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Budget 2010-11 Preview

Fiscal balances – deciding factor

Emkay Research Team

18 February 2010

Fiscal balances – the most important thing

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- We do not expect the forthcoming Union Budget 2011 to dish out any big bang reforms/measures for India Inc
- We believe that **THE MOST IMPORTANT THING** to look for in the forthcoming Union Budget 2011 will be the **FISCAL DEFICIT** and the **GOVERNMENT BORROWING PROGRAM**
- We estimate the fiscal deficit to be at Rs3.9tn/US$85bn (5.7% of GDP) for FY11. We believe that high fiscal deficit will continue to bring pressure on the G-Sec yields and the market valuations too
- We believe that there would be only partial roll back of the excise duties cut in stimulus budget, though a roll back of service tax looks very likely
- Pressure points to budget may arise from inability to disinvest PSUs and subsidies. Food and petroleum subsidies may pose serious problems for the government finances
- As usual, we are expecting the expenditure to continue on plans, especially infrastructure including transport and urabn infra, energy and health
- Hence, some winners of the budget would be infrastructure companies
- The banking and financial services companies may turn out to be losers if the fiscal deficit is higher than expected

A. Would there be a roll back of fiscal stimulus?

We believe that the answer to that is a partial no for several reasons

The roll back of excise duty – roll back could be very small

Introduction of GST

The central excise duties were cut in the range of 4-8% for various products. Currently the base indirect taxes work out to 20% (excise 8%+ VAT 12%) with many exceptions. If the government is targeting to roll out GST from April 2011 with indicative target rate of 16% (of course with exceptions), they may not want to tinker with the excise rate much.

Inflation

The spill over of food inflation and cost push is already visible in the overall inflation numbers, The inflation excluding the food articles is already up by 6.6% yoy and 7.1% YTD. Any sharp increase in the excise duty will push up the inflation

The roll back of service tax – looks quite likely

The service tax which was cut to 10% from 12% may see a roll back in light of the common GST rate of 16%

Cut on expenditure – unlikely if focus continued on inclusive growth

Major increases in the budgetary expenses were for stimulating the growth along with focus on inclusiveness. The other big components of expenditure were interest and defence expenses. We believe that with focus on inclusive growth, the allocations to the plan outlay will see an increase in FY11E.

Major expenditure heads

Rs bn	FY09	FY10BE	% yoy change
Interest	1,908	2,255	18.2
Defence	1,056	1,417	34.2
Transport	333	454	36.4
Rural development	190	439	131.1
Of which NREGS	*160*	*391*	*144.4*
Health and Family Welfare	149	176	18.1
Of which NRHM	*92*	*141*	*53.7*
Irrigation	85	105	23.5
Energy	74	120	62.2
Rural Housing	54	88	63.0

Source: Budget documents, Emkay Research

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B. Can the fiscal deficit be contained?

Answer to this question is a no

We see risks to the fiscal deficit in both FY10 and FY11 coming from shortfall in revenues and subsidies

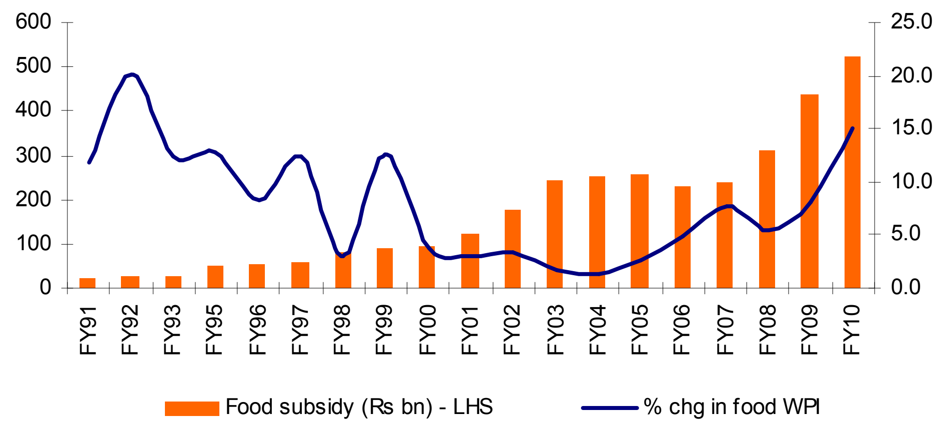
Subsidy – a key risk to fiscal deficit for FY10

