

# In focus: MSMEs manufacturing



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The Budget has been unveiled in the backdrop of enviable domestic growth-inflation dynamics amidst acute geopolitical uncertainty. It did well to sharpen the focus on making the economy more resilient.

At the heart of it is a sizeable push towards MSMEs in a host of sectors, such as biopharma, healthcare, hospitality, semiconductors, capital goods, infrastructure, data centres, the green economy, and the labour-intensive textiles and leather sectors.

Other recurrent themes are climate resilience and energy security to enable future readiness. For instance, expanding carbon capture, utilisation, and storage efforts in key industrial sectors, and prioritising rare earth development underscores India's commitment to its climate objectives.

The increase in the government's capital expenditure, too, is welcome, although it fell somewhat short of our anticipation. The market-making framework for corporate bond indices is positive for liquidity and the growth of bond markets.

The expectation on the tax side had shifted to simplification and rationalisation. The plethora of tax changes is mostly welcome, including those related to Minimum Alternate Tax and Customs duty.

The basic Customs duty exemption on lithium ion cells to enhance cost competitiveness of battery storage manufacturing is a big positive for energy security. The duty exemption for capital goods is expected to lower costs and accelerate critical mineral capacity buildup. Also, the exemption from basic Customs duty on imports of capital goods for nuclear power plants till 2035 would promote tariff competitiveness. Further increase in the securities transaction tax on F&O trades is likely to raise the transaction cost and impact brokerage volumes, though the intent is likely to discourage speculative trades. Overall, it is a welcome, pragmatic Budget.

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