



**ICMAI Registered Valuers
Organisation**



Rakesh Tayal

Registered Valuer - Securities or
Financial Assets

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Impact of the 2025 Union Budget on Company Valuations

The 2025 Union Budget of India introduces several measures poised to influence company valuations across multiple sectors. This presentation explores the key factors affecting valuations, including cost of capital, growth rates, government bond interest rates, and debt conditions.



Agenda: Impact Analysis of 2025 Union Budget on Valuations

A comprehensive analysis of macroeconomic factors and sector-specific implications



Cost of Capital: A Critical Determinant



Interest Rates

Reduction in fiscal deficit to 4.4% may stabilize or lower bond yields.



Taxation

Increase in personal income tax exemption boosts household income.



Corporate Borrowing

Potential reduction in borrowing costs for companies.



Growth Rate: Sector-Specific Initiatives

Infrastructure

₹11.21 trillion allocation for development. Moderate growth expected in construction and cement sectors.

Agriculture

Six-year program to boost pulses and cotton production. Higher valuation expected for agribusinesses.

Consumer Goods

Personal tax cuts increase disposable income. Increased spending benefits FMCG companies.

Government Bond Interest Rates

1

Fiscal Deficit Reduction

Lower government borrowing, reducing bond yields.

2

Monetary Policy

Potential downward pressure on the risk-free rate.

3

Capital Market Response

Increased investor confidence, boosting equity values.



GDP Growth & Economic Outlook

6.5-7%

Projected GDP Growth

India expected to remain the fastest-growing major economy.

8%

Manufacturing Growth

Projected growth rate for the manufacturing sector.

9%

Services Growth

Expected growth rate for the services sector.



Inflation & Interest Rate Implications

Rural Income Support

Policies aimed at improving rural income to help control inflationary pressures.

MSME Support

Measures to boost MSMEs expected to contribute to economic stability.

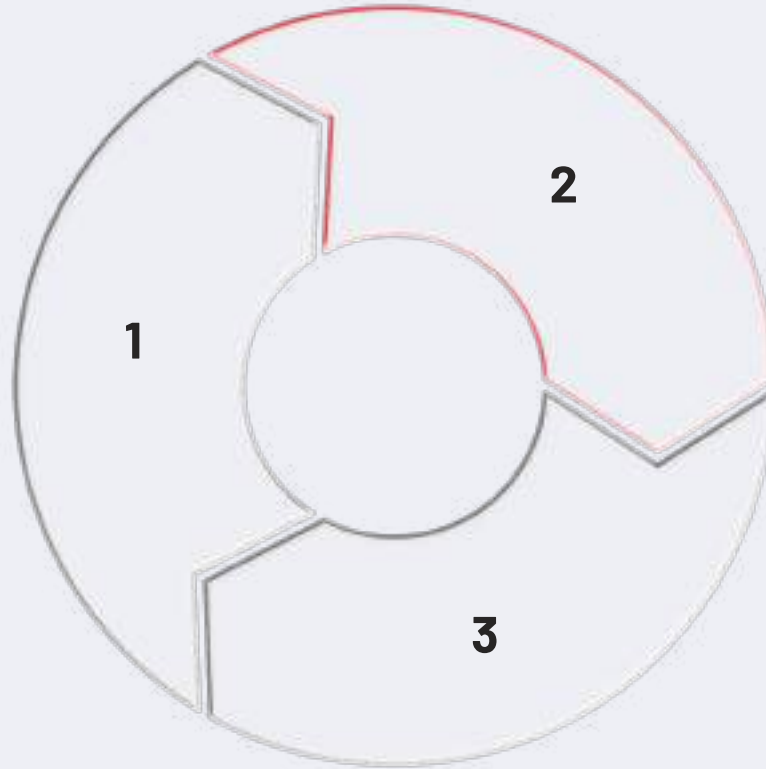
Infrastructure Investment

Increased public investment in infrastructure could impact interest rate trends and liquidity.

Fiscal Policy & Deficit Management

Growth-Oriented Spending

Focus on economic growth



Fiscal Consolidation

Balancing growth with deficit control

Capital Expenditure

Emphasis on long-term investments

The budget emphasizes a balance between growth-oriented spending and fiscal consolidation, with a focus on capital expenditure for long-term economic growth.

Investment Climate & Capital Markets



FDI Encouragement

Measures to attract foreign direct investment in key sectors.



Private Investment

Incentives for private investment in infrastructure, manufacturing, and energy.



Financial Institutions

Strengthening of financial institutions to facilitate credit expansion.





Global Trade & Export Competitiveness

1

Export-Oriented Industries

Support for boosting export competitiveness.

