

Pre - Union Budget 2025



January 2025

India's Union Budget 2025-26: Key Expectations

- **Balancing Act in Budget 2025**
- **Increased Capital Expenditure**
- **Focus on Agriculture and Tax Reforms**
- **Renewable Energy Boost**
- **Infrastructure Investment**
- **Support for Key Sectors**
- **Tax Reforms and Relief**



Brickwork Research

Union Budget Expectations

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Budget 2025-26 Expectations: Balancing Consumption and Capital Expenditure, Key Tax Reforms and Industry Incentives

- As India approaches the presentation of its Union Budget for the fiscal year 2025-26 on February 1, 2025, various sectors and stakeholders have articulated their expectations and recommendations
- This budget, to be presented by Finance Minister Nirmala Sitharaman, will be her eighth overall budget and the second of the BJP-led NDA government since 2024's re-election
- The Finance Minister faces the dual challenge of stimulating economic growth while adhering to fiscal prudence
- The Union Budget 2025 is expected to balance capital expenditure with consumption initiatives, focusing on infrastructure development, agriculture, and support for MSMEs, crucial for job creation and economic stability amid subdued economic momentum and global uncertainties.
- Focus will likely to remain on maintaining fiscal discipline, fostering economic recovery through targeted investments, and enhancing domestic demand and private sector participation
- With Inflationary pressures complicating monetary policy decisions, leading to a strong call for increased fiscal support to stimulate growth without exacerbating the deficit situation
- The government is tasked with balancing ambitious infrastructure spending against the backdrop of a constrained fiscal environment

BWR VIEW

- The Union Budget 2025 aims to tackle economic challenges and stimulate growth by integrating fiscal discipline with strategic investments in infrastructure, technology, and social welfare, fostering an inclusive environment
- Given the current economic landscape, characterized by a projected GDP growth slowdown to 6.4% for FY25, a weakening rupee, and heightened global uncertainties, stakeholders are keenly focused on how the government will navigate these challenges while fostering growth and stability

Current Economic Landscape

	GDP Growth Projections
Current Fiscal Outlook	<ul style="list-style-type: none"> • The first estimate for GDP growth in FY2024-25 has been reduced to 6.4% due to domestic and global economic challenges such as rising trade tensions and inflationary pressures <p>The current economic landscape is characterized by:</p> <ul style="list-style-type: none"> • Slower domestic growth with GDP projected at 6.4% for FY25, down from 8.2% in FY24 • Subdued economic momentum and a weakening rupee • Heightened global geopolitical uncertainties • Inflationary pressures persist due to fluctuating food and fuel prices, • Exports face challenges due to weak global demand, while domestic consumption and services drive growth
Fiscal Deficit Estimates	<ul style="list-style-type: none"> • The fiscal deficit for FY2025 is projected to be between 4.6% and 4.8% of GDP, slightly lower than previous estimates due to anticipated shortfalls in capital expenditure (capex) and tax revenues • The government plans to maintain a fiscal deficit target of 4.5% for FY2026, despite economic challenges
Revenue and Expenditure Dynamics	<ul style="list-style-type: none"> • Tax Revenue: The projected net tax revenue for FY2025 is Rs 25.4 trillion, 1.7% lower than the budget estimates, assuming a stable Tax/GDP ratio of 11.77% • Non-Tax Revenue: Non-tax revenue is expected to surpass budget estimates by 7.4%, indicating stronger collection trends up to November 2021
Key Challenges	<ul style="list-style-type: none"> • Persistent inflation impacting household budgets • Stressed fiscal deficit exceeding 6% of GDP • High unemployment rates, particularly among the youth • Weak export performance due to global economic slowdown
Key Opportunities	<ul style="list-style-type: none"> • Rising digital adoption facilitating structural transformation • Focus on renewable energy and green technologies • Potential for rural consumption boost through targeted programs • Strategic push for self-reliance through initiatives

The Union Budget 2025 is expected to focus on policies and strategies that address economic challenges and stimulate economic growth. The Upcoming Budget is anticipated to have several critical focus points:

Sl No.	Key Focus Areas	Expectations
1	Fiscal Stability and Economic Growth	<p>Fiscal Deficit Management</p> <ul style="list-style-type: none"> The government aims to maintain a fiscal deficit below 4.9% for FY25 and a long-term target of 4.5% by FY26, balancing fiscal consolidation with growth initiatives <p>Public Spending</p> <ul style="list-style-type: none"> Expectation for Increased public spending, especially in infrastructure and social welfare projects, to stimulate demand and job creation
2	Stimulating Consumption	<ul style="list-style-type: none"> The budget is expected to stimulate consumer spending amid recent GDP slowdowns, attracting stakeholders' interest in the government's plans to boost economic activity and consumer sentiment
3	Tax Reforms	<p>Simplicity of Tax Structures</p> <p>Anticipated reforms include:</p> <ul style="list-style-type: none"> Rationalizing GST rates, particularly for renewable energy sectors Potentially altering income tax slabs to alleviate middle-class taxpayer burden <p>Incentives for Innovation:</p> <ul style="list-style-type: none"> The budget may introduce measures to encourage innovation through tax reliefs and increased deductions under various sections of the Income Tax Act
4	Investment in Renewable Energy	<p>Energy Transition Initiatives</p> <ul style="list-style-type: none"> The budget is expected to boost India's renewable energy capacity, including offshore wind and green hydrogen projects, towards achieving 500 GW by 2030 <p>Support for Electric Vehicles (EVs)</p> <ul style="list-style-type: none"> Investments in EV infrastructure, manufacturer incentives, and subsidies for energy storage solutions are anticipated to support electric vehicles
5	Support for Rural Economy	<p>Welfare Schemes</p> <ul style="list-style-type: none"> Expectation for increased funding for rural welfare schemes, including food and fertilizer subsidies, is expected to stimulate economic recovery and address inflation impacts <p>Affordable Housing Initiatives</p> <ul style="list-style-type: none"> The government may allocate resources towards enhancing the provision of affordable housing to support rural communities
6	Employment Generation	<p>Job Creation Initiatives</p> <ul style="list-style-type: none"> The budget is expected to prioritize job creation through government-led initiatives, focusing on small and medium enterprises (MSMEs) and digital infrastructure support for retailers <p>Incentive Schemes</p> <ul style="list-style-type: none"> There is urgent call for the formal introduction of previously announced employment-linked incentive schemes
7	Infrastructure Development	<p>Capital Expenditure</p> <ul style="list-style-type: none"> The budget is expected to allocate a significant portion towards infrastructure projects, which are crucial for long-term economic growth and recovery from the pandemic's effects <p>Urban Development Plans</p> <ul style="list-style-type: none"> Urban development plans, including transit-oriented development and improved housing markets, are also anticipated

