246	728,274	1,000,961	-21,972	272,687	33.4%
Expenditure allocation (top items)						
Interest payments	940,651	940,651	1,079,971	0	139,320	14.8%
Transport	351,851	390,496	517,034	38,645	126,538	47.0%
Defence	385,370	409,500	432,720	24,130	23,220	12.3%
Transfer to States	334,339	270,936	324,641	-63,403	53,705	-2.9%
Rural Development	206,293	243,317	238,204	37,024	-5,113	15.5%
Pension	207,132	244,780	234,359	37,648	-10,421	13.1%
Food	206,831	287,194	197,350	80,363	-89,844	-4.6%

Source: Union Budget 2023-2024 press release, BCG analysis



India Union Budget FY24: Story in a nutshell

Focus on expansion of infrastructure, augmentation of consumption, and regulation of fiscal deficit



Source: Union Budget 2023-24 press release, BCG analysis



Impact of Union Budget FY24 on commodities



What goes up?

- Cigarettes
- Silver
- Compounded rubber
- Imitation Jewelry
- Articles made from gold bars
- Imported High value SKD and CBU vehicles
- Imported bicycles and toys
- Imported kitchen electric chimney
- Imported luxury cars and Evs



What goes down?

- Mobile Phones
- TV
- Lab-grown diamonds
- Shrimp feed
- Machinery for li-on batteries
- Raw materials for EV industry

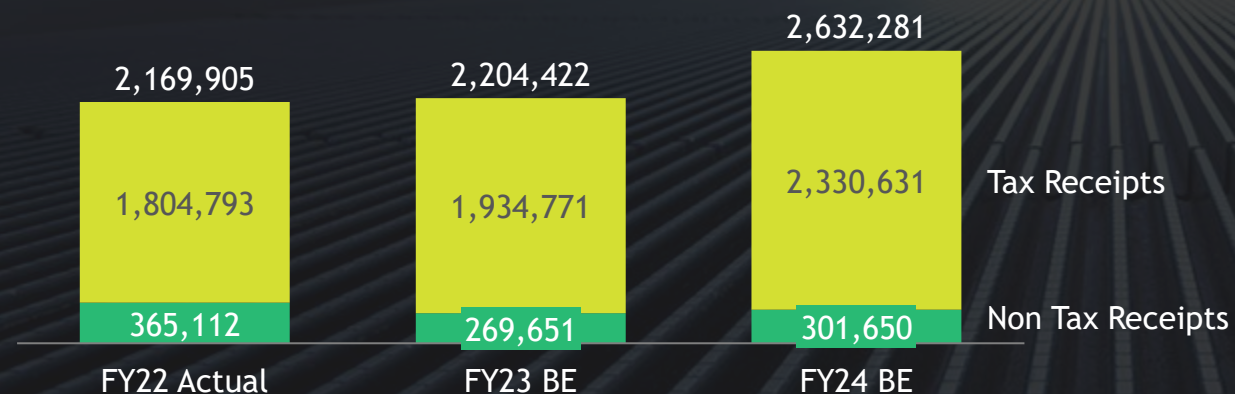


Financial outlook for FY24



Budget FY24: Economy Projections

	FY23	FY24E
GDP Growth (% y-o-y)	7	6-6.8
CPI Inflation (% y-o-y)	5.5	4.1
Fiscal Deficit (% of GDP)	6.4	5.9



Factors impacting outlook FY24



Rise in foreign funds and private sector investment



Risk of global recession (esp. in advanced economies)



Push to infrastructure and manufacturing sector



Reduction in income tax to impact revenue by INR 35,000 Cr. However, increase in disposable income of taxpayer will aid in indirect tax collection and have multiplier effect in the economy

Agriculture and Allied Sectors

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Strong focus on improving value chain efficiencies through technology and quality inputs to enhance farmer's income

Top 7 sector announcements

Industry perception

1	Setting up Agriculture Accelerator Fund	
2	Setting up a decentralized storage capacity	
3	Building Digital Public Infrastructure	
4	Launching Atmanirbhar Bharat Clean Plant Program	
5	Making India a Global Hub for Millets	
6	Sustainable farming through use of bio inputs (PM-PRANAM)	
7	Agriculture Credit target increased to INR 20 lakh Cr with a focus on animal husbandry, dairy, and fisheries	



Sector Impact

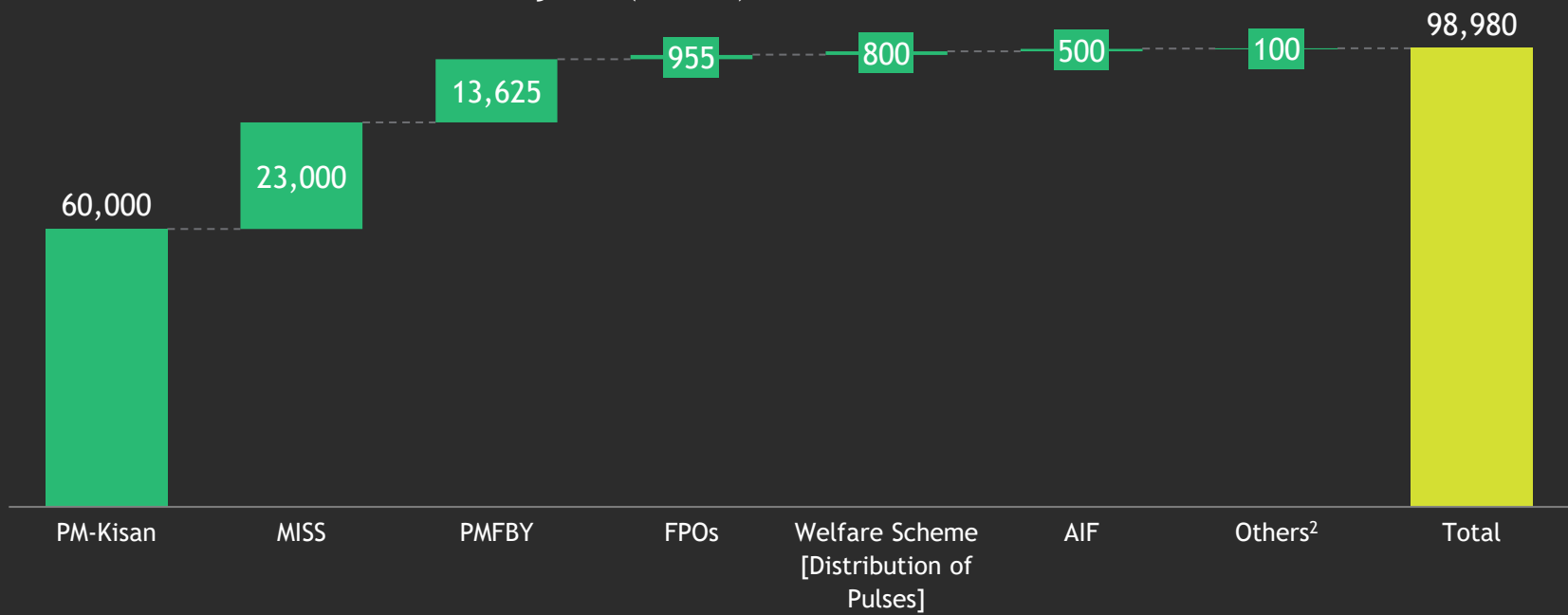
All sector announcements are targeted towards **addressing the critical input-output linkage challenges** across the value chain and thereby **improving farm productivity** and **reducing post-harvest losses**.

This is expected to **improve profitability and support farmers' income**.



Marginal rise in Agri budget outlay compared with RE of last fiscal; continued focus on core central sector schemes with consistent budget allocation

Agri: Budget Allocation for Central Sector Schemes/Projects (INR Cr)



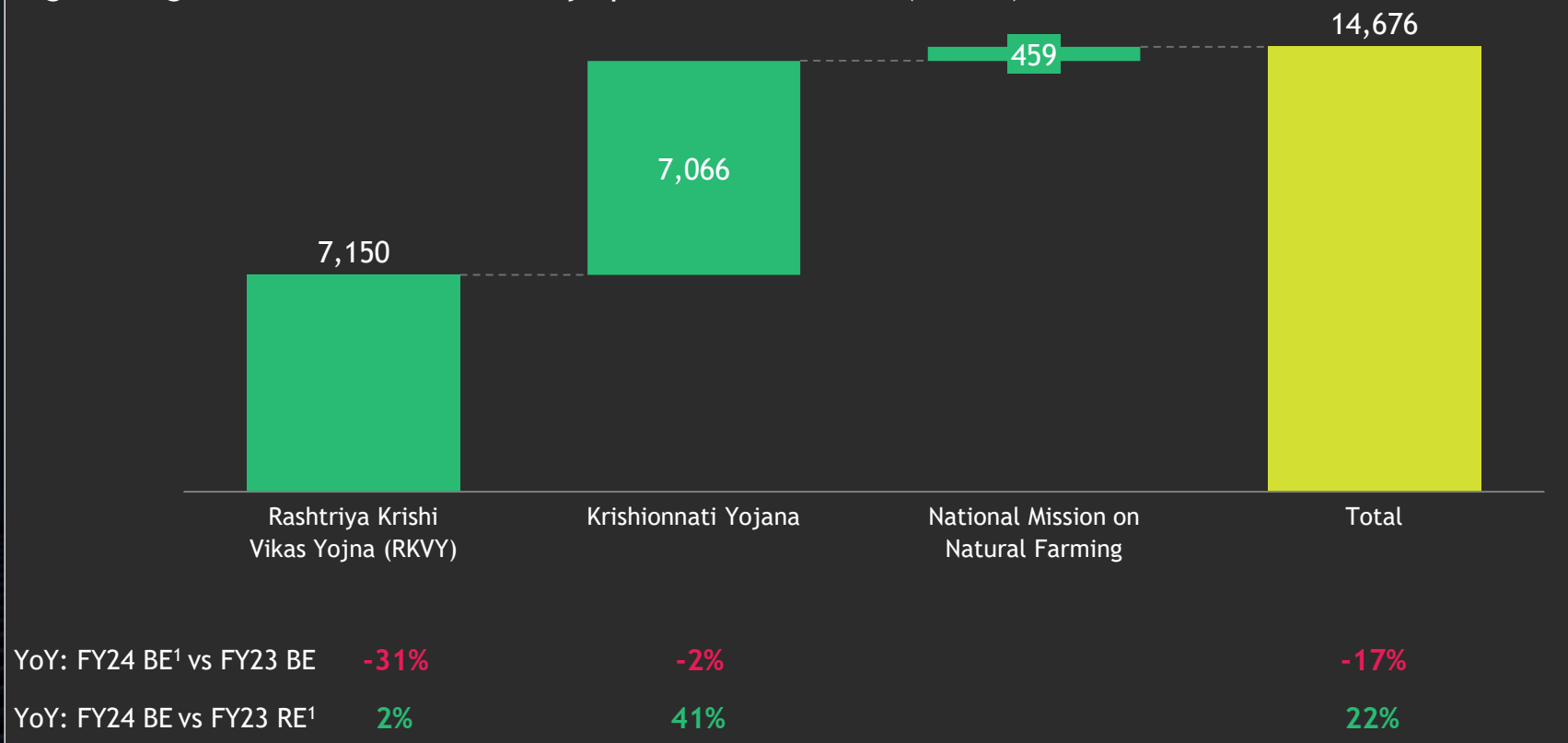
YoY: FY24 BE ¹ vs FY23 BE	-12%	18%	-12%	91%	8789%	0%	-94%	-6%
YoY: FY24 BE vs FY23 RE ¹	0%	5%	10%	0%	381%	233%	-94%	2%

1. BE refers to Budget Estimate and RE is Revised Estimate 2. It includes MIS-PSS, PM-AASHA, Pradhan Mantri Kisan Man Dhan Yojana, and National Beekeeping Honey Mission
 Source: Union Budget 2023-24 press release; BCG analysis



Budget allocation increased for centrally sponsored schemes compared with RE of last fiscal; a new scheme launched to focus on natural farming

Agri: Budget Allocation for Centrally Sponsored Schemes (INR Cr)



Overall, 22% increase in budget allocation for RKVY and Krishionnati Yojana compared with RE of last fiscal; however, both witnessed decline when compared to BE

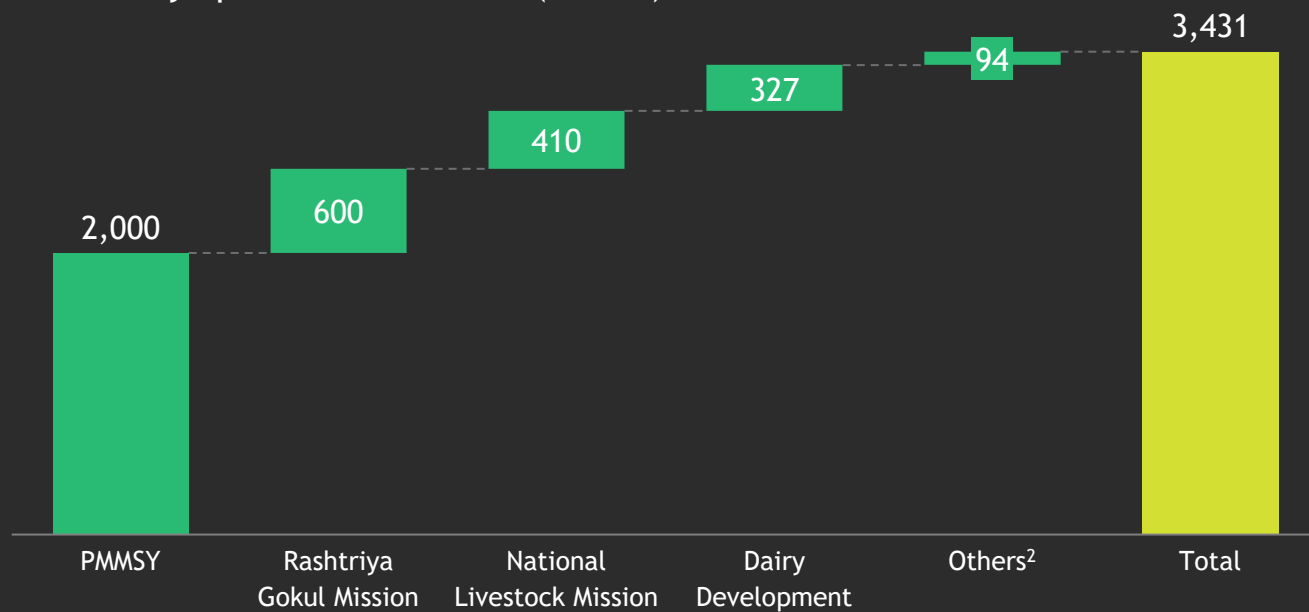
The newly launched National Mission on Natural Farming aims to aid 1 Cr farmers to adopt natural farming over the next 3 years; 10,000 bio input resource centers will be set up

