HT CHENNAI, NEW DELHI, MUMBAI, BENGALURU, KOLKATA, AHMEDABAD, HYDERABAD, CHANDIGARH*, PUNE*, LUCKNOW* VOL. 18 NO. 29 Rs. 15.00 24 PAGES

Friday, February 2, 2024

mint

livemint.com

RIL may pay $2.3 bn for 60% of Disney India ▶P18

Byju's investors seek to eject Raveendran, rejig board ▶P18

> We believe in empowering the poor... When the poor become empowered partners in the development process, government's power to assist them also increases manifold.
>
> **NIRMALA SITHARAMAN**
> Finance minister

RAJESH KUMAR/MINT

VOTE ON CONFIDENCE

Budget steers clear of populism, reiterates govt's commitment to growth

Gireesh Chandra Prasad, Subhash Narayan & Gulveen Aulakh

NEW DELHI

Finance minister Nirmala Sitharaman on Thursday delivered a crisp interim budget for FY25 that reiterated the government's commitment to fiscal consolidation and infrastructure-led growth. There were only a few announcements and no changes to taxes, in a sign that the Bharatiya Janata Party-led administration is confident of returning to power in polls due by May.

In her shortest budget speech yet, while Sitharaman conveyed the government's focus on four key priority sectors—women, farmers, youth and the poor—she steered clear of populism. The allocation to welfare schemes (central sector and centrally sponsored schemes combined) for the next financial year was increased by just 4.7% over the revised estimates for FY24.

Overall, the budgeted increase in government spending to ₹47.66 trillion is a mere 6.1% over the revised estimates for FY24. The overall spending on subsidies is 7% lower than the revised estimates, thanks to a 13.2% lower dole on fertilizers.

The rectitude in spending meant the fiscal deficit, or the gap between revenue receipts and spending met through borrowing, for FY25 is estimated at ₹16.85 trillion, or 5.1% of GDP. Moreover, the current financial year's fiscal deficit has been revised downwards by 10 basis points to 5.8% of GDP.

The finance minister promised that the government will continue this consolidation to bring the fiscal deficit below 4.5% of GDP by FY26. The fiscal consolidation plan is aided by an 11.5% growth in gross tax revenue in FY25, translating to a tax buoyancy of 1.1. Tax buoyancy refers to the ratio between the rate of growth in tax collections over the economic growth rate.

Bond markets cheered the move, as the government's gross market borrowing was budgeted at ₹14.13 trillion, lower than the FY24 number, while equities were muted since there wasn't any major measure announced to boost consumption. The benchmark government 10-year security ended 8 basis points down at 7.14%, while the Nifty 50 index closed 0.13% lower.

"Rating agencies should take on board the government's attempt to better fiscal consolidation," Sitharaman said at a press conference after the budget.

Capex push

The finance minister doubled down on the government's thrust on capital expenditure. The interim budget pegged the government's capex spend at ₹11.11 trillion, up 16.9% over ₹9.5 trillion in the revised estimate for FY24. Capex including spends by public sector enterprises is budgeted at ₹14.54 trillion, up 13.9%.

Besides, the finance minister said the 50-year interest-free loan scheme for capital expenditure to states will be continued this year with total outlay of ₹1.3 trillion, unchanged from FY24.

The budget set aside ₹2.5 trillion for the railways, little changed from the ₹2.4 trillion in FY24. Sitharaman also announced three major economic railway corridor programmes focusing on energy, mineral and cement; port connectivity; and high traffic density. She also announced the conversion of 40,000 normal rail bogies to Vande Bharat standards to enhance safety, convenience and comfort of passengers.

"The budget provides a long-term vision and, contrary to expectations of many, has not gone for any knee-jerk proposals in an election year," said N.R. Bhanumurthy, vice-chancellor of Dr B.R. Ambedkar School of Economics University, Bengaluru.

Welfare steps

The budget proposed to construct an additional 20 million houses in the next five years under the PM Awas Yojana (Grameen). Allocation to the Awas scheme, including urban housing, rose 49.1% to ₹80,671 crore for FY25.

The government will also launch a housing scheme to help people living in rented accommodation, slums or unauthorized colonies to buy or build their own homes, the finance minister said.

She also announced that 10 million households, beneficiaries of the government's proposed rooftop solar scheme—Pradhanmantri Suryodaya Yojana—will get free electricity of up to 300 units per month.

Among the proposals that made the cut in the interim budget, Sitharaman

TURN TO PAGE 3

FOCUS FIVE

- Government's thrust areas: *Garib* (poor), *Mahilayen* (women), *Yuva* (youth) and *Annadata* (farmer).
- A scheme for the middle class "living in rented houses, slums" to buy or build their own homes.
- A corpus of ₹1 trillion to encourage private sector research and innovation in sunrise domains.
- Capital expenditure for next year to be increased by 16.9% to ₹11,11,111 crore, or 3.4% of GDP.
- 3 economic railway corridors for energy, mineral and cement; port connectivity; high traffic density.

HOT TAKES

This budget is a reflection of the aspirations of Young India.

NARENDRA MODI
Prime Minister

The fundamental flaw... is that it is biased in favour of the rich. It is a government of the rich, by the rich and for the rich.

P. CHIDAMBARAM
Congress leader

It's a fairly comprehensive budget with many positives—the fiscal consolidation, focus on rural...

SANJIV PURI
Chairman & MD, ITC

'Don't need populism'
"We didn't want any populism here. Our track record will explain it," says FM. Page 3

₹11 tn for capex journey
Increased capital expenditure is expected to fuel growth in key sectors. Page 4

FM's gift to startups
A tax break extension for startups and certain businesses comes as a lifeline. Page 7

How FM struck the fiscal chord: Story of budget in 9 charts

TEAM PLAIN FACTS

The General Elections are around the corner but finance minister Nirmala Sitharaman, unlike her predecessor Piyush Goyal in 2019, chose fiscal prudence over any big-bang policy announcement meant to woo the voters. One could argue that may not have been necessary as the extension of the free foodgrain scheme and the hike in cooking gas subsidy just a few months ago had already done the job without disturbing the fiscal maths, thanks to robust tax collections. Moreover, Sitharaman surprised fiscal watchers by undershooting the budgeted fiscal deficit aim for 2023-24 despite slower nominal GDP growth. And for 2024-25, she has gone for an ambitious consolidation path. *Mint* explains the numbers.

All for Discipline

Just two months ahead of the national elections, the Narendra Modi government has resisted the temptation to use the budget to announce any new measure that could be deemed to be populist. Instead, it showed the intent for better fiscal discipline than was expected, with an eye on a medium-term consolidation path. That has come at a cost: a tepid increase in capital spending, and a compression in revenue spending.

The government's aim for a fiscal deficit of 5.1% of GDP in 2024-25 is about 70 basis points lower than the updated estimate for the current year. This puts the goal to reach the 4.5% mark by 2025-26 within striking distance. The reduction relies on a check on expenditure: The total budget size is down from 15.1% of GDP to 14.5%, while receipts are likely to get a meagre bump from 9.3% of GDP to 9.4%.

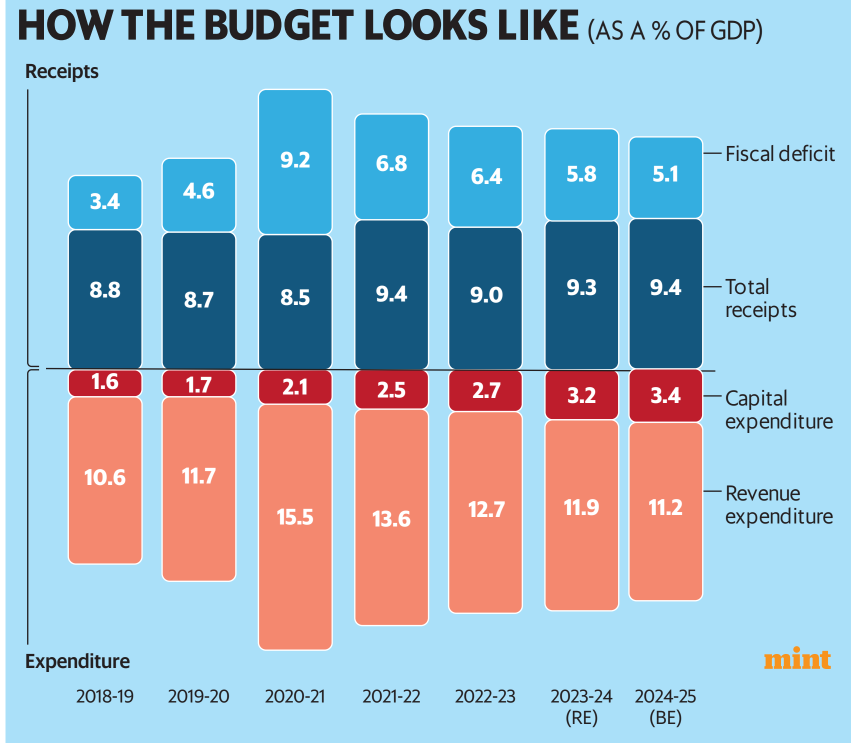
The capital spending component, which had seen a massive boost in the previous years, is set to increase by only 20 basis points (but the new share, 3.4%, will be the highest in two decades). In 2023-24, too, the capital spending budget was 3.4% of GDP, but revised estimates show that this will be curtailed marginally to 3.2%.

While the capex budget is still rising, the capex by public sector enterprises (which they raise themselves outside the Centre's books, but is still an indicator of their role in national growth) will continue to slip to just 1% of GDP from the pre-pandemic levels of 3.2–3.5%.

Revenue expenditure will rise only 3.2% year-on-year, with no increase in outlay for the rural jobs scheme and underwhelming hikes for the agriculture and rural sectors. But don't go by the allocation: In recent years, the Centre has adopted the policy of boosting welfare funds later in the year if revenue streams exceed expectations.

That's the case in the ongoing year, too. Robust tax collections have given the government room to extend the free foodgrain programme, hike LPG subsidy, and increase the allocation for the rural jobs scheme, all of which could impress voters.

HOW THE BUDGET LOOKS LIKE (AS A % OF GDP)



Welfare Quotient

In her speech, the finance minister reiterated the government's four focus areas: women, youth, poor and farmers. While the interim budget scored a win for women, the youth and farmers could be left wanting for more.

The government's outlay towards cooking gas subsidy remains elevated ahead of polls, with an allocation of ₹11,925 crore for 2024-25, nearly double the allocation two years ago. While this marks a 2.6% on-year drop, a slew of announcements made by the government in this fiscal year to support cooking gas subsidy have kept the key provision alive and kicking. Last year saw two back-to-back hikes in cooking gas subsidy for beneficiaries under the government's flagship Pradhan Mantri Ujjwala Yojana, allowing them to purchase cylinders at lower prices. The move came on the back of retail inflation remaining above the central bank's target of 4% for much of last year.

Meanwhile, the outlay on Mahatma Gandhi National Rural Employment Guarantee Scheme has been retained at ₹86,000 crore, compared with the revised estimates for 2023-24. This is despite the fact that demand for jobs under the scheme remains elevated. The government has also consistently overspent on the scheme beyond initial allocations, shows budget data—in the last fiscal, its actual spending was 43% higher than what it had budgeted, and in 2022-23, it was 25% higher.

On welfare, the budget paints a mixed picture. There's positive news for women, health and education sectors, with increased outlay. The gender budget saw a near-20% rise in its outlay to ₹3.1 trillion. However, agriculture and related sectors lost focus with the allocation rising by a mere 4.5% to nearly ₹1.5 trillion.

In theory, the interim budget's full-year estimates need to be taken with a pinch of salt, since it's only a vote-on-account for a few weeks until polls are held. But in reality, a *Mint* analysis of the last four interim budgets showed that the main budget that comes after poll results doesn't veer much from the February figures. Less so when the government retains power. Expect little change in July if that happens.

Chart 1

Budgeted capex sees meagre rise as share of GDP, PSUs' capex down further

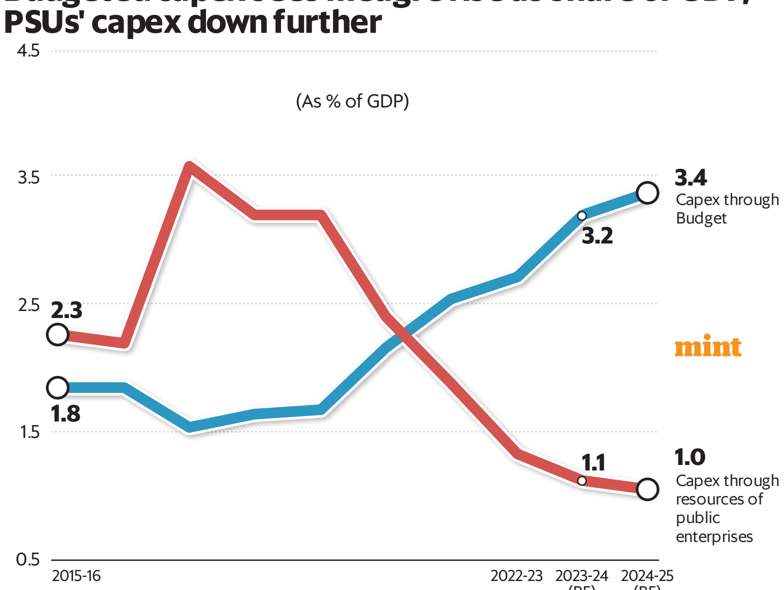
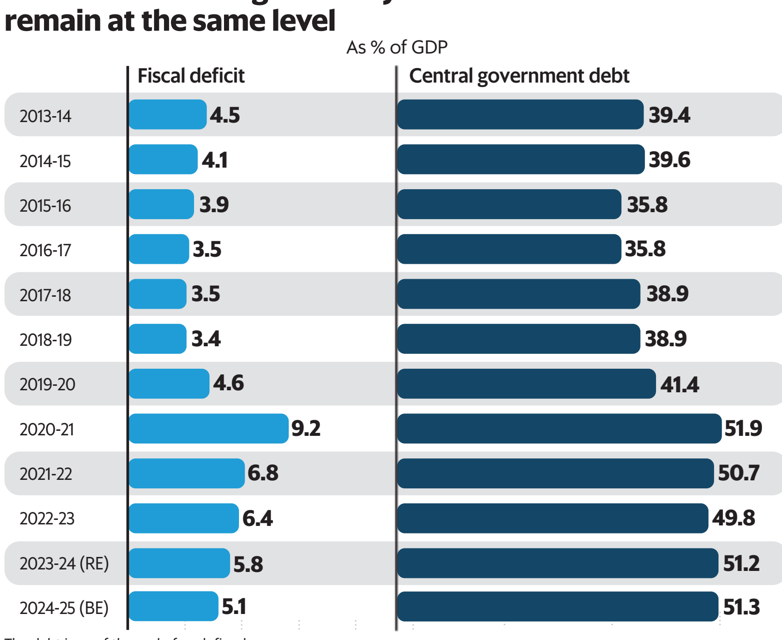


Chart 2

Fiscal deficit cut significantly but debt estimated to remain at the same level

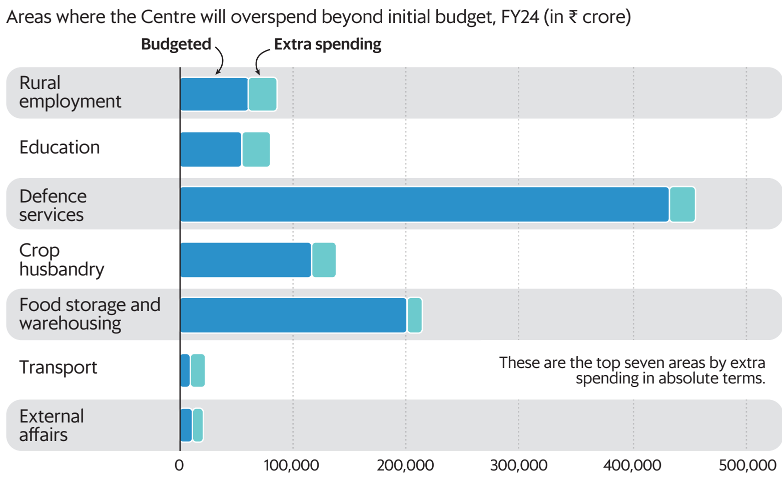


The debt is as of the end of each fiscal year.

Chart 3

Govt to overshoot FY24 budget for rural jobs, defence, education, subsidies

Areas where the Centre will overspend beyond initial budget, FY24 (in ₹ crore)



RE: Revised estimates; BE: Budget estimates. Source: CMIE, Budget documents, Mint calculations

Chart 4

Even with higher GDP pace, growth in tax mop-up pegged lower in FY25

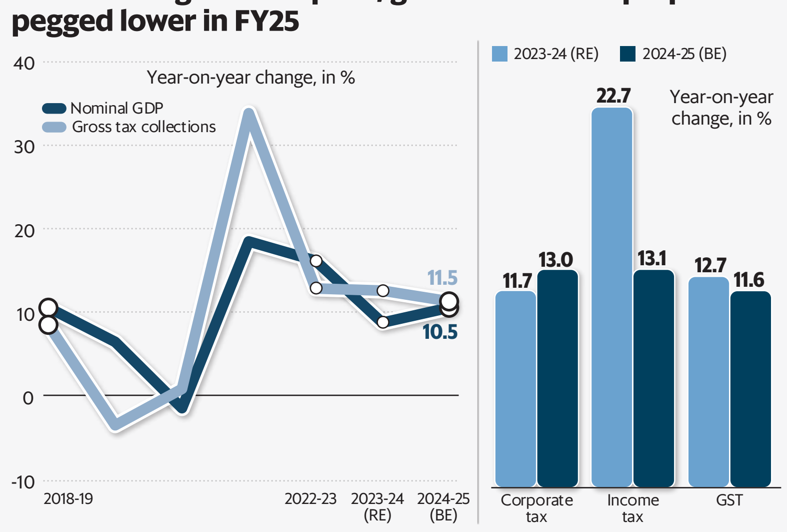
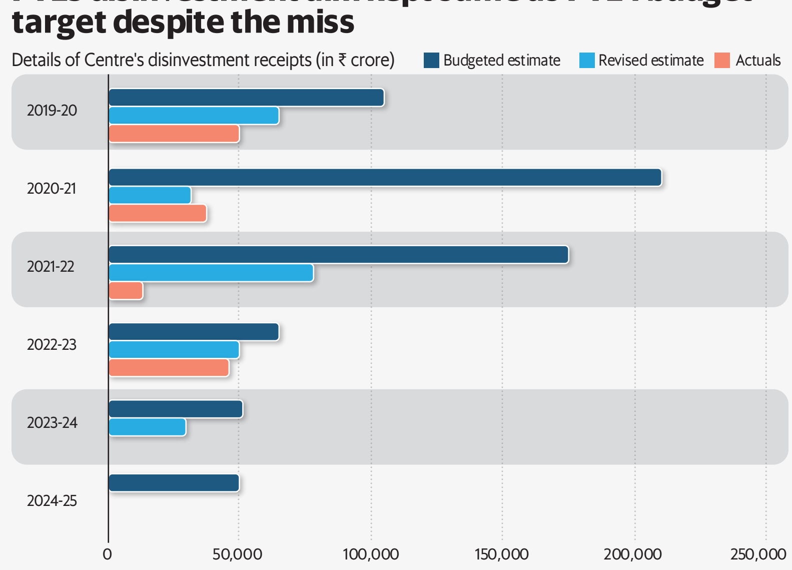


Chart 5

FY25 disinvestment aim kept same as FY24 budget target despite the miss



RE: Revised estimates; BE: Budget estimates. Source: Budget documents, CMIE, Mint calculations

Goalposts Fuzzy

On the revenue side, gross tax collections are expected to increase 12.5% in the ongoing year, the revised estimates show, notwithstanding the striking 14.4% year-on-year increase in the first nine months of the fiscal year. This underscores the recent trend of the Centre underestimating its tax collections initially and later scoring big. Even for 2024-25, the Centre has budgeted an 11.5% year-on-year growth in its tax mop-up, lower than 2023-24 growth, even though nominal GDP growth is expected to increase.

That said, despite the ambitious goals on the fiscal deficit front, the Centre's debt is likely to stay unchanged in 2024-25, pressing the need for further consolidation. If the government overshoots its tax collections target in 2024-25, and if that leads to lower borrowing, that may aid the fiscal consolidation path further.

While on one hand, tax collections have likely been underestimated, the Centre's target for disinvestment receipts once again seem overly ambitious, given its recent dismal track record. It is set to miss its initial budget for disinvestment receipts for the fifth year in a row. For two years, not only has the government been missing its initial estimates, but also the revised estimates, which it gives just two months before the year ends. This year, too, the budget has revised the disinvestment receipts to ₹30,000 crore from ₹51,000 crore for 2023-24, but the latest available data shows the receipts have been only about ₹12,500 crore so far. That leaves a long way to reach even the revised estimate with just two months to go. The paltry progress raises questions whether the target of ₹50,000 crore for 2024-25 can be achieved.

Chart 6

LPG subsidy expected to remain elevated ahead of elections

Centre's expenditure on LPG subsidies (in ₹ crore)

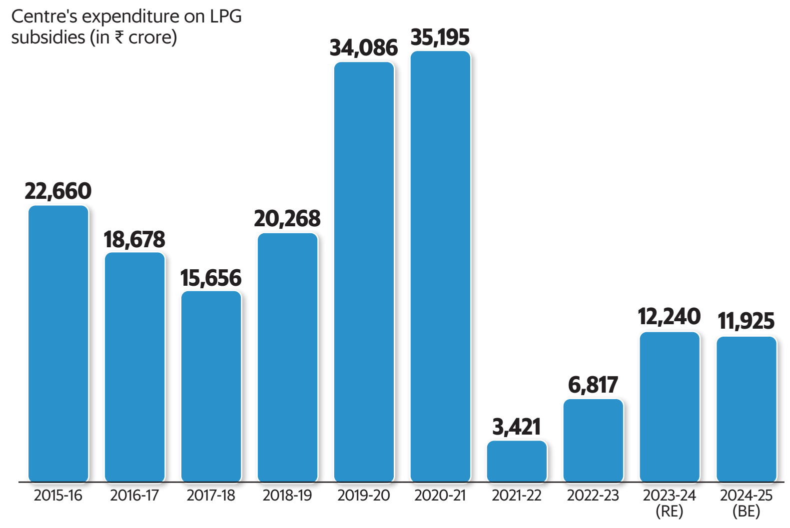


Chart 7

Centre overspends on rural jobs scheme, but no increase allocated in FY25

Spending on Mahatma Gandhi National Rural Employment Guarantee Scheme (in ₹ crore)

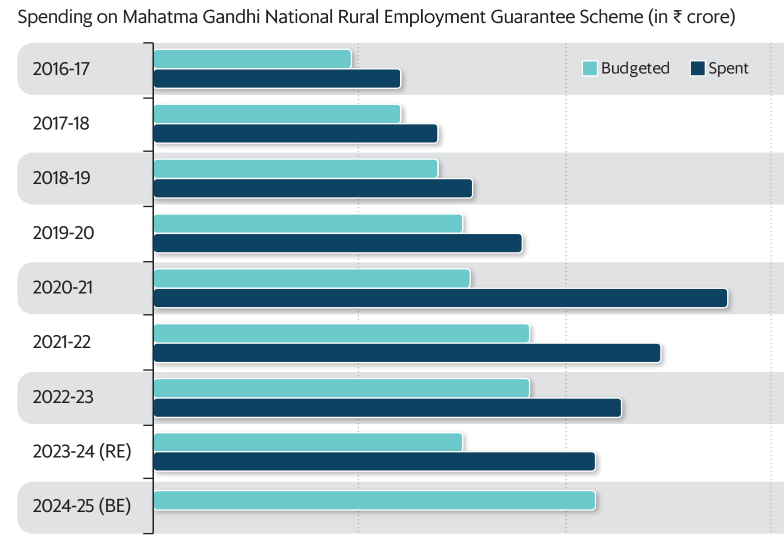
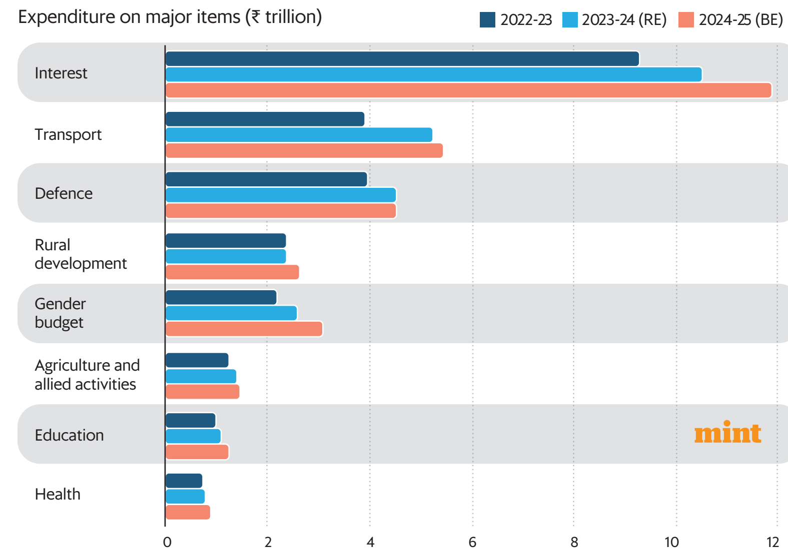


Chart 8

Health, education, gender get a boost; agri, defence left behind

Expenditure on major items (₹ trillion)



RE: Revised estimates; BE: Budget estimates. Source: Budget documents, CMIE, Mint calculations

STORY BY PRAGYA SRIVASTAVA AND NANDITA VENKATESAN; DATA AND CHARTS BY MANJUL PAUL, PAYAL BHATTACHARYA, SHUJA ASRAR; GRAPHICS BY SARVESH KUMAR SHARMA

FOR ANY QUERIES/DELIVERY ISSUES
CALL: 60004242, Monday-Saturday, 10am-6pm (Delhi, Mumbai, Bengaluru, Kolkata, Chennai, Hyderabad, Ahmedabad, Chandigarh, Pune and Lucknow) **MAIL: delivery@livemint.com TO SUBSCRIBE:** Give a missed call on **7039035039** or visit **www.mintreaders.com** or write to us at **subscription@livemint.com**

First published in February 2007 to serve as an unbiased and clear-minded chronicler of the Indian Dream.

RAVI KRISHNAN (EDITOR); PUBLISHED/PRINTED BY **MANHAR KAPOOR** ON BEHALF OF HT MEDIA LTD, 18-20 Kasturba Gandhi Marg, New Delhi 110001

Printed at HT Media Ltd presses at •Plot No. 8, Udyog Vihar, Greater Noida, Distt Gautam Budh Nagar, Uttar Pradesh 201306; •MNSPrinters Pvt. Ltd, 345/4, Bhatrahalli, Near KR Puram RTO, Old Madras Road, Bangalore 560049; •Saraswati Print Factory Pvt. Ltd, 789, Chowbhaga (W), Near China Mandir, Kolkata 700 105; •MNSPrinters Pvt. Ltd, 76/1, Poonamallee High Road, Velappanchavadi, Chennai 600077; • Bhaskar Print Planet, Survey No. 148P, Changodar Bavla Highway, Sanand (Tal), Distt Ahmedabad, Gujarat. •Jagati Publications Ltd, Plot No. D75 & E52, APIE Industrial Estate, Balanagar, Rangareddy Distt. Hyderabad 500037 *Also available in Chandigarh, Pune and Lucknow.
RNI Registration DELENG/2007/22485; Mint welcomes readers' responses to all articles and editorials. Please include your full name, address and telephone number. Send in your views to the editor at letters@livemint.com.

'Our track record speaks for us, we don't need populism'

After presenting her sixth budget in Parliament, finance minister Nirmala Sitharaman spoke to *Doordarshan* and talked about how the interim budget's lack of election-fuelled populism is built on the government's 10-year track record of delivering growth.

In the course of preparing the budget, you have laid down a roadmap for a developed India. What are the key takeaways you intended for us?

This process started before 8 October, when Prime Minister Narendra Modi addressed the nation from Red Fort (on 15 August). We believe 'Amrit Kaal' as 'Kartavya Kaal' as well. For Viksit Bharat 2047, there have been comprehensive deliberations on what steps need to be taken. We have identified four major castes as priorities for development—women, poor, farmers and the youth. If we can fulfil the aspirations of all of them, they will progress, and because of that the country will also grow. This, in short, is what we have tried to say in the budget. To make this happen, we have devised various schemes, some of which were already present and some are new. For the country to progress, we are also encouraging innovation, which will play an important role. These will be shared in detail in the July budget.

There is little or no populism in your budget. What is the thought behind such a bold move with the budget ahead of the general election?

Our President, in her speech in the opening of the session for this calendar year, talked about 10 years of substantial systemic reforms and taking the route of empowering people and not going by entitlement. That is why when people have access to houses and electricity and you also have money coming through direct benefit transfer (DBT), you financially empower them and make sure that opportunities are given. So, the mantras that we used, whether it was '*Sab ka saath, sab ka vikaas*', or making sure that you don't differentiate between beneficiaries on any other score, except he deserves to get this, then there is actual development reaching on the ground. There's no differentiating among people or denying them anything. Everybody gets everything which a specific bracket of people should get. There is no distinction over caste or religion. As a result in the last 10 years, we've actually laid the foundation for people to now think in terms of meeting their aspirations.

> There's no differentiating between people on caste or religion or denying them anything.

In this, the one particular aspect which I would think is a necessary corollary of all that we've done is the development of the East. I'm not combining East with North-East. If 60% of all the aspirational districts in India are in the East, which is West Bengal, Bihar, Odisha, Jharkhand, we want to give maximum attention to make them not just come at par, but to become engines of power to steer the new India to become Viksit Bharat. The vote on account budget was not seen as an instrument to tell people we can do this or we can do that without having performed in the last 10 years. We didn't want any populism here. Our track record will explain it. We have tried to give an indication towards our direction, the targeted audience, how we will meet the targets, and what are the targets.

In the last 10 years, you have effectively created 500-plus million new stakeholders in the Indian economy. How do you see this playing out for the economy and society going forward?

That would be the trigger point for any consumption in the future, of not just basic necessities like food products, but consumption of services and education. Education not in terms of corporate education, but seeking skills and knowledge. The innovation fund has been set up for that. A large corpus has been given over five years and also making sure that some of the PM SHRI schools will be endowed enough. So much unused infrastructure is lying with various departments, which need proper synergy among them.

The vision statement for Viksit Bharat 2047 looks at three key aspects. What is the philosophy behind the allocation of ₹11,11,111 crore (₹11.11 trillion) for infrastructure?

In the last three-four years, we have adopted the route of public expenditure on infrastructure and asset creation. This was with the aim that recovery from covid is rapid, and which includes all sections of people. A report by RBI (Reserve Bank of India) has established the fact that economists around the world agree that if you spend ₹1 on capital expenditure, then one would get ₹1.45-1.46 as an effect in the short term. Instead, if you spend on revenue, it will be tough to get even 90 paise in return. After studying this, we opted for fast recovery from covid and chose the capital expenditure route. In two years, you can see that the recovery has been quick and was sustainable as well. So, capital expenditure will be important because we are looking at sustainable growth for the next three to five years.

You have not only stayed on the commitment of the fiscal glide path, but you have improved on it. It gives RBI room for manoeuvring its monetary policy. Can you comment on this?

The emphasis that we are laying on being fiscally prudent without affecting our schemes, without denying funds anywhere and by avoiding wastage—that is why we repeatedly talk about DBT and it has given us ₹2.5 or ₹2.6 lakh crore in terms of savings which would have otherwise gone waste. So, we brought in technology and synchronized it with biometric validation and were able to save money. The prudence is not just in cutting expenditure, but improving revenue and avoiding wastage. Taxpayers' money has been treated with the due respect that it deserves. That is why today we're better on our fiscal deficit numbers this year and for the next year as well.

