INDIA

Budget 2011-12

CENTRUM

Union Budget

Review 28 February 2011

Pro-stability & autonomous growth, but large scope for slippages

The FY12 budget attempts an expenditure consolidation with a modest 3.4% spending growth and a lower-than-expected fiscal deficit. Expenditure consolidation comes from lower budget for both non-plan revenue and capital expenditure, despite higher commitment for plan spending. As a bargain the finance minister expects private spending to backfill for fiscal moderation. On balance, we believe the economy would fail to deliver the assumed 9% growth and will be exposed to risks from elevated commodity prices. This would imply downside risk to both market earnings and PE multiples.

- **Expecting private demand to re-balance public spending moderation:** While keeping the excise duty unchanged and providing marginal benefits on the direct taxes, the finance minister is hoping for a stronger response from private spending-both consumption and investments. In our view, if indeed the finance minister adheres to the budget numbers, the projected 9% GDP growth for FY12 will be at risk. A 3.4% increase in spending would be an effective de-growth in real terms assuming 5% inflation. Potential risk from continued rise in global crude prices can upset both fiscal estimates and growth assumptions.
- **Unrealistic deficit targets:** Lower fiscal deficit of Rs4,128bn vs our expectation of Rs4,500bn is arrived based on an optimistic disinvestment target of Rs400bn and conservative spending. This translates into an optimistic fiscal deficit/GDP number of 4.6%. In addition, the lower net market borrowing of Rs3,580bn also assumes an optimistic 36% growth in mobilization through small-savings schemes. We believe a realistic market borrowing number could be around Rs4,200bn.
- **Chasing foreign fund flows:** Increased dependence on foreign funds is evident in increased limits for FII in corporate debt and allowing foreign individuals to investment directly into domestic mutual funds. Clearly, the finance minister is buying insurance to plug the current account deficit by enlarging scope foreign flows in all forms. Allowing foreign individuals to invest through mutual funds route can attract large inflows of Indian funds parked abroad.
- **Market Strategy-Time to look at interest rate sensitives? Not yet:** The budget has attempted to calm market fears on fiscal imbalances and limit risks on the current account deficit front. In our view, these measures may only provide temporary comfort. While the budget aims to rekindle the investment cycle by moderating fiscal spending, there are several extraneous variables (crude prices, fertilizer prices, etc) which can be unsettling. Should current crude prices (US$105/bbl) prevail in FY12, the net borrowing would likely be much larger thereby adversely impacting interest rate sensitive sectors like Banking/Infrastructure/Real Estate. We would overweight selective energy stocks (which benefit from higher crude price, GRMs, pet chem margins), selective consumer (those with pricing power), pharma (non-correlated with interest rates) and IT services sector (benefits from recovery in the US). While the aggregate earnings have not changed much post the event based on tax proposals, we believe slower growth would impact them eventually. The PE multiple would be at risk from both slower growth and upside risk to commodity prices.
- **Sectoral outlook: Consumption, Infra and Agri benefit** With the taxes largely being left alone (against expectations that they would be adversely tinkered with) the budget outcome for many consumption sectors have been positive (auto, FMCG). The low net borrowing number had positive impact on interest rate sensitive sectors but it remains to be seen as to how the fine print would impact sentiment in the days ahead. Infrastructure sector and Agri sector are two sectors which received significant amount of focus.

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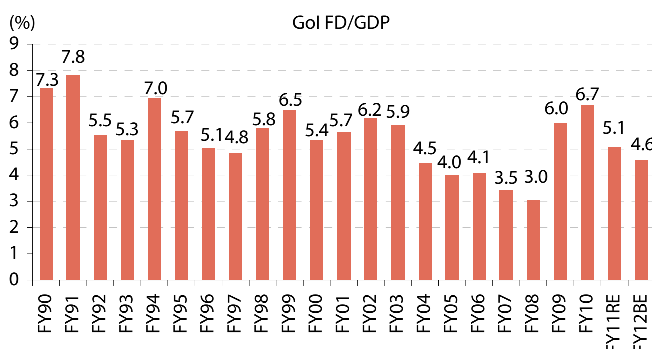
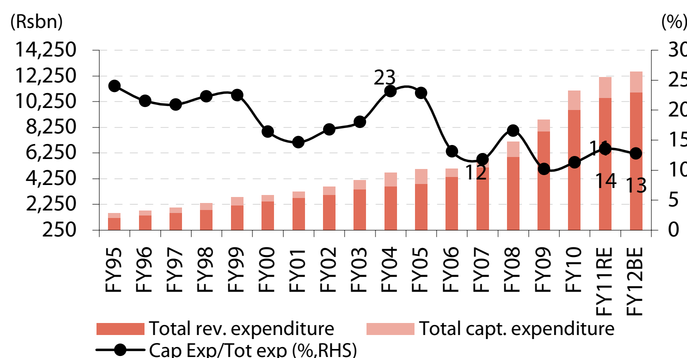
Exhibit 1: GoI fiscal deficit as % of GDP



Source: CSO, Union budget,, Centrum Research

Exhibit 2: Moderation in spending Budget



Source: Union budget,, Centrum Research

Please refer to important disclosures/disclaimers in Appendix A

Centrum Equity Research is available on Bloomberg, Thomson Reuters and FactSet

Conservative spending projections

- From a macro standpoint, FY12 budget is a conservative budget with focus on fiscal stability reflecting in significantly modest expansion in total spending by just 3.4%. This is even more conservative than our expectation of 6.5%. Though the total spending of Rs12,577bn is only marginally higher than our expectation of Rs12,690bn
- Conservatism on the spending side reflects in a modest 4.1% growth in revenue spending and 1.4% de-growth in capital spending. Within non-plan revenue spending allocations for both subsidy and under government services have been curtailed (-12.5% and -1.5% respectively).
- There does seem to be some under-representation in expenditure under subsidy. Revised estimate (RE) for FY11 at Rs1,642bn is significantly lower than our estimate of Rs1,862bn, which was based on a conservative view particularly in food and fertilizer subsidy (see Exhibit 5 below). Given the rise in global crude prices and large buffer of food grain with FCI, it is likely that even for FY12 the estimates may be an underestimation. In our view, the budget estimates have provided for flexibility on subsidy budget while keeping allocations under other heads very conservative.

Modest revenue targets

- On the revenue side, the tax and non-tax revenue projections are broadly in line with our expectations. The overall revenue receipts are budgeted to grow at 0.8% in FY12, taking into account 17.9% net tax revenue growth for the centre and a de-growth of 43% in non-tax revenue following the huge collections in FY11 from 3G auction despite taking a credit of Rs 300bn under spectrum auction for FY12BE. What is surprising is the less than expected tax revenue growth even in FY11RE, 21.2% RE vs our projection of 23.4%.
- Overall, budget FY12 has taken a conservative view on tax revenues and probably not inline with a 14% nominal GDP growth or 9% real GDP growth. Budget FY12 has not taken any tax measures to boost revenues. For instance, contrary to our expectation the excise duty rates has been kept unchanged and MAT is hiked only by 0.5% to 18.5%. While income tax slab has been increased to Rs 180 thou from Rs 160 thou surcharge for corporate tax has been reduced from 