1. BE refers to Budget Estimate and RE is Revised Estimate
Source: Union Budget 2023-24 press release; BCG analysis



PMMSY received highest outlay of 2k Cr, an increase of 6% from budget estimates of last fiscal

Fisheries, Animal Husbandry and Dairying:
Budget Allocation for Centrally Sponsored Schemes (INR Cr)



	PMMSY	Rashtriya Gokul Mission	National Livestock Mission	Dairy Development	Others ²	Total
YoY: FY24 BE ¹ vs FY23 BE	6%	-1%	0%	-4%	81%	4%
YoY: FY24 BE vs FY23 RE ¹	42%	0%	17%	49%	124%	31%

Push for fisheries: Government has announced plans to **launch a sub-scheme under PM Matsya Sampada Yojana (PMMSY)** with an outlay of **INR 6,000 Cr** to further enable those involved in fisheries (incl. fishermen, fish vendors, and SMEs) and thereby improve value chain efficiencies

1. BE refers to Budget Estimate and RE is Revised Estimate 2. Others include FIDF, Livestock Census and Integrated Sample Survey, and Dairying Through Cooperatives
Source: Union Budget 2023-24 press release; BCG analysis

Chemicals and Fertilizers

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Focus on making domestic industry competitive through necessary duty cuts, subsidies, and infrastructure development

Top 4 sector announcements

Industry perception

1	Customs duty cuts on certain chemicals: 2.5% duty on acid-grade fluorspar (from 5%) and crude glycerin (from 7.5%)	
2	Customs duty exemption on denatured ethyl alcohol and capital goods for manufacturing of lithium-ion batteries	
3	Increase in urea and nutrient BE subsidies	
4	100 transport infrastructure projects identified for end-to-end connectivity for key sectors, incl. fertilizers	



Sector Impact

Customs duty exemptions and decreases to create a **level-playing field for domestic companies**

- Duty cuts on raw materials, fluorspar and glycerin, to make **value-added downstream industry competitive**
- Duty exemption on ethyl alcohol will **drive the ethanol blending program and facilitate energy transition**

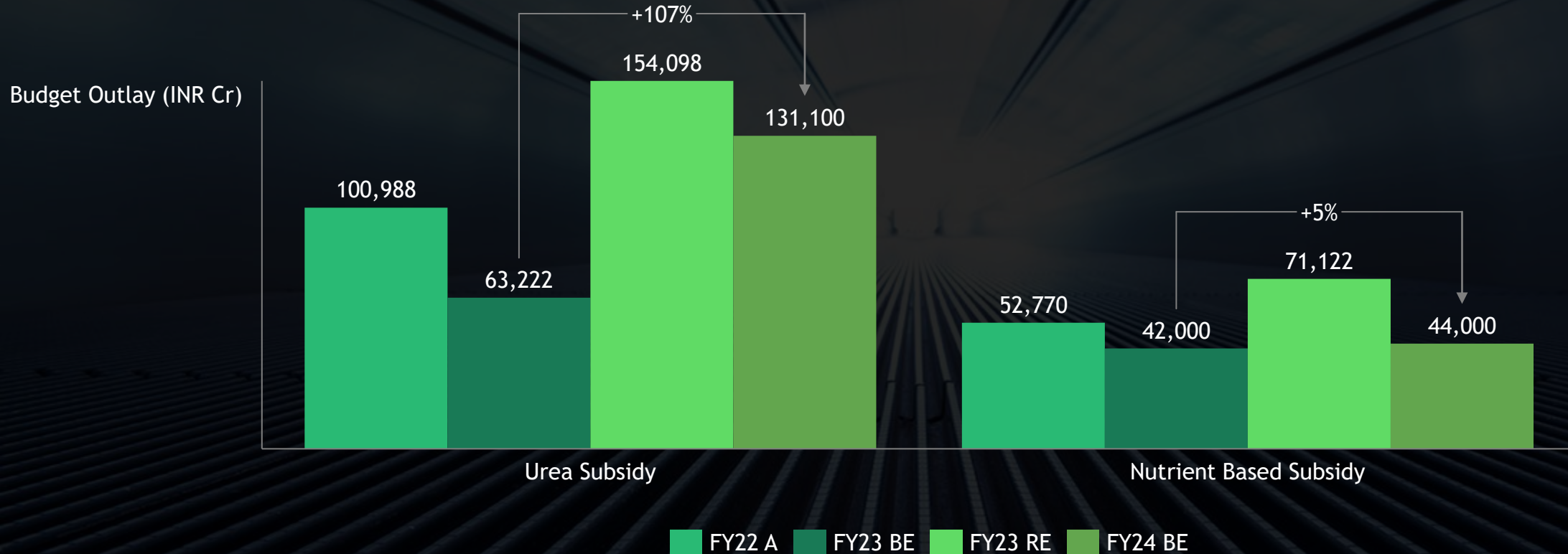
Infrastructure projects to provide required distribution assets to the fertilizer sector, **reducing costs and associated risks of supply chain disruption**

Looking forward, **PLIs to bolster budget**



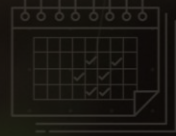
Significant increase in fertilizer subsidies compared with budgeted estimates of last fiscal in the wake of rise in global prices

Budget Allocation: Fertilizer subsidy



Social Impact

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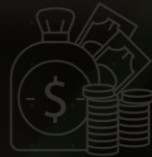


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Key insights from education sector allocation in Union Budget FY24



Education ministry received INR 1.12 Cr for FY24; **highest so far and ~8.3% increase from last year.** ~60% allocation for school education and ~40% for higher education



The budget pushes for **mitigating Covid time learning loss, strengthening teacher capacities, and preparing both institutions and youth for digital economy**



Under school education outlay, budget for outcome focus programme **(STARS) has doubled** and **Ekalvya Model school** for tribal students has **tripled** from last year; budget cuts in **scholarships**



Under higher education outlay, budgets for **world class institutions has grown by 1.25x** and **PM research fellowship by 2x**; budget cuts in **scholarships², research & innovation³, IIMs**



The key announcements seems to be in favor of digital upskilling and infrastructure; however, **budgets for programmes such as PM e-vidya and national digital library are yet to be allocated**

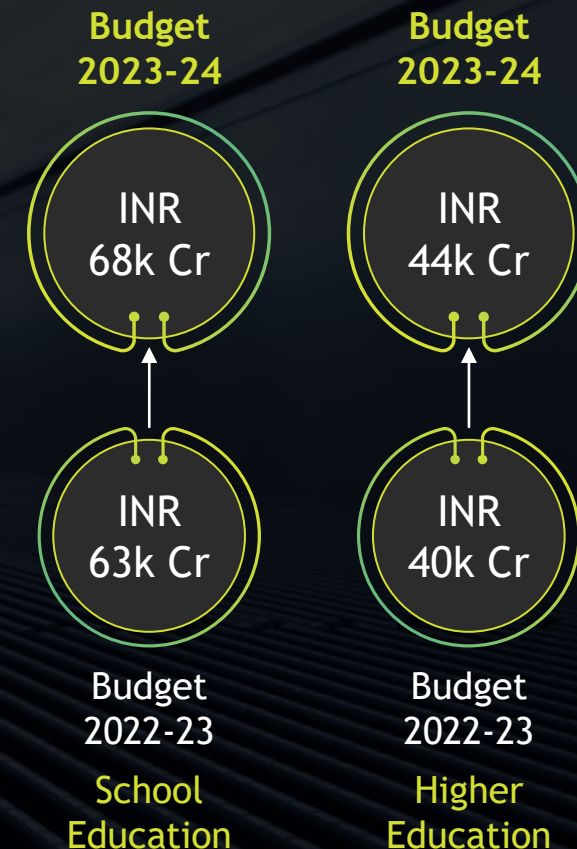
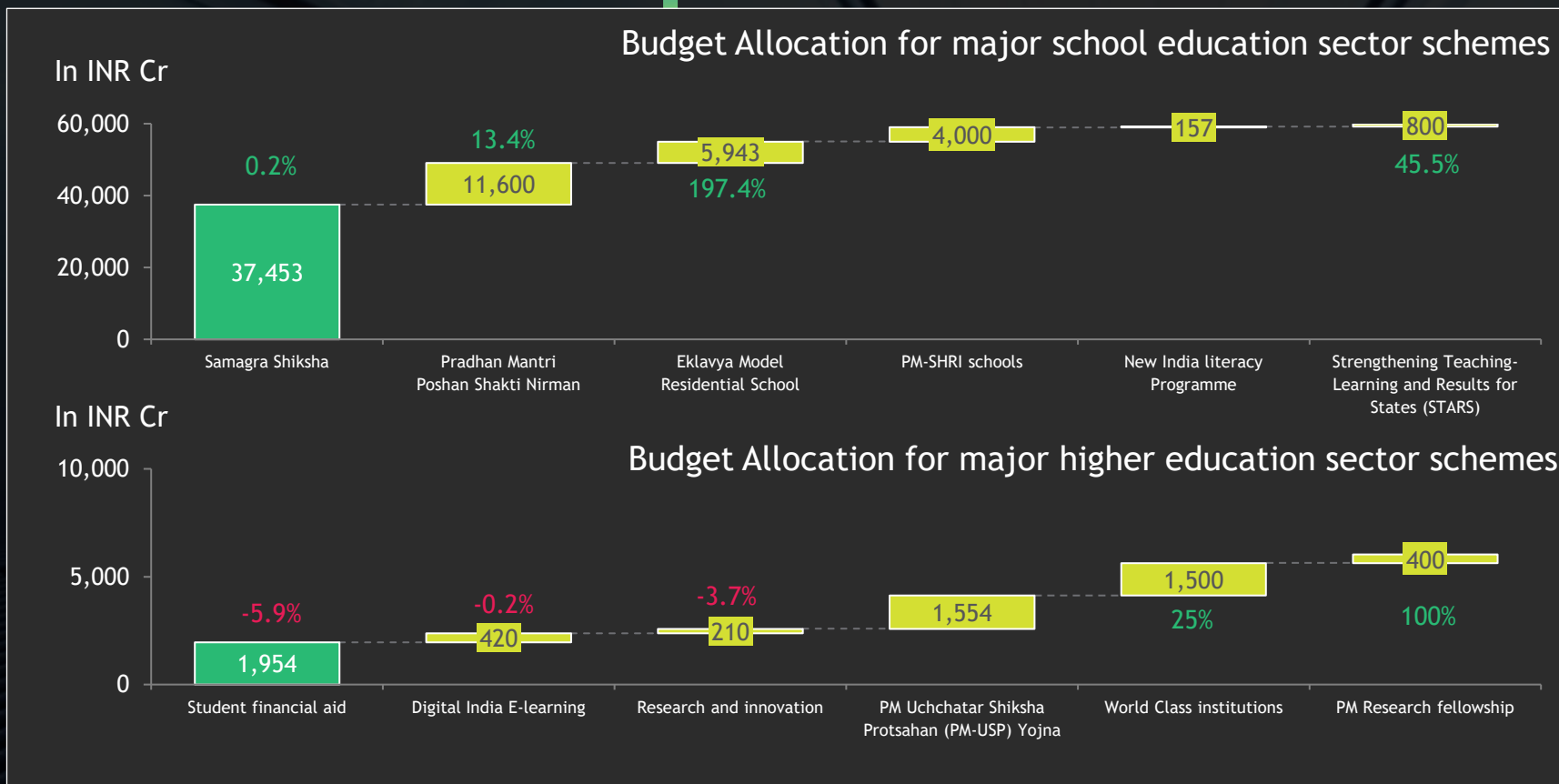
1: includes Early Childhood Education, assessments, Learning Enhancement Programme Information and communication technology etc.

2: 100% cuts in scholarships for college and university students and special scholarship for J&K students

3: National initiative for design initiative, multidisciplinary research, policy research in social science etc.