Prime Minister Narendra Modi has congratulated you for an inclusive and innovative budget that displays the confidence of consistency. Was it a conscious decision to focus on women empowerment?

This is not only a weapon of empowerment but something that has been long-awaited. If you see, it's not just about the Women's (Reservation) Bill, which is a top achievement. Since 2014 till today, when Prime Minister Modi was the chief minister of Gujarat, even then women empowerment was an important factor. In every sector, women are receiving special provisions. Despite the fact that women have been present in the space sector for a long time, the kind of recognition and appreciation they are getting today didn't happen earlier. Not just women-centric development but women-led development was something that was appreciated a lot in G20. Prime Minister Modi takes the issue of women empowerment very seriously. In every major programme of his, whatever provisions need to be made to make this happen are done. In the coming days, whether it is Lakhpati Didi (scheme) or anything else, you will see a lot more of this. If in a village, drone technology is in the hands of women, it's a powerful statement. The prime minister personally oversees that women are encouraged in all fields, whether it is sports or anything else.

In the run-up to the budget, RBI revised its GDP growth projection upwards pretty sharply, then the CSO (Central Statistical Office) came out with an even higher estimate. Are you looking at a new trend rate of growth to the Indian economy, as opposed to the previous rates?

It will be too early for me to say that. However, I'm seeing that kind of buoyancy. I'm seeing that kind of energy coming out of every sector. Earlier, you would find that in manufacturing, whether motorbikes or passenger vehicles, if you had a trend coming, you couldn't say that of any other sector. And you couldn't certainly say that of services. Today, the way in which the Indian economy is positioned, largely because of the drive that the Indian public is showing, you find every sector is revving to move fast. So, it is safe for you to assume that it is not going to be confined to one or two sectors, but the pattern with which growth is happening is where every segment is contributing to it. There is no one segment which is going to pull it down because of peculiar situations for them. Peculiar situations are being overcome because of the aspirations and the drive and the positivity that is there in the economy.

> Fiscal prudence is not just in cutting expenditure but improving revenue and avoiding wastage.

For the first time, income tax collections have exceeded corporate tax collections. We also saw that among the slabs, there is a wealth effect which is operational. Is this what you are referring to as growing aspirations manifesting in income streams?

Partly, yes. It is also that newer areas of activity in which earlier people wouldn't tread upon are now opening up opportunities. For instance, space is a classic example. India's space industry has been there for a long time and doing well and it's not as though they have succeeded only now. However, the energy with which it is growing now and the components which can be given by private participation, like startups contributing to space sector, are giving them a multiplier effect they didn't have earlier. As a result, what is happening is that the contribution to the GDP is coming from areas which earlier did not even exist. That is why GDP's composition will have to be studied for what it is now, because newer areas that were not recognized until now have suddenly spurred growth. I took the example of space and startups, which are equally contributing and therefore giving us solutions that are applicable in many other sectors as well.

What is the vision and strategy behind the ₹1 trillion innovation fund and how will it work?

I won't be able to speak on this in detail right now. However, broadly, we are providing capital which is interest-free, and they will get a cheaper corpus because of that. There can be a government company or a special purpose vehicle that will be created for this. In five years or so, they will get an opportunity to do business with cheaper capital. I believe this is a major step forward. When this fund will be implemented, for both small and large innovations, the multiplier effect for development of the sector will be significant. Even if it leads to a small innovation in a particular aspect, it will positively impact the entire sector. Just like in payments in India today, look at the scale in which (digital) payments are done even in smaller villages.

You also identified DPI (digital payments index) as a factor of production. Combine it with all the basics that are being provided, in terms of physical infrastructure—is India now looking to harvest its digital dividends?

Undoubtedly, yes. Now, the India stack as a whole or in some bits—some countries may need it and we are willing to extend that help. Private players in the sector are also finding new marketplaces where they can go and sell it or make money out of it. Or they can provide that technology for one or the other exchange of goods or it can be for whatever terms and conditions which a private person would want to do. So, India created public infrastructure, made it available for private parties and for small medium fellows who all want to get on to that and benefit. As a result, the Indian economy got traction. But those who contribute now in building on the public infrastructure also stand to benefit because they themselves are taking that produce, which is essentially a public infrastructure foundation, building on it and that itself is becoming a commodity for transactions.

A SMART CHESS MOVE FOR THE LONG GAME

HASEEB DRABU
ECONOMIST AND FORMER FINANCE MINISTER OF JAMMU & KASHMIR

Respond to this column at
feedback@livemint.com

One could read as a metaphor the finance minister's reference to Rameshbabu Praggnanandhaa's well-fought battle with Magnus Carlson in her budget speech on Thursday. Ahead of the 2024 general election, finance minister (FM) Nirmala Sitharaman chose to place long-term welfarism over short-term populism, and in the process, delink the budget from the ballot. This strategy of aspirational welfarism over pragmatic populism is akin to a gambit—a chess move sacrificing an obvious electoral opportunity for a subsequent positional gain.

The budget consciously forgoes the temptation to announce freebies and take populist measures aimed at garnering immediate voter favour. This interim budget has been used not as a tool of populism, but as an instrument to shape public expectations and perceptions about public expenditure policy. This is an important departure and development carrying the signature style and stamp of Prime Minister (PM) Narendra Modi—using the opportunity to disengage economic policy from the short-term compulsion of winning elections. Modi's message of country first and party second—the FM referred to the PM and his statements 21 times in her speech—is reiterated in the interim budget.

Overall, the tone of Sitharaman's speech and the fiscal stance of the Bharatiya Janata Party's (BJP) sixth consecutive budget reflect the confidence of a government firmly entrenched on the path to an electoral victory. The well-founded belief that BJP will be back in power for a third successive time underlies the restraint of not being populist in any manner or method.

Historically, Union budgets in general, and interim budgets in particular, have kept a keen eye on the impending elections—from former Congress leader Indira Gandhi who politicized the budget in the mid-70s to BJP leader Piyush Goyal whose interim budget included the launch of PM-KISAN with an outlay of ₹75,000 crore aimed at the 2019 general election.

Whether delinking economics of the budget from the politics will elevate the discourse of economic policy and maturity of India's democracy remains to be seen, but the FM might have just put a foot forward in moving India towards becoming a welfare state. Much will depend on how it gets taken forward in five months, when the Union budget for 2024-25 will be presented.

For, on this account, the interim budget is short of substance. Beneath the veneer of optimistic projections and grand promises lies an empirical landscape that warrants deeper scrutiny.

The FM's assertion of a profound transformation in India's economy is a bold claim. While there have been strides in certain sectors, such as technology and services, the overarching structural issues remain unresolved. The emphasis on GDP (another 'catchy' acronym)—governance, development, performance—is commendable, but the devil lies in the details of implementation.

The claim of lifting 250 million people out of poverty in a decade is bound to raise more than quite a few eyebrows. While poverty alleviation efforts have been made, the magnitude of this achievement requires rigorous scrutiny and transparent methodology. Without verifiable data and independent evaluation, such claims risk being dismissed as political rhetoric. Especially in view of BJP's track record of scant commitment to evidence-based policymaking, and genuine social and economic inclusivity.

> The finance minister echoes a shift towards a globalized understanding of governance

Similarly, the promise of reaching 40 million farmers through the crop insurance scheme sounds promising on paper. However, accessibility, coverage, and timely payouts are a major cause for concern. Agricultural distress remains a pressing issue, and the effectiveness of government interventions must be assessed in addressing the root causes rather than offering palliatives in the form of politicized central schemes.

The finance minister echoes a shift towards a more contemporary and globalized understanding of governance. In a world marked by short-term political gains, the ability to delink fiscal policy from the electoral cycle represents a level of political maturity that bodes well for the nation's future. This departure from immediate gratification politics signals a commitment to long-term strategies that prioritize sustainable development over transient applause.

In the confluence of welfarism, political maturity and metaphors, the interim budget becomes a canvas on which FM has painted BJP's evolving but increasingly compulsive narrative for the masses. As the nation grapples with complex challenges and ambitious dreams, it is imperative that governmental policies are not just about numbers and numerical strengths, but also about social inclusivity. In weaving together the threads of economic calculus, political arithmetic, and aspirational grammar, India should not impair its potential to chart a course that transcends immediate political victories and ideologies, to foster a legacy of sustained growth and collective welfare.

FM delivers a vote of confidence

FROM PAGE 1

announced a ₹1 trillion corpus through a 50-year interest-free loan for tech-savvy youth, which will provide long-term financing or refinancing with long tenors and low or nil interest rates. This will also encourage the private sector to scale up research and innovation significantly in sunrise domains, she added.

Finance minister Nirmala Sitharaman doubled down on the government's thrust on capital expenditure in the budget. PTI

The budget proposed to cover 10 million more women, up from 20 million, under the Lakhpati Didi scheme, which enables women to get financial assistance through self-help groups to earn sustained livelihoods. The government also plans to set up more medical colleges by utilizing existing hospital infrastructure under various departments.

"Despite the welfare focus on women, youth, poor as well as farming community, the government refrained from outright populism, whilst maintaining a continued emphasis on capex to improve the quality of spending," said Radhika Rao, executive director and senior economist, DBS Group Research.

Tax exemptions

While there were no changes to direct or indirect taxes, the interim budget extended certain tax exemptions that were expiring in March 2024 by another year. These included exemptions to transactions done through stock exchanges in the International Financial Services Centre and income and capital gains tax exemptions for sovereign wealth funds for investments in India's infrastructure projects.

However, there is no change in the sunset clause of beneficial 15% corporate tax for new manufacturing companies starting production before the end of March this year, explained Amit Maheshwari, tax partner at AKM Global, a tax and consulting firm.

> The government will present a white paper in Parliament soon, detailing the progress of the economy before 2014 and after

The finance minister also proposed to withdraw some decades-old tax disputes, bringing relief to 10 million tax payers. Outstanding direct tax demands up to ₹25,000 till FY10, and up to ₹10,000 during FY11-FY15 will be withdrawn, Sitharaman said.

The budget estimates for FY25 pegged total receipts at ₹30 trillion, up 11.1%. The tax receipts are estimated at ₹26.02 trillion, an increase of 11.94%.

Growth numbers

The interim budget has projected a 10.5% GDP growth rate for FY25 in nominal terms to ₹327.7 trillion. In the current year, India's economy is expected to grow 8.9% in nominal terms, as per the statistics ministry's first advance estimate in January.

"This year, we took a conservative number for nominal growth, as we wanted to be realistic," said Ajay Seth, secretary at the department of economic affairs.

Sitharaman also announced that the government will form a committee to examine the challenges arising from fast population growth and demographic changes.

The government will present a white paper in Parliament soon, detailing the progress of the economy before 2014, when it came to power, and after, "only for the purpose of drawing lessons from the mismanagement of those years," the finance minister said.

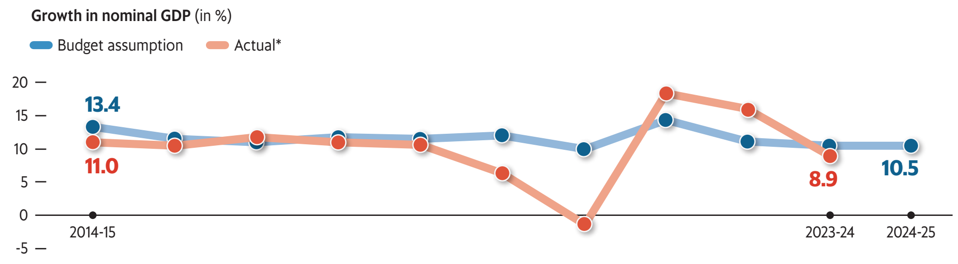
INTENT VS DELIVERY: WHAT THIS GOVERNMENT PROMISED AND WHAT IT DELIVERED

In the last 10 years, what did the NDA government project on key budget metrics? And, what did it deliver? These top panels, over 11 pages, trace its showing.

GDP GROWTH

INTENT

The budget document is vital to understand GDP growth expected for the next year. The budget is presented two months prior to the start of the next financial year (2024-25) and within a month of the first estimate for the current year (2023-24). Higher growth estimates can mask higher deficit numbers, which are expressed as a share of nominal GDP.



*Latest available estimates FY20 onwards. Source: Budget documents; Reserve Bank of India; ministry of statistics and programme implementation

DELIVERY

- In 7 of the last 10 years, actual GDP growth has been less than the projected GDP numbers, especially in pre-covid years.
- The first estimate for 2023-24 is much lower than budgeted numbers. This could potentially impact tax buoyancy—and collections.

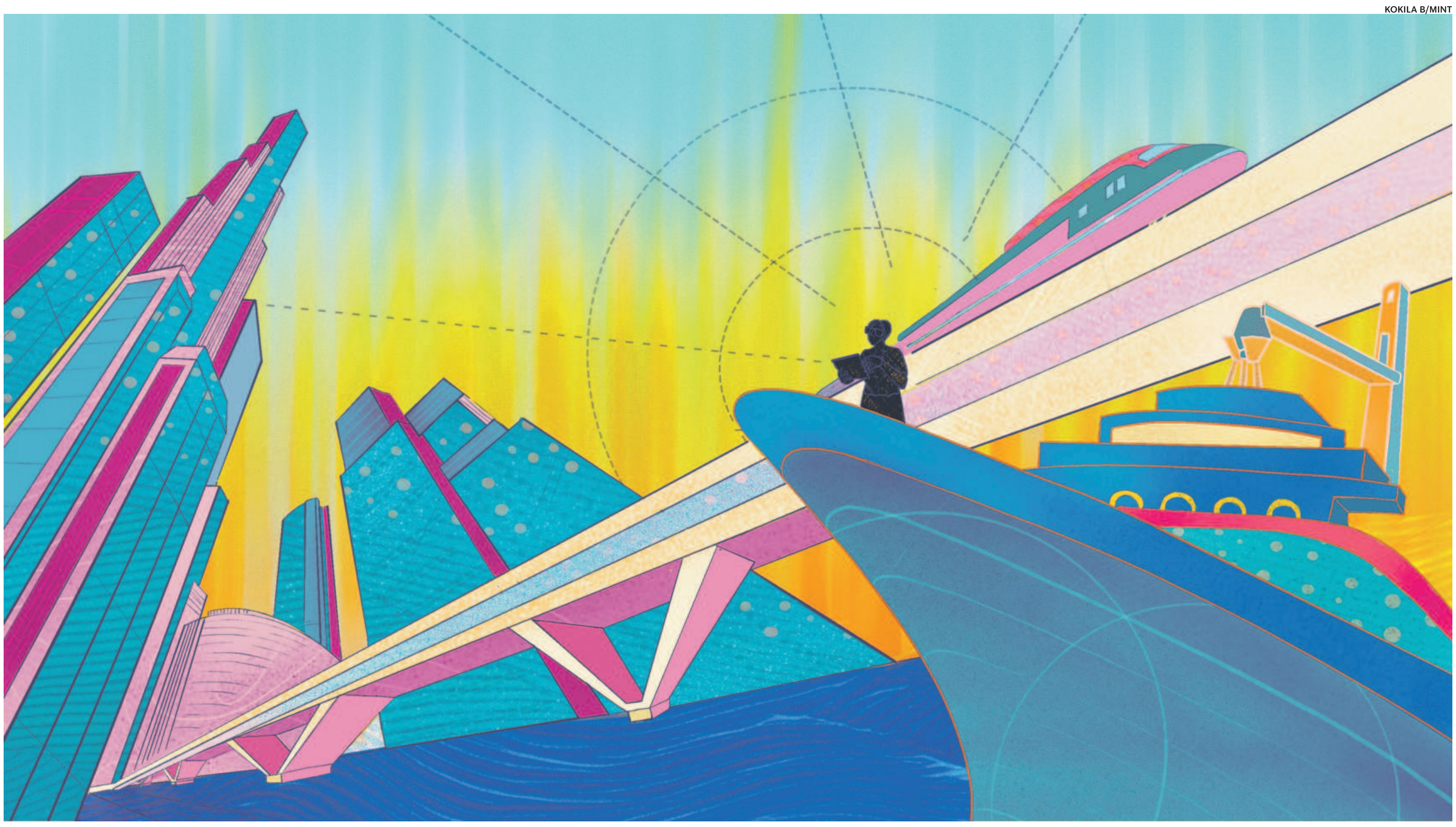
KEY STAT

1.6% POINTS

THE BUDGETED INCREASE IN NOMINAL GDP GROWTH IN 2024-25, AS COMPARED TO THE ADVANCE ESTIMATES OF 2023-24.

HOWINDIALIVES.COM

KOKILA B/MINT



₹11 trillion to power capex journey

Increased capital expenditure is expected to fuel growth in key sectors, such as railways and roadways and shipping

Subhash Narayan
subhash.narayan@livemint.com
NEW DELHI

The Union government has given yet another boost to central capital expenditure by raising the allocation on developing infrastructure projects to ₹11.11 trillion for the year starting 1 April, building on increases in recent years to spur economic growth.

The government has stepped up its capex budget in recent years to improve India's creaking infrastructure, create jobs and accelerate economic growth. In the budget presented on Thursday, it set out ₹11.11 trillion to develop infrastructure in FY25, marking a 11.1% jump from the previous year's capex of ₹10 trillion.

The capex had grown by 37% in the current year, with growth rates of 24% in FY23 and 40% in FY22. With another hike, it is expected that government would continue to support the infrastructure growth story while expecting private investment to scale up and help realize ambitious Vision 2047 goals.

Presenting the budget proposals for FY25, finance minister Nirmala Sitharaman said the capex outlay was 3.4% of GDP. The capex is almost 3.3 times that in FY20.

"The 11.1% growth may look lower than previous four years but it is coming on the back of a higher base of last year. The Central capex was being provided to also trigger private sector investment and now we are seeing signs of private sector investment coming in," Sitharaman said during a post-budget press conference.

India's infrastructure sector is set to become the biggest driver for the country that aspires to become a $5 trillion economy soon, and a developed nation by 2047.

Mint reported in November that the budget would raise the Centre's capex again this year and that the money would go into building critical infrastructure.

Higher capex is largely proposed for infrastructure sectors such as roads, shipping and railways. The capital allocation for these ministries has also been scaled up substantially in the budget, allowing them to complete work under the Vision 2027 plan.

The capital allocation for the roads ministry has moved up from ₹2.58 trillion (budget estimate) to ₹2.72 trillion in FY25, and for railways from ₹2.40 trillion to ₹2.52 trillion.

Capital spending by the government has been on the rise since the pandemic, even as private investment remained tepid.

Although private investment gathered some momentum in the current fiscal, economists recommended doubling down on government capital spending to help steer the economy through any turbulence, including a feared global slowdown in 2024.

"Despite committing to a lower fiscal deficit, the government has allocated a substantial capital expenditure of ₹11.1 trillion, marking a 50% increase from FY23. The enhancement of port connectivity, coupled with the establishment of dedicated commodity corridors (energy, mineral, and cement corridors), is poised to enhance manufacturing competitiveness. This strategic move aims to fulfill India's export targets and substantially reduce logistics costs," said Arun Singh, global chief economist at Dun & Bradstreet.

For the railways, the capex will go into developing three major economic corridors to decongest the network and improve logistics efficiency.

The projects—energy, mineral and cement corridors; port connectivity corridors; and high traffic density corridors—have been identified under the PM Gati Shakti for enabling multi-modal connectivity.

KEY HIGHLIGHTS

CAPITAL EXPENDITURE is being increased again this year by 11.1%

THE BUDGETED capital expenditure is almost 3.3 times of the capex in FY20

HIGHER CAPEX is largely proposed for sectors such roadways, shipping, railways

FAME slows down, auto PLI in fast lane

Sumant Banerji
sumant.banerji@livemint.com
NEW DELHI

The government slashed the allocation for FAME, its umbrella scheme for a switch of electric mobility, by 44% for FY25 even as it hiked the corpus for the production linked incentive scheme for autos by over seven times.

The scheme for faster adoption and manufacturing of (hybrid and) electric vehicles (FAME), launched in 2015, is the government's flagship scheme to encourage sale of electric and hybrid vehicles. The first phase of the scheme ran till 2019 and the second phase ends in March this year.

In FY24, ₹5,171.97 crore was allocated for the scheme and revised estimates show around ₹4,807.4 crore would have been spent by the end of the next month. In FY23, ₹2,402.51 crore was spent under the scheme. For the next fiscal, the allocation has been reduced to just ₹2,671.33 crore.

The government did not say if the scheme would be extended beyond this March but the low allocation for next year may signal intent to do so.

"The budgeted FAME II outlay for FY25 represents the residual allocation under the scheme, which forms part of the ₹10,000 crore initial allocation; timely rollout of new subsidy scheme remains key in accelerating electrification transition. The continuation of FAME II subsidies post-March 2024 is also likely to support adoption and raises hopes of continuation of subsidy support going forward," said Shamsher Dewan, senior vice president & group head, corporate ratings, ICRA Limited.

The reduction in allocation for FAME-II scheme comes on the back of a reduction in subsidies for electric two wheelers last year, following allegations that seven electric two-wheeler companies did not comply with localization norms. Sales of electric vehicles have gone off boil since then.

"The imminent expiration of the FAME II subsidy program by March 2024 sparked hopes for its extension. An extension would have solidified support for the EV industry," said Chakravarthi C, managing director, Quantum Energy.

At the same time, the outlay for the PLI scheme aimed at encouraging localization of futuristic vehicle technologies, was hiked more than sevenfold at ₹3,500 crore for FY25 from just ₹483.77 crore in FY24. The allocation for the PLI for advanced chemistry cell and battery storage also went up from ₹12 crore in FY24 to ₹250 crore. Even after two years of being operational, the scheme is stuck in a limbo due to a lack of clarity on the procedures for claiming incentives. Less than ₹500 crore worth of disbursals have happened.

SACHCHIDANAND SHUKLA
GROUP CHIEF ECONOMIST, L&T
Respond to this column at
feedback@livemint.com

THE DETAIL IS IN THE SIGNALS

Frankly, the FM did a splendid job even before the budget presentation by tempering expectations and clarifying that it will just be an interim budget and kudos to her for sticking to it. Hence, the broader direction emanating from the interim budget is more important than the details.

So what does the budget signal in terms of takeaways?

First, it strives to ensure that deficit and debt are on a sustainable path. The most redeeming part is that the government has surprised positively on fiscal rectitude despite the general election backdrop, and not just promising future adjustments. Note, the Centre's fiscal deficit narrowed from 6.4% of GDP in FY23 to 5.8% in FY24 as against a target of 5.9% but is expected to go down sharply to 5.1% in FY25. A concomitant effect is the shrinking of the revenue and primary deficits in FY25 by ~80 bps each that points to the recovering fiscal health of the economy.

An important question that follows is: How has this reduction in fiscal deficit come about? The interim budget reveals that it is largely a result of expenditure compression. It is remarkable that the government has managed to keep expenditure growth in check even in a pre-election year, i.e. in FY24 total expenditure was budgeted to grow by 7.5% but in the revised estimate it is shown growing even less at 7%. More importantly, revenue expenditure growth has been even more tepid at just 2.5%, way lower than nominal GDP growth. This is likely to continue in FY25 too with total expenditure budgeted to grow at 6% in FY25, almost half of the assumed tax revenue growth.

The budget strives to ensure that deficits and debt are on a sustainable path

Second, the government is likely to meet its FY24 gross and net market borrowing target of ₹15.4 trillion ₹11.8 trillion, respectively. Importantly, in FY25, the government will lower its borrowings a tad to ₹14.1 trillion in gross terms and ₹11.7 trillion in net borrowings. This is a very prudent move as the borrowings have had to be kept in check as India's public debt ratio, at 83% of GDP, is higher than all other non-G7 major G20 economies. Such high public debt can be a source of macroeconomic vulnerability in today's turbulent world. Moreover, higher debt and interest payments also constrain government spending.

Third, the key test for any budget is ultimately the credibility of its fiscal arithmetic. In FY25, it is even more critical as India's inclusion in the global bond indices will prompt greater scrutiny of the budget numbers. Here the assumptions of nominal GDP growth rate at 10.5% and tax revenue growth of ~12% seem conservative and there could be positive surprises. However, we must understand that the numbers and assumptions can undergo a revision during the full budget to be presented sometime in July.

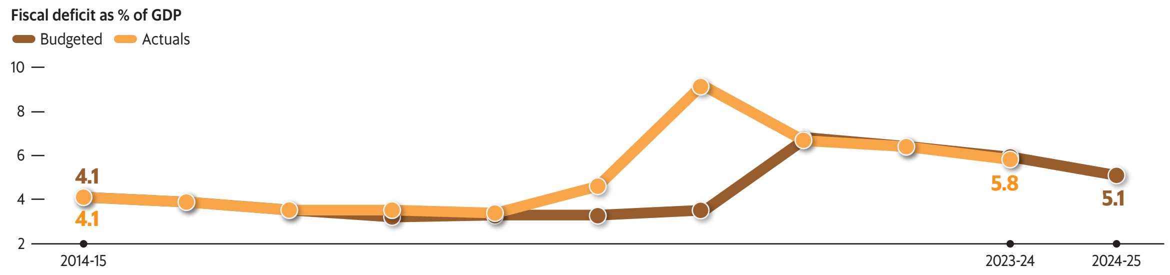
Fourth, the government also stayed committed to its supply-side orientation by re-emphasizing its commitment to capex- led growth with capex growth of 17% y-o-y given that FY24 numbers reveal that the government will fall short of achieving its ₹10 trillion mark by a good ₹500 billion. Lastly, the government has chosen to provide targeted support and direct activity in productive areas that will enhance the efficiency of the economy.

INTENT VS DELIVERY: WHAT THIS GOVERNMENT PROMISED AND WHAT IT DELIVERED

FISCAL DEFICIT

INTENT

Fiscal deficit measures how much the government is spending beyond its means. For a resource-starved country like India, fiscal deficit is inevitable. Question is how much is manageable. Back in 2016-17, a government panel had recommended a "glide path" to 2.5% of GDP, but covid changed that.



For 2023-24, revised estimates have been used instead of actuals.

Source: Budget documents

DELIVERY

- The covid crisis made it a must for the government to spend big, blowing up the deficit. The government is now working towards a fiscal deficit target of below **4.5%** by 2025-26.
- For 2024-25, the government has projected a fiscal deficit of **5.1%**, lower than the revised estimate of **5.8%** for 2023-24.

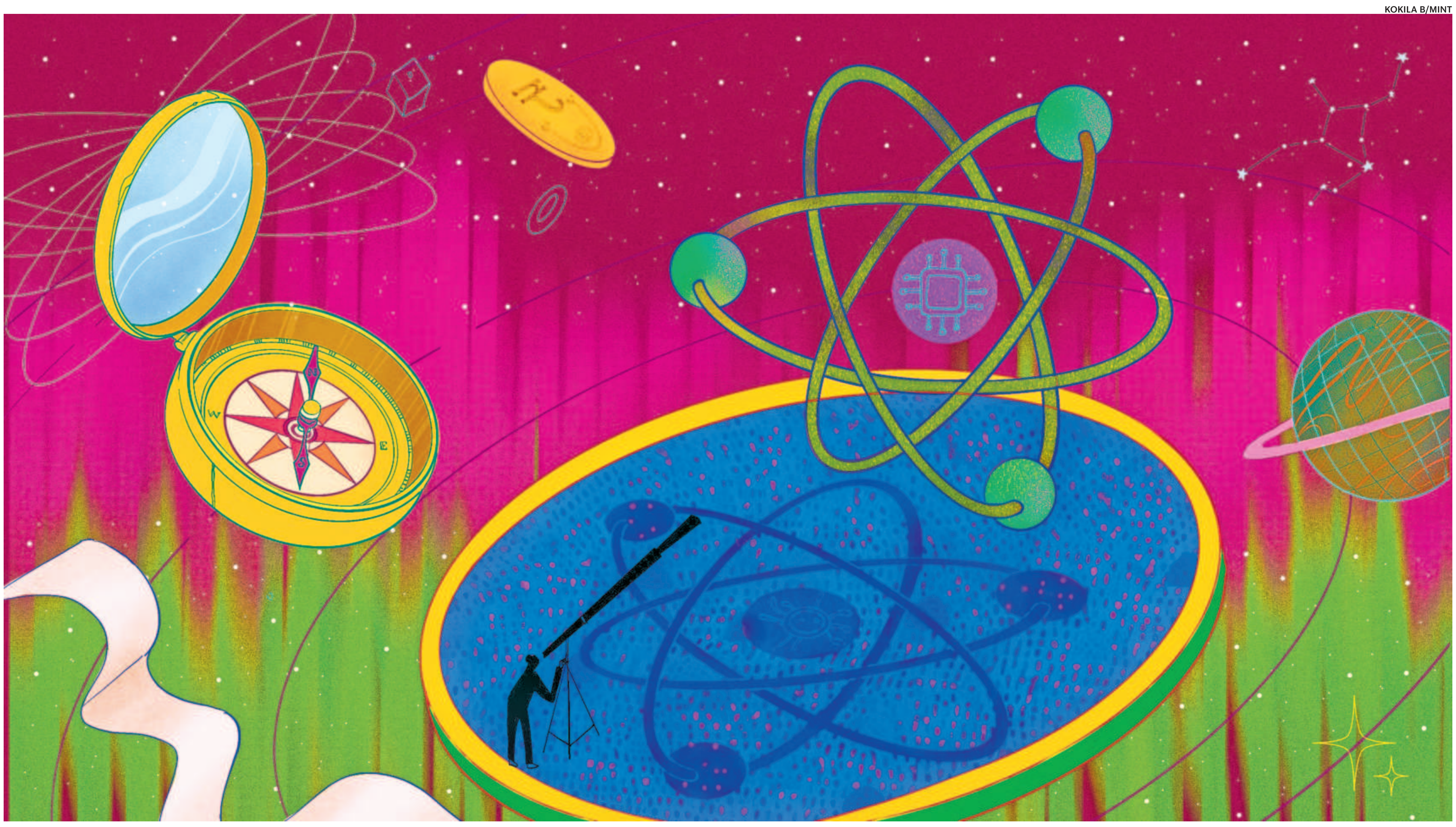
KEY STAT

₹3.9 TN

THE AMOUNT BY WHICH THE FISCAL DEFICIT EXCEEDED THE CENTRE'S TAX REVENUES IN 2020-21, THE YEAR WHEN COVID-19 HIT.

HOWINDIALIVES.COM

KOKILA B/MINT



A new dream for homebuyers on a budget

Madhurima Nandy
madhurima.n@htlive.com
BENGALURU

The government will launch a housing scheme to help people living in rented accommodation, slums or unauthorized colonies to buy or build their own homes, finance minister Nirmala Sitharaman announced in the interim Union budget.

The announcement on Thursday is in line with the government's larger 'Housing for All' mission, which includes the Pradhan Mantri Awas Yojana (PMAY)-Urban and the Pradhan Mantri Awas Yojana-Rural or Grameen schemes.

While details are awaited, the scheme—targeted at those living in sub-standard accommodation—comes at a time when India's residential sector has seen a sharp turnaround. With property prices on the rise and developers in large cities focusing on premium housing, homebuyers on a budget have been left out in the cold.

It also signals a drive to free up encroached land, industry experts said.

"This is likely to free encroachment areas like slums for easier redevelopment," said Anuj Puri, chairman, Anarock Group.

Sitharaman also said that the target of 30 million houses being built under the PMAY-Rural scheme is close to being achieved, despite many pandemic-led challenges. Another 20 million houses will be taken up in the next five years, to meet the housing demand arising from an increase in the number of families, she said. An amount of ₹80,671 crore has been budgeted for PMAY in FY25.

Last year, the allocation for PMAY was increased by 66% to ₹79,590 crore. Of this, ₹25,103 crore was allocated to PMAY Urban and the remaining was for PMAY-Rural scheme.

The PMAY-Rural scheme was launched in 2016 to ensure every rural family has a house of their own. The deadline to complete building the nearly 30 million houses was December 2023.