2

Manufacturing Competitiveness

Initiatives to enhance global competitiveness in manufacturing.

3

Self-Reliance (Aatmanirbhar Bharat)

Focus on reducing trade imbalances through self-reliance.

Cost of Capital & Cost of Debt

Public Investment

Increased government spending on infrastructure impacts government borrowing and interest rates.

Monetary Policy

RBI's stance on liquidity management plays a key role in determining the cost of capital for businesses.

MSME Credit Access

Increased credit support and relaxed lending norms for MSMEs may lower borrowing costs for small enterprises.

Growth Rate: Industry and Country



India's projected GDP growth of 6.5% - 7% is expected to drive valuations across sectors. Manufacturing (~8%), Services (~9%), and Agriculture (~4%) show varied growth prospects. Government incentives in manufacturing, renewable energy, and technology investments are set to boost long-term growth in these industries.

Effect of GDP Growth on Terminal Value

DCF Models

GDP growth rate serves as a benchmark for long-term sustainable growth in Discounted Cash Flow models.

Real Growth Impact

Higher GDP growth with controlled inflation improves real growth rates, leading to higher terminal value estimates.

Sectoral Variability

High-growth sectors like tech and renewable energy likely to have higher terminal values compared to mature industries.



Key Budget Statistics (2025-26)

5.5%

Fiscal Deficit Target

Aiming for gradual fiscal consolidation

₹10 lakh Cr

Capital Expenditure

Allocated to boost infrastructure and long-term growth

4.5-5.5%

Inflation Target

Expected inflation range for the fiscal year



Sectoral Allocations and Targets

Infrastructure

₹1.5 lakh crore interest-free loans to states for infrastructure development.

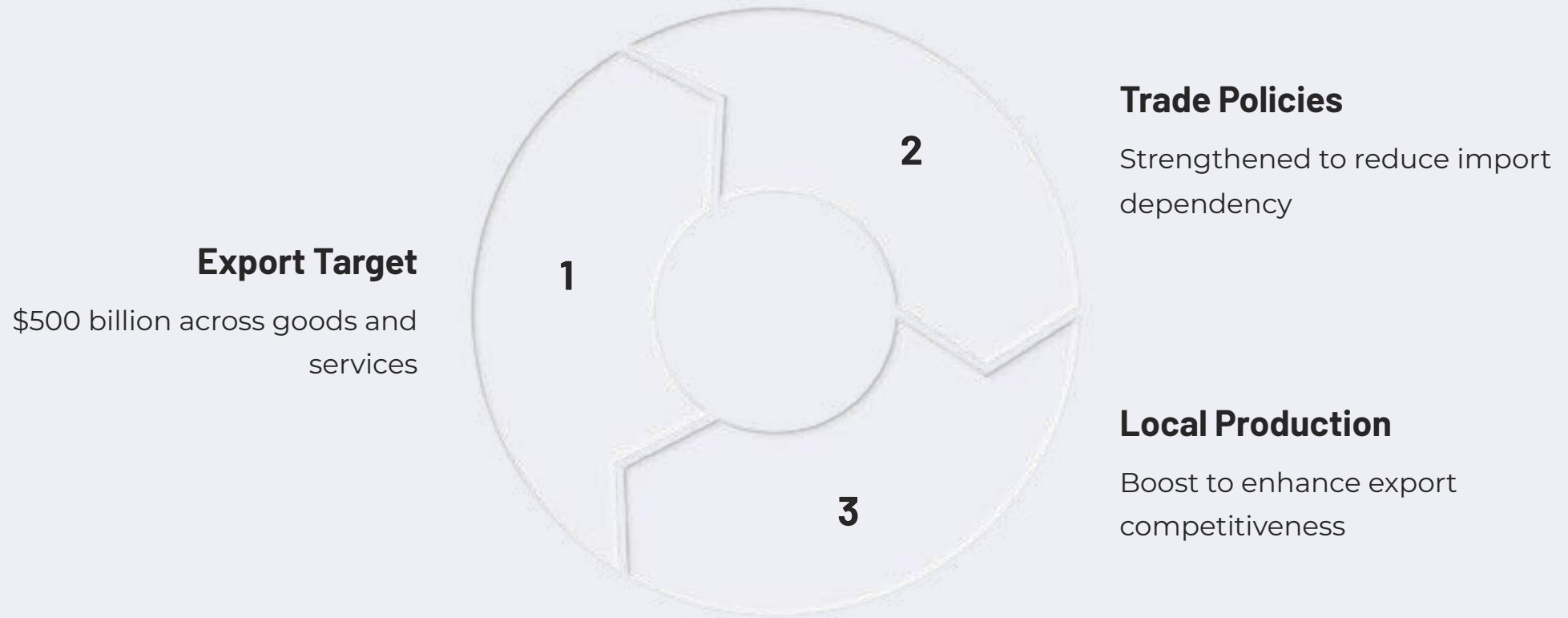
MSME Sector

₹10 lakh crore credit guarantee, increasing lending access for small businesses.

