Unicon Investment Solutions

Dear All,

Unicon Securities has been offering complete investment solutions since last 5 years and has become one of the top 20 brokers of India. Its pan India presence of 100 company owned locations, 600 plus business partner locations, 2500 remisers and total employee strength of 3000 plus has led to a total customer base of 2,00,000. Product and service offerings include Equity Online, Equity Offline, Derivatives, Commodity, Depository, Distribution of IPO, Mutual Fund, Insurance, Properties, Fixed Income Products, to name a few.

The milestones it achieved in the last few years are as follows:

2004

- Started as a franchisee of Fortis Securities
- Pioneered the concept of **National Business Partners**
- Opened 15 branches

2005

- Acquired the NSE, BSE ticket to capitalize the opportunity in financial market
- Number of branches scaled up to 76

2006

- Raised first round of fund through Private Equity
- Unicon Commodities launched
- Number of branches scaled up to 90

2007

- Became one of the top five life insurance distributors in the country
- Number of branches crossed 100

2008

- Raised second round of Private Equity of INR 1.2 bn from Sequoia Capital and Nexus
- Acquired PMS license
- Distribution strength grew to 100 branches + 550 business partner locations

2009

- Fixed income group launched in first quarter
- Wealth Management Services Launched

The next big milestone "WEALTH RESEARCH", an integral part of Wealth Management, is being launched today. It would be an endeavor of the WEALTH RESEARCH to provide Value Added Services to the HNI and Retail clients on an ongoing basis. Our first such product is 'UNION BUDGET ANALYSIS 2009-2010'.

WATCH THIS SPACE FOR OTHER PRODUCTS FROM THE STAPLE OF RESEARCH.

Looking forward to your suggestions and feedback

Regards,

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Private & Confidential

June 6, 2009

Agriculture

UNION BUDGET 2009 - 10

"Directed Towards Inclusive Growth"

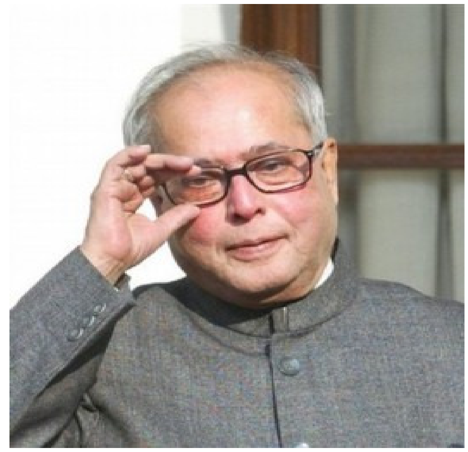
Infrastructure

Tax Reforms

Unicon Investment Solutions
June 6, 2010

Did Mr.Mukherjee miss a trick or did we?

When Mr. Mukherjee took the podium to present the first budget after UPA's landslide victory in May, most market participants expected the world. However the tone was set very early with the finance minister clearly taking a defensive stance. The "Caveat Emptor" was delivered when he stated that the budget was just one of the platforms to deliver policy decisions. The high expectation was quite clear with euphoria seen in the markets over the last two weeks. With such high expectation being built, some level of disappointment was inevitable.



With history made, the investors cheered the market and powered the Sensex to reach levels of 15000 scripting a fairytale along the way discounting the loud voices from experts which warned of stretching valuations and insouciantly brushing aside indications of a global slowdown. They expected the moon – with the new found freedom, the government would push through the reforms, thought many. The government did not disappoint though, with voices of a 100 day agenda and a series of announcements from all the ministries, it showed that it could walk the talk.

The primal instincts of the investors just needed a simple confirmation this time around – translating the demands of the industry onto printed documents that the Finance Minister presents as the Budget for the current fiscal. So the whole nation waited with bated breath while the Finance Minister Mr. Pranab Mukherjee unveiled the official agenda. **India Inc wasn't impressed though …**

The markets immediately switched to questioning mode, or do we say an answering mode, making the Sensex witness a free slide. Where was the much talked about disinvestment, the word on 3G auctions, the FDI limits, so on and so forth to which the Finance Minister gave a short shrift.

