Retail Research 1st February, 2025

SBI Securities
*Investment aur Trust, Dono*


# Union Budget 2025-26
# What does it have for you?

Big relief to individual tax payers - No tax on income up to Rs 12 lakh (under new regime)

Stimulus of ~Rs 1 lakh cr for the economy

On track of fiscal consolidation - Fiscal deficit target for FY25-26 pegged at 4.4% v/s 4.8% as per RE 2024-25

Outlay for capital expenditure kept at Rs 11.2 lakh cr, ~9.8% above the RE of FY25

The Union Budget 2025-26 was largely on the expected lines with focus on broad areas covering Poor, Youth, Middle Class, Farmers, MSMEs, Export, Women and reduction of compliance burden. The budget aims to initiate transformative reforms across six domains viz Taxation, Power, Urban development, Mining, Financial, and Regulatory reforms.

Major focus of the budget was on revival of consumption leaving other expenditure heads either unchanged or with marginal revision thereby ensuring fiscal prudence. In a big boost to the Indian middle class, Finance Minister announced that there will be no income tax payable for income up to Rs 12 lakh under the new tax regime. The idea behind the move was to boost consumption which is benign as highlighted by many consumer facing businesses over the last few quarters.

Budget outlined 10 priority areas, viz,

1) Spurring agriculture growth and productivity
2) Building rural prosperity and resilience
3) Inclusive growth
4) Boosting manufacturing and Make in India
5) Supporting MSME
6) Employment led development
7) Investing in people, economy and innovation
8) Securing energy supplies
9) Promoting export
10) Nurturing innovation

Overall, Union Budget 2025-26 appears more consumption oriented and has set the stage for next leg of inclusive growth of Indian economy in the backdrop of global policy uncertainties and trade wars.

## Key takeaways

- **Zero tax for salaried class up to Rs 12 lakh income:** In a big boost to salaried class, government has made income up to Rs 12 lakh completely free of tax (excluding capital gains). This will drive urban consumption which has been languishing since last 2-3 quarters. This will create a positive impact on discretionary as well as non-discretionary spending.

- **Path of fiscal prudence is intact:** The budget not only revised lower the FY25 fiscal deficit target to 4.8% of GDP v/s 4.9% BE but also reduced FY26 fiscal deficit target to 4.4% of GDP. This entails total gross and net borrowing for FY26 at Rs 14.82 lakh cr and Rs 11.53 lakh cr respectively.

- **Capital outlay:** The government expects FY26 capex to be at Rs 11.2 lakh cr which is 10.1% higher than RE of Rs 10.18 lakh cr for FY25 - Inline with FY26E nominal GDP growth of 10.1%

- **Further boost to MSME**: MSME contributes 36% of India's manufacturing, employs 7.5 cr people and contributes 45% of India's exports. To enable them achieve higher efficiencies of scale, technological upgradation and better access to capital, the investment and turnover limits for classification of all MSMEs will be enhanced by 2.5x and 2.0x respectively. Steps includes enhancement of a) credit availability with guarantee cover, b) credit cards for micro enterprises, c) fund of funds for startups, d) promote labour-intensive sectors, and e) measures to boost domestic production of toys, footwear, food processing, etc.

- **Focus on Defence, Railways and Infrastructure:** The railways capex for FY26 is Rs 2.52 lakh cr similar to RE for FY25. Marginal increase in capex towards laying of new lines, signaling, track renewals, payment of capital components for leased assets, local trains in urban areas, etc is proposed. Overall defence budget is up by ~Rs 40,000 cr to Rs 6.81 lakh cr with a capital outlay of Rs 1.8 lakh cr which is Rs 21,000 cr higher than RE for FY25. NHAI allocation for FY26 is at Rs 1.70 lakh cr v/s Rs 1.69 lakh cr as per FY25 RE.
- **Nuclear Energy Mission for Viksit Bharat:** Development of 100 GW of nuclear energy by 2047 is essential for energy transition efforts. Rs 20,000 cr is being allocated towards R&D of SMR (Small Modular Reactors). This will create opportunities for players specialized in building small reactors.
- **FDI in insurance increase to 100% from 74%:** This enhanced FDI limit will be available for those companies which invest the entire premium in India. The move is expected to bring more players into the market and drive innovation.
- **Exemption of Basic Custom Duty (BCD)** on raw materials, components, consumables or parts in ship breaking shall help drive growth of ship building and repair industry.

**Our View:** Overall, we believe the Union Budget 2025-26 is a consumption led growth oriented budget in the backdrop of slowing domestic economy and uncertain global environment. The reduction in personal income tax burden is nothing short of stimulus to the tune of ~Rs 1 lakh cr. The extra money will flow back to economy in the form of consumption or savings. Personal income tax cut also encourages retired population and pension earners to park their savings in the FDs (kindly refer to the section of Direct Tax for further details) which augurs well for deposit starved banks in medium to long term. The tempo of capex is maintained with record Rs 11.2 lakh cr spending for the upcoming financial year. Going by the historical track record, we believe, many additional reform measures and key policy decisions will be taken by the government outside of the Union Budget too. One such reform is new income tax bill which will be in public domain in the ensuing week. We continue to remain constructive on sectors such as Auto, Auto Ancillary, Realty, FMCG, Healthcare, Renewables, Railways, Defence, ERW pipe makers and select banks and NBFCs with medium to long term investment horizon.