Renewable Energy

Target of 500 GW by 2030, with new incentives for solar, wind, and green hydrogen.

Export and Trade Targets



The budget sets an ambitious export target of \$500 billion across goods and services. Strengthened trade policies aim to reduce dependency on imports and boost local production, enhancing India's export competitiveness in the global market.



Digital Economy and Technology Growth



Semiconductor Industry

Increased focus on developing domestic semiconductor capabilities to reduce import dependency.



AI and Machine Learning

Substantial investment in AI research and development to drive innovation across sectors.



Cloud Computing

Incentives for cloud technology adoption to boost digital infrastructure and services.



Healthcare and Pharmaceutical Sector Focus

Medical Education Expansion

Addition of 10,000 new medical seats to address doctor shortage in the country.

1

2

Cancer Care Infrastructure

Establishment of 100+ new Day Care Cancer Centers to improve treatment accessibility.

Pharmaceutical R&D

Increased allocation for research and development in pharmaceuticals and medical devices.

3

4

Digital Health Initiatives

Push for telemedicine and e-health services to enhance healthcare accessibility.



Debt Conditions: Sector-Specific Impact

Agriculture

Subsidized farm loans reduce debt burden for agribusinesses.

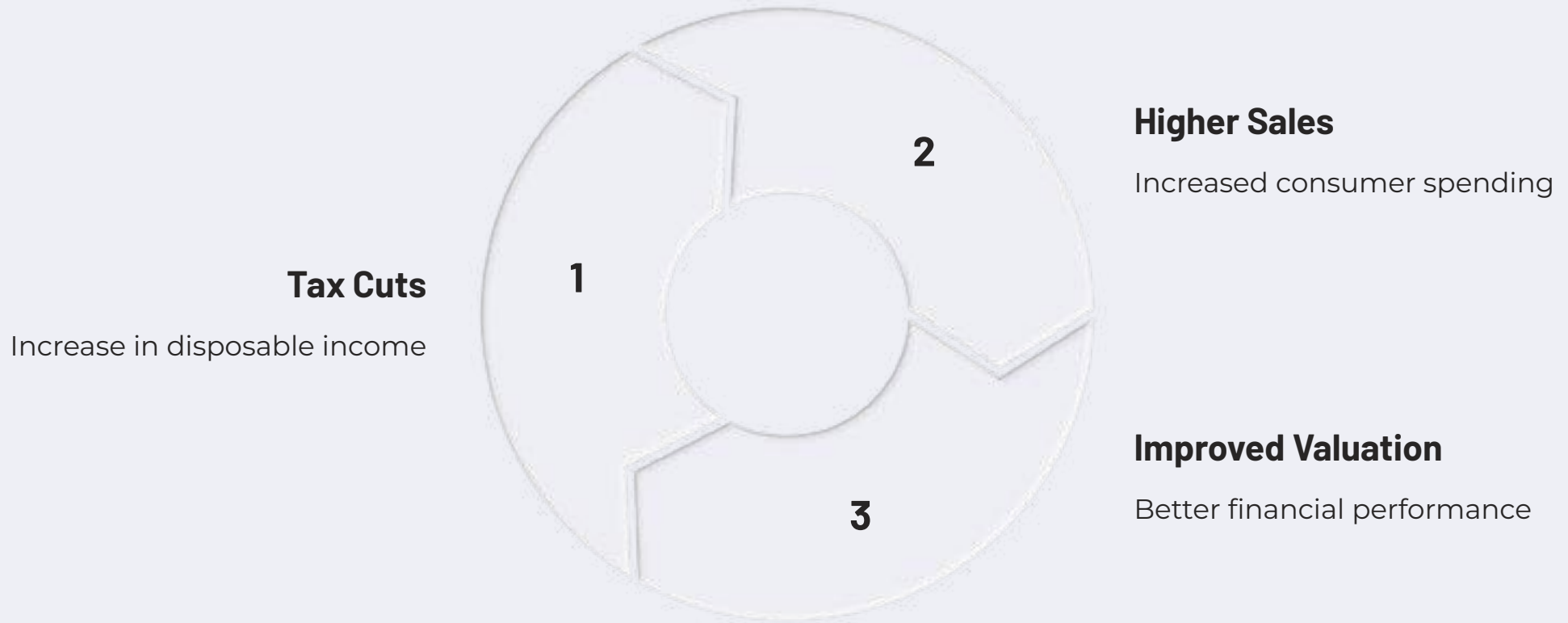
Shipping Industry

Maritime Development Fund offers favorable financing for shipping firms.