8	Digital Economy	<ul style="list-style-type: none"> • Increased allocations for digital infrastructure • Policies to promote innovation in AI, blockchain, and fintech • Support for start-ups and MSMEs in the digital domain
9	Green Initiatives	<ul style="list-style-type: none"> • Investment in renewable energy projects, especially solar and wind • Incentives for green hydrogen and electric vehicles (EVs) • Policies targeting carbon neutrality and sustainable development • Support decarbonization efforts across industries with allocations for emerging technologies like offshore wind energy and green hydrogen initiatives
10	Education and Skill Development	<ul style="list-style-type: none"> • Increased focus on digital and vocational education • Integration of the National Education Policy (NEP) goals • Support for research and higher education institutions
11	Social Welfare	<ul style="list-style-type: none"> • Continued focus on housing, sanitation, and drinking water under schemes like PMAY and Jal Jeevan Mission • Increased funding for women and child development programs
12	Defence and Security	<ul style="list-style-type: none"> • Enhanced budget for modernization of armed forces • Investments in indigenously developed defence technology • Strengthening cyber defence capabilities could also be prioritized
13	Climate Finance Taxonomy	<ul style="list-style-type: none"> • Finance Minister Nirmala Sitharaman is likely to introduce a climate finance taxonomy to classify economic activities aligned with climate goals, aiming to improve transparency and support India's climate commitments.
14	Sustainable Agriculture and Water Conservation	<ul style="list-style-type: none"> • The budget is expected to prioritize sustainable agricultural practices and water conservation measures, promoting climate-resilient seeds, precision agriculture tools, and efficient irrigation systems to reduce greenhouse gas emissions and enhance productivity
15	Production-Linked Incentives (PLI)	<ul style="list-style-type: none"> • Production Linked Incentive schemes are expected to boost manufacturing in sectors crucial for supply chain decarbonization, including energy storage and electric vehicle components, through subsidies and incentives.
16	Support for Emerging Technologies	<ul style="list-style-type: none"> • The government is expected to prioritize investments in emerging technologies like offshore wind and floating solar projects, and may offer incentives for battery energy storage systems
17	Private Capital Expenditure	<ul style="list-style-type: none"> • The government must address subdued private capital expenditure and develop new strategies to encourage domestic investment, as recent data shows a decline in new investments
18	Disinvestment Targets	<ul style="list-style-type: none"> • The government is anticipated to significantly reduce its disinvestment targets for FY25, with estimates ranging from Rs 30,000 crore to Rs 60,000 crore, citing past challenges in achieving these targets. This adjustment reflects challenges in executing planned sales of state-run firms

Sectoral Expectations

Sl No.	Sector	Expectations
1.	Agriculture and Rural Development	<p>Farmers' Expectations Among high priorities, farmers anticipate:</p> <ul style="list-style-type: none"> • Increased support for irrigation, crop insurance, and credit access • Expansion of the PM-Kisan scheme and market access initiatives <p>MSP and Subsidy Reforms</p> <ul style="list-style-type: none"> • Expected reforms in Minimum Support Prices (MSP) • Rationalization of subsidies to ensure fair compensation and balance fiscal discipline and farmer welfare
2	Industry and Manufacturing	<p>PLI Scheme Enhancements</p> <ul style="list-style-type: none"> • To expand the scope of the Production-Linked Incentive (PLI) scheme to cover more sectors with increased allocations to boost domestic manufacturing in electronics, semiconductors, and green technologies <p>MSME Support Measures</p> <ul style="list-style-type: none"> • MSMEs are seeking improved credit access, • Simplified compliance, • and enhanced export incentives to recover from pandemic-induced disruptions <p>Support for Domestic Manufacturing</p> <ul style="list-style-type: none"> • The budget is expected to boost domestic manufacturing through subsidies and tax incentives, aligning with the 'Make in India' initiative, promoting innovation and sustainability for SMEs
3	Infrastructure and Real Estate	<p>Increased Capital Expenditure</p> <ul style="list-style-type: none"> • Industry leaders seek a 10%-12% increase in capital expenditure to boost infrastructure growth, supporting sectors like transportation and urban development <p>Allocation for Major Projects</p> <ul style="list-style-type: none"> • The National Infrastructure Pipeline (NIP) is expected to receive increased budgetary support for roads, railways, and urban infrastructure projects <p>Urbanization and Affordable Housing</p> <ul style="list-style-type: none"> • Policy measures to accelerate affordable housing projects, with enhanced tax incentives for homebuyers and builders, are likely
4	Technology and Innovation	<p>Digital India Initiatives</p> <ul style="list-style-type: none"> • The Digital India program is likely to witness increased funding for broadband connectivity, digital literacy, and cybersecurity measures <p>Support for Start-ups and AI Development</p> <ul style="list-style-type: none"> • Start-ups are aiming for <ul style="list-style-type: none"> ○ Enhanced tax benefits ○ Increased funding access ○ and a framework to promote AI and emerging technologies
5	Healthcare and Education	<p>Investments in Public Healthcare</p> <ul style="list-style-type: none"> • The Ayushman Bharat initiative is expected to see enhanced allocation for healthcare infrastructure, disease prevention, and affordable medicines allocation <p>Policy Initiatives in Skill Development</p> <ul style="list-style-type: none"> • Expected Policies: Integrating Vocational Training with Academics • Incentives for private sector skill development