Budget outlay under school education increased by ~8.4% and higher education by ~8% from last year base estimates; overall increase by ~INR 8,600 Cr



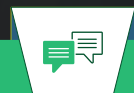


Focus on teacher capacity building, digital upskilling and world class institutions to pave a pathway for knowledge-based economy

Themes



Policy Announcement



Impact



School Education

- Focus on **740 Ekalavya schools** serving 3.5 lakh tribal students; budget allocation for **14,500 PM Shri schools**
- **National digital libraries will be set up for children** push for physical libraries; NBT to provide books
- **Teacher training will be re-envisioned; DIETs to be transformed as institutes for excellence**

- Inculcating reading habit, community participation and access to digital resources will **diversify the ongoing approaches to mitigate learning loss**
- Upskilling of teachers will be **instrumental to build them as 21st century facilitator** and improve learning outcomes



Higher Education

- **3 centres for AI** will be set up to boost research, knowledge and industry collaboration
- **157 new nursing colleges** will be set up; multidisciplinary courses for medical devices
- **100 labs will be set up** to develop apps using 5G services in engineering colleges

- Strong impetus on R&D, industry collaborations and preparing institutions for digital economy will **improve relevance and appeal of higher education for students**



Skilling

- **PMKVY 4.0 to be launched** with a focus on digital upskilling (coding, robotics, IoT etc.)
- **Unified Skill India Digital Platform to be launched** for upskilling; access to schemes, linkage with employers
- **30 Skill India International Centres** to be established for preparing youth for global market opportunities

- Strengthened focus on **"skilling based on market needs and global trends"** will enhance both relevance and outputs; thereby **increasing employability among youth**

Healthcare & Public Health

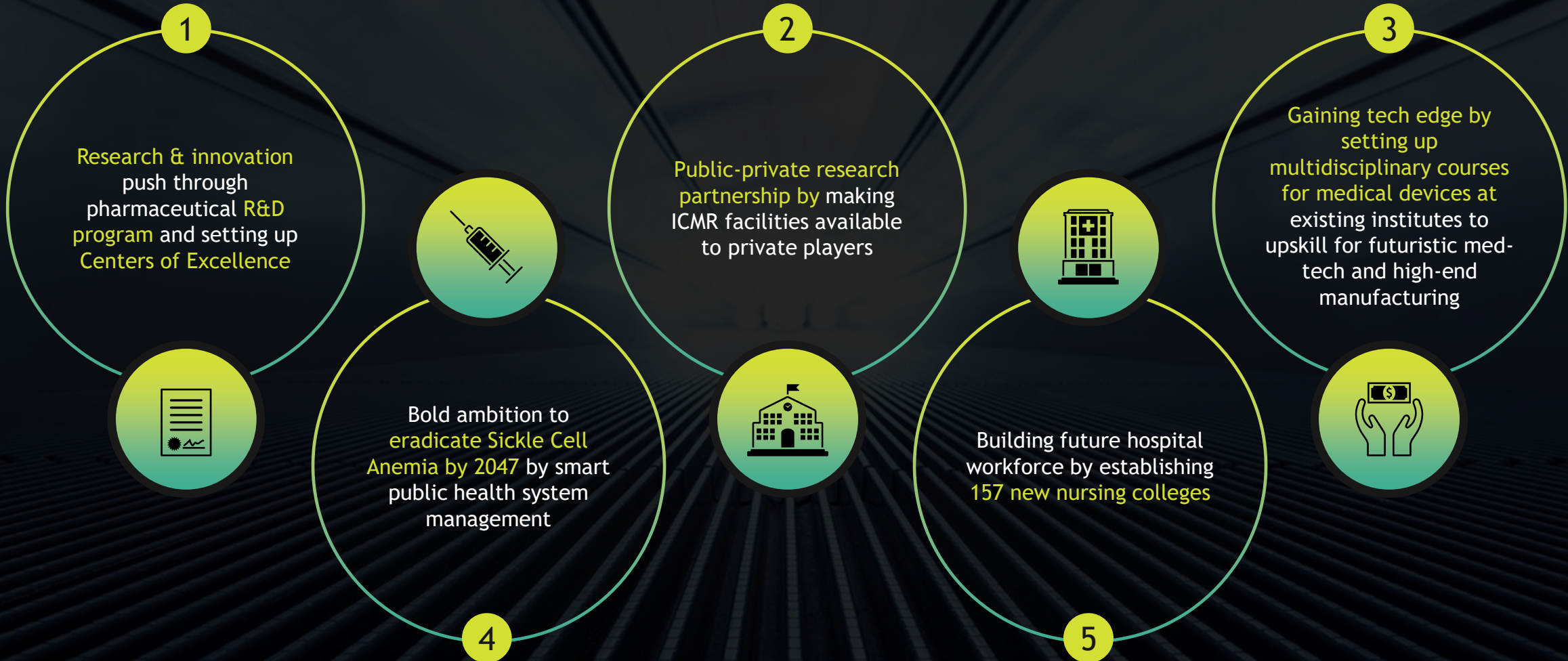
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Healthcare infrastructure, innovation & public health emerge as priorities; total allocation at INR 2.1 lakh Cr with 5.5% hike YoY



HC sector includes allocation to MoHFW, AYUSH, Nutrition, DoP, DBT, Dowater and sanitation and FC grants
Source: Union Budget 2023-2024 press release; BCG analysis



Positive outlook for the industry with a push for 'Discover in India' and creating skilled workforce for the future

Top 5 sector announcements

Industry perception

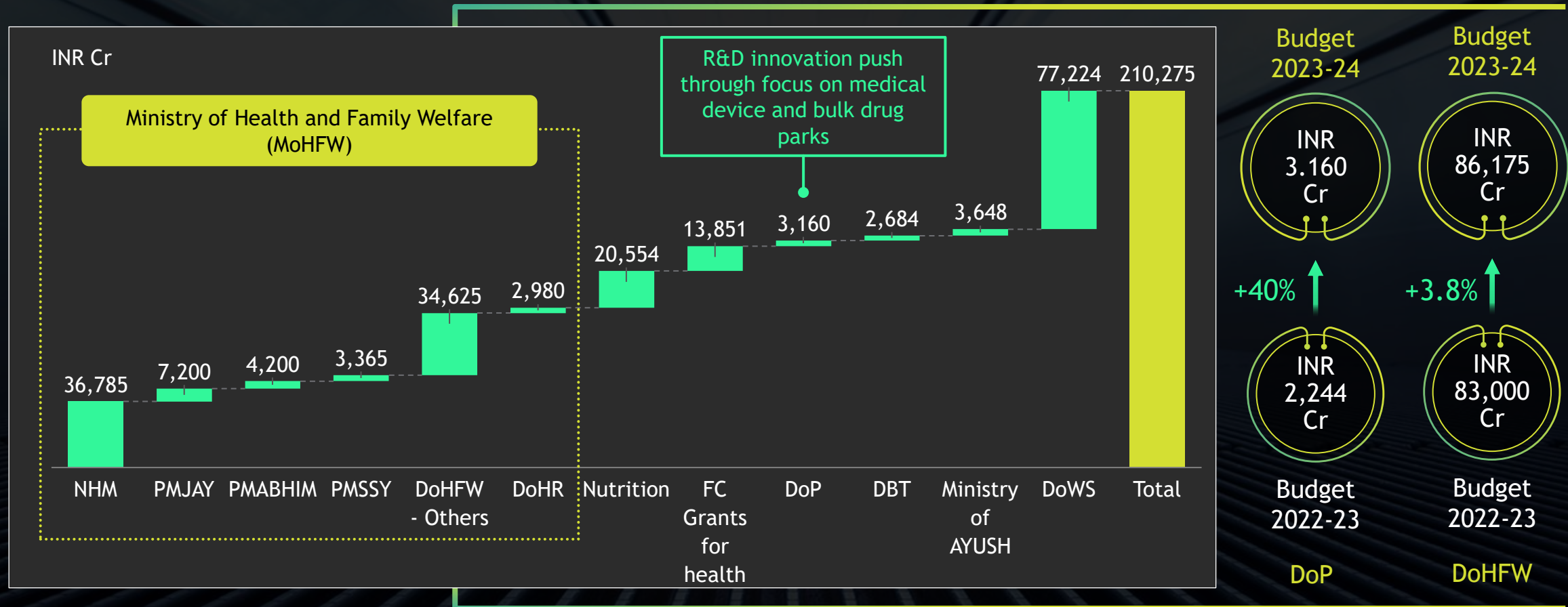
- 1 Push for public-private partnership in pharma R&D, manufacturing through ICMR labs
- 2 Boost to health infrastructure by establishing 157 new nursing colleges
- 3 Creating skilled manpower through multidisciplinary courses for futuristic research & manufacturing of medical devices
- 4 3 Artificial Intelligence CoEs to be setup for interdisciplinary research, develop cutting edge applications & scalable solutions
- 5 Mission to eradicate Sickle Cell Anemia by 2047



Sector Impact

- Futuristic budget covering different functions to potentially deliver results in the mid-to-long term
- However, a gap in healthcare spending remains, which is still less than 2.5% of GDP
- Lack of initiatives addressing non-communicable diseases burden, custom duty in medical equipment

~40% YoY rise in budget allocation for pharmaceuticals; marginal 3.8% increase YoY in allocation to MoHFW



Note: NHM: National Health Mission; PMABHIM: PM Ayushman Bharat Health Infrastructure Mission; PMSSY: Pradhan Mantri Swasthya Suraksha Yojana; DoHR: Department of Health Research; DoP: Department of Pharmaceuticals; DBT: Department of Biotechnology; DoWS: Department of Water and Sanitation; DoHFW: Department of Health and Family Welfare; Nutrition: SAKSHAM Anganwadi and POSHAN 2.0
 Source: Union Budget 2023-2024 press release; BCG analysis

Progressive initiatives focusing on innovation, digital health & upskilling the workforce



Themes

Policy Announcement

Impact



Push for 'Discover in India through R&D innovation

- Allocation of INR 1,250 Cr to setup bulk drug parks, medical device parks, technology upgradation and setting up of common facilities in public-private partnership
- Setting up of Centers of Excellence to promote pharma R&D
- Research and laboratory facilities at ICMR labs to made available to public and private players to promote collaborative research

- 👍 Moving beyond make in India by strengthening R&D ecosystem
- 👍 Bulk drug parks to lower the cost of manufacturing
- 👍 Enhancing public-private partnership in pharmaceutical research
- 👎 Lack of defined road-map for the pharma R&D program



Advancing digital health through AI

- Allocation of INR 341 Cr to National Digital Health Mission, an increase of 70% YoY
- Centers of Excellence for Artificial Intelligence at top educational institutions in partnership with industry players to conduct inter-disciplinary research

- 👍 Strengthening digital health infrastructure
- 👍 Positive step towards achieving the goal of Universal Health Coverage



Building future medical device infrastructure

- Allocation of INR 200 Cr for medical device parks
- Allocation of INR 1,000 Cr for production linked incentive scheme for domestic manufacturing of medical devices
- Multidisciplinary medical device courses to upskill manpower in advanced medical device technologies, high-end manufacturing and research

- 👍 Access to standardized testing facilities and infrastructure
- 👍 Local manufacturing will reduce the cost of production and improve affordability and access



Renewed commitment towards improving universal health coverage, better nutritional outcomes and reducing disease burden



Themes

Policy Announcement

Impact



Promoting universal health coverage

- **Ayushman Bharat- Pradhan Mantri Jan Arogya Yojna (PMJAY)** allocated INR 7,200 Cr, up by INR 743 Cr or 11.5% YoY
- **Pradhan Mantri Ayushman Bharat Health Infrastructure Mission (PMABHIM)** allocated INR 4,200 Cr; rise of INR 23 Cr or 0.55% YoY



Increased coverage to include additional groups*



Preparing health systems for effective pandemic preparedness



Maximizing nutritional outcomes

- **Saksham Anganwadi and POSHAN 2.0** schemes received an allocation of INR 20,554 Cr, 1.44% hike YoY
- Setting up centers of excellence for millet production



Improving service delivery through quality infrastructure and resources in Anganwadi



Millet consumption can potentially enhance health benefits in lifestyle diseases such as diabetes



Expanding medical education infrastructure

- Setting up of **157 new nursing colleges** to increase hospital industry workforce
- **Pardhan Mantri Swasthya Suraksha Yojana (PMSSY)** receives an allocation of INR 3,356 Cr, a 60% dip YoY



Positive step towards improving nurse to patient ratio



Reducing disease burden

- Program to **eradicate Sickle Cell Anemia by 2047** through universal screening in tribal areas in the age group 5-40 years, creating awareness and counseling initiatives



Reducing disease burden through targeted intervention with endemic populations

*Additional groups yet to be defined, potentially beyond below poverty line (BPL) groups
Source: Union Budget 2023-2024 press release; BCG analysis

