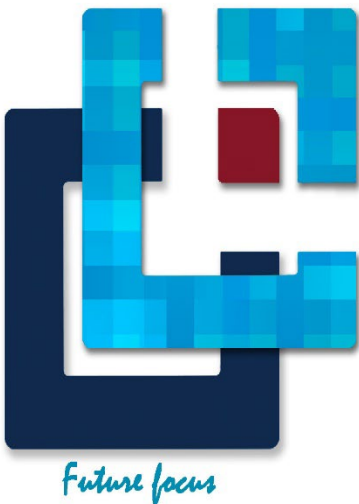


2024

# Indian Interim Budget



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# Indian Interim Budget( Pre election) 2024

We have been reaping benefits through our Investment in Indian Market. In the last 5 years our investment return is 348%. It is more of a professional urge to follow closely each major events to assess how economic future is shaping up and what will be the Investment Landscape. This is not in any way a political commentary rather it is an understanding of the economic reality of BHARAT. This should be read as an investment note. We are bullish on the Indian Market for the next 10 years. As we hope that India will be an upper middle-income country (>\$4000 per capita) by 2034. From an investment point of time the return will be astronomical.

Two major economies and democracies - USA and India is going to election in 2024, as usual election rhetoric is all around from the Political parties. In USA it starts with primaries and in India most often it is through Budget.

In this perspective, every time I watch the pre-election budget, I get a better view as the finance minister highlights new projects that helps you to know what is yet to be addressed. This year also it is not an exception. Finance Minister Nirmala Sitaraman delivered a budget speech which could have been the speech of Prime Minister going for election. She maintained the tradition.

**Amrit Kal till 2047 : Developed India target year**

BJP with Mr Modi as the PM is going to election in 2024 for the third Term so obviously, the budget showcased the achievements of Modi Government in the last 10 years 2014-2024 in comparison to the Manmohan Singh led Congress Government from 2004-2014. **In this regard, please keep in mind, BJP has the economic stalling effect of COVID Pandemic for 2020-22 while Congress faced Asian financial Crises in 2007 and Global financial crises in 2008-10.**

There is no doubt that Economy is in Strong Footing with GDP Growth at 7.3% and inflation tapered down to 5.7%, official Unemployment rate is 3.2%, Significant Jump in FDI/FPI and Stock markets are at all-time high, Tax collections are growing high and GST collection reached approx. USD 19.6 billion per month – surely the COVID days are past and economy is poised for a leap. Though we take note of Fiscal deficit of 5.8% higher than the Fiscal deficit of the past Government 4.8% in 2013-14, but a slightly higher Fiscal deficit is better for the Investors as there will be lot of Capex spending for the future.

The main success of the current Government is in the creation of “**pro-Development- Growth friendly**” image around the world for sure. The Direct results are an increase in FDI flows which is estimated to be USD 597 billion - more than double the FDI inflows during the tenure between 2005-14. (\$282.06 billion). And this also facilitated greater importance as a member in G20 - also in the bilateral deals with USA, Europe, UK, Japan, and Australia. Like the mention of Europe corridor in the Budget speech. Interestingly, USD 312 billion of FDI (52% of the total) came in the last four years since 2020 which shows due to China Plus Policy of the developed world during COVID era positively benefitted India in terms of economic recovery.

**FDI inflows after economic liberalization in 1991 to 2004 was miniscule only USD38 billion, in the next 10 years 2005-2014 it was USD 282 billion (7.4x) and 2015-2024 it will be around USD 670 billion (est. 2.4x). If this trend continues in the next 10 years up to 2034 will bring in another USD 1 trillion and with multiplier, India could reach an USD 5 trillion economy by 2028**

This has given the voice to the **Global Desis’** (read NRIs, OCIs etc) who got prominence and felt important to be part of the “**Vikashit Bharat**” narrative. In economic terms, it increased diaspora participation through billions of “**Foreign Inward remittances**”.