If there were winners, Infrastructure would occupy the top step of the podium. There were significant announcements like the increased allocations to flagship programs like NREGA, Bharat Nirman, and NHDP. On the direct tax front, the Finance Minister did not fail to score with a hike in exemption limits for all sections of populace while on the indirect tax front, the concessional excise duty rate of 4% has been increased across the board to 8% with certain exceptions.

MAT has seen a rise from 10% to 15% which would likely hurt some companies. Some major announcements on the policy front like the abolition of FBT and CTT couldn't do as much as lift the spirits of the market. While it failed to meet the expectations of India Inc, it might as well have stuck a fine balance between the fiscal prudence and inclusive growth with considerable thrust on the rural sector.

The Outlook: Technically, there could be some more downsides in the near term as short term unwinding of positions continues. The market will get over the budget in a few days and fundamentals of companies will emerge again. This way, the long term investors can look to invest prudently. Banking, Infrastructure and rural oriented sectors are some of the themes we like from a long term perspective.

Macro Analysis

Macro Backdrop:

- India's GDP growth decelerated to 6.7% in 2008-09 vis-à-vis 9% in 2007-08. This is primarily attributable to a phenomenal slowdown in industry to 3.9% from 8.1% in 2007-08.
- Private consumption plummeted from 8.5% in 2007-08 compared to 2.9% in 2008-09.
- Fixed capital formation slid from 12.90% in 2007-08 to 8.2% in 2008-09.
- Government consumption expenditure burgeoned to the tune of 20.2% from a measly 7.4% in 2007-08.
- The ratio of fixed investment to GDP increased to 32.20% in 2008-09.
- Wholesale Price Index (WPI) saw a drastic fall from 13% in August, 08 to zero in percent in March, 09. The synchronized global recession emanating from the US contributed to a sharp fall in global demand leading to a fall in commodity prices.
- The sharp fall in consumption and exports lead to a contraction in GDP. This prompted government intervention in the form of increased expenditure and consequently borrowing also spurts. The result is a widening of fiscal deficit o the tune of 6.20% of GDP in 2008-09 above the target set in Fiscal Responsibility and Budget Management Act (FRBM).

Key Takeaways of the budget 2009-10:

Agriculture Sector

- Interest subvention given for short term crop loans upto INR3 lakhs at 7% per annum. Additional 1% interest subvention will be given to farmers who repay their short term crop loan on time. Additional outlay of INR4.11 bn over Interim Budget Estimates for the said purpose.

Debt Relief

- Extension of time limits from 30th June, 09 to 31st Dec, 09 to farmers having more than 2 hectares of land to pay 75% of the overdues.

Accelerated Irrigation Benefit

- Allocation for the Accelerated Irrigation Benefit Program (AIBP) raised by 75% over FY 09 to the tune of INR10 bn
- Increase in Budget Allocation Rashtriya Krishi Vikas Yojana by 30% in FY10.

Fertilizer Subsidy

- Move towards a nutrient based pricing regime from the current product based pricing regime.
- Move to a system of direct transfer of subsidy to the farmers.

Infrastructure

Financing

- Investment in infrastructure need to be bolstered to 9% of GDP by 2014. India Infrastructure Finance Company Ltd. (IIFCL) will be given greater flexibility to achieve its objective of providing long term finance to the infrastructure projects. IIFCL will go for Take Out Financing with commercial banks to finance new projects.
- IIFCL to refinance 60% of the commercial bank loans for PPP projects over the next 1-2 Years. Together, the commercial banks and IIFCL will be able to support projects worth INR1 tn.

Highways and Railways

- Increased allocation to National Highway Authority of India (NHAI) for the National Highway Development Project (NHDP) burgeoned to 159.5 bn (up 23%) over FY09.
- Allocation for railways increased to INR158 bn, an increase of 46% YOY.

Urban Infrastructure

- Allocation under Jawaharlal Nehru Urban Renewal Mission (JNNURM) increased to INR 128.87% (up by 87%) in FY10 over FY09. Allocation for housing and provision of basic amenities to urban poor including provision for Rajiv Awas Yojana increased to INR397.3 bn.
- Provision for the project BRIMSTOWA initiated in 2007 enhanced from INR2 bn in Interim to INR 5 bn in FY10.