Oil & Gas

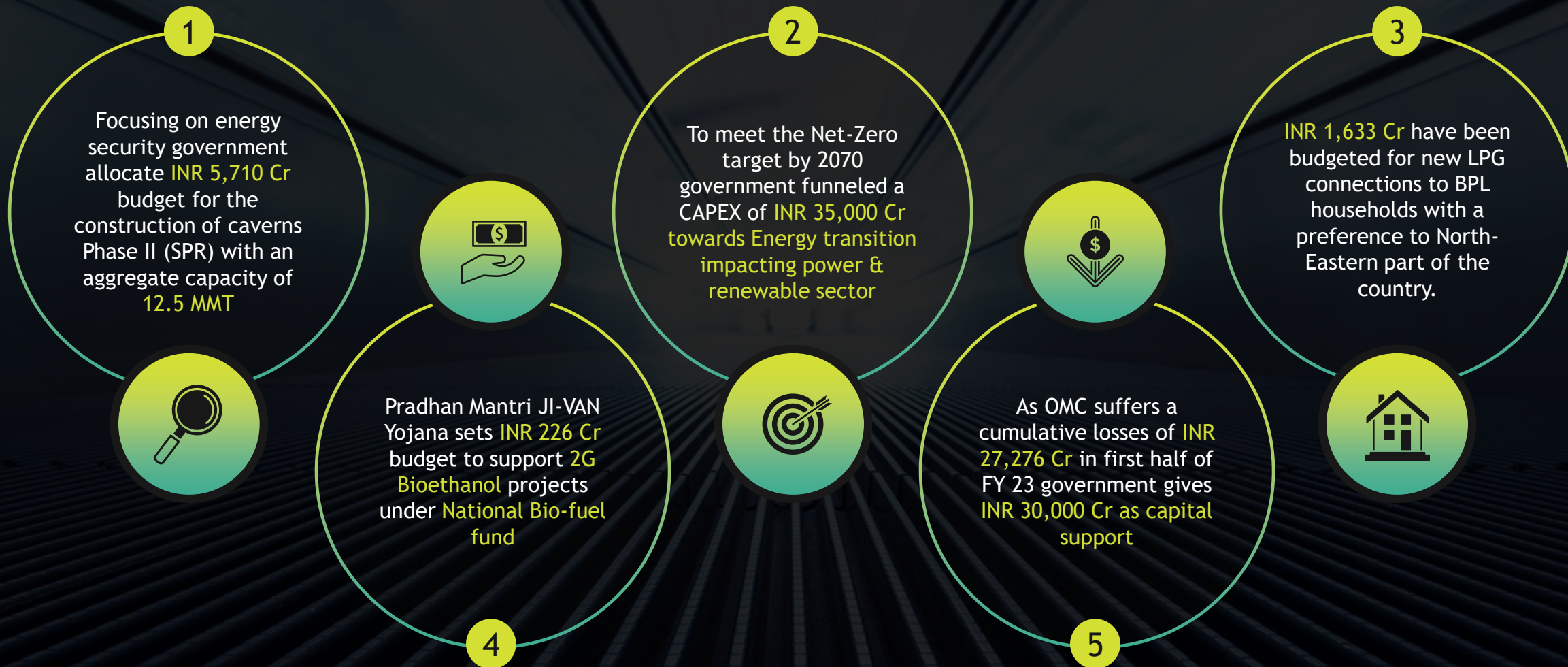
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Energy security & Energy transition remained the key focus areas for the sector





Sector to focus on low carbon fuel fulfilling country's Net Zero target

Top sector announcements

- 1 National Green Hydrogen Mission, with an outlay of INR 19,700 Cr to facilitate transition of the economy to low carbon intensity & reduce dependence on fossil fuel imports
- 2 To promote green mobility in the country blended compressed natural gas is exempted from excise duty
- 3 Promoting the Ethanol blending program (EBP) basic custom duty (5%) is exempted from the Denatured ethyl alcohol
- 4 An increase in import tax on Naphtha to 2.5% from 1% will push domestic production of key chemical feedstock

Industry perception



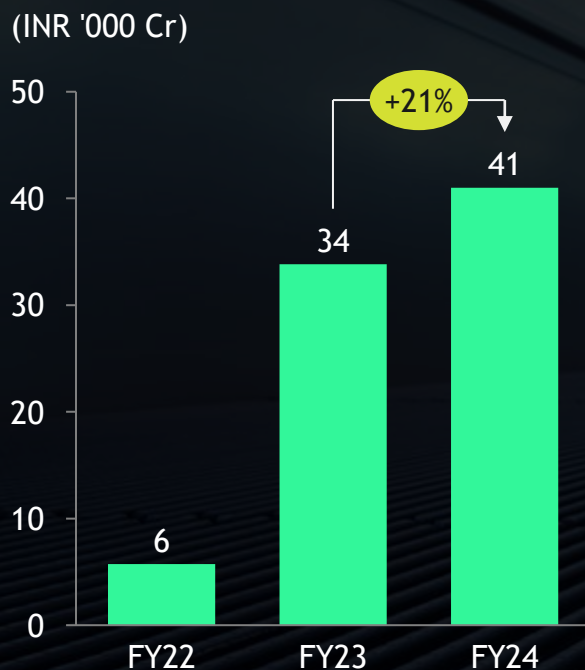
Sub-sector Impact

- Refinery & Petrochemical Industry to integrate renewable hydrogen production at their facility
- Increased activities in EPC sector, overall growth of sector

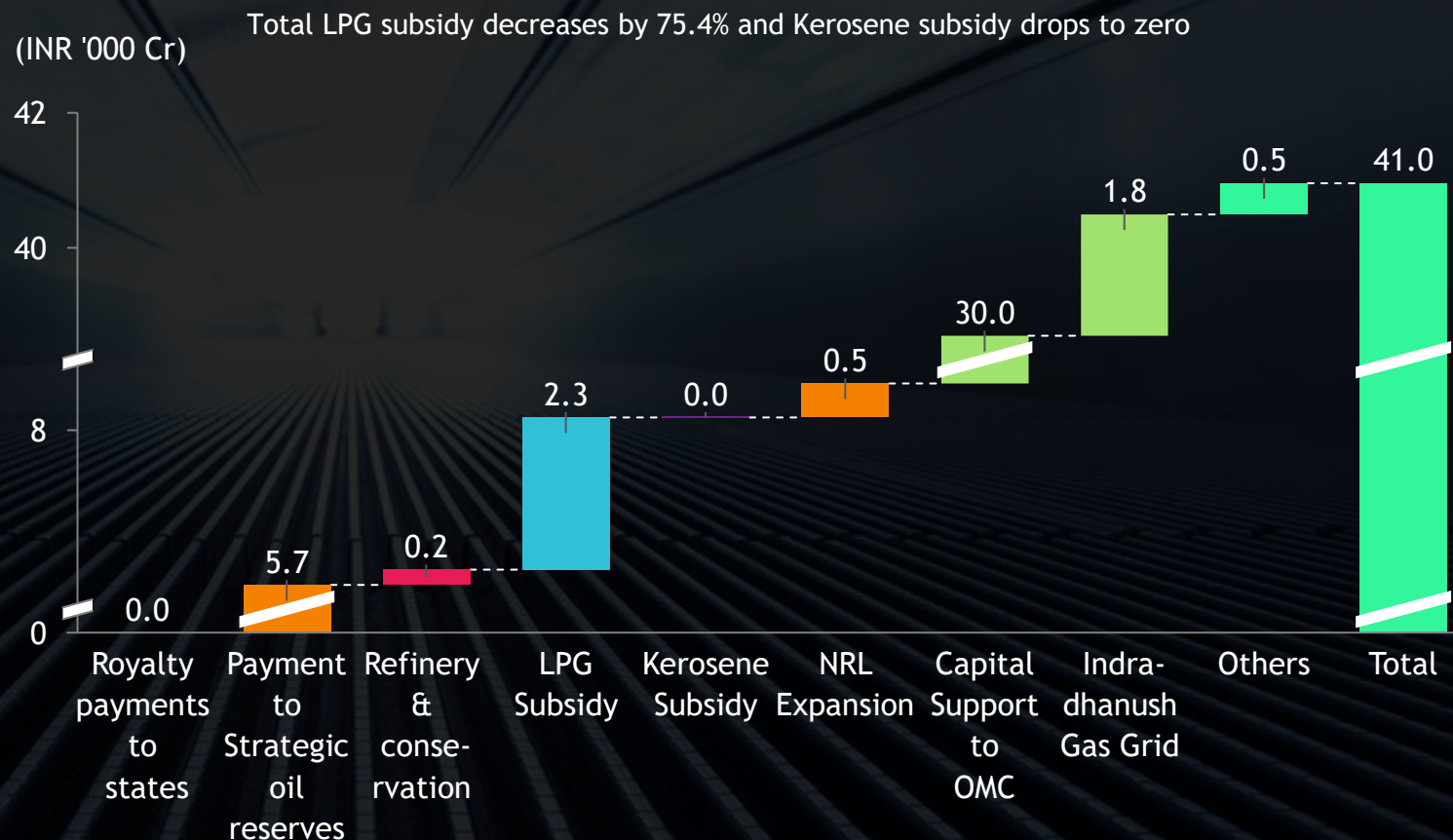


Allocation: Steep Capital allocation to OMC with states missing out on central government royalties

Budget Allocation



Budget Allocation FY24 break-up



Source: Union Budget 2023-2024 press release; BCG analysis

Power & Renewables

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Key highlights for Power Sector & Renewable Energy



Focus on Green Industrial and Economic growth

- Green Energy Corridor: Provision of CFA for capacity addition of cumulative **6,000 ckm** transmission infrastructure
- CFA for SHP on and off-grid



Solar to remain green transition mainstay, with

- On-Grid **INR 5,000 Cr** budgetary provision
- Off-Grid
 - Installation of **3 lakh** solar street-lights, distribution of **25 lakh** solar study lamps



- Installation of solar power packs of total aggregated capacity of **100 MWp**.
- AJAY Phase-II: installation of over **3 lakh solar** street-lights
- **20MWeq** Projects of Concentrated Solar Thermal(CST)



- Strong push to wind energy profile, **INR 1,214 Cr** of budgetary provision
- CFA for Bio-Energy projects, total budgetary outlay of **INR 505 Cr**



- Budget allocation of **INR 2,902 Cr** for strengthening Power Systems
- Provision of **INR 12,000 Cr** for reforms in distribution sector
- VGF Funding for Pump Storage Plants and battery Energy Storage Systems

CFA - Central Financial Assistance
SHP - Small Hydro Plant
VGF - Visibity Gap Funding



Clean and green energy initiatives to ensure stable renewables growth

Top 4 sector announcements

Impact

1	Renewable Energy Evacuation: Inter-State integration of 13GW Renewable Energy with total investment of INR 20,700 Cr including INR 8,300 Cr of central support	Improved and enhanced green financing solutions	
2	Energy Transition: INR 35,000 Cr for priority capital investment towards energy transition, net zero and energy security	Renewables to remain major focus; boost in achieving 500 GW target by 2030	
3	Battery Energy Storage: Visibility Gap Funding for 4,000 MWh capacity and push to pumped storage projects	Round-the-clock power at reduced tariffs Competition in battery production; cost decline	
4	Green Credit Programme: Incentivizing environmentally sustainable and responsive actions by companies, individuals and local bodies	Encouraging green projects, Reduction in carbon footprint,	



Sub-sector Impact

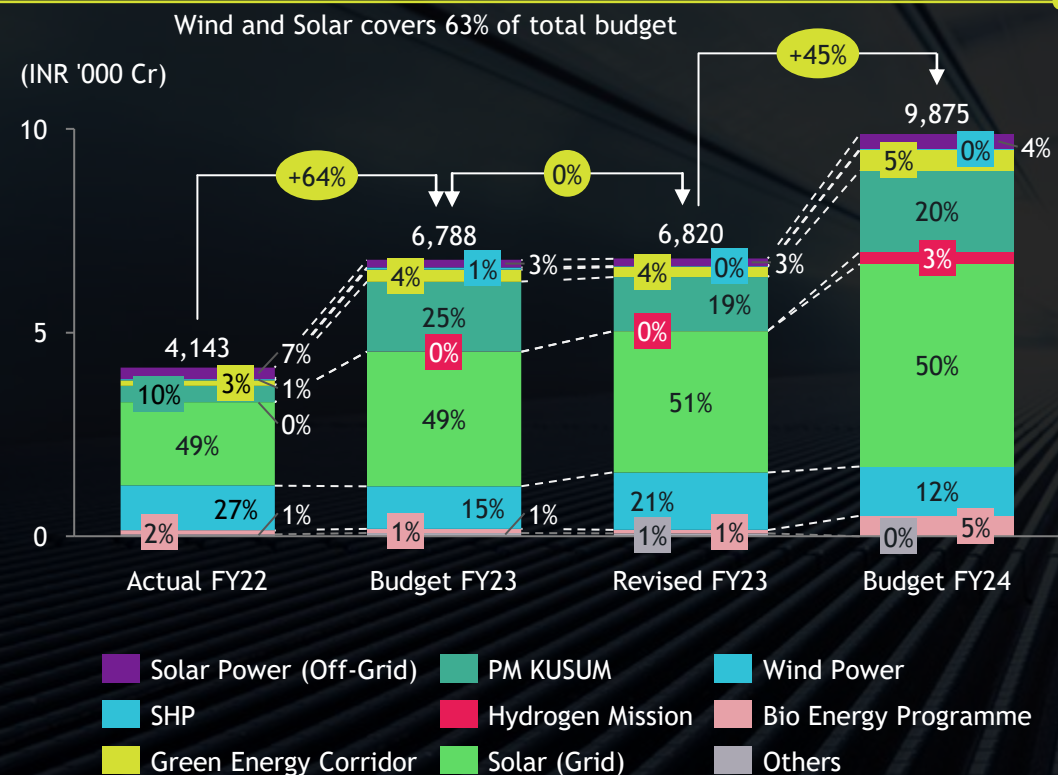
- Strong push to Battery Storage and Green Hydrogen
- Opportunity to develop green financing solutions (green transmission)