| Particulars (Rs in Crore) | | 2023-24 | 2024-25 | 2024-25 | 2025-26 |
|---|---|---|---|---|---|
| | | Actuals | Budget Estimates | Revised Estimates | Budget Estimates |
| 1 | **Revenue Receipts** | **27,29,036** | **31,29,200** | **30,87,960** | **34,20,409** |
| | **Growth** | | **14.7%** | **-1.3%** | **10.8%** |
| 2. | Tax Revenue (Net to Centre) | 23,27,251 | 25,83,499 | 25,56,960 | 28,37,409 |
| 3. | Non-tax Revenue | 4,01,785 | 5,45,701 | 5,31,000 | 5,83,000 |
| 4 | **Capital Receipts** | **17,14,411** | **16,91,312** | **16,28,527** | **16,44,936** |
| | **Growth** | | **-1.3%** | **-3.7%** | **1.0%** |
| 5. | Recovery of Loans | 26,646 | 28,000 | 26,000 | 29,000 |
| 6. | Other Receipts | 33,122 | 50,000 | 33,000 | 47,000 |
| 7. | Borrowings & Other Liabilities | 16,54,643 | 16,13,312 | 15,69,527 | 15,68,936 |
| 8 | **Total Receipts (1+4)** | **44,43,447** | **48,20,512** | **47,16,487** | **50,65,345** |
| 9 | **Total Expenditure (10+13)** | **44,43,447** | **48,20,512** | **47,16,487** | **50,65,345** |
| 10. | On revenue account of which | 34,94,252 | 37,09,401 | 36,98,058 | 39,44,255 |
| 11. | Interest Payments | 10,63,872 | 11,62,940 | 11,37,940 | 12,76,338 |
| 12. | Grants in Aid for creation of capital assets | 3,03,916 | 3,90,778 | 2,99,891 | 4,27,192 |
| 13. | On Capital Account | 9,49,195 | 11,11,111 | 10,18,429 | 11,21,090 |
| 14 | **Effective Capital Expenditure (12+13)** | **12,53,111** | **15,01,889** | **13,18,320** | **15,48,282** |
| 15 | **Revenue Deficit (10-1)** | **7,65,216** | **5,80,201** | **6,10,098** | **5,23,846** |
| | As a % of GDP | 2.6 | 1.8 | 1.9 | 1.5 |
| 16 | **Effective Revenue Deficit (15-12)** | **4,61,300** | **1,89,423** | **3,10,207** | **96,654** |
| | As a % of GDP | 1.6 | 0.6 | 1.0 | 0.3 |
| 17 | **Fiscal Deficit [9-(1+5+6)]** | **16,54,643** | **16,13,312** | **15,69,527** | **15,68,936** |
| | As a % of GDP | 5.6 | 4.9 | 4.8 | 4.4 |
| 18 | **Primary Deficit (17-11)** | **5,90,771** | **4,50,372** | **4,31,587** | **2,92,598** |
| | As a % of GDP | 2.0 | 1.4 | 1.3 | 0.8 |

Source: Ministry of Finance, SSL Research

**Notes:**

(i) The GDP for Budget FY 2025-26 is estimated at Rs 3,56,97,923 crore, which is 10.1% over the Revised Estimates of FY 2024-25 at Rs 3,24,11,406 crore.

(ii) Individual items in this document may not sum up to the totals due to rounding off.