Power

- Allocation under Accelerated Power Development and Reform Program increased by 160% to INR21 bn in FY10.

Gas

- Envisage the development of long distance gas pipelines leading to the creation of a National Gas Grid.

Export Thrust

- To facilitate flow of credit at reasonable rates, INR.40 bn provided as special fund out of Rural Infrastructure Development Fund (RIDF) to Small Industries Development Bank of India (SIDBI).
- Interest subvention of 2 per cent on pre-shipment credit for seven employment oriented export sectors extended beyond the current deadline of September 30, 2009 to March 31, 2010.

Disinvestment

- Public sector enterprises like banks and insurance will continue to function in the public sector with full government support for capitalization.

Financial Sector reforms

- Scheduled commercial banks will be allowed to set up off-site ATMs without prior approval.

Bharat Nirman (Inclusive Growth)

- Allocation increased by 45% in FY10 over FY09 to the tune of INR 312.8 bn.
  - Allocations under Pradhan Mantri Gram Sadak Yojana (PMGSY) increased by 59 per cent over FY09 to Rs.120 bn in FY 10.
  - Under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), allocation increased by 27 per cent to INR 70 bn.
  - Allocation under Indira Awaas Yojana (IAY) increased by 63 per cent to INR.88 bn in FY10.
  - Allocation of INR.20 bn made for Rural Housing Fund (RHF) in National Housing Bank (NHB).

Social Sector Development

National Food Security

- National Food Security Act to be brought in to ensure entitlement of 25 kilo of rice or wheat per month at INR.3 per kilo to every family living below the poverty line in rural or urban areas.

Health

- Allocation under National Rural Health Mission (NRHM) increased by INR.21 bn over Interim budget of INR.120.70 bn.
- All BPL families to be covered under Rashtriya Swasthya Bima Yojana (RSBY). Allocation under RSBY increased by 40 per cent over previous allocation to INR 3.50 bn in FY10.

Education

- National Mission on Female Literacy with emphasis on Minority, SC and ST and other lesser privileged sections with the aim to reduce female illiteracy by 50% in 3 years time.
- Full interest subsidy during the period of moratorium for economically weaker sections for pursuing any courses in technical and professional streams.
- Provision for the scheme 'Mission in Education through ICT' substantially increased to INR.9 bn and the provision for setting up and up-gradation of Polytechnics under the Skill Development Mission enhanced to INR.4.95 bn.
- INR.8.27 bn allocated for opening one Central University in each uncovered State.
- INR.21.13 bn allocated for IITs and NITs which includes a provision of INR.4.50 bn for new IITs and NITs.
- The overall Plan budget for higher education is to be increased by INR.20 bn over Interim Budget.
- INR 0.50 bn allocated for Punjab University, Chandigarh. Plan allocation for Chandigarh to be suitably enhanced during the year to provide better infrastructure to the people of Chandigarh.

Employment

- One handloom mega cluster each in West Bengal and Tamil Nadu and one power loom mega cluster in Rajasthan to be set up. New mega clusters for carpets to be also set up in Srinagar (J&K) and Mirzapur (UP).

National Rural Employment Guarantee Scheme

- Allocation under NREGS increased by 144 per cent to INR.391 bn FY10 over FY09.
- Implementation of social security schemes for workers in the unorganized sector. Financial allocation for the same will be announced in due course.

National Security

- Additional amount of INR.4.30 bn provided over Interim budget to modernize police machinery in the States.
- Additional amount of INR 22.84 bn proposed over Interim B.E. 2009-10 for construction of fences, roads, flood lights on the international borders.
- Programme for housing to create 1 lakh dwelling units for Central Para-military Forces personnel to be launched through innovative financing model.

Miscellaneous

- Outlays for Commonwealth Games increased from INR21.12 bn in the Interim Budget, to INR34.72 billion in the Final Budget 2009-10.
- INR5 bn for the rehabilitation of war affected Srilankan people and reconstruction of the war ravaged areas.
- INR10 bn for the building of infrastructure damaged caused by cyclone Aila in West Bengal.

Revenues

Government intends to release the New Direct Tax Code within the next 45 days and introduce Goods and Service Tax by April 1, 2010.