6	Renewable Energy and Sustainability	<p>Green Energy Transition Policies</p> <ul style="list-style-type: none"> • Increased Funding for Energy Projects • Increased solar, wind, hydrogen funding • Incentives for private sector investments • Enhanced subsidies for residential solar installations • Incentives for battery storage systems are also expected • Bringing natural gas under GST to lower project costs <p>Climate Action Commitments</p> <ul style="list-style-type: none"> • To reaffirm India's commitment to achieve net-zero emissions by 2070 • Specific budget allocations for sustainability projects
7	Financial Services and Banking	<p>Reforms in NBFC and Banking Sector</p> <ul style="list-style-type: none"> • Enhance credit availability • Address non-performing assets • Improve Governance <p>Expectations in Taxation and Compliance</p> <ul style="list-style-type: none"> • Simplified Tax Compliance • Measures Promoting Digital Payments
8	Automotive Sector	<p>Electric Vehicles (EV) Incentives</p> <ul style="list-style-type: none"> • Automotive Industry Calls for Electric Vehicle Support • Calls for interest-free loan, tax rebates and robust EV infrastructure • Expects focus on local manufacturing of EV components • Simplification of GST classifications for vehicles and components • Reduction in GST rates for hybrid vehicles from the current 28% <p>Digital Transformation</p> <ul style="list-style-type: none"> • Policies to enhance digital capabilities within the automotive sector, particularly in AI and data science to improve vehicle sales transparency and efficiency
9	Fintech Sector Initiatives	<p>Priority Sector Lending</p> <ul style="list-style-type: none"> • The Fintech industry is aiming for priority sector recognition to improve liquidity and access to funds, enabling companies to invest in technology upgrades
10	Real Estate	<ul style="list-style-type: none"> • The real estate sector is awaiting potential increase in tax exemptions on home loan interest, potentially from Rs2 lakh to Rs3 lakh, to alleviate financial burdens and boost housing demand
11	Electronics Manufacturing	<ul style="list-style-type: none"> • The industry expects the introduction of a Production-Linked Incentive (PLI) scheme worth Rs 25,000 crore to boost domestic electronic component manufacturing, aligning with the 'Make in India' initiative
12	Education	<ul style="list-style-type: none"> • Increased education funding, up to 6% of GDP, is expected towards digital education, specifically in artificial intelligence and machine learning, to prepare students for future job markets

Expected Tax Reforms

	Key Expectations
Revised Tax Slabs	<ul style="list-style-type: none"> The Union Budget is expected to make significant adjustments to personal income tax slabs, potentially increasing the basic exemption limit to Rs 5 lakh from Rs 3 lakh Income tax slabs may be adjusted, particularly for higher-income groups, with a 25% proposed rate for middle-class taxpayers between Rs 15 lakh and Rs 18 lakh
Simplification of Compliance	<ul style="list-style-type: none"> Simplifying tax filing processes, such as using pre-filled returns and digital tools, is anticipated to improve compliance and decrease litigation.
Transition to a New Tax Regime	<ul style="list-style-type: none"> The government is expected to phase out the Old Tax Regime and transition all taxpayers to the New Tax Regime, simplifying the tax structure by eliminating exemptions
Increased Basic Exemption Limit	<ul style="list-style-type: none"> Economists and stakeholders are advocating for raising the basic exemption limit from Rs 3 lakh to Rs 9 lakh, enabling more individuals to benefit from zero income tax, especially those earning below this threshold.
Enhanced Standard Deductions	<ul style="list-style-type: none"> The standard deduction is expected to increase from Rs 75,000 to a higher amount, offering additional relief to salaried individuals under the New Tax Regime
Implementation of Global Minimum Tax	<ul style="list-style-type: none"> India is likely to outline its roadmap for implementing the OECD/G20's Pillar 2 initiative, which mandates a 15% global minimum tax rate for multinational enterprises
Rationalization of Carry-Forward Provisions	<ul style="list-style-type: none"> The government may address inconsistencies in how business losses are offset against other income heads, potentially allowing greater flexibility in loss carry-forwards across all sectors
Support for Limited Liability Partnerships (LLP)	<ul style="list-style-type: none"> LLPs' growing popularity among small businesses raises expectations for tax benefits currently exclusive to companies to be extended to LLPs, enhancing their competitiveness
Reforms in TDS/TCS Provisions	<ul style="list-style-type: none"> Expectations for an overhaul of Tax Deducted at Source (TDS) and Tax Collected at Source (TCS) provisions aim to streamline compliance and alleviate taxpayer burdens

BREAKDOWN OF KEY EXPECTATIONS ACROSS DIFFERENT SECTORS

1. AGRICULTURE SECTOR

	Key Expectations
Increased Budget Allocation	<p>Substantial Increase:</p> <ul style="list-style-type: none"> The government may increase the agricultural budget by approximately 15%, raising the total allocations to around Rs 1.75 trillion (\$20.2 billion), the largest increase in six years Aims to boost rural incomes and address inflation concerns
Productivity and Technology	<ul style="list-style-type: none"> The upcoming Union Budget may focus on increasing productivity, creating infrastructure, and increasing rural income to ensure steady growth by incentivizing technology adoption, research, and innovation, and promoting high-adoption agri start-ups through the agriculture accelerator fund The budget should create infrastructure and policies to boost agriculture exports, avoiding any bans that could negatively impact farmers' income
Support for Farmers	<p>Loan Facilities</p> <ul style="list-style-type: none"> One notable expectation is the proposed increase in the limit for subsidized farm loans under the Kisan Credit Card (KCC) scheme from Rs 300,000 to Rs 500,000 per farmer, providing more financial support for agricultural activities <p>Subsidies and Price Support</p> <ul style="list-style-type: none"> Increased subsidies for fertilizers and food grains are anticipated, along with measures to stabilize crop prices through improved procurement mechanisms
Crop Insurance Schemes	<ul style="list-style-type: none"> The need for enhanced crop insurance programs like PMFBY is crucial, as it offers broader coverage and simplifies claims processes
Sustainable Practices and Infrastructure	<p>Sustainable Agriculture:</p> <ul style="list-style-type: none"> The budget is expected to prioritize sustainable agriculture practices like organic farming and water conservation, as well as investments in digital connectivity and rural infrastructure
Infrastructure Development	<ul style="list-style-type: none"> Prioritizing investments in rural infrastructure, such as storage facilities and supply chains, is expected to enhance farmers' market access and minimize post-harvest losses
Support for Irrigation Initiatives	<ul style="list-style-type: none"> Programs like PM Krishi Sinchae Yojana are expected to receive continued support, aiming to expand irrigation coverage across India, addressing the sector's vulnerability to monsoon variability, with continued support expected
Addressing Rural-Urban Income Disparities	<ul style="list-style-type: none"> The budget is expected to bridge the income gap between rural and urban areas, focusing on policies to increase productivity and income stability, as agriculture employs around 45% of India's workforce
Minimum Support Price (MSP)	<ul style="list-style-type: none"> There are demands for a comprehensive overhaul of the MSP mechanism, expanding the MSP mechanism to cover 23 commodities and recalibrating calculations to include factors like land rent and post-harvest expenses