MSMEs

Lower Corporate Tax Benefits increase reinvestment potential.

Consumer Goods Sector Impact



The consumer goods sector is expected to benefit from tax cuts leading to higher disposable income. This is likely to result in increased sales and improved company valuations.



Automotive Sector Outlook

Improved Affordability

Tax cuts and increased disposable income make vehicles more affordable.

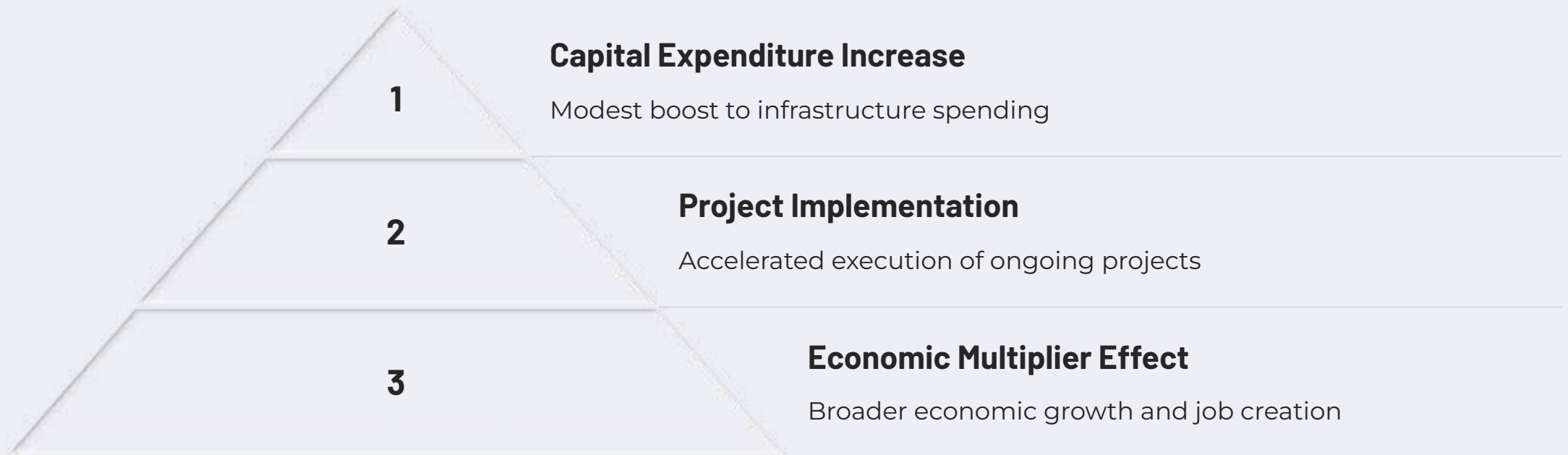
Demand Boost

Expected increase in vehicle sales across segments.

Valuation Impact

Potential for higher valuations of automotive companies.

Infrastructure Sector Growth



The infrastructure sector is poised for growth with increased capital expenditure. This is expected to support ongoing projects and create a multiplier effect on the economy.

Agriculture & Food Processing: Valuation Impact

1

Macroeconomic & Regulatory

Investment in food storage, processing & irrigation; Mission for Aatmanirbharta in Pulses. Increased government support stabilizes farm incomes and reduces supply shocks.

2

Industry Structure & Competition

Strengthening FPOs and rural credit support. Improves operational efficiency and supply chain integration.

3

Financial Performance

Incentives for food processing, cold storage infra. Higher revenue and cost efficiency improve profit margins.



Agriculture & Food Processing: Risk and Sustainability

Industry-Specific Risks

Dependence on monsoons and volatile crop prices remain key risks. However, government schemes help mitigate some of these risks.

ESG & Sustainability

Organic farming and carbon credits incentives increase valuation premium for sustainable agribusinesses.

MSMEs & Manufacturing: Macroeconomic Impact

Credit Guarantee

Increased from ₹5 Cr to ₹10 Cr, expanding MSME funding and enabling business scaling.

MSME Classification

Revised classification enhances access to benefits and support for a wider range of businesses.

National Manufacturing Mission

Enhances local production capacity, reducing import dependency.



MSMEs & Manufacturing: Financial Performance

1

Lower Borrowing Costs

Improved access to credit at competitive rates.

