MOTILAL OSWAL

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Budget 2011-12 Preview

"One-off performance" or "One of performance"?

Low expectations amidst macroeconomic headwinds

Union Budget 2011-12 comes against the backdrop of high inflation, tight liquidity, high interest rate, industrial slowdown, delayed reforms and negative market sentiment. Thus, expectations from the budget are, in general, muted. The positive is that FY11 fiscal deficit target of 5.5% of GDP will be over-achieved. But without one-off revenue sources like 3G, meeting the FY12 fiscal deficit target of 4.8% is a challenge [our estimate 5%; gross (net) market borrowing of Rs4.7t (Rs4t)]. Clarity on reforms such as DTC, GST and oil/fertilizer subsidy is the key watch-out.

Key budget watch-outs

- **Fiscal deficit to GDP:** 4.6% FY11E (5.5% BE), 5% FY12E
- **FY12 market borrowing:** Gross (net) at Rs4.7t (Rs4t)
- **Key reforms:** DTC, GST, oil/fertilizer pricing
- **Key sector expectations**
  - **Auto:** 0-2% excise hike
  - **Cement:** 0% import duty on coal/pet-coke
  - **Engineering:** 14% import duty on power equipment (currently 0%)
  - **FMCG:** Cigarette excise duty hike of ~10%
  - **IT:** No tax exemption from FY12
  - **Oil & Gas:** Cut in import and excise duties across products
  - **Metals:** Higher export duty on iron ore
  - **Retail:** FDI roadmap
  - **Telecom:** Uniform 6% license fee (curr. 6-10%)
  - **Utilities:** Extension of Sec-80IA, boost to IIFCL

Backdrop: Union Budget 2011-12 comes amidst macroeconomic headwinds

Union Budget 2011-12 comes at a time when the Indian markets and economy are facing critical headwinds on multiple issues, both domestic and global:

1. Inflation at decadal high; no signs of meaningful moderation yet
2. Tight liquidity and rising interest rate environment
3. Few early signs of industrial slowdown
4. Stalling of reforms process
5. Persistently high global oil and other commodity prices
6. ~14% correction in equity markets; India has been the top underperforming market in 2011 amongst top-10 global markets.

Repeating FY11 fiscal performance will be a challenge in FY12

We expect FY11 fiscal deficit to be significantly lower than the 5.5% budget estimate (BE). Absolute fiscal deficit will be somewhat lower than BE as gains of (1) 3G/BWA bonanza, (2) tax buoyancy, (3) stimulus withdrawal and (4) lower Plan expenditure were substantially eaten up by bloating oil and fertilizer subsidies. However, second highest nominal GDP growth of 20.3% helped in a sharp drop in fiscal deficit/GDP ratio.

Repeating FY11 performance in FY12 will pose a serious challenge in view of (1) ballooning subsidy bill on the back of rising international oil prices, and (2) no 3G-like bounty. We expect FY12 fiscal deficit/GDP ratio at 5%, translating into gross (net) market borrowing of Rs4.7t (Rs4t).

Key fiscal indicators: FY11 propped by one-offs; FY12 remains a challenge

Rs billion	FY10	FY11 (BE)	FY11E	FY12E
Gross fiscal deficit	4,140	3,814	3,658	4,500
Net market borrowings	3,984	3,450	3,350	4,017
Gross market borrowings	4,510	4,571	4,471	4,747
GDPmp	65,503	69,347	78,779	89,809
Fiscal deficit (% of GDP)	**6.3**	**5.5**	**4.6**	**5.0**
Revenue deficit (% of GDP)	5.0	4.0	3.2	3.7
Combined fiscal deficit (% of GDP)	9.4	8.1	7.1	7.1

What to watch out for

- Rationalization of oil pricing/subsidy structure by a combination of (1) customs/excise duty cuts, and/or (2) measured price hikes
- Any steps to reduce the fertilizer subsidy
- Aligning direct and indirect tax rates with eventual DTC and GST framework
- Kickstarting the reform engine with implementation clarity on GST and DTC, etc.
- Any specific measure to boost revenues (divestment target, one-time revenue generators similar to 3G in FY11)

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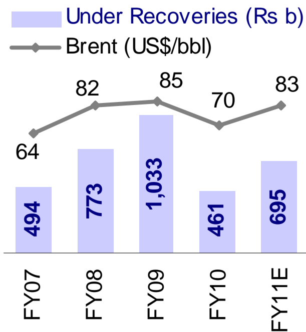
Backdrop

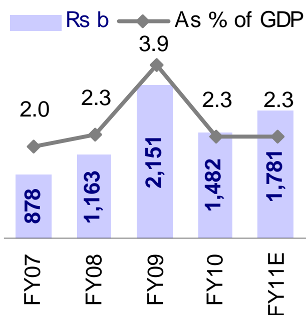
Union Budget 2011-12 comes amidst macroeconomic headwinds

Rising under-recoveries on higher oil prices



Source: PPAC/MOSL

Subsidies are on the rise



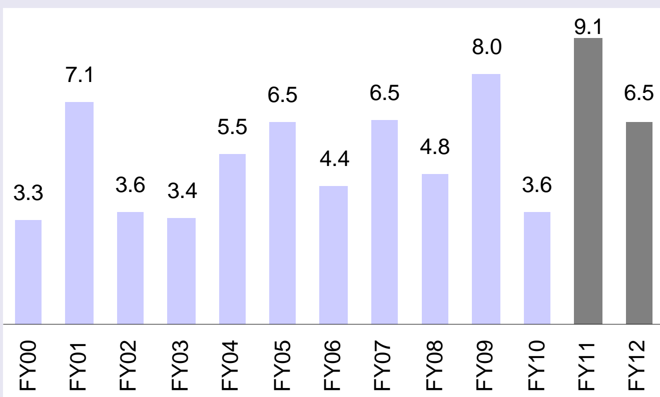
Source: Budget docs/MOSL

Union Budget 2011-12 assumes significance on many counts. First, inflation is at its decadal peak and has remained high despite a series of monetary/fiscal policy actions. The prospect of drought in China could mean higher cereal prices and uncertainties in the Middle-East could lead to further increases in oil prices. A gradual move towards re-aligning to international oil prices appears more certain in FY12, which would lead to one-time release of suppressed inflation, preventing dramatic decline in inflation in FY12 on high base.

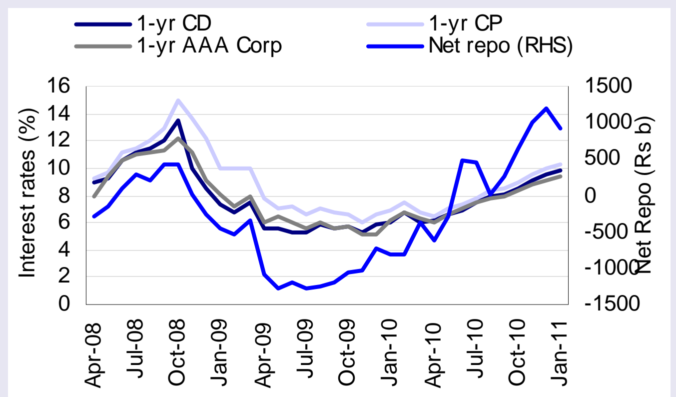
Second, as a response to emerging inflationary risks, RBI has successively hiked policy rates effectively by 300bp since the exit of stimulus measures in October 2009. This was accompanied by a quantitative tightening by restricting money supply far lower than the credit demanded by the government and the private sector. As a result, interest rates hardened fairly quickly. Further, as liquidity remained severely stretched for an extended period of time, the interest rate pressures acted more on the shorter end first by flattening the yield curve and second by inverting the private sector yield curve (with the one-year CD rates ruling ahead of 3-year AAA and in turn over 5-year AAA, and so on).

Third, with heightened inflation and interest rates, the capacity to live with macroeconomic risks appears stressed, with definite signs of slowdown in industrial production. A variety of factors has contributed to this, including higher international commodity prices, higher interest rates, a spate of corruption issues creating a circumspect atmosphere, environmental clampdown, and issues of land acquisition and water availability.