2. INFRASTRUCTURE SECTOR

The Union Budget 2025 is expected to prioritize infrastructure development, focusing on key areas such as economic growth and employment in India

	Key Expectations
Increased Capital Expenditure	<ul style="list-style-type: none"> The government is likely to front-load capex for infrastructure projects, including road and highway construction, railway expansions, and smart city developments, to stimulate economic growth and create employment opportunities
Green Infrastructure Investments	<ul style="list-style-type: none"> The upcoming Union Budget for 2025-26 in India is expected to prioritize sustainable development, with a significant allocation of infrastructure budget towards green investments.
Smart Cities and Urban Development	<ul style="list-style-type: none"> Investments are anticipated in smart city projects to enhance urban infrastructure, improve public services, and promote sustainable living environments, including digital infrastructure, efficient transportation, and green spaces
Rural Connectivity	<ul style="list-style-type: none"> The government plans to invest in improving rural infrastructure, such as road networks and digital connectivity, to promote inclusive growth and bridge the urban-rural divide
National Infrastructure Pipeline (NIP)	<ul style="list-style-type: none"> The NIP, a comprehensive infrastructure development plan, is expected to receive continued support, including significant investments in energy, roads, railways, and urban development over the next five years

3. REAL ESTATE SECTOR

	Key Expectations
Increase in Affordable Housing Price Cap	<ul style="list-style-type: none"> Industry leaders propose an increase in the affordable housing price cap from Rs 45 lakh in metropolitan areas to Rs 70 lakh, reflecting rising construction costs and urban inflation, and Rs 50 lakh for other cities
Extension of Home Loan Tax Benefits	<ul style="list-style-type: none"> There is a strong demand to increase the tax deduction limit on home loan interest payments under Section 24(b) from Rs 2 lakh to Rs 5 lakh to reduce financial burden on homebuyers
Reduction in Corporate Tax Rates	<ul style="list-style-type: none"> A proposal has been made to lower corporate tax rates to 15% for affordable housing projects, aiming to boost developers' supply of such homes
Expansion of Credit Guarantee Schemes	<ul style="list-style-type: none"> Stakeholders advocate for the expansion of credit guarantee schemes to cover home loans up to Rs 30 lakh, aiming to reduce lending risks and encourage affordable housing projects
Simplification of GST and Regulatory Framework	<ul style="list-style-type: none"> The real estate sector seeks a simplified GST rate and streamlined input tax credit mechanism to improve affordability and reduce financial burden on developers and buyers
Recognition of Real Estate as an Industry	<ul style="list-style-type: none"> There is ongoing demand to grant "industry" status to real estate to improve financing accessibility and attract both domestic and foreign investments
Support for Urban Development Initiatives	<ul style="list-style-type: none"> Increased allocations are expected for urban housing initiatives like PMAY-U, along with measures promoting sustainable urban development and infrastructure improvements in tier 2 cities
Interest Subsidies for Developers	<ul style="list-style-type: none"> Some industry leaders pitched for interest subsidies for developers involved in affordable housing projects
Affordable Housing Initiatives	<ul style="list-style-type: none"> The real estate industry is advocating for a rise in the affordable housing price cap from Rs 45 lakh to Rs 70 lakh in metropolitan areas and Rs 50 lakh in other cities to address the growing shortage

Real estate stakeholders believe these measures are crucial for addressing current challenges and positioning the sector towards achieving a \$1 trillion target by 2030.

Potential Impacts on the Real Estate Sector

	POTENTIAL IMPACT
Increased Demand	<ul style="list-style-type: none"> Implementing tax benefits and subsidies could significantly boost housing demand, particularly among first-time buyers and low-to-middle-income families

Investor Confidence	<ul style="list-style-type: none"> The introduction of increased incentives for REITs and tax reliefs could boost investor confidence, attracting both domestic and foreign investments into the real estate market
Market Stabilization	<ul style="list-style-type: none"> The budget could stabilize the real estate market by addressing rising borrowing costs and inflation through targeted measures, encouraging increased engagement from buyers and developers
Sustainable Development	<ul style="list-style-type: none"> The focus on green building initiatives within budget allocations could align with market demands for sustainability and promote eco-friendly developments

4. FINANCIAL SERVICES AND BANKING SECTOR

	Key Expectations
Tax Reforms	<ul style="list-style-type: none"> The budget is anticipated to introduce phased income tax modernization, aiming to reduce rates and rationalize exemptions, potentially easing compliance burdens and stimulating economic activity There is also expectation of revision in tax slabs which may provide relief to middle-class taxpayers and encouraging consumer spending
Support for MSMEs	<ul style="list-style-type: none"> The focus is likely on improving credit access for MSMEs through increased funding and support mechanisms to boost employment and consumption in this crucial sector
Boosting Financial Inclusion	<ul style="list-style-type: none"> The budget may propose measures to enhance financial inclusion by enhancing access to banking services and affordable credit solutions for underserved populations
Health Insurance Sector Reforms	<ul style="list-style-type: none"> The health insurance sector is advocating for a decrease in GST rates from 18% to 5% or 12%, aiming to make health insurance more affordable and accessible
Disinvestment Targets	<ul style="list-style-type: none"> The government plans to decrease its disinvestment and asset monetization target by 40% for 2024-25, reducing it from ₹500 billion to less than ₹300 billion, amid challenges in selling state-run firms.
Investment in Digital Infrastructure	<ul style="list-style-type: none"> The government is expected to continue prioritizing digital infrastructure for the growth of the banking sector, investing in emerging technologies like AI and blockchain to improve operational efficiency and customer engagement
Focus on Capital Expenditure (Capex)	<ul style="list-style-type: none"> The government is expected to continue prioritizing infrastructure development, which indirectly benefits the banking sector by increasing lending opportunities for such projects
Fiscal Discipline	<ul style="list-style-type: none"> The budget is likely to aim for fiscal consolidation and growth balancing, with a projected fiscal deficit target of 4.5% of GDP, demonstrating a cautious approach to economic stability