2

Technology Support

Government initiatives to boost technological adoption.

3

Improved Profitability

Cost efficiency and increased productivity lead to better financial performance.



MSMEs & Manufacturing: Risk and Sustainability

Industry-Specific Risks

Competition from large players and raw material cost fluctuations remain challenges. However, risk mitigation is improved through better financing and government backing.

ESG & Sustainability

Clean tech manufacturing incentives enhance the long-term sustainability of MSMEs, potentially leading to higher valuations.



Infrastructure & Real Estate: Macroeconomic Impact

₹1.5 lakh Cr

Interest-Free Loans

Provided to states for infrastructure development, boosting public-private partnerships.

₹1 lakh Cr

Urban Challenge Fund

Allocated to drive urban infrastructure development and modernization.

₹10 lakh Cr

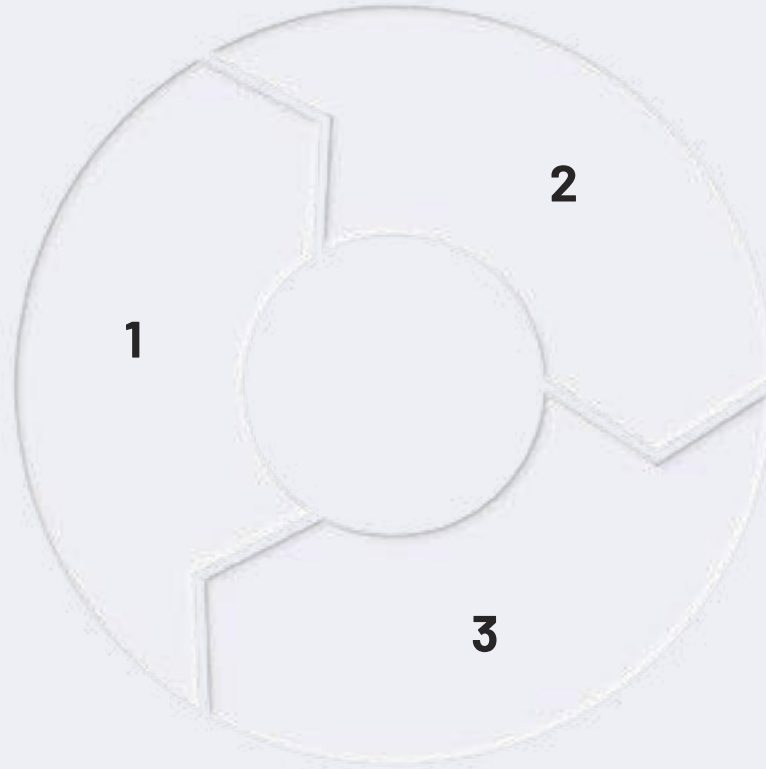
Asset Monetization Plan

Investment target to boost long-term project viability and funding sources.

Infrastructure & Real Estate: Financial Performance

Increased Capital Infusion

In urban infrastructure projects



Higher Real Estate Demand

Driven by urban development

Improved Revenue Growth

For infrastructure and real estate companies

The increased focus on urban infrastructure is expected to drive demand for real estate, leading to improved revenue growth for companies in this sector.

Infrastructure & Real Estate: Risk and Sustainability

Industry-Specific Risks

Regulatory delays and land acquisition challenges persist. However, faster approvals and financial incentives are expected to lower project risks.

ESG & Sustainability

Smart city & green building initiatives gain traction, leading to sustainability-linked valuations becoming more prominent in the sector.

Energy & Power Sector: Macroeconomic Impact

Nuclear Energy Mission

100 GW target set, opening new long-term investment opportunities.

Private Investment in Nuclear

Encouragement for private sector participation in nuclear energy.

Power Sector Reforms

Measures to strengthen DISCOMs, reducing financial distress in electricity distribution.



Energy & Power Sector: Financial Performance

1

Clean Energy Incentives

Government support for renewable energy projects.

2

Grid Modernization

Investment in upgrading power distribution infrastructure.

3

Revenue Potential

Boost for renewables & nuclear energy companies.



Energy & Power Sector: Risk and Sustainability

Industry-Specific Risks

High CAPEX & regulatory approvals remain challenges. Long gestation periods pose valuation challenges for energy projects.

ESG & Sustainability

Hydrogen, EV battery, and solar PV incentives lead to higher valuation premiums for green energy companies.



Financial Services: Macroeconomic Impact



Expanded Lending

Increased focus on lending to MSMEs & cooperatives.