Inflation is ruling at decadal high (%)



RBI's policy stance has tightened liquidity and interest rates



Source: CSO/MOSL

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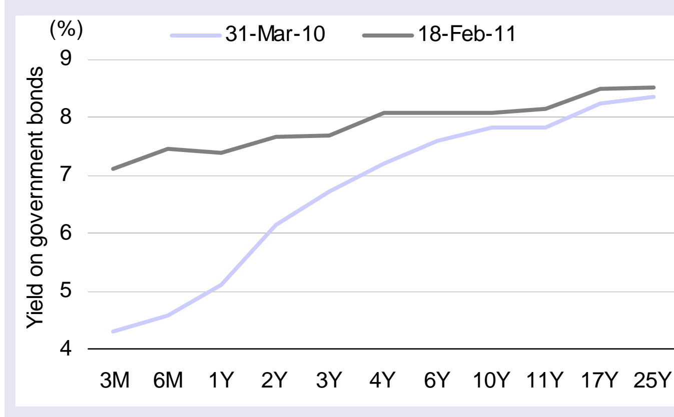
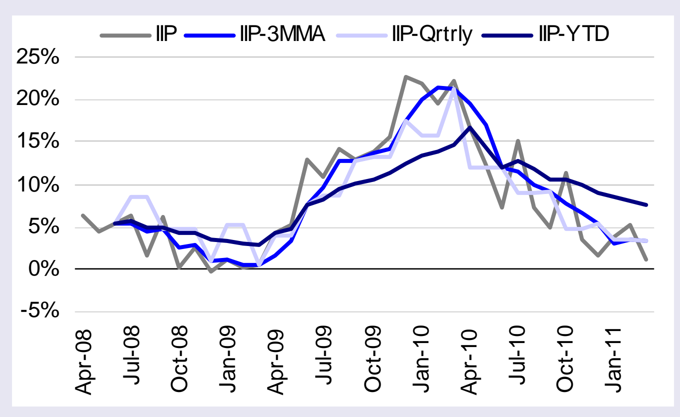
Yield curve flattened, as tight liquidity affected the shorter end more



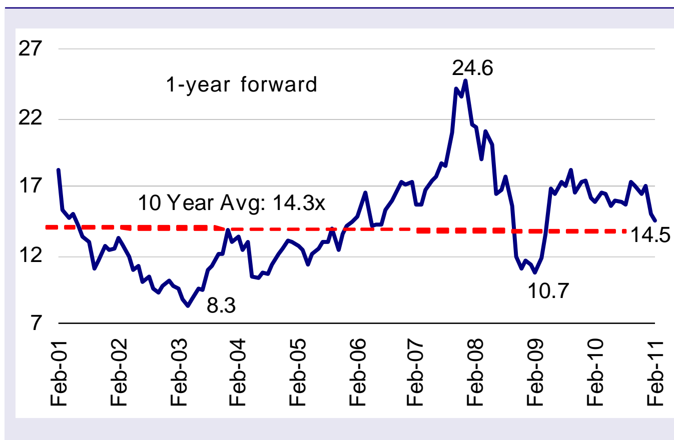
IIP nosedive reflects slowdown in industrial production



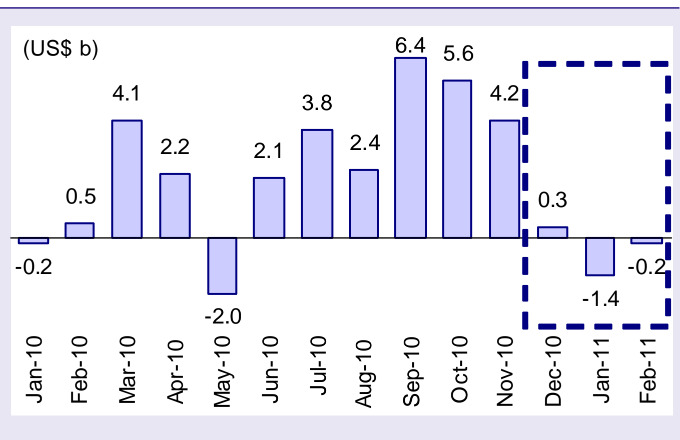
Source: CSO/MOSL

The above uncertainties reflected on the equity markets, which corrected by ~14% from the recent highs. FII withdrawal from the equity market and rebalancing of portfolio towards debt during the current calendar year too adversely impacted sentiment. Adverse market sentiment seriously dented the IPO pipeline, further weakening industrial prospects.

Sensex P/E has corrected to near its long-term average



FII withdrawal and portfolio rebalancing has impacted sentiment



Source: MOSL

The compulsions of coalition politics, differences within the government and political opposition have stalled the progress of various key reforms that have serious implications for India's ability to push the growth bar back to the potential 9-10%. Many reforms in key sectors such as oil, fertilizers, banking, FDI in retail/insurance/defense, and significant tax reforms are on suspended animation.

Tardy progress in key reform areas

Reform Area	Status
(i) Oil Price Decontrol	The government proposed deregulation of petrol and diesel prices, and hiked kerosene and LPG prices on June 25. However, only petrol has been deregulated; no hike has been effected in others since then.
(ii) Direct Tax Code (DTC)	Bill introduced, deadline delayed by one year to April 1, 2012. Most of the provisions in the original DTC pertaining to MAT, SEZ, capital gains, tax treatment of long-term savings, etc. watered down meaningfully.
(iii) Goods and Services Tax (GST)	The deadline for GST extended to April 1, 2012. Major disagreement cropped up between the center and a few states over loss of states' autonomy to tax and the ambit of center power.
(iv) Foreign Direct Investment (FDI)	The government has floated discussion paper on five areas, viz., (i) defense sector, (ii) multi-brand retail (iii) issue of shares for consideration other than cash, (iv) approval of foreign/ technical collaborations in case of existing ventures/tie-ups in India, and (v) limited liability partnerships. While the consultative process is on, no decision has been taken as yet.
(v) Fertilizer Subsidy	Nutrient based subsidy (NBS) regime announced in FY10 budget implemented in April 2010; prices of all non-urea fertilizers decontrolled.
(vi) Banking Licence/Foreign Banks	RBI issued a discussion paper specifying (1) new branch licences will be limited, and (2) new banks should promote financial inclusion and support inclusive economic growth. For entry of foreign banks, RBI has floated a discussion paper preferring the subsidiary mode.

Under the prevailing circumstances, Union Budget 2011-12 assumes significance that goes far beyond the government's normal income-expenditure statement. Over the years, the budget has become a key policy tool to rejig growth, enhance macroeconomic stability, address sectoral imbalances, ensure inclusive growth and in general articulate the medium-term development strategy for the government. Union Budget 2011-12 would therefore carry great expectations of addressing the current exigencies as highlighted above. The budget also comes on the heels of a spate of corruption issues that have been highlighted in the media and currently being redressed through various executive, legal and parliamentary mechanisms. Hence, the issue of governance that has been mentioned as the third pillar of strategy by the government along with growth and inclusive growth in the recent years comes in sharp limelight. Needless to add, rolling of the reform engine is an absolute must for India at this juncture.

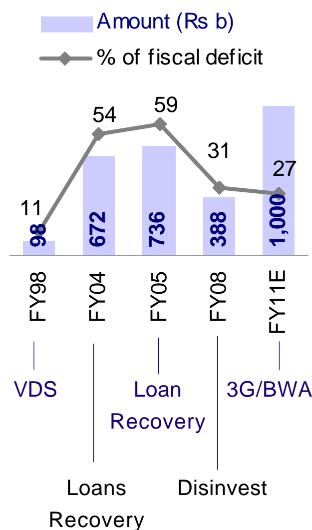
Key expectations

Repeating FY11 fiscal performance will be a challenge in FY12

(i) FY11: Expect Fiscal deficit/GDP at 4.6%

Post the crisis phase of the fiscal stimulus, the government has moved back to consolidation mode. The trend during the current financial year up to 3QFY11, for which data has been made available, shows robust revenue growth helping the government to keep the deficit within target. The revenue target has been achieved mainly on three counts (1) high real and nominal GDP growth has increased direct tax revenue even after announcing tax benefits, (2) indirect tax collection has grown very significantly on rollback of tax concessions from the stimulus levels, (3) 3G/BWA bonanza of Rs1t as against budgeted Rs350b. Thus, overall revenue receipts are likely to reach Rs8t v/s the budgeted Rs6.8t (see Annexure I on page 6).

One-off receipts

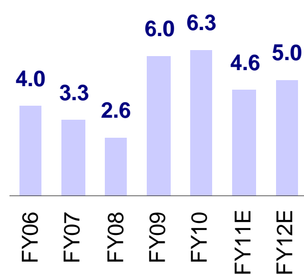


Source: Budget docs/MOSL

Non-plan expenditure growth has largely been on track while some softness is visible on planned expenditure. As planned expenditure usually rises in 4Q and a major subsidy overhang (estimated at Rs600b) looms on account of oil and fertilizer bill, overall expenditure is estimated higher at Rs12t v/s the budgeted Rs11t.

This leaves us with a somewhat lower fiscal deficit of Rs3.6t v/s Rs3.8t budgeted. While the market borrowing program has largely proceeded on course, improved revenue position has resulted in significant cash balances of ~Rs1t with the government in recent months. The nominal GDP has grown by a record 20.3% as against 12.5% assumed by the budget. The combined impact of higher revenue, slower planned expenditure and higher GDP base is likely to take fiscal deficit/GDP ratio to as low as 4.6% during FY11.