Direct Tax

- Corporate Tax has been kept unchanged.
- Fringe Benefit Tax abolished.
- Minimum Alternate Tax (MAT) to be increased to 15 per cent of book profits from 10 per cent. The period allowed carrying forward the tax credit under MAT to be extended from seven years to ten years.
- Commodity transaction Tax (CTT) abolished.
- Tax holiday under section 80-IB(9) of the Income Tax Act, which was hitherto available in respect of profits arising from the commercial production or refining of mineral oil, to be extended to natural gas.
- Sun-set clauses for deduction in respect of export profits under sections 10A and 10B of the Income-tax Act being extended by one more year i.e. for the financial year 2010-11.
- Weighted deduction of 150% on expenditure incurred on in house R&D to all manufacturing business.
- Business incentive given by providing investment linked exemptions rather profit liked exemptions.
- Formulation of Safe Harbour Rules for mitigating transfer pricing errors.
- Exemption limit in personal income tax rose from INR2.25 lakhs to INR2.40 lakhs for senior citizens, INR1.80 lakhs to INR1.90 lakhs for women tax payers and from INR1.50 lakhs to INR1.60 lakhs for all other categories.
- Deduction under section 80-DD in respect of maintenance, including medical treatment, of a dependent who is a person with severe disability being raised from the present limit of INR.75, 000 to INR.1 lakh.
- Surcharge on various direct taxes to be phased out; in the fiINRt instance, by eliminating the surcharge of 10 percent on peINRonal income-tax.
- New Pension System (NPS) to continue to be subjected to the Exempt-Exempt- Taxed (EET) method of tax treatment of savings. Income of the NPS Trust to be exempted from income tax and any dividend paid to this Trust from Dividend Distribution Tax. All purchase and sale of equity shares and derivatives by the NPS Trust also to be exempt from the Securities Transaction Tax. Self employed persons to be enabled to participate in the NPS and to avail of the tax benefits available thereto.
- Deduction under section 80E of the Income-tax Act allowed in respect of interest on loans taken for pursuing higher education in specified fields of study to be extended covering all fields of study.

Indirect Taxes

- Customs Duties and excise duties have been rationalised across the board with few exceptions.
- Details of the same are elaborated in the industry analysis section in the latter part of the report.

Service Tax

- Service provided in relation to transport of goods by rail, Service provided in relation to transport of coastal cargo; and goods through inland water including National Waterways, Advice, consultancy or technical assistance provided in the field of law (this tax would not be applicable in case the service provider or service receiver is an individual), Cosmetic and plastic surgery service.
- For other services received by exporters, service tax exemption to be operated through the existing refund mechanism based on self-certification of the documents where such refund is below 0.25 per cent of FOB value, and certification of documents by a Chartered Accountant for value of refund exceeding the above limit.
- Export Promotion Councils and the Federation of Indian Export Organizations (FIEO) to be exempt from service tax on the membership and other fees collected by them till 31st March 2010.

Our View

The Budget 2009-10 is formulated against the backdrop of a dwindling world economy showing signs of a nascent recovery. In the Indian context, the government is confronted with the twin objective of maintaining fiscal prudence along with growth. With the private investment and consumption flagging and lower levels of foreign inflows, the government is left with only option of stepping up expenditure in order to stimulate domestic demand by rising their real disposable income.

- The annual expenditure burgeoned by 13% to INR. 10208.38 bn in order to stimulate the economy.
- The increase in planned expenditure is hampered by largely due to higher interest payments (interest payments on oil bonds and fertilizer bonds), defense costs, internal security costs and higher employee costs on account of 6th Pay Commission and food subsidies.
- The government expects total estimates for subsidies to be at INR1158.85 bn amounting to 2% of expected GDP for FY09-10.
- The gross tax revenues are estimated by the government is estimated at INR6410.79 bn representing a 2% growth over FY08-09 (Revised Estimates) and 5.2% higher than provisional estimates for FY08-09. The government expects a substantial growth in non tax revenues for FY09-10 on account of anticipated receipts from 3G spectrum auction. The proceeds from dis-investment are estimated to the tune of INR112 bn and the proceeds will go to the National Investment Fund.