The chart below shows the increase in the food subsidy along with the rise in food inflation. The WPI for food articles is already up 13.8% YTD and 14.7% for January 2010 which poses risks of subsidy burden going higher

Rs bn	FY09	FY10BE
Food	436	525
Total Fertillizer Subsidy	758	500
Petroleum Subsidy	29	31
Other Subsidies	69	57
Total subsidies	**1,292**	**1,113**
Total budget expenditure	**9,010**	**10,208**
Subsidies as % of total exp	14.3	10.9

Source: Ministry of commerce, budget documents, Emkay Research

Food subsidy vs food inflations



Source: Ministry of commerce, budget documents, Emkay Research

Government finances – Two key things to look for

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Petroleum products subsidy

Although the central government has already provided Rs120bn as subsidy sharing to the PSU oil marketing companies, we believe that with oil at USD72/bbl, central government may have to provide further Rs180bn (Rs100bn for Q4FY10 and Rs80bn pending for M9FY10).

Short fall in revenues and petroleum subsidies key risk to fiscal deficit for FY11

We believe that despite assuming a 16% growth in the tax revenues (driven by bounce back in manufacturing growth) in FY11, the fiscal deifict in absolute term may still remain at Rs3.9-4.0tn driven by higher expenditure

The key risks to our assumptions emanates from

3-G auction money

We have built in Rs250bn from the auction of 3-G licenses to telecom companies in FY11. Inability of the government to auction them in FY11 will add 40bps to our assumption of 5.7% of fiscal deficit

Disinvestment revenues

We have built in Rs250bn from the disinvestment of PSUs in our numbers which works to 0.4% of GDP. If the disinvestment program does not take off in a big way in FY11, the risks to the fiscal deficit will be higher

Petroleum products subsidy

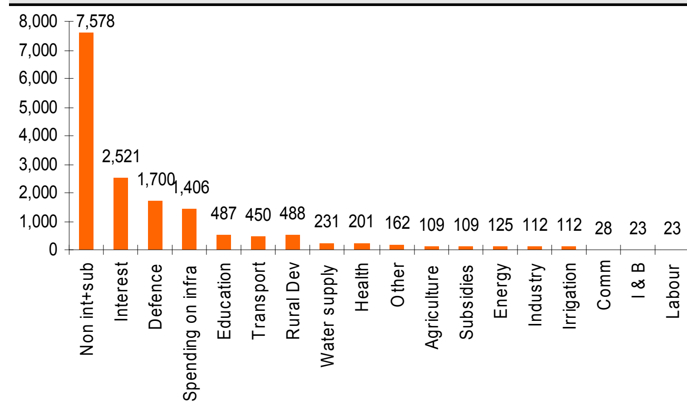
If crude oil prices remain at USD72/bbl, the subsidy burden for FY11 on auto and cooking fuel would still work out at Rs300bn, equivalent to 0.4% of FY11 GDP.