Fiscal deficit (as % of GDP)



Source: Budget docs/MOSL

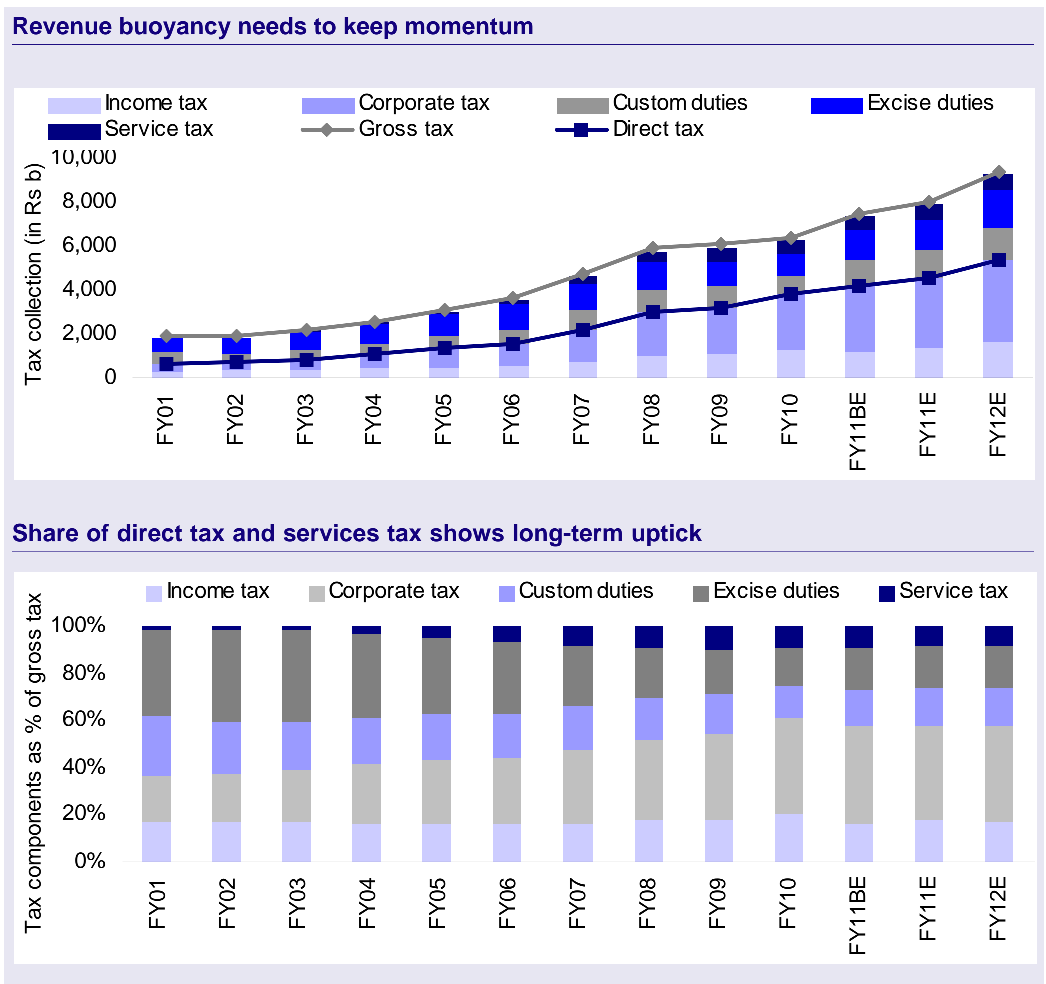
(ii) FY12: Clarity on reforms is a key watch-out

We have placed our FY12 real and nominal GDP growth at 8.3% and 14%, respectively. As the direct tax is very highly related with nominal GDP growth, we have assumed 15% growth in personal tax and 18% growth in corporate tax. Major concessions in direct tax have already been advanced in FY11 and we are near the revised direct tax code (DTC) threshold. Also, various concessions given in the final DTC draft placed in the Parliament have restricted fiscal space for the government to reduce tax rates dramatically as envisaged in the original DTC draft. We expect only marginal enhancement in personal tax slabs (Rs175k from current Rs160k of minimum threshold). Stricter enforcement may result in enhancement in tax revenue.

On the indirect tax front, the government has serious intentions to introduce goods and services tax (GST), which is set to replace the complicated indirect tax structure currently in place at the central and the state level (see Annexure III). While no agreement has still been reached between the center and key states opposing it, it is hoped that an agreement can be reached with suitable modifications of the existing proposals. Though GST is not expected to follow the ideal course in its final form, most sources place the revenue neutral GST rate of 8% at the central level if a unified rate is implemented (unlikely) and 5% and 10% under a dual rate structure for merit goods and general goods, respectively. The tax net for services sector is expected to be widened to cover all services and service

tax per se is envisaged to be brought under GST. However, it needs to be emphasized that many matters of principle (like autonomy of states) as well as detail (like tax rates, exemption list, rules for inter-state tax credit and transfer, compensation for revenue loss of states, etc) are still being evolved. While the ideal GST structure would elude us given the complexity of issues, an agreement between a compromise formula and a complete letdown would be a highly reasonable starting point. Somewhat unexpected inclusion of GST in the bills to be introduced in the parliament in the budget session itself indicates, however, the government's resolve in this regard.

There would however, be no one-time accretion of 3G/BWA revenue in FY12. The financial position of the telecom companies also indicates rather limited possibility of incremental revenue from the auction of additional 2G spectrum with the existing players. Hence, we expect FY12 non-tax revenue to be sharply lower than FY11 and fall back to its trend. Taking all into consideration, our revenue receipts estimate for FY12 stands at Rs8.4t.

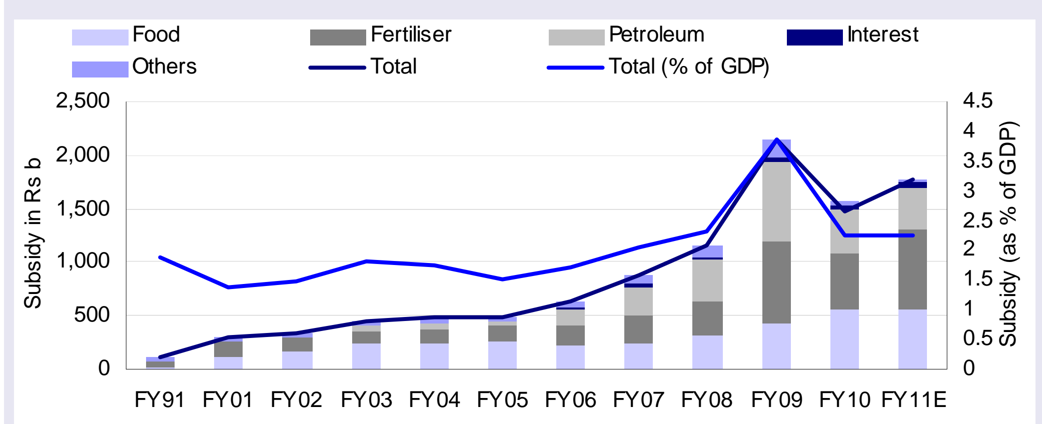


Source: Budget documents/MOSL

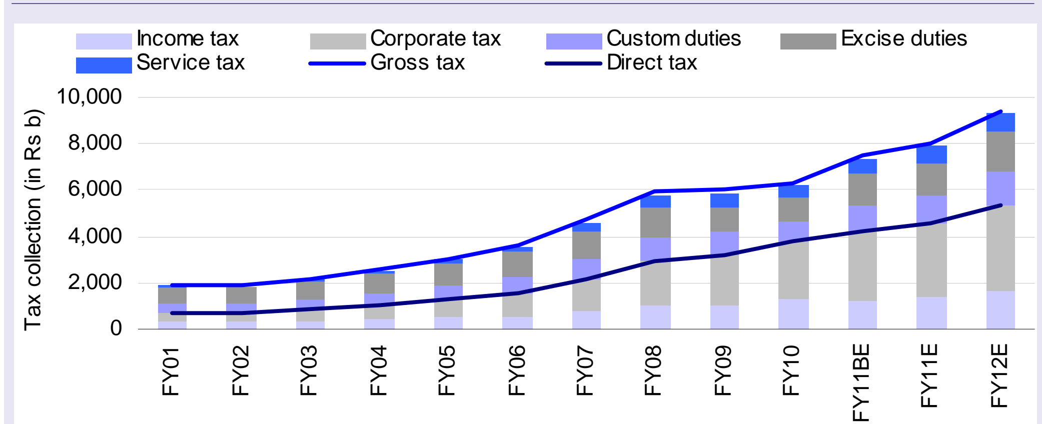
On the expenditure front, the demand for subsidies and welfare-based programs such as MNREGA is on the rise. However, we also feel that the government would be encouraged to implement the key subsidy reforms already announced in the nature of diesel price deregulation and nutrient-based subsidy (NBS) regime for fertilizers once there is some visibility of moderation of inflation in 1QFY12. This is likely to leave the subsidy burden relatively unchanged after accounting for nearly Rs600b enhanced subsidy bill in FY11.

