Union Budget FY24
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<td>11-15</td>
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<td>Metals and Mining</td>
<td>70-73</td>
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</tbody>
</table>
Story in a nutshell
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%)

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)

<table>
<thead>
<tr>
<th>Inclusive Development</th>
<th>Reaching the last mile</th>
<th>Youth Power</th>
<th>Financial Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on: Agriculture, Education &amp; Health</td>
<td><strong>INR 15,000 Cr PVTG development fund</strong> to provide housing, water, road, telecom, education &amp; health in PVTG areas</td>
<td><strong>PMKVY 4.0</strong> for skilling to be launched to cover Coding, AI, Robotics courses; 30 Skill India International Centres to be setup across states</td>
<td><strong>INR 2 lakh Cr collateral free credit scheme</strong> for MSMEs</td>
</tr>
<tr>
<td><strong>Agriculture Accelerator fund</strong> for start ups in rural areas</td>
<td><strong>Centre will recruit 38,800 teachers and support staff for the 740 Eklavya Model Residential Schools,</strong></td>
<td><strong>Unified Skill India Digital platform</strong> for enabling formal skilling</td>
<td><strong>INR 30 lakh, Senior citizen saving scheme deposit limit (up from INR 15 lakh)</strong></td>
</tr>
<tr>
<td>INR 20 lakh Cr targeted credit outlay for Animal Husbandry, Dairies &amp; Fishery sectors</td>
<td><strong>Financial assistance for sustainable micro-irrigation systems in drought prone regions of Karnataka</strong></td>
<td><strong>National Apprenticeship Promotion Scheme</strong> to support 47 lakh youth</td>
<td><strong>Mahila Samman Bachat Patra</strong> to enable small saving scheme up to INR 2 lakh for 2 years for women</td>
</tr>
<tr>
<td><strong>National Digital Library for children to be set up</strong></td>
<td></td>
<td><strong>Continued support for public digital infrastructure</strong></td>
<td></td>
</tr>
<tr>
<td>Launch of mission to eliminate Sickle cell anemia by 2047</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>157 new nursing colleges to be established</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Particulars (INR Cr)</th>
<th>FY23 BE</th>
<th>FY23 RE</th>
<th>FY24 BE</th>
<th>Difference FY23 RE–FY24 BE</th>
<th>Growth FY23 Vs FY24 Absolute</th>
<th>Growth FY24 BE Vs FY23 BE %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts</strong></td>
<td>3,944,909</td>
<td>4,187,232</td>
<td>4,503,097</td>
<td>242,323</td>
<td>315,865</td>
<td>14.2%</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>2,204,422</td>
<td>2,348,413</td>
<td>2,632,281</td>
<td>143,991</td>
<td>283,868</td>
<td>19.4%</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>1,740,487</td>
<td>1,838,819</td>
<td>1,870,816</td>
<td>98,332</td>
<td>31,997</td>
<td>7.5%</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td>3,944,909</td>
<td>4,187,232</td>
<td>4,503,097</td>
<td>242,323</td>
<td>315,865</td>
<td>14.2%</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>3,194,663</td>
<td>3,458,959</td>
<td>3,502,136</td>
<td>264,296</td>
<td>43,177</td>
<td>9.6%</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>750,246</td>
<td>728,274</td>
<td>1,000,961</td>
<td>-21,972</td>
<td>272,687</td>
<td>33.4%</td>
</tr>
</tbody>
</table>