# Major Scheme Outlays

| Scheme (Rs cr) | FY24A | FY25 - BE | FY25 - RE | FY26 - BE | % growth over FY25 - RE |
|---|---|---|---|---|---|
| NHAI | 1,67,398 | 1,68,464 | 1,69,371 | 1,70,266 | 0.5 |
| Road Works (MoRTH) | 1,08,678 | 1,15,093 | 1,10,576 | 1,16,292 | 5.2 |
| Mahatma Gandhi National Rural Employment Guarantee Programme (MNREGA) | 89,154 | 86,000 | 86,000 | 86,000 | 0.0 |
| Jal Jeevan Mission (JJM) / National Rural Drinking Water | 69,992 | 70,163 | 22,694 | 67,000 | 195.2 |
| Pradhan Mantri Awas Yojna - Grameen (PMAY-G) | 21,770 | 54,500 | 32,426 | 54,832 | 69.1 |
| Aircraft and Aero Engines (Defence) | - | 40,278 | 46,592 | 48,614 | 4.3 |
| Rolling Stock (Railways) | 44,029 | 40,314 | 46,252 | 45,530 | -1.6 |
| New Lines (Railways) | 33,702 | 34,603 | 31,459 | 32,235 | 2.5 |
| Line Doubling (Railways) | 36,806 | 29,312 | 31,032 | 32,000 | 3.1 |
| Metro Projects (Railways) | 19,506 | 21,336 | 24,691 | 31,239 | 26.5 |
| Naval Fleet (Defence) | - | 23,800 | 25,605 | 24,391 | -4.7 |
| Track Renewals (Railways) | 17,850 | 17,652 | 22,669 | 22,800 | 0.6 |
| PM Surya Ghar Muft Bijli Yojana | - | 6,250 | 11,100 | 20,000 | 80.2 |
| Pradhan Mantri Awas Yojna (PMAY)- Urban | 21,684 | 30,171 | 13,670 | 19,794 | 44.8 |
| Pradhan Mantri Gram Sadak Yojna | 15,380 | 19,000 | 14,500 | 19,000 | 31.0 |
| Reform Linked Distribution Scheme (Power) | 9,768 | 12,585 | 12,665 | 16,021 | 26.5 |
| Research and Development (Defence) | 12,724 | 13,208 | 13,667 | 14,924 | 9.2 |
| Construction Works (Defence) | - | 12,017 | 10,562 | 11,452 | 8.4 |
| Space Technology (Department of Space) | 8,083 | 10,088 | 8,986 | 10,230 | 13.8 |
| AMRUT (Atal Mission for Rejuvenation and Urban Transformation) | 5,591 | 8,000 | 6,000 | 10,000 | 66.7 |
| Urban Challenge Fund | - | - | - | 10,000 | - |
| Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (PMJAY) | 6,670 | 7,300 | 7,606 | 9,406 | 23.7 |
| PLI- MeiTY | 4,284 | 6,200 | 5,777 | 9,000 | 55.8 |
| Rashtriya Krishi Vikas Yojna | 5,693 | 7,553 | 6,000 | 8,500 | 41.7 |
| Pradhan Mantri Krishi Sinchai Yojna | 6,088 | 8,250 | 6,621 | 8,260 | 24.8 |
| Krishionnati Yojana | 5,736 | 7,447 | 7,106 | 8,000 | 12.6 |
| Signalling and Telecom (Railways) | 3,751 | 4,647 | 6,006 | 6,800 | 13.2 |
| PM Vishwakarma | 746 | 4,824 | 4,000 | 5,100 | 27.5 |
| Pradhan Mantri Ayushman Bharat Health Infrastructure Mission (PMABHIM) | 1,806 | 3,200 | 3,000 | 4,200 | 40.0 |
| PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE) Scheme | - | - | 1,871 | 4,000 | 113.8 |
| Pradhan Mantri Awas Yojana - Urban 2.0 (PMAY-U 2.0) | - | - | 1,500 | 3,500 | 133.3 |
| PLI - Automobiles & Auto Components | 3 | 3,500 | 347 | 2,819 | 712.4 |
| Skill India Programme | 1,733 | 2,686 | 2,318 | 2,700 | 16.5 |

Source: Ministry of Finance, SSL Research

# Major Scheme Outlays

| Scheme (Rs cr) | FY24A | FY25 - BE | FY25 - RE | FY26 - BE | % growth over FY25 - RE |
|---|---|---|---|---|---|
| Kisan Urja Suraksha evam Utthaan Mahabhiyan (KUSUM ) | 1,100 | 1,996 | 2,525 | 2,600 | 3.0 |
| Scheme for Industrial Housing (MoHUA) | - | - | - | 2,500 | - |
| Pradhan Mantri Matsya Sampada Yojana (PMMSY) | 1,148 | 2,352 | 1,500 | 2,465 | 64.3 |
| PLI - Pharma | 1,604 | 2,143 | 2,151 | 2,445 | 13.7 |
| Metropolitan Transportation Projects (Railways) | 1,937 | 1,090 | 1,540 | 2,368 | 53.8 |
| Nuclear Power Projects | 1,404 | 2,228 | 1,500 | 2,086 | 39.1 |
| Domestic Industry Incentivisation Scheme (Telecom) | 413 | 1,911 | 1,540 | 2,006 | 30.3 |
| IndiaAI Mission | - | 552 | 173 | 2,000 | 1,056.1 |
| Integrated Development of Tourist Circuits around specific themes (Swadesh Darshan) | 350 | 1,750 | 350 | 1,900 | 442.9 |
| Atal Bhujal Yojna | 1,739 | 1,778 | 600 | 1,780 | 196.7 |
| Special Projects (Defence) | - | 1,574 | 1,151 | 1,732 | 50.5 |
| Projects of the Air Force | 68 | 1,697 | 377 | 1,702 | 351.5 |
| Optical Fibre Cable based network for Defence Services | 1,093 | - | 1,316 | 1,456 | 10.6 |
| Mission Mausam | - | - | 671 | 1,329 | 98.1 |
| PM-eBus Sewa Scheme | 1 | 1,300 | 500 | 1,310 | 162.0 |
| PLI - Food Processing Industry | 590 | 1,444 | 700 | 1,200 | 71.4 |
| PLI - Textiles | 4 | 45 | 45 | 1,148 | 2,451.1 |
| Development Programmes (Animal Husbandry and Dairying) | 560 | 369 | 495 | 1,050 | 112.1 |
| Mission for Pulses | - | - | - | 1,000 | - |
| Dairy Development | 371 | 371 | 450 | 1,000 | 122.2 |
| Cotton Technology Mission | - | - | - | 500 | - |
| Mission for Vegetables and Fruits | - | - | - | 500 | - |
| National Critical Mineral Mission (NCMM) | - | - | - | 410 | - |
| National Mission on Hybrid Seeds | - | - | - | 100 | - |
| Support for Makhana Board | - | - | - | 100 | - |
| National Geospatial Mission | - | - | - | 100 | - |