On the other hand, being the last year of the 11th five year plan, Union Budget 2011-12 is set to witness ~18% increase in planned expenditure to meet the plan targets. Thus, scope for fair amount of expenditure cuts is rather limited. It would be rather difficult to restrict overall expenditure below Rs13.4t.

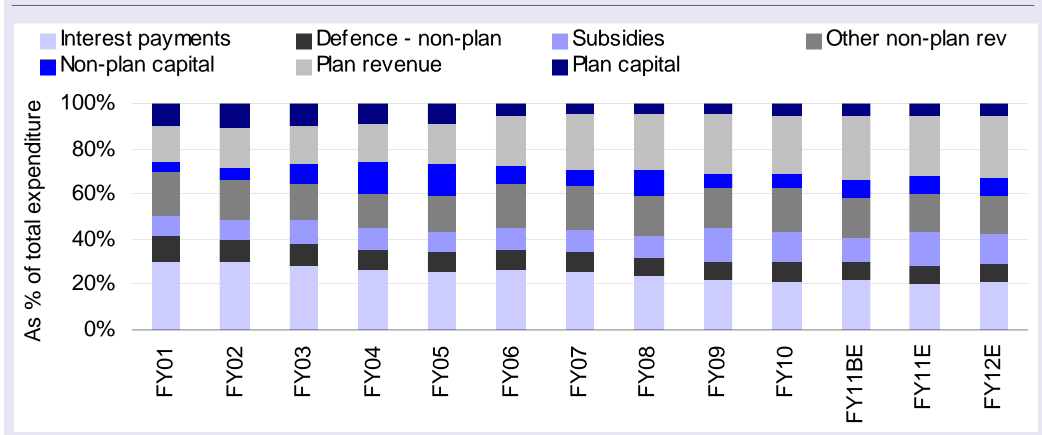
Demand for welfare schemes and subsidies is on the rise again



Expect strong growth in expenditure to meet 11th plan targets



Planned revenue expenditure is set to increase to boost special schemes



Source: Budget documents/MOSL

This leaves us with significantly higher fiscal deficit of Rs4.5t in FY12 vis-à-vis Rs3.7t expected in FY11. Despite an enhanced nominal GDP, this would translate into a fiscal deficit of 5%, still higher than the 4.8% target set as per the medium-term fiscal strategy statement. Without any source of one-off revenues, it would be difficult for the government to achieve the target of 4.8%. One such one-off source highlighted in the press is the tax amnesty scheme (last introduced in 1997). This is a distinct possibility and given the environment of governance issues coming to the fore at present, this would be a definite incentive to regularize unaccounted income as one last opportunity to come clean.

The consequence of a Rs4.5t fiscal deficit is an additional gross borrowing requirement of Rs4.7t and a net borrowing market requirement of Rs4t. We believe this in itself is high, and any higher figure would be viewed negatively by the bond market. However, the Rs1t cash balance of the government, even if partially carried forward and used in FY12, can substantially reduce the borrowing requirement.

Key assumptions for fiscal projection for FY12 (% of GDP)

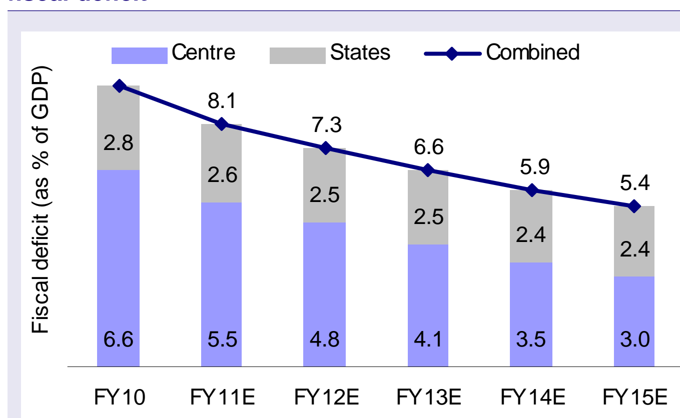
	Government fiscal	Our estimates	
	consolidation roadmap	As per old GDP	As per new GDP
Gross tax revenue	11.5	11.9	10.5
Non-tax revenue	1.6	1.9	1.7
Non-Debt capital receipts	0.6	0.6	0.6
Total Expenditure	**15.3**	**16.9**	**14.9**

Source: Budget documents/MOSL

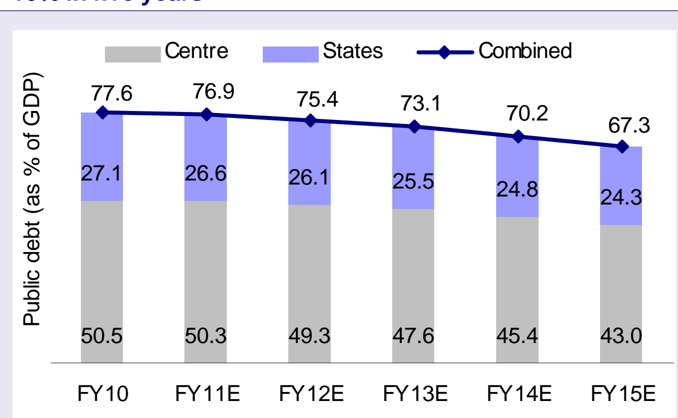
(iii) Medium-term fiscal consolidation plan looks promising

We expect the government to largely remain within the fiscal corrective course set by it. While FY11 fiscal deficit target of 5.5% is likely to be over-achieved, the FY12 target looks a bit challenging at the outset. However, the overall direction of the second phase of fiscal consolidation including a reduction in public debt is unmistakable. Notably, India's achievement in this regard stands out vis-à-vis various advanced countries that have stretched the fisc to enable recovery, triggering a sovereign debt crisis.

FRBM-II is likely to lead to significant reduction in fiscal deficit



Even the combined debt is likely to come down by a good 10% in five years



Source: Budget documents/MOSL

Economic legislation roadmap: Scope to turnaround business climate

After the loss of the winter session, the government is on overdrive to move key economic legislation during the budget session. It has acceded to the opposition demand for a joint parliamentary committee (JPC) probe to ensure smooth conduct of business. It is hoped that this would assuage the opposition to cooperate on key economic legislation that are imperative at this juncture.

The most significant of these is the GST Bill (as mentioned earlier, the government has somewhat hurried up in its introduction). Four other contentious bills that the government plans to introduce relate to the mining sector and in the area of land acquisition and rehabilitation (see Annexure III). Besides, various other bills slated to be taken up for consideration and passing include Companies Amendment Bill, SBI Amendment Bill to pave the way for merger with subsidiaries, right to education and permission to accounts and related professionals for limited liability partnerships, etc. Most of these bills can usher important changes enabling turnaround in the business and investment climate.

Budget 2011-12: Sector expectations and impact

Autos

Budget Changes (2010)	Budget Expectations (2011)	Likely Impact
■ Increase in the ad-valorem component of excise duty on automobiles by 2%, with no change in the specific component. ■ Increase in duties on fuel resulted in 6% increase (~Rs2.7/liter: Delhi) in petrol prices and 7.6% increase (~Rs2.5/liter) in diesel prices. ■ Reduction in income tax, resulting in higher disposable incomes, (maximum increase of Rs56,000).	■ Excise duty hike of 0-2%	■ Excise hike, if any, will be passed to consumers. Expect no material impact on demand.
	■ Differential taxation for diesel powered passenger vehicles by levying additional excise duty. Kirit Parekh Committee had recommended Rs80,000/unit additional duty on diesel-powered vehicles.	■ Any such levy would be passed-on and reduce attractiveness of diesel cars. M&M (100% of UV portfolio or ~60% of revenues), Tata Motors (70-75% of PV volumes) & Maruti Suzuki (20-22% of volumes) are risk.