**Expenditure allocation (top items)**

<table>
<thead>
<tr>
<th>Item</th>
<th>FY23 BE</th>
<th>FY23 RE</th>
<th>FY24 BE</th>
<th>Difference FY23 RE–FY24 BE</th>
<th>Growth FY23 Vs FY24 Absolute</th>
<th>Growth FY24 BE Vs FY23 BE %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest payments</strong></td>
<td>940,651</td>
<td>940,651</td>
<td>1,079,971</td>
<td>0</td>
<td>139,320</td>
<td>14.8%</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td>351,851</td>
<td>390,496</td>
<td>517,034</td>
<td>38,645</td>
<td>126,538</td>
<td>47.0%</td>
</tr>
<tr>
<td><strong>Defence</strong></td>
<td>385,370</td>
<td>409,500</td>
<td>432,720</td>
<td>24,130</td>
<td>23,220</td>
<td>12.3%</td>
</tr>
<tr>
<td><strong>Transfer to States</strong></td>
<td>334,339</td>
<td>270,936</td>
<td>324,641</td>
<td>-63,403</td>
<td>53,705</td>
<td>-2.9%</td>
</tr>
<tr>
<td><strong>Rural Development</strong></td>
<td>206,293</td>
<td>243,317</td>
<td>238,204</td>
<td>37,024</td>
<td>-5,113</td>
<td>15.5%</td>
</tr>
<tr>
<td><strong>Pension</strong></td>
<td>207,132</td>
<td>244,780</td>
<td>234,359</td>
<td>37,648</td>
<td>-10,421</td>
<td>13.1%</td>
</tr>
<tr>
<td><strong>Food</strong></td>
<td>206,831</td>
<td>287,194</td>
<td>197,350</td>
<td>80,363</td>
<td>-89,844</td>
<td>-4.6%</td>
</tr>
</tbody>
</table>

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

**Financial Services**
- Budgetary Allocation: Positive

**Agriculture and allied industries**
- Budgetary Allocation: Positive

**Social Impact**
- Budgetary Allocation: Positive

**Healthcare**
- Budgetary Allocation: Positive

**Travel, Cities & Infrastructure**
- Budgetary Allocation: Positive

**Metals & Mining**
- Budgetary Allocation: N/A

**Energy & Power**
- Budgetary Allocation: Positive

**Automotive**
- Budgetary Allocation: Positive

**TMT**
- Budgetary Allocation: Positive

**Consumer**
- Budgetary Allocation: Positive

**Building Materials**
- Budgetary Allocation: N/A

**Building Materials**
- Budgetary Allocation: N/A

**Chemicals**
- Budgetary Allocation: Positive

**Winner Sector**: Financial Services

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

<table>
<thead>
<tr>
<th></th>
<th>FY23</th>
<th>FY24E</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth (% y-o-y)</td>
<td>7</td>
<td>6-6.8</td>
</tr>
<tr>
<td>CPI Inflation (% y-o-y)</td>
<td>5.5</td>
<td>4.1</td>
</tr>
<tr>
<td>Fiscal Deficit (% of GDP)</td>
<td>6.4</td>
<td>5.9</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th></th>
<th>FY22 Actual</th>
<th>FY23 BE</th>
<th>FY24 BE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Receipts</td>
<td>1,804,793</td>
<td>1,934,771</td>
<td>2,330,631</td>
</tr>
<tr>
<td>Non Tax Receipts</td>
<td>365,112</td>
<td>269,651</td>
<td>301,650</td>
</tr>
</tbody>
</table>

GDP Growth, CPI Inflation, and Fiscal Deficit projections:

- **GDP Growth**: FY23 7% (FY24E 6-6.8%)
- **CPI Inflation**: FY23 5.5% (FY24E 4.1%)
- **Fiscal Deficit**: FY23 6.4% (FY24E 5.9%)
Agriculture and Allied Sectors
Strong focus on improving value chain efficiencies through technology and quality inputs to enhance farmer's income

Top 7 sector announcements

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

Industry perception

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

<table>
<thead>
<tr>
<th>Schemes/Projects</th>
<th>YoY: FY24 BE vs FY23 RE¹</th>
<th>YoY: FY24 BE vs FY23 BE</th>
</tr>
</thead>
<tbody>
<tr>
<td>PM-Kisan</td>
<td>-12%</td>
<td>0%</td>
</tr>
<tr>
<td>MISS</td>
<td>18%</td>
<td>5%</td>
</tr>
<tr>
<td>PMFBY</td>
<td>-12%</td>
<td>10%</td>
</tr>
<tr>
<td>FPOs</td>
<td>91%</td>
<td>0%</td>
</tr>
<tr>
<td>Welfare Scheme [Distribution of Pulses]</td>
<td>8789%</td>
<td>381%</td>
</tr>
<tr>
<td>AIF</td>
<td>0%</td>
<td>233%</td>
</tr>
<tr>
<td>Others²</td>
<td>-94%</td>
<td>-94%</td>
</tr>
<tr>
<td>Total</td>
<td>98,980</td>
<td>94%</td>
</tr>
</tbody>
</table>

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

Overall, 22% increase in budget allocation for RKVY and Krishonnati 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