The PMAY-Urban scheme was launched a year before in 2015 to provide *pucca* houses to all eligible urban beneficiaries.

Subsidy bills slashed to cut borrowing

Centre's food, fertilizer and petroleum subsidy is projected to decline by more than 7% in FY25 to ₹3.81 trillion

Gireesh Chandra Prasad & Puja Das
NEW DELHI

A cut in the food and fertilizer subsidy bill in FY25, along with tax revenue buoyancy, is set to help the Centre rein in borrowing, creating room for the private sector to step in with investments.

The Centre's food, fertilizer and petroleum subsidy is projected to decline by over 7% in FY25 to ₹3.81 trillion, which officials attribute to a fall in global commodity prices.

The reduction in subsidy in the next fiscal is not as sharp as the massive 22% moderation seen in FY24, which came on the back of a high base in prices following the Ukraine war.

Experts said that given volatile geopolitical conditions, it remains to be seen exactly how prices behave in FY25.

The budget document showed that the Centre has allocated ₹1.64 trillion as the fertilizer subsidy in FY25, a 13% reduction from the revised estimates for the current financial year.

The food subsidy has also been lowered by over 3% to ₹2 trillion, while the petroleum subsidy has been cut 2.6% for the next fiscal to ₹11,925 crore.

The fertilizer subsidy has been estimated on recent trends in the global prices of ammonia and fertilizers, which have been on a downward spiral for the last six months, finance secretary T.V. Somanathan explained at a post-budget news briefing. "Our current estimate is based on the information we have right now."

Increasing domestic production of fertilizers is also contributing to the expected lower fertilizer subsidy bill. Import of urea, the most commonly used fertilizer in India, is at 4-5 million tonnes this fiscal, lower than the 7.5mt imported in the previous year.

This is due to higher domestic production and increased use of nano-liquid urea, chemicals and fertilizer minister Mansukh Mandaviya had said on 17 January.

The government has taken several steps since 2014 to boost domestic production of fertilizers and reduce imports, including reviving old fertilizer plants to make them viable. The government has also launched a scheme to incentivize states to curb the use of chemical fertilizers. India has also entered into long-term supply agreements with global suppliers for assured imports of fertilizers and its raw materials at pre-determined prices.

To be sure, the government remains committed to meeting the fertilizer subsidy bill even if consumption or global prices go up, in order to make sure plant nutrients are available to farmers at affordable prices and subsidy is available to producers and sellers.

Without that implicit commitment, producers may not be in a position to operate in the market, a government official said on condition of anonymity. Fertilizer subsidy is directly transferred to the producer or importer based on the details of purchase by the farmer at the retail level captured through point of sale machines.

The Centre's overall subsidy bill has over a period of time fallen in the last decade with the introduction of market linked pricing of petrol and diesel. However, cooking gas still attracts some subsidy under the Ujjwala scheme.

The Centre's tax revenue is projected to grow at about 12% in FY25 to ₹26 trillion, and non-tax revenue by over 6% to ₹3.9 trillion, aiding fiscal consolidation. "The government's intention of achieving a fiscal deficit of 4.5% of GDP in FY26 will enhance its credibility in fiscal management and improve global investor confidence in the Indian economy," said Sunil Kumar Sinha, principal economist, India Ratings.

Rhik Kundu contributed to this story.

KEY HIGHLIGHTS

FERTILIZER SUBSIDY has been estimated along trends in global prices

INCREASED DOMESTIC production also aids lower fertilizer subsidy bill

THE GOVT has taken several steps since 2014 to boost fertilizer production

DOING THE MATH: IT'S TAX BUOYANCY THAT SHRANK THE DEFICIT

LEKHA S CHAKRABORTY
PROFESSOR, NATIONAL INSTITUTE OF PUBLIC FINANCE AND POLICY

Respond to this column at
feedback@livemint.com

Against the backdrop of geopolitical uncertainties and war, the finance minister has strictly adhered to the macroeconomic stabilization function of the government in the interim budget 2024, with fiscal deficit-to-Gross Domestic Product (GDP) ratio pegged at 5.1% in FY25. She announced that the revised estimate of fiscal deficit-GDP ratio is at 5.8% for FY24. However, the quality of fiscal consolidation may suffer if this deficit target is achieved through fiscal austerity measures.

A quick glance at the fiscal arithmetic reveals that there is no severe fiscal austerity proposed in the budget. Given nominal GDP growth of 10.5% and aggregate tax revenue growth of 11.5%, the government has met its fiscal deficit target through tax buoyancy, and not through severe public expenditure reduction. The fiscal space is affected due to the lack of fiscal marksmanship relating to disinvestment proceeds. As against a 2023-24 Budget Estimate (BE) of ₹61,000 crore, the realized disinvestment proceeds were only₹30,000 crore in 2023-24 Revised Estimate (RE). However, the BE for the 2024-2025 is ₹ 50,000 crore, which is seemingly a realistic target. The size of the government can be affected by polycrisis—the debt crisis, war, global supply chain disruptions, energy crisis and the climate crisis. There can be an inverse relationship between polycrisis and the size of the government. However, there is a conscious attempt by the government to enhance the total spending by 6%, within which the capital spending is increased by 11.11% in FY25.

A quick glance at the arithmetic reveals that there is no severe fiscal austerity in the interim budget

The capex is pegged at 3.4% of GDP in FY25. In the post pandemic fiscal strategy, high deficits and debts in India have been substantiated by linking it to high capital formation for supporting economic growth, especially when the central bank has been keeping the interest rates in hawkish mode.

There is no disturbing narrative that pubic debt-to-GDP has increased to over 80% under the Modi regime just because of the perceived multiplier effects of increased capex investment, which in turn "crowds in" private investment. The continued support of ₹1.3 trillion in long-term capex and interest free loans to States for capex infrastructure is indeed welcome, as States are doing the heavy lifting in terms of capital spending. What is contentious is the non-transparent off- budget borrowings for the capex spending by the States.

A recalibration of fiscal rules with revised thresholds for fiscal deficit and debt had been expected in the budget, against the backdrop of Centre-State financial relations. The 16th Finance Commission might take up the re-articulation of the fiscal rules and "escape clauses". However the budget refrained from the clauses related to any amendments to the existing Fiscal Responsibility and Budget Management (FRBM) Act, 2003. In the FRBM Amendment, 2018, India has done away with the "golden rule" of maintaining a zero revenue deficit. The revenue deficit-to-GDP ratio in India is still high, pegged at 2% in FY25. However, increased tax buoyancy and subtle revenue expenditure repriotization have helped the reduction in revenue deficit-to-GDP ratio from 2.8% in 2023-24 (RE) to 2% in 2024-25 (BE).

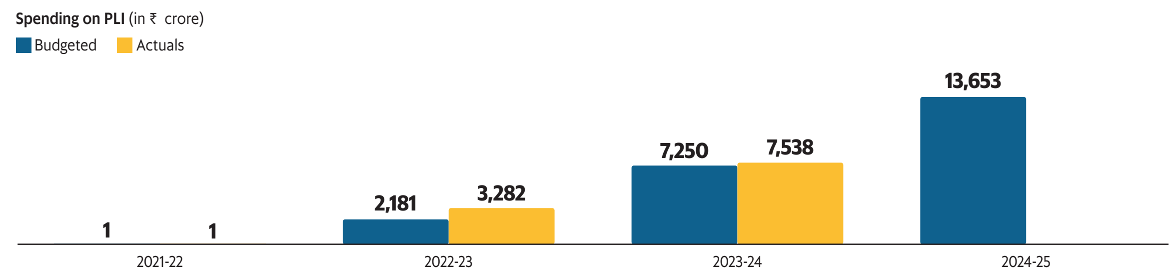
A non-zero revenue deficit in times of polycrisis is welcome, to support social infrastructure in education and health, social security measures, food security and employment generation programmes. Containment of revenue deficit is detrimental as a post-pandemic fiscal strategy.

INTENT VS DELIVERY: WHAT THIS GOVERNMENT PROMISED AND WHAT IT DELIVERED

PLI SCHEME

INTENT

The productivity-linked incentive (PLI) scheme is the largest, and most ambitious, such programme to attract manufacturing to India in recent years. With a multi-year outlay of ₹1.97 trillion, it aims to subsidize domestic manufacturing by companies across a range of sectors, including IT hardware, auto, pharma, battery technology and drones.



For 2023-24, revised estimates have been used instead of actuals.

Source: Budget documents

DELIVERY

- Announced in February 2021, the actual expenditure through the budget under the scheme has been **₹10,820 crore**, mostly in 2023-24.
- **₹930 crore** has been budgeted in 2024-25 under the PLI scheme for spending in the large-scale electronics and IT hardware sector.

KEY STAT

5%

THE ACTUAL AMOUNT SPENT UNDER THE PLI SCHEME (₹10,820 CRORE) TILL 2023-24, VERSUS THE PLANNED OUTLAY (₹1.97 TRILLION).

HOWINDIALIVES.COM

KOKILA B/MINT

Sunshine to startups: money for ideas

The ₹1 tn innovation fund is expected to help India transition from a services economy to a research and manufacturing hub

Nehal Chaliawala & Shouvik Das
MUMBAI/NEW DELHI

The ₹1 trillion innovation fund announced by finance minister Nirmala Sitharaman in the interim budget on Thursday is expected to give a big boost to local technology development and manufacturing, and help India move beyond providing high-tech services towards development of products, experts said.

In her interim budget speech on Thursday, Sitharaman said the fund would provide 50-year loans with low or nil interest rates to private-sector companies to scale up research and innovation in sunrise sectors. "For our tech-savvy youth, this will be a golden era," she said. "We need to have programmes that combine the powers of our youth and technology."

Detailing how the fund will work, union IT minister Ashwini Vaishnaw said, "The fund will enable startups to create products. The contours of this entire corpus, and how it'll work, will come out in detail in the coming days. The focus will be on selecting certain projects to begin with, and then moving on to a proposal-based system through which products and technologies can be selected." Vaishnaw added that the fund will define clear goals and deliverables for projects funded through it.

Experts said the fund would bridge a crucial gap in terms of access to capital for R&D in emerging technologies, and help make India a manufacturing hub for products such as semiconductors, high-energy density batteries, and electric vehicles, among other things. The long tenor and low interest rates promised by the finance minister will ensure commercial viability of companies availing these loans.

"In high-tech manufacturing, India needs to move on from services to high value-added products in semiconductors, electronics, drones, med-tech, and even the space industry," said Ajai Chowdhry, co-founder, HCL Technologies, and chairman, Epic Foundation. "The Centre's ₹1 trillion fund will enable deep research and development in these sectors and will help take India towards the trajectory of becoming a product nation—not just services."

"The infusion of capital will not only empower the sector to attract and retain top-tier talent, but will also provide the impetus for the creation of cutting-edge courses that align with the demands of a rapidly evolving technological landscape," said Sanjay Lodha, the CMD of Netweb Technologies, a high-end computing solutions (HCS) provider.

Rahul Guha, director, Crisil Ratings Ltd., said the fund would "help reduce entrepreneurs' reliance on high-cost equity funding, while building investor confidence and conventional lender comfort".

Another beneficiary from the innovation fund is likely to be the renewable energy sector, experts said. Innovation in green power generation and storage, as well as less emission-intensive technologies, can help speed up India's transition to a net-zero economy.

Citing the model of developed markets, Jayanth Kolla, co-founder and partner, Convergence Catalyst, a global research and advisory firm, said the government should use this fund to make the public sector one of the first customers for tech companies working in fields such as artificial intelligence.

"If you look at the US and the European Union, early innovation in technology always happens with the government as the early customer—be it in defence contracts, space missions as seen with Nasa, and so on," he said. "In India, the government should also play such a role. This will provide the young startup ecosystem a government-driven client base to start with," he added.

nehal.chaliawala@livemint.com

KEY HIGHLIGHTS

THE FUND will provide 50-year loans with low or nil interest rates

IT MINISTER Vaishnaw said the fund will enable startups to create products

ANOTHER BENEFICIARY from the fund is likely to be the renewable energy sector

Climate concerns reflect in solar scheme

Rituraj Baruah
rituraj.baruah@livemint.com
NEW DELHI

The government's keenness to promote rooftop solar installations comes through in the interim budget. Addressing a press conference after the budget, union finance secretary T.V. Somanathan said: "There is a provision of ₹10,000 crore for rooftop solar in the budget."

The move is expected to boost the ambitious goal of 500 gigawatts (GW) renewable capacity by 2030. With a target of net-zero carbon emissions by 2070, India is positioning itself as a front-runner in fighting climate change.

Although the modalities of the scheme have not yet been announced, finance minister Nirmala Sitharaman told the media after presenting the budget: "Rooftop solar for at least 300 units of power generation every month, which will be 'muft bijli' (free electricity) for the households. There will be some assistance and some kind of a funding which will be extended."

In her budget speech, she said that beneficiaries can save ₹15,000-18,000 annually. "So, you are generating the renewable energy, providing renewable energy generators the free power which they would want to use, and the surplus they produce can be used for selling and earning money."

On 22 January, Prime Minister Narendra Modi had announced that the Centre is set to come up with a new scheme to boost rooftop solar installations for 10 million households.

State-run REC will be the implementing agency of the scheme and will lend up to ₹1.2 trillion for the installation of rooftop solar panels.

Calling the rooftop solar plan a win-win proposition for the power sector, Anujesh Dwivedi, Partner, Deloitte India, said: "On one hand it will further renewable energy capacity installation in the country; and on the other hand it will help in addressing the chronic issue of poor financial viability and subsidy dependence of discoms."

The interim budget also outlined a plan to provide viability gap funding (VGF) for 1 GW offshore wind capacity.

The VGF is expected to be provided to two sites off the coasts of Gujarat and Tamil Nadu.

The other models propose bidding processes for site exclusivity during survey periods, with or without guaranteed seabed rights.

She also mentioned a plan to set up capacity of 100 million tonnes for coal gasification and liquefaction by 2030 in a bid to reduce imports of natural gas, methanol, and ammonia. Last week, the Union cabinet approved a ₹8,500 crore VGF scheme for coal gasification.

ANIL AGARWAL
CHAIRMAN, VEDANTA

Respond to this column at
feedback@livemint.com

THE RIGHT KIND OF SPENDING

The hallmarks of finance minister Nirmala Sitharaman's six budget speeches are the consistency in vision, stress on sound economic management, focus on the welfare of the people, and a responsiveness to the wider economic context.

This interim budget was no different, other than respecting the fact that a full budget will be presented in July after the general elections. It presented with great clarity the framework that has enabled India to grow at an impressive 7% plus per annum. According to the FM, average real income for Indians has increased by 50% and 250 million people have been pulled out of multi-dimensional poverty in the government's tenure.

The Indian economy is in a sweet spot. And the credit for it goes to the current regime. Despite geopolitical risks, India has emerged with strong growth, moderate inflation and a sound external account. When you look around at the state of the world, be it advanced or emerging economies, which are battling low growth and high inflation, this is a remarkable achievement.

The government has been responsible with its finances. And it has spent on the right things. This budget committed an 11% increase in capital expenditure on infrastructure, which has already been tripled over the past five years. This has been a major driver of growth with its multiplier effects.

Despite geopolitical risks, India has emerged with strong growth and moderate inflation

At the same time, the government has been able to maintain its path to lowering the fiscal deficit. This year, it will be 5.8%, lower than the estimated 5.9%, going down further to 5.1% next year. As the FM said, this consolidation and lowering of government borrowing will help free up capital at a lower cost for private investment. The FM has always been encouraging of private investment and the time is ripe for a take-off.

The government can spend more on productive investment while reducing the overall deficit because its efforts at reforming and simplifying the tax system are yielding dividends with record collections and a historically high tax-GDP ratio. The interim budget followed convention by not making any changes in tax rates. However, the government continued to reform tax administration with an announcement to wind up tax demands of up to ₹25,000, some of which have been pending for five decades.

PM Narendra Modi has a vision of a Viksit Bharat by 2047, and the FM has promised a detailed roadmap in July. There were some encouraging indications in the interim budget. This government realises the importance of innovation and the ability of India's youth to harness innovation to build a better future. In this context, it was good to see the seeding of a ₹1 trillion fund that will give our youth financing and refinancing for projects in sunrise sectors at zero or nominal interest rates over long tenors.

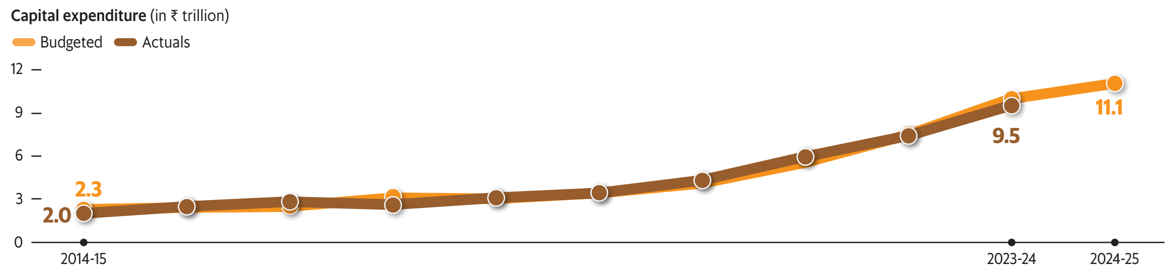
There was further emphasis on sunrise sectors when the FM announced viability gap funding for offshore wind power and government support for charging infrastructure for electric vehicles. In keeping with a pro-people approach, the scheme to install rooftop solar in 10 million homes will bring 300 units of free electricity and savings of ₹15,000-18,000 to low-income families.

INTENT VS DELIVERY: WHAT THIS GOVERNMENT PROMISED AND WHAT IT DELIVERED

CAPITAL EXPENDITURE

INTENT

A stated intention of this government, especially post-covid, has been to do 'good spending'—investments that have a trickle-down effect on other parts of the economy immediately and yield economic effects for years to come. For example, building new assets like roads, railway lines and ports.



For 2023-24, revised estimates have been used instead of actuals.

Source: Budget documents

DELIVERY

- Compared to 2014-15, capital expenditure increased about five-fold to **₹9.5 trillion** in 2023-24. This increase has been especially sharp post-covid.
- Barring two years, 2014-15 and 2017-18, actual capital expenditure for other years in this decadal period has exceeded **90%** of the budgeted amount.

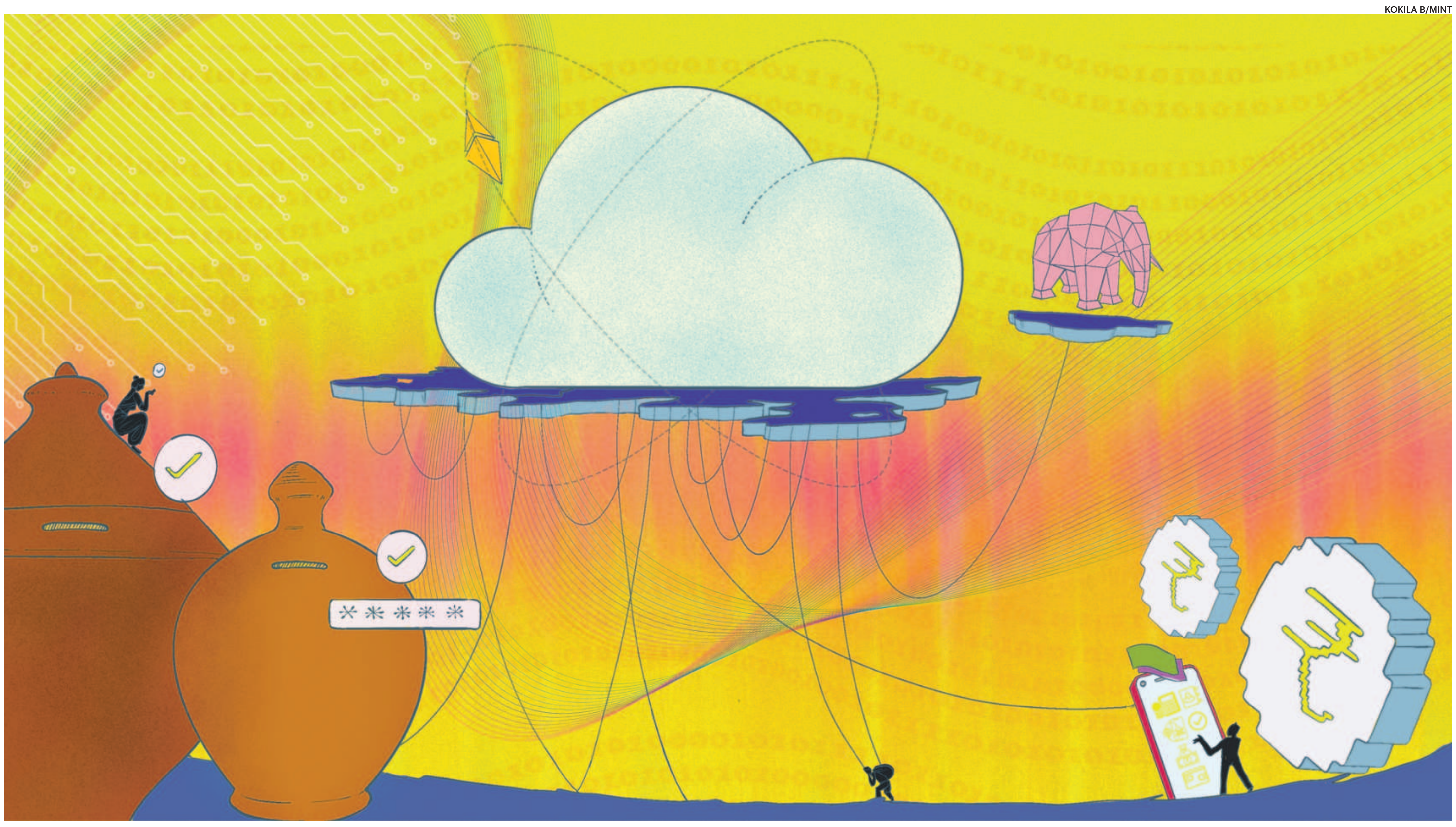
KEY STAT

8% POINTS

THE FALL IN PRIVATE INVESTMENTS BETWEEN 2011 AND 2020, FROM 31% OF GDP TO 23%, AS PER WORLD BANK. THE LATEST FIGURE IS 25% FOR 2021.

HOWINDIALIVES.COM

KOKILA B/MINT



Incredible India slumps as budget puts faith in local

Varuni Khosla
varuni.k@livemint.com
NEW DELHI

First, the good news. Finance minister Nirmala Sitharaman announced in the interim budget on Thursday that the government would focus on developing new tourist destinations in India, in a positive development for domestic tourism, including spiritual tourism.

Now, the bad news. The tourism ministry has set aside a mere ₹3 crore for overseas promotion of India for its 'Incredible India' campaign. The long-running, award-winning campaign—under the sub-head of overseas promotion and publicity and market development assistance—was left by the wayside this year, as the ministry shrank its allocation by 97% from last year's ₹100 crore.

The trend of tourism promotion has been declining. Last year, the budget slashed overseas tourism promotion by a staggering amount. The ministry spent just ₹89 crore in 2021-22 from its allocated ₹524 crore. The amount spent in FY23 further fell to ₹15.89 crore, only to rise somewhat in FY24 to ₹100 crore.

On the other hand, the ministry—headed by Gangapuram Kishan Reddy—has lowered its budget estimate from last year's ₹2,400 crore to ₹2,080.03 crore for FY25, even though that is still a 22% increase from the ₹1,692 crore it actually spent. More than two thirds of the FY25 allocation, or ₹1,750 crore, has been kept aside for its Swadesh Darshan scheme. This scheme, set up in 2014-15, provides financial assistance to state governments to develop tourism infrastructure.

Terming the ₹3 crore outlay "hard to believe", Dipak Deva, managing director, Travel Corporation India Ltd, said it was clear that the government will not promote India overseas. "That is as good as nil. The figure has never been this low in any past budget. I would be keen to understand how India will be promoted abroad and how we will take advantage of international travellers wanting to travel to this region," he said.

"In order to get people to come to our country, we have to market ourselves as an interesting tourism destination," Deva added.

FM's gift: Startups get a tax breather

Tax break extension for startups and certain businesses comes as a lifeline, but new manufacturing companies feel left out

Nehal Chaliawala & Ranjani Raghavan
MUMBAI

The interim budget has proposed a one-year extension of the timeline for startups, sovereign funds and certain businesses in Gujarat International Finance Tec-City (GIFT-City) to claim tax breaks. However, a similar extension has not been given to new manufacturing companies.

"Certain tax benefits to startups and investments made by sovereign wealth or pension funds, as also tax exemption on certain income of some IFSC units are expiring on 31 March 2024. To provide continuity in taxation, I propose to extend the date to 31 March, 2025," finance minister Nirmala Sitharaman said in her budget speech.

The government had made a provision for startups incorporated between 1 April 2016 and 31 March 2024 to avail of tax rebate on their entire profit for three consecutive years out of their first 10 years of operations, provided that their annual turnover does not exceed ₹100 crore. The eligibility to utilize this benefit has now been extended to startups incorporated before 31 March, 2025.

Similarly, to fund the ongoing infrastructure development push, the Centre had earlier introduced an income tax exemption for investments by sovereign wealth funds and pension funds. As per the provision introduced in FY21, income generated by such funds from investments in specified infrastructure activities were exempt from income tax.

The investments were to be made before 31 March, 2024 to avail of the tax breaks. Now, this timeline too has been extended by a year. The government had also given tax breaks to businesses registering in GIFT City, particularly to offshore banking units and aircraft and ship lessors. The cut-off for these businesses to start operations to avail of benefits has been extended by a year to 31 March 2025.

While industry watchers welcomed the extensions, there were also murmurs on such an extension not being granted to new units. "The tax break timeline extensions are a very welcome move. The only disappointment was that the benefits for new manufacturing companies were not extended," Dinesh Kanabar, founder and chief executive of Dhruva Advisors said.

In 2019, the government had announced a lower corporate tax of 15% compared to the normal rate of 25% for new manufacturing units set up in the country. The revised deadline for companies to start operations to avail of the lower tax rate was 31 March 2024.

The industry was lobbying for an extension of this deadline by a few years in the interim budget. "This has been the demand from industry veterans to extend this concessional tax rate by few more years," said Amit Singhania, founder, Areete Law Offices.

"Particularly, it may be noted that this is in line with government focus on PLI (production-linked incentives) schemes. The concept of PLI and concessional tax rate of 15% is similar in the sense that both provides concessions to promote local manufacturing," he said.

Speaking about the extension of timeline for businesses to avail of tax breaks in GIFT City, Tapan Ray, managing director, GIFT City said that the move will be "crucial for sustaining ease of doing business and ensuring stability in taxation".

"Recognizing the crucial role of GIFT City as a global financial gateway, the decision to extend tax exemptions on specific IFSC unit income reflects a forward-looking approach," Ray said. "This decision aligns with our shared vision for fostering a thriving IFSC ecosystem, contributing to India's economic prowess."

nehal.chaliawala@livemint.com

KEY HIGHLIGHTS

SOME STARTUPS could avail of tax rebate on their entire profit for 3 years

THE ELIGIBILITY to enjoy this exemption expires in March this year

FM HAS extended eligibility to utilize this to start-ups founded till 31 March 2025.

PLAYING TO STRENGTHS: A BLUEPRINT THAT'S MORE THAN A FINANCIAL DOCUMENT

JAMSHYD N. GODREJ
CHAIRMAN AND MANAGING DIRECTOR, GODREJ & BOYCE

Respond to this column at
feedback@livemint.com

India is on the cusp of change, having transformed to become the fifth largest economy in the world and is gradually moving towards being in the top three. Our economy is uniquely diverse and rapidly growing; this is powered by infrastructure, manufacturing, information technology and services sectors. A key strength is our sizeable domestic market, a young and tech-savvy labour force, and a large middle class. India stands at a pivotal juncture, poised to embark on a journey of sustainable growth. The blueprint outlined in the interim budget signals a commitment to building a robust foundation for the future.

Infrastructure development is a cornerstone of economic growth and the statements made in the interim budget reaffirm the government's commitment to this. It underscored the pivotal role of Digital Public Infrastructure as a catalyst to progress as it reiterated continued infrastructural development across the three domains of digital, social, and physical. We are hopeful that the ₹11.11 trillion capital expenditure outlay will pan out well and crowd-in private sector investment, as improved consumer sentiments drive demand.

> The skill crisis, with a huge gap in manufacturing, needs addressing in order to gainfully employ our youth

Allocation for the renewable energy sector underscores the commitment to clean and sustainable power sources. Wind energy could gain from the viability gap funding for offshore wind energy. The roadmap for coal gasification and mandatory blending of biogas, aiming to reduce imports and promote eco-friendly practices may bring us closer to our Net Zero target.

The plan to incentivise adoption of e-buses is significant as they can make transport greener. FAME regulations will help clarify the way forward and ease its adoption. The government also plans to enable 1 crore households to obtain up to 300 units of free power every month through the rooftop solar programme. The budget sets the stage for India to be a leader in sustainable development, reducing our carbon footprint and ensuring a cleaner, healthier future.

A key enabler of predictable and sustainable growth is skilling. The Skill India Mission's achievements in establishing 3,000 new ITIs, training 14 million and upskilling 5.4 million of our youth are commendable. The skill crisis, with a staggering demand-supply gap in manufacturing, needs addressing with scaled-up skilling to gainfully employ our youth.

India's goal of becoming a manufacturing hub and providing jobs will be further realized by strengthening its MSMEs. The focus on innovation and technology, prioritizing finances, technologies and training of MSMEs will empower our economy.

As a company, we have always been aligned with this vision and have programmes to enable our MSME partners to be more competitive, while focussing on sustainability and providing a safe working environment. The budget highlighted the need for manufacturers to shift to a circular economy and encouraged companies like ours to develop eco-friendly alternatives such as biodegradable polymers, bioplastics and biopharmaceuticals.

As the chairman of a company that partners with various government institutions for infrastructure, I am heartened to witness this forward-looking approach that recognizes the symbiotic relationship between robust infrastructure and sustainable development. The blueprint set forth in the budget is not just a financial document; it is a promise of a brighter, more sustainable future for India and its citizens.