Banking & Financial Services

Budget Changes (2010)	Budget Expectations (2011)	Likely Impact
■ Fiscal deficit higher at 5.5% of GDP for FY11 with net government borrowing of Rs3.5t. Target of reducing it to 4.8% by FY12 ■ Extension of interest subvention on export credit of 2% on pre-shipment credit and interest subvention on farmer's credit increased to 2%. ■ Increase in recapitalization funds to Rs165b. ■ Statement on possibility of issuing fresh banking licenses.	■ A key number to watch out for will be the target for fiscal deficit and extent of government borrowings.	■ High/low gross borrowings could be negative/positive for interest yields, and accordingly, margins and growth.
	■ Currently, the bank is entitled to a tax deduction on the provisioning towards bad and doubtful debts equal to 7.5% of the bank's total business income. Banks have demanded full tax waiver on this provision as PCR norms have changed to 70% mandatory requirement.	■ This would help boost profitability by resulting in lower effective tax rate.
	■ Some package for state electricity boards - facing rising quantum of losses and weakening financial health.	■ Biggest beneficiary of any move towards strengthening SEB financial health would be positive for REC and PFC.
	■ Considering the increased requirement for infrastructure financing, banks should be allowed to issue infrastructure bonds or reduce the tenure of tax-free deposits from five years to three years.	■ Positive for the bank as the duration of liabilities is shorter than the assets.

Cement

Budget Changes (2010)	Budget Expectations (2011)	Likely Impact
■ Increase in the ad-valorem component of excise duty on cement by 2%. ■ Increase in duties on fuel resulted in 7.6% increase (~Rs2.5/liter) in diesel prices, impacting freight cost. ■ Imposition of clean energy cess of Rs50/ ton on both domestic and imported coal.	■ Continued focus on infrastructure, development and housing to boost cement demand.	■ Increase in allocations to infrastructure, development and housing projects would be positive, especially considering muted demand in FY11 due to lack of pick-up in infrastructure projects.
	■ Abolish customs duty on imported coal/ pet-coke from 5%	■ With lower availability of domestic linkage coal, any reduction in customs duty on imported coal/ pet coke would help dilute impact of energy cost inflation. Shree Cement (100% dependence), India Cement (~60% dependence) and UltraTech (~50% dependence) would benefit the most.

Construction / Infrastructure

Budget Changes (2010)

- Increased investments towards various schemes

Budgetary allocation of schemes (Rs b)

	FY11	FY10
Bharat Nirman	480	453
JNNURM	116	63
AIBP	115	97
NHDP	199	175

- India Infrastructure Finance Company Limited (IIFCL) was expected to increase its disbursement to Rs200b of funding for infrastructure projects till FY11. The take-out financing scheme announced in the last budget is expected to initially provide finance for about Rs250b in the next three years.
- To support fund raising the budget provided for a deduction of up to Rs20,000 u/s 80CCF by an individual (over and above the investment limit of Rs100,000 u/s 80C).
- Increase in MAT rate to 18% from 15%
- Specified road construction machinery items fully exempted from customs duty, subject to specified conditions. Sale or disposal of such machinery items was earlier permitted only after five years; now the sale/disposal is being permitted post payment of customs duty at depreciated value.

Budget Expectations (2011)	Likely Impact
Infrastructure development thrust will persist with flagship programs like Bharat Nirman, JNNURM and AIBP witnessing rise in allocations.	Expect budget 2011 to be positive for the infrastructure sector in terms of increased allocation for development and addressing funding issues.
India Infrastructure Finance Company Limited (IIFCL) was expected to increase its disbursement to Rs200b of funding for infrastructure projects in FY11. However, till date IIFCL has refinanced bank lending to infrastructure projects of Rs15b during 9MFY11 and is expected to disburse Rs35b-40b in the January - March quarter. Therefore, total take-out financing scheme announced in the last budget is expected to continue in FY12.	Companies focusing on segments like roads, civil construction, power and urban infrastructure would fundamentally benefit from the increased allocation to the sector.
Some policy reforms may take place in PPP projects.	Increased funding allocation to infrastructure sector would fast-track the financial closure of projects getting delayed due to funding issues.

Engineering

Budget Changes (2010)

- Increase in excise duty of all manufactured goods from 8% to 10%.
- Zero import duty on certain specified raw materials for manufacturing rotor blades used in wind generation sets.
- Increase in allocation to defense (Rs600b; +9% YoY)
- Allocation of Rs51.3b and Rs10b towards APDRP and JNNSM.
- JNNURM allocation of Rs116.2b v/s Rs63.3b in FY10 RE.

Budget Expectations (2011)	Likely Impact
Implementation of the Arun Maira Committee recommendation of 14% import duty for capital equipment pertaining to power projects (mega and small) across the board for all equipments (currently NIL).	We expect the budget to be largely positive due to better allocation to Defense, JNNURM and APDRP and RGGVY.
Increased allocation to defense, APDRP and RGGVY.	The possibility of acceptance of the recommendations of the Arun Maira Committee report on import duty is low.
Creation of Rs500b National Electricity Fund (NEF). Interest subsidy to SEBs under the fund.	NEF will accelerate investments in the distribution sector, thus creating demand opportunities for downstream equipment manufacturers of transformers, electrical products, cables, towers, etc.

FMCG

Budget Changes (2010)

- 18% increase in excise duty on 60-70mm cigarettes and 11% on >70mm, blended increase at 16.5%, introduction of new excise category of <60mm length.
- Excise duty on major FMCG products increased from 8% to 10%; exempted categories like Baby Diapers and Sanitary Napkins brought under excise at the rate of 10%.
- Demand boosting measures: sustaining NREGA spend post 200% increase in FY10; reduction in income tax by Rs20,000 for individuals with income of Rs0.5m and Rs56000 at Rs0.8m income.

Budget Expectations (2011)	Likely Impact
Cigarettes excise duty hike of ~10% (currently Rs669-2,363 per 1,000 sticks)	Low to mid single-digit excise increase would be positive. Excise increase in mid teens will impact volume growth. Excise increase will likely be a pass-through with little impact on margins.
Clarity on roadmap to GST implementation	GST implementation will be a positive, as it will reduce distribution costs and encourage the organised sector.
Imposition of concessional excise duty in some of the segments which are currently exempted from excise	Some processed foods and OTC products might be bought under excise net post GST.
Sustained increase in allocation for NREGA Lower income taxes on the lines of suggestions under Direct Tax Code	Steps aimed at increasing disposable income in rural bottom end and lower middle class segment will boost consumer demand.

Information Technology

Budget Changes (2010)
- No further exemption for STPI beyond 2011
- Tax exemption on export profits from SEZ with retrospective effect (FY06 onwards v/s FY10 onwards)
- MAT rate increased from 15% to 18%

Budget Expectations (2011)	Likely Impact
We do not expect further exemption beyond FY11, in line with the budget 2010 notification.	Neutral impact on the sector, as the increased taxation from FY12 onwards is already factored in. Any increase in tax holiday window will lead to earnings upgrades across the sector.
No material development expected on the SEZ front. The draft DTC bill proposes tax benefits for SEZs notified on/before March 31, 2012 and commencing operations on/before March 31, 2014	While no material impact is expected in this budget, the draft bill, if passed, will be positive for mid-cap IT companies, which had not yet planned their SEZ foray.
MAT expected to remain at 18% (effectively 19.93% including surcharge and cess, in line with DTC proposal of 20%)	No impact.

Media

Budget Changes (2010)
- Exemption from basic and additional customs duty for importing digital masters for duplication/distribution - currently at 20%, of which 4% can be offset against service tax
- Setting up of digital head-end notified under project imports attracting 5% customs duty and nil special CVD, positive for MSOs.
- Lower effective tax rate due to reduction in surcharge from 10% to 7.5%.

Budget Expectations (2011)	Likely Impact
Rationalization of multiple levies for DTH operators (customs duty, CVD, VAT, licence fee, entertainment tax, octroi)	Expect the budget to be largely Neutral for the media sector.
Withdrawal of 5% customs duty on set-top box.	Any incentives for increasing affordability of digital STBs or investing in digital infrastructure would be positive for the sector.

Oil & Gas

Budget Changes (2010)
- Increase in customs duty on crude from nil to 5%.
- Increase in customs duty on petrol and diesel from 2.5% to 7.5% and from 5% to 10% on other refined products.
- Specific duty hike of Rs1/liter on petrol and diesel.

Budget Expectations (2011)	Likely Impact
Removal of customs duty for crude from current 5% to nil.	Reduction in crude custom duty shall impact government revenues (~US$3b) and benefit refiners; also would bring down under-recoveries.
Reduction in customs duty on petroleum products; in-line with cut in crude customs duty.	Reduction in product customs duty will primarily help in reducing retail prices.
Reduction in specific excise duty on petrol and diesel.	Excise duty cut will help reduce under recoveries.
Clarity on tax holiday on natural gas production.	We currently model tax holiday on RIL's gas production at KG-D6. Absence of tax holiday would impact its SOTP by 3%.
Clarity on subsidy sharing formula between government, upstream and downstream.	Before FPO of ONGC and IOC, clarity on subsidy sharing will help in increased earnings predictability in upstream and downstream companies.