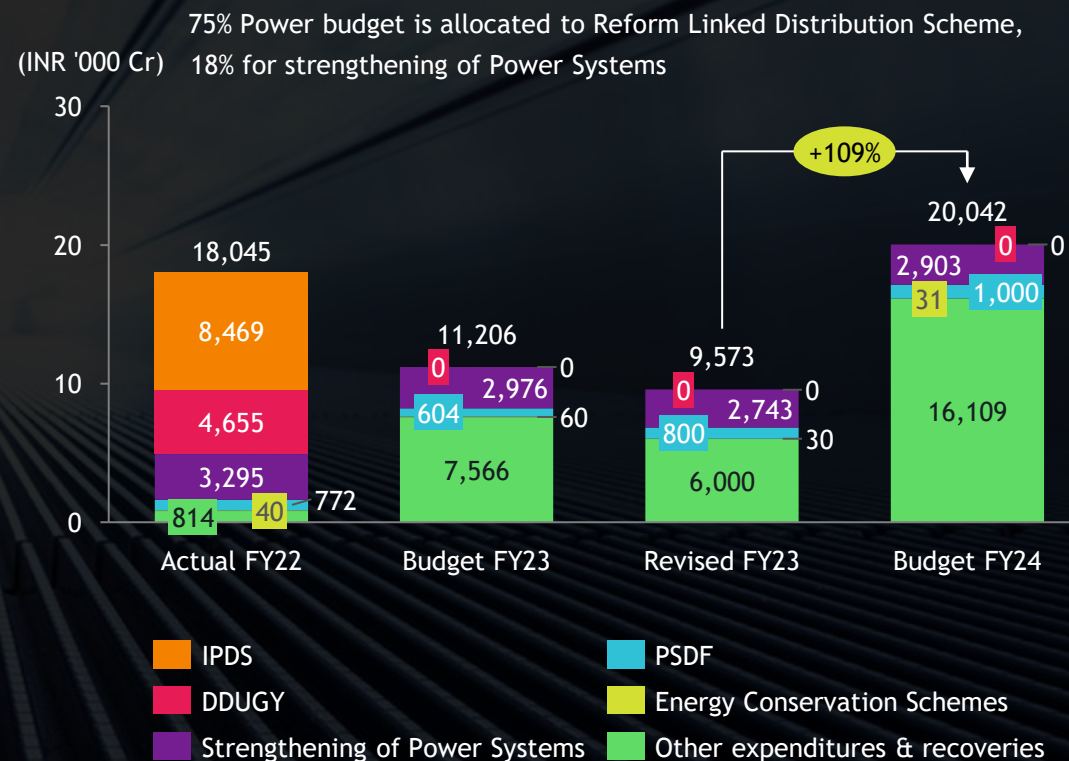
Solar incl. KUSUM and Wind remains the mainstay for Power and Renewable Energy sector

INR Cr

Budgetary outlay for New and Renewable energy sees 45% increase w.r.t to previous year's announcement



Budgetary outlay for Power surge ~109% from previous year



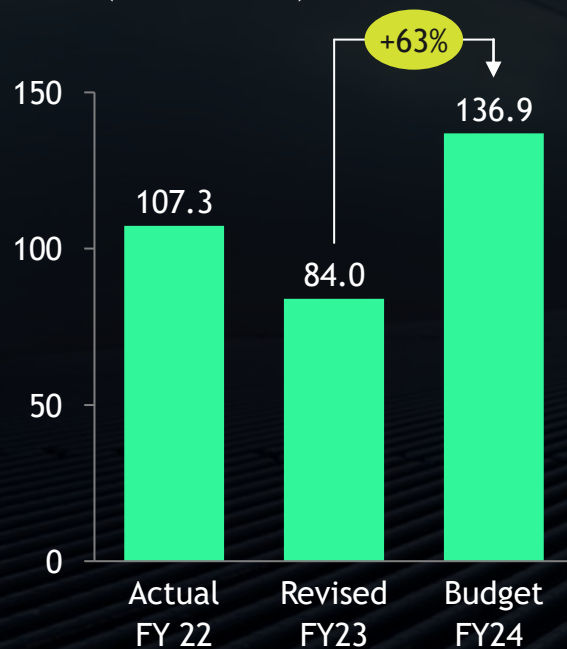
1. Solar, wind, SHP allocations are for Grid and Off-Grid both 2. IPDS: Integrated Power Development Scheme, DDUGY:Deen Dayal Upadhyaya Gram Jyoti Yojna; PSDF: Power System Development Fund 3. Saubhagya Scheme or Pradhan Mantri Sahaj Bijli Har Ghar Yojana 4. RE: Renewable energy

Source: Union Budget 2023-2024 press release; BCG analysis

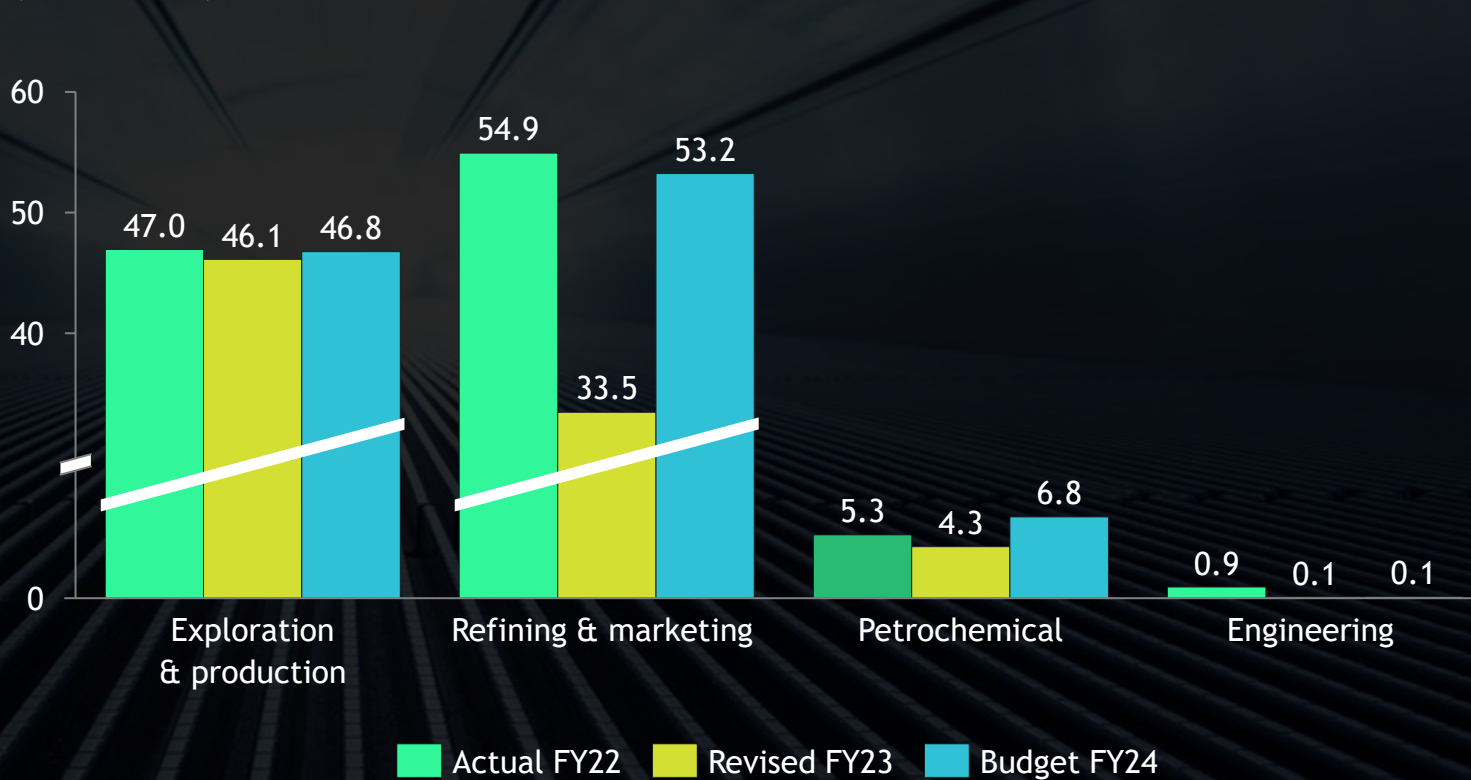


PSUs investment: 63% increase in capital outlay of PSUs driven by refining and petrochemical sectors

Capital outlay by oil & gas PSUs (INR '000 Cr)



(INR '000 Cr)



Automotive & Mobility

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Leveraging sustainable energy to usher in green industrial and economic transition



Green growth by implementation of **green mobility programs** to achieve **net-zero carbon emission by 2070**, while creating largescale green job opportunities



Push to replace **9 lakh** government vehicles (>15 years old), with alternative fuels will help strengthen **vehicle scrappage policy**



Battery energy storage systems receive a boost from viability gap funding for development of capacity of **4,000 MWH**, and help fortify e-mobility ecosystems



Higher FAME II allocation and custom duty **relaxations** for EV battery manufacturing and raw materials and **increase in duties for all SKD and high value CKD EVs** will help stimulate local EV production



Heavy investment in **skill development on Industry 4.0**, which includes coding, AI, robotics, mechatronics, IOT, etc., will train the next generation workforce

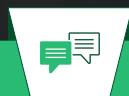


Automotive sector gains due to strong focus on green energy growth and environmental subsidy

Themes



Policy Announcement



Impact



Green mobility



- FAME II incentives of INR 5,172 Cr has been allocated for FY24, which is -80% greater than earlier in FY23
- The National Green Hydrogen Mission has an outlay of INR 19,700 Cr and a target to achieve annual production of 5 MMT by 2030
- Support for Battery Energy Storage Systems with capacity of 4,000 MWH
- Vehicle replacement initiative for 9 lakh government vehicles in accordance to scrappage policy with 50-year interest free loans support to state governments



Sustainable development



- Skill development initiatives under PM Kaushal Vikas Yojana 4.0 and introduction of three centres of excellence for Artificial Intelligence
- Substantial investment in last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors; physical connectivity for tourist locations
- Extension of income tax benefits for startups



Custom duties



- Exemption of customs duty on GST-paid for compressed bio-gas, blended CNG, EV raw materials, specific lithium-ion cell manufacturing capital goods/machinery, industrial ethyl alcohol for ethanol blending, and imported vehicles and auto-components for testing/certification
- Increase in customs duty on high value SKD and CKD vehicle imports



Electric two-wheeler segment is poised to be the largest beneficiary of FAME II incentives, which is set to expire at the end of FY24



The National Green Hydrogen Mission helps enables the reduction in dependence of fossil fuels and overall carbon footprint in the future



Investments in energy storage systems helps secure EV infrastructure and related ecosystems



Fleet replacement with EVs and alternate fuels will catalyze adoption of clean mobility vehicles, while reducing heavy polluting units



Youth workforce skill enhancement in Industry 4.0 such as coding, AI, robotics, mechatronics will align with future necessities in the Indian automotive sector



Road connectivity infrastructure investments are expected to increase demand for commercial goods vehicles



Startups in mobility sector will benefit with extension of tax holiday to 10 years






The reduction custom duty and 1-year extension of subsidies on EV batteries further catalyzes the EV adoption rate



Domestic manufacturing of EVs and EV components is encouraged, which increases employment opportunities in the sector



Exemption and concession in basic custom duties is expected to boost domestic manufacturing, especially e-mobility products

Item 	Previous basic custom duty 	New custom duty 
Specified capital goods/machinery for manufacture of Li-ion cell for EV batteries	As applicable	Nil
Denatured ethyl alcohol (supporting Ethanol Blending Programme)	5%	Nil
Vehicles and auto-components/systems imported for testing and certification	As applicable	Nil
All SKD vehicle import	30%	35%
Non-EV CBU vehicle import ¹	60%	70%
EV CBU vehicle import ²	60%	70%
Bicycle import	30%	35%

Reduction on custom duties on EV batteries and raw materials is expected to **make EVs cheaper** and help achieve cost parity when Fame-II incentives are rolled back

1. Other than with CIF more than USD 40,000 or with engine capacity more than 3000 cc for petrol-run vehicle and more than 2500 cc for diesel-run vehicles, or with both
 2. Other than with CIF value more than USD 40,000

Technology, Media & Telecom

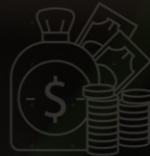
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BUSINESS ●



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BUDGET



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PLANNING



MAIN SCREEN



Key Highlights



Provision of TDS and taxability of net winnings for Online Games



An Entity DigiLocker will be set up for use by MSMEs, large business and charitable trusts for secure online payments



First time introduction of National Digital Library for Children and Adolescents



Three Centers of Excellence for Artificial Intelligence will be established in top education institutions



100 labs to develop 5G services will be established across engineering institutions



Relief of customs duty on import of mobile parts such as camera lens

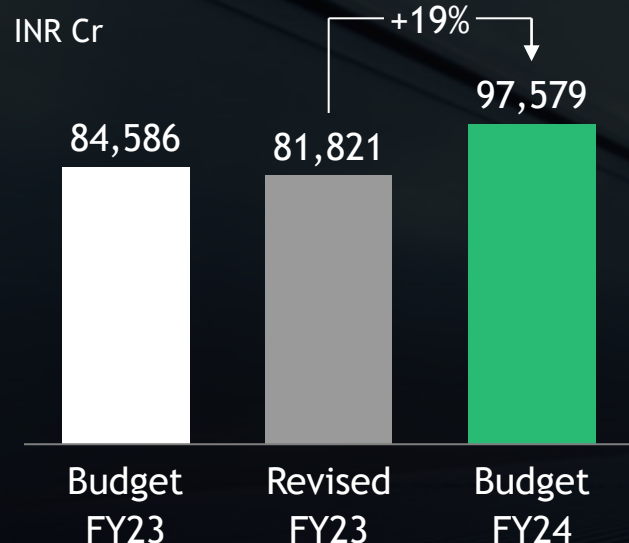


Introduction of National Data Governance policy to enable the access to anonymous data for research by Start-ups