<table>
<thead>
<tr>
<th>Fisheries, Animal Husbandry and Dairying: Budget Allocation for Centrally Sponsored Schemes (INR Cr)</th>
<th>( \text{PMMSY} )</th>
<th>( \text{Rashtriya Gokul Mission} )</th>
<th>( \text{National Livestock Mission} )</th>
<th>( \text{Dairy Development} )</th>
<th>( \text{Others}^2 )</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,000</td>
<td>600</td>
<td>410</td>
<td>327</td>
<td>94</td>
<td>3,431</td>
<td></td>
</tr>
</tbody>
</table>

YoY: FY24 BE$^1$ vs FY23 BE
- 6% (PMMSY)
- -1% (Rashtriya Gokul Mission)
- 0% (National Livestock Mission)
- -4% (Dairy Development)
- 81% (Others$^2$)
- 4% (Total)

YoY: FY24 BE vs FY23 RE$^1$
- 42% (PMMSY)
- 0% (Rashtriya Gokul Mission)
- 17% (National Livestock Mission)
- 49% (Dairy Development)
- 124% (Others$^2$)
- 31% (Total)

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

Top 4 sector announcements

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

Industry perception

1. Customs duty exemptions and decreases to create a level-playing field for domestic companies
2. Duty cuts on raw materials, fluorspar and glycerin, to make value-added downstream industry competitive
3. Duty exemption on ethyl alcohol will drive the ethanol blending program and facilitate energy transition
4. 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**

<table>
<thead>
<tr>
<th></th>
<th>FY22 A</th>
<th>FY23 BE</th>
<th>FY23 RE</th>
<th>FY24 BE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Urea Subsidy</strong></td>
<td>100,988</td>
<td>63,222</td>
<td>154,098</td>
<td>131,100</td>
</tr>
<tr>
<td><strong>Nutrient Based Subsidy</strong></td>
<td>52,770</td>
<td>42,000</td>
<td>71,122</td>
<td>44,000</td>
</tr>
</tbody>
</table>

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

Source: Union Budget 2023-24 press release, BCG analysis
Focus on teacher capacity building, digital upskilling and world class institutions to pave a pathway for knowledge-based economy

<table>
<thead>
<tr>
<th>Themes</th>
<th>Policy Announcement</th>
<th>Impact</th>
</tr>
</thead>
</table>
| 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  
                          • Strengthened focus on "skilling based on market needs and global trends" will enhance both relevance and outputs; thereby increasing employability among youth |
| 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 |                                                                                       |

Source: Union Budget 2023-24 press release, BCG analysis
Healthcare & Public Health
Healthcare infrastructure, innovation & public health emerge as priorities; total allocation at INR 2.1 lakh Cr with 5.5% hike YoY

1. Research & innovation push through pharmaceutical R&D program and setting up Centers of Excellence

2. Public-private research partnership by making ICMR facilities available to private players

3. Gaining tech edge by setting up multidisciplinary courses for medical devices at existing institutes to upskill for futuristic med-tech and high-end manufacturing

4. Bold ambition to eradicate Sickle Cell Anemia by 2047 by smart public health system management

5. Building future hospital workforce by establishing 157 new nursing colleges

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**

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

**Industry perception**

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

**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: Pardhan 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

<table>
<thead>
<tr>
<th>Themes</th>
<th>Policy Announcement</th>
<th>Impact</th>
</tr>
</thead>
</table>
| 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 |

Source: Union Budget 2023-2024 press release; BCG analysis
**Renewed commitment towards improving universal health coverage, better nutritional outcomes and reducing disease burden**

<table>
<thead>
<tr>
<th>Themes</th>
<th>Policy Announcement</th>
<th>Impact</th>
</tr>
</thead>
</table>
| **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
Energy security & Energy transition remained the key focus areas for the sector

1. Focusing on energy security, the government allocate INR 5,710 Cr budget for the construction of caverns Phase II (SPR) with an aggregate capacity of 12.5 MMT.

2. To meet the Net-Zero target by 2070, the government funneled a CAPEX of INR 35,000 Cr towards Energy transition impacting power & renewable sector.

3. INR 1,633 Cr have been budgeted for new LPG connections to BPL households with a preference to the North-Eastern part of the country.


5. As OMC suffers a cumulative losses of INR 27,276 Cr in first half of FY 23, the government gives INR 30,000 Cr as capital support.