Metals

Budget Changes (2010)

- Excise duty increased by 2pp to 10%.
- Clean energy cess of Rs50 per ton on coal production and imports.
- Proposal to introduce competitive bidding for further allocation of coal blocks.

Budget Expectations (2011)	Likely Impact
Export duty on iron ore may be raised.	Expect the 2011 budget to be neutral for the metals sector.
Supply of plates to the shipping industry may be considered a deemed export.	
EoU benefit may not be extended.	
DEPB benefit may be extended.	
Excise may increase by 2pp to 12%.	

Pharmaceuticals

Budget Changes (2010)

- Increase in Minimum Alternate Tax from 15% to 18%.
- Increase in weighted deduction from 150% to 200% for in-house R&D expenditure.
- Retrospective extension of treatment of profit from domestic tariff area for SEZ (Sec 10AA).
- Increase in excise duty on APIs from 8% to 10%.
- Reduction in state-level excise duty from 16% to 10% on narcotic products.

Budget Expectations (2011)	Likely Impact
Extension of EoU benefits (expiring on 31-March-2011) without any time limits.	+ve for Generics & CRAMS companies. Most large companies are setting up SEZs.
R&D - Currently R&D in-house R&D expenses incurred in India are only eligible for this deduction. It is proposed that expenses on outsourced clinical trials, international patent filings & litigation, international product filings & registrations and cost of land & buildings should be eligible for 200% weighted deduction.	+ve for Generics.
Complete exemption from customs duty for R&D inputs.	+ve for Generics.
Reduce customs duty on formulations from 10% to 5%.	+ve for MNCs.
Abolish special additional duty (SAD) on all pharmaceutical imports.	+ve for MNCs. Minor +ve for other companies.
Complete exemption from customs duty for all life-saving drugs.	Industry to pass on benefit to consumer.
Reduce excise duty on APIs from 10% to 4% to bring it on-par with that of formulations since API is an input for formulations.	+ve for Generics/ CRAMS players.
Increase excise abatement rate on drugs to 45-50% from current 35%.	Will reduce absolute excise duty for industry by 15-23%.
Complete exemption from excise duty on physician's samples.	+ve for domestic formulationd manufacturers..
Complete exemption from excise duty for all life-saving drugs.	Industry to pass on benefit to consumer.
Complete exemption from excise duty for R&D inputs.	+ve for Generics.

Real Estate

Budget Changes (2010)

- Service tax on home buyers, resulting in additional tax incidence of 3-4%.
- Allocation for urban development increased by 75% from Rs30.6b to Rs54b. Allocation for Housing and Urban Poverty Alleviation has been raised from Rs8.5b to Rs10b.
- Increase in allocation for the Indira Awas Yojna to Rs100b and increase in allocation for the Rajiv Awas Yojna to Rs12.7b from Rs1.5b.

Budget Expectations (2011)	Likely Impact
Fiscal sops in the form of deductions or other incentives for affordable housing e.g. increase in income tax deduction under Sec 24(B) for housing loans from Rs0.15m to ~Rs0.25m.	An increase in income tax deduction is a key demand of the industry. Any such move will address affordability issues and boost residential sales.
Industry status for the real estate sector.	Real estate sector currently does not have industry status. Any move on this front will make bank financing easier and cheaper for RE companies.

Retail

Budget Changes (2010)

- 12% service tax imposed on lease rentals
- Excise duty exemption on items used in cold chain, refrigeration, etc extended to dairy, poultry, marine and horticulture.
- Rationalization of direct taxes to boost the income levels of urban middle class and boost demand.

Budget Expectations (2011)	Likely Impact
Removal of service tax on lease rentals.	Removal of service tax on lease rentals will increase the EBITDA margins by 50bp as they don't get full set off of service tax paid.
Roadmap on GST implementation.	GST will enable the industry to revamp its supply chain and reduce the cost of procurement and distribution.
Incentives for infra development and manufacturing which will aid organised retail.	Infra incentives on the lines of cold chain and food processing to other manufacturing industries will enable bulk manufacturing and reduce costs.
Roadmap of FDI in retail.	FDI in multibrand retail could be a game changer for the sector. This would enable entry of global retailers and increase the flow of capital, systems and processes which can transform retail trade.
Industry status to organised retail.	

Telecom

Budget Changes (2010)

- The key negative was increase in MAT from 15% to 18%.
- Exemption of 4% Special Additional Duty (SAD) on mobile phones, positive for the overall demand growth in the sector.

Budget Expectations (2011)	Likely Impact
Rationalization of multiple levies to put a simple industry-friendly tax structure.	Expect the budget to be largely Neutral for the telecom sector.
Uniform 6% licence fee for all circles (currently 6-10% of adjusted gross revenue depending on circle of operation).	Given the ongoing policy review (NTP 2011) we do not expect any major changes in licence fee or tax structure.
Extension of 80IA benefits: Period during which 80IA can be claimed to be extended to 20 years in place of existing 15 years, 100% exemption over successive 10 years out of the 20 years.	

Power Utilities

Budget Changes (2010)

- Customs duty for mega power projects exempted, for which power supply is tied-up on competitive bid mechanism.
- Approval accorded for coal mines award for captive use on competitive bid basis and setting up of Coal Regulator.
- Promotion of clear energy development through levy of cess on coal produced at Rs50 per ton. This cess will also apply on imported coal.

Budget Expectations (2011)	Likely Impact
Long-term debt market for funding infrastructure; including mobilizing retail savings for infra financing.	Expect 2011 budget to be largely positive for utilities sector, in terms of addressing long pending issues like funding, etc.
Extend the deadline for claiming Sec 80IA benefits for projects commissioned beyond March 2011 also.	Infrastructure funding is already 13% of outstanding credit for banks; and incremental fund availability is restricted. Hence, availability of long-term funds will be a key reform to watch out for.
Treating long-term capital gains tax on sale of equity holding in unlisted SPVs in line with their listed counterparts.	We factor in extension of Sec 80IA benefits, and expiry will impact new project NPV's by 3-4%.
Full pass-through of the dividend distribution tax for infrastructure special purpose vehicles.	

Annexure I: Government accounts, fiscal balance and debt position

Rs Billion	FY07	FY08	FY09	FY10	FY11	FY11E	FY12E
1. Total receipts (2+16)	**5,789**	**7,398**	**8,399**	**10,271**	**11,087**	**12,204**	**13,402**
2. Revenue receipts (3+15)	**4,344**	**5,419**	**5,403**	**5,773**	**6,822**	**8,074**	**8,403**
3. Net tax (4-14)	3,512	4,395	4,433	4,651	5,341	5,795	6,920
4. Gross tax (5+9)	4,735	5,931	6,053	6,331	7,467	7,988	9,407
5. Direct tax (6 to 8)	2,197	2,959	3,198	3,806	4,225	4,584	5,366
6. Income tax receipt	751	1,026	1,060	1,250	1,206	1,399	1,608
7. Corporate tax receipt	1,443	1,929	2,134	2,551	3,013	3,179	3,751
8. Other direct taxes	2	3	4	5	6	6	6
9. Indirect tax (10 to 13)	2,539	2,973	2,855	2,525	3,242	3,404	4,041
10. Custom duties collection	863	1,041	999	845	1,150	1,219	1,463
11. Excise duties collection	1,176	1,236	1,086	1,020	1,320	1,399	1,679
12. Service tax receipt	376	513	609	580	680	694	798
13. Other indirect taxes	123	182	160	80	92	92	101
14. Share of states and UTs	1,223	1,536	1,620	1,680	2,126	2,193	2,487
15. Non-tax Revenue	832	1,023	969	1,122	1,481	2,279	1,483
16. Capital receipts (net) (17+20+21+22)	**1,445**	**1,980**	**2,999**	**4,498**	**4,265**	**4,130**	**4,999**
17. Net market borrowings (18-19)	1,104	1,318	2,336	3,984	3,450	3,350	4,017
18. Gross market borrowings	1460	1,681	2,730	4,510	4,571	4,471	4,747
19. Repayment of market borrowings	356	363	394	526	1,121	1,121	730
20. Recovery of loans and advances	59	51	61	43	51	86	99
21. Disinvestment of PSUs	5	388	6	260	400	330	400
22. Other capital receipts	276	223	595	212	364	364	483
23. Expenditure (24+34)	**5,834**	**7,127**	**8,840**	**10,215**	**11,087**	**12,148**	**13,402**
24. Non-plan expenditure (25+30)	**4,135**	**5,076**	**6,087**	**7,064**	**7,357**	**8,241**	**9,000**
25. Non-plan revenue exp. (26 to 29)	3,722	4,209	5,590	6,419	6,436	7,320	7,976
26. Interest payments	1,503	1,710	1,922	2,195	2,487	2,492	2,841
27. Non-plan rev exp on defence	517	542	733	884	873	961	1,057
28. Subsidies outgo	571	709	1,297	1,310	1,162	1,762	1,762
29. Other non-plan revenue	1,131	1,247	1,638	2,030	1,914	2,105	2,316
30. Non-plan capital expenditure (31 to 33)	413	867	497	644	921	921	1,024
31. Non-plan loans and advances	15	16	17	13	10	10	11
32. Non-plan capital exp on defence	338	375	409	478	600	-	-
33. Other non-plan capital	60	477	71	153	310	-	-
34. Plan expenditure (35+38)	**1,699**	**2,051**	**2,752**	**3,152**	**3,731**	**3,907**	**4,402**
35. Plan revenue expenditure (36+37)	1,424	1,736	2,348	2,644	3,151	3,267	3,718
36. Rev. exp. on central plan	1,026	1,197	1,665	1,878	2,309	-	-
37. Assistance to states plan	399	539	683	766	842	-	-
38. Plan capital expenditure (38+40)	274	315	405	508	580	640	684
39. Cap. exp. on central plan	218	238	317	413	497	-	-
40. Loan and adv. to states plan	57	77	88	94	82	-	-
41. Gross fiscal deficit (23-2-20-21)	**1,426**	**1,269**	**3,370**	**4,140**	**3,814**	**3,658**	**4,500**
42. Revenue deficit (25+35-2)	802	526	2,535	3,291	2,765	2,513	3,291
43. Primary deficit (41-26)	-77	-441	1,448	1,945	1,327	1,166	1,659
44. GDPmp	42,937	49,864	55,826	65,503	69,347	78,779	89,809