Government finances – Two key things to look for

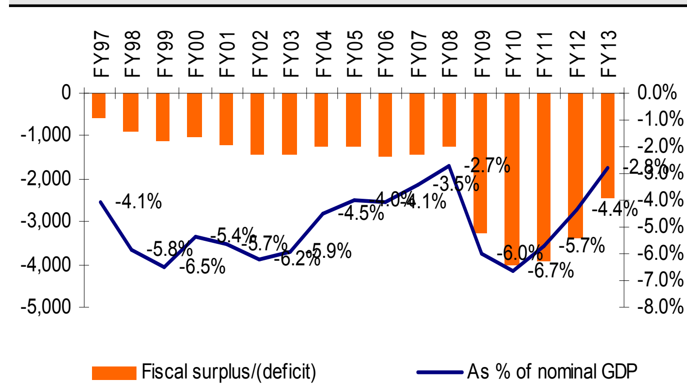
Budgetary allocation

Rs bn	FY08	FY09	FY10BE	FY11E
Revenue receipt	**5,419**	**5,622**	**6,145**	**6,905**
Tax (net)	4,395	4,660	4,742	5,502
Non tax	1,024	962	1,403	1,403
Capital receipt	**439**	**123**	**53**	**292**
Revcovery of loans	51	97	42	42
Others	388	26	11	250
Total receipt	**5,858**	**5,744**	**6,198**	**7,197**
Expenditure				
Non-plan expenditure	**5,077**	**6,180**	**6,957**	**7,532**
Non-plan expenditure (Excl Int)	*3,366*	*4,253*	*4,702*	*4,937*
Interest	1,710	1,927	2,255	2,521
Plan expenditure	**2,051**	**2,830**	**3,251**	**3,608**
Revenue	1,736	2,417	2,784	*3,608*
Capital	315	413	468	
Total expenditure	**7,127**	**9,010**	**10,208**	**11,139**
Revenue	5,945	8,034	8,972	11,139
Capital	1,182	975	1,236	0
Fiscal surplus/(deficit)	(1,269)	(3,265)	(4,010)	(3,943)
As % of nominal GDP	-2.7%	-6.0%	-6.7%	-5.7%

Budget allocation (Rs bn) – FY10



Fiscal balance



Source: Budget documents, Emkay Research

Fiscal balances – deciding factor

Our Budget expectations

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Industry	Our expectations
Auto	Roll back of excise duty (given under stimulus package)
Banking and financial services	Budget deficit likely to remain high at Rs3.9tn or 5.7% of GDP The deadline on farm loan relief is likely to get extended Interest rate subvention likely to be removed
Capital Goods / Infrastructure	Continued thrust on development spending through higher allocation to flagship programs Tax incentives to domestic equipment manufacturers / suppliers and private sector infrastructure players Specific measures directed towards IIFCL to achieve its stated objective
Cement	Expect excise duty on cement to be hiked by 2% to 10%. Expect industry's demand of uniform excise duty will get some ears from Govt.
Fertilisers & Chemicals	Government's focus on various rural development programmes is likely to continue while NPS – 4 and new investment policy for urea are likely to be announced Chemicals might see an increase in excise duty from 8% to 12%
FMCG	Roll back of stimulus → Increase in excise duty and service tax Continued development spending in rural India and rise in allocation to social programs/schemes Extension of timeline for implementation of GST to April 2011
IT	Extension of Section 10A/10B benefits Clarification that entire profits generated from SEZ's facilities would be tax free
Metals and Mining	Excise duty to be increased from 8% to 10% Export tax on iron ore not expected to increase Rural and infrastructure development expenditure to continue
Oil and Gas	Deregulation of Auto Fuel Prices Clarity on authorization & power of PNGRB
Paper	Expect government to make some favourable announcement on TUF (Technological Upgradation Fund) Excise duty at current levels may be retained
Pharma	Excise duty to remain at current level; Increase allocation on healthcare
Power	Expect policy reforms & incentives in distribution, rural electrification & energy efficiency. Increase in import duty on power equipments.
Real Estate	Increase deduction available u/s 24(B) from Rs150000 to Rs250000 (on interest paid on home loans) More clarity on real estate mutual fund

Auto Industry

Last budget

- Reduction in additional excise duty on cars/UVs above 2000cc by Rs 5,000 to Rs 15,000 per vehicle
- Reduction in excise duty on petrol driven commercial vehicles to 8% from 20%

Industry wish list

- No rollback of excise duty which was given as a part of stimulus
- Reduction in disparity of excise duty between small cars and large cars/UVs. Small cars attract excise duty of 8%, where as large car attract excise duty as high as 20% plus Rs 15000 per vehicle

Our expectations

- We expect roll back of excise cut benefit (given as a part of stimulus package) in the budget. We do not rule out lower excise duty hike in case of two wheelers and large cars/UVs vis a vis that for small cars and CVs
- We expect roll back of additional charge of Rs 15000 on utility vehicles/cars above 1500 cc.