Source: Ministry of Finance, SSL Research

| Sr No. | Sector | Budgetary Proposal | Likely Beneficiaries |
|---|---|---|---|
| 1 | Power | 100 GW of nuclear energy by 2047. Rs 20,000 cr towards R&D in Small Modular Reactors (SMR)<br><br>RLDS - To improve financial health of Discoms and power companies<br><br>Solar - Increase in allocation for PM Surya Ghar Muft Bijli Yojana<br><br>Augmentation of inter-state transmission capacity by States | NTPC, Tata Power, L&T, HCC, Power Grid, Adani Transmission, Smart meter companies (Genus Power, HPL Electric) |
| 2 | Tobacco | No change in tax structure | ITC, Godfrey Phillips and VST Industries |
| 3 | Consumption | Reduction in income tax burden | FMCG (HUL, Dabur, ITC, etc.) Hotels (Indian Hotels, Lemon Tree, etc.), Consumer Durables (Bluestar, Amber Enterprises, Havells), Auto OEMs, Jewellery players (Senco, Titan etc) |
| 4 | Infrastructure | FY26E capex of Rs 11.2 lakh cr for sectors like Road, Highways, Railways, Defence etc | L&T, JKumar, NCC, Ashoka Buildcon, H.G Infra, Titagarh, Texmaco, BEL, BEML etc |
| 5 | Agriculture | Loan limit under modified interest subvention will be enhanced from Rs 3 lakh to Rs 5 lakh through KCC<br><br>Support for cotton, pulses, dairy etc | Farm equipment players (M&M, Escorts), FMCG stocks and Banks like PNB, Bank of Baroda etc |
| 6 | Leather | Focus product scheme for footwear and leather | Redtape, Metro Brands, Campus Activewear, Mirza International |
| 7 | Electronics (EMS) | Reduction in custom duties on components | Dixon Technologies, PG Electroplast, Epack Durables |
| 8 | Telecom | Broadband connectivity to government secondary school and PHCs | Tejas Network, HFCL etc |
| 9 | Water | Jal Jeevan mission extended till 2028 | APL Apollo Tubes, Hi-Tech Pipes, Jindal Saw, Welspun Corp |
| 10 | Airline | Modified Udaan Scheme will be launched to connect 120 new destinations and carry 4 crore passengers in next 10 years | GMR Airport, Interglobe Aviation |
| 11 | Tourism | Top 50 tourist destination will be developed | IHCL, Chalet Hotels, Lemon Tree, IRCTC, Thomas Cook, Praveg, ITC Hotels etc |
| 12 | Healthcare | Medical tourism and heal in India promoted in partnership with private sector | Aster DM, Apollo, Fortis, Rainbow Children etc |
| 13 | Battery Manufacturing & Recycling | Full exemption of custom duty in cobalt powder and waste, scrap of lithium-ion, lead, zinc, and other minerals<br><br>Exemption of custom duty on capital goods for manufacturing of lithium-ion batteries | Amara Raja, Exide, Gravita India, Pondy Oxides etc |

**1. Personal Income Tax reforms with special focus on the middle class**

(i) Substantial relief is proposed under the new tax regime with new slabs and tax rates as under:-

| Total income | Rate of tax (%) |
|---|---|
| Upto Rs 4,00,000 | Nil |
| From Rs 4,00,001 to Rs 8,00,000 | 5 |
| From Rs 8,00,001 to Rs 12,00,000 | 10 |
| From Rs 12,00,001 to Rs 16,00,000 | 15 |
| From Rs 16,00,001 to Rs 20,00,000 | 20 |
| From Rs 20,00,001 to Rs 24,00,000 | 25 |
| Above Rs 24,00,000 | 30 |

**2. Rebate on Income tax:** Resident individuals with a total income up to Rs 7,00,000 do not pay any tax due to rebate under the new tax regime. It is proposed to increase the rebate for the resident individuals under the new regime so that they do not pay tax if their total income is up to Rs 12,00,000. A few examples for calculation of tax benefit are given in the table below:

| Income (Rs) | Tax on Slabs and rates | | Benefit of Rate/Slab | Rebate benefit | Total Benefit | Tax after rebate Benefit |
|---|---|---|---|---|---|---|
| | Present | Proposed | | Full up to Rs 12 lakhs | | |
| 8 lakh | 30,000 | 20,000 | 10,000 | 20,000 | 30,000 | 0 |
| 9 lakh | 40,000 | 30,000 | 10,000 | 30,000 | 40,000 | 0 |
| 10 lakh | 50,000 | 40,000 | 10,000 | 40,000 | 50,000 | 0 |
| 11 lakh | 65,000 | 50,000 | 15,000 | 50,000 | 65,000 | 0 |
| 12 lakh | 80,000 | 60,000 | 20,000 | 60,000 | 80,000 | 0 |
| 16 lakh | 1,70,000 | 1,20,000 | 50,000 | 0 | 50,000 | 1,20,000 |
| 20 lakh | 2,90,000 | 2,00,000 | 90,000 | 0 | 90,000 | 2,00,000 |
| 24 lakh | 4,10,000 | 3,00,000 | 1,10,000 | 0 | 1,10,000 | 3,00,000 |
| 50 lakh | 11,90,000 | 10,80,000 | 1,10,000 | 0 | 1,10,000 | 10,80,000 |

**Source:** Budget Speech

3. No income tax on income up to Rs 12 lakh in a year due to Rebate in new tax regime, excluding special rate incomes such as capital gains. Salaried person with an income of Rs 12.75 lakh will not have to pay income tax, as additional standard deduction of Rs 75,000 is allowed in new tax regime.