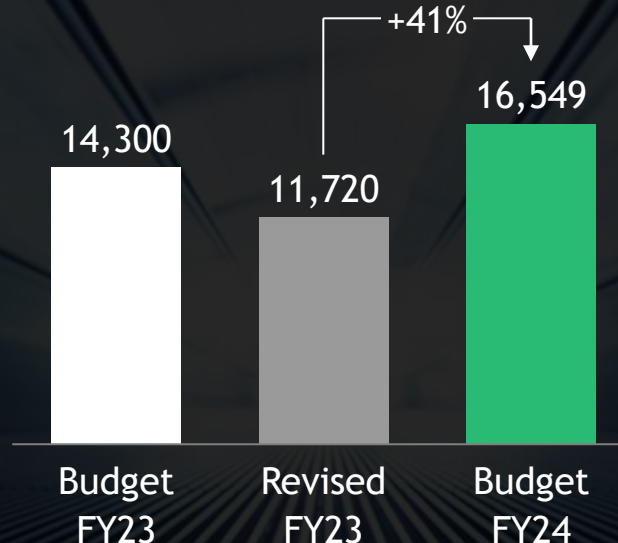


Boost to R&D, Digital India Program, Electronics and IT/ITesS in the Budget

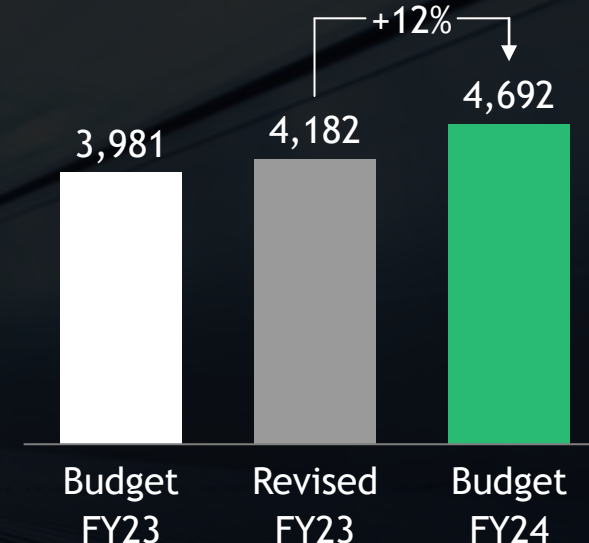
Ministry of Communications



Ministry of Electronics and Information Technology









Ministry of Information and Broadcasting



- The budgetary allocation for communications went up slightly by 19% over revised FY23 number. This included an allocation to Bharatnet, R&D and Domestic Industry Incentivization Scheme that provides budget for Technology Development and Investment Promotion (INR 55 Cr), Champion Service Sector Scheme (INR 60 Cr) and Production Linked Incentive Scheme (INR 800 Cr)
- Budgetary allocation under Ministry of Electronics and IT saw major boost. It is up by 41% over revised FY23 budget wherein INR 4,795 Cr is allocated for Digital India Program that includes promotion of Electronics and IT HW Manufacturing, IT/ITes Industries, cyber security, R&D and promotion of digital payment. Govt also allocated INR 3,000 Cr for development of semiconductors, display manufacturing, sensors, compound semiconductors and silicon semiconductor fabs
- Allocation for Ministry of Information and Broadcasting was up by 12% to support broadcasting infrastructure network development







Spur in emerging technologies with the launch of National Data governance Policy, CoEs for AI, 5G labs, and introduction of Industry 4.0

Themes	Policy Announcement	Impact
 5G services	<ul style="list-style-type: none"> 100 labs will be established across engineering institutions to develop 5G applications and services 	<ul style="list-style-type: none"> The new scheme will aid to create new range of business models and employment opportunities The labs will cover diverse range of applications such as smart classrooms, precision farming, intelligent transport systems, and health care applications
 Launch of Industry 4.0	<ul style="list-style-type: none"> Pradhan Mantri Kaushal Vikas Yojana 4.0 will be launched to skill lakhs of youth within the next three years 	<ul style="list-style-type: none"> The scheme will cover a wide range of courses for Industry 4.0 like coding, AI, robotics, mechatronics, IOT, 3D printing, drones, and soft skills To enhance it further, 30 Skill India International Centre's will be established across different states of India
 Devices	<ul style="list-style-type: none"> Customs duty on camera lenses and parts has been reduced from 2.5% to nil. The lenses are used in the production for phones, laptops and DSLR cameras 	<ul style="list-style-type: none"> This will lead to increase in the domestic manufacturing of cell phones Though, concessional duty on lithium-ion cells for batteries will remain same for another year
 National Data Governance Policy	<ul style="list-style-type: none"> Launch of National Data Governance Policy to encourage innovation and research by start-ups and education institutions 	<ul style="list-style-type: none"> This will enable access to anonymized data which can be used by researchers and start-ups to study specific data-sets
 CoE for Artificial Intelligence	<ul style="list-style-type: none"> Three CoE for AI will be established in top educational institutes of India Leading industry players will participate to partner in conducting AI-based interdisciplinary research 	<ul style="list-style-type: none"> The launch of the scheme will help to develop cutting-edge applications and scalable problem solutions in the areas of agriculture, health, and sustainable cities This will also help to build effective AI ecosystem to uplift quality human resources in the field of AI
 Online Games	<ul style="list-style-type: none"> Government has proposed a 30% tax on "net winnings" from online games TDS threshold has been removed from INR 10,000 to nil 	<ul style="list-style-type: none"> This will ensure to deduct the tax on the entire winnings of games For lottery and crossword puzzle games, the threshold limit of INR 10,000 for TDS will continue

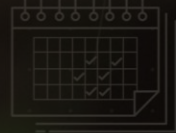


Digital public infrastructure for agriculture, farmer-centric solutions, digitalization of library, and support for DigiLocker services were key features

Themes	Policy Announcement	Impact
 Digital India, (Support to artisans and craftspeople)	<ul style="list-style-type: none">• Launch of PM Vishwakarma Kaushal Samman (PM VIKAS) scheme for indigenous arts and crafts people to improve the quality, scale and outreach of their products	<ul style="list-style-type: none">• The scheme will provide them with the access to advanced skill training, modern digital techniques, green technologies, linkage with local and global markets, digital payments, and social security• The new scheme will also help them to integrate with the MSME value chain
 Agriculture infrastructure and fund accelerator	<ul style="list-style-type: none">• A digital data-based agriculture infrastructure will be built to enable inclusive farmer-oriented solutions through relevant information services for crop planning and health	<ul style="list-style-type: none">• The scheme will aid to understand crop estimation, market intelligence, and support for growth of Agri-tech industry and start-ups• An Agriculture Accelerator Fund will also be established in rural areas and will bring in modern technologies to transform agricultural practices, hence increasing Agri-productivity and profitability
 Digitalization of Inscriptions	<ul style="list-style-type: none">• Bharat Shared Repository of Inscriptions (BharatSHRI) will be set up in a digital epigraphy museum	<ul style="list-style-type: none">• This will lead to digitization of one lakh ancient inscriptions in the first stage• The BharatSHRI will be setup by the Archaeological Survey of India at Hyderabad
 Digilocker service	<ul style="list-style-type: none">• Digilocker will have wide range of documents such as Aadhaar, PM Jan Dhan Yojana, Video KYC, India Stack and UPI all facilitated by digital public infrastructure	<ul style="list-style-type: none">• This will help to store and share documents securely online with various authorities, banks and other businesses• An Entity DigiLocker will be set up that can be used by MSMEs, large business and charitable trusts institutions for online payments

Consumer Goods

+
BUSINESS ●



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PLANNING

BUDGET



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Continued push to increase consumer spending; many changes in custom duties announced across sub-sectors



Tax reliefs announced across income groups



Placing more disposable income in the hands of consumers could propel demand for consumer goods



Duties on various camera lenses and parts slashed



Relief in these custom duties could further deepen domestic value addition in mobile manufacturing



Taxes on cigarettes revised upwards; increased by 16%



Hike in price of cigarettes likely to follow and passed onto consumers



Policy push to seize lab grown diamonds opportunity



This step could make India the undisputed leader in the diamond cutting and polishing business



India as the Global Hub for Millets



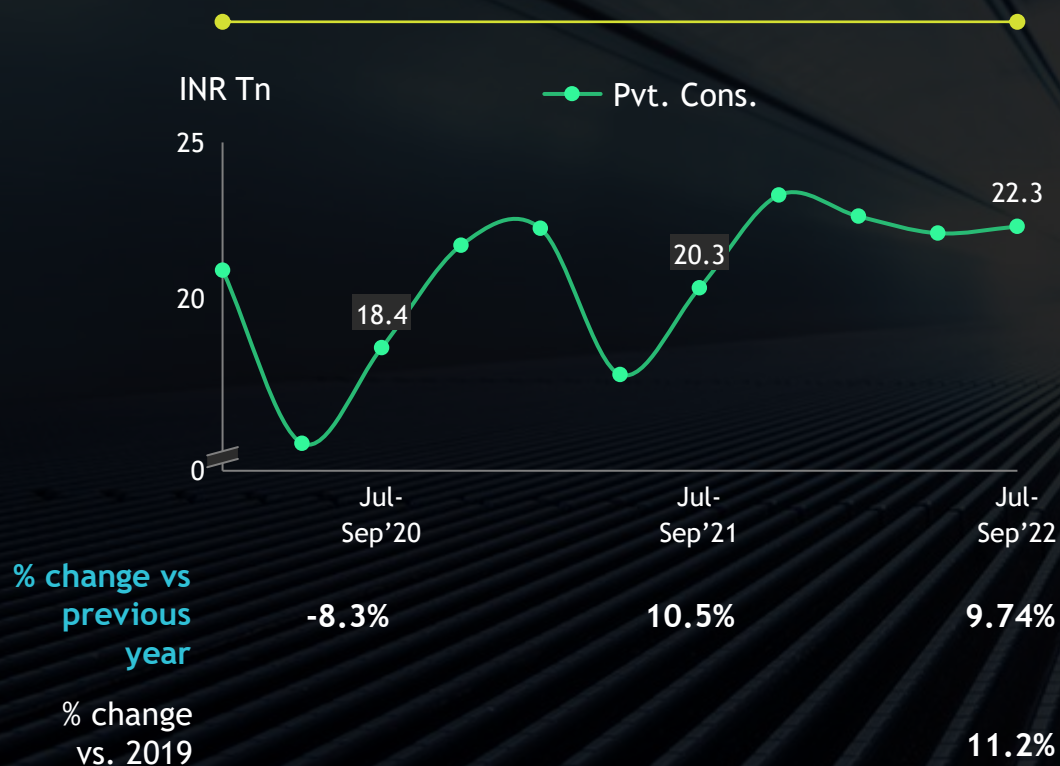
Given their nutrition benefits and increased consumer focus on health, focus on millets is a welcome move





Private consumption has grown vs. Jun-Sep'21 &'19 levels; the budget has given more sops to accelerate domestic consumption

Private Consumption Expenditure (INR Tn)



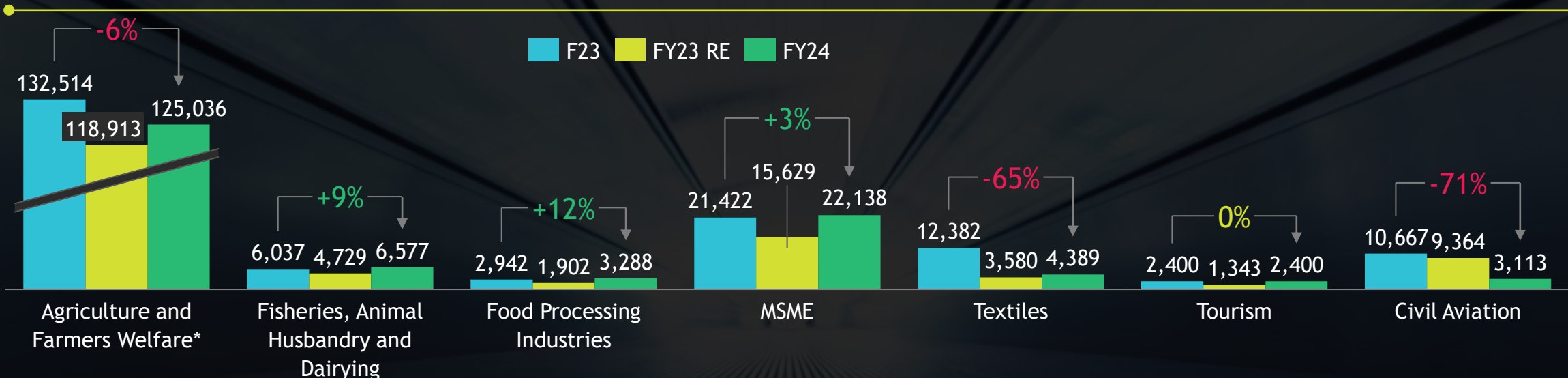
Announcements to boost private consumption

- Lower tax slabs will result in higher disposable income, further boosting consumption
 - Annual income of up to INR 7 lakh will not invite income tax under the new tax regime
 - Surcharge rates were dropped from 37% to 25% for those having taxable income exceeding INR 5 Cr
 - This change will cost the ex-chequer INR 35,000 Cr in direct tax collected, but will be offset by indirect taxes from enhanced consumption
- Capital expenditure increased to INR 10 lakh Cr, a growth of 33%
 - This move will positively impact rural job creation, which in turn is likely to cause a surge in rural demand for FMCG goods



Budgetary allocation to consumer related ministries reduced by ~13%; Civil Aviation and Textiles witnessed the largest downturn

Allocation to ministries in budget announcements, in INR Cr



* Doesn't include Agri inputs (Chemicals, petrochemicals, fertilizers, etc.)