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

Source: Union Budget 2023-2024 press release; BCG analysis
Allocation: Steep Capital allocation to OMC with states missing out on central government royalties

Source: Union Budget 2023-2024 press release; BCG analysis
Key highlights for Power Sector & Renewable Energy

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

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

CFA - Central Financial Assistance
SHP - Small Hydro Plant
VGF - Visibility Gap Funding
Clean and green energy initiatives to ensure stable renewables growth

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

**Sub-sector Impact**

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

Source: Union Budget 2023-2024 press release; BCG analysis
Solar incl. KUSUM and Wind remains the mainstay for Power and Renewable Energy sector

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

Wind and Solar covers 63% of total budget

Budgetary outlay for Power surge ~109% from previous year

75% Power budget is allocated to Reform Linked Distribution Scheme, 18% for strengthening of Power Systems


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)

- Actual FY22: 107.3
- Revised FY23: 84.0
- Budget FY24: 136.9

+63% increase in capital outlay

Source: Union Budget 2023-2024 press release; BCG analysis
Automotive & Mobility
Push to replace 9 lakh government vehicles (>15 years old), with alternative fuels will help strengthen vehicle scrappage policy.

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

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.

Leveraging sustainable energy to usher in green industrial and economic transition.
Automotive sector gains due to strong focus on green energy growth and environmental subsidy

### Themes

#### 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

### Policy Announcement

- **FAME II incentives**: INR 5,172 Cr for FY24, ~80% greater than FY23
- **National Green Hydrogen Mission**: INR 19,700 Cr by 2030
- **Battery Energy Storage Systems**: Capacity of 4,000 MWH
- **Vehicle replacement initiative**: For 9 lakh government vehicles

### Impact

- **Electric two-wheeler segment**: Largest beneficiary of FAME II incentives, set to expire at the end of FY24
- **National Green Hydrogen Mission**: Reduction in dependence on fossil fuels, overall carbon footprint
- **Energy storage systems**: Secure EV infrastructure and related ecosystems
- **Fleet replacement**: Adoption of clean mobility vehicles, reducing heavy polluting units
- **Skill development**: PM Kaushal Vikas Yojana 4.0, three centres of excellence for Artificial Intelligence
- **Infrastructure investment**: Increase demand for commercial goods vehicles
- **Startups**: Benefit from extension of tax holiday to 10 years
- **Subsidies**: Further catalyzes EV adoption rate
- **Domestic manufacturing**: Encouraged, increases employment opportunities

Source: Union Budget 2023-24 press release; BCG analysis
Exemption and concession in basic custom duties is expected to boost domestic manufacturing, especially e-mobility products

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

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
<table>
<thead>
<tr>
<th>Key Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of TDS and taxability of net winnings for Online Games</td>
</tr>
<tr>
<td>An Entity DigiLocker will be set up for use by MSMEs, large business and charitable trusts for secure online payments</td>
</tr>
<tr>
<td>First time introduction of National Digital Library for Children and Adolescents</td>
</tr>
<tr>
<td>Three Centers of Excellence for Artificial Intelligence will be established in top education institutions</td>
</tr>
<tr>
<td>100 labs to develop 5G services will be established across engineering institutions</td>
</tr>
<tr>
<td>Relief of customs duty on import of mobile parts such as camera lens</td>
</tr>
<tr>
<td>Introduction of National Data Governance policy to enable the access to anonymous data for research by Start-ups</td>
</tr>
</tbody>
</table>
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.

Source: Union Budget 2023-24 press release; BCG analysis
Spur in emerging technologies with the launch of National Data governance Policy, CoEs for AI, 5G labs, and introduction of Industry 4.0

<table>
<thead>
<tr>
<th>Themes</th>
<th>Policy Announcement</th>
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</tr>
</thead>
</table>
| 5G services                  | • 100 labs will be established across engineering institutions to develop 5G applications and services | • 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       | • Pradhan Mantri Kaushal Vikas Yojana 4.0 will be launched to skill lakhs of youth within the next three years | • 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                      | • 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 | • 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 | • Launch of National Data Governance Policy to encourage innovation and research by start-ups and education institutions | • 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 | • 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 | • 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                 | • Government has proposed a 30% tax on “net winnings” from online games  
• TDS threshold has been removed from INR 10,000 to nil | • 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 |