**Illustration of tax savings to the tune of Rs 1,10,000 under New Tax Regime as proposed under Budget 2025-2026**

| New Slabs | Rates | Tax | Old Slabs | Rates | Tax | Difference |
|---|---|---|---|---|---|---|
| 0-4 lakh | 0% | - | 0-3 lakh | 0% | - | - |
| 4-8 lakh | 5% | 20,000 | 3-7 lakh | 5% | 20,000 | - |
| 8-12 lakh | 10% | 40,000 | 7-10 lakh | 10% | 30,000 | 10,000 |
| 12-16 lakh | 15% | 60,000 | 10-12 lakh | 15% | 30,000 | 30,000 |
| 16-20 lakh | 20% | 80,000 | 12-15 lakh | 20% | 60,000 | 20,000 |
| 20-24 lakh | 25% | 1,00,000 | Above 15 lakh | 30% | 3,00,000 | (2,00,000) |
| Above 24 lakh | 30% | 30,000 | | | | 30,000 |
| **Total** | | **3,30,000** | **Total** | | **4,40,000** | **(1,10,000)** |
| **Standard deduction @30%** | **75,000** | | | **75,000** | | **-** |
| **Grand Total** | | | | | | **(1,10,000)** |

**4.** If a retired person earning only Interest Income of Rs 12 lakh from a FD kept in a bank at an Interest Rate of 8% will be **"FULLY EXEMPT"** from income tax proposed in the new tax regime in Budget FY25-26. Similarly, pensioners earning up to Rs 1 lakh will have to bear no tax.

**5. Rationalization of TDS/TCS for easing difficulties**

(i) Tax deduction limit for senior citizens doubled from Rs 50,000 to Rs 1,00,000.

(ii) The annual limit of Rs 2,40,000 for TDS on Rent increased to Rs 6,00,000

**6. Encouraging voluntary compliance:** Updated return filing period extended from 2 years to 4 years. Return can be updated or filed for declaring additional income for 4 previous years with additional tax payment.

**7. Reducing compliance burden**

(i) Reduced compliance for small charitable trusts/institutions by increasing their period of registration from 5 years to 10 years.

(ii) Tax payers to be allowed to claim the annual value of 2 self occupied properties (previously 1) without any conditions (previously conditions attached).

**Reduction in customs duty to reduce input costs, deepen value addition, promote export competitiveness, correct inverted duty structure, boost domestic manufacturing etc [with effect from 02.02.2025]**

| Sr.No. | Commodity | Rates of Duty | |
|---|---|---|---|
| | | From | To |
| **A** | **Aquafarming & Marine Exports** | | |
| 1 | Froze Fish Paste | 30% | 5% |
| 2 | Fish Hydrolysate | 15% | 5% |
| **B** | **Chemicals** | | |
| 1 | Synthetic flavouring essence | 100% | 20% (+2% SWS) |
| 2 | Sorbitol | 30% (+3% SWS) | 20% (+2% SWS) |
| 3 | Other compounds containing Pyrimidine or Piperazine rings | 10% | 7.5% |
| 4 | Laboratory chemicals other than those attracting 10% BCD | 150% (+15% SWS) | 70% (+70% AIDC) |
| **C** | **Waste & Scrap of critical minerals & others** | | |
| 1 | Cobalt powder | 5% | Nil |
| 2 | Waste and scrap of Antimony, Beryllium, Bismuth, Cobalt, Cadmium, Molybdenum, Rhenium, Tantalum, Tin, Tungsten, Zirconium & Copper | 10%/5%/2.5% | Nil |
| 3 | Waste and scrap of Lithium-Ion Battery | 5% | Nil |
| 4 | Waste and scrap of Lead | 5% | Nil |
| 5 | Waste and scrap Zinc | 5% | Nil |
| **D** | **Precious Metals** | | |
| 1 | Platinum findings | 25% | 6.4% (5% BCD + 1.4% AIDC) |
| **E** | **Textile, Handicraft & Leather** | | |
| 1 | Wet blue leather | 10% | Nil |
| 2 | Knitted fabrics | 10%/20% | 20% or Rs 115/kg (whichever is higher) |
| 3 | Crust Leather - Hides & Skins | 20% | 0% |
| **F** | **Capital Goods** | | |
| 1 | Capital goods/machinery used in manufacturing lithium-ion battery of EVs (35 types) | As applicable | Nil |
| 2 | Capital goods/machinery used in manufacturing lithium-ion battery of mobile phones (28 types) | As applicable | Nil |
| **G** | **IT & Electronics** | | |
| 1 | Components used in wired headset, microphone, USB cable, fingerprint reader & sensor of mobile phones | 2.5% | Nil |
| 2 | Components used in open cells of LED/LCD TV | 2.5% | Nil |
| 3 | Ethernet Switches (Carrier-Grade) | 20% | 10% |
| 4 | Open cells used in interactive flat open display module | 15%/10% | 5% |
| 5 | Interactive flat panel display | 10% | 20% |
| 6 | Parts of electronic toys | 70% | 20% (+20% AIDC) |
| **H** | **Space** | | |
| 1 | Goods used in launching of vehicles & satelites | 5% | Nil |

| Sr.No. | Commodity | Rates of Duty | |
|---|---|---|---|
| | | From | To |
| **I** | **Auto & Auto Components** | | |
| 1 | Engine capacity < 1,600 CC | 50% | 40% |
| 2 | Engine capacity > 1,600 CC | 50% | 30% |
| 3 | Semi knocked down (entire range) | 25% | 20% |
| 4 | Completely knocked down (entire range) | 15% | 10% |
| 5 | Motor Vehicles | 40% (+4% SWS) | 20% (+2% AIDC) |
| 6 | Seats | 25% (+2.5% SWS) | 20% (+5% AIDC) |
| **J** | **Renewable Energy** | | |
| 1 | Solar modules | 40% (+4% SWS) | 20% (+2% AIDC) |