5. INDUSTRY AND MANUFACTURING SECTOR

Focus on Manufacturing Growth

	Key Expectations
Strengthening Domestic Manufacturing	<p>Micro, Small, and Medium Enterprises (MSMEs):</p> <ul style="list-style-type: none"> The Indian government is planning to implement measures to boost credit flow and support MSMEs, including potential tax breaks or holidays for intermediate product producers, to reduce import dependence and boost India's total exports <p>Production-Linked Incentive Schemes:</p> <ul style="list-style-type: none"> The PLI schemes are set to expand, focusing on sectors like food processing, EVs, semiconductors, drones, and solar batteries, aiming to establish India as a global manufacturing hub There are also expectations for increased allocations under the PLI scheme, particularly for labour-intensive sectors, potentially enhancing domestic manufacturing capabilities and decreasing import reliance

National Manufacturing Policy	<ul style="list-style-type: none"> Economists advocate for a dedicated national manufacturing policy to support MSMEs, enhancing their contribution to GDP growth and employment
Infrastructure Development	<ul style="list-style-type: none"> The budget may propose significant investment in infrastructure, particularly in transportation, logistics, and energy sectors, to boost industrial growth
Technological Advancements	<ul style="list-style-type: none"> The budget may introduce tax incentives to encourage AI and automation deployment across industries, aiming to boost productivity and global competitiveness
Renewable Energy Integration	<ul style="list-style-type: none"> Solar Manufacturing: There is expectation of viability gap funding and incentives for domestic solar manufacturing of panels, cells, and storage solutions to promote sustainable industrial practices and reduce energy costs The government is expected to increase investments in solar, wind, and hydroelectric projects, and enhancing funding for infrastructure, including grid modernization and storage solutions, to achieve 500 GW of non-fossil fuel capacity by 2030
Tax Reforms and Compliance	<p>GST Rationalization</p> <ul style="list-style-type: none"> Industry leaders are advocating for GST reforms, including rate rationalization and reduced compliance burdens, to improve business efficiency and stimulate manufacturing growth <p>Custom Duty Adjustments</p> <ul style="list-style-type: none"> Tax experts predict that relaxation of customs duties on raw materials and equipment could lower production costs and stimulate investment in new technologies
Textile Industry Support	<ul style="list-style-type: none"> The government plans to boost the textile and garments industry through financial support, tariff cuts, and local production incentives to meet international demand for alternative suppliers

6. GREEN ENERGY AND ELECTRIC VEHICLES (EVS)

	Key Expectations
Increased Budget Allocation	<ul style="list-style-type: none"> The Ministry of Environment, Forests, and Climate Change (MoEFCC) is anticipated to receive an Rs 40 billion increase in funding, aiming to support initiatives aligned with India's net-zero targets, focusing on renewable energy, decarbonization, and sustainable mobility
Support for Renewable Technologies	<ul style="list-style-type: none"> Stakeholders are advocating for increased investments in solar, wind, and hydroelectric projects, particularly in emerging technologies like offshore wind and floating solar, which require substantial initial investment
Sustainable Agriculture Initiatives	<ul style="list-style-type: none"> The budget is expected to prioritize sustainable agricultural practices, water conservation measures, precision agriculture tools, and efficient irrigation systems to reduce greenhouse gas emissions
Climate Finance Taxonomy	<ul style="list-style-type: none"> Finance Minister Nirmala Sitharaman is likely to introduce a climate finance taxonomy to classify economic activities aligned with climate goals, aiming to improve transparency and support India's climate commitments

AUTOMOBILE SECTOR

	Key Expectations
Increased Focus on Electric Vehicles (EVs)	<ul style="list-style-type: none"> The budget is expected to allocate substantial funds to promote EV manufacturing through schemes like the Auto Production-Linked Incentive and PM E-DRIVE, aiming to attract domestic and international investments
Local Manufacturing Initiatives	<ul style="list-style-type: none"> There are expectations that the budget may propose measures enhance local battery manufacturing and establish domestic supply chains to reduce reliance on imports
Employment Generation	<ul style="list-style-type: none"> The budget is expected to concentrate on job creation in the automotive sector by promoting indigenous manufacturing and green technology innovation
Expected Tax Policy Changes	<ul style="list-style-type: none"> The GST rate on hybrid vehicles is expected to decrease, which currently face a high rate of 28%, aiming to make them more affordable and encourage their transition to electric vehicles (EVs) as a transitional option

Goods and Services Tax (GST) Adjustments	<ul style="list-style-type: none"> The automobile sector is advocating for a simplified GST classification for vehicles and components, aiming to simplify the current Harmonised System of Nomenclature (HSN) and simplify compliance for manufacturers
Streamlining Refund Procedures	<ul style="list-style-type: none"> The budget may include measures to streamline refund procedures for EV manufacturers, improving cash flow and reducing production costs, crucial for enhancing EV market competitiveness.