The Government has presented a Budget working on the fine lines of the current macro-economic scenario.

- We expect rural consumption demand to increase following the announcement of a slew of measures directed at increasing the agricultural credit, fertilizer subsidy, accelerated irrigation program and farm loan waiver.
- Funding problems pertaining to infrastructure are expected to ease as IIFCL will be a part of takeaway financing. Allocation on infrastructure as expected also increased.
- On the social sector front, higher outlay is made on health with impetus given on education, and employment generation through NREGS.
- On the direct tax front, CTT and FBT were abolished. The exemption limit on the personal income tax was increased with removal of incremental surcharges.

The downside risks to attaining growth is the ballooning fiscal deficit which can be aggravated by an external commodity shock like rising crude prices or rising food crop prices. With government failing to announce a clear cut dis-investment plan and no announcement pertaining to de-regulation of oil pricing and roll back of fertilser subsidy, there are apprehensions about excessive growth in expenditure with no offsetting rise in revenues. This may impinge on the growth of the economy.

Sectoral Analysis

Infrastructure

Proposal/Announcement	Current Status	Expectations	Implications	Companies getting affected
JNNRUM allocation hiked to ~ INR 128.87 bn in FY10	Allocation of ~INR 69 bn in FY09	In line with expectations	Positive for infrastructure companies	L & T, IVRCL Infra, Patel Engg., HCC, Nagarjuna Construction, etc.
NHAI / NHDP allocation hiked to ~ INR 159.5 bn in FY10	Allocation of ~INR 129.66 bn in FY09	In line with expectations	Positive for companies engaged in road projects	HCC, IVRCL Infra, IRB Infra, Madhucon, Gammon, etc.
Accelerated Irrigation Benefit Program allocation hiked to ~ INR 23.3 bn in FY10 (additional allocation of INR 10 bn)	Allocation of ~ INR 13.3 bn in FY09	In line with expectations	Positive for companies engaged in irrigation projects	IVRCL, HCC, Nagarjuna Cons., Kirloskar Brothers, Jain Irrigation, etc.
Railway fund allocation hiked to ~ INR 158 bn in FY10 (+46% YoY)	Allocation of ~INR 108bn in FY09	In line with expectations	Positive for railway companies	BEML, Kalindee, Texmaco, Titagarh, etc.
Pradhanmantri Gram Sadak Yojna allocation hiked by 60% to ~ INR 120 bn in FY10	Allocation of ~ INR 70 bn in FY09	In line with expectations	Positive for companies engaged in road projects	HCC, IVRCL Infra, IRB Infra, Madhucon, Gammon, etc.
Scope of 100% direct tax benefit restricted to the Developer (company undertaking the investment risk)	Earlier, there was ambiguity that even company undertaking contractual risk was also entitled to tax benefit	In line with expectations	Having regard to the size of the housing project that qualifies for section 80IB, we believe that the impact is Neutral	Neutral
Restoration of exemption from excise duty for goods manufactured at site	Currently goods manufactured at site is subject to excise duty	In line with expectations	Positive for infra projects as project cost will reduce. Impact is neutral as benefit will be passed on to the customers	Neutral
Excise duty on solid or hollow building blocks, including aerated or cellular light weight concrete block and slabs, increased to 8%	Currently excise duty was at 4%		Impact is neutral as benefit can be passed on to the customers	Neutral
Scheduled banks including nationalized banks authorized to issue zero coupon bonds to source their long term funds	Currently only infrastructure capital company / infrastructure capital fund / public sector company are empowered to issue zero coupon bonds		Positive for Infrastructure companies	

Cement

Proposal/Announcement	Current Status	Expectations	Implications	Companies getting affected
Custom duty on concrete batching plants (with capacity >=50 cum per hour) will attract custom duty of 7.5%	No custom duty		Partially negative for Cement companies	All cement companies

Excise duty on goods in which > 25% by weight of fly ash or phosphogypsum or both have been used, has been increased to 8%	Current duty was @ 4%		Partially negative for Cement companies	All cement companies