Source: Union Budget 2023-24 press release, BCG analysis
Digital public infrastructure for agriculture, farmer-centric solutions, digitalization of library, and support for DigiLocker services were key features

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<tr>
<td><strong>Digital India, (Support to artisans and craftspersons)</strong></td>
<td>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</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Agriculture infrastructure and fund accelerator</strong></td>
<td>A digital data-based agriculture infrastructure will be built to enable inclusive farmer-oriented solutions through relevant information services for crop planning and health</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Digitalization of Inscriptions</strong></td>
<td>Bharat Shared Repository of Inscriptions (BharatSHRI) will be set up in a digital epigraphy museum</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Digilocker service</strong></td>
<td>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</td>
<td>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.</td>
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Source: Union Budget 2023-24 press release, BCG analysis
Consumer Goods
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

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

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

- 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

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

**Themes**

#### 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

#### 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%

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

### Impact

- **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.

- **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.

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

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

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**Themes**

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

<table>
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<tr>
<th>Themes</th>
<th>Policy Announcement</th>
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</tr>
</thead>
</table>
| **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 |

Source: Union Budget 2023-24 press release, BCG analysis
Financial Services
Sector gains due to strong focus on digital, MSMEs and financial inclusion

<table>
<thead>
<tr>
<th>Top sector announcements</th>
<th>Industry perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Credit Guarantee for MSMEs</td>
<td>🌿</td>
</tr>
<tr>
<td>2 Setting up of National Financial Information Registry</td>
<td>🌿</td>
</tr>
<tr>
<td>3 Slew of measures to boost business activities in GIFT IFSC</td>
<td>🌿</td>
</tr>
<tr>
<td>4 Increase of 66% in allocation for PMAY to INR 79,590 Cr</td>
<td>🌿</td>
</tr>
<tr>
<td>5 DigiLocker Services Extended For Fintech Sector, MSMEs</td>
<td>🌿</td>
</tr>
<tr>
<td>6 Tax exemption removed on traditional Life insurance policies with aggregate premium more than INR 5L</td>
<td>🌿</td>
</tr>
</tbody>
</table>

**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**
  
  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.

- **Allocation for PMAY increased by 66% to INR 79,590 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.

- **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.
<table>
<thead>
<tr>
<th>Key Sector Announcement</th>
<th>Industry perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income proceeds from high value traditional life insurance policies no longer tax exempted</td>
<td></td>
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<tr>
<td>- Until now, proceeds from all traditional life insurance policies (non-ULIPs) were tax-free without any specified limits¹</td>
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<tr>
<td>- 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</td>
<td></td>
</tr>
<tr>
<td>- Proceeds received in the case of death of the policyholder will continue to be tax-exempted</td>
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</tbody>
</table>

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

### Top 5 sector announcements

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

### Industry perception

- 🌟
- 🌟
- 🌟
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### 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

<table>
<thead>
<tr>
<th>Increased capital investment outlay by &gt;33% to INR 10 lakh Cr; with highest ever capital outlay to railways at INR 2.4 lakh Cr</th>
</tr>
</thead>
<tbody>
<tr>
<td>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</td>
</tr>
<tr>
<td>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</td>
</tr>
<tr>
<td>Allocation of PMAY has been enhanced by 66%, to ensure inclusive development.</td>
</tr>
<tr>
<td>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)</td>
</tr>
<tr>
<td>Focus on green growth - Green credit program, coastal shipping, green buildings brought to the forefront</td>
</tr>
</tbody>
</table>

Source: Union Budget 2023-24 press release; BCG analysis
Roads and rail witnessed the highest capital allocation jump; together they accounted for >85% of the infra budget*

* including transport, urban and tourism sectors

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

### Capital Budget
- **Rahs and Highways**
  - INR 2.6 lakh Cr (~38% increase from FY 23 BE)
  - Infrastructure Finance Secretariat to assist in crowding in private investment
  - Emphasis on critical projects enhancing first and last mile connectivity from the ports

- **Railways**
  - INR 2.4 lakh Cr (~75% increase from FY 23 BE)
  - Highest ever budget outlay
  - Infrastructure Finance Secretariat to assist in crowding in private investment

- **Civil Aviation**
  - INR 86.7 Cr (~13% increase from FY 23 BE)
  - 50 additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity

### Focus Areas
- **Rahs and Highways**
  - 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

- **Railways**
  - Significant enhancement to capital allocation towards acquisition of rolling stock (Vande Bharat trains) and network expansion

- **Civil Aviation**
  - Increase the air connectivity
  - Would have benefitted from higher outlay given the task of revival of 50 airports, heliports

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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

**Capital Budget**

- **Ports, Shipping & Waterways**
  - INR 1,068.2 Cr (~86% increase from FY 23 BE)
  - Coastal shipping will be promoted as the energy efficient, low-cost mode of transport for both passengers and freight on PPP basis

- **Urban Development**
  - INR 25,997.3 Cr (~5% decrease from FY 23 BE)
  - PMAY budget enhanced by 66%
  - Reforms to improve urban infra financing:
    - 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 changes on infra
  - Capability enhancement through Mission Karamayogi

- **Tourism**
  - No capital budget
  - 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

**Focus Areas**

- Enhanced capital outlay for inland waterways by ~100%; focus on costal shipping to increase efficiency

**Impact**

- 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
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 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

<table>
<thead>
<tr>
<th>Affordable Housing</th>
<th>PMGSY - Gramin</th>
<th>Smart Cities/Airports</th>
<th>New Road Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PMAY allocation</strong> (for rural and urban areas) rose significantly by 66% to INR 79,590 Cr compared to last year's budget</td>
<td><strong>The allocation for the construction of rural roads through the Pradhan Mantri Gram Sadak Yojna (PMGSY) remained unchanged at INR 19,000 Cr</strong></td>
<td><strong>50 more airports, heliports, water aerodromes, and advanced landing grounds will be rejuvenated to enhance regional connectivity</strong></td>
<td>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</td>
</tr>
<tr>
<td>The sustained focus on PMAY signals a powerful surge in the demand for building materials</td>
<td><strong>This will, in turn, escalate the demand for building materials in rural areas</strong></td>
<td><strong>Regional connectivity scheme budget doubled to INR 1,200 Cr against INR 601 Cr in FY23 BE</strong></td>
<td>NHAI's budgetary support has experienced a robust growth of 21% compared with the FY23 BE</td>
</tr>
<tr>
<td><strong>Absorption of Housing Supply</strong> Cement, Ceramic Tiles, Sanitary Ware &amp; other building material products</td>
<td><strong>Demand growth (Rural Segment)</strong> Cement (Trade segment)</td>
<td><strong>Infrastructure Development</strong> Cement, Tiles, Sanitary ware &amp; other building material products</td>
<td><strong>Demand growth (Non-Trade)</strong> Cement</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td></td>
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</tbody>
</table>

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

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.

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.

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
Enhanced budgetary allocation to infrastructure and rail to drive demand

<table>
<thead>
<tr>
<th>Action/Announcement</th>
<th>Impact on sector/end-use sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction of Urban Infrastructure Development Fund (UIDF) to create urban infrastructure in Tier 2 and Tier 3 cities.</td>
<td>• Will boost rural demand for construction grade steel, iron, aluminium and copper industries</td>
</tr>
<tr>
<td>Enhancement of PMAY scheme (INR 79,590 Cr) - housing scheme for the urban poor</td>
<td>• Will have positive impact on Steel, Iron, aluminium and Copper industries</td>
</tr>
<tr>
<td>100 critical transport infrastructure projects for steel, coal etc. identified for investment (INR 75,000 Cr)</td>
<td>• Positive for flat steel producers such as Tata, JSW, AM/NP, SAIL and rail producers like JSPL, SAIL</td>
</tr>
<tr>
<td>Highest ever capital outlay for railways (INR 2.4 lakh Cr)</td>
<td>• Will ensure higher availability of steel and metal scrap in the market for unorganized or small rebar players</td>
</tr>
<tr>
<td>Enhancement of vehicle scrappage policy - Central govt and states will also participate in replacing old vehicles</td>
<td>• Expected to provide small boost to auto sector</td>
</tr>
</tbody>
</table>

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

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

- Basic custom duties decreased
  - Basic Acid grade fluorspar, containing weight >97% of calcium fluoride (5% to 2.5%)

- Basic custom duties increased
  - Silver, unwrought or semi-manufactured (7.5% to 10%)
  - Silver dores (6.1% to 10%)

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

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