Memo items (as % of GDP)							
45. Fiscal deficit	3.3	2.6	6.0	6.3	5.5	4.6	5.0
46. Revenue deficit	1.9	1.1	4.5	5.0	4.0	3.2	3.7
47. Primary deficit	-0.2	-0.9	2.6	3.0	1.9	1.5	1.8
48. Central govt. public debt	38	39	39	38	42	37	35
49. Central govt. total liabilities	59	57	56	56	56.3	49.6	48.6
50. Combined fiscal deficit	5.4	4.1	8.5	9.4	8.1	7.1	7.1
51. Combined liabilities	74	72	72	72	74	65	64

Annexure II: DTC Bill is broadly status quo

The Finance Ministry introduced the Direct Taxes Code (DTC) Bill in Parliament on Monday, 30 August 2010. The Bill is significantly altered and diluted compared to the original form and also compared to the revised discussion paper released in June 2010. Most of the provisions in the original DTC pertaining to MAT, SEZ, Capital Gains, Tax Treatment of Long-term Savings, etc have been watered down meaningfully. The proposed provisions now are broadly similar to those under the current regime.

The Bill has been tabled in Parliament and will now be placed before a Standing Committee. This Committee will again invite comments including from public and then will be taken up by the Parliament for approval. Hence, the provisions contained in the current Bill could also be revised further, based on the comments received.

Key highlights

- DTC to be implemented from April 1, 2012 against the earlier intention of April 1, 2011. The implementation time-frame is a delay of one year and post GST, this is the second important legislation to have been delayed.
- Minor tweaking of personal income slabs and tax rates. Tax deductions on principal repayment in terms of housing loan have been withdrawn.
- Insurance premia exceeding 5% of sum assured no longer eligible for exemption; insurance sector inflows (mainly towards ULIPs, unit-linked insurance plans) to be affected. Grandfathering of existing ULIP policies has not been specifically mentioned in the Bill.
- Corporate surcharge and cess abolished. MAT credit has been retained on book profits.
- Zero long-term capital gains tax for equities retained. Income earned by FIIs through investments and also derivatives transactions to be treated as capital gains and not business income.
- Holding companies in tax havens proposed to be discouraged through wealth and income tax implications on Controlled Foreign Companies. This will probably impact certain transactions using investment vehicles for overseas acquisitions, which will now be subjected to 1% wealth tax and consolidation of profits for income tax.
- Vodafone type transactions can be taxed in India, if the holding of Indian assets of the foreign company is more than 50% of its total assets.

DTC Bill - Major provisions

Proposal	Current regime		Proposed DTC		Remarks / Grey areas
Personal Income Tax					
Slabs & rates	Up to Rs160,000	**Nil**	Up to Rs200,000	**Nil**	For income levels above Rs1m, the tax saving is Rs24,000
	Rs160,000 - 500,000	10%	Rs200,000 - 500,000	10%	
	Rs500,000 - 800,000	20%	Rs500,000 - 1,000,000	20%	
	Above Rs800,000	30%	Above Rs1,000,000	30%	
Major deductions from income		**Rs**		**Rs**	
	Specified funds, insurance premiums, housing loan principal repayment, etc	100,000	Specified funds (PF, PPF, etc)	100,000	■ Insurance premia exceeding 5% of sum assured not eligible for deduction
	Long-term infra bonds	20,000	Life/health insurance prem, children's' education	50,000	■ Housing loan principal repayment not eligible for deduction
	Total	**120,000**	**Total**	**150,000**	■ No grandfathering of presently issued policies
Corporate Tax					
Tax rate	**33.2%** (incl 7.5% surcharge 3% cess)		**30%**		Positive
MAT rate	**19.93%** (MAT credit for 10 years)		**20%** (MAT credit for 15 years)		Neutral
SEZ exemptions	SEZs notified till Mar-11 eligible		SEZs notified till Mar-12 and commissioned before Mar-14 eligible		Positive
Capital Gains Tax					
(1) Equities / equity MFs					
Long-term	**0%**		Deduction of 100% of capital gains **i.e. 0%**		■ Long-term capital gains tax exemption earlier proposed to be withdrawn
Short-term	**15%**		Deduction of 50% of the capital gains **i.e. 15% / 10% / 5%** (depending on the applicable tax rate)		■ Positive for small tax payers
(2) Other assets					
Long-term	**20%** with indexation benefit		At applicable slab rates		■ Holding period for long-term reduced from 36 to 24 months
Short-term	At applicable slab rates		At applicable slab rates		■ Purchase price for assets acquired before 1 April 2000 can be reset to fair value as on 1 April 2000

Others

- DTC to be implemented from 1 April 2012 against the earlier intention of 1 April 2011
- Dividend distribution tax of 5% imposed on mutual funds and insurance companies
- Royalty and technical fees to foreign companies to be taxed at 20% v/s 10% currently
- Concept of Controlled Foreign Company (CFC) introduced. The definition of CFCs suggests that they are basically overseas holding companies in tax havens. Notional income of CFCs is taxable in the hands of Indian companies; also, equity and preference shares invested in CFCs will be considered to compute Wealth Tax liability (Wealth Tax @ 1% on wealth in excess of Rs10m).

Annexure III: GST - a recap

I. Salient features

(i) The GST shall have two components: one levied by the Centre (hereinafter referred to as Central GST), and the other levied by the States (hereinafter referred to as State GST).

(ii) The Central GST and the State GST would be applicable to all transactions of goods and services made for a consideration except the exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. (iii) The Central GST and State GST are to be paid to the accounts of the Centre and the States separately.

(iv) Since the Central GST and State GST are to be treated separately, taxes paid against the Central GST shall be allowed to be taken as input tax credit (ITC) for the Central GST and could be utilized only against the payment of Central GST. The same would hold for the State GST.

(v) The administration of the Central GST to the Centre and for State GST to the States would be given. This would imply that the Centre and the States would have concurrent jurisdiction for the entire value chain and for all taxpayers on the basis of thresholds for goods and services prescribed for the States and the Centre.

(vi) A threshold of gross annual turnover of Rs.10 lakh both for goods and services for all the States and Union Territories may be adopted with adequate compensation for the States (particularly, the States in North-Eastern Region and Special Category States) where lower threshold had prevailed in the VAT regime. Keeping in view the interest of small traders and small scale industries and to avoid dual control, the States also considered that the threshold for Central GST for goods may be kept at Rs.1.5 crore and the threshold for Central GST for services may also be appropriately high.

(xiii) Keeping in mind the need of tax payer's convenience, functions such as assessment, enforcement, scrutiny and audit would be undertaken by the authority which is collecting the tax, with information sharing between the Centre and the States.

II. Taxes to be subsumed under GST

Central taxes: (i) Central Excise Duty (ii) Additional Excise Duties (iii) The Excise Duty levied under the Medicinal and Toiletries Preparation Act (iv) Service Tax (v) Additional Customs Duty, commonly known as Countervailing Duty (CVD) (vi) Special Additional Duty of Customs - 4% (SAD) (vii) Surcharges, and (viii) Cesses.