BALANCING THE BOOKS

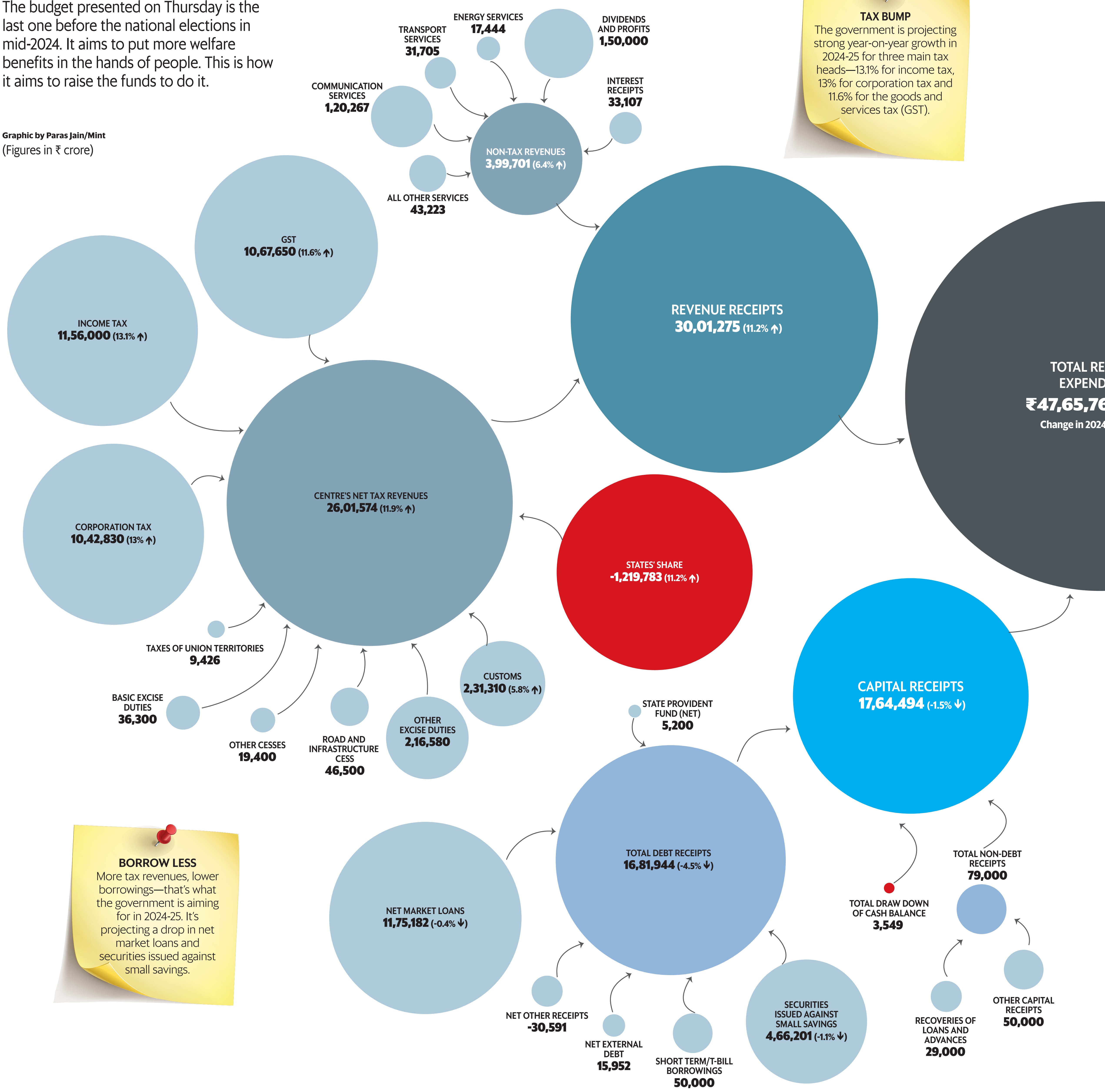
Howindialives.com

The budget presented on Thursday is the last one before the national elections in mid-2024. It aims to put more welfare benefits in the hands of people. This is how it aims to raise the funds to do it.

Graphic by Paras Jain/Mint

(Figures in ₹ crore)

TAX BUMP
The government is projecting strong year-on-year growth in 2024-25 for three main tax heads—13.1% for income tax, 13% for corporation tax and 11.6% for the goods and services tax (GST).



BORROW LESS
More tax revenues, lower borrowings—that's what the government is aiming for in 2024-25. It's projecting a drop in net market loans and securities issued against small savings.

Some sub-entries don't add up to larger bubbles because of exclusion of smaller items or reconciliation issues. All the percent change figures use revised estimates for 2023-24 for comparison.

THE PRIVATE CONSUMPTION SHADOW OVER BUDGET 2024

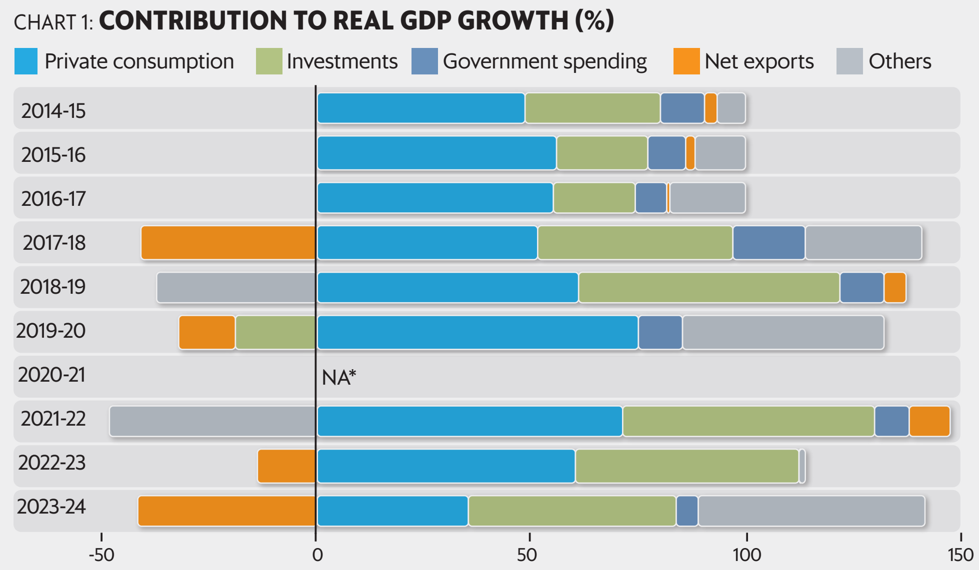
Private consumption is projected to grow at 4.4% in 2023-24—its slowest pace since 2002-03, excluding the first covid year of 2020-21, when the economy came to a virtual standstill. With overall gross domestic product (GDP) set to grow at 7.3%, only 35% of that jump in GDP will come from private consumption, down from an average range of 50-60% over the previous decade.

This is according to the first advance estimates of GDP for 2023-24 by the National Statistical Office (NSO). If this forecast holds, it has strong implications for government budgeting. On the revenue side, principally, how much tax the government is able to collect. By extension, on the expense side, its ability to spend on critical budget items like welfare schemes. If private consumption lags, other components of GDP—mainly investments, government spending and exports—need to pick up the slack if economic growth is to be maintained. Here's how the four components of GDP have looked since 2014-15.

Latest available estimates FY20 onwards. In Chart 1, 'others' represents 'discrepancies', which refers to the difference in national income under production method and expenditure method. Data in Charts 2, 3 and 4 is adjusted for inflation.

Source: Ministry of statistics and programme implementation

CHART 1: **CONTRIBUTION TO REAL GDP GROWTH (%)**

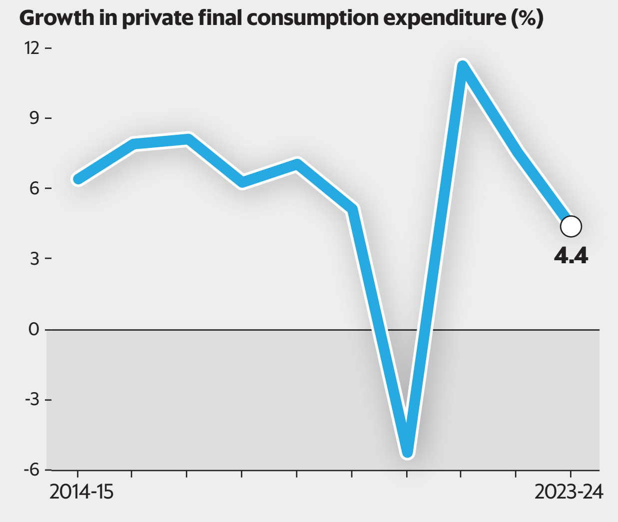


A component has a negative share when it shrinks in a year, hence dragging down the growth rate. The total contribution of all components adds up to 100%. *GDP shrank in that year, and hence contributions cannot be calculated.

CHART 2: **PRIVATE CONSUMPTION**

Its share in GDP is projected to fall from 58.5% in 2022-23 to 56.9% in 2023-24. Weak private consumption could drag company profits—and tax collections.

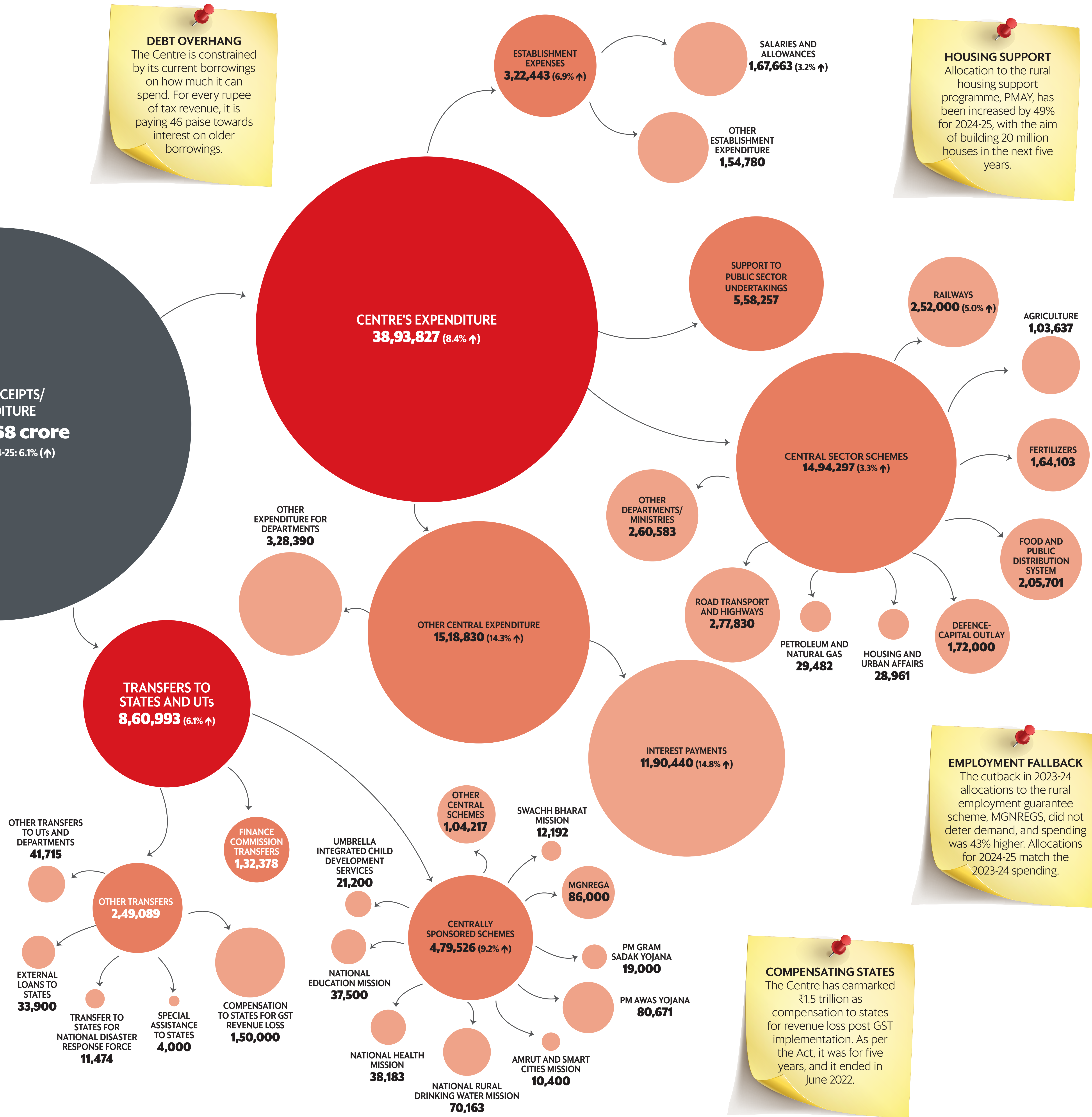
Growth in private final consumption expenditure (%)



S IN AN ELECTION YEAR

DEBT OVERHANG
The Centre is constrained by its current borrowings on how much it can spend. For every rupee of tax revenue, it is paying 46 paise towards interest on older borrowings.

HOUSING SUPPORT
Allocation to the rural housing support programme, PMAY, has been increased by 49% for 2024-25, with the aim of building 20 million houses in the next five years.



EMPLOYMENT FALLBACK
The cutback in 2023-24 allocations to the rural employment guarantee scheme, MGNREGS, did not deter demand, and spending was 43% higher. Allocations for 2024-25 match the 2023-24 spending.

COMPENSATING STATES
The Centre has earmarked ₹1.5 trillion as compensation to states for revenue loss post GST implementation. As per the Act, it was for five years, and it ended in June 2022.

Source: Budget documents, Reserve Bank of India
howindialives.com is a database and search engine for public data

CHART 3: **FIXED INVESTMENTS**
Private investment is set to pick up the slack in 2023-24, and is projected to grow at 10.3% in 2023-24 by NSO. After staying weak for much of the last decade, it received a fillip in the post-covid recovery. Its recovery will need to sustain.

Growth in fixed investment (%)

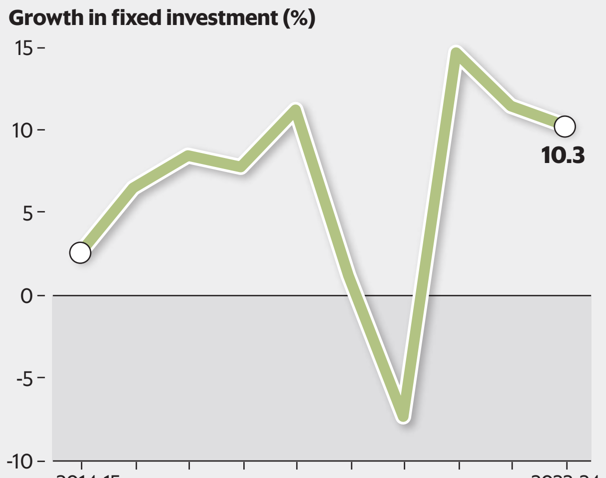


CHART 4: **GOVERNMENT SPENDING**
Projected to grow at 4.1% in 2023-24, up from 0.1% in 2022-23. Post-covid recovery added to government coffers, enabling more spending. With weak private consumption, if the government prioritises a lower deficit, it could lead to lower tax revenues and a slowdown in government spending.

Growth in government expenditure (%)

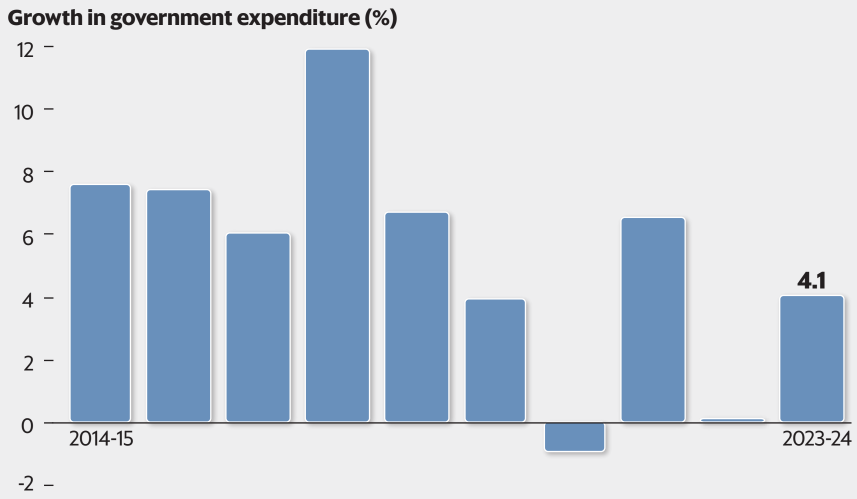
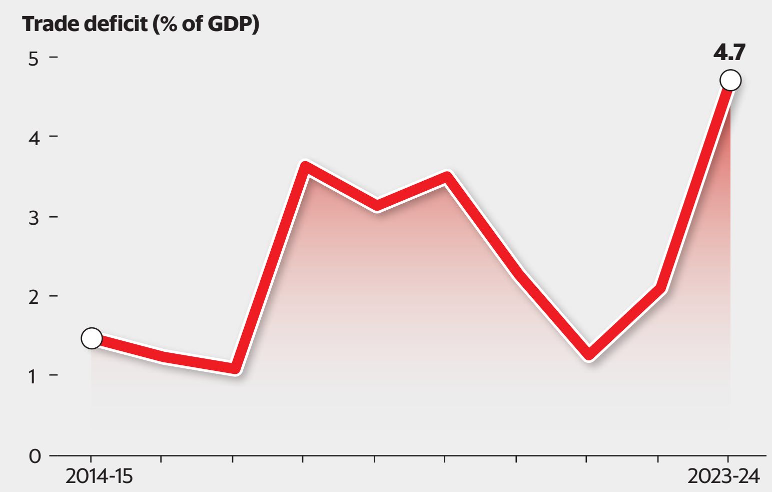


CHART 5: **TRADE DEFICIT**
After softening during covid and immediate post-covid period, trade deficit (exports minus imports) is set to rise again in 2023-24, weakening overall GDP growth. Exports are projected to see their weakest growth since 2011-12, at 1.4% (excluding the covid year of 2020-21). Imports are projected to rise 13.2% in 2023-24.

Trade deficit (% of GDP)

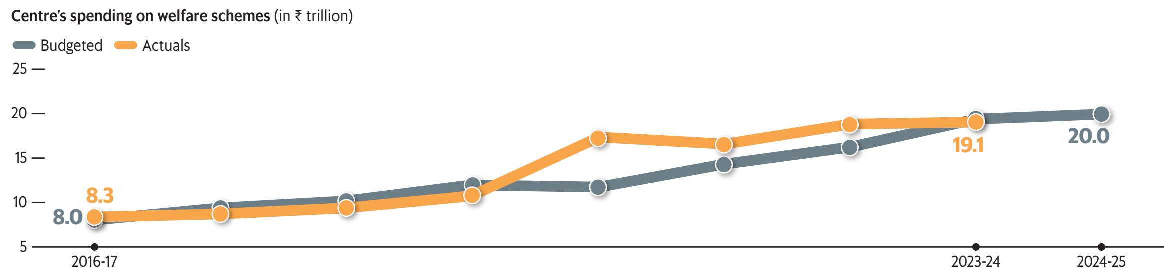


INTENT VS DELIVERY: WHAT THIS GOVERNMENT PROMISED AND WHAT IT DELIVERED

WELFARE SPENDING

INTENT

For a poor country like India, targeted welfare spending becomes an imperative. During covid-19, welfare schemes brought a lot of relief, and also gained greater social, and political, legitimacy as a fiscal intervention. The challenge for all governments has been effective implementation on the ground and ensuring scheme benefits flow to intended beneficiaries.



This shows spending on central sector schemes and centrally sponsored schemes. For 2023-24, revised estimates have been used instead of actuals. Source: Budget documents

DELIVERY

- In pre-covid years, including those before the 2019 election, spending on welfare schemes fell well short of budgeted amounts. During covid, this changed.
- For 2023-24, however, that excess has turned into a deficit, with revised estimates pegged at **₹0.4 trillion** below budget estimates

KEY STAT

4.7%

INCREASE IN THE BUDGETED SPEND ON WELFARE SCHEMES FOR 2024-25, OVER REVISED ESTIMATES OF 2023-24.

HOWINDIALIVES.COM

KOKILA B/MINT

In an election year, no free lunch

A budget without sops or freebies reflects the government's confidence; Opposition terms it arrogance

N Madhavan
madhavan.n@livemint.com
NEW DELHI

In a move that reflected the government's confidence in its ability to do well in the forthcoming Lok Sabha elections, finance minister Nirmala Sitharaman refrained from offering any sops or freebies in the interim budget. There was no change to individual tax rates, nor any increase in allocation for many popular schemes such as the PM Kisan Samman Yojana and Mahatma Gandhi National Rural Employment Guarantee Scheme.

On the contrary, her budget sought to speed up the pace of fiscal consolidation.

Sitharaman, however, was not about to miss the opportunity—a budget speech just weeks before elections—to list the achievements of the government. She started her 46-minute speech talking about "the profound positive transformation the economy has undergone in the last 10 years."

She highlighted the "all-round, all-pervasive and all-inclusive" approach to growth and development that has ensured housing, cooking gas, electricity, tap water and bank accounts for all.

The finance minister also spoke about the four "castes" that the government has focused on—the poor, women, youth and farmers. "The earlier approach of tackling poverty through entitlements had resulted in very modest outcomes," she said, adding that by empowering the poor, the Narendra Modi government has lifted 250 million people from multi-dimensional poverty. As much as ₹34 trillion had been given to the needy through direct benefit transfer, resulting in a saving of ₹2.7 trillion.

She reminded farmers, a crucial vote bank, that under the PM-Kisan Samman Yojana, 118 million small and marginal farmers have benefitted. About 40 million of them got crop insurance under the PM Fasal Bima Yojana. The youth, she said, were being empowered through a New Education Policy, Skill India Mission, establishment of many ITIs, IIMs, AIIMs and new universities. Over 430 million loans had been sanctioned to the youth for help with their entrepreneurial aspirations.

She saved the best for women, explaining how 300 million Mudra loans have been given to them and how female enrolment in higher education and STEM (science, technology, engineering, mathematics) courses have risen sharply. Almost 70% of houses under the PM Awas Yojana in rural areas have been sanctioned to women either as a sole or joint owner.

The only time the finance minister mentioned the word "free" was on rooftop solarization and "muft bijli". Hopes of any freebies were dashed quickly when she explained that people can get as many as 300 units of electricity free of charge every month by installing rooftop solar panels. Her other promises included: a new scheme for middle class housing, more medical colleges, cervical vaccination for girls, extending insurance scheme to health workers, a fresh impetus to agri-processing and a new programme for dairy farmers.

KEY HIGHLIGHTS

THERE WAS no change to individual tax rates, nor in many popular schemes

THE FM highlighted the govt's 'all-round, all-inclusive' approach

SHE SPOKE about the focus on four 'castes'—poor, women, youth, farmers

"The impact of all-round development is discernible in all sectors. There is macro-economic stability, including in the external sector. Investments are robust. The economy is doing well," she said.

Opposition parties, however, were not enthused. "Not very much came out of it," said Congress MP Shashi Tharoor. There was a lot of rhetorical language and very little on concrete implementation, he added.

"I saw arrogance when they said they would present the budget in July. You cannot take any election for granted," Akali Dal's Harismrat Kaur Badal said. "The finance minister took a long time to hail praises, but delivery was zero," said DMK MP Dayanidhi Maran.

More firepower for defence spending

Rahul Singh
rahul.singh@hindustantimes.com
NEW DELHI

India on Thursday set aside ₹6.2 trillion for defence spending in the interim budget for FY25, an allocation that was 4.72% higher than in last year's budget estimates and marginally lower (0.37%) compared to the revised estimates for FY24.

In her budget speech, finance minister Nirmala Sitharaman also announced a new scheme to strengthen deep tech in the defence sector.

This year's defence budget accounts for 1.89% of the projected gross domestic product (GDP) for FY25.

The budget includes a revenue expenditure of ₹2.8 trillion, capital outlay of ₹1.7 trillion and pension outlay of ₹1.4 trillion.

The capital outlay for the modernization of the armed forces is 5.78% higher than last year.

India is modernizing its military with fighter jets, helicopters, warships, tanks, artillery guns, rockets and missiles, unmanned capabilities and other combat systems.

"In the current geopolitical scenario and with the twin objective of promoting self-reliance and exports, the defence budget has touched ₹621,540.85 crore in the financial year 2024-25. This comes out to be 13.04% of the total budget," the defence ministry said in a statement.

The enhanced capital outlay is aimed at filling critical capability gaps through modernization, the ministry said, adding that it will also help boost self-reliance in the sector.

"Planned modernization of the existing Sukhoi-30 fleet along with additional procurement of aircraft, acquisition of advanced engines for MiG-29s, acquisition of C-295 transport aircraft, missile systems, deck-based fighters and submarines will be funded out of the budget," it said.

India's defence budget stood at ₹5.9 trillion last year, including a capital outlay of ₹1.6 trillion.

"A new scheme will be launched for strengthening deep-tech technologies for defence purposes and expediting 'atmanirbharta' (self-reliance)," finance minister Nirmala Sitharaman said in her speech.

Details of the scheme were not immediately available.

The new scheme will propel indigenous innovation and the advancement of cutting-edge technologies such as artificial intelligence, quantum computing, robotics and cybersecurity, essential for bolstering the country's defence capabilities and readiness, said defence firm Maritronics India director Venkatesan N.

ROSHAN KISHORE
DATA & POLITICAL ECONOMY EDITOR, HINDUSTAN TIMES

Respond to this column at
feedback@livemint.com

GOVT KEEPS FISCAL GUNPOWDER DRY

Finance minister Nirmala Sitharaman's interim budget mere months ahead of the 2024 general election is more a vote of confidence in the BJP's political prospects than a vote on account. There are no big-bang populist announcements to swing the election.

The government has reiterated the fiscal glide path to lower its deficit to 4.5% of GDP by 2025-26. It has stuck to its narrative of India becoming a developed country by 2047, and left any major reform announcements to the final budget in July, which the minister said she is confident the BJP government will be presenting. What explains this confidence of India's ruling political party?

The best way to answer this is to go back five years in time.

This year's interim budget could not have been more different from the 2019-20 interim budget of the previous BJP government, in terms of both political and economic environment.

The Narendra Modi-led BJP had lost key assembly elections in December 2018 to what was looking like a resurgent Congress party.

Memories of economic pain and political anger because of demonetization, and teething troubles on account of GST were still fresh.

> The government has reiterated the aim to lower fiscal deficit to 4.5% of GDP by 2025-26

The economy, especially the informal sector, had also lost a lot of growth momentum and the farm sector had suffered a significant worsening in terms of trade due to a collapse in farmgate prices.

Fast forward five years and the Congress looks like a lost and isolated party. Opposition parties are fighting each other rather than taking on the ruling party.

Also, the BJP performed very well in the recent state elections, and the economy seems to be in a Goldilocks situation of high growth and reasonable inflation.

This budget's tone is in keeping with a document released by the office of the government's chief economic advisor V. Anantha Nageswaran recently.

It seems to suggest that the government is confident of the economy's growth prospects and believes that fiscal consolidation, without a reversal of capital spending, will crowd in private investment.

In resisting the temptation to splurge on the revenue side ahead of the national election, the government has stayed true to what many experts have underlined and appreciated as its economic philosophy of counter-cyclical deployment of the fiscal gunpowder, and using more of it to augment supply gaps on the infrastructure front rather than rolling out demand-augmenting measures that are difficult to roll back once unleashed.

While this is always the desired approach for fiscal policy, whether or not a government can adhere to it depends more on its political prowess than economic viewpoint.

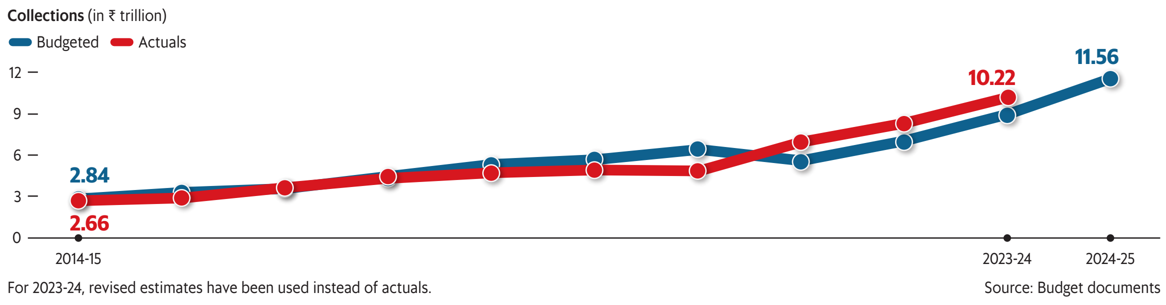
The Opposition's cluelessness on most economic interventions of this government has added to the political comfort of the government.

INTENT VS DELIVERY: WHAT THIS GOVERNMENT PROMISED AND WHAT IT DELIVERED

INCOME TAX COLLECTIONS

INTENT

Personal income tax collections are a strong index of overall GDP growth. At the same time, much of the working population is not covered by income tax as most work in informal occupations and/or fall well below the minimum tax threshold. The government has, over the years, attempted to expand the income tax net.



For 2023-24, revised estimates have been used instead of actuals.

Source: Budget documents

DELIVERY

- The past decade has seen collections grow an average annual **16%**, amid two distinct periods. Pre-covid and during covid, collections usually trailed budgeted amounts.
- Post-covid, income tax collections have exceeded budget estimates by **13-24%**. For 2024-25, a year-on-year increase of **13%** is projected.

KEY STAT

-24%

THE SHORTFALL IN COLLECTIONS DURING 2020-21 AS COMPARED TO THE BUDGETED AMOUNT, DUE TO THE ECONOMIC EFFECTS OF COVID LOCKDOWNS.

HOWINDIALIVES.COM

KOKILA B/MINT

A plan to detangle old tax disputes

Disputed tax demands up to ₹25,000 till FY2009-10, and up to ₹10,000 for FY2010-11 to FY2014-15 scheduled to be withdrawn

Shipra Singh
shipra.singh@livemint.com

Finance minister Nirmala Sitharaman has proposed that outstanding disputed tax demands for specific periods and amounts will be taken back. In her interim budget speech, she said that demands up to ₹25,000 pertaining to the period up to the financial year 2009-10 and up to ₹10,000 for financial years 2010-11 to 2014-15 be withdrawn.

The purpose of this move is to improve taxpayer services, she said in her interim budget speech. "There are a large number of petty, non-verified, non-reconciled or disputed direct tax demands, many of them dating as far back as the year 1962, which continue to remain on the books, causing anxiety to honest tax payers and hindering refunds of subsequent years."

Vishwas Panjiar, partner, Nangia Andersen LLP, said the department would undertake necessary formalities to cancel such outstanding demands suo moto without requiring the taxpayer to make a formal application. "If the underlying tax demand is nullified, as a logical corollary, the tax department should withdraw all pending associated litigation as well."

Several chartered accountants have informed *Mint* that the number of tax demands of previous years being sent to taxpayers increased manifold in the last year. In some cases, older demands that were already closed, either paid or dropped by the department after it was contested, are being re-issued. "This started happening after the online tax filing portal migrated from the old portal to the new one. These are generated electronically most likely as a result of technical glitches," said Sambhav Daga, a practising chartered accountant. "The government has probably figured out this error and is rectifying it by withdrawing disputed tax demands," he added.

While this measure will benefit those small taxpayers who are yet to pay the outstanding amount, it doesn't provide relief to the taxpayers whose outstanding demand was adjusted against refund. Under Section 245 of IT Act, the Income Tax Department can adjust any previous year's tax demand with the current year's refund.

Panjiar said many times, taxpayers while appealing for the matter at a higher forum pay taxes in dispute as well. "The proposal by the finance minister is silent on these cases and hence it is unlikely that refund would be available in such cases where taxes have already been paid even though the matter is in dispute," he said. "It is also not clear if for the purpose of computing the tax demand limit announced (₹10,000 /25,000), interest accrued on the demand would be considered or not," Panjiar added.

Daga said taxpayers with a higher tax demand of over ₹25,000 continue to remain affected. "I know of cases who have received tax demands in several lakhs and some portion of it is adjusted against tax refund. In some of these cases, an older tax demand has popped up again, which means they have paid the tax twice," he said.

Taxpayers can dispute outstanding tax demand under the 'Response to Outstanding Demand' option on e-filing portal by selecting between the options of 'Demand is partially correct', 'Disagree with demand' or 'Demand is not correct but agree for adjustment.'

This year's interim budget did not see any major announcements on the personal tax front. "As for tax proposals, in keeping with the convention, I do not propose to make any changes relating to taxation," finance minister Sitharaman said.

Tax slabs under both the tax regimes remained unchanged.

KEY HIGHLIGHTS

THE PURPOSE of this move is to improve taxpayer services, says FM

SMALL taxpayers who are yet to pay the outstanding amount will be benefitted

THE BUDGET did not see any major announcements on the personal tax front

Two regime dilemma: Clarity on agri income

Shipra Singh
shipra.singh@livemint.com

If you're an individual taxpayer or Hindu Undivided Family (HUF) with agricultural income, the interim budget has clarified the treatment of agricultural income while computing taxes under the new tax regime.

The method used to compute tax on income of taxpayers with agri income has been included in Finance Bill 2024.

"The budget 2024 proposes to explicitly include the computation mechanism used when an individual taxpayer or HUF has agricultural income for the purpose of the optional tax regime as well," said Vishwas Panjiar, partner, Nangia Andersen LLP.