Fintech Growth

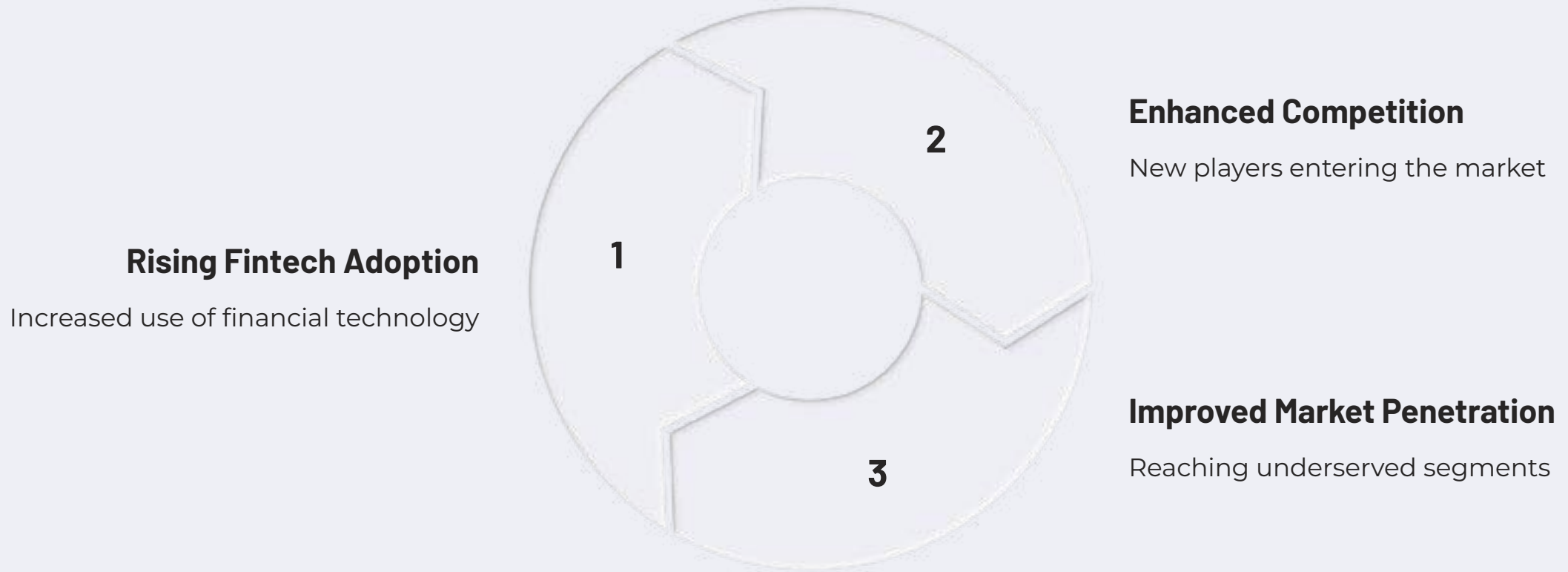
Incentives to boost fintech adoption and innovation.



Digital Banking

Encouragement for digital banking solutions.

Financial Services: Industry Structure & Competition



The financial services sector is experiencing increased competition and market penetration due to rising fintech adoption and digital banking incentives.

Financial Services: Financial Performance

Increased Credit Demand

Higher lending to MSMEs and cooperatives is expected to drive credit growth in the sector.

Lower NPA Risks for MSMEs

Government support and improved business environment may lead to better asset quality for MSME loans.

Revenue Potential

Expansion into new markets and customer segments through digital banking and fintech solutions.



Financial Services: Risk and Sustainability

NPA Risk

Potential increase due to aggressive lending. Requires strong underwriting practices to sustain valuations.

Financial Inclusion

Focus on reaching underserved segments increases long-term value for banks and NBFCs.

Digital Payments

Continued push for digital transactions enhances operational efficiency and customer reach.



Healthcare & Pharma: Macroeconomic Impact

10,000

New Medical Seats

Expansion of medical education to address doctor shortage.

100+

Day Care Cancer Centers

New centers to improve cancer treatment accessibility.

15%

Healthcare Spending Increase

Boost in public healthcare expenditure.

Healthcare & Pharma: Industry Structure & Competition

1

Increased Public Healthcare Spending

Government focus on improving healthcare infrastructure.

2

Higher Patient Inflows

Improved access to healthcare services.

3

Benefits for Hospitals & Pharma Companies

Increased demand for medical services and pharmaceuticals.



Healthcare & Pharma: Financial Performance

R&D Incentives

Government support for research and development in pharmaceuticals and medical devices.

Profitability Enhancement

Innovative firms expected to see improved profitability due to R&D incentives.