- **SWS** – Social Welfare Surcharge**; AIDC:** Agriculture Infrastructure and Development Cess
- This is not an exhaustive list. To view the entire list, one can refer the Budget speech (Page no 27-35)
- Link - https://www.indiabudget.gov.in/doc/Budget_Speech.pdf

| Sr No. | Company Name | NSE Code | Sector | Market Cap.(Rs Cr) | CMP* (Rs) | Target (Rs) | Upside (%) |
|---|---|---|---|---|---|---|---|
| 1 | ITC Ltd. | ITC | FMCG | 6,36,602 | 463 | 530 | 15 |
| 2 | Bajaj Finance Ltd. | BAJFINANCE | BFSI | 4,96,059 | 8,010 | 9,073 | 13 |
| 3 | Interglobe Aviation Ltd. | INDIGO | Aviation | 1,73,535 | 4,491 | 5,200 | 16 |
| 4 | The Indian Hotels Co. Ltd. | INDHOTEL | Hotels | 1,14,081 | 801 | 905 | 13 |
| 5 | Brigade Enterprises Ltd. | BRIGADE | Realty | 28,440 | 1,164 | 1,335 | 15 |

- *CMP is based on closing price as of 1st Feb 2025
- The Investment time horizon is 12 months.

# ITC Ltd.

## CMP: Rs 463 I Target: Rs 530 I Upside: 15%

**ITC Ltd** is one of India's leading tobacco and FMCG companies with ~80% market share in the organised domestic cigarette industry. The company also has presence in Hotels, Agri, Paper and Packaging segment.

**Investment rationale**

- **Dominant player in the organised cigarette market:** In terms of market leadership, ITC holds a market share of ~80% in the organised domestic cigarette industry. The cigarette business contributed ~44% to the company's FY24 gross revenues (excluding inter-segment revenues) and ~74% to total PBT of the company. Cigarette segment is the cash cow of ITC.
- **Medium to long term growth drivers:**

  i. Cigarette business is well placed for healthy volume growth with stability in taxes and backed by deterrent actions by enforcement agencies on illicit trades. Severe inflation in leaf tobacco is being partially mitigated by the company through improved mix, strategic cost management and calibrated pricing actions.

  ii. The demerger of ITC's hotel business where ITC owns 40% stake in the new entity ITC Hotels is RoCE accretive and will also result in improved cash flows for ITC in medium term. ITC Hotels targets to grow its portfolio to 200+ hotels and 18,000+ keys by 2030 from 140 hotels and ~13,000 operating keys as of Oct'24.

  iii. FMCG segment is expected to continue to deliver stable performance in a challenging operating environment with inflationary headwinds. However, sharp focus on cost, mix enrichment and judicious pricing action is expected to mitigate inflationary headwinds.

**Valuation**: At CMP, the stock trades at FY25E/FY26E P/E multiple of 30.0x/27.0x respectively of its Bloomberg consolidated earnings.

**Key risks**: Input cost pressures; Slowdown in consumption; Persisting weakness in urban demand

| Particular (Rs Cr) | FY23A | FY24A | FY25E | FY26E |
|---|---|---|---|---|
| Net Sales | 76,518 | 76,840 | 76,278 | 83,611 |
| EBITDA | 5,665 | 26,254 | 27,383 | 30,002 |
| EBITDA Margin (%) | 33.5 | 34.2 | 35.9 | 35.9 |
| Net Profit | 19,477 | 20,751 | 21,200 | 23,605 |
| PE (x) | 32.7 | 30.7 | 30.0 | 27.0 |
| P/BV (x) | 9.2 | 8.5 | 8.2 | 7.8 |

Source: SSL Research, Bloomberg, ACE Equity

# Bajaj Finance Ltd.

## CMP: Rs 8,010 I Target: Rs 9,073 I Upside: 13%

**Bajaj Finance Ltd (BFL)** is mainly engaged in the business of retail lending. BFL has a diversified lending portfolio across retail, SME and commercial customers with a significant presence in urban and rural India. It also accepts public and corporate term deposits and offers variety of financial services products to its customers.

**Investment Rationale**

- **Strong growth outlook:** Bajaj Finance continues to derive benefits from a diverse loan portfolio, wide distribution network, effective execution and a strong management team. The AUM of the company in the past 5 years has grown at a CAGR of 24% to Rs 3.3 lakh cr as of Mar'24 and is anticipated to grow at 25-27% CAGR in the medium term.
- **Consumption oriented budget**: The government in the budget 2025-26 exempted individuals earning up to Rs 12 lakh from income tax. This will help boost the consumption growth in the economy which augurs well for Bajaj Finance as a retail lender. Due to strong presence of BFL in low ticket size discretionary segment (2/3Ws auto loans, B2C loans, electronic products), we expect the AUM growth to further gain strength.
- **Improved asset quality**: Asset quality continues to improve with loan losses to average AUF (Assets under Finance) trending down to 2.16% in 3QFY25. Loan losses to average AUF ratio is expected to remain below 2% in FY26. GNPA/NNPA stood at 1.12%/0.48% as of 3QFY25 vs 0.95%/0.37% YoY respectively. GNPA remains reasonably well under the long-term GNPA guidance of 1.2%-1.4%.
- **Harnessing AI capabilities**: The company continues to optimize its operating expenses and rapidly implement AI capabilities to improve productivity. Opex to NTI (Net Total income) stood at 33.1% (vs. 33.9% YoY) as of 3QFY25. The company is implementing its AI initiative, FinAI with over 300 GenAI projects which is projected to save Rs 150 cr annually by FY26 in operating cost**.**