7. ELECTRIC VEHICLES (EVS)

	Key Expectations
GST Rate Reduction	<ul style="list-style-type: none"> The automobile sector is advocating for a reduction in GST on hybrid and electric vehicles from 28% to 18%, aiming to encourage environmentally friendly vehicle adoption
Expansion of PLI Scheme	<ul style="list-style-type: none"> There are expectations of expansion of production-Linked Incentive (PLI) schemes, focusing on EV components and battery manufacturing, enhancing the country's global EV production hub status
Incentives for Charging Infrastructure	<ul style="list-style-type: none"> The budget may introduce incentives for developing robust EV charging infrastructure across the country to overcome a primary barrier to EV adoption The government is expected to focus on developing battery charging stations as part of its broader infrastructure investment strategy
Financial Support Mechanism	<ul style="list-style-type: none"> Industry leaders are advocating for financial incentives like interest-free loans or tax rebates to maintain clean mobility adoption as current EV subsidies end
Focus on Domestic Manufacturing	<ul style="list-style-type: none"> Policies supporting domestic battery production are strongly urged to reduce import reliance and provide long-term incentives for advanced battery technologies for self-reliance
Tax Reforms	<ul style="list-style-type: none"> Industry leaders are advocating for a decrease in the Goods and Services Tax (GST) on EV batteries from 18% to 5%, aiming to reduce financial burdens, promote wider adoption, and streamline costs A uniform GST rate across all EV components and charging infrastructure is sought to streamline costs and stimulate sector growth.
Financial Incentives	<ul style="list-style-type: none"> Targeted subsidies and accessible financing solutions are expected to boost EV adoption among consumer Performance-linked incentives for manufacturers are also expected to enhance domestic production capabilities
Innovative Financing Models	<ul style="list-style-type: none"> Stakeholders are also advocating for clarity on tax frameworks for Battery-as-a-Service (BaaS) models, which could increase EV accessibility by reducing upfront costs through innovative leasing options

8. DIGITAL ECONOMY AND TECHNOLOGY SECTOR

	Key Expectations
Strengthening Digital Infrastructure	<p>Investment in Digital Backbone: India's digital backbone needs continued investment in high-speed internet, data centers, and digital currency initiatives to drive innovation and reduce operational costs in sectors like SaaS.</p>
Telecom Sector Support	<ul style="list-style-type: none"> The Digital Infrastructure Providers Association (DIPA) is advocating for reduced industrial electricity rates for telecom infrastructure, aiming to alleviate financial burdens and improve connectivity.
Digital Payment Expansion	<p>Boosting Digital Transactions</p> <ul style="list-style-type: none"> The budget is expected to lay out a roadmap to expand digital payment capabilities in India, aiming to improve UPI services and simplify onboarding processes for businesses, given the growing growth of UPI transactions.

Cybersecurity Investments	<p>Focus on Cyber Security</p> <ul style="list-style-type: none"> Stakeholders urge government to prioritize investments in advanced cybersecurity technologies and regulatory frameworks to protect user data and foster innovation in the expanding digital economy
Support for AI and DeepTech	<p>AI and DeepTech Development</p> <ul style="list-style-type: none"> The budget is expected to prioritize AI research and development, establish venture capital funds for DeepTech innovations, and foster industry-academia partnerships to bridge skills gaps, positioning India as a leader in AI-driven economic growth.
Tax Reforms and Incentives	<p>Tax Rationalization</p> <ul style="list-style-type: none"> Tax reforms are expected to simplify technology sector burdens, potentially reducing import duties on tech components, encouraging local manufacturing, and lowering consumer costs
Healthcare Technology Integration	<ul style="list-style-type: none"> The budget may propose incentives for digital health solutions-focused healthtech platforms to fill healthcare technology gaps, boosting access to healthcare services in underserved regions across India.

9. HEALTHCARE AND PHARMACEUTICALS SECTOR

	Key Expectations
Increased Budget Allocation	<ul style="list-style-type: none"> The healthcare sector is seeking a 2.5% to 3% budget increase to improve infrastructure, especially in rural and semi-urban areas, to meet increasing service demand
Research and Development Support	<ul style="list-style-type: none"> The reintroduction of weighted average tax benefits for R&D is gaining support, aiming to incentivize pharmaceutical companies to invest in innovative research and therapeutic advancements
Tax Reforms	<ul style="list-style-type: none"> Stakeholders are advocating for a reduction in GST on health insurance premiums and an increase in deduction limit to make healthcare services more affordable <p>Goods and Services Tax (GST) Rationalization</p> <ul style="list-style-type: none"> There's an expectation for the government to rationalize GST rates on medical equipment and expenses, which are currently not eligible for Input Tax Credit, to reduce healthcare provider and patient costs
Enhancing Insurance Premium	<ul style="list-style-type: none"> The declining insurance penetration prompts calls for measures like exempting GST on health insurance premiums and introducing separate deductions for life and health insurance policies
Regulatory Reforms	<ul style="list-style-type: none"> There are also industry recommendation for a unified regulatory authority to streamline the approval process for drugs and medical devices, improving efficiency and reducing compliance costs
Focus on Domestic Manufacturing	<ul style="list-style-type: none"> The budget is expected to reduce India's reliance on imports by promoting domestic manufacturing of active pharmaceutical ingredients through initiatives like the Production Linked Incentive scheme
Addressing Challenges	<ul style="list-style-type: none"> The Indian pharmaceutical industry faces challenges like insufficient R&D investment, advanced testing facilities, and intellectual property protection, which could be addressed by the budget
Tax-Exemptions and Reductions	<ul style="list-style-type: none"> Life-Saving Medications: Industry leaders like Biocon are advocating for tax exemptions on drugs used to treat cancer, chronic, and rare diseases, aiming to make essential treatments more affordable for Indian patients Medical Equipment: There is also strong call for a reduction in import duties on advanced medical instruments and materials for precision medicine development, thereby improving the accessibility of advanced healthcare technologies.
Expansion of Production-Linked (PLI) Scheme	<ul style="list-style-type: none"> Industry leaders propose expanding the PLI scheme to include investments in Active Pharmaceutical Ingredients (APIs), aiming to boost domestic manufacturing and decrease import reliance