Oil & Gas

Proposal/Announcement	Current Status	Expectations	Implications	Companies getting affected
To develop a blueprint for long distance gas highways leading to a National Gas Grid	No formal policy		Positive for Gas and metal companies that supply pipes for such projects	GSPL, GAIL, Petronet LNG, Jindal SAW, PSL, Welspun Guj., Ratnamani Metals & Tube, etc.
An expert group to advise pricing mechanism for petroleum products in sync with global prices	Currently, prices are regulated through Administrative pricing mechanism and are not truly reflecting the market price		Positive for all Oil Marketing Companies and Upstream Companies and reduction in subsidy burden to the ex-chequer	HPCL, BPCL, IOC, and RIL, Cairn, ONGC etc.
Companies engaged in laying and operating cross country natural gas / crude / petroleum oil pipeline network for distribution on common carrier principle can claim entire capex (excluding cost for land, goodwill and financial instruments) in the first year	Laying of cross country pipeline is new concept in India		Will encourage private investments in this segment	Currently, no Indian company operating in the segment
Tax holiday benefit (initial 7 years) extended to natural gas companies involved in commercial exploration and production from oil and gas blocks which are awarded under the NELP-VIII.	Hitherto, it was available to companies engaged in commercial production or refining of only mineral oil		Positive for upstream gas companies	RIL, Cairn, ONGC, etc.
The time limit to begin refining of mineral oil and avail of tax benefit extended up to FY12, (applicable for both the public and the private sector).	Refineries in the private sector were required to commence refining of mineral oil on or before FY09.	Entrepreneurs who had undertaken substantial investment in anticipation of the tax holiday suffered serious financial setback and expecting the change.	Positive for private refining companies	Essar Oil, RIL, etc.
High Speed Diesel, blended with upto 20% bio-diesel, fully exempted from excise duties	Currently it was subjected to excise duty		Positive for bio-fuel companies as well as for Oil Marketing Companies	Entegra, Praj Inds, Shree Renuka Sugar, IOC, BPCL, HPCL etc.
Branded petrol will attract excise duty of INR 14.5/litre	Currently it was charged at 6% + INR 13/litre.		As the indirect tax impact is on the customers, the proposal has neutral effect	Neutral

Branded diesel will attract excise duty of INR 4.75/litre	Currently it was charged at 6% + INR 3.25/litre			
Excise duty on Naphtha reduced to 14%	Currently charged at 16%		Will reduce the cost of fuel for power plants, and reduce cost for petrochemical plants	Essar Power, Rel Power
Reduced basic customs duty on bio-diesel to 2.5% - at par with petro-diesel.	Currently custom duty is levied at 7.5%		Positive for bio-fuel companies as well as for Oil Marketing Companies	Entegra, Praj Inds, Shree Renuka Sugar, IOC, BPCL, HPCL etc.

Power

Proposal/Announcement	Current Status	Expectations	Implications	Companies getting affected
Additional INR 700 bn allocated to Rajiv Gandhi Gram Vidyutikaran Yojna (up 23% YoY)	Current allocation was ~ INR 3043.5 bn		Positive for power generation, distribution and utilities companies	ABB, Areva, Crompton, Voltamp, SIEMENS, Indo Tech, REC, etc.
Allocation for Accelerated Power Development and Reform Programme (APDRP) hiked to INR 21 bn (up 160% YoY)	Current allocation was ~ INR 8.08 bn	In line with expectation	Beneficial to transmission & distribution companies	Areva T&D, KEC international, Jytoi Structures, Kalpataru, etc.
Basic customs duty on permanent magnets used in Wind Operated Electricity Generators reduced to 5%	Currently charged at 7.5%		Capital cost of the product to come down and hence help in increase in sales	Suzlon, IndoWind, etc.