State taxes: (i) VAT / Sales tax (ii) Entertainment tax (unless it is levied by the local bodies). (iii) Luxury tax (iv) Taxes on lottery, betting and gambling. (v) State Cesses and Surcharges in so far as they relate to supply of goods and services. (vi) Entry tax not in lieu of Octroi.

III. GST Rate Structure

- The Empowered Committee has decided to adopt a two-rate structure -a lower rate for necessary items and goods of basic importance and a standard rate for goods in general. There will also be a special rate for precious metals and a list of exempted items.
- Zero Rating of Exports: Exports would be zero-rated. Similar benefits may be given to Special Economic Zones (SEZs).
- GST on Imports: The GST will be levied on imports with necessary Constitutional Amendments. Both CGST and SGST will be levied on import of goods and services into the country.
- Special Industrial Area Scheme: After the introduction of GST, the tax exemptions, remissions etc. related to industrial incentives should be converted, if at all needed, into cash refund schemes after collection of tax, so that the GST scheme on the basis of a continuous chain of set-offs is not disturbed.

IV. Inter-State Transactions of Goods and Services (IGST)

The scope of IGST Model is that Centre would levy IGST which would be CGST plus SGST on all inter-State transactions of taxable goods and services with appropriate provision for consignment or stock transfer of goods and services. The inter-State seller will pay IGST on value addition after adjusting available credit of IGST, CGST, and SGST on his purchases. The Exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The Importing dealer will claim credit of IGST while discharging his output tax liability in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST. The relevant information will also be submitted to the Central Agency which will act as a clearing house mechanism, verify the claims and inform the respective governments to transfer the funds.

Annexure IV: Important bills to be introduced/considered in the budget session

Name of the Bill	Content of the Bill
I - Economic Bills for Introduction	
■ The Consumer Protection (Amendment) Bill, 2011.	Amplifies the provisions of the Act, facilitates quicker disposal of consumer complaints and rationalizes the qualifications and procedure of selection of President and members of the consumer fora
■ The Banking Laws (Amendment) Bill, 2011.	To improve the capital adequacy of banks.
■ The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (Amendment) Bill, 2011.	To improve the NPA recovery mechanism by giving banks precedence over the tax department in this regard
■ The Recovery of Debts due to Banks and Financial Institutions (Amendment) Bill, 2011.	To remove inconsistencies in the existing legislation
■ The Factoring and Assignment of Receivables Bill, 2011.	The Bill seeks to give a comprehensive legal and regulatory framework for such services to regulate factoring business and to amend the Stamp Act, 1899
■ The Constitution (Amendment) Bill, 2011 - (Goods and Service Tax)	The single biggest indirect tax reform in post independent India that seeks to bring most goods and services under a unified ad valorem tax with centralised tax collection and revenue sharing with states.
■ The Mines (Amendment) Bill, 2011.	For regulation of work and welfare of people employed in mines
■ The Mines and Minerals (Development and Regulation) Bill, 2011.	To expedite the approval processes in the mining sector
■ The National Highways Authority of India (Amendment) Bill, 2011.	Aims at increasing institutional capacity of NHAI and help execute the powers delegated to it
■ The Land Acquisition (Amendment) Bill, 2011.	The Bill redefines "public purpose" as land acquired for defence purposes, infrastructure projects or for any project useful to the general public. As per the Bill, for acquisition resulting in large-scale displacement, a social impact assessment study must be conducted.
■ The Rehabilitation and Re-settlement Bill, 2011.	Associated with the above the bill seeks the displaced persons to be granted 60% solatium over and above the market rate of the land being taken over.
II - Economic Bills for Consideration and Passing	
■ The Companies (Amendment) Bill, 2009.	—
■ The State Bank of India (Subsidiary Banks) Amendment Bill, 2010.	The Bill seeks to facilitate merger of State Bank of India with its subsidiaries
■ The Coinage Bill, 2009.	Seeks to consolidate existing four laws relating to coinage and Mints and also seeks to prohibit and impose penalty on the melting or destruction of coins, unlawful making, and issue or possession of metal pieces to be used as money.
■ The Chartered Accountants (Amendment) Bill, 2010. ■ The Cost and Works Accountants (Amendment) Bill, 2010. ■ The Company Secretaries (Amendment) Bill, 2010.	These bills would enable Chartered Accountants, ICWAs and Company Secretaries to form Limited Liability Partnership (LLP) firms.
■ The Constitution (One Hundred and Eleventh Amendment) Bill, 2009.	Set to provide for legal framework to regulate the functioning of co-operative societies like democratic, autonomous and professional functioning
■ The Right of Children to Free and Compulsory Education (Amendment) Bill, 2010.	The Right of Children to Free and Compulsory Education
■ The National Council for Teacher Education (Amendment) Bill, 2010	The Bill seeks to regulate institutions, schools and teachers.
III - Bills for Introduction, Consideration and Passing	
■ The Finance Bill, 2011.	The Bill through which Budget is approved

Annexure V: Macro Economic Indicators

Annual

	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11E	FY12E
Growth Rate (%)												
Gross Domestic Product	4.4	5.8	3.8	8.5	7.5	9.5	9.6	9.3	6.8	8	8.6	8.3
Agriculture	-0.2	6.3	-7.2	10.0	-	5.1	4.2	5.8	0.0	0.4	5.4	2.8
Foodgrains (M Ton)	196.8	212.9	174.8	213.2	198.4	208.6	217.3	230.8	234.5	218.2	232.1	236.9
Industry	6.4	2.7	7.1	7.4	10.3	9.7	12.2	9.7	4.4	8	8.1	8.3
Manufacturing	7.7	2.5	6.8	6.6	8.7	9.1	12.5	9.0	7.4	11	8.7	8.6
Services	5.7	7.2	7.5	8.5	9.1	11.0	10.1	10.3	10.1	10.1	9.6	9.6
Money and Banking												
Money Supply (M3) Growth (%)	16.8	14.1	14.7	16.7	12.3	21.2	21.3	21.4	19.3	16.8	17.0	18.0
Non-food credit Growth (%)	14.1	9.4	30.1	18.9	26.7	39.6	28.5	23.0	17.8	13.5	20.0	20.0
Deposit Growth (%)	16.2	11.5	18.9	17.6	10.8	23.4	23.8	22.4	19.9	17.2	18.0	18.0
Yield on 10-yr G-sec (%)	9.8	7.4	6.2	5.2	6.7	7.5	8.0	8.0	7.0	7.8	8.05	8.25
External Sector												
Exports (US$ b)	44.1	44.0	52.8	63.9	83.5	103.1	126.3	163.0	183.1	178.2	225.0	285.0
Change (%)	20.1	-0.4	20.2	20.9	30.7	23.4	22.5	29.1	12.3	-2.7	26.2	26.7
Imports (US$ b)	50.1	51.6	61.5	78.2	111.5	149.1	185.1	249.8	299.3	286.1	335.0	392.0
Change (%)	0.5	3.0	19.3	27.1	42.6	33.8	24.1	35.0	19.8	-4.4	17.1	17.0
Forex Reserves (US$ b)	42.3	54.2	74.8	110.3	140.9	151.6	199.2	309.2	252.3	277.0	300.0	320.0
Average Exchange Rate (Rs/US$)	45.6	47.6	48.3	45.9	45.0	44.3	45.3	40.2	45.9	47.4	45.6	45.0

Monthly

	Apr-10	May-10	Jun-10	July-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11E	Feb-11E	Mar-11E
IIP Growth (%)	16.6	12.2	7.2	15.1	7.3	4.9	11.3	3.6	1.6	3.7	5.2	1.2
Non-food Credit Growth (%)	18.1	18.8	19.7	19.9	19.8	19.1	22.0	22.4	26.4	23.0	-	-
Deposit Growth (%)	16.3	14.9	13.4	14.0	14.4	14.3	18.5	14.0	18.1	15.9	-	-
Forex Reserves (US$ b)	279.6	272.0	277.0	284.2	282.8	291.6	298.0	294.0	297.3	299.2	298.7	300
Exchange Rate (Rs/US$)	44.5	45.8	46.6	46.8	46.6	46.1	44.4	45.0	45.2	45.4	45.5	45.5
Exports (US$ b)	16.5	15.7	19.3	16.0	16.4	18.1	18.0	18.9	22.5	22.4	22.4	22.3
Imports (US$ b)	27.7	26.6	25.9	26.5	27.1	25.1	27.7	27.8	25.1	25.5	25.9	26.3
Wholesale Price Index (% change)	11.0	10.6	10.3	10.0	8.8	8.9	9.1	8.1	8.4	8.2	8.6	8.2
Yield on 10-year G-sec (%)	8.1	7.5	7.5	7.8	8.0	7.8	8.1	8.1	7.9	8.2	8.1	8.1

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Motilal Oswal Budget Notes