The Income Tax Act exempts agricultural income from tax. However, taxpayers with agricultural income over ₹5,000 who have other incomes also have to consider the agricultural income to determine which tax slab is applicable. But, agricultural income is not taxed. There's a three-step method to calculate tax in such cases. The taxpayer has to first add all the incomes and calculate total tax liability on it. In the second step, they should calculate tax on the sum of basic exemption limit and agricultural income as per applicable income tax rates. Third, deduct the tax calculated in the second step from the total tax liability determined in the first step.

To explain with an example, say you have business income of ₹8 lakh and agriculture income of ₹2.5 lakh. Your tax slab is 30% and tax liability on sum of both income is ₹1.25 lakh. Next, tax on the sum of ₹2.5 lakh (exemption limit) and agricultural income of ₹2.5 lakh is ₹12,500. Since agricultural income is exempt from tax, the total tax you pay is ₹1.13 lakh (₹1.25 lakh-₹12,500).

"While this position has been there from the genesis, it was not specifically enunciated in "new" optional tax regime which was originally introduced in the year 2020 for individuals/HUF. This is more of a clarificatory amendment and should be viewed as such as this brings parity between the regimes," said Panjiar.

Maneet Pal Singh, partner, I.P. Pasricha & Co, said the inclusion of agriculture income in total income without taxing it serves several purposes.

NO CONCESSIONS FOR YOU AND ME BUT EXPECTATIONS REMAIN HIGH

SONU IYER
PARTNER AND PEOPLE ADVISORY SERVICES LEADER, EY INDIA

Respond to this column at
feedback@livemint.com

The finance minister stuck to a 'vote on account' budget despite expectations of a populist budget in an election year. However, she did use the occasion to showcase the multiple achievements of the government in the last decade in her almost an hour-long budget speech.

Despite the disappointment for not getting any tax concessions, yet, one has to give it to Nirmala Sitharaman that she successfully managed to create a sense of pride and hope in the common man. She passionately and eloquently spoke about inclusive development and growth, social justice, focus on prioritizing the needs, aspirations and welfare of the '*garib*' (poor), '*mahilayen*' (women), '*yuva*' (youth) and '*annadata*' (farmer), and multipronged economic management over the last decade, and articulated the strategy of the government for 'Amrit Kaal' to make a 'Viksit Bharat' by 2047.

Personally, it was heartening to hear about the focus on 'Nari Shakti' through entrepreneurship, ease of living, and dignity through guaranteed participation in government schemes such as Mudra Yojana, PM Awas Yojana and higher education particularly STEM courses, and various other measures to promote participation of women in workforce. We hope to show the way to the world the difference that women can make to the economy of the country.

> The FM spoke about the tax reforms that have helped treble direct tax collections

In the interim budget for 2024 presented on Thursday, the FM has proposed no change in tax rates for direct taxes and indirect taxes including import duties. She spoke about the tax reforms that have helped treble direct tax collections and also widened the tax base significantly. She also appreciated the taxpayers and assured them that their contributions have been used wisely for the development of the country and welfare of its people.

The FM reiterated the tax reforms in the last decade. Currently, there is no tax liability if the total income is up to ₹7 lakh under new tax regime, whereas under old tax regime, there is no tax liability if the total income is up to ₹5 lakh.

In line with the government's vision to improve ease of living and ease of doing business, and to improve taxpayer services, the FM has proposed to withdraw outstanding direct tax demands up to ₹25,000 up to FY2009-10 and up to ₹10,000 for the FY2010-11 to FY2014-15. The details of this proposal are yet to be released. This significant step in dispute resolution when implemented will benefit about 10 million taxpayers and help get their refunds of subsequent years which are stuck due to the outstanding tax demands of other years.

The Finance Bill 2024 has also codified the press release and circular issued in 2023 on changes made to the applicable rates of TCS on overseas remittances. There is no new change in TCS rates and threshold on overseas remittances.

The FM has proposed to extend certain tax benefits to startups and investments made by sovereign wealth or pension funds as also tax exemption on certain income of some IFSC units which were expiring on 31 March 2024 to 31 March 2025.

The FM also proposed to increase the time limit for the government to notify a scheme for faceless appeals before the Income-tax Appellate Tribunal up to 31 March 2025.

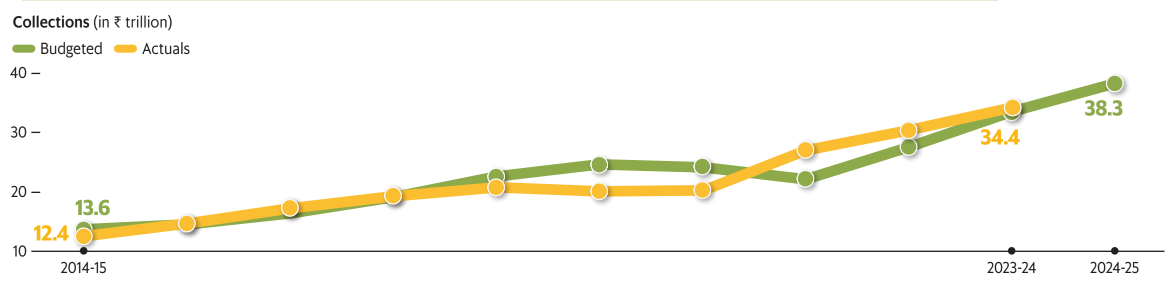
Now, its over to the full budget 2024 to be presented by the new government to meet the expectations of common man for tax rates reduction and increase in personal disposable income.

INTENT VS DELIVERY: WHAT THIS GOVERNMENT PROMISED AND WHAT IT DELIVERED

TOTAL TAX COLLECTIONS

INTENT

Tax collections are the main revenue source for the government. The higher the tax collections, the more the government has to spend. After covid-19 caused a major hit to government finances, a primary aim of the government has been to create conditions for tax revenues to bounce back.



For 2023-24, revised estimates have been used instead of actuals.

Source: Budget documents

DELIVERY

- Pre-covid, tax estimates were either missed or just about met. After falling short by **18%** in 2019-20 and **16%** in 2020-21, collections smashed estimates in the next two years.
- The NSO's advance estimates for 2023-24 show personal consumption growing at **4.4%**, the slowest pace in many years. This will almost certainly lead to a lower pace of tax collections.

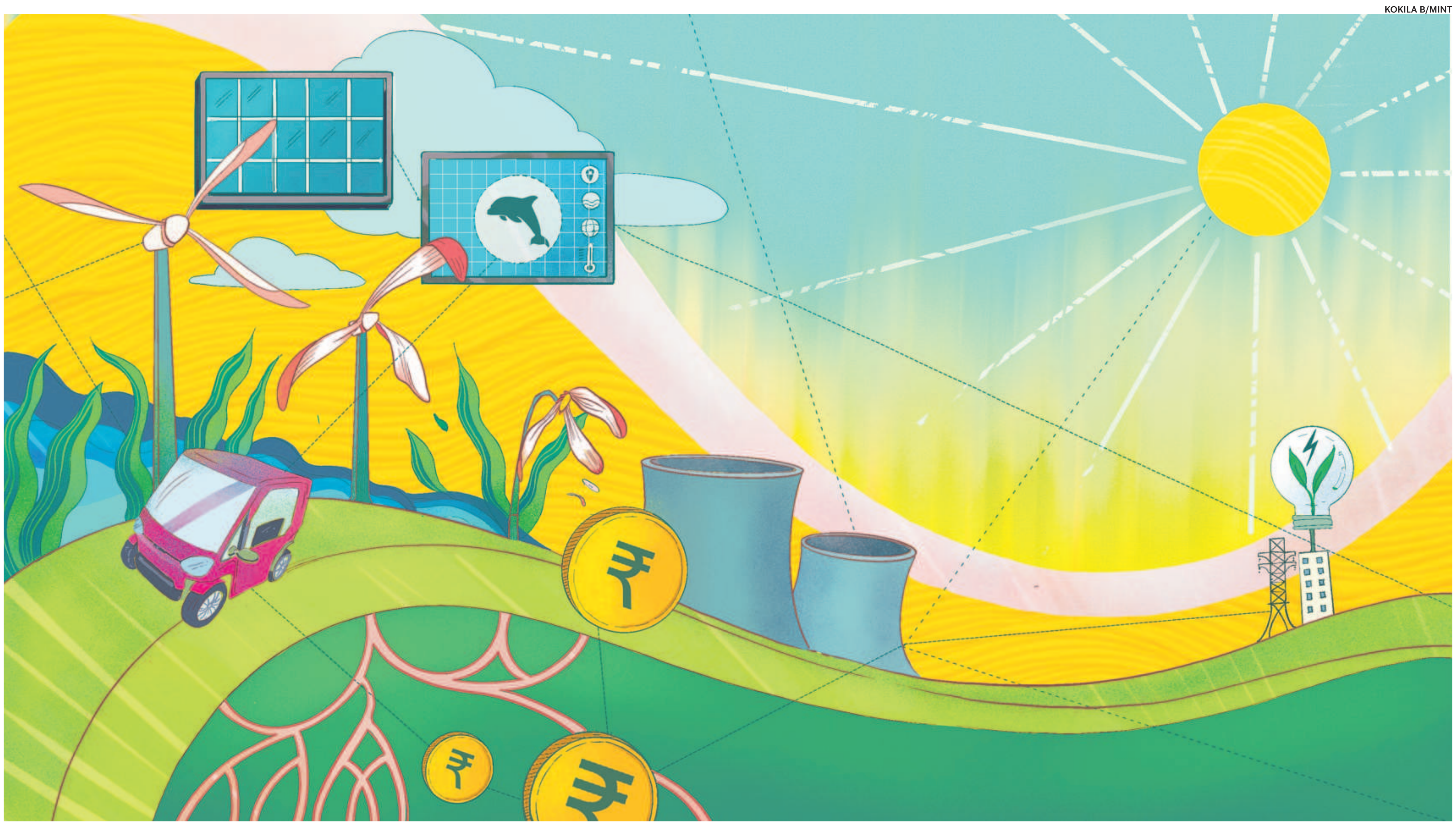
KEY STAT

11.3%

THE INCREASE IN TAX REVENUES BUDGETED FOR 2024-25—LOWER THAN THE REVISED GROWTH ESTIMATE OF 12.8% FOR 2023-24.

HOWINDIALIVES.COM

KOKILA B/MINT



Why we can expect a banking rally

If the Nifty falls, the Bank Nifty and PSU Bank indices will fall less, and if the gauge rises, they will rise more, say analysts

Ram Sahgal, Gopika Gopakumar & Rhik Kundu
MUMBAI/NEW DELHI

The vastly lower fiscal deficit of 5.1% budgeted by the Centre for the next fiscal year was the catalyst for an outperformance of banking sector to benchmark and other sectoral indices as this lowers the trajectory for bond yields. Among the banks, the National Stock Exchange's 12-constituent Nifty PSU Bank index outperformed the benchmark 50-stock Nifty, the Bank Nifty, as well as the BSE's benchmark Sensex and other indices by a wide margin after the finance minister's interim budget presentation on Thursday. The benchmark bond yield too traded lower.

The outperformance was reflected by the Nifty PSU Bank index closing 3.11% higher at 6,466.45 against the Bank Nifty's 0.42% gain at 46,188.65, and the Nifty and Sensex closing down by over a tenth of a percent each at 21,697.45 and 71,645.30. Analysts expect the outperformance to persist in the near term—if the Nifty falls, the Bank Nifty and PSU Bank index will fall less, and if the gauge rises, they will rise more.

The reason is the gap between the government's spending and revenue—fiscal deficit—projected to narrow in the next fiscal year (FY25) due to higher tax collections. This means the government will have to borrow less and thus bring down the cost of money for the private sector. Gross borrowing is pegged at ₹14.13 trillion in the next fiscal against ₹15.43 trillion in the current fiscal. Net borrowing is estimated at ₹11.75 trillion versus ₹11.8 trillion last year. This will mean lower investment by banks, especially state-owned ones, in government bonds than they do at present as the government borrows to fund the deficit.

The government estimates tax receipts to grow by 11.96% year-on-year to ₹26.02 trillion in FY25.

The statutory liquidity ratio, or the proportion of deposits banks must invest in government bonds, is 18%, but lenders, especially PSUs, normally invest 28-30%. The lower targeted deficit means this excess portion can be freed up for lending to industry. It also means banks will make treasury gains due to falling bond yields over time, which the market could begin pricing in.

The fiscal deficit for FY25 has been budgeted at 5.1%, substantially lower than the 5.4% expectations of the market. The fiscal deficit for FY24 has been pruned by 10 basis points to 5.8%. A basis point is one-hundredth of a percentage point.

"The lower deficit target is positive for banks and among them state-owned lenders, which tend to invest more in g-secs than the mandated 18%," said A. Balasubramanian, managing director, Aditya Birla Sun Life Asset Management Co. "As the Fed (US Federal Reserve) cuts rates this year, and the RBI (Reserve Bank of India) follows suit, bond yields will fall and this will be directly visible in the PnL of banks."

However, not everybody is as sanguine as Balasubramanian, terming it rather aggressive.

"The fiscal deficit target for FY25 seems aggressive," said Shankar Sharma, founder of wealth management firm GQuant Investech. "This is predicated on an aggressive revenue growth, and if that doesn't play out to plan, the government will have to scale back capex to meet the fiscal deficit target and that's where the markets will be concerned."

Sharma feels the Sensex and Nifty could be close to making an intermediate peak and that the India story remains a small-cap one. The reason for tepid large-cap growth is the nominal gross domestic product growth of 10.5% projected for FY25. If that's the peg, there's no way that corporate earnings will grow higher, he explained.

ram.sahgal@livemint.com

KEY HIGHLIGHTS

THE FISCAL deficit for FY25 has been budgeted at 5.1%, vs expectations of 5.4%

DUE TO higher tax collections, the deficit is projected to narrow in FY25

FOR FY24, the fiscal deficit has been pruned by 10 basis points to 5.8%

Focus on rural boost, little for middle class

Suneera Tandon
suneera.t@htlive.com
NEW DELHI

The interim budget laid out several key measures that are likely to assist rural employment and boost farmer income amid a weak demand for packaged goods reported from villages. However, companies said the budget did little to address subdued consumer demand among lower middle income households.

Finance minister Nirmala Sitharaman announced in the interim budget that capital expenditure increased by 11.1% to ₹11.1 trillion. The government also announced plans to step up efforts for value addition in the agricultural sector and boosting farmers' income, apart from promoting private and public investment in post-harvest activities. Through rooftop solarization, 10 million households will be enabled to obtain up to 300 units free electricity every month. There has also been a year-on-year jump in allocation to the rural jobs programme under the Mahatma Gandhi National Rural Employment Guarantee Scheme to ₹86,000 crore.

Additionally, the government will launch a housing for middle class scheme to promote middle class to buy or build their own houses though a timeline for the same was undefined.

"The continued impetus on government capex outlay is a strong positive for the economy. One challenge for the economy is the subdued consumer demand, especially among the rural and lower middle segments. While this interim budget has not directly addressed that, I remain hopeful that the full budget in July shall do so," said Anuj Poddar, MD & CEO, Bajaj Electricals Ltd.

The interim budget commits to a "long-term" vision of strong economic growth, said Aasif Malbari, CFO, Godrej Consumer Products Ltd (GCPL). "Continuing the path of fiscal consolidation is a positive sign for overall economic growth, which has the potential to boost consumption patterns in the long run. The focus on enhancing connectivity and infrastructure also bodes well for India Inc including FMCG sector," he said.

To be sure, consumer goods makers have been challenged with shoring up demand among rural and middle income households. This while demand for premium goods has remained firm.

Meanwhile, Anand Ramanathan, partner and consumer products and retail sector leader, Deloitte India, said the government's focus on sectors like housing, tourism and infra spending will have a multiplier effect on consumption across middle income households.

NIRMAL JAIN
CHAIRMAN, IIFL
Respond to this column at
feedback@livemint.com

A SHIFT TO BETTER GOVT SPENDING

In its latest budget presentation, the Narendra Modi-led government reaffirmed its commitment to bolstering capital expenditure (capex) and maintaining fiscal discipline, a strategic stance that has characterized its financial governance in recent years. The budget showcases a significant escalation in capex, which has almost tripled in the past four years, thereby becoming a cornerstone for India's robust economic growth.

A notable shift towards enhancing the quality of government spending is evident, with the budget projecting a sharp decrease in the revenue deficit as a percentage of the fiscal deficit—from 80% in 2021-22 to an expected 39% in 2024-25. This shift indicates a strategic redirection of fiscal deficits towards the creation of productive assets, underscoring the government's prudent financial management.

In response to the fiscal challenges amplified by the covid pandemic, the government has demonstrated commendable transparency in its financial operations. Finance minister Nirmala Sitharaman announced an 11.1% increase in capex for the forthcoming fiscal year, setting a new record at ₹11.11 trillion. This move underscores the government's reliance on capital investment as a catalyst for domestic growth, especially in the face of lagging private investment.

> The govt's fiscal agenda is clear—capex and key social schemes will be at the forefront

The extension of the Pradhan Mantri Garib Kalyan Anna Yojana, the world's largest social welfare programme, for an additional five years at a cost of ₹11.8 trillion, alongside increased funding for pivotal social sector initiatives, reflects the government's commitment to social welfare. The introduction of new schemes to promote private sector engagement in research and innovation highlights the budget's forward-looking agenda.

The budget articulates a clear path towards fiscal consolidation, building on the resilience of tax revenues enhanced by the economy's digital transformation. With a set target for gross tax collection in 2024-25 of ₹38.31 trillion, marking an 11.5% increase from the previous year, the government's fiscal strategy is ambitious yet grounded in realistic expectations.

The government's borrowing strategy for the coming year is cautiously optimistic, buoyed by the anticipated inclusion of government bonds in global indices, which is expected to attract substantial foreign investment. This move, along with a potential reduction in interest rates by the Reserve Bank of India, is poised to invigorate the financial market and increase liquidity for business lending.

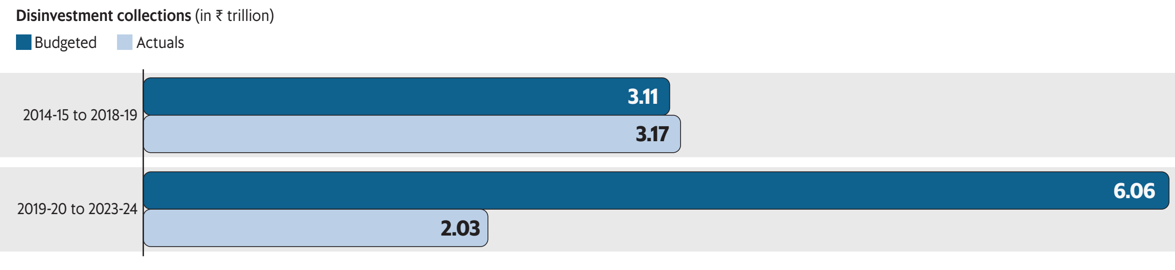
As the interim budget has laid the groundwork, the government's fiscal agenda is clear—capex and key social schemes will be at the forefront. With India already leading as one of the fastest-growing major economies globally, these strategic budgetary measures are pivotal in steering the nation towards its aspiration of becoming a developed country by the centenary of Independence.

INTENT VS DELIVERY: WHAT THIS GOVERNMENT PROMISED AND WHAT IT DELIVERED

PSU DISINVESTMENT

INTENT

Early on in its first stint, this government said it believed the government had no role to play in businesses of a non-essential nature, adding it would pursue a strong disinvestment agenda. It wouldn't just be in the nature of small stake sales, but would extend to outright sale of companies and banks.



For 2023-24, revised estimates have been used instead of actuals.

Source: Budget documents

DELIVERY

- Till 2018-19, it pursued that agenda with vigor, though several were 'forced' mergers between its own companies—like ONGC buying the Centre's stake in HPCL.
- Some additional successes were the sale of Air India and taking LIC public. But post-2020, disinvestment in the truest sense has been on the backburner.

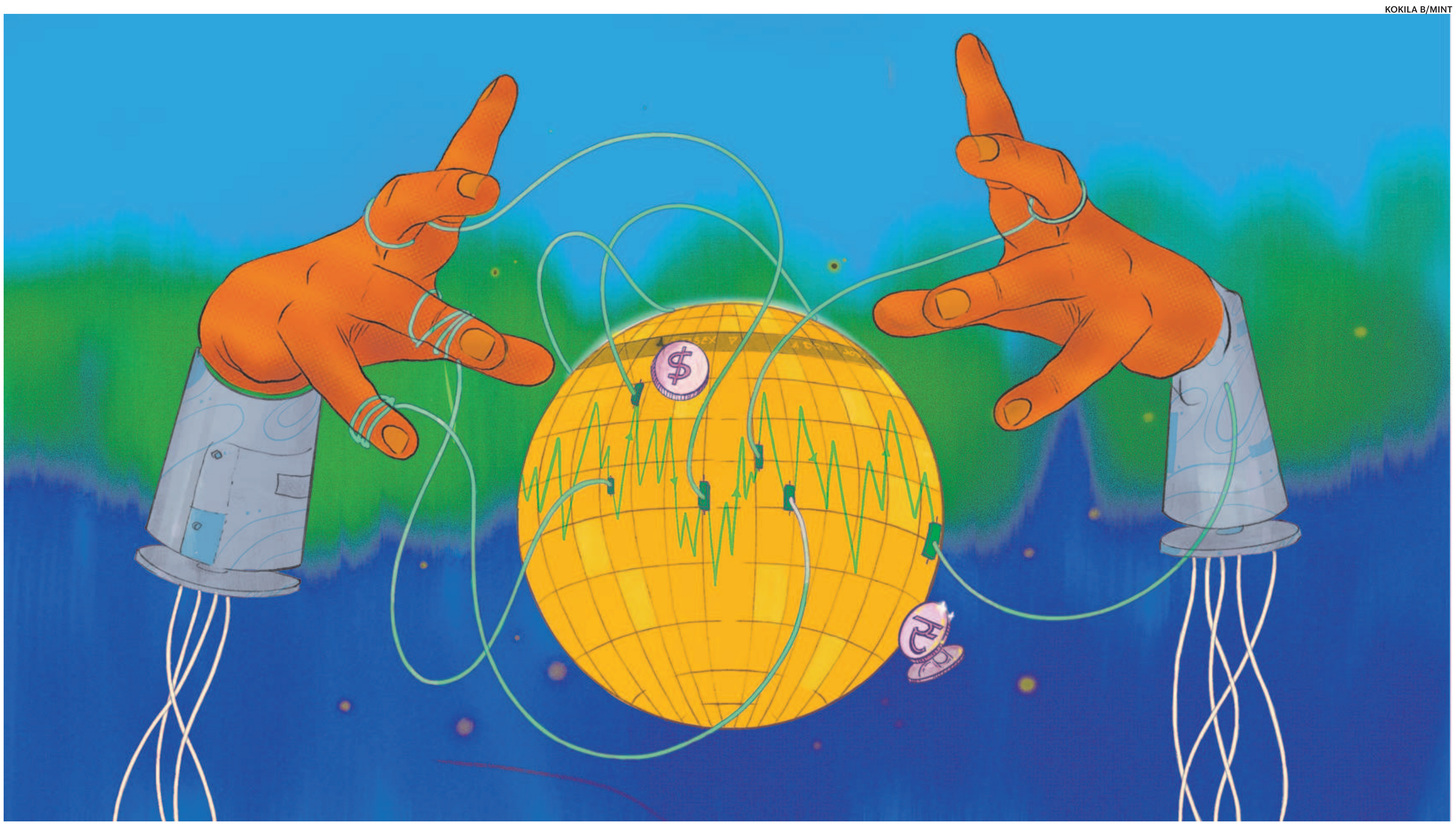
KEY STAT

11%

AVERAGE ANNUAL RETURN IN THE PAST 10 YEARS GIVEN BY THE BSE PSU INDEX, AGAINST 13% FROM THE BENCHMARK BSE SENSEX.

HOWINDIALIVES.COM

KOKILA B/MINT



The big target: ₹50,000 cr from disinvestment

Gulveen Aulakh & Rhik Kundu
NEW DELHI

The government has set an ambitious divestment target of ₹50,000 crore for FY25, about 67% higher than its revised target of collecting ₹30,000 crore selling its holdings in public sector enterprises in the current fiscal year ending 31 March.

In the budget for FY24, the government had originally targeted ₹51,000 crore from the sale of its stakes in various public sector companies.

As of 1 February, the government has raised only about ₹12,500 crore, and it is unlikely that the revised dive-stment target for FY24 will be met.

Experts said that the disinvestment target was lofty and has not been met five years running, but some said that the target could be met if the government liquidates its minor shareholdings in outperforming sectors.

"The current valuations of PSU stocks offer a unique opportunity to the government to marginally dilute their shareholding (without compromising control) in a number of blue-chip companies. A number of stocks in the power sector, across the value chain, are trading at or near life-time highs and offer an attractive liquidity option to the government. This could easily help achieve disinvestment levels upwards of $8-12 billion," said Uday Bhansali, president, financial advisory, Deloitte India.

However, higher non-tax revenues, including dividends from the Reserve Bank of India (RBI) and state-run banks, are expected to offset the revenue shortfall from disinvestments, prompting the government to revise downwards the FY24 fiscal deficit target to 5.8% of gross domestic product (GDP), from 5.9% earlier.

In the interim budget for FY25, the government expects dividends from state-owned firms at ₹50,000 crore in FY24, up from the budget estimates of ₹43,000 crore. As of 1 February, the government has already got ₹44,060 crore as dividend from public sector enterprises. The government expects ₹1.02 trillion dividend from RBI and state-owned banks in FY25, it said in budget 2024-25 document. It also expects ₹48,000 crore dividend from state-owned companies next fiscal year.

gulveen.aulakh@livemint.com

Everybody's a winner in this infra race

The good news is that capex outlay proposed for FY25 is up 17%, at ₹11.11 trillion, but the details are not as exciting

Dipti Sharma & Harsha Jethmalani
MUMBAI

Ahead of the upcoming general election, expectations from the interim budget for FY25 were not high, but policy continuity, especially on infrastructure spending, was critical. After all, this theme has been a key sentiment driver for investors in shares of infra companies.

Finance minister Nirmala Sitharaman has not offered them much to cheer. But the good news is that the capital expenditure outlay proposed for FY25 is up 17%, at ₹11.11 trillion. The details are not as exciting, though.

The allocation for railways at ₹2.5 trillion is marginally higher than ₹2.4 trillion (revised estimate FY2023-24). The finance minister has proposed implementation of three major economic railway corridor programmes—energy, mineral and cement corridors; port connectivity corridors; and high traffic density corridors.

These projects have been identified under the PM Gati Shakti scheme for enabling connectivity and are expected to improve logistics efficiency and reduce cost. Shares of key railway companies like Texmaco Rail and Engineering Ltd, and Titagarh Rail Systems Ltd were mostly unchanged on Thursday.

The government has proposed to set aside ₹2.7 trillion for road transport and highways, but again, this is marginally higher than revised estimates for 2023-24.

"Except for national highways, which witnessed softening of project awards due to FY24 being a pre-election year and high NHAI debt levels, other areas such as transmission projects, addition of renewable capacity, have witnessed strong tendering activities," said Priyankar Biswas, India analyst for infra, logistics, capital goods and metals and mining at BNP Paribas.

The budget allocation for National Highways Authority of India is up only 0.6% (based on the budget estimate for FY25 versus the revised estimate for FY24), which supports the view that high NHAI debt makes it difficult to raise allocation for highways, he said.

On the bright side, defence allocation has been increased by over 9% to ₹1.7 trillion. This is expected to augur well for companies such as Bharat Electronics Ltd.

To fuel growth and retain its position as Asia's fastest-growing economy, India's thrust on infrastructure spending is important. Increase in infrastructure investment provides a critical push to the potential growth of the economy, as it is anticipated to create a ripple effect.

Amit Anwani, analyst at Prabhudas Lilladher, sees developments in defence, railways, and energy sectors benefiting various industries, with a strong possibility of positive spill-over effects on sectors such as cables and fittings.

Little wonder then that in the past year shares of Larsen & Toubro Ltd, Bharat Heavy Electricals Ltd, ABB India Ltd, Siemens Ltd, Bharat Electronics Ltd, Thermax Ltd, Praj Industries Ltd, Texmaco Rail, Titagarh Rail, and BEML Ltd have risen by as much as 44-401%.

This optimism stems from the fact that the government amped up its infra capex at a challenging time when private sector spending remained subdued.

Meanwhile, economists point out that the increase in capital outlay is lower than the run-rate seen in previous years. However, given the high base, this is not entirely surprising.

According to Sonal Varma, MD, chief economist-India and Asia ex-Japan, Nomura, capex is expected to rise 16.9% year-on-year in FY25 versus 28.4% in FY24, which still shifts up the capex-to-GDP ratio to 3.4% in FY25 from 3.2% in FY24.

In recent years, private capex has been weak, so public capex was a driving force, she said.

dipti.sharma@livemint.com

KEY HIGHLIGHTS

THE ALLOCATION for railways at ₹2.5 tn is slightly higher than FY24's ₹2.4 tn RE

THE BUDGET allocation for NHAI is up only 0.6% from revised estimate for FY24

DEFENCE ALLOCATION has been increased by over 9% to ₹1.7 trillion

ACHIEVED: THE IMPOSSIBLE TRINITY OF GROWTH, PRUDENCE AND INVESTMENT

NILESH SHAH

MD, KOTAK AMC

Respond to this column at
feedback@livemint.com

The finance minister presented a vote on account highlighting the government's achievements in the last five years and laid the foundation for the budget post-election. The priorities for the government visible from the past budgets are infrastructure, investment, inclusive growth and fiscal prudence. The government, barring the covid shock, has achieved the impossible trinity of growth, prudence and investment.

This achievement is one of the reasons why the Indian market trades at a premium to its peers, and why India, despite a lower credit rating, gets a better spread in the offshore bond market. The government invested in infrastructure on an unprecedented scale in the past. India built between 2014 and 2024 as much infrastructure in sectors like power, roads, ports, airports, and telecom as existed at the end of 2013.

The government raised resources for infrastructure investment through better tax compliance as well as asset monetization and enhancing productivity of spending. Inclusive growth was created not only by the launch of various schemes, including free food for over 800 million Indians, but also by plugging the leakages through the Jan Dhan, Aadhaar and mobile trinity. The savings on plugging leakages helped in expanding coverage and yet left enough for building infrastructure.

Fiscal prudence remained the North Star despite deviation during the covid years. The budget post-election should build upon the trinity of investment, inclusive growth and fiscal prudence—unlike the pre-1990s, our talent is staying back in India. The private equity/venture capital ecosystem is providing adequate capital for bright ideas. The government must continue to build world-class infrastructure. A troika of talent, capital and infrastructure can give an upward push to our growth orbit.

> A troika of talent, capital and infrastructure can give an upward push to our growth orbit

The budget should also focus on enhancing the ease of doing business. On the ground, execution of projects should happen like the Mumbai Trans Harbour Link rather than Gokhale bridge in Andheri. We are one of the few countries in the world where net debt raised is a little below the investments made. Simply put, we are not burdening our future generation with only debt, but we will leave almost as many assets for them. Very few countries can make such a statement to the next generation.

The resources for funding these investments should come from better tax compliance and non-tax receipts like asset monetisation and divestment.

The budget should focus on these two aspects more than the vote on account. There is a massive run-up in PSU stocks. Some of the PSUs have very low floating stock. It will be fair to raise money at this valuation. Investors value India at a premium to its peers due to its fiscal prudence. The vote on account has surprised the market by setting the fiscal deficit target way below the consensus at 5.1% for FY25 and achieving the target set for FY26.

The budget should continue to focus on inclusive growth. Consumption at the bottom of the pyramid is not growing as fast as consumption at the top. Focus on fisheries, the agro industry, rural housing, microfinance availability, etc., will help in inclusive growth. Globally, India is the fastest-growing major economy. The budget must be a catalyst to push private capital expenditure to grow as fast as government capital expenditure, and consumption at the bottom of the pyramid to grow as fast as at the top.