Automobile

Proposal/Announcement	Current Status	Expectations	Implications	Companies getting affected
Specific component of excise duty applicable to large cars / utility vehicles of engine capacity >=2000cc reduced to INR 15,000/ vehicle.	Currently it was charged at INR 20,000/vehicle		Positive for automobile companies	M&M, Maruti, TATA Motors etc.
Excise duty on petrol driven trucks / lorries reduced to 8%	Currently it is charged at 20%		Neutral, as there are very few players who manufacture Petrol driven trucks	Neutral

Information Technology

Proposal/Announcement	Current Status	Expectations	Implications	Companies getting affected
Setting up of Unique Identification Authority of India (UIDAI)	The announcement has been made and Nandan Nilekani would be heading it		With the Finance Minister clearly mentioning the participation of private sector IT companies, big IT companies stand to benefit from its implementation	+ve for Infosys, TCS, Wipro etc
MAT increased to 15% and benefits can be carried over to 10 years from the present 7 years	MAT was at 10%		Though MAT has been increased, the government has allowed the companies	-ve in the short run and Neutral in the long run

			to carry over the benefits to 10 years from the current 7 years, which would be neutralizing effects of each other in the long run	
STPI extended by an year until March 2011	STPI was supposed to lapse in March 2010		STPI benefits the IT companies to avail Tax benefits and positively affects the mid size companies more than the large companies	+ve for Patni, Tech Mahindra, TCS, HCL etc
Abolition of FBT	IT companies under purview of FBT is one of the most affected sectors especially due to ESOPs.		Since IT companies incur FBT more than the other sectors due to the nature of business model it will have positive impact.	+ve for all IT companies specially larger ones like Infosys, TCS, Wipro etc

Media

Proposal/ Announcement	Current Status	Expectations	Implications	Companies getting affected
Stimulus for the Print Media (DAVP Scheme) extended by six months to December 31st 2009	The stimulus was to end on June 30th, 2009		Much needed relief for print media houses who are reeling under the pressure of increasing cost of print raw material	+ve for Deccan Chronicle, HT Media
Imposition of 5% custom duty on Set Top Boxes	Full exemption of customs duty to import Set Top Boxes		Set Top Boxes to become costlier	-ve for Dish TV, Sun TV
Reduction of basic customs duty to 5% on LCD panels	Current customs duty at 10%		This will make the LCD TV sets cheaper	+ve for consumer durable companies like LG, Samsung and pass through effects to all media companies
Introduction of FBT	Media companies pay considerable FBT		Increased bottom lines for the media companies	+ve for Balaji Tele, Zee, Sun TV, NDTV

FMCG/Agriculture

Proposal/ Announcement	Current Status	Expectations	Implications	Companies getting affected
Increase in credit flow to Agriculture to INR 3250 Bn	Credit flow last year was at INR 2870 Bn		Stimulus to the rural sector and increase in disposable incomes	+ve for FMCGs
Extension of Agriculture Debt waiver and Debt relief scheme up to December 2009	Applicable until June 2009		Relief for the farmers by another six months resulting in higher incomes	+ve for FMCGs
Increased outlays in NREGA, Bharat Nirman etc	The outlays were lower in the previous year and have been significantly increased this year		Increased job security for the rural farmers. Increased capital formation in rural areas through NREGA and Bharat Nirman and hence rising incomes	+ve for FMCGs
Introduction of GST from April 1, 2010	No GST		A single unified taxation at each of the Centre and State levels ensures lesser overall taxes and hence the prices of SKUs may come down	+ve for FMCGs

Phasing out of surcharge on personal income tax	10% surcharge on personal income tax		Higher disposable incomes and hence higher consumption appetite	+ve for FMCGs
MAT increased to 15%	MAT at 10%		Companies like Godrej, Dabur are currently under MAT	-ve for Godrej, Dabur

BFSI

Proposal/ Announcement	Current Status	Expectations	Implications	Companies getting affected
Indications to the effect of having Banks and Insurance companies in the Public sector and to be given capital infusion by the government only	PSU Banks and Life Insurance companies in public sector	Some proposals regarding the entry of foreign banks taking stakes in the PSU banks	PSU Banks and Life insurers cannot raise cash from selling stakes to private sector companies	-ve for all PSU Banks and Life insurers
Increased credit flow and other sops for rural sector	NA		Possible NPAs for PSU banks	-ve for PSU Banks
Sub Brokers of a Stock Broking company now exempt from paying service tax	Sub brokers to pay service tax		Increase in profits for sub brokers and they would be pushing for business to take advantage of service tax exemption	+ve for Indiabulls, India Infoline
Fiscal deficit expected at 6.8% of GDP	Fiscal deficit at around 6.2%		Government to go for increased borrowing program which has a potential to stop the interest rates from going down	-ve for Banks as interest rates would go up resulting in lesser credit flow