**Valuation:** We are positive on the stock and expect a healthy loan book growth in FY26E. Further, lower credit costs and improvement in operational efficiency owing to investment in tech are expected to aid in RoA improvement. At CMP, the stock trades at FY25E/FY26E P/B multiple of 5.4x/4.5x based on consensus Bloomberg estimates.

**Key Risks:** High competition in retail lending space; Asset quality deterioration; Stricter regulations on retail lending may increase compliance costs; Clarity on management transition

| Particulars (Rs Cr) | FY23A | FY24A | FY25E | FY26E |
|---|---|---|---|---|
| NII | 22,989 | 29,582 | 45,255 | 56,372 |
| PPOP | 18,716 | 23,933 | 29,705 | 36,542 |
| Net Profit | 11,508 | 14,451 | 16,699 | 21,307 |
| NIM (%) | 10.6 | 10.4 | 9.8 | 9.8 |
| P/E (x) | 42.0 | 33.8 | 29.6 | 23.3 |
| P/B (x) | 8.9 | 6.5 | 5.4 | 4.5 |

Source: SSL Research, Bloomberg, ACE Equity

# Interglobe Aviation Ltd.

## CMP: Rs 4,491 I Target: Rs 5,200 I Upside: 16%

**Interglobe Aviation Ltd (Indigo)** is India's largest passenger airline operating as a low-cost carrier. It has a market share of ~60% in the domestic aviation industry serving 90 domestic destinations. The company is also expanding into international routes serving 38 international destinations. It has a fleet size of 437 aircraft as of Dec'24.

**Investment Rationale**

- **Strong operating metrics:** Indigo has consistently gained market share from its weaker peers in the domestic aviation market. Its market share has risen from 55% in Mar'22 to 64% in Dec'24 led by multiple factors such as disruption in the operations of other carriers due to grounding of aircrafts, delay in deliveries of new aircrafts, financial troubles as well as pilot and cabin crew shortage. Its low cost operating model has allowed the airline to withstand multiple headwinds such as volatility in ATF prices and the currency, weather and geopolitical related disruptions to flight schedules, grounding of several aircraft due to engine related issues and severe collapse of demand during the Covid years.
- **Steady increase in capacity :** Indigo has increased its capacity (Available Seat Kilometers (ASK)) by 11% CAGR over the last 5 years. ASK rose by 12% YoY in 3QFY25 and is expected to increase by 20% in 4QFY25 as it adds the grounded aircraft back to its fleet.
- **Healthy growth outlook:** The aviation industry in India is on a high growth path with addition of newer airports, better infrastructure at terminals improving the ease of air travel, people migrating from long distance train travel to flights as well as rise in international air travel. Two new international airports at Noida and Navi Mumbai are slated to open for commercial operations in FY26 which will allow Indigo to deploy incremental capacity and cater to the rising demand for air travel from these mega metropolitan hubs. Measures announced in the Budget 2025-26 such as cut in income tax rates has the potential to increase the disposable income of consumers which will act as a tailwind for the aviation sector.

**Valuation:** At CMP, the stock trades at 9.1x FY25E/7.9x FY26E EV/EBITDA. The number of grounded aircraft is expected to steadily decline over the next few quarters which will help boost sequential improvement in profitability.

**Key Risks:** Further grounding of aircraft due to technical issues; Closure of international destinations due to geopolitical troubles

| Particulars (Rs Cr) | FY23A | FY24A | FY25E | FY26E |
|---|---|---|---|---|
| Revenue | 54,446 | 68,904 | 78,002 | 86,692 |
| EBITDA | 6,531 | 16,356 | 17,392 | 20,045 |
| EBITDA Margin (%) | 12.0 | 23.7 | 22.3 | 23.1 |
| Net Profit | -766 | 7,172 | 6,363 | 8,209 |
| PE (x) | NM | 24.2 | 26.0 | 20.9 |
| EV/EBITDA (x) | 24.3 | 9.7 | 9.1 | 7.9 |

Source: SSL Research, Bloomberg, ACE Equity

# Indian Hotels Co. Ltd.

## CMP: Rs 801 I Target: Rs 905 I Upside: 13%

**Indian Hotels Co. Ltd (IHCL)** is South Asia's largest hospitality company having a legacy of more than 115 years. It is a part of the TATA group and was founded by Jamsetji Tata in 1903. IHCL has a portfolio of 360 hotels including 123 under development globally across 4 continents, 13 countries and in over 160+ locations as of Dec'24.