10. EDUCATION SECTOR

	Key Expectations
Increased Financial Support	<ul style="list-style-type: none"> The National Education Policy recommends increasing education funding to at least 6% of GDP, aiming to support infrastructure improvements, teacher training, and digital learning initiatives <p>Student Loans and Scholarships</p> <ul style="list-style-type: none"> The government plans to offer loans up to Rs 10 lakh for higher education in domestic institutions, e-vouchers with 3% interest subvention, and increased scholarships to make higher education more accessible
Digital Infrastructure Development	<ul style="list-style-type: none"> Experts stress the necessity for substantial investments in digital infrastructure, particularly in rural areas, to bridge the educational gap between urban and rural students
Focus on AI and Technology Integration	<ul style="list-style-type: none"> The education system is undergoing significant changes, with proposals to boost AI adoption, including tax incentives for edtech companies and increased accessibility of AI tools
Vocational Training and Skilling Initiatives	<ul style="list-style-type: none"> The budget is expected to bridge the skills gap by promoting vocational training programs and work-integrated learning opportunities, specifically in sectors like digital literacy, green energy, and logistics
Public-Private Partnerships	<ul style="list-style-type: none"> Stakeholders advocate for public-private partnerships to enhance educational outcomes by utilizing shared resources, scholarships, and skill-based programs that are tailored to industry needs
Tax Breaks and Incentives	<ul style="list-style-type: none"> Tax breaks and interest rate deductions on education loans from non-banking financial companies are being proposed to alleviate financial burden on families seeking quality education
Support for International Education	<ul style="list-style-type: none"> There are proposals also suggesting reducing the tax collected at source (TCS) on foreign remittances for education, thereby aiding families in effectively managing the costs of studying abroad

11. SPACE TECHNOLOGY SECTOR

	Key Expectations
Recognition of Space as Critical Infrastructure	<ul style="list-style-type: none"> The Indian Space Association (ISpA) advocates for the formal recognition of the space sector as critical infrastructure, offering benefits like GST rebates, tax exemptions, and import duty relief for capital-intensive projects
Tax Exemptions and Financial Incentives	<ul style="list-style-type: none"> Recommendations include extending GST exemptions to satellite launch services and critical components, introducing tax holidays and accelerated depreciation for space sector companies to stimulate investment and operational efficiency
Increased Budget Allocation	<ul style="list-style-type: none"> SIA-India advocates for a significant increase in the space budget to \$5-6 billion, focusing on advanced technologies like satellite systems, space mining, and cyber security
Enhanced Use of Satellite Data	<ul style="list-style-type: none"> The government is urged to integrate satellite data across sectors like agriculture and disaster management, fostering a stable market for space technology firms and enhancing government service efficiency
Support for Satellite Exports	<ul style="list-style-type: none"> India is focusing on incentivizing satellite exports through simplified regulations and strategic bilateral agreements to boost its global market competitiveness
National Security Initiatives	<ul style="list-style-type: none"> There has been a proposal for the establishment of a Space Force Command under the Ministry of Defence aims to improve coordination between ISRO and defence agencies, aligning India's defence capabilities with space technology aspirations
Production Linked Incentive (PLI) Scheme	<ul style="list-style-type: none"> There is a push to extend the PLI scheme to include space-grade components, aiming to boost domestic manufacturing and reduce import reliance, in line with the Atmanirbhar Bharat vision
Investment in Research and Development	<ul style="list-style-type: none"> Stakeholders are pushing for increased funding for R&D in advanced technologies like quantum satellite communication and reusable launch systems to promote innovation in India's space ecosystem

12. PAYMENTS INFRASTRUCTURE & FINANCIAL INCLUSION

		Key Expectations
Focus on Digital Payments Infrastructure	Expansion of UPI Services	<ul style="list-style-type: none"> India's budget is expected to expand Unified Payments Interface (UPI) services, enhancing digital payment capabilities for 93.7% of businesses yet to digitize, leading to real-time payment transactions.
	Infrastructure Development	<ul style="list-style-type: none"> The government plans to invest in enhancing digital infrastructure, especially in rural and semi-urban areas, to facilitate digital adoption among small businesses and street vendors, promoting financial inclusion.
Financial Inclusion Initiatives	Targeted Allocations for Rural Areas:	<ul style="list-style-type: none"> The budget may allocate funds for enhancing financial literacy and enhancing last-mile connectivity, thereby promoting digital transactions and reaching underserved populations
	Support for MSMEs	<ul style="list-style-type: none"> The budget may announce measures to empower MSMEs through streamlined compliance norms and improved access to credit via digital platforms to address their significant credit gap
International Expansion of Payment Systems	Global Outreach of UPI	<ul style="list-style-type: none"> The budget is expected to reveal plans to expand UPI's international presence, focusing on BRICS nations, to enhance cross-border transactions and India's global fintech leadership
Emphasis of Technological Innovation	Regulatory Sandboxes	<ul style="list-style-type: none"> The budget may introduce regulatory sandboxes for blockchain and AI technologies to promote fintech innovation, ensuring user trust and data protection.

13. TEXTILE SECTOR IN INDIA

	Key Expectations
Reduction of Import Duties	<ul style="list-style-type: none"> Industry leaders are advocating for liberalization of import regulations for man-made fibers and chemicals, aiming to lower raw material costs in India, which are currently higher than other countries
Expansion of Production-Linked Incentive (PLI) Scheme	<ul style="list-style-type: none"> The budget may push to extend PLI scheme beyond synthetic fibers to the entire textile and apparel industry, promoting broader investment and supporting various sector segments
Direct Benefit Transfer (DBT) for Cotton Procurement	<ul style="list-style-type: none"> There are recommendations to introduce a Direct Benefit Transfer (DBT) program to replace the current minimum support price procurement system, aiming to stabilize cotton prices and maintain a steady raw material supply
Support for MSMEs	<ul style="list-style-type: none"> The textile sector advocates for improved support for MSMEs, including their recognition as secured creditors in insolvency cases, to enhance their financial stability.
Tax Reforms	<ul style="list-style-type: none"> There are calls for reduced GST rates on textiles and income tax adjustments may boost demand by making products more affordable and increasing disposable income
Sustainability Initiatives	<ul style="list-style-type: none"> The sector seeks government incentives to encourage sustainable practices like energy-efficient operations and sustainable packaging solutions, as these align with global eco-friendly trends
Infrastructure Development	<ul style="list-style-type: none"> The budget may focus on infrastructure investments in tier-2 and tier-3 cities are crucial for enhancing logistics and market access for textile producers, thereby fostering growth in emerging markets
Budget Allocation Increase	<ul style="list-style-type: none"> The Ministry of Textiles is expected to receive a 15% increase in its budget, totalling \$578 million, to support sector revitalization and global competitiveness initiatives