Market Expansion

Increased healthcare access likely to expand market for healthcare services and pharmaceuticals.



Healthcare & Pharma: Risk and Sustainability

Drug Pricing Regulations

Ongoing challenge for pharmaceutical companies' profitability.

API Dependency

Efforts to reduce reliance on imported Active Pharmaceutical Ingredients.

Digital Health Initiatives

Focus on telemedicine and e-health to improve healthcare accessibility.



Aviation & Logistics: Macroeconomic Impact



UDAN 2.0 Expansion

120 new destinations added to improve air connectivity.



Maritime Development Fund

₹25,000 Cr allocated to boost port infrastructure.

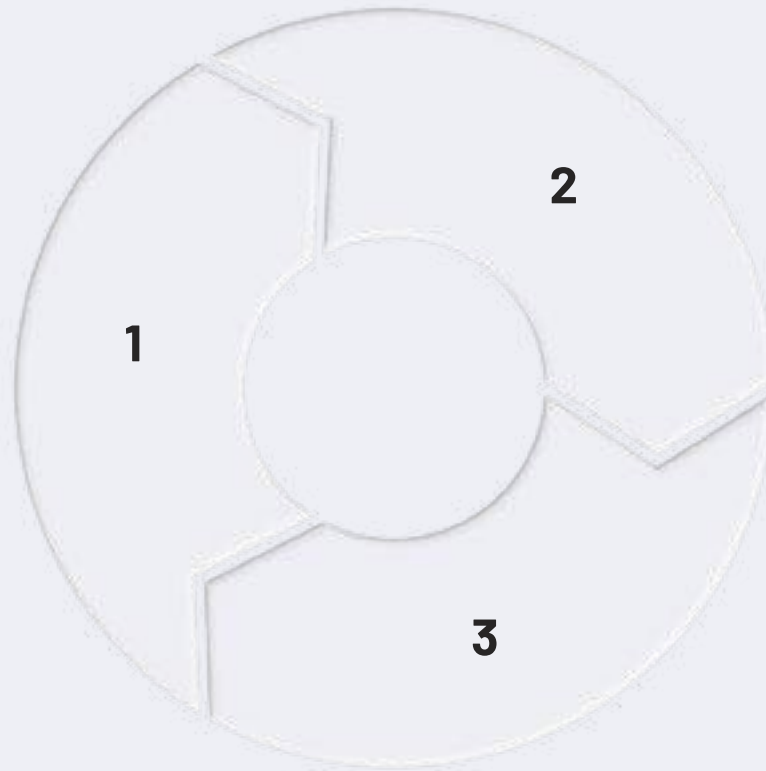


Logistics Efficiency

Focus on improving cargo handling and reducing logistics costs.

Aviation & Logistics: Industry Structure & Competition

Expanded Connectivity
More routes and destinations



Improved Infrastructure
Better ports and airports

Enhanced Efficiency
Streamlined logistics operations

The aviation and logistics sector is set to benefit from expanded connectivity, improved infrastructure, and enhanced operational efficiency.

Aviation & Logistics: Financial Performance

Government Support

Backing for airport expansion and maritime development expected to boost revenues.

Operational Efficiency

Improved logistics and cargo handling likely to reduce costs and enhance margins.

Market Growth

Expansion of air routes and improved connectivity to drive market growth for airlines and logistics companies.

Aviation & Logistics: Risk and Sustainability

Fuel Price Volatility

Remains a significant risk factor impacting profit margins.

EV Adoption

Push for electric vehicles in logistics fleets to enhance sustainable transportation solutions.

Infrastructure Challenges

Ongoing need for significant investment in airports and ports to meet growing demand.





IT & Technology: Macroeconomic Impact



AI Research Funding

Increased government support for artificial intelligence development.



Semiconductor Research

Focus on developing domestic semiconductor capabilities.



Digital India Push

Continued emphasis on digitalization across sectors.

IT & Technology: Industry Structure & Competition



The IT & Technology sector is poised for growth with India's strengthened position as a global IT hub, increased deep tech investments, and a thriving startup ecosystem.

IT & Technology: Financial Performance

1

Software Exports Growth

Continued increase in IT services exports.

2

AI Adoption

Rising demand for AI-powered solutions across industries.

3

Valuation Growth

Expected increase in valuations for innovative IT services firms.



IT & Technology: Risk and Sustainability

Data Privacy Regulations

Evolving global data protection laws pose compliance challenges for IT companies.

Global IT Demand Fluctuations

Economic uncertainties in key markets may impact demand for IT services.