- Outlay for Civil Aviation sector **has plummeted by 71%**, as disbursement for Air India Asset Holding Ltd. has been reduced from INR 9,259.9 Cr to INR 1,144.5 Cr
 - Expenditure for Textile sector **has declined by 65%**, impacted by decrease in allocation for Central Sector Scheme- "Procurement of Cotton by Cotton Corporation under Price Support Scheme" from INR 9,243.1 Cr to a negligible amount
- Allocation to Food Processing Industries **has risen by 12%**, surged by increase in allocation for Production-Linked Incentive Scheme for Food Processing Industry from INR 1,022 Cr to INR 1,530 Cr



Major boost to lab-grown diamonds; however, products made from precious metals as well as imitation jewellery to get expensive



Themes

Policy Announcement

Impact



Precious metals, gems & jewelry



- Reduction in customs duty on seeds used in the manufacture of **lab-grown diamonds (LGD)**
- Increase in **customs duty of silver from 7.5% to 10%**, silver dore bar from 6.1% to 10% to align that of gold and platinum
- Increase in customs duty for articles made from **precious metals (gold/silver/platinum) from 20% to 25%**
- Increase in customs duty of **imitation jewellery** (from 22% or INR 400/kg to 25% or to INR 600/kg, whichever is higher)
- Conversion of physical gold to e-gold receipt and vice versa will not attract capital gains



Boost to the diamond sector will encourage local production of LGD seeds and reduce import dependency. Steps taken towards this high potential sector could further bolster India's position as a global leader in cutting and polishing diamonds



Increase in prices of precious metals and products as well as **imitation jewellery to impact domestic demand**



The move will promote investments in electronic equivalent of gold



Textiles & fashion



- Overall decline of **65% in the budget allocation of textile ministry**
- Credit Guarantee Scheme extended for MSMEs with an allocation of INR 9,000 Cr
- Scheme to increase the **production of Extra Long Staple (ELS) cotton** announced under Cluster Development Initiative through PPP mode
- Custom duty on **textile machinery** increased from 5% to 7.5%



Decline in budget allocation towards **cotton procurement scheme to affect farmers**



Better credit availability to textile industry, given 80% of the units in the industry are MSMEs



Increased focus on ELS cotton could boost India's garment exports given increase in the capability to **manufacture value-added garments**



Textile machinery to become more expensive. This will impact the sector given limited local manufacturing



Bazaar



- **Affordable housing** - enhanced allocation for PMAY by 66% to over INR 79,590 Cr



Real estate sector is expected to benefit from this move resulting in cascading effect on bazaar sector - tiles, sanitaryware, pipes, wires etc.



Increased consumer spending likely to positively impact FMCG categories; reduction in custom duties for mobile and TV parts to boost durables



Themes

Policy Announcement

Impact



FMCG/ Consumer products



- The government has **increased tax rebate limit** from INR 5 lakh to INR 7 lakh for FY24
- **Taxes on cigarettes increased by 16%**. The commodity has seen a revision after three years
- Customs duty on the **import of bicycles** has been increased from 30% to 35%
- Customs duty on **imports of toys** has been increased from 60% to 70%



With consumers having access to increased disposable incomes, the move will **accelerate overall consumption** in the economy and propel growth in the FMCG categories



Net tax on **cigarettes** would require a **1% to 3% price hike** for cigarettes in different categories, most likely to be passed on to consumers, as per experts



The increase in customs duties of categories such as **bicycles and toys** could spur **local manufacturing**



Durables



- Customs duty on **camera lenses** and parts has been reduced from 2.5% to nil. The lenses are used in the production of for phones, laptops and DSLR cameras
- Customs duty on the **open cell of TV panels** has been reduced from 5% to 2.5%
- Basic customs duty on **electric kitchen chimneys** has been increased from 7.5% to 15%



Reduction in basic customs duty could **enhance domestic mobile handset manufacturing** and boost export competitiveness



Mobile phones and TV sets to get cheaper, which could boost exports, in addition to giving boost to domestic demand



Domestic demand for **electric kitchen chimneys** could see a decline



Agri



- In a push to make India a **global hub for millets**, Indian Institute of Millet Research, Hyderabad will be supported as the Centre of Excellence for sharing best practices, research and technologies at the international level
- Reduction in custom duties across various categories of aquatic feed
- Customs duty on imports of pecan nuts reduced from 100% to 30%



The UN has declared 2023 as the Year of Millets. The increased effort to promote millets could prove beneficial in **driving millet consumption and exports**



Reduction in customs duty of aquatic feed will boost the fisheries sector and potentially exports

Financial Services

+
BUSINESS ●



+



BUDGET



+
PLANNING



MAIN SCREEN



Sector gains due to strong focus on digital, MSMEs and financial inclusion

Top sector announcements

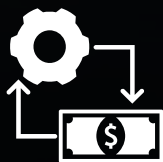
Industry perception

1	Credit Guarantee for MSMEs	
2	Setting up of National Financial Information Registry	
3	Slew of measures to boost business activities in GIFT IFSC	
4	Increase of 66% in allocation for PMAY to INR 79,590 Cr	
5	DigiLocker Services Extended For Fintech Sector, MSMEs	
6	Tax exemption removed on traditional Life insurance policies with aggregate premium more than INR 5L	



Sector Impact

- Budget has provided impetus for sustainable growth of FS sector
- Initiatives on financial inclusion agenda will go a long way to build an open, digital and inclusive India with a long-term vision



Revamped credit guarantee scheme for MSMEs



Giving a push to the 6.3 Cr MSMEs in India, FM announced an **infusion of INR 9,000 Cr** under revamped Credit guarantee scheme for MSMEs with effect from April 1 this year



The MSME segment accounts for **30% of GDP** and employs nearly **11 Cr people**. As per a recent study, **~65%** of the MSMEs in the country had availed benefits under the Emergency Credit Line Guarantee Scheme (ECLGS)



The new credit guarantee scheme is expected to **lower cost of credit by 1%** and allow MSMEs to avail additional **collateral free credit guarantee of INR 2 lakh Cr**



As per industry experts, the **NPA rate** in banks for MSME borrowers who availed of ECLGS was **lower than the category that did not avail of the scheme**



The budget announced several measures to prop up the MSME sector, including **extension of ECLGS** till March 31, 2023, and a Raising and Accelerating MSME performance (RAMP) programme with an outlay of INR 6,000 Cr



Slew of measures to boost business activities in GIFT IFSC



- GIFT-IFSC is the **maiden International Financial Services Centre (IFSC)** in India
- Objective is to develop a world class smart city that becomes a **global financial hub** with the development of an IFSC



Single-window IT system for registration and approval from relevant authorities -IFSC Authority, GSTN, RBI, SEBI and IRDA to help reduce compliance and red tape



- Permitted acquisition financing by IFSC banking units of foreign banks which will help **reduce the cost of financing** of outbound M&A transactions
- Establishing a subsidiary of EXIM Bank for trade refinancing in IFSC



Plan to set-up digital embassies in IFSC which will **host backup of most critical data and services of other countries** to ensure digital continuity



As per experts, the policy support will certainly act as a catalyst in **expediting the growth of GIFT City**, thus making it a vibrant global financial hub for domestic and international entities. These measures will help **strengthen the ease of doing business in IFSC**



Digital Push: Government to continue support for digital payments; expands scope of DigiLocker, PAN to be the common identifier

Themes



Digital Payments



Fintech Services



PAN as common identifier

Policy Announcement



- Fiscal support for **digital public infrastructure** of digital payments will continue in FY24
- Subsidy for digital payments **jumps two-folds** to INR 2,137 Cr



- Government digital certificate depository **DigiLocker** services has been extended for fintech sector
- An entity DigiLocker will be set up for MSMEs, large businesses and charitable trusts



- PAN to be the **common identifier** for digital systems

Impact



The money allocated under digital payments is generally disbursed to banks as a **subsidy for promoting UPI transactions**

- This subsidy is given because the government has restricted banks to charge users any transaction fees on UPI



DigiLocker aims at the **Digital Empowerment of citizens** by providing access to authentic digital documents



One-stop solution for updation of identity will be established using DigiLocker service and Aadhaar as foundational identity



The KYC process will be simplified adopting a '**risk-based**' instead of 'one size fits all' approach



The government has **reduced more than 39,000 compliances** for enhancing the ease of doing business



Other updates for Financial Services sector from Union Budget 2023-24



Agri credit target increased by 11% to INR 20 lakh Cr



An **Agriculture Accelerator Fund** will be set-up to encourage agri startups by young entrepreneurs. The objective is to transform **agricultural practices, increase productivity and profitability**



Allocation for PMAY increased by 66% to INR 79,590 Cr



This is positive for India's rural infrastructure and adding power to lower and middle-income groups. This will not only **boost demand for housing credit**, but is also a **positive for the cement sector**



Setting up a National Financial Information Registry



This will serve as the **central repository of financial and ancillary information**. This will facilitate the efficient flow of credit, promote financial inclusion, and foster financial stability



Data Embassy



For countries looking for digital continuity solutions, government will **facilitate setting up of their Data Embassies in GIFT IFSC**



Investor Protection



Government will make certain **amendments** to the Banking Regulations Act, the Banking Companies Act and the RBI Act to improve governance and investor protection in Banking Sector



Insurance | Tax exemption removed on traditional Life insurance policies

Key Sector Announcement

Income proceeds from high value traditional life insurance policies **no longer tax exempted**

- Until now, proceeds from all traditional life insurance policies (non-ULIPs) were tax-free without any specified limits¹
- As per the new policy, **if the aggregate of premium for such policies is more than INR 5 L, no tax-exemption shall be granted**. This applies to policies issued on or after 1st April 2023
- **Proceeds received in the case of death of the policyholder will continue to be tax-exempted**

Industry perception



- This move can be detrimental to the sale of high sum assured traditional savings products.
- Post noon on 1st Feb, shares of LIC, HDFC Life, ICICI Prudential & SBI Life tanked 10-12%²

1. Provided annual premium does not exceed 10% (some cases 20%) of the Sum Assured under the policy 2. Recorded until 3PM IST on 1st Feb 2023
Source: Union Budget 2023-24 press release; BCG analysis

Travel, Cities & Infrastructure

+ BUSINESS ●

BUDGET

+ PLANNING

MAIN SCREEN



Sector gains driven by higher budget allocation, measures to improve financing and focus on inclusive & sustainable growth

Top 5 sector announcements

Industry perception

- 1 33% increase in capital outlay

 - 100 critical projects enhancing first and last mile, regional air connectivity identified
 - Union govt. to continue 50-year interest free loans to state govt. for capital expenditure
- 2 Focus on inclusive growth - outlay for Pradhan Mantri Awas Yojna (PMAY) has been enhanced by 66%
- 3 Sustainable City Development - INR 10,000 Cr UIDF launched, improving municipal credit worthiness and capability enhancement
- 4 50 tourist destinations to be developed as complete package - including physical and virtual infra
- 5 Infrastructure finance secretariat to assist in crowding in private investment



Sector Impact

Higher capital allocation, launch of multiple reforms/initiatives to ensure good governance & ease of financing will boost sector growth



Infrastructure & investments one of seven outlined budget priorities



Increased capital investment outlay by >33% to INR 10 lakh Cr; with highest ever capital outlay to railways at INR 2.4 lakh Cr



100 critical transport infrastructure projects identified for end-to-end connectivity for ports, coal, steel, fertilizer sector - require an investment of INR 75,000 Cr, of which INR 15,000 Cr is planned to be sourced from private sources



Budget took a well-rounded view of developing sustainable cities of the future. An allocation of INR 10,000 Cr to the urban infrastructure development fund, launch of multiple reforms for capacity building (Mission Karamyogi), and improving municipal creditworthiness and urban planning (efficient use of land resources, TOD, affordability, etc.) were announced



Allocation of PMAY has been enhanced by 66%, to ensure inclusive development.



Development of at least 50 tourism destinations, through challenge mode, was announced. The development would focus on not only physical infra but also virtual connectivity, tourist guides, etc. States will be encouraged to set up a Unity Mall in their state capital or most prominent tourism centre or the financial capital for promotion and sale of their own ODOPs (one district, one product)

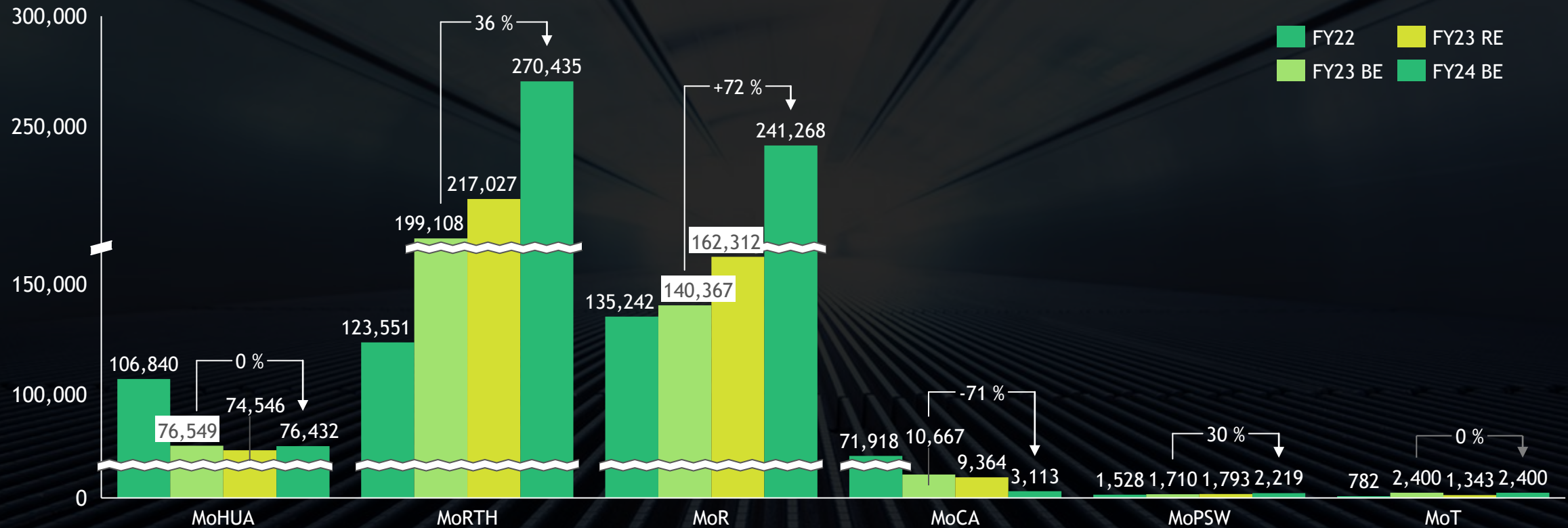


Focus on green growth - Green credit program, coastal shipping, green buildings brought to the forefront



