IMPACT OF BUDGET 2025 ON THE MARKET

IMPACT OF THE BUDGET ON TAXATION

- In 1945, there was nil tax on income of up to Rs. 1,500. In 2014, the nil tax bracket increased to income of up to Rs. 2.5 lakhs which was further increased to income of up to Rs. 12 lakhs in 2024. This will create additional savings of Rs. 11 lakh crore.
- In 2014, the budget size was Rs 14 lakh crore which grew to Rs 50 lakh crore in 2025. Except USA & China, no other country has such a huge budget size. Hence, low tax rate countries like Vietnam & Indonesia are no comparison to India.
- India has 8.6 crore tax payers out of which approximately, 1 crore people have an income of more than Rs 12 lakh per annum and 4.4 crore people earn between Rs. 2.5 to 5 lakh. 3.5 lakh people have an income above Rs. 1 crore.
- Indians have the tendency to pay Rs. 500 and take acknowledgement of ROI and claim to be proud assessee by paying tax. By this rationale, even if 50% tax payers prefer to change the bracket from 5 lakhs to 12 lakhs, Indian savings will escalate to Rs. 11 lakh crore.
- Additional escalation will come from Rs. 15 lakh to 24 lakh tax bracket. Earlier 30% was taxed on income above Rs. 15 lakhs which has now increased to Rs. 24 lakhs. This concludes that there is a scope of many tax payers going up to Rs. 23.90 lakhs at average tax rate of 16% which is lower than STCG tax. Hence, this scheme will generate savings.

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ROADMAP TO GDP OF 8%

- In 2014, the capex was less than Rs. 50,000 crore whereas Rs. 2.4 lakh crore was used for PSU allocation.
- Over 2022 to 2025, the capex rose to Rs. 32 lakh crore which was higher than the entire year's tax estimates (Rs. 28 lakh crore for FY2025).
- Private sector capex is done with payback period of 4 to 5 years. We may estimate the government capex payback period of 6 years.
- The payback is expected to start by 2028. This will help boost tax collections further, thus, lifting the GDP.
- The path to 12 trillion $ economy is clear and India is expected to consistently grow at 7 to 8% GDP for the next 6 years.
- We estimate conservatively, aggregate savings of Rs. 11 lakh crore. This is enough to push the consumption by 10 to 15%. If it succeeds then we can expect the GDP to scale up to 8% as desired by honorable PM.

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ADVANTAGES OF THE CURRENT MARKET SCENARIO

- The market is still extremely bearish.
- Adjusted PE for FY2026 is as low as 16.52.
- FPI selling is unabated.
- Big houses believe that these numbers will not be delivered.
- We are close to financial year end.

Conclusion: There cannot be a better time to buy in the Indian stock market and wait till 31st March, 2025.

NIFTY VALUATION FOR FY2026

Current FY2025 PE	**19**
Estimated growth in corporate tax	**11%**
This means that Nifty 50 growth has to be over 20% and with 20% earnings growth, discount factor cannot be less than CAGR of 15%	
Expected FY2026 PE	**16.52**
Fair PE assumption (33 years average is 25)	**22 to 25**
Assuming, valuation at PE of 22, Nifty is expected to be valued at	**31,450**

PAVING THE PATH TO 12 TRILLION $ ECONOMY

Budget 2025 is the perfect balance of growth and fiscal prudence without any compromise which is a rare sign. This is historical over the past 77 years.

This is path breaking as MSMEs and other sectors are covered in a big way which will create massive employment.

Hence, the journey to 12 trillion $ is now visible over next 5 to 7 years.

India has consistently proved its numbers in the last decade.

REAL BENEFICIARIES OF THE BUDGET

- **SBI** – More than Rs. 11 lakh crore will be saved which will move to the banking system & SBI having maximum reach will see maximum deposits.
- Though FMCG & Consumables are big beneficiaries, they will not have any impact since they have a large base.
- Smaller companies in NBFC, FMCG, Consumption scheme, Textiles, Defence, Railways, Packaging and Shipping will be larger beneficiaries.
- FPI holding has come down to 17% in December quarter. This is because FIIs are selling stocks which have high beta high PE ratio.
- We have already seen big sell off & big distribution in the current phase and hence, it will be less profitable to pick stocks merely on the basis of correction.
- Thus, bottom-up stocks which could become part of new main stream can create wealth.

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