**Investment rationale**

- **Strong brand; Premium pricing a key differentiator:** With strong market leadership, IHCL, through all its vivid brands - Taj, SeleQtions, Vivanta, The Gateway, Ginger, Expressions, and TajSATS, commands industry premium of 66% in RevPAR. Among all brands, Taj has the highest number of 125 hotels with 19,870 keys (including hotels in pipeline) as of Dec'24.
- **Rapid capacity building:** The company has 123 hotels under various stages of development. The pipeline of these hotels would add 17,664 room inventory out of which 495 room keys will get added in 4QFY25, 8,091 will come by FY27 and balance will be added post FY27. ~80% of the total room inventories in pipeline are via management contracts and hence are part of the asset-light model. As of Dec'24, IHCL has 237 operational hotels with 25,935 rooms.
- **Strategy Accelerate 2030:** IHCL has recently announced its strategy Accelerate 2030 which is focussed on moving from Aspiration to Acceleration phase. Under the plan, IHCL will expand its brandscape, deliver industry leading margins, double its consolidated revenue with a 20%+ RoCE and grow its portfolio to 700+ hotels by 2030.
- **Robust 9MFY25 performance:** The company's Revenue/EBITDA/PAT has grown 21.5%/27.7%/75.6% YoY to Rs 5,909 cr/Rs 1,912 cr/Rs 1,421 cr respectively in 9MFY25. EBITDA margin has expanded 157 bps YoY to 32.4%. IHCL has done highest ever signings of 55 hotels in 9MFY25 which will aid to achieve its Accelerate 2030 portfolio targets.

**Valuation**: At CMP, the stock trades at FY25E/FY26E Bloomberg consensus EV/EBITDA multiple of 42.7x/35.3x respectively.

**Key risks**: Demand slowdown; Slower-than-expected growth in ARR and RevPAR; Delay in new hotel openings.

| Particular (Rs Cr) | FY23A | FY24A | FY25E | FY26E |
|---|---|---|---|---|
| Net Sales | 5,810 | 6,769 | 8,275 | 9,698 |
| EBITDA | 1,805 | 2,157 | 2,648 | 3,202 |
| EBITDA Margin (%) | 31.1 | 31.9 | 32.0 | 33.0 |
| Net Profit | 1,053 | 1,330 | 1,702 | 2,063 |
| PE (x) | 108.4 | 85.8 | 67.0 | 55.3 |
| EV/EBITDA (x) | 63.1 | 52.3 | 42.7 | 35.3 |

Source: SSL Research, Bloomberg, ACE Equity

# Brigade Enterprises Ltd.

## CMP: Rs 1,164 I Target: Rs 1,335 I Upside: 15%

**Brigade Enterprises Ltd (BEL)**, established in 1986, is a prominent real estate developer in South India with a diverse portfolio spanning residential, commercial, retail and hospitality projects. Brigade has served 40,000+ customers and completed over 280 buildings, totalling more than 86 mn sq. ft. of developed space in the cities of Bengaluru, Mysuru, Hyderabad, Chennai and Kochi with developments across Residential, Office, Retail and Hotels.

**Investment rationale**

- **Diversified asset portfolio:** BEL is a multi-asset class developer with portfolio comprising of Residential, Office, SEZ, Retail, Hospitality and Senior Living assets.
- **Robust performance in KPIs and other operating metrics in 3QFY25:** The company's pre-sales/collections/sales volume/avg. price realisation grew 63.5%/27.5%/29.2%/26.4% YoY to Rs 2,492 cr/Rs 1,777 cr/2.2 mn sq. ft./Rs 11,364 respectively in 3QFY25. The office portfolio achieved overall leasing of 98% with consistent rental collection of 99%. Consolidated Revenue/EBITDA/PAT grew 24.7%/58.0%/321.4% YoY to Rs 1,464 cr/Rs 414 cr/Rs 236 cr respectively. EBITDA margin expanded 596 bps YoY to 28.3%.
- **Healthy project pipeline for next 4 quarters:** The total ongoing project pipeline is 24.4 mn sq. ft. as of Dec'24 of which Brigade's share is 18.98 mn sq. ft. About 90% of the pipeline is of residential real estate and balance 10% is lease rentals. Residential real estate projects planned to be launched in next 4 quarters is ~11.9 mn sq. ft. with Brigade's share of ~9.1 mn sq. ft. This provides healthy revenue visibility for medium term. Furthermore, BEL has a land bank of 496 acres with total project area of 53 mn sq. ft. and BEL's share of 39 mn sq. ft.
- **Sound balance sheet position:** BEL has a comfortable net D/E position on a consolidated basis of 0.18x as of Dec'24.The residential segment is debt free supported by robust sales and collections.

**Valuation**: At CMP, the stock trades at FY25E/FY26E PE multiple of 49.8x/39.2x respectively of its Bloomberg consolidated earnings.

**Key risks**: High geographic concentration; Cyclical business; Delay in project execution; Slower-than-expected collections and sales velocity.

| Particular (Rs Cr) | FY23A | FY24A | FY25E | FY26E |
|---|---|---|---|---|
| Net Sales | 3,445 | 4,897 | 5,101 | 5,809 |
| EBITDA | 859 | 1,194 | 1,485 | 1,745 |
| EBITDA Margin (%) | 24.9 | 24.4 | 29.1 | 30.0 |
| Net Profit | 222 | 401 | 571 | 726 |
| PE (x) | 128.0 | 70.9 | 49.8 | 39.2 |
| P/BV (x) | 8.8 | 7.8 | 5.6 | 5.1 |

Source: SSL Research, Bloomberg, ACE Equity

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