Funding the Future: India's Interim Budget 2024-25 Targets $134 Billion for Infrastructure Development

Union Finance Minister Nirmala Sitharaman presented the Interim Budget 2024, focusing on infrastructure, agriculture, green growth, railways, youth, and women empowerment, while maintaining fiscal consolidation and continuing capital expenditure. The FM lowered the FY25 fiscal deficit target to 5.1% of the GDP. There were no changes made to the direct tax and indirect tax rates. Capital Expenditure outlay for Infrastructure development and employment generation for 2024-25 is being increased by 11.1 per cent to eleven lakh, eleven thousand, one hundred and eleven crore rupees (₹ 11,11,111 crore). This amounts to 3.4 per cent of the GDP.

The total size of the 2024-25 Interim Budget stands at Rs 47.66 lakh crore — 6.1 per cent bigger than the revised estimate for 2023-24. To help meet the gap between its income and expenditure of Rs 16.85 lakh crore, or the fiscal deficit, pegged at lower-than-expected 5.1 percent of the GDP, the Centre will borrow Rs 14.13 lakh crore from the market by issuing bonds.

Prime Minister Shri Narendra Modi hailed the Interim Budget as "not merely an interim budget but an
empower all pillars of developed India - the youth, the poor, women, and farmers."

Commending Finance Minister Nirmala Sitharaman for her vision, Prime Minister Modi stated, "Nirmalaji's budget is a budget for building the future of the country. This budget carries the guarantee of strengthening the foundation of Viksit Bharat by 2047."

Allocation for Specific Ministries

	in Rs Lakh Crore
Ministry of Defence	6.2
Ministry of Road Transport and Highways	2.78
Ministry of Railways	2.55
Ministry of Consumer Affairs, Food & Public Distribution	2.13
Ministry of Home Affairs	2.03
Ministry of Rural Development	1.77
Ministry of Chemicals and Fertilizers	1.68
Ministry of Communications	1.37
Ministry of Agriculture and Farmer's Welfare	1.27

Prime Minister Modi remarked, "This budget is a reflection of the aspirations of Young India" and highlighted two significant decisions taken in the budget: a fund of Rs. 1 lakh crore has been announced for research and innovation, and extension of tax exemptions for startups.

Roads & Highways Infrastructure

In a strategic move aimed at sustaining India's position as one of the world's fastest-growing major economies, the FM announced a record-breaking capital expenditure (capex) of 11.11 trillion rupees (approximately $134 billion) for infrastructure creation in the fiscal year beginning April 1, 2024. The proposed capex is 11.1 per cent higher than the current fiscal year's allocation of little over 10 lakh core rupees (approximately $120 billion).

The pre-election Budget 2024-25 document has allocated a marginally enhanced outlay of Rs 2.78 lakh crore for the highways sector as against Rs 2.70 lakh crore for 2023-24, which was later revised to Rs 2.76 lakh crore. The capital allocation for the Ministry of Road Transport & Highways increased although the growth is modest at 3%, which indicates the government's focus on the road sector and enables the Ministry to meet the completion targets for the Bharatmala and the NIP (National Infrastructure Pipeline).

Railways & Airports

After receiving the highest ever budgetary allocation in 2023-24, the outlay for Indian Railways for FY 2024-25 is Rs 2.5 lakh crore, nearly 5% higher than last year. A major chunk of expenditure for the Indian Railways comprises staff cost, estimated to be Rs 1.17 lakh crore for FY '25.

Fuel costs including diesel and electricity will be Rs 10,735 crore and Rs 23,102 crore, respectively in FY '25.

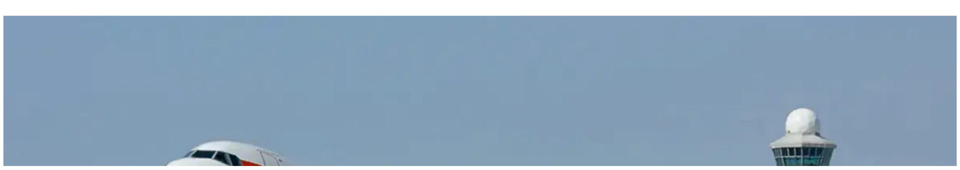
There is an increase in the budgetary allocation for the National High Speed Rail Corporation (NHSRCL) to Rs 25,000 crore in FY'25. At the same time, the allocation for the Dedicated Freight Corridor Corporation of India (DFCCIL) has been slashed to Rs 4155 crore from Rs 14,526 crore in FY '24.

The government has announced the implementation of three major economic railway corridor programs aimed at enhancing logistics efficiency and reducing costs. These programs, identified under the PM Gati Shakti initiative, include energy, mineral, and cement corridors, port connectivity corridors, and high traffic density corridors.

Cement companies gave a thumbs up to the Union Budget proposal to develop a cement corridor. The announcement under the railways would help improve logistics efficiencies and boost multimodal connectivity, said the Cement Manufacturers Association (CMA). The industry body counts top players UltraTech Cement, JK Cement, and JSW Cement as its members. "This budget retains its intent to continue the rapid growth momentum keeping the medium and long-term vision sharp. The strong thrust on research and innovation with infrastructure development is a move in the right direction," said Neeraj Akhoury, President & MD of Shree Cement Limited.

By decongesting high-traffic corridors, the operations of passenger trains are expected to improve, leading to increased safety and higher travel speeds for passengers. Additionally, the conversion of forty thousand normal rail bogies to Vande Bharat standards is set to enhance passenger safety, convenience, and comfort. Moreover, the Metro Rail and NaMo Bharat train systems will support the expansion of large cities especially the transit-oriented development.