Banking and financial services

Last budget

- Higher fiscal deficit at 6.8% of GDP with gross borrowing program of Rs4.5tn
- Interest subvention scheme for short term crop loans to farmers raised to 3%
- Interest subvention of 2% on pre-shipment credit for seven employment oriented export sectors—handlooms, carpets, leathers, gems and jewellery etc
- IIFCL to refinance 60% of commercial bank loans for PPP projects 15-18 months
- Agricultural debt waiver and debt relief scheme: Extend repayment period for OTS by six months upto December 31, 2009
- Assurance of capital infusion in PSU banks where equity capital is required and there is a scope for reducing government stake upto 51%.
- MAT increased from 10% to 15%

Banking and financial services

Industry wish list

- Allowing banks to raise more than five year deposits with tax breaks for infrastructure financing
- Speed up take out financing mechanism for infrastructure loans to improve asset liability mismatch
- Extend the farm loan relief deadline to June 30, 2010
- Continuing of the interest subvention on pre-shipment credit

Our expectations

- Budget deficit likely to remain high at Rs3.9tn or 5.7% of GDP; pressure on bond yields to continue
- The deadline on farm loan relief is likely to get extended upto June 30, 2010
- Interest rate subvention on the pre-shipment credit likely to be removed

Capital Goods / Infrastructure

Last budget

- Budgetary allocation to infrastructure programs increased – (1) Bharat Nirman (+45% to Rs454 bn) under which (a) Indira Awas Yojna (+63% to Rs88 bn), (b) Pradhan Mantri Gram Sadak Yojna (+59% to Rs120 bn), (c) Rajiv Gandhi Grameen Vidyutikaran Yojna (+27% to Rs70 bn), (2) JNNURM (+88% to Rs129 bn), (3) APDRP (+160% to Rs21 bn), (4) NHDP (+23% to Rs159 bn), (5) AIBP (+75% to Rs350 bn), (6) Railways (Rs158 bn versus Rs108 bn (IB-2009-10))
- Enhanced scope and role of IIFCL to facilitate incremental lending to infrastructure sector
  - Take-out financing to facilitate asset-liability mismatch of commercial banks
  - Refinance 60% of commercial bank loans to PPP projects over next 15-18 month
- Extended Sec 80-IB(9) exemption to commercial production of natural gas- encourage investments in hydrocarbon sector
- Extension of benefits under Sec 80-IA by one year up to Mar' 11 – to expedite execution of ongoing power projects
- MAT rate increased from 10% to 15% - negative for infrastructure developers

Capital Goods / Infrastructure

Industry wish list

- Continued thrust on development spending i.e. higher allocation to flagship programs of Bharat Nirman, JNNURM, APDRP, NHDP and AIBP
- Enabling policies to attract capital flows – to increase availability of funds for infrastructure sector
- Easing ECB norms especially for infrastructure projects– to attract debt funds into the sector
- Clear roadmap to expedite roll-out of infrastructure projects i.e. clearance of land, statutory, environment, etc
- Selectively raise import barriers for capital equipment – to facilitate and encourage domestic players -
- Deemed export status for equipment supply to high priority infrastructure projects

Our expectations

- Selectively raise import barriers for power equipment (likely to increase import duty from 0-5% to 14%) – to provide level-playing field to domestic manufacturers
- Deemed export status for equipment supply to high priority infrastructure projects
- Extension of benefits under Sec 80-IA by – to expedite execution of ongoing power projects
- Take-out financing mechanism from IIFCL has not achieved desired objective. The key issue is competitiveness of IIFCL versus commercial banks. Thus, 2010-11 budget will objectively try to address the above shortcomings and help IIFCL achieve stated objective.
- Continued thrust on development spending i.e. higher allocation to flagship programs of Bharat Nirman, JNNURM, APDRP, NHDP and AIBP. We expect special focus on Road, Bridges and Water Sanitation with emphasis on urban infrastructure.
- Easing ECB norms especially for infrastructure projects– to attract debt funds into the sector

Cement Industry

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Last budget

- Excise duty on cement with MRP above Rs190/bag @ 8% a. For cement sold below Rs190/bag excise duty Rs230/ton
- Excise duty on bulk cement @ Rs230/ton or 8% whichever is higher
- Customs duty on imported coal /petcoke and Gypsum @5%

Industry wish list

- Industry has sought a uniform rate of Excise Duty on Cement
- Abatement of 55% on Excise duty levied on MRP basis
- Import duty on coal/pet coke and gypsum be abolished
- VAT on cement and clinker (currently at 12.5%) be brought down to 4 % in line with steel and cement be included in the 'Declared Goods'
- Royalty paid on limestone and duty/cess paid on indigenous coal be allowed as credit – either as Cenvat credit or as VAT credit.