Roads and rail witnessed the highest capital allocation jump; together they accounted for >85% of the infra budget*

Budget Outlay (INR Cr)



*including transport, urban and tourism sectors

Note: Budgetary outlay includes both capital and revenue expenditures for the year

MoUHA: Ministry of Housing and Urban Affairs; MoRTH: Ministry of Road Transport and Highways; MoR: Ministry of Railways; MoCA: Ministry of Civil Aviation;

MoPSW: Ministry of Ports, Shipping and Waterways; MoT: Ministry of Tourism

Source: Union Budget 2023-24 press release; BCG analysis









Budget increased allocation for roads & rail to enhance end to end connectivity & implement flagship initiatives under Gati Shakti

	Roads and Highways	Railways	Civil Aviation
Capital Budget	<ul style="list-style-type: none"> INR 2.6 lakh Cr (~38% increase from FY 23 BE) 	<ul style="list-style-type: none"> INR 2.4 lakh Cr (~75% increase from FY 23 BE) 	<ul style="list-style-type: none"> INR 86.7 Cr (~13% increase from FY 23 BE)
Focus Areas	<ul style="list-style-type: none"> Infrastructure Finance Secretariat to assist in crowding in private investment Emphasis on critical projects enhancing first and last mile connectivity from the ports 	<ul style="list-style-type: none"> Highest ever budget outlay Infrastructure Finance Secretariat to assist in crowding in private investment 	<ul style="list-style-type: none"> 50 additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity
Impact	<ul style="list-style-type: none"> 👍 Significant enhancement to capital allocation - critical to achieve ministry's FY target of 13,500 km road development amid rising int rates & land acquisition cost 	<ul style="list-style-type: none"> 👍 Significant enhancement to capital allocation towards acquisition of rolling stock (Vande Bharat trains) and network expansion 	<ul style="list-style-type: none"> 👍 Increase the air connectivity 📉 Would have benefitted from higher outlay given the task of revival of 50 airports, heliports

Infrastructure Finance Secretariat has been set up in Dept of Economic Affairs, Ministry of Finance in 2022
 Note: Capital Budget allocation includes allocation earmarked for development/investment works. This excludes revenue expenditure that is done for the normal running of Government Departments and for rendering of various services, making interest payments on debt, meeting subsidies, etc. from total budgetary allocation
 Source: Union Budget 2023-24 press release; BCG analysis



Emphasis on development of sustainable, inclusive cities and tourist destinations; budget for welfare programs like PMAY increased

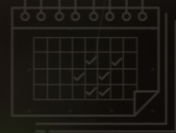
	 Ports, Shipping & Waterways	 Urban Development	 Tourism
 Capital Budget	<ul style="list-style-type: none"> • INR 1,068.2 Cr (~86% increase from FY 23 BE) 	<ul style="list-style-type: none"> • INR 25,997.3 Cr (~5% decrease from FY 23 BE) 	<ul style="list-style-type: none"> • No capital budget
 Focus Areas	<ul style="list-style-type: none"> • Coastal shipping will be promoted as the energy efficient, low-cost mode of transport for both passengers and freight on PPP basis 	<ul style="list-style-type: none"> • PMAY budget enhanced by 66% • Reforms to improve urban infra financing: <ul style="list-style-type: none"> - Urban Infrastructure Development Fund, with an allocation of INR 10,000 Cr pa, to be established to finance infra projects in Tier 2 and 3 cities - Measures to improve credit worthiness through property tax governance reforms and ring-fencing user charges on infra • Capability enhancement through Mission Karamayogi 	<ul style="list-style-type: none"> • Identified as one of the four opportunistic sectors for India @100 • 50 tourist destinations would be selected for priority development through challenge mode - every destination to be developed as a complete package • Development of unity mall in state capital or most prominent tourism destination to promote local artisans
 Impact	<ul style="list-style-type: none"> • Enhanced capital outlay for inland waterways by ~100%; focus on costal shipping to increase efficiency 	<ul style="list-style-type: none"> • Affordable and mid-housing segment would get a boost • Make ULBs financially self-reliant • Capability building at local level to bring in new age governance • Could have benefitted from higher allocation 	<ul style="list-style-type: none"> • Clear growth path for 50 destinations • Sector would create multiplier effect through backward and forward linkages to artisans and tourism centric jobs respectively

Note: Capital Budget allocation includes allocation earmarked for development/investment works. This excludes revenue expenditure that is done for the normal running of Government Departments and for rendering of various services, making interest payments on debt, meeting subsidies, etc. from total budgetary allocation

Source: Union Budget 2023-24 press release; BCG analysis

Building Materials

+
BUSINESS ●



+



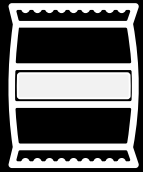
BUDGET



+
PLANNING



MAIN SCREEN



Union Budget FY24: Key impact on building materials sector



The industry is poised to experience a **positive spillover effect** as a result of increased **investment in infrastructure** and the persistent drive for **access to affordable housing**



The flourishing focus on PMAY, Infra capex, and road projects is an omen of brilliant prospects for the BM Sector, leading to a **resplendent surge in demand**



Affordable housing scheme was notably highlighted with a with a **substantial rise of 66%** to INR 79,590 Cr in the budget estimate



Capex allocation to MoRTH rose by 36% YoY to INR 2.7 lakh Cr (compared with last year's budget estimates). **Total NHAI capex is estimated at INR 1.6 lakh Cr**



Concrete steps taken to **provide piped water supply** to all rural households; allocation increased by 27% to INR 70,000 Cr



Sector will reap plethora of indirect benefits with soaring investment in infrastructure and focus on affordable housing & rural development



Affordable Housing

PMAY allocation (for rural and urban areas) rose significantly by 66% to INR 79,590 Cr compared to last year's budget

The sustained focus on PMAY signals a powerful surge in the demand for building materials



PMGSY - Gramin

The allocation for the construction of rural roads through the Pradhan Mantri Gram Sadak Yojna (PMGSY) remained unchanged at INR 19,000 Cr

This will, in turn, escalate the demand for building materials in rural areas



Smart Cities/Airports

50 more airports, heliports, water aerodromes, and advanced landing grounds will be rejuvenated to enhance regional connectivity

Regional connectivity scheme budget doubled to INR 1,200 Cr against INR 601 Cr in FY23 BE

Allocation for Smart Cities Mission and AMRUT underwent a 13% increase to INR 16,000 Cr



New Road Projects

The overall capex for the roads sector is set at INR 2.7 lakh Cr, with the NHAI accounting for an estimated INR 1.6 lakh Cr

NHAI's budgetary support has experienced a robust growth of 21% compared with the FY23 BE

Budget allocation for road works has increased massively by 67% to 1.1 lakh Cr

Impact



Absorption of Housing Supply

Cement, Ceramic Tiles, Sanitary Ware & other building material products



Demand growth (Rural Segment)

Cement (Trade segment)



Infrastructure Development

Cement, Tiles, Sanitary ware & other building material products



Demand growth (Non-Trade)

Cement



Jal Jeevan Mission to continue driving building materials demand



Jal Jeevan Mission

- The Jal Jeevan Mission (Urban), launched in the previous fiscal year, aims to **provide water to all 4,378 urban local bodies and ensure 2.86 Cr household tap connections**, as well as manage liquid waste in 500 AMRUT cities
- The budgetary outlay of **Jal Jeevan Mission has increased 27% to INR 70,000 Cr**



Urban Infrastructure

- The government remains dedicated to boosting the use of public transportation in urban areas. Along with expanding the metro network in large cities, the government also aims to **introduce more cost-effective metro technologies in Tier-2 cities and the surrounding areas of Tier-1 cities**
- **Total allocation to Metro projects remained flat at INR 19,500 Cr in FY24 BE**



Swachh Bharat Mission

- This initiative, launched in 2014, has been a tremendous success
- Outlay of **Urban Swachh Bharat Mission doubled to INR 5,000 Cr** while Gramin's outlay remained flat at INR 7,200 Cr



Railways

- **Total allocation to Ministry of Railways** for capital expenditure has **increased manifold to INR 2.4 lakh Cr (9x of FY14 BE)**
- The government's focus on enhancing railway infrastructure is expected to drive growth in cement demand

Metals & Mining

+
BUSINESS ●



+



+
PLANNING

BUDGET



+



MAIN SCREEN



Enhanced budgetary allocation to infrastructure and rail to drive demand



Action/Announcement



Impact on sector/end-use sectors



Introduction of Urban Infrastructure Development Fund (UIDF) to create urban infrastructure in Tier 2 and Tier 3 cities.



• Will boost rural demand for construction grade steel, iron, aluminium and copper industries



Enhancement of PMAY scheme (INR 79,590 Cr) - housing scheme for the urban poor



• Will have positive impact on Steel, Iron, aluminum and Copper industries



100 critical transport infrastructure projects for steel, coal etc. identified for investment (INR 75,000 Cr)
Highest ever capital outlay for railways (INR 2.4 lakh Cr)



• Positive for flat steel producers such as Tata, JSW, AM/NP, SAIL and rail producers like JSPL, SAIL



Enhancement of vehicle scrappage policy - Central govt and states will also participate in replacing old vehicles



• Will ensure higher availability of steel and metal scrap in the market for unorganized or small rebar players
• Expected to provide small boost to auto sector



Budget is likely to work positively for rail producers (JSPL, SAIL); iron, copper, aluminium, steel and un-organized long steel players



Sectors

Capital Budget



Civil Aviation

INR 86.7 Cr
(~13% increase from FY23 BE)



Ports, Shipping & Waterways

INR 1,068.2 Cr
(~86% decrease from FY23 BE)



Urban Development

INR 0.3 lakh Cr
(~5% decrease from FY23 BE)



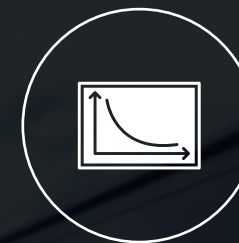
Railways

INR 2.4 lakh Cr
(~75% increase from FY23 BE)



Roads and Highways

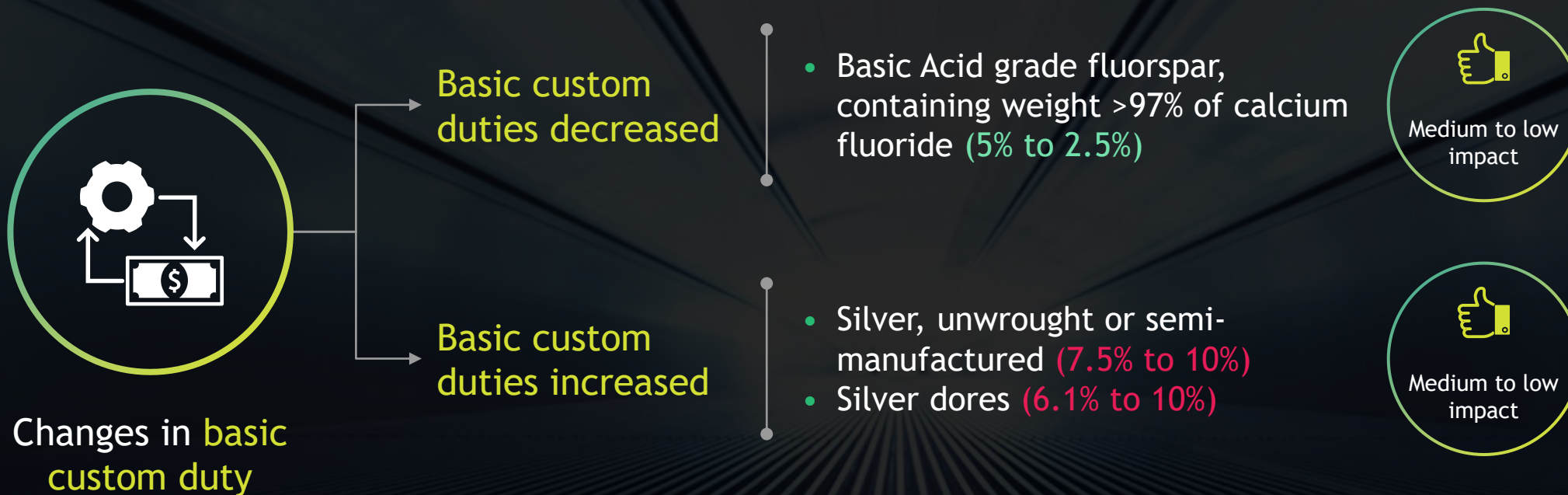
INR 2.6 lakh Cr
(~38% increase from FY23 BE)



With huge outlay and emphasis on capital expenditure (~33% increase) in all infra sectors, and focus on execution of projects is likely to boost **demand for metals** (Steel, Aluminum, copper) and minerals in the economic growth



Changes in basic custom duty to have limited impact on the sector



The current budget will continue to retain some policies proposed in previous budget:

- Exemptions of duties on import of CRGO steel, ferrous scrap, nickel cathode, etc.
- 2.5% Basic customs duty on copper scrap imports to support its usage in MSME sector

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