Cybersecurity & AI for Sustainability

Focus on these areas attracts impact investors and ESG-focused funds, potentially boosting valuations.

Key Takeaways for Valuation Professionals

1 Government-Backed Industries

Sectors with high government support (Infrastructure, MSMEs, Healthcare, Renewable Energy) likely to see valuation premiums.

2 Cyclical Sectors

Industries like Real Estate, Aviation, and Financial Services require careful risk adjustments in valuation models.

3 ESG Integration

Sectors focusing on ESG & sustainability (Energy, Logistics, IT) may attract higher investor confidence and premium valuations.



Conclusion: Budget Impact on Valuations



Sector-Specific Growth

Varied impact across sectors with infrastructure, healthcare, and technology seeing significant boosts.



Macroeconomic Stability

Focus on fiscal consolidation and inflation control to provide a stable environment for valuations.



Long-Term Vision

Emphasis on sustainable growth and innovation likely to drive long-term value creation across industries.



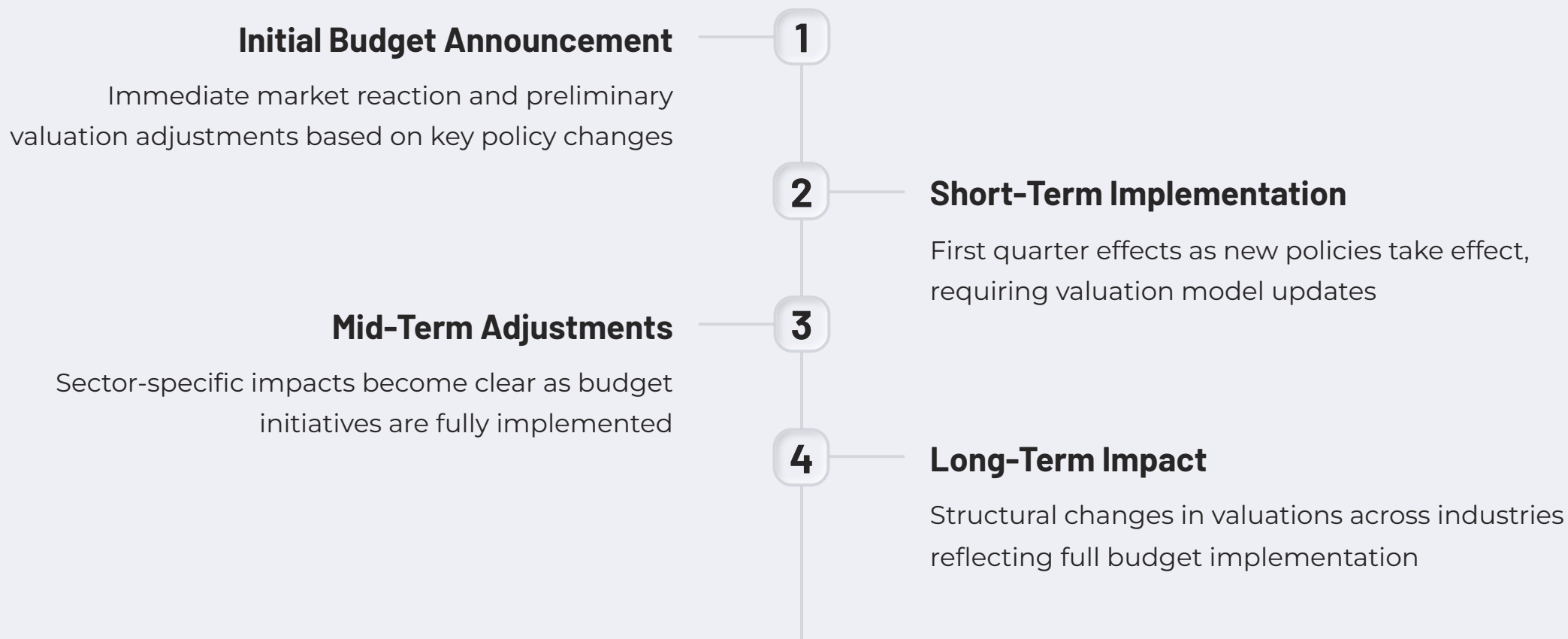
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Budget Impact Timeline on Valuations



The timeline demonstrates how budget impacts on valuations evolve from initial announcement through full implementation, affecting different sectors at varying stages.

Thank You

For Your Kind Attention



CA Rakesh Tayal

FCA, DISA, IP, RV-SFA
FAFD, Social Auditor



Phone

+91 96257 76566



Email

catayal@gmail.com



Connect Online

[LinkedIn](#)

www.rakeshtayal.com