14. TOURISM, HOSPITALITY & CONNECTIVITY SECTOR

	Key Expectations
Granting Industry Status	<ul style="list-style-type: none"> Industry leaders are advocating for the government to grant infrastructure status to the hospitality sector, enabling access to long-term loans at lower interest rates
Rationalization of GST Rates	<ul style="list-style-type: none"> There are demands for reduction in the GST on hotel rooms above Rs 7,500 from 18% to 12%, aiming to boost competitiveness and stimulate tourism
Investment in Infrastructure	<ul style="list-style-type: none"> Experts stress the necessity for substantial investment in transportation infrastructure, including roads, airports, and railways, to enhance connectivity to tourist destinations and boost tourism growth
Digital Initiatives	<ul style="list-style-type: none"> A digital single-window clearance system is being proposed to streamline licensing processes for hotels and tourism operators, thereby improving compliance and operational efficiency
Support for Domestic Tourism	<ul style="list-style-type: none"> The government is expected to boost domestic tourism by promoting India's diverse attractions through initiatives like "Incredible India" and funding campaigns
Sustainability Initiatives	<ul style="list-style-type: none"> There is growing demand for eco-tourism and community-based tourism initiatives that align with global sustainability goals, highlighting the growing emphasis on sustainable tourism practices
Enhancing Skilled Workforce	<ul style="list-style-type: none"> The hospitality industry is seeking measures to develop a skilled workforce through training programs and educational partnerships to meet the demands of its expanding industry
Public-Private Partnerships (PPP)	<ul style="list-style-type: none"> Industry leaders suggest implementing Public-Private Partnership (PPP) models to create new tourist destinations, potentially unlocking untapped potential in various Indian regions

15. URBANIZATION & INFRASTRUCTURE DEVELOPMENT

	Key Expectations
Increased Capital Expenditure	<ul style="list-style-type: none"> The government is expected to boost capital expenditure on urban infrastructure projects, including roads, railways, and public transportation, to boost urban growth and enhance connectivity
Smart City Initiatives	<ul style="list-style-type: none"> The funding for Smart City projects, which aim to improve urban living conditions through technology and sustainable practices, could be extended or expanded
Rationalization of Stamp Duties	<ul style="list-style-type: none"> Experts suggest rationalizing stamp duty rates in Tier-II and Tier-III cities to make property transactions more affordable and encourage middle-class home ownership

16. AFFORDABLE HOUSING

	Key Expectations
Redefining Affordable Housing	<ul style="list-style-type: none"> There is a strong push to increase the price cap for affordable housing in metropolitan areas from Rs 45 lakh to Rs 70 lakh, and to Rs 50 lakh in other cities, is being pushed
Support for Housing Schemes	<ul style="list-style-type: none"> The budget is expected to bolster the government's commitment to affordable housing through PMAY schemes, potentially increasing allocations for low-income families
Tax Incentives for Home Buyers	<ul style="list-style-type: none"> There are expectations for tax reliefs, such as increasing home loan interest deduction limits, which could boost property investment and stimulate the real estate sector
Focus on Sustainable Housing	<ul style="list-style-type: none"> The budget may include green building initiatives, offering incentives for eco-friendly developers to align with India's environmental goals
Revival of Credit-Linked Subsidy Scheme (CLSS)	<ul style="list-style-type: none"> There are expectations that the government may consider reintroducing the CLSS under the Pradhan Mantri Awas Yojana, providing up to Rs 2.67 lakh in subsidies to eligible homebuyers

17. FOCUS ON JOB CREATION: INCENTIVES OF EMPLOYMENT INTENSIVE SECTORS

The Union Budget 2025 is expected to prioritize job creation, notably through incentives for the employment-intensive sector.

	Key Expectations
Employment Initiatives	<ul style="list-style-type: none"> The budget is expected to expand on previous employment schemes like the Employment Linked Incentive Scheme and Prime Minister Internship Scheme, prompting industry representatives for clarity on implementation and future direction
Support for Labour-Intensive Industries	<ul style="list-style-type: none"> Industry bodies like CII are advocating for targeted support in sectors like construction, textiles, tourism, and low-skilled manufacturing, as these sectors are crucial for creating substantial employment opportunities
Skill Development Programs	<ul style="list-style-type: none"> The budget may allocate funds for expanding vocational training and education programs, especially in technology-driven fields, to meet current job market demands in districts.
Incentive for MSMEs	<ul style="list-style-type: none"> The government is expected to introduce incentives for MSMEs, easing credit access and providing subsidies to support their growth and job creation
Production-Linked Incentives (PLI)	<ul style="list-style-type: none"> Industry stakeholders are advocating for improved PLI schemes for labour-intensive sectors, which could simultaneously boost production and employment
Tax Reforms	<ul style="list-style-type: none"> The budget may propose measures such as income tax cuts to stimulate economic growth and arrest the current slowdown.

18. GEMS AND JEWELLERY SECTOR

India's gems and jewellery industry is preparing for the Union Budget 2025 with high expectations regarding taxation policies and consumer demand stimulation.

	Key Expectations
Taxation and GST Expectations <ul style="list-style-type: none"> Reduction in GST Capital Gains Tax 	<ul style="list-style-type: none"> The industry is advocating for a decrease in the Goods and Services Tax (GST) from 3% to 1%, citing rising gold prices as a potential solution to consumer financial burdens. There is also push to eliminate capital gains tax on gold and silver jewellery sales is being considered to further stimulate market transactions.
Policy and Regulatory Changes <ul style="list-style-type: none"> Gold Monetisation Scheme Single Regulator 	<ul style="list-style-type: none"> Expectation of improvement in the gold monetisation scheme to enhance its appeal to consumers, allowing for more participation from recognized retail jewellers The gems and jewellery sector is advocating for a unified regulatory body to streamline regulations, align them with global standards, and potentially boost exports
Consumer Accessibility <ul style="list-style-type: none"> EMI Options for Purchases Digital Gold Regulation 	<ul style="list-style-type: none"> The industry is seeking to make jewellery more affordable for middle-class consumers by reintroducing easy monthly instalments (EMIs) as previously banned The increasing demand for digital gold has led to the need for regulatory frameworks to ensure consumer protection and promote innovation in this emerging market

* Views are personal

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