Cement Industry

Our expectations

- We expect industry's demand of uniform excise duty will get some ears from Govt. We expect excise duty on cement to be hiked by 2% to 10%, which we believe will be partially passed on to the consumer. However South based cement manufacturers might find it difficult to pass on the additional burden on to the consumer.
- On rest all we expect the Govt to maintain status quo.

Fertilisers & Chemicals

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Last budget

- Increase in outlays for various rural development schemes
- Additional interest subvention of 1% over and above 7% was introduced as an incentive to farmers who repaid short term crop loans on schedule
- Timelines under various debt waiver and debt relief schemes were extended
- Government intended to a system of direct transfer of subsidy to farmers and Nutrient based subsidy to cover larger basket of fertiliser products
- Rs 500 bn were allocated towards fertiliser subsidy for 2009-10
- Excise duty on chemicals was reduced to 8%

Changes during the year

- Recently, the government has approved Nutrient Based Subsidy (NBS) effective from April 1, 2010
- Urea prices have been increased by 10% from Rs 4830 per tonne to Rs 5313 per tonne
- Note : Further details are awaited

Fertilisers & Chemicals

Industry wish list

- Rural schemes like NREGA, Rural infrastructure development, sustained development on irrigation projects etc should continue
- Fertiliser subsidy payments should be in cash not in bonds leading to adequate subsidy provisioning
- NPS-4 should come with more clarity and should include capital subsidy sharing formula on conversion from LSHS to gas base. New investment policies for urea should include revised ceiling and floor prices, gas allocation to fertiliser companies for new plants
- Announcements related to Nutrient based subsidy should ensure clarity in subsidy calculation
- Chemicals - Excise duty should be maintained at current levels

Our expectations

- Government's focus on various rural development programmes is likely to continue with associated increase in corpus allocated to irrigation, disbursement of agriculture credit etc
- Fertiliser subsidy on indigenous urea is expected to come down due to KG basin gas. However due to increase in demand and higher imports we expect a 10-15% increase in fertiliser subsidy allocation
- Positive announcements regarding roadmaps for NPS – 4, new investment policies on urea
- Chemicals might see an increase in excise duty from 8% to 12%

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Last budget

- Increase in allocations to development and social programs for rural India - like Indira Gandhi Vikas Yojana, Rural housing, NREGA, RKVY and Urban Poor Development
- Hike in exemption limits of personal income tax – raises disposable income
- Abolishment of FBT – from 6% to nil
- Minimum Alternate Tax (MAT) increased from 10% to 15%
- Central excise duty on paint brushes, shaving brushes and toothbrushes reduced from 4% to nil
- No change in excise duty on cigarettes
- Stimulus measures of reduction in excise duty from 14% to 10% to 8% retained in the 2009-10 budget

Industry wish list

- Partial rollback of stimulus measures – hike in excise duty from 8% to 10% and service tax from 10% to 12%
- Clear roadmap for implementation of GST to replace the current multiple tax system of state and central government
- Increase in excise duty on cigarettes
- Higher tax incidence on alcohol beverages
- Continued thrust on development spending for rural India and rise in allocation to various social programs/schemes i.e. Indira Gandhi Vikas Yojana, Rural housing, NREGA, RKVY and Urban Poor Development

Our expectations

- Roll back of stimulus measures – increase in excise duty from 8% to 10% (excludes Cigarettes)
- Excise duty on filter cigarettes would increase 5-10% – considering no duty increase in 2009-10 budget
- Roll back of stimulus measures – increase in service tax from 10% to 12%
- Increase in excise duty on raw tea from NIL to 10%
- Higher tax incidence on alcohol beverages
- Continued thrust on development spending for rural India and rise in allocation to various social programs/schemes i.e. Indira Gandhi Vikas Yojana, Rural housing, NREGA, RKVY and Urban Poor Development
- Timeline for implementation of GST would be extended to April 2011 – expect a firm commitment for its implementation

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Last budget

- Deadline for STPI Tax benefits available to Indian IT/ITES companies under Section 10A/10 B of the Income Tax Act'1961 extended to March 31'2011 from March 31'2010. Note that this marked the 2nd occasion of extension of tax benefits under Section 10A/B of the Income Tax Act'1961

Industry wish list

- Extension of Tax benefits available to Indian IT/ITES companies beyond the deadline of March 31'2011.
- Clarity on calculation of tax benefits available for SEZ units under Section 10AA of the Income Tax Act'1961

Our expectations

- We would be positively surprised by extension of Section 10A/10B benefits given govt's need to reduce fiscal burden (through higher tax collections) and better demand environment for Indian techs as compared to last year. In case there is an extension of tax holiday under Section 10A/B, HCL Tech would gain the most amongst large cap IT companies. Most mid cap companies to be significant gainers.
- Clarification that entire profits generated from SEZ's facilities would be tax free would be a +ive for the sector. Infosys and HCL Tech to gain the most as they would have reversal of tax provisions made during FY09/10.