Textiles

Proposal/ Announcement	Current Status	Expectations	Implications	Companies getting affected
Extend the benefits until March 2010 for enhanced Export Credit and Guarantee Corporation (ECGC) cover at 95 per cent to badly hit sectors	Started in Dec 2008 to counter recession		To benefit the export focused textile industry	+ve for Alok industries, S kumars, Vardman textiles, Garden Silks etc
Market Development Assistance Scheme of Rs.124 crore (increase of 148% YoY) to support exporters in developing new markets	Major markets currently are the US and EU		It will help textile companies looking to enter newer markets in eastern Europe and South America	+ve for Alok industries, S kumars, Vardman textiles, Garden Silks etc
Interest subvention of 2% on pre-shipment credit for textiles	Sops slated to end on the September 30th, 2009	Textiles sector be given sops in the form of subsidies on interest on loans	It will ease the interest burden on textile companies	+ve for Alok industries, S kumars,Vardman textiles, Garden Silks etc

including handlooms, handicrafts extended to March 31, 2010				
Customs duty on cotton waste has been reduced to 10%; Customs duty on wool waste has been reduced to 10%.	Customs duty on cotton waste currently at 15%, Customs duty on wool waste at15%	Man Made Fiber-Nil		+ve for Aditya Birla Nuvo Alok industries, S kumars, Vardman textiles, etc
Increase in excise duty on manmade fibre and yarn to 8%, PTA and DMT to 8%,polyester chips to8%, acrylonitrile to 8% and pure cotton to 4%	Excise duty on manmade fibre and yarn at 4%,%, PTA and DMT at 4%, polyester chips at 4%, acrylonitrile at 4% and pure cotton-nil	Man Made Fibers-Nil		-ve for Aditya Birla Nuvo, Indorama synthetics,Jk synthetics, reliance industries

Fertilizer

Proposal/ Announcement	Current Status	Expectations	Implications	Companies getting affected
Government intends to move towards a nutrient based subsidy regime instead of the current product pricing regime	Product based subsidy is being followed	Move towards nutrient based pricing	Proposal in line with expectation and companies would be encouraged to use a balance of all nutrients viz. secondary and micro nutrients besides the major nutrient	+ve for Coromandel Fertilizers, GNFC, Chambal Fertilizers, TATA Chem, Zuari etc
150% weighted average inhouse R&D expenditure deduction	No deduction		It will benefit seed companies	+ve for Monsanto, kaveri seeds, Syngenta, Advanta etc

Pharmaceutical/Healthcare

Proposal/ Announcement	Current Status	Expectations	Implications	Companies getting affected
Customs duty on 10 specified life saving drugs/vaccine and their bulk drugs reduced to 5%	Current Customs duty on 10 specified life saving drugs/vaccines and their bulk drugs at 10% and	The industry demand of 5% on peak custom duty	This will make the products globally competitive and boost bottom lines	+ve for Cipla,, Lupin, Dr. Reddy, Ranbaxy, GSK etc
Customs duty on two specified life saving devices used in treatment of heart conditions reduced to 7.5%	Customs duty on two specified life saving devices used in treatment of heart conditions at 5%			+ve for opto circuits etc

Gems/Jewellery				
Proposal/ Announcement	**Current Status**	**Expectations**	**Implications**	**Companies getting affected**
Customs duty increased on imported Gold Bars to Rs200/10gm, Silver to Rs1000/kg and other gold items (excluding jewellery) to Rs500/10gm	Current Customs duty on Gold Bars at Rs100/10gm, Silver at Rs500/kg and other gold items (excluding jewellery) at Rs250/10gm		All forms of gold and silver would become costlier	-ve for Titan, Gitanjali, Rajesh exports on imports of gold
Branded jewellery exempted from excise duty	Excise duty at 2% on branded jewellery		Branded jewellery to become cheaper	+ve for Titan, Gitanjali Gems. In relation to customs duty increase, this proposal would add net benefits to the above companies
Unworked coral custom duty to become Nil	Custom duty at 5%		All Coral based jewellery to become cheaper	+ve for Titan, Gitanjali Gems

Notes

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