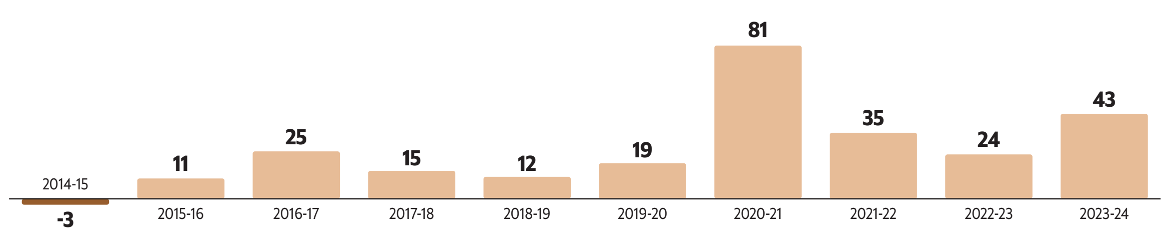
INTENT VS DELIVERY: WHAT THIS GOVERNMENT PROMISED AND WHAT IT DELIVERED

EXPENDITURE ON MGNREGS

INTENT

When it assumed power, the government saw a shrinking role for the Mahatma Gandhi National Rural Employment Guarantee Scheme, which assures employment of 100 days a year to rural households. But challenges in new jobs and agriculture, multiplied by covid-19, saw the MGNREGS envelope expand continuously.

Difference in actual spending compared to first estimates (in %)



For 2023-24, revised estimates have been used instead of actuals.

Source: Budget documents

DELIVERY

- Barring 2014-15, the government ended up spending more in MGNREGS than what it initially budgeted in all other years.
- 2023-24 was the first time during this period that the government cut its estimate from a year ago, though it is now expected to overspend by **43%.**

KEY STAT

₹1.11 TN

AMOUNT SPENT UNDER MGNREGS IN 2020-21, THE FIRST COVID YEAR, WHICH IS 81% MORE THAN THE BUDGETED ₹61,500 CRORE.

HOWINDIALIVES.COM

KOKILA B/MINT

Key agri schemes get little water

The budget did not raise the annual cash transfer benefit under the PM-Kisan scheme, keeping it at ₹6,000 per eligible farm family

Sayantan Bera & Puja Das
NEW DELHI

Despite a hit to farm incomes due to recurrent climate shocks and export curbs to check domestic food prices, the interim budget presented on Thursday slashed funding for some key schemes.

The flagship crop insurance scheme was allocated ₹14,600 crore for 2024-25 (budget estimates or BE), lower than the ₹15,000 crore spent in 2023-24 (revised estimates or RE). The marginal cut comes on the back of patchy rains last year and farmers suffering crop losses due to both excess and deficit rains in some pockets.

Funds for another key scheme PM-AASHA—which is used to purchase crops like pulses and oilseeds from farmers at minimum support prices—were slashed to ₹1,738 crore in 2024-25 (BE) from ₹2,200 crore in 2023-24 (RE). Surprisingly, the cut was despite the government launching a portal for procurement of pulses last month. Budget documents show that the actual spending for the price support scheme was over ₹4,000 crore in 2022-23.

Further, the budget did not raise the annual cash transfer benefit to farmers under the PM-Kisan scheme. It was widely expected that the government will increase the annual ₹6,000 transfered to every eligible farm family, ahead of the general elections due in a few months. The allocation for the scheme was kept unchanged at ₹60,000 crore.

Another flagship scheme, the national mission on natural farming – which aims to reduce use of chemical inputs in farming—was allocated a paltry ₹366 crore for 2024-25 (BE) compared to ₹459 crore in 2023-24 (BE). Revised estimates show that during the current financial year, the spending on the scheme was just ₹100 crore.

"Building on the initiative announced in 2022, a strategy will be formulated to achieve 'atmanirbharta' (self-sufficiency) for oilseeds such as mustard, groundnut, sesame, soybean, and sunflower," finance minister Nirmala Sitharaman said in her budget speech. She added that the scheme will focus on developing high-yielding varieties, adoption of modern farming techniques, and support for procurement and market linkages. India currently imports about 60% of it cooking oil needs.

Budget documents show that the oilseeds scheme will be a part of the Krishonnati Yojana which was allocated ₹7,447 crore for 2024-25 (BE), compared to ₹7,066 crore in 2023-24 (BE).

Overall, the ₹1.17 trillion budget for the department of agriculture and farmers' welfare was only marginally higher compared to the previous year. A sum of ₹9,941 crore was allocated for the department of agricultural research, marginally higher than the ₹9,877 crore allocated in 2023-24 (RE).

Distortionary subsidies are crowding out the budget for investments and innovation in agriculture, said Avinash Kishore, senior research fellow at the Delhi office of the International Food Policy Research Institute.

"We are spending more than ₹1.6 trillion every year on just fertilizer subsidies which does not have any incremental benefit on farm productivity. If India really wants to improve farmer incomes, it must spend more on creating on-farm infrastructure and provide funds for innovation and climate adaptation," Kishore added.

Among new schemes, the budget allocated ₹500 crore for Namo Drone Didi, which will target to provide 15,000 drones to women self-help groups. The drones operated by women can be rented by farmers to spray fertilizers and pesticides.

sayantan.bera@livemint.com

KEY HIGHLIGHTS

FLAGSHIP CROP insurance scheme was allocated ₹14,600 crore for 2024-25

PM-AASHA FUNDS were cut to ₹1,738 crore in FY25 from ₹2,200 crore in FY24

THE BUDGET did not raise annual cash transfer benefit to farmers under PM-Kisan

Govt seeks to reduce post-harvest losses

Puja Das & Sayantan Bera
NEW DELHI

The government has increased budgetary allocations aimed at improving livestock health, boosting milk productivity, and reducing post-harvest losses as part of its efforts to ensure food security.

The government intends to bolster agriculture and allied sectors, including food processing, through enhanced private and public investment in post-harvest activities such as aggregation, modern storage, efficient supply chains, and marketing, finance minister Nirmala Sitharaman said while presenting the interim budget for FY25 on Thursday.

The minister also said the government will formulate a comprehensive programme for supporting dairy farmers.

"Efforts are already on to control foot-and-mouth disease. India is the world's largest milk producer but with low productivity of milch animals," Sitharaman said. "The programme will be built on the success of existing schemes such as Rashtriya Gokul Mission, National Livestock Mission, and Infrastructure Development Funds for dairy processing and animal husbandry."

In its interim budget for FY25, the government has raised allocations for the ministry of fisheries, animal husbandry and dairying—with the fisheries department receiving ₹2,585 crore, and the animal husbandry and dairying department ₹4,521 crore. The ministry of food processing industries (MoFPI) has received an allocation of ₹3,290 crore.

However, the revised estimate (RE) for the fisheries department for FY24 was lowered to ₹1,701 crore from budgeted estimate (BE) of ₹2,248 crore. The RE for the animal husbandry and dairying department was lowered to ₹3,914 crore from the BE of ₹4,328 crore. For MoFPI, RE was reduced to ₹2,912 crore from BE of ₹3,288 crore.

Funding for the Pradhan Mantri Formalisation of Micro Food Processing Enterprises (PMFME) scheme stands at ₹880 crore for FY25, up from ₹639 crore in the previous fiscal year. However, the Pradhan Mantri Kisan Sampada Yojana (PMKSY) saw a budgetary reduction to ₹729 crore.

The production-linked incentive scheme for the food processing industry received an allocation of ₹1,444 crore for FY25, indicating a focus on encouraging innovation in this sector.

The PMFME scheme has provided significant support, assisting 240,000 self-help groups and 60,000 individuals with credit linkages, furthering efforts to reduce post-harvest losses and enhance productivity and incomes, Sitharaman said.

puja.das@livemint.com

SIRAJ HUSSAIN
FORMER AGRICULTURE SECRETARY

Respond to this column at
feedback@livemint.com

THE NET NEEDS TO BE CAST WIDER

More than anything else, the vote on account budget speech of finance minister Nirmala Sitharaman shows that the government is confident of winning the general elections due in April–May. In 2019, the government announced an ambitious scheme of direct income support in the form of PM Kisan. This year, a similar need was not felt. In other respects also, the budget was circumspect and reflects the resolve of the government to keep fiscal deficit in check. This could well be good news for checking food inflation.

The finance minister mentioned payments to 11.8 crore farmers through PM Kisan. Integration of 1,361 *mandis* under e-NAM was also highlighted and it was claimed that trading volume of ₹3 trillion has been reached. It, must, however be acknowledged that the true potential of e-NAM has not been achieved as there is no law governing inter-state trade of agricultural commodities. A mechanism to settle disputes across the states does not exist and most of the trading is conducted through telephonic orders by using commission agents and wholesale traders. In fact, there is no mechanism to even know the volume of secondary trade within and across the states. The Agmarknet portal captures only the data of produce sold by the farmers in APMCs.

The minister mentioned that the government will build consensus with the states and other stakeholders in formulating next generation reforms. This is a good learning from the farmers' agitation against the three laws hurriedly enacted during the covid-19 pandemic.

A lot more efforts will be needed to increase aquaculture productivity

One of the highlights of Sitharaman's speech was the vision for support of fisheries sector. She rightly took the credit for setting up a separate department of fisheries and doubling of inland and aquaculture fish production. However, a lot more effort will be needed to increase aquaculture productivity from 3 to 5 tonnes per hectare and doubling of exports to ₹1 trillion. Setting up of five integrated aquaparks will be a good step in that direction.

However, the target of increasing export from ₹639.69 billion during FY23 to ₹1 trillion is not ambitious enough, even though the allocation for 2024-25 for blue revolution is up from this year's ₹1,500 crore (RE) to ₹2,352 crore. The government will do well to recognize that fish is a source of high-quality protein and in malnourished areas of India, its consumption should be encouraged. Frequent closure of shops selling meat and fish in some states goes against this.

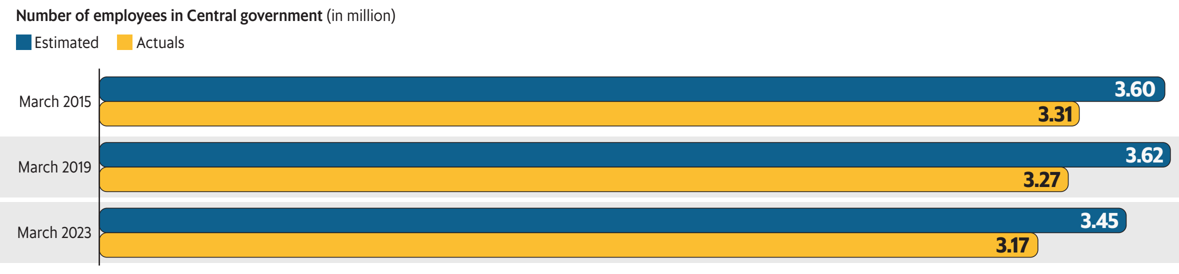
Another welcome announcement is the emphasis on self-sufficiency in oilseeds by promoting the cultivation of mustard, groundnut, sesame, soybean and sunflower. However, the tariff policy has not been reflecting this resolve. The market prices of mustard last year and soybean this year have often been lower than the MSP. This is due to low tariff on imported edible oils. The Solvent Extractors' Association has been demanding higher tariffs so that the MSP for farmers is protected, but the government's apprehensions about a spike in food inflation prevent it from raising import tariffs.

INTENT VS DELIVERY: WHAT THIS GOVERNMENT PROMISED AND WHAT IT DELIVERED

GOVERNMENT JOBS

INTENT

Perhaps, the biggest challenge for the economy is the creation of new jobs, especially at lower levels of skills and experience, and all efforts towards that end count. As of March 2023, the centre employed about 3.17 million people.
It also has a lot of vacancies, which it promised to fill on a "mission mode via rozgar melas (employment fairs)".



Source: Budget documents

DELIVERY

- Between March 2015 and March 2023, employee strength of the central government actually shrank by about **139,000**.
- For March 2025, the centre has projected an employee strength of **3.51 million**, against **3.45 million** in March 2023.

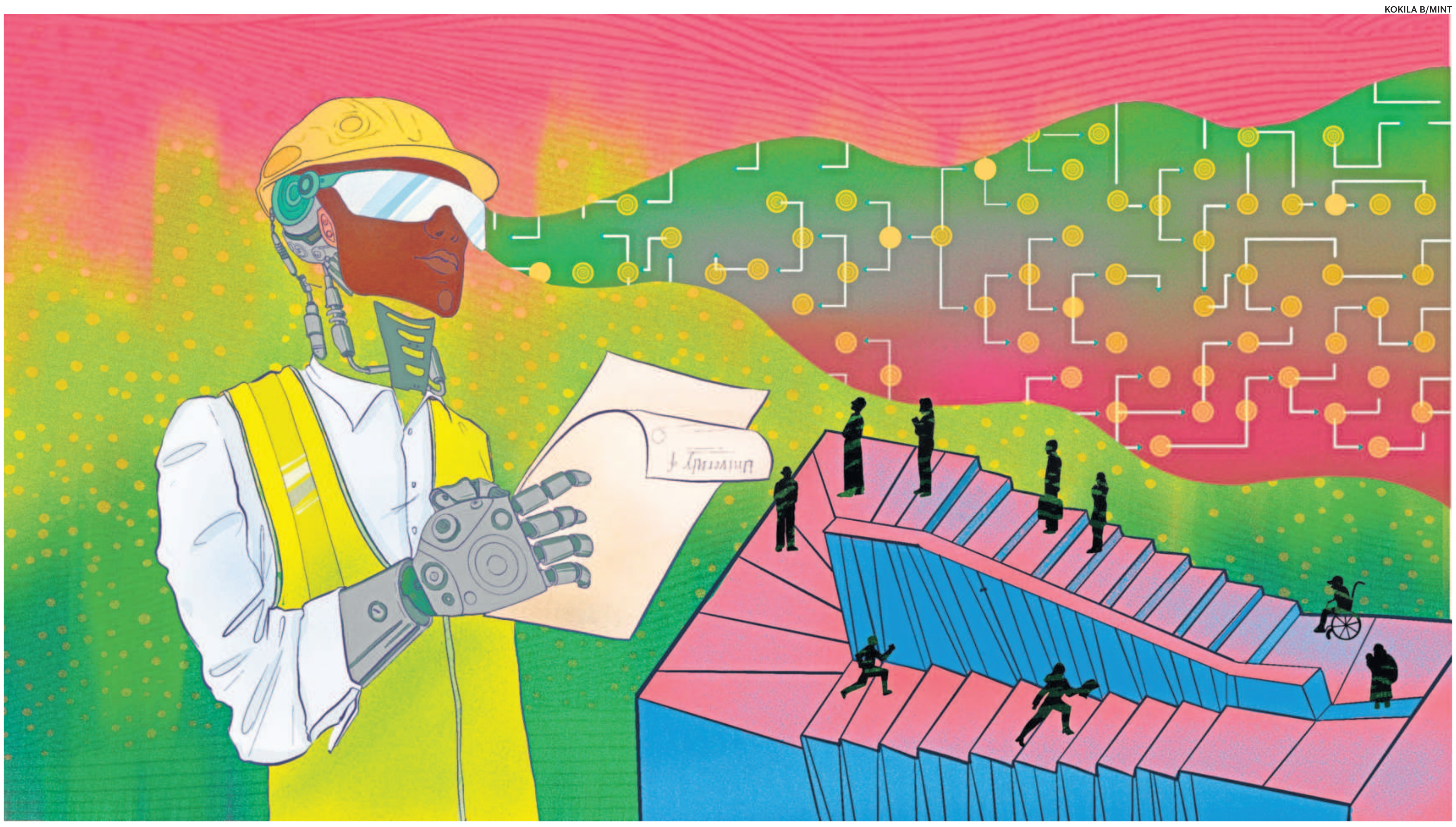
KEY STAT

964,359

NUMBER OF VACANT POSTS IN GOVERNMENT DEPARTMENTS AS ON 1 MARCH 2022, AS PER THE GOVERNMENT'S OWN FIGURES.

HOWINDIALIVES.COM

KOKILA B/MINT



Holiday budgets to create hot jobs

As more Indians travel and the states promote domestic tourism, employment opportunities are expected to boom

Devina Sengupta
devina.sengupta@livemint.com
MUMBAI

Multiple budget proposals related to tourism, infrastructure, ports, construction and technology are expected to create employment opportunities in these sectors. The budget's emphasis on upskilling is likely to help people get jobs in the formal sector of the economy.

"States will be encouraged to take up comprehensive development of iconic tourist centres, branding and marketing them at global scale... Tourism, including spiritual tourism, has tremendous opportunities for local entrepreneurship," finance minister Nirmala Sitharaman said in her interim budget speech. The government also aims to increase diversity in formal and informal sectors.

The proposals come at a time when the number of new formal jobs created in November fell to its monthly lowest during the ongoing financial year, indicating a downturn in the formal labour market. In November 2023, the number of new monthly subscribers under the Employees' Provident Fund (EPF), an indicator of job creation, stood at 736,015, down from 772,084 in October, according to the latest monthly payroll data released by the Employees' Provident Fund Organisation (EPFO).

According to recruiters, the need for upskilling candidates was a crucial element in the government's investments going ahead.

"About four out of five resumes get rejected because the candidates do not have the requisite skill set. The budget stresses on the upskilling work that will help employees enter the formal sector in industries like electric vehicle (EV) manufacturing , auto, telecom," noted Kartik Narayan, CEO, staffing, Teamlease Services.

Sitharaman highlighted that the Skill India Mission has trained 1.4 crore youth, upskilled and reskilled 54 lakh youth, and established 3,000 new industrial training institutes (ITIs). The minister emphasized that the Centre has set up 7 IITs, 16 IIITs, 7 IIMs, 15 AIIMS and 390 universities since 2014, when the BJP-led government was formed.

Since the pandemic, there has been a surge in domestic tourism, and the addition of air routes and port connectivity is expected to create more jobs.

"To address the emerging fervour for domestic tourism, projects for port connectivity, tourism infrastructure and amenities will be taken up on our islands, including Lakshadweep. This will help in generating employment also," the finance minister said. Recruiters estimate hospitality, logistics and construction firms to generate more jobs as a result.

"Despite it being an interim budget, there is a push in the logistics and infrastructure space. The boost in religious and business tourism will lead to more employment in the hospitality sector. The construction of two crore houses under PM Awas Yojana (Grameen) will help in the construction sector," said Lohit Bhatia, president of workforce management at business services provider Quess Corp.

The budget proposes an 11% increase in FY25 infrastructure capital expenditure at ₹11.11 trillion, which is estimated to generate formal and informal jobs. Investment in sunrise sectors and deep tech will help establish more chip-making prowess for which high-skilled talent would be needed, Bhatia added.

A corpus of ₹1 trillion will be established with a 50-year interest-free loan. The corpus will provide long-term financing or refinancing with long tenors and low or nil interest rates to the private sector for research and innovation in the technology sector.

KEY HIGHLIGHTS

THE BUDGET proposes an 11% rise in FY25 capital expenditure at ₹11.11 trillion

THE SKILL India Mission has trained 1.4 crore youth, upskilled, reskilled 54 lakh

ADDITION OF air routes, port connectivity expected to create more jobs

Healing touch: Plan for more medical colleges

Devina Sengupta
devina.sengupta@livemint.com
MUMBAI

The Centre's plans to open more medical colleges and strengthen the existing ones will boost the supply of trained healthcare professionals and improve the doctor-population ratio in the country.

The need for better medical infrastructure and more doctors after a devastating pandemic may have prompted the government's move.

"Several youth are ambitious to get qualified as doctors. They aim to serve our people... Our government plans to set up more medical colleges by utilizing the existing hospital infrastructure under various departments. A committee for this purpose will be set up to examine the issues and make relevant recommendations," finance minister Nirmala Sitharaman said in her FY25 interim budget speech.

Every year, lakhs of students sit for entrance examination for about one lakh medical undergraduate seats. Many who do not qualify for the government colleges try for the private ones, which are very expensive. The lack of enough doctors has led to rampant poaching in the healthcare sector.

"There is a big demand and supply issue and recruitment of doctors is a concern. There is high churn because of competition in the sector and many junior doctors head for higher studies. This is also a field where expats are not easily available," said Jitendra Haryan, chief executive officer at Jaslok Hospital and Research Centre in Mumbai.

Courses at private medical colleges are far more expensive than the government ones, and students often head abroad to get their degrees. The increase in the number of doctors is also expected to bring in more revenues from medical tourism.

"There is a dearth of at least a million doctors. The lack of medical faculty is another reason why medical seats often go vacant in some of the courses during the admission process," said Santosh Shetty, CEO at Kokilaben Dhirubhai Ambani Hospital.

By utilizing existing hospital infrastructure, the timeline for ready-to-employ doctors gets shortened. The increase in the number of doctors is also expected to bring in more revenues from medical tourism.

WHERE ARE THE 'GOOD JOBS'? WAGES AREN'T WORKING FOR WOMEN

SABINA DEWAN
FOUNDER, JUSTJOBS NETWORK

Respond to this column at
feedback@livemint.com

The budget that finance minister Nirmala Sitharaman presented in Parliament is just an interim one, but in an election year, even an interim budget is consequential as a signal of priorities. The NDA government's last budget before the general election offers an impressive, aspirational vision for a Viksit Bharat, or developed India, by 2047. Getting there, though, will need a more deliberate and direct focus on good job creation.

"...[O]ur young country has high aspirations, pride in its present, and hope and confidence for a bright future," said the finance minister. Yet, data reflect significant labour-market distress.

The latest round of the Reserve Bank of India's Consumer Confidence Survey (RBICC) suggests that a vast majority of those earning an average monthly income of less than ₹25,000 per month believe that the general economic situation in the economy has worsened compared to a year ago. This is exactly inverse to those earning ₹50,000 or more; in this category, a majority believe that the general economic situation has improved. Where the economy is working, only the better off perceive it as working for them.

The government's focus on youth and women is well placed. But in FY23, over 1 of every 2 youth, or 55.5% of 15–29-year-olds, did not participate in the labour market. Also, 32.9% of youth were not in education, employment, or training. The 1.4 crore youth trained under Skill India Mission constitute only 0.04% of 37.1 crore Indian youth. Against these realities, supply-side interventions, while important, are less effective if they do not link to good jobs.

Rise in female labour force may, on the face of it, seem like something to celebrate

The uptick in overall labour force participation is largely driven by an increase in rural female labour force participation. The rise in female labour force participation may, on the face of it, seem like something to celebrate, but it comes against a backdrop of heightened rural distress with a consistent decline in inflation-adjusted real wages over the last five years. Much of the increase in rural female labour force participation is driven by a rising share of women in agriculture, a sector associated with low-productivity, informal, poor-quality work and wages.

The increase of 28% in female enrolment in higher education over the last decade, and 43% enrolment of women in Science Technology Engineering and Mathematics (STEM) is commendable, but these numbers are slow in translating into job opportunities and labour market outcomes for most Indian women.

There has been a rise in non-agriculture informal employment, from 68.4% in 2018-19 to 74.3% in 2022-23. Arguably, a sign of not enough good jobs to absorb our large and growing population. The share of regular wage and salary workers with no social security increased from 51.9% to 53.9% over the same period.

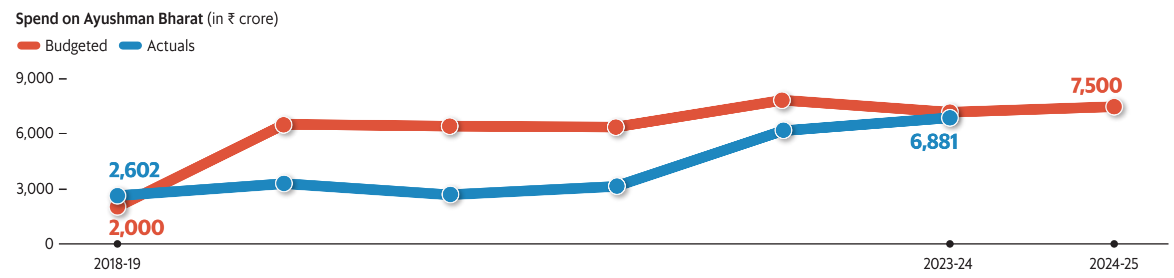
Countering these trends needs a robust policy response codified in a national employment strategy. Such a strategy should prioritize labour intensive sectors to create more labour market demand, drive consumption, and economic growth. There is a need for regulatory frameworks to incentivize more and better opportunities and outcomes for women and youth. Strategies must be localised to leverage the needs and assets of local communities. The provision of universal social security, moving from fragmented schemes to an integrated system, will not only create resilient workers, but it will support own-account workers and micro businesses. A national employment strategy can tease out all these tenets of an ecosystem conducive to the growth of good jobs.

INTENT VS DELIVERY: WHAT THIS GOVERNMENT PROMISED AND WHAT IT DELIVERED

HEALTH INSURANCE

INTENT

Large out-of-pocket medical expenditure can tip the vulnerable back into poverty. Launched in September 2018, Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (PMJAY) provides annual health cover of ₹5 lakh per family for secondary and tertiary care hospitalization to the poor and the vulnerable.



For 2023-24, revised estimates have been used instead of actuals.

Source: Budget documents

DELIVERY

- Half of India's estimated population of **1.4 billion** is eligible to enrol under this scheme. By comparison, around **300 million** beneficiary cards have been issued.
- Actual expenditure for the first three full financial years was less than half the budgeted amount. It picked up after that.

KEY STAT

62 MN

CUMULATIVE HOSPITAL ADMISSIONS UNDER THE SCHEME SINCE LAUNCH.

GRAPHICS BY SATISH KUMAR/MINT

HOWINDIALIVES.COM

KOKILA B/MINT

Prevention and cure: focus on women

Proposals to promote vaccination of girls aged 9-14 for prevention of cervical cancer, tackle malnutrition among women

Somrita Ghosh
somrita.ghosh@partner.livemint.com
NEW DELHI

Finance minister Nirmala Sitharaman made only a slight increase in fund allocations for the ministries of health and family welfare, as well as women and child development in her interim budget for FY25.

But a key highlight of her budget speech in parliament was the government's fresh focus on the health of young girls. Sitharaman said that the government will actively promote vaccination of girls aged 9-14 for prevention of cervical cancer. "Our government will encourage vaccination for girls in the age group of 9-14 years for prevention of cervical cancer," she said.

In India, the Serum Institute India (SII) has come up with the country's first indigenous HPV (human papillomavirus) vaccine, Cervavac, for protection against cervical cancer. Inclusion of this vaccine in the country's immunization programme will potentially lower the cost of the drug.

"I applaud the Indian government's announcement to vaccinate girls aged 9-14 against cervical cancer. Let's pledge to prevent HPV and ensure easy access to vaccination," Adar Poonawalla, CEO of the Pune-based SII, wrote on social media platform X.

The government also announced extension of the flagship Ayushman Bharat health insurance scheme to all ASHA and Anganwadi workers and helpers, besides upgrading and strengthening the POSHAN scheme under which children at government schools are given nutritious meals.

Sitharaman allocated ₹90,658 crore to the health ministry for FY25, an increase of just 1.68% from last year. The ministry for women and child development (WCD) has been allotted ₹26,092 crore, 2.53% higher from FY24. *Mint* had earlier reported on 22 January that the WCD ministry would be allotted ₹26,212 crore this time.

The ASHA and Anganwadi workers found a major space in the interim budget. The Centre announced upgrading Anganwadi centres under the Saksham Anganwadi Scheme and expediting of Poshan 2.0 for improvement of nutrition delivery, early childhood care and development. The budget provided ₹21,200 crore for WCD's integrated Saksham Anganwadi and Poshan 2.0 scheme. The scheme is targeted at tackling malnutrition challenges among children, adolescent girls, pregnant women and lactating mothers.

Launched in 2018, the Ayushman Bharat Pradhan Mantri Jan Arogya Yojna (AB-PMJAY) is a flagship programme of the BJP-led government. The scheme has been allotted ₹7,500 crore, around 4% higher from last year.

Mint had earlier reported that schemes benefitting ASHA and anganwadi workers will be a priority. Anganwadi services come under the umbrella Integrated Child Development Services (ICDS) programme of Mission Poshan category. The WCD ministry has divided their ongoing schemes in three major categories namely Mission Shakti, Mission Vatsalya and Mission Poshan.

"We are pleased that our needs are being given priority and that the efforts of ASHA and anganwadi workers are valued. Although we are grateful that the Centre is considering expanding Ayushman Bharat for us, there is still much to learn about how the program will be implemented and how it will help us. The majority of anganwadi and ASHA workers are unaware of how to sign up for the Ayushman Bharat scheme," said Kavita, an ASHA worker from Delhi.

The Centre also announced that the newly-defined U-Win platform for managing immunization and intensified efforts for Mission Indradhanush will be rolled out expeditiously throughout the country.

KEY HIGHLIGHTS

FM ALLOCATED ₹90,658 cr to the health ministry for FY25, a rise of 1.68% on year

THE MINISTRY for women and child development has been allotted ₹26,092 crore

ANGANWADI CENTRES under Saksham Anganwadi Scheme to get an upgrade

More women in colleges, but not many in jobs

Devina Sengupta
devina.sengupta@livemint.com
MUMBAI

The country has seen a remarkable rise in women joining colleges, and many of them are studying science and technology courses, but that has failed to significantly improve the diversity quotient at corporate India.

Companies are taking conscious steps to increase the number of women employees right at recruitment stage, but the exits in junior-to-middle levels remain high.

"Female enrolment in higher education has gone up by 28% in ten years. In STEM courses, girls and women constitute 43% of enrolment - one of the highest in the world. All these measures are getting reflected in the increasing participation of women in the workforce," said finance minister Nirmala Sitharaman in her interim budget speech on Thursday. STEM stands for science, technology, engineering and mathematics.

Yet, the high number of women graduates will take a while before they boost gender diversity in India Inc.

During and after the pandemic, a large number of women dropped out of employment in both formal and informal sectors due to lack of adequate support and flexibility. The need to head back to work has also led many to opt for gig work. Companies are reworking their policies, such as extended maternity leave, and women leadership programs to boost the participation of women in the workforce.

"The workforce today sees higher participation from educated and qualified women, driven by expectations of respect, dignity, and equality in the workplace. However, workplace policies, culture, and experiences often lag behind these expectations, compounded by stagnant personal and familial dynamics (including the absence of paternity leaves), leading many women to exit traditional employment," said Pallavi Pareek, chief executive officer (CEO) and diversity, equity and inclusivity adviser at consultancy firm Ungender.

A study of the 2,000-plus companies listed on National Stock Exchange, called the Gender Gap, done by an NGO Udaiti Foundation, noted that the number of permanent women employees in the formal sector has increased by 3 percentage points from FY21 to FY23, showing signs of slight rebound in women representation post-Covid.

The study reveals that the number of women in permanent workforce in services, healthcare, and realty has increased while that in IT, FMCG, and financial services remains flat.

REKHA SHARMA
CHAIRPERSON, NATIONAL COMMISSION FOR WOMEN

Respond to this column at
feedback@livemint.com

WHY LAKHPATI DIDI IS A GAME-CHANGER

Finance minister Nirmala Sitharaman has unveiled a progressive vision for the nation's women through the interim budget for FY25. The commitment to increase the target of women beneficiaries under the Lakhpati Didi scheme from two crore to three crore is a significant stride towards financial inclusion and empowerment.

Financial independence is the most important step to make women empowered. The expansion of the Lakhpati Didi scheme is a very important step for women. Empowering 83 lakh self-help groups (SHGs) with nine crore women is transforming rural landscapes, creating a million lakhpati didis. This is a commendable step towards fostering financial independence.

Sitharaman recognizes the transformative role of women in rural areas. The SHGs have not only empowered women economically but also played a pivotal role in reshaping the socioeconomic fabric of rural India. This is a testament to the government's commitment to inclusive growth.