Now if we look at the **FDI Equity flow which is the good part of the FDI** (from 2000 to 2023) directly invested in nation building - USD 645 billion roughly 70% of Total FDI in the following major sectors :

<b>Sectors</b>	<b>Share in Total %</b>
Service Sectors (Financial, Banks Insurance, consultancy etc)	<b>17.71%</b>
Computer Software and hardware	<b>14.86%</b>
Infrastructure, Construction	<b>10.19%</b>
Telecommunications, Broadcasting	<b>7.75%</b>
Trading (Ecommerce)	<b>6.21%</b>
Energy sector	<b>6.16%</b>
Pharma	<b>3.34%</b>
Chemicals & fertilizers	<b>3.34%</b>
Mining and metallurgy	<b>3.23%</b>
Hotel & Tourisms	<b>2.61%</b>
Education	<b>1.44%</b>
<b>Total of 11 sectors</b>	<b>76.84%</b>

Thus, other 42 industry sectors receive only 23.16%. We can derive the following

- 1) India’s Top 10% in the Income Pyramid is mainly getting benefitted from the organized sector through FDI contribution, Domestic Private Investments and balance from Government sectors.
- 2) There is a huge scope still in many sectors including Hotel and tourisms which could attract further – that’s why in the Budget **mentions of Business and Conference Tourism, Spiritual**

**Tourism and Domestic Tourisms happened** – but still way to go in this regard apart from the right campaign **“Incredible India”**.

**Various declared programs in Aviation, Railways , Green Energy, Infrastructure development, Housing for Middle class, Higher educations(IITs/IIITs/ IIMs/AIIMS/Universities) are mainly for the top 10% of the Income pyramid.**

**Real Bharat :**

**At this juncture, Finance Minister was left with 90% of the population** – lower income class (earning less than USD 325 per month) and poor class (earning more than USD 2 per day) and below poverty line class. Mostly they are farmers, rural population, migrant workers in Urban areas and a large part of these households are controlled by Women. Also they are the biggest unorganized sector of the world. There are a significant portion of youth who are either unemployed or under employed. **This is the biggest problem of Indian economy how you manage the majority to give you the time for further growth and development. This is also paradox for Long term investors .**

**Who votes ?** In 2019 around 912 million(68%) was eligible to vote and of that 67% voted (in effect 45% of the total). **In 2024, Total eligible Voters will be 960 million of this 470 million will be women. And the new 9 billion additions is the youth mostly from the 90% Population segment.**

Given the data above what an incumbent Government can do?, Modi Government did the same thing.

**BJP Budget New 4 Focus Pillars : GARIB, YUVA, ANNADATA (Farmers) and WOMEN**

(One thing I must admit BJP is the craftiest slogan maker and use of catch phrase is at par excellence)

It is to remind the majority that you are not forgotten. The government acknowledges in a positive manner that they are aware that the work is still in progress and they have plan to do more.

**GARIB – I think for the second time this word so prominently appeared after Congress’s “Garibi Hathao” campaign.**

The biggest achievement in this respect is the **DIRECT BENEFIT TRANSFER of USD 408 billion** (during the last 10 years) to the poor. A staggering number but it also shows the challenge of Indian economy of haunting poverty.

And as FM claimed that **there is no corruption in distribution that is a great assurance.**

**PM Awas Yojna Grameen - reaching 30 million housing and another 20 million in the next 5 years.** This is a good achievement – helps to create a multiplier effect in the local economy as well as in the organized sector (cement, steel, other household materials etc)

Finance for 7.8 million **street vendors** (Urban poor) going on well. Repeat drawals happening.

**YUVA (Youth):** when India is screaming from the roof top of its demographic dividend. The Government needs to pad up further to create opportunity impetus for youth.

- **Skill India** - 3000 new ITIs set up for providing the livelihood skills to youth
- **Start up India** - This program is doing well. But requires long term fun. Plan to set up USD 12 billion fund for 50 year Loan term Loans to Youth for R&D in sunshine sectors
- **Focus on the vast coastline and fishing of India** – continuing the plan to create a complete Acqua Culture Infrastructure (estimate to create 5.5 million jobs in fishery) -
- **Mudra Yojna** : for loan upto INR 1 million to small borrowers through BFSI network
- **10 million Roof top Solar panel fixation by Local youth linking to net zero by 2070**
- **Charging station for electrical vehicle by youth**

**ANNADATA (Farmers) :** The weakest spot of the Government in terms of perception.

**Jai Jawan- Jai kishan – Jai Vigyan – Jai Anusandhan** (again lot of catch words but to be supported by more ground work)

- **Continuous Hike in MSP for farmers will continue;**
- **Annadata Scheme** - 118 million farmers benefitted from low priced funding / waiver and fertilizer's subsidy
- Self-reliant on Oil seeds
- Food Processing Industries will be developed. (Global corridor for farmers)

**NARI (Women) :**

- **Lakhpati Didi (100k Sister):** 8.3 million SHGs covering **90 million women** have become “lakh Pati”(100,000 earner); **30 million** more such women will be empowered.
- **India made Vaccination** for prevention of cervical **cancer in India (453 million approx.)**
- Ayushman Bharat scheme is extended to cover Asha and Angan wadi worker.