Metals and Mining

Last budget

- No change in excise duty of 8% on ferrous and non ferrous metals
- No change in custom duty of 5% on steel
- Increase in MAT from 10% to 15%

Changes during the year

- Import duty on iron ore lumps increased to 10% from 5% and on fines from 0% to 5%
- Royalty on iron ore increased from Rs11-27/t to 10% ad-valorem

Industry wish list

- Retain excise duty at 8%
- Increase export tax on iron ore from 5-10% to 15-20%
- Increase in import duty on steel from 5% to 15-20%
- Continuing and even increasing rural and infrastructure development expenditure

Metals and Mining

Our expectations

- Excise duty may be increased from 8% to 10%
- Export tax on iron ore may not be increased
- Import duty on steel may not be increased

Impact on sector

- Increased in excise duty may have some negative impact on the overall demand

Oil and Gas

Last budget

- Investment-linked tax incentives to businesses laying and operating cross-country natural gas, Crude & petroleum oil pipeline network for distribution on common carrier principle.
- Under section 80-IB(9), tax holiday to the exploration company for commercial production of mineral oil and natural gas from oil and gas blocks, which are awarded under the NELP-VIII round of bidding.

Changes during the year

- Kirit Parekh Committee, set up by the Finance Minister on oil pricing reforms, has come out with a report on a viable and sustainable system of pricing petroleum products.

Industry wish list

- Tax holiday on City Gas distribution business
- Deregulation of Auto fuel Prices as recommended by Kirit Parekh Committee.
- Clarification on authorization & power of PNGRB with respect to authorization of CGD licenses & new pipelines
- Clarification on section 80IB deduction on gas exploration for pre NELP & NELP I-VII blocks

Oil and Gas

Our expectations

- Deregulation of Auto Fuel Prices – Positives for the companies like IOCL, BPCL, HPCL
- Clarity on authorization & power of PNGRB – Positive for the companies, who are engaged in natural gas transmission and distribution business like GAIL, GSPL, IGL, GGCL

Paper

Last budget

- Concessional excise duty rate was maintained at 4%
- Custom duty of 10% on paper and 5% on pulp remained unchanged
- MAT rate was increased from 10% to 15% which impacted paper companies negatively as they enjoy lower tax rates

Industry wish list

- Rates for excise and custom duties should be maintained at current levels
- Introduction of Technology Upgradation Fund (TUF)
- Interest rate should be charged on banks under the consessional rates policy

Our expectations

- To deal with technological obsolescence faced by the industry, we expect government to make some favourable announcement on TUF (Technological Upgradation Fund)
- Excise duty at current levels may be retained

Pharma

Last budget

- MAT hiked to 15%
- Abolishment of FBT
- Sun set clauses (EOU) benefit extended for one more year
- Allocation for healthcare spending increased by Rs 20bn to Rs 120.7bn
- Tax incentive of 150% weighted reduction on in-house R&D
- Reduction of custom duty from 10% to 5% on 10 specified life saving drugs/vaccines
- Reduction of custom duty to 5% on devices such as PDA/ASD occlusion device rugs

Industry wish list

- Weighted deduction on R&D to be raised from 150% to 200% and extended for another 5 years up to 2017
- Exemption for 100% deductions in profits for EOU u/s 10B for income tax should be extended
- The 5 yr tax holiday for new private healthcare facilities in tier-2 and tier-3 towns be extended to 10-15 yrs
- Concessional rate for certain categories of life saving medicines
- Excise duty on formulation and bulk drugs should remain at current level.
- Increase in allocation on healthcare infrastructure and HIV eradication, etc.

Pharma

Our expectations

- Excise duty on formulation and bulk drugs will be maintained at current level.
- Concessional rate for certain categories of life saving medicines
- Increase allocation on Healthcare infrastructure and HIV eradication, etc.