The FM highlighted that the number of airports in the country have doubled to 149 in ten years. More number of cities are brought under airmap through UDAN Scheme. This has resulted in Indian carriers placing order for over 1000 new aircrafts. The FM further stated that expansion of existing airports and development of new airports will be expedited.



Steel PLI scheme

The central government has proposed to hike the budgetary allocation for the Product Linked Incentive (PLI) scheme for specialty steel to Rs 270 crore, against the allocation of Rs 2.36 crore proposed last year. The revision of allocation comes amid the government's plans to introduce PLI 2.0 in a bid to ensure raw material supply for the steel sector in 2024.

While strong infrastructure spending ensures robust demand for the metal, steel companies remain concerned about rising imports and high raw material prices amid geopolitical uncertainties.

In 2021, the Union Cabinet approved the PLI scheme to boost production of specialty steel in India. Under the PLI 1.0 scheme, the government approved Rs 6,322 crore to boost the steel sector. The Ministry of Steel had signed 57 MoUs with 27 companies for specialty steel.

The scheme is expected to generate an investment of about Rs. 30,000 crores and additional capacity creation of about 25 million tonnes of specialty steel in the next 5 years.

Additional Budget Highlights

Rooftop solarization and Green Energy: A slew of measures was proposed for the promotion of green growth and renewable energy including rooftop solarization, through which one crore households will be able to obtain up to 300 units of free electricity every month. Coal gasification and liquefaction capacity of 100 MT will be set up by 2030, which will reduce India's reliance on imports of natural gas and other critical items, curb emissions, and give a fillip to end-user sectors like steel.

Electric Vehicle Ecosystem: The Government will expand and strengthen the e-vehicle ecosystem by supporting manufacturing and charging infrastructure, and there will be greater adoption of e-buses for public transport, and the networks will be encouraged through payment security mechanisms.

Bio-manufacturing and Bio-foundry: For promoting green growth, the government has proposed a new scheme of bio-manufacturing and bio-foundry, which will provide environment friendly alternatives such as biodegradable polymers, bioplastics, biopharmaceuticals, and bio-agri-inputs. This scheme will also help in transforming today's consumptive manufacturing paradigm to one based on regenerative principles.

PM Awas Yojana (Grameen): The Government will pay utmost attention to make the eastern region and its people a powerful driver of India's growth, PM Awas Yojana (Grameen) is close to achieving the target of three crore houses, and two crore more houses will be taken up in the next five years to meet the requirement from the increasing number of families.

Port Connectivity & Tourism: The budget outlined projects for port connectivity, tourism infrastructure, and amenities on the country's islands, including Lakshadweep. "States will be encouraged to take up comprehensive development of iconic tourist centres, branding and marketing them at global scale," said Nirmala Sitharaman. A framework for rating the centres based on quality of facilities and services will be established. Long-term interest free loans will be provided to States for financing such development on a matching basis.

GST Reduced Compliance Burden: On indirect taxes, Sitharaman said that GST has reduced the compliance burden on trade and industry by unifying the highly fragmented indirect tax regime in India. According to a recent survey conducted by a leading consulting firm, 94 per cent of industry leaders view the transition to GST as largely positive. The budget highlighted the fact that the tax base of GST has more than doubled and average monthly gross GST collection has almost doubled to Rs. 1.66 lakh crore this year.

States too have benefited: States' SGST revenue, including compensation released to States in the post-GST period of 2017-18 to 2022-23, has achieved a buoyancy of 1.22. The biggest beneficiaries are the consumers as reductions in logistics costs and taxes have brought down prices of most goods and services.

Regarding the steps taken in customs to facilitate international trade, Sitharaman said the import release time declined by 47 per cent to 71 hours at Inland Container Depots; by 28 per cent to 44 hours at air cargo complexes; and by 27 per cent to 85 hours at sea ports, over the last four years.

Key Takeaways

Economic Growth

- Nominal GDP growth for 2024/25 seen at 10.5% y/y
- Inflation has moderated and economic growth picked up
- Pro-active inflation management has helped contain inflation within the target band (2%-6%)
- Govt says its policies have brought 250 million people out of poverty in the last 10 years

Infrastructure Spending

- Allocation for infrastructure for 2024/25 raised to 11.1 trillion rupees ($134 billion), up 11.1% y/y
- Federal govt to allocate 3.86 trillion rupees to States for spending on infrastructure in 2024/25
- Corpus of 1 trillion rupees to be set up with a 50-year interest-free loan for research in sunrise sectors
- Federal govt to allocate 2.55 trillion rupees ($30.7 billion) for spending by railways in 2024/25
- Budget allocations for road transport ministry seen at 2.78 trillion rupees
- Viability gap funding to be provided for offshore wind power
- 10 million houses to get free electricity via rooftop solar programme
- Govt to subsidise construction of 20 million affordable houses in rural areas.

Reaction to Interim Budget FY 24- 25

Mazhar Syed, Director, Asmita India Realty

The swift advancement of infrastructure, spanning physical, digital, and social aspects, indicates an era of unparalleled progress. Every part of the country is actively contributing to economic growth. In the 21st century, Digital Public Infrastructure becomes a crucial element in production, significantly contributing to the organization of the economy. Our vision for 'Viksit Bharat' is that of a Prosperous Bharat in harmony with nature, with modern infrastructure, and providing opportunities for all citizens and all regions to reach their potential. As we construct, connect, and introduce new ideas, our collaborative endeavors are molding a future where comprehensive growth flourishes on a sturdy and interconnected infrastructure.

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