**I will still maintain the Government needs to focus more on tertiary and secondary education and needs to control the population growth, which is the key to future success;**

Finally, I will conclude that from the point of **Investment in Indian market the economy is in the right direction and finally private sector capital spending started happening as FM noted, so the government can use the resources for development purpose. Every Economist believes**



China could grow because of communism that provided a long-term strategic direction and strong execution capability. In a democracy, it is very difficult to get the period of development for continuity and sustainability. After a long-term Modi Government is getting an opportunity to continue for 5 year term then current momentum will be continued for sure



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 Debashish	NGL Fine Chem	13-Mar-20	302	729%	572%	631%
Debashish	Tata Elxsi	27-Apr-20	790	646%	883%	1024%
Debashish	RACL Geartech	4-Aug-20	65	897%	2085%	1817%
Debashish	Arman Financial	8-Feb-17	243	327%	826%	952%
 Saugata	Shivalik Bimetal	5-Feb-21	69	697%	933%	770%
Saugata	Newgen Software	7-Apr-20	116	477%	610%	1279%
Saugata	Trident	1-Oct-20	6.55	740%	419%	648%
Saugata	Indian Bank	11-Jan-21	87	94%	287%	422%

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## Key Interim Budget Announcements – 2024

The pre election budget did not have much to mention. It is a more elaboration of the performance of the Government in the last 10 years. I have noted few notable areas :

### Big 4 :

- The capex target of FY25 has been set at USD 138 billion, up by 11.1%. FY25 capex outlay at 3.4% of GDP.
- PM Awas Yojana Grameen: Close to achieving target of 30 million homes; 20 million more homes planned due to growing need.
- Masta Sampada Yojna will be boosted through setting up 5 Acqua park , increasing productivity to 3ton to 5 ton per acre and generating 5.5 million jobs
- Income tax is free upto Annual Income of Rs 0.7 million

### Railway Infrastructure :

- Railway corridor-port connectivity under DFC - More than 2 corridors to be set up. Also, 3 more rail corridors for Energy, cement and mineral to be added, apart from DFC. ( productivity and efficiency of supply chain will increase)
- 40,000 rail bogies to be converted to Vande Bharat standards for safety
- More metro trains & namo Bharat trains to be expanded to more cities.

### Green Energy :

- Commitment to meet 'Net Zero' by 2070
- New solar power schemes launched by PM Modi recently would lead to saving of INR15,000-18,000 per households annually who install roof top solar panels. 1cr households will be enabled to get 300units per month fully free.

- Government to launch a scheme to help deserving sections of the middle class living in rented houses or slums or chawls and unauthorized colonies to buy or build their own houses - Likely positive for Steel, Cement and Building material.
- Viability gap funding for wind energy
- Setting up of coal gasification and liquefaction capacity
- Phased mandatory blending of CNG, PNG and compressed biogas
- Strengthening e-vehicle ecosystem by supporting manufacturing and charging
- New scheme of biomanufacturing and bio-foundry to be launched to support environment friendly alternatives
- Adoption of e-buses for public transport network

### **Other Major Announcements :**

- Corpus of USD 12 Billion to be established with 50 year interest free loans for sunrise domains for R&D
- Govt plans to set up more medical colleges by using existing hospital infrastructure
- Tourist centre development - states to be encouraged to take up development of tourist centres- long term interest free loans to provided for states
- Financial assistance for procurement of biomass aggregation machinery
- Rooftop solarization-10 million households will be enabled to obtain up to 300 units of free electricity per month

### **On the basis of the overall direction of the economy, I think following Sectors would do well in this year 2024**

#### **Positive sectors/companies :**

Infrastructure companies (Larsen Toubro, PSP projects )

Private banks ( ICICI,SBI, HDFC )

Insurance Companies (LIC, HDFC Life)

Railway focus companies (Kernex )

Renewables & Power transmissions (Tata Power, Adani Green )

Fisheries/Acqua Culture (Avanti Feeds)

Disclaimer : Investments are subject to market Risk. This is only for knowledge purpose. We have not recommended these stocks. We ourselves have exposures in these stocks.

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