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Last budget

- Budget 2009-10 was largely neutral to power sector. Key Measures -
- Extension of 80 IA (including entity set up for revival of power generation plant) terminal date by one year up to 31.03.2011 – positive for Generation, transmission and distribution companies which are likely to commission substantial part of their project portfolio upto FY11, as those projects would be eligible for tax holidays under 80 IA.
- MAT rate increased from 10% to 15% - negative for companies putting up projects under SPVs.
- Increase in APDRP and RGGVY allocations to Rs20.8bn and Rs70bn, 160% and 27% higher than 2008-09 budgetary allocation – positive for transmission and distribution companies.
- Reduction in custom duty on permanent magnets (component used in wind power) from 7.5% to 5% - marginally positive for wind power equipment manufacturers.

Changes during the year

- Renewable energy regulations issued by CERC allowing 19% pre tax ROE on wind, solar, biomass and small hydro projects.
- Power trading margin cap increased from Rs0.04/Unit to Rs0.07/Unit.
- CERC UI regulations proposed to be amended – Peak UI rate to be increased from Rs7.35/Unit to Rs9.08/Unit and additional UI surcharge to be increased from 40% to 100%.
- Power market regulations issued allowing a maximum of 0.75% of sale price as member service charges.

Power

Changes during the year

- Rs8/Unit cap on day-ahead power prices was put up for a period of 45 days from 10th September to 23rd October.
- The regulator has allowed week-ahead contracts on exchanges.
- Government has capped UMPPs per developer to a maximum of 3 UMPPs under construction.
- Mega power policy was amended – (1) condition of mandatory distribution privatization by power purchasing state was dropped, (2) condition of inter-state sale of power was dropped, (3) removed the requirement of carrying out ICB for procuring equipment, if the developer ties up power through tariff-based bidding.
- National solar mission was announced targeting 20000MW solar power by 2022 from current 10MW.
- Rs0.50/Unit of generation based incentive (GBI) announced by Central Govt for wind power generation.

Industry wish list

- Extension of 80 IA benefit up to 2017 versus 2011 currently.
- Increase in import duty on power equipments.
- Grant infrastructure status to power, thereby broaden the beneficiaries of 80 IA benefit beyond developers to equipment suppliers, O&M contractors, etc.
- Sectoral caps and group caps on financing to be relaxed to facilitate the financing of the projects.
- Increase in allocation for RGGVY and APDRP.

Industry wish list ….

- Roadmap to expedite clearances - land, environment, fuel linkages, water linkages, other statutory clearance, etc.
- Policy framework to encourage private participation in power distribution through franchisee model. Tax incentive for companies engaged in R&D in offering power technology solutions for distribution segment.

Our expectations

- Expect thrust on power distribution – (1) policy framework encouraging private participation in power distribution especially through franchisee model for reduction in AT&C losses, (2) allocations to National T&D fund, which was created in 2008-09 budget, (3) increased allocation to APDRP and (4) tax incentives for companies engaged in R&D for power distribution automation technologies.
- Expect thrust on rural electrification - Increase in RGGVY allocations by 20-25% over 2009-10.
- Thrust on energy efficiency - (1) policy framework, (2) tax exemptions and (3) other incentives to promote energy efficiency.
- Increase in import duty (from 0 - 9% currently to 15 - 20%) on power equipments especially Chinese power equipments.

Real Estate

Last budget

- Section 10A/10B STPI benefit which was to end by March 2010, extended to March 2011

Changes during the year

- RBI's clarification of commercial real loans (CREL) exposure by the banks – CREL to include only income producing properties whereby prospects of repayment and recovery depends on lease or rental payments.

Industry wish list

- Re-introduce Sec 80IB, tax holiday scheme for housing projects
- Extend ECB scheme to entire real estate sector as compared to above 100 acres townships were ECB is currently allowed
- Reduction in customs and excise duty for capital and construction requirement of the real estate companies
- Increase deduction available under Sec 24(B) of IT Act (for interest paid on home loans) from Rs.150,000 to Rs.250,000

Our expectations

- Increase deduction available under Sec 24(B) of IT Act (for interest paid on home loans) from Rs.150,000 to Rs.250,000
- More clarity of the Real Estate Mutual funds

Thank You

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