The finance minister's acknowledgment of women's advancements in education and STEM courses is met with appreciation. The surge in female enrolment in higher education by 28% and the impressive 43% representation in STEM courses reflect a positive trajectory. It showcases the resilience and potential of our women in diverse fields, contributing significantly to the workforce and the nation's development.

Sitharaman highlighted the government's initiatives such as making triple talaq illegal, the reservation of 1/3 seats for women in Parliament and state assemblies, and allocating over 70% houses under the PM Awas Yojana to women. These legislative and policy measures are crucial steps towards ensuring gender equality and enhancing the dignity of women.

The emphasis on cervical cancer vaccinations for girls aged 9-14 is a welcome move, as prioritizing preventive healthcare for young girls is a progressive step.

In the preceding fiscal year, Sitharaman had underscored the imperative of fostering economic empowerment for women in her budgetary address, charting a visionary course towards the evolution of SHGs into sustainable, income-generating producer organizations.

The 2023 budget had demonstrated a forward-thinking strategy by providing support for SHGs, encompassing the supply of raw materials and enhancements in design, quality, branding, and marketing, akin to the growth trajectory witnessed by successful startups evolving into unicorns.

As the chairperson of the National Commission for Women (NCW), I am very happy to see government's strategic initiatives and steadfast commitment to women's economic empowerment. With the burgeoning participation of women in the workforce, the expectations were high for the interim budget to proactively address pivotal concerns faced by women.

Rekha Sharma is the chairperson of National Commission for Women

> Sitharaman recognizes the transformative role of women in the rural areas

'Sovereign green bonds likely in next fiscal year'

Rhik Kundu
rhik.kundu@livemint.com
NEW DELHI

The Centre is expected to issue sovereign green bonds in the second half of the next fiscal year, Ajay Seth, secretary, department of economic affairs, said on Thursday.

Although the interim budget, presented by finance minister Nirmala Sitharaman, did not specifically mention green bonds, their issuance is expected in the third or fourth quarter of 2024-25, Seth said on the sidelines of a post-budget press conference.

Mint had on 12 January reported that the government is likely to issue sovereign green bonds worth at least ₹20,000 crore as part of the borrowing programme for 2024-25, with a large chunk of the bonds likely to be sold in the second half of next fiscal.

Green bonds address the funding requirements for projects in solar, wind and hydropower sectors. With several financially viable projects in the public sector in the pipeline, policymakers feel that funds raised through this route will be easily utilized.

The budget for 2023-24 also did not mention sovereign green bonds. But, the Centre later included a phased ₹20,000 crore green bond plan for the second half of the borrowing calendar. Of this, bonds of ₹5,000 crore with a tenure of five years were sold in November 2023, and ₹10,000 crore worth of bonds with a tenure of 30 years in two tranches of ₹5,000 crore each are expected across January and February 2024; bonds worth another ₹5,000 crore are expected by March.

Centre targets 30% higher revenue from telcos in FY25

Revenue projection for FY25 points at consistent AGR collections, spectrum auctions

Shouvik Das
shouvik.das@livemint.com
NEW DELHI

The next spectrum auction will be a limited one, since a large quantity of requisite spectrum was already auctioned last year, the telecom minister said. MINT

The Centre aims to collect a revenue of ₹1.2 trillion from the telecom sector in FY25, it said in the interim budget on Thursday. This is about 30% higher than its revised revenue target of ₹93,541 crore from the sector for FY24. The markup in question is likely to be fuelled by an upcoming spectrum auction, as well as increased adjusted gross revenue (AGR) payouts from telcos in FY25.

The current fiscal marked a steep rise in revenue from the sector, which includes revenue from AGR dues, spectrum licensing, etc. Against a revenue of ₹64,835 crore in FY23, the government's projected inflow for FY24 is 44% higher year-on-year (y-o-y).

"The telecom sector today is robust, and its growth and expansion of networks is visible to all of us. The usage of data has increased, and even though India has the most affordable telecom sector globally, the overall revenue that the government will earn from them, which is a fraction of what the telcos earn, will increase," union electronics and IT minister Ashwini Vaishnaw said at a post-Budget press conference on Thursday.

A part of this rise from the telecom sector will also be contributed by spectrum auction, which Vaishnaw said is being planned for later this year.

"The next spectrum auction will be a limited one, since a large quantity of requisite spectrum was already auctioned last year. However, every financial year, we're trying to hold an auction. We're working on a proposal where any part that was left out in a previous auction is fulfilled," Vaishnaw said. The revenue projection comes at a time when telecom operators had called for relief from Universal Service Obligation Fund (USOF) dues, and a reduction in licence fees. Other demands included a longer moratorium on the period for offsetting business losses, and reducing custom duty on imports of telecom equipment.

44%
Higher y-o-y inflow projected for FY24

However, the Centre's revenue projection points at industry fees not being done away with.

Industry observers said that the expected revenue is higher than anticipated. Prashant Singhal, TMT (tech, media, telecom) markets leader at EY Global, said satcom spectrum allocation is unlikely to offer a massive boost to the Centre's telecom revenue. "This is an indication of an upcoming spectrum auction for 5G, in line with what the telecom minister has previously indicated," he said. A senior industry consultant, who requested anonymity, said it is not clear if the government's revenue projection may include any transaction of its stake with telecom operator Vodafone-Idea. The centre presently holds 33.1% of the operator. Even with the spectrum auction at hand, analysts still hold the government's revenue estimate to be high.

Ankit Jain, vice-president and sector head, corporate ratings, Icra Ltd, said, "The government's expected revenue inflow for FY24 itself was higher than our expectations—telecom payments collated together, not counting advance payments by telcos, amount to around ₹55,000 crore. Some of the FY24 revenue is likely to be accounted for by the spectrum auction that took place last fiscal, but even then, a 30% jump in the upcoming financial year could be somewhat explained by a fresh spectrum auction that the government may hold."

Both Singhal and Jain concurred that factors such as enterprise 5G or satcom will not be major contributors. "Satcom services will be done through administrative allocation, so the revenue inflow from that will not be massive. Demand for enterprise 5G and IoT services for telcos, which could generate higher inflow for the Centre, is also tepid—this does not explain the additional ₹27,000 crore that the government expects to earn this year (FY25)," Jain said.

₹10,000 cr
Prepayments expected from telcos in FY25

A significant increase in revenue from telecom could come in FY26, since a moratorium on a round of spectrum acquisition payments for telecom operators is scheduled to end in September 2025. Prepayments from telecom operators could add up to ₹10,000 crore in FY25 fiscal, but a lot of it will get reduced due to certain pre-payments that have already been made in FY24. The sector, meanwhile, continues to push for reduction of duties. S.P. Kochhar, director-general of Cellular Operators Association of India, which counts all the three telcos as its members, said that in the full budget after the general elections, the industry hopes for "reduction of regulatory levies like licence fee, deferring USOF contribution till the existing funds are exhausted, exemption of basic customs duty (BCD) on telecom equipment, waiving of GST on regulatory payments, and refund of ITC (input tax credit), among others".

Cabinet extends subsidy schemes for apparel, sugar

Rituraj Baruah & Puja Das
rituraj.baruah@livemint.com
NEW DELHI

AAY families get sugar subsidy of ₹18.50 per kg per month. MINT

The union cabinet on Thursday approved the extension of three schemes towards incentivising exports of apparel, providing sugar subsidy, and energizing investments in animal husbandry activities. It also approved the signing and ratification of a bilateral investment treaty with the UAE.

The scheme for a rebate of state and central taxes and levies (RoSCTL) for the export of apparel, and a sugar subsidy scheme for Antyodya Anna Yojna (AAY) families were extended for two years up to 31 March 2026. The animal husbandry infrastructure development fund (AHIDF) has been extended for another three years, also till 31 March 2026.

An official statement said the extension of the RoSCTL scheme will provide a stable policy regime to help in long-term trade planning, more so in textiles where orders can be placed in advance for long-term delivery.

The scheme for a RoSCTL for the export of apparel, sugar subsidy scheme for AAY families extended for 2 years

RoSCTL compensates exporters by way of rebates for state and central taxes and levies in addition to the duty drawback scheme on the export of garments and made-ups. The levies include value-added tax on fuel used in transportation, captive power, farm sector, mandi tax, duty of electricity, stamp duty on export documents, embedded SGST paid on pesticides, fertilizers, among others used in production of raw cotton, purchases from unregistered dealers, and coal used in production of electricity and inputs for transport sector.

The central taxes covered are central excise duty on fuel used in transportation, and embedded CGST paid on inputs such as pesticides and fertilizer, among others.

Under the sugar subsidy scheme, the Centre gives subsidy of ₹18.50 per kg per month of sugar to AAY families of participating states. The approval is expected to extend benefits of more than ₹1,850 crore during the period of the 15th Finance Commission (2020-21 to 2025-26). The AHIDF, with an outlay of ₹29,610 crore, will incentivise investments in dairy processing and product diversification, meat processing and product diversification, animal feed plants, breed multiplication farms, animal waste-to-wealth management (agri-waste management), and veterinary vaccine and drug production facilities.

NEWS

Temasek Holdings exits PB Fintech for ₹2,425 cr

The transaction was executed through a block sale on the exchanges

Priyamvada C.
priyamvada.c@livemint.com
BENGALURU

Yashish Dahiya, co-founder and chief executive of PB Fintech. Temasek divested 24 million shares of PB Fintech at ₹992.8 per piece. MINT

Singapore-based global investment firm Temasek Holdings Pte Ltd on Thursday sold its entire stake in PB Fintech, which operates PolicyBazaar and PaisaBazaar, in a transaction valued at ₹2,425.4 crore.

The transaction was executed through a block sale, a person familiar with the matter said.

Temasek, through its entity Claymore Investments (Mauritius), divested 24 million shares of PB Fintech at ₹992.8 per piece, according to BSE block deals data.

While PB Fintech did not immediately respond to *Mint's* request for comment, Temasek's spokesperson said the company does not comment on market speculation and rumours.

Other investors have also booked profits after they sold their stake in the company. Most recently, Japanese investor SoftBank also fully exited its investment in PolicyBazaar's parent company last month for a total consideration of $650 million on its investment, *Business Standard* reported citing people familiar with the matter.

It was in 2015 that Info Edge (India) Ltd, an online classifieds firm that was one of the earliest investors in the fintech company, had sold a portion of its shareholding to Temasek for a total consideration of about ₹134.10 crore for a 49.99% stake, according to earlier *Mint* reports.

The latest development of Temasek's stake sale comes a day after PB Fintech clocked its first-ever profitable quarter for the three-month period ending 31 December 2023.

The company, which saw its share price cross the initial public offering (IPO) price of ₹980 a share on Wednesday, reported a profit after tax of ₹37.2 crore in the October-December quarter as against a loss of ₹87 crore in the same period a year earlier.

PB Fintech, while delivering strong premium growth amid lower commissions, is expected to grow on the back of its online sales, which grew more than 39% year-on-year in the third quarter of the current fiscal (2023-24). Its revenues also jumped 43% to ₹871 crore in the same period compared to last year.

While the company expects its new initiatives division to benefit its bottom line, its core business is likely to drive its growth sustainably, Yashish Dahiya, co-founder and chief executive of PB Fintech had told *Mint* in an interview earlier this week. New initiatives, which added 33% to its revenues, is a significant part of revenue and growth, he added.

The Reserve Bank of India (RBI) had recently raised risk weights for unsecured loans, but Dahiya said in the interview that it would not hit his business.

"The RBI put out a guidance asking lenders to be more careful on unsecured credit, especially the low ticket unsecured credit below ₹50,000. That is only 5% of our business anyway. And credit itself is 15% of the total revenues, so you can appreciate it's like 0.6% revenue, right, so it doesn't bother us too much," Dahiya said.

The company's shares closed 0.6% lower at ₹996.9 on BSE on Thursday.

PB Fintech is a leading online platform for insurance and lending products, offering access to insurance, credit and other financial products. In 2021, the company went public and raised ₹5,710-crore, which included selling of shares by existing shareholders.

SURPRISE MOVE

SOFTBANK also fully exited its investment in the firm last month for $650 million

THE Temasek move comes a day after PB Fintech clocked its first-ever profitable quarter

THE company reported a profit after tax of ₹37.2 crore in the December quarter

Centre to set up panel to study population growth challenges

Shashank Mattoo & Vaageesh Thirumalai
shashank.mattoo@livemint.com
NEW DELHI

The government will establish a committee to understand challenges created by fast population growth, Union finance minister Nirmala Sitharaman said during her interim budget speech on Thursday.

"The government will form a high-powered committee for an extensive consideration of the challenges arising from fast population growth and demographic changes," she said.

The committee will be tasked with providing recommendations to overcome these challenges. However, the government did not provide further details, including the timeline of the committee's work, during a press conference held after the presentation of the interim budget.

"This committee will have the mandate to have an extensive consideration of those challenges and come out with a specific set of recommendations," economic affairs secretary Ajay Seth said at the press briefing. Seth did not specifically comment on a question about whether the committee's mandate would resemble a population control bill.

According to the UN's estimate, India surpassed China to become the world's most populous country in April 2023. China's population peaked in 2022, but it has fallen subsequently and is expected to fall below 1 billion by the turn of the century. Meanwhile, India's population will continue to grow over the coming decades, with individuals under 35 forming a large part of its population.

shashank.mattoo@livemint.com

Bharat Mobility Expo opens as EVs, PVs clock high growth

Alisha Sachdev
alisha.sachdev@livemint.com
NEW DELHI

PV wholesales in January grew 13.9% y-o-y to 394,571 units. MINT

Indian automobile manufacturers, suppliers and participants from allied sectors, including batteries, charging, steel and tyres, came together for the first edition of the Bharat Mobility Global Expo 2024 on Thursday. Prime Minister Narendra Modi is slated to speak at the event today, when the event also opens to the public.

However, the participants expressed scepticism over the need to hold the show every year instead of biennially, as has been the practice with the Auto Expo, considering supplier ecosystems usually take longer to develop new technologies. Many hoped the show, with its friendlier cost structures compared to the Auto Expo (which is launch-event-oriented and costs original equipment manufacturers (OEMs) renting larger spaces more money) will give longer notice to industry in its next edition to enable better planning.

Auto OEMs Maruti Suzuki, Hyundai Motor India, Tata Motors and Mahindra & Mahindra put up pavilions at the Expo, but none had any new products to show, save Mercedes Benz, which unveiled its EQG concept. As a result, retail interest for the end-consumer in the show was limited. Electric vehicle (EV) maker VinFast, which was supposed to be a major draw, opted out. The first edition came together in just two months.

However, the show witnessed many B2B interactions as suppliers and customers could interact under one roof, given typically the auto and auto components expos are held separately.

The show opened in the backdrop of sales of high-speed electric two wheelers rising 26% in January compared to January 2023 to 81,344 units, according to vehicle registration data from the VAHAN dashboard. The penetration of electric two-wheelers for January 2024 stood at 5.6% vs 5.2% in December 2023.

Passenger vehicle wholesales in January grew 13.9% year-on-year (y-o-y) to 394,571 units. Market leader Maruti Suzuki's domestic sales in January grew 13.2% y-o-y, according to Shashank Srivastava, senior executive director, Maruti Suzuki. For the April-January period, passenger vehicles grew 8.3% y-o-y to 3.48 million units.

Factory PMI at 4-month high of 56.5 in January

Rhik Kundu
rhik.kundu@livemint.com
NEW DELHI

India's manufacturing activity recovered to hit a four-month-high in January, driven by a sharp uptick in orders amid mild input cost inflation, a private survey said on Thursday.

According to the HSBC India Manufacturing Purchasing Managers' Index (PMI), compiled by S&P Global, factory output recovered from an 18-month low of 54.9 in December to 56.5 in January.

The measure stood at 56 in November and 55.5 in October. A reading of 50 separates expansion from contraction.

Notably, the final reading for January is lower than the estimates of 56.9, as forecast by HSBC in its flash PMI last month.

The survey said new orders placed with Indian goods producers rose at the highest pace in four months, boosted by marketing efforts and demand buoyancy, though input costs also rose during the month.

"Underlying data showed that the upturn in total sales was supported by a further increase in new export orders. Goods producers reported stronger demand from clients spread across Africa, Asia, Australia, Europe, the Middle East and the Americas," it said.

"Meanwhile, input costs rose at the quickest rate in three months, albeit one that was moderate and among the weakest seen in three-and-a-half years," it added.

The Centre expects India's 2023-24 growth at 7.3%, exceeding the central bank's projection of 7%, and remaining the fastest-growing major economy in the world, aided by a rise in manufacturing.

RIL may pay $2.3 bn for 60% stake in Disney India assets

Big markdown for Disney assets' valuation; business may be later merged with Viacom18

Gaurav Laghate
gaurav.laghate@livemint.com
MUMBAI

Mukesh Ambani-led Reliance Industries Ltd (RIL) has agreed to buy 60% in Disney Star's linear TV and digital businesses in India for $2.28-2.4 billion in a transaction valuing them at $3.8-4 billion, two people aware of the development said.

In the first stage, The Walt Disney Co., Disney Star's parent and the world's largest media company, will transfer the Indian TV and digital assets to a new company, the people cited above said on condition of anonymity. RIL will buy 60% stake in this entity.

The transaction will not include Disney Star's 30% stake in direct-to-home (DTH) company Tata Play, consumer products business, and visual effects studio Industrial Light & Magic (ILM), the first of the two people said.

"The talks are at an advanced level for a multi-layered deal," said the person, requesting anonymity. "First, Disney India will transfer Disney Star channels and Disney+Hotstar to a new company, in which Reliance will buy 60% for up to $2.4 billion. Rival Viacom18, in which Reliance owns a majority stake, is not a part of this deal." Reliance, the majority owner of Viacom18, may buy out the minority partner US media company Paramount Inc., with the intention of merging it with the new Disney Star entity, the person added.

"Eventually, the plan is that the two entities (Viacom18 and the new Disney entity) will be merged. While Paramount has indicated that they don't want to invest anymore, there is a possibility that it may exit the joint venture and continue to offer its content as part of a licencing deal," he said. Disney Star declined to comment, while an RIL spokesperson said the company does not comment on speculation. Bodhi Tree, a joint venture between former Disney Asia Pacific President and India chairman Uday Shankar, and James Murdoch's Lupa Systems, may eventually buy 7-9% of the merged entity, but RIL will continue to have a majority share in the media and entertainment business, both persons said. Disney Star is among India's largest broadcasters with over 70 linear channels across nine languages in SD and HD formats covering general entertainment, movies and sports genres. In the last financial year, it posted a standalone revenue of ₹17,332.78 crore, with a net profit of ₹2,000 crore.

Meanwhile, Novi Digital, which owns Disney+Hotstar, clocked a revenue of ₹4,413.41 crore, and a net loss of ₹748.34 crore. At its peak, Disney+Hotstar had 61.3 million paid subscribers, which dropped to 37.6 million in the last quarter after the streamer lost the rights to the Indian Premier League and did not renew its deal for HBO Originals. The valuation of the India business is a major markdown from its peak, when Disney acquired it from Rupert Murdoch's 21st Century Fox as part of a global deal. Disney paid $71.3 billion for the entertainment assets of Fox in 2018, valuing Star India at over $15 billion.

"Disney Star has since lost its top leaders, and the business, while grown, has also made a few decisions, which will result in the company reporting a net loss for the first time this financial year," said a media analyst on condition of anonymity. "While its entertainment business remains profitable, streaming will continue to be loss-making for some time. Which is fine. But the sports business is going to be extremely loss-making, and may trigger a capital call for the first time for operational reasons."

Lata Jha contributed to the story.

In the first stage, The Walt Disney Co. will transfer the Indian TV and digital assets to a new company. REUTERS

SCREEN SHARING

THE transaction will not include Disney Star's 30% stake in Tata Play, consumer products biz, & ILM

DISNEY Star is among India's largest broadcasters with over 70 linear channels

IN the last fiscal, it posted a standalone revenue of ₹17,332.78 cr, with a net profit of ₹2,000 cr

DISNEY+Hotstar had 61.3 mn paid subscribers, which dropped to 37.6 mn in the last quarter

Byju's investors seek to eject CEO Raveendran, rejig board

Ranjani Raghavan &
Sneha Shah
ranjani.raghavan@livemint.com
MUMBAI

Large shareholders of Byju's have demanded a shareholders' meeting to oust its top leadership including founder and chief executive Byju Raveendran and recast its board, days after the edtech startup tapped its existing investors for emergency capital at a throwaway valuation.

The $200 million rights issue by Think and Learn Pvt. Ltd (T&L), parent of Byju's, threatens to wipe out shareholders who decline to participate. General Atlantic, Prosus Ventures, Peak XV and Chan Zuckerberg Initiative, among others, signed a notice demanding the change, the people cited above said. The extraordinary general meeting (EGM) to "address persistent issues" includes a call for the reconstitution of the beleaguered company's board, "so that it is no longer controlled by the founders of T&L".

"The request for an EGM is supported by a consortium of T&L shareholders and followed earlier notices of requisition sent to the T&L board of directors in July and December 2023, which were disregarded," a spokesperson for the consortium said in a statement.

The consortium said it is deeply concerned about the "future stability of the company under its current leadership and with the current constitution of the board."

Resolutions for the EGM include "a request for the resolution of the outstanding governance, financial mismanagement and compliance issues; a reconstitution of the board of directors so that it is no longer controlled by the founders of T&L; and a change in leadership of the company," the statement said.

Mint was the first to report on 6 July that Byju's investors were pressing for a leadership change.

A Byju's spokesperson did not respond to a request for comment.

"In Indian corporate history, this process has been followed in the past as a very effective measure of shareholder activism. Assuming that the shareholders do have the relevant majority, this process can actually be effective in taking steps against the existing management of the company," said Yashojit Mitra, a partner at Economic Laws Practice, a homegrown law firm.


Last week, Byju's launched a rights issue at a post-money valuation of $225-250 million. MINT


Thursday, July 6, 2023
mint
livemint.com
Byju's shareholders clamour for clarity on funds at EGM
Anirudh Laskar & Sneha Shah
MUMBAI
WE BROKE THE NEWS
mint DATED 6 JULY 2023

More than 30% of the shareholders have signed the notice and over 50% of the investors support the move, a person aware of the matter said.

Byju's reached its peak valuation of about $22 billion and turned India's biggest startup in late 2021, but has seen a sharp downturn since then. It is facing a capital crunch amid mounting debt and other liabilities.

The investors said the EGM notice followed months of attempts to engage with the company's management to resolve issues related to corporate governance, mismanagement, and compliance.

Last week, Byju's launched a rights issue at a post-money valuation of $225-250 million. As the rights issue is being raised at a pre-money valuation of $25 million, this means investors who came in at high valuations could get wiped out from the cap table, if they decline to participate. Investors have not formally indicated if they will participate in the current format. Should the proposal for EGM succeed, investors can expect the meeting on 23 February, a second person said. It will be just a week ahead of the end of the rights issue, which the company announced last week and will stay valid for 30 days.

Paytm sees bank normalcy back by March

Samiksha Goel &
Priyamvada C
samiksha.goel@livemint.com
BANGALORE

Vijay Shekhar Sharma, founder and chief executive officer (CEO) of Paytm, on Thursday termed the Reserve Bank of India (RBI) directive barring Paytm Payments Bank Ltd (PPBL) from accepting customer deposits a 'speed bump', even as company executives said they hope to reach normalcy by March.

"On behalf of Paytm, this is more of a speed bump, but we believe in partnership with the banks and we will be able to see the same in the next few days," Sharma told analysts and investors on Thursday.

Shares of Paytm (One 97 Communications) hit the 20% lower circuit on Thursday, a day after the central bank barred Paytm Payments Bank from accepting customer deposits, or top-ups to Paytm wallets, FASTags and mobility cards after 29 February. Paytm said the company will transfer all PPBL accounts to other banks. Sharma said RBI had not sent details to the company separately. However, responding to a question on whether the comments by the RBI were because of the linkages between PPBL and One97 Communications, or its inability to comply with recommendations made by the regulator, Sharma said it was "a mix of both".

"That the very nature that payments business is significantly carried by the parent meant the bank did have some dependency on Paytm for some of its payments offerings like wallets. We have been able to deliver a lot of comfort, but it seems like they were not completely comfortable."

"The keyword here is that this is a discussion between Paytm Payments Bank and the central bank," Sharma added.

Paytm's chief operating officer (COO) and president Bhavesh Gupta said the business will be back to normalcy by early March.

"There will be some operational changes in the journey, which will take us may be a week or two, before we can kickstart the new business back again and the existing business is just about making sure that the people who have set up their mandates through PPBL account are able to switch to another bank account," Gupta said.

"The disruption will be there for a couple of weeks and to that extent, we will have an Ebitda impact on our lending business. But we are very hopeful that by early March, we should be back to full normalcy if not earlier," he added. Gupta also noted that equity broking and insurance remains unaffected because they do this business independently of any relationship with PPBL.


Paytm founder and CEO Vijay Shekhar Sharma. MINT

Shares of Paytm (One 97 Communications) hit the 20% lower circuit on Thursday, a day after RBI directive

MINT SHORTS

IHCL opened six new hotels in the December quarter: CEO Chhatwal


MINT

Indian Hotels Company Ltd (IHCL), which operates flagship hotels under the Taj brand as well as SeleQtions, Vivanta and Ginger Hotels, has opened six new hotels in the October-December quarter and two more in January, its chief executive Puneet Chhatwal said. IHCL posted consolidated net profit of ₹452 crore in the quarter, an 18% jump on a year-on-year basis. GAURAV LAGHATE

Adani Ent Q3 profit up twofold as new energy, airports shine

Adani Enterprises Ltd, the flagship firm of billionaire Gautam Adani's conglomerate, on Thursday said its third quarter net profit more than doubled on the back of robust performance in new energy, airports and road businesses. The company's EBITDA rose 89% to ₹3,717 crore in the third quarter. PTI

Titan misses Q3 profit estimates on surging gold prices

Indian jeweller and watch maker Titan Company reported third-quarter profit below estimates on Thursday as escalating costs of bullion outshined demand during the festive season. The company's profit rose 9.4% to ₹1,040 crore in the three months ended 31 December, but fell short of analysts' estimate of ₹1,094 crore, according to LSEG data. REUTERS

Footwear maker Bata India's Q3 profit slumps on sluggish demand

Footwear maker Bata India reported a third consecutive drop in its quarterly profit on Thursday, dragged by sluggish demand and higher expenses. Bata India's consolidated profit fell about 30% to ₹57.98 crore in the three months to 31 December. Expenses rose 4.8% as the footwear retailer's inventory-related costs grew more than half on a y-o-y basis. REUTERS

Tata, Pegatron in talks for iPhone assembly in Tamil Nadu


REUTERS

Tata Group is in advanced talks with Taiwan's Pegatron to form a partnership to run an iPhone assembly plant the Indian company is building in the southern state of Tamil Nadu, two people with direct knowledge of the matter said on Thursday. Tata is building the iPhone assembly plant in Hosur city, which will be its second such facility in the country. The Taiwanese firm would provide technical and engineering support at the plant, the people said. REUTERS

MUNICIPAL CORPORATION CHHATRAPATI SAMBHAJINAGAR
Executive Engineer (Drainage)

Address : Municipal Corporation Chhatrapati Sambhajinagar, Executive Engineer (Drainage). Head Office : Town Hall Pin 431001. Tel. No. (0240) 2333536-40 Fax No. (0240) 2331213 E-Tender Call CSMC (for Help) : Cell No. 9764999592

No/CSMC/Dy.Eng/Drg./557/2024 Date : 31/01/2024

Sr. No	Work Name	Last Date of Tender Submission
1	Underground Drainage project for no Network area (west Assembly Constituency) in Municipal limits, at. Chhatrapati Sambhajinagar. (Tender Amount Rs. 160,64,86,709/-)	01/03/2024

Note :- 1. Details for above stated work is available on website www.mahatenders.gov.in

Sd/-
City Engineer
Municipal Corporation Chhatrapati Sambhajinagar.

DiGiSPICE

DiGiSPICE Technologies Limited

Regd. Office: 622, JA-122, 1st Floor, DLF Tower A, Jasola, New Delhi -110025
CIN No.: L72900DL1986PLC330369
Tel.: +91 11 41251965; **Email:** complianceofficer@digispice.com **Website:** www.digispice.com

Extract of Unaudited Consolidated Financial Results for the Quarter and Nine Months period ended December 31, 2023

(Rs. in Lakhs)

Particulars	For the Quarter ended 31.12.2023 (Unaudited)	For the Nine Months ended 31.12.2023 (Unaudited)	For the Quarter ended 31.12.2022 (Unaudited) Restated
Continued Operations			
Total Income from operations	11,017.51	33,333.71	10,647.35
Net Profit/(Loss) for the period (before Tax, Exceptional and/or Extraordinary items)	681.58	2,345.69	(141.63)
Net Profit/(Loss) for the period before tax (after Exceptional and/or Extraordinary items)	681.58	1,449.94	(141.63)
Discontinued Operations			
Net Profit /(Loss) before tax for the period	(511.87)	(1,961.75)	(612.95)
Net Profit /(Loss) after tax for the period	(525.83)	(3,375.80)	(649.12)
Net Profit/(Loss) for the period after tax (after Exceptional and/or Extraordinary items and/or Non controlling Interest) (for continuing and discontinued operations)	(113.51)	(2,560.31)	(668.10)
Total Comprehensive Income/(Loss) for the period [Comprising Profit/(Loss) for the period (after tax) and other Comprehensive Income/(Loss) (after tax) (for continuing and discontinued operations)	34.55	(2,679.77)	(745.02)
Equity Share Capital (Face value Rs 3/- per share)	6,182.02	6,182.02	6,164.20
Reserves (Excluding Revaluation Reserve as shown in the Audited Balance Sheet of Previous year)	-	-	-
Earnings per share (for continuing and discontinued operations) (of Rs 3/- each)			
Basic:	(0.07)	(1.11)	(0.29)
Diluted:	(0.07)	(1.11)	(0.29)

Notes:

1. Key Standalone Financial Information (including discontinued operations) is given below: **(Rs. in Lakhs)**

Particulars	For the Quarter ended 31.12.2023	For the Nine Months ended 31.12.2023	For the Quarter ended 31.12.2022
Net Sales / Income from Operation	970.38	2,833.81	1,103.23
Profit/(Loss) before tax	(374.69)	(969.90)	(428.65)
Net Profit/(Loss) after tax	(393.44)	(2,350.86)	(528.65)

2. The above is an extract of the detailed format of quarterly and nine months period unaudited financial results filed with Stock Exchanges under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as reviewed by the Audit Committee in its meeting held on January 30, 2024 and approved by the Board of Directors in its meeting held on January 31, 2024. The full quarterly and nine months period unaudited Financial Results are available on the Stock Exchange website(s) www.bseindia.com, www.nseindia.com and on the Company's website www.digispice.com.

For and on behalf of DiGiSPICE Technologies Limited

Dated: January 31, 2024
Place: Noida

Rohit Ahuja
Whole-time Director

म.प्र. राज्य सहकारी विपणन संघ मर्यादित
जहांगीराबाद, भोपाल

क्र./यां./1370/2024 **भोपाल, दिनांक : 01.02.2024**

निविदा सूचना (तृतीय आमंत्रण)

विपणन संघ द्वारा **Contract of rice mill of markfed on "As Is Where Is" basis & establishment of new rice mill of minimum 08 TPH capacity with sortex plant & On Lease Basis for 15 years** को लीज पर संचालित करने हेतु वैध निविदाकारों से E-Tender प्रणाली के अन्तर्गत **www.mptenders.gov.in** पर केवल Online ऑफर 15 वर्ष की लीज के लिए दिनांक 17.02.2024 को शाम 05:30 बजे तक आमंत्रित की जाती है। निविदा प्रपत्र एवं कार्य के संबंध में अन्य जानकारी एवं अनिवार्य शर्तें निविदाकारों को मध्यप्रदश शासन के ई-निविदा के पोर्टल **www.mptenders.gov.in** पर प्राप्त होगी एवं विपणन संघ की वेबसाइट **www.mpmarkfed.mp.gov.in** पर भी अवलोकनीय होगी।

क्र.	Tender Ref. No.	कार्य का नाम
1.	1842	Contract of Gangeruva Distt. Seoni rice mill of markfed on "As Is Where Is" basis & establishment of new rice mill of minimum 08 TPH capacity with sortex plant & after possibilities of renovation/maintenance/strengthening on existing storage capacity then to create balance new storage capacity by bidder On Lease Basis for 15 years. (3rd Call)
2	1843	Contract of Garra Distt. Balaghat (Old) rice mill of markfed on "As Is Where Is" basis & establishment of new rice mill of minimum 08 TPH capacity with sortex plant & after possibilities of renovation/maintenance/strengthening on existing storage capacity then to create balance new storage capacity by bidder On Lease Basis for 15 years. (3rd Call)

नोट :- आवश्यक होने पर उपरोक्त निविदा सूचना से संबंधित किसी भी प्रकार की सूचना अथवा संशोधन संबंधी जानकारी केवल उपरोक्तानुसार पोर्टल एवं वेबसाइट पर प्रदर्शित की जावेगी।

म.प्र. माध्यम/113542/2024 **मुख्य अभियन्ता (सि.)**

Enabling Mobility Accelerating Growth

RITES
THE INFRASTRUCTURE PEOPLE
(A Navratna CPSE)

EXTRACT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER & NINE MONTHS ENDED 31ST DECEMBER, 2023 (₹ in crores except EPS)

S. No.	Particulars	Standalone						Consolidated					
		Quarter Ended			Nine Months Ended		Year Ended	Quarter Ended			Nine Months Ended		Year Ended
		31.12.2023 (Unaudited)	30.09.2023 (Unaudited)	31.12.2022 (Unaudited)	31.12.2023 (Unaudited)	31.12.2022 (Unaudited)	31.03.2023 (Audited)	31.12.2023 (Unaudited)	30.09.2023 (Unaudited)	31.12.2022 (Unaudited)	31.12.2023 (Unaudited)	31.12.2022 (Unaudited)	31.03.2023 (Audited)
1	Revenue from Operations	652.88	549.27	650.63	1705.82	1860.63	2519.62	682.89	582.36	677.34	1809.60	1941.46	2,628.27
2	Other Income	24.85	51.40	25.36	93.94	87.99	119.16	16.96	26.45	26.04	61.69	82.93	101.75
3	Total Income	677.73	600.67	675.99	1799.76	1948.62	2638.78	699.85	608.81	703.38	1871.29	2024.39	2,730.02
4	Net Profit/ (Loss) Before Tax*	154.71	149.00	177.54	432.79	524.05	708.54	170.84	150.28	199.39	483.67	582.79	773.92
5	Net Profit/ (Loss) after Tax for the Period/Year*	118.57	116.59	131.52	331.04	392.17	530.54	128.78	110.17	147.18	358.53	432.08	570.97
6	Total Comprehensive Income [Comprising Profit/ (Loss) (after tax) and Other Comprehensive Income (after Tax)]	119.97	117.92	131.39	335.22	396.52	536.33	130.26	111.49	147.23	362.64	436.38	576.62
7	Equity Share Capital	240.30	240.30	240.30	240.30	240.30	240.30	240.30	240.30	240.30	240.30	240.30	240.30
8	Other Equity (excluding non-controlling interest)						2262.74						2363.48
9	Earnings per share (EPS)**												
	Basic (₹)	4.93	4.85	5.47	13.78	16.32	22.08	5.00	4.21	5.83	13.70	17.06	22.56
	Diluted (₹)	4.93	4.85	5.47	13.78	16.32	22.08	5.00	4.21	5.83	13.70	17.06	22.56

* There were no Exceptional items during the period.
** EPS is not annualized for the quarter ended December 31, 2023, September 30, 2023 & December 31, 2022, and Nine Month Ended December 31, 2023 & December 31, 2022.

Notes:

1. The above results have been reviewed by Audit Committee and approved by the Board of Directors in its meeting held on 01st February 2024.
2. The above is an extract of the detailed format of the financial results for the quarterly and nine months ended 31st December 2023 filed with Stock exchanges under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full formats of the financial results for the quarterly and nine months ended 31st December 2023 are available on the Stock exchange websites www.nseindia.com, www.bseindia.com and on company's website www.rites.com.
3. The Financial Results of the company/group have been prepared in accordance with the Indian Accounting Standards (Ind AS) as prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standard) Rules, 2015, as amended.
4. Ministry of Railway (MoR) vide letter dated 18.10.2021 had decided in principle for closure of Indian Railway Station Development Corporation (IRSDC), in which Company has an investment of ₹ 48 Crore. Closure activities are underway and Board of IRSDC has decided to transfer the assets & liabilities of IRSDC to Rail Land Development Authority (RLDA) for consideration not less than book value. Financial statement of IRSDC has been prepared on liquidation basis. As on 31.03.2023, IRSDC reported a net worth of ₹ 225 crores and has reported a consolidated net profit of ₹ 1.44 Crore and ₹ 5.98 Crore during the quarter and nine month ended December 31, 2023 respectively. Therefore, management does not perceive any impairment in the value of investment in IRSDC.
5. The Board of Directors of the holding company have declared 3rd interim dividend of ₹ 4.75 per share (face value of ₹ 10 per share) for financial year 2023-24.
6. The figures for the previous period have been regrouped/reclassified, wherever necessary.

Registered Office:
SCOPE Minar, Laxmi Nagar, Delhi - 110092; India
E-mail: cs@rites.com; **Ph.:** 0124-2571666

Place : Gurugram
Dated : 01.02.2024

For & on behalf of the Board of Directors
Sd/-
(Rahul Mithal)
Chairman & Managing Director and Chief Executive Officer
DIN: 07610499

Transforming to GREEN
www.rites.com
Future Ready Not just more of the same; but much more of the New!
CIN: L74899DL1974GOI007227

Railways I Exports I Urban Engineering & Sustainability I Highways, Bridges & Tunnels I Buildings & Airports I Ports & Harbours I Ropeways I Quality Assurance

STL GLOBAL LIMITED

CIN: L51909DL1997PLC088667
Regd. Office: Unit No.111, Block No.1, First Floor, Tribhuwan Complex, Ishwar Nagar, New Delhi- 110065

NOTICE

Notice is hereby given that pursuant to Regulations 29 & 47 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time the Meeting of the Board of Directors of the Company will be held on Friday the 09th day of February, 2024 at 11:00 A.M. at the Corporate Office of the Company at Plot No.207-208, Sector-58, Faridabad-121004, Haryana in order to discuss, take on record and approve, inter alia, the Un-Audited Financial Results for the quarter and nine months ended on 31st December, 2023.

Notice of the Board Meeting is also available on the Company's Website at www.stl-global.com and on the Stock Exchanges website at NSE at www.nseindia.com and BSE at www.bseindia.com respectively.

For STL GLOBAL LIMITED
Sd/-
Manil Kr. Nagar
Company Secretary

Place: Faridabad
Date: 01-02-2024

OUR VIEW

PTI

The budget's horizon is a mark of its confidence

It is interim but also benefits from a rare political context that enables aiming for the long haul. It keeps an eye on polls with due fiscal restraint and a steady focus on infrastructure

The term 'interim budget' had a ring of paradox this time as Finance Minister Nirmala Sitharaman rose to present it. By Indian protocol, this vote-on-account had to resist momentous moves, as national polls are due in 2024-25, after which a new government must propose revenue and expense plans for that year, but its moment was extraordinary. It was backed by a rare momentum, both economic and political, the latter driven by incumbency expectations unseen in half a century. So a budget that's interim in letter could be highly indicative in spirit—especially of the range of its view. How well this advantage of not needing the blip of a pre-poll splurge was pressed home came down to its fiscal dedication to a covid-bloat reversal and allocations for the economy's future. Evaluated thus, on the horizon of its thrust, the FM's proposals reveal confidence.

An eye on elections was only to be expected amid rhetoric on aiding the youth, women, farmers and the poor, four beneficiary groups outlined by Prime Minister Narendra Modi for state support. Welfare outlays via myriad schemes have been a key focus of this regime, with amped-up infra capex playing a catalyst for today's economy (with its money multiplier effect) and also acting as a far-sighted enabler of growth. Outlays have been enlarged. The ₹11.1 trillion for capex, a double-digit hike, affirms a commitment to worthy spending: it has been held steady at 3.4% of GDP. Since our covid recovery called for a deficit reduced to 5.1% of GDP in 2024-25 from this year's revised estimate of 5.8%—lower than budgeted and hence a good signal of intent—the infra bump-up is particularly laudable. While the nominal math of any budget can be warped by bouts of price instability, a steadier tax mop-up should help. Sitharaman's tenure as FM began with a push for fiscal clarity over hidden subsidies before the ministry struck a stimulus formula that has worked out well, as growth data testifies. Pacy state-led expansion, however, spells mounting public debt and cannot be sustained. Although nominal GDP outpacing the average rate of interest may mean it isn't reckless, tighter fiscal policy not only favours price stability, it's also what the long-horizon asks of us: not to constrain tomorrow's spending by using too much money today. Although our fiscal glide path is too gradual from this perspective, a big mission has been to "crowd in" private investment by means of a fiscal push for an infra build-up. For capital formation to regain past peaks as a ratio of GDP, this was meant to act as a spur. The pandemic dilated the effort, but its intent grew sharper. Logistical easing and cost reduction, for example, explain Gati Shakti corridors. "Now that private investments are happening at scale, lower borrowings by the Central government will facilitate larger availability of credit for the private sector," said Sitharaman. With the budget's size at ₹47.7 trillion, up just 6.1%, a sign of restraint, it would need to borrow less.

As a comprehensive recovery in consumption is still awaited, it's unclear when India's private sector will get back into top form as an investor. Meanwhile, long-haul funds needed for public education and healthcare await significant allotment. The gains of poverty relief and new infrastructure might well be palpable, but we must not leave gaps in development that could restrain the economy's emergence and expose us to a 'middle-income trap.' The defining thing about an interim budget, though, is its inherent transience. A definitive one will follow.

GUEST VIEW

The budget reaches out far and wide with well-crafted messages

It's refreshingly free of a political overdose while appealing to electorally significant constituencies

SANJAY KUMAR
is a professor at Centre for the Study of Developing Societies (CSDS).

The Narendra Modi-led government springs surprises at times, and Nirmala Sitharaman's interim budget presentation was among those, though a pleasant one. Any budget presented close to elections, more so closer to Lok Sabha polls, tends to have an overdose of electoral colour and populist overtones, but this was not one of those, even though parliamentary elections are barely two months way.

It is not that there has been no attempt to send out a message to the numerically strong constituency of women, who seem to be emerging as a vote bank for the ruling Bharatiya Janata Party (BJP) in many states, but the budget does not seem to target specific groups like the youth or voters of a particular caste. It appears to treat the poor as a new 'caste,' one that also seems to have become a vote bank for the BJP in recent elections. While the budget's announcements show the government's continued efforts to send out positive signals to women voters—that the Modi government cares more for them than any other party—the interim budget is largely aimed at addressing a much larger section of people rather than different segments like the youth, farmers, etc, as was expected.

There are a few things that are indicative of the government trying to send out welfare messages for a much larger population. In a subtle way, it tried to address the concerns of the poor and lower-income groups, rather than the country's middle classes. Income tax slabs could have passed for routine and permissible in an interim budget, but no change was made. Maybe the government and BJP feel assured of middle-class votes, as a large number seemed mesmerized by the inauguration of the much-awaited Ram Mandir at Ayodhya. Massive celebrations in many states could explain why the BJP is confident of reaping its electoral gains.

Although people from lower-income homes, including poor voters, also seemed pleased with the temple's construction, the BJP would not have wanted to miss any chance of sending out signals to India's poor that it is the BJP which cares most for them. Such an intent was evident in various announcements of the budget speech, whether it is the promise to construct 20 million more houses under Prime Minister Awas Yojana in the next five years, or about providing 300 units of free electricity generated by solar plants to 10 million households. The mention of extending India's free-ration scheme for another five years to help ease the daily struggle of hundreds of millions is indicative of that. The budget's outlay emphasis on infrastructure and transport corridors points to a direction of development that caters to people across various sections.

As part of that inclusivity message, the government indicated its commitment to strengthen the health sector, even as the finance minister highlighted the government's achievements in this sector, especially on fighting covid. An expansion plan for the health sector has been laid out, probably to signal that all sections of society are being looked after, as health remains a concern for a large section of people, cutting across identities of caste, religion, gender, class, etc. The budget also made a commitment to providing enhanced facilities to all *aanganwadi* workers under the Aayushman Bharat scheme.

In the overall analysis, one can't deny the fact that through these budget announcements, the government has tried to position the Modi government as being at the forefront of women's welfare. The emphasis is clear from the statements made. The finance minister announced a new scheme of preventive vaccination of girls between the ages of nine to 14 years, to safeguard them from cervical cancer. The government also extended its target for extending the benefit of the Lakhpati Didi scheme to 30 million women, compared with its earlier commitment of reaching 20 million women. One can hardly deny that this is not aimed at mobilizing a vast base of women voters who constitute nearly 50% of total voters in various states. It is also important to note that the BJP and other parties have recognized the rising importance of women voters in Indian elections, as they are not only turning out to vote in larger numbers, but also getting mobilized in favour of the party that helps out with welfare schemes, whether it's the Ladali Behana scheme of the erstwhile Shivraj Singh Chouhan government in Madhya Pradesh (MP) or the Ujjawala scheme of the current Modi government.

There is also an effort to reach out to farmers with the message that the Modi government is committed to their welfare and shares their concerns. The announcement of direct financial assistance to 118 million small and marginal farmers is also a move in that direction.

Overall, these announcements hint at the government's confidence of coming back to power in 2024. This is understandable, given several factors. On one hand, there's Modi's popularity, the BJP's increased support base and euphoria over the temple in Ayodhya. On the other hand, there's Congress debacle in the three Hindi heartland states of MP, Rajasthan and Chhattisgarh and the opposition's inability to remain united so that it can put up common candidates against the BJP.

These are the author's personal views.

10 YEARS AGO

www.livemint.com

mint

MARKETS: Nifty at lowest level in over two months

NATION: Govt cuts domestic gas prices

POLITICS: UPA seeks support to pass anti-corruption laws

VIEWS: Nouriel Roubini on the trouble with emerging markets

POWER TARIFFS

Delhi govt ups stakes in fight with discoms

AAP-led government asks regulator to suspend distribution licenses of BSES Rajdhani, Yamuna

INDIA UP, CHINA DOWN

Govt to easily meet spectrum sale target of ₹40,000 crore

QUICK EDIT

Market tremors

Sebi aims to ease delisting rules, check manipulation

FORENSIC INVESTIGATION

Audit unearths circular trades in NSEL's e-series contracts

MINT METRIC

by Bibek Debroy

In Tamil Nadu, on a Karnataka trip,
A Tata SUV sought a fast clip.
Google Maps caught the driver unawares,
The car was stuck on some stairs.
Evidently, quite a normal blip.

MY VIEW | MUSING MACRO

The Union budget shows remarkable fiscal restraint

AJIT RANADE

is a Pune-based economist.

A budget presented when national elections loom large in a few months could be expected to have some fiscal fireworks. Remember the big loan waiver given by the United Progressive Alliance-1 government? That was supposedly done with an eye on polls. If the current government and incumbent party have chosen fiscal rectitude, it could mean two things, and both could be valid.

First, that the ruling party does not need electoral goodies to enhance its electoral prospects or pump-prime the economy. A famous quip of an American president was "It's the economy, stupid!" We are not sure if it is applicable universally, or even to the Indian voter. But artificially boosting the economy with fiscal dosage was clearly not needed, as per the assessment from the top quarters.

Or second, the other explanation is that the fiscal situation is indeed worrisome. The International Monetary Fund recently warned India that if the debt situation is not watched, its debt-to-gross domestic product (GDP) ratio could shoot up to 100%. The government rebutted that warning, saying that in fact it had come down from a covid high of 89% to the present 82%. And that most of the debt is denominated in domestic currency, which poses a much lower risk.

But the fact is that the fiscal situation is far from comfortable. Interest payments on outstanding debt alone takes up nearly 40% of all tax revenues. It is the single largest component of expenditures. The borrowing requirement in the present fiscal year was a whopping ₹18 trillion. This is a significant drag on the total supply of loanable funds from the banking system. It tends to keep interest rates high. And an expansionary budget can also be inflationary.

So, fiscal restraint is an imperative, and on this the budget has delivered very well. The fiscal deficit target for this year was 5.9%, but performance was better at 5.8% of GDP. Part of this success was due to the fact that the denominator, nominal GDP, grew only by 8.6%, almost 1.8 percentage points less than the target. Next year's deficit target at 5.1% is quite ambitious, but sends the right signal of fiscal restraint.

And after that, finance minister Nirmala Sitharaman said she is aiming to go lower than 4.5% of GDP, which is very admirable.

Proposed expenditure in 2024-25 will rise by around 6%, lower than the expected increase in nominal GDP of 10.5%. Of this, revenue spending will rise only by 3%, leaving more room for capex enhancement, which will rise by 17%. The government's capex-to-GDP ratio has been steadily rising for more than five years now. In the past three years, the compound average growth rate was a sizzling 31%, which was clearly not sustainable.

Its rein-back of the fiscal deficit in a poll year is commendable but we must focus more on human capital

Longer term and more sustainable growth requires the contribution of private investment spending, consumer spending and exports. All three are energized by different factors. For instance, private investment requires a positive climate, lower uncertainty, policy continuity and predictability, and lower interest rates. In a world that is facing recessionary winds and geopolitical uncertainty, this is not easy for domestic policy alone to achieve. But by keeping corporate tax rates stable and showing fiscal restraint, it provides a positive signal. Consumer spending is affected by job prospects and the employment situation. Upper-income segments have done well and also benefited from the booming stock market. But consumption spending growth as a whole has lagged, mainly because of slower income growth in lower-income house-holds, real wage stagnation and still-high unemployment, especially among the educated youth. Welfare spending, like on free food and the rural employment guarantee, has ensured that households have escaped poverty. But only sustained all-round economic growth with more job creation can ensure income and consumption growth. On exports, the third important driver, India does very well on services. Earnings via software services or inbound remittances are very strong. But India's share of global merchandise exports continues to stagnate. It can easily double. A recent piece by Arvind Panagariya, chairman of the 16th Finance Commission, advocated a sharp reduction in the policy protection given to the country's automobile sector. If done, this will actually enhance the export prospects and competitiveness of this sector. The same holds true for most other industries in the manufacturing sector.

So, from a budgetary perspective, the promotion of manufacturing competitiveness calls for keeping taxation moderate, and maintaining the continuity, stability and predictability of policies. That seems to be on track. Job creation is a big challenge. This needs a big push to increase human capital via training, skilling and education. Our mix of public capital spending must skew much more towards human capital. One of the big priorities is to increase spending on higher education. No doubt enrolment has gone up and many new institutions have been set up, but budgetary spending is still barely 2% of GDP. Compare this with the huge outlay under just two heads, the fertilizer subsidy and free food scheme, which together exceed 2% of GDP. Clearly, priorities need to be re-aligned to beef up the human capital component of the total productive capital in the country. This should be the medium-term plan of all budgetary policies.

MY VIEW | THE LAST WORD

Interim budget 2024: It makes an impressive effort on a key front

Its highlight is its proposed path of fiscal consolidation towards the government's deficit target of 4.5%-of-GDP by 2025-26

INDIRA RAJARAMAN
is an economist.

PTI

The interim budget seeks a vote on account through an appropriation bill, to authorize expenditures until a new government takes over after the general election in the first quarter of the next fiscal year 2024-25 (FY25).

The interim budget was bound by the spirit, if not the letter, of the model Code of Conduct of the Election Commission, which forbids any policy measure that could influence the election outcome, among them "financial grants in any form or promises thereof." The letter of the law applies only after the election is notified, which cannot be earlier than three weeks prior to the first date (if multi-phase) of the election.

Thus, the code was not formally violated when the 2019 interim budget for FY20 introduced a new PM Kisan Scheme, giving farm households owning less than 2 hectares of land an annual payout of ₹6,000 in three equal instalments, retrospectively from 1 December 2018. Contrary to expectations, the payout was not enhanced this time. The budget speech referred to 118 million beneficiaries, although the expenditure figures suggest 100 million. Whatever, that is still a wide base, over which the scheme remains wildly popular owing largely to the promptness of payments every four months.

Interim budgets offer an opportunity for the government to go long on Part A of the budget speech, where developmental and fiscal achievements are laid out. The areas of emphasis for the forthcoming year are a statement of intent if elected back to office. They include a further enhancement of capital expenditure on infrastructure, including dedicated rail freight corridors and development of tourism centres, and a focus on green energy including mandated blending of biogas and incentives for rooftop solar installations.

Part B of the speech, on new tax proposals, is more significant than the expenditure proposals of Part A, because once passed in the Finance Bill, the changes come legally into effect, whether or not the government in power gets voted back in. Part B is therefore typically short in interim budgets, with a nod to the Code of Conduct. That did not deter the 2019 interim budget from raising the exemption threshold for income tax from ₹3 lakh to ₹5 lakh, and the standard deduction from ₹40,000 to ₹50,000. This time, there were no new tax proposals, but there were some write-offs of disputed dues in respect of past income tax demands, some going back to antiquity, which are estimated to benefit 10 million taxpayers. This is an overdue clean-up.

For the current year, the fiscal deficit at 5.8% of GDP is below last year's budget estimate (BE) of 5.9%. This is despite nominal GDP by the first advance estimate, at ₹296.6 trillion, itself falling below last year's budget estimate of ₹301.8 trillion by an astonishing ₹5.2 trillion. The revised fiscal deficit stands at ₹17.34 trillion, lower by ₹52,000 crore than the budget estimate of ₹17.86 trillion. A major contributor was the Reserve Bank of India dividend (based on surplus earned in the previous fiscal year), which at ₹87,416 crore was roughly ₹40,000 crore more than the budget estimate of dividends aggregated across public sector banks and RBI. There was a remarkable rise in gross direct tax collections in the current year (₹1.22 trillion over the budget estimate of ₹18.23 trillion), but that does not actually show in net revenue to the Centre for reasons not immediately clear.

The fiscal deficit projected for next year, at 5.1% of nominal GDP, is consistent with the government's terminal cap of 4.5% of GDP in FY26. But nominal GDP in FY25, the crucial denominator, is estimated at ₹327.7 trillion, assuming a growth rate of 10.5% over the (first advance estimate of) nominal GDP in the current year. That nominal growth rate is broadly consistent with the RBI projections at Davos on 17 January of real GDP growth in FY25 of 7%, and range-bound inflation by the Consumer Price Index (CPI). But the GDP deflator may be well below CPI inflation. Take the current year, where nominal GDP grew at 8.9%, a mere 1.6% higher than real growth of 7.3%, when CPI inflation as estimated by the RBI is at 5.4%. In the face of this uncertainty about the nominal GDP, it is the absolute fiscal deficit that has to be watched rather than the percentage.

Next year's absolute fiscal deficit is a further ₹49,000 crore below this year's revised estimate, but it is really best to wait for that to be validated by the final budget in July. At that time, there will be more information available on state budgets as well, and a final picture will emerge of where consolidated public debt stands.

The 2019 interim budget speech did something never done before (I would be happy to be corrected on that). It thanked taxpayers for their valuable contribution which made possible government schemes for the poor. This time too, there is a word of appreciation to taxpayers for their support, very welcome in a year in which (gross) direct tax revenues did so well.

MINT CURATOR

The US Fed's approach to risk could endanger a soft landing

America's central bank is in go-slow mode. Is it being too cautious?

JONATHAN LEVIN
is a columnist focused on US markets and economics.

Fed chief Jerome Powell has signalled that policy easing isn't imminent AFP

The inflation problem is largely behind us [in the US], and most signs suggest that Federal Reserve policymakers know it. So why didn't they just go ahead and cut rates on Wednesday instead of leaving their target range at 5.25% to 5.5%? Why wait until March or (more likely) May?

Outside of obvious recessions, that's just the way they do things at the US Fed: very, very slowly.

It's often said that adjusting central bank policy is like turning a tanker.

Policymakers spend months preparing markets for changes, then execute them as gingerly as the circumstances will allow. I would argue that's partially due to the challenges of consensus-building on the Fed's rate-setting committee, as well as the central bank's understandable desire to avoid unduly injecting volatility into financial markets.

But there are also trade-offs. In the current context [of the American economy], the greatest risk is that the Fed will place so much weight on moving slowly and over-communicating that it will risk its chance at a soft landing. As wonderfully as the US economy performed in the second half of 2023, it's always more vulnerable to shocks when monetary policy is especially tight. Recent troubles at New York Community Bancorp—whose shares tumbled 38% on Wednesday—show that regional bank and commercial property risks remain chinks in the economy's armour that can sneak up on policymakers very quickly. That in and of itself might be a good reason to expedite the US Fed's first policy rate cut and bring forward the tapering of quantitative tightening (QT), the Fed's liquidity-sucking balance sheet reduction programme.

But at his press conference on Wednesday, Fed Chair Jerome Powell told reporters that, although most policymakers expect cuts are in the cards, they intend to wait for a while longer. Here's the remark that really crystallized that outlook for markets: "We're going to be looking at this meeting by meeting. Based on the meeting today, I would tell you that I don't think it's likely that the committee will reach a level of confidence by the time of the March meeting to identify March as the time to do that. But that's to be seen."

Meanwhile, here's how he described his sense of urgency (or lack thereof) on QT tapering: "So at this meeting we did have some discussion of the balance sheet and we're planning to begin in depth discussions of balance sheet issues at our next meeting in March. So those questions are all coming into scope now and we're focusing on them, but we're at the beginning of that process."

In other words: Relax! We'll get to it when we get to it!

On the policy rate in particular, Powell says that officials are waiting for more evidence that inflation is sustainably heading back to the 2% target. Not better evidence, mind you — just more of it. On a six-month annualized basis, the core personal consumption expenditures deflator is already running at a below-target 1.9%.

It's possible, of course, that the whole discussion of rate-cut timing will end up being meaningless. The real economy is in an almost too-good-to-be-true run of strong, productivity-driven, non-inflationary growth that's been helping to keep unemployment low. And my best bet is that will continue for a while. Real wages are still rising and consumer confidence improving, fuelling a virtuous cycle.

But there's no reason to push our luck, either. Serious geopolitical risks continue to mount, and commercial real estate's problems continue to fester. Meanwhile, declining balances in the Fed's overnight reverse repurchase facility could make the effects of QT more palpable in the months to come. All of this suggests that the risks to the Fed's full employment mandate are a bit higher than the threat of resurgent inflation. And yet, the Fed is passively tightening policy by holding nominal rates high as inflation falls.

So why wait for a problem to materialize before taking concrete action?

The US central bank hasn't always been slow, of course. The Powell-led Fed reacted swiftly and admirably during the covid pandemic, and Powell deserves much praise for the rescue that he marshalled. But when inflation appeared in early 2021, the Fed reverted back to its slug-like traditions, hamstringing itself with forward guidance and waiting close to a year to meaningfully change policy.

Based on Wednesday's press conference with Powell, it sounds like the Fed now finds itself back in go-slow mode, a setting that—tradition aside—doesn't seem to make a lot of economic sense and unnecessarily puts the chances of a soft landing at risk.

THEIR VIEW

The budget has been about making the numbers add up

MADAN SABNAVIS

is chief economist at Bank of Baroda and author of 'Corporate Quirks: The Darker Side of the Sun'.

How does one evaluate the Union budget, especially when it is an interim one? As there is an unwritten rulebook on what can and cannot be done in such a budget, and this was reiterated by the finance minister, one cannot really discuss any exclusions or misses in the statement. Note that there is scope for new announcements in the main budget. Therefore, any comment on the tax structure—both direct and indirect—should be held in abeyance, notwithstanding the fact that there were a plethora of expectations.

The budget has primarily been one of making numbers add up, and that has been done in a thorough manner. There are two starting points. The first is the imperative of moving along the fiscal prudence path to attain a fiscal deficit ratio of 4.5% of gross domestic product (GDP) by 2025-26. This has been achieved by aiming for a deficit of 5.1% of GDP in 2024-25. The second is the overall size of the budget. This has been restrained at ₹47.66 trillion, which is ₹2.76 trillion higher than its size in 2023-24. The question is how has this been managed?

On expenditure, there is a definite thrust on capex, and while the government could have waited till June to increase the allocation for it, the crux was to ensure that past momentum is not lost. Hence, there has been an aggressive increase of 11.1%, which is higher than the nominal GDP growth of 10.5%. Interestingly, this ₹1.11 trillion hike is 40% of the total increase in government outlay. Almost 64% of this is allocated for roads, railways and defence. Given that most of our defence capex is now domestic, the multiplier effects would be significant. Another 13% goes to states, which need to expedite their plans on time. This is a major highlight of the interim budget.

Social welfare was reiterated in the budget speech, with focus on rural well-being at its core. Here the government has maintained expenditures at last year's level. MGNREGA, Jal Jeevan Mission, PM Awas Yojana, PM Kisan, etc, have broadly seen outlays linked to either the budgeted or revised numbers of 2023-24. It can be assumed that there could be upward revisions when the main budget is presented later.

There has quite interestingly been a lower allocation made for fertilizers and food subsidies, a reduction of the order of ₹31,000 crore. The assumptions here are that the global price of crude oil remains stable and that hikes in minimum support prices are marginal. These may change over time. The same holds for the petroleum subsidy, which goes out mainly through LPG distribution. It is pegged at around ₹12,000 crore. This amount could change if crude oil price increases.

It's interim in spirit but offers enough in its calculations for assessments to be made of implications

The revenue side also has some implications. The government's gross borrowing programme is to be lower this time at ₹14.13 trillion. This signals that there will be fewer bond issuances, which has sent yields south. The net borrowing programme remains unchanged for the year. That is positive for banks. Given the status of their statutory liquidity ratio (SLR) obligations, they could channel new deposits to fund credit, rather than buying G-Secs, which will be good for the system, since there has been a persistent liquidity deficit in the last two months or so. Further, as the process of India's inclusion in global bond indices picks up steam, financing the fiscal deficit would become relatively easier, as there will be less pressure on domestic institutions to buy G-Secs.

The other issue on the capital receipts side is disinvestment. The target for 2024-25 is ₹50,000 crore, against an expected realization of ₹30,000 crore in 2023-24. These targets have often been missed, possibly because most low-hanging fruits have already been plucked. A question that comes to mind is whether, at a theoretical level, disinvestment or even asset monetization should be kept out of the budget calculations. This can lead to more focused revenue targeting, with the proceeds being used specifically for infrastructure funding. This discussion was on the table earlier and it may be time to renew the debate. Targeting disinvestment is tricky because there are several factors that need to fall in place, especially when the government wants to sell stakes of over 51% in critical sectors.

The third component of revenue that merits some discussion is the dividend part of non-tax revenue. The numbers have been largely unchanged at ₹1.83 trillion. This leads to two conclusions. The first is that public sector undertakings will continue to do well and generate dividends for the government. The second is that the financial sector will continue to add to the government's non-tax revenue. Last year, the government targeted ₹48,000 crore on a conservative basis, but got ₹1.04 trillion, which has been retained at ₹1.02 trillion. The Reserve Bank of India transferred ₹87,000 crore of surplus to the government. Therefore, the assumption here is that a similar amount would flow this year too.

It has been seen in the past that the numbers in the interim budget do not change significantly if the main budget is presented by the same ruling formation. Hence, while hope can be harboured for some tax concessions, the revenue implications may not be very large. The present numbers appear to be extrapolations of the 2023-24 numbers, largely, and they ensure that the government runs at the same speed as before. The main budget will throw some light on whether spending priorities have changed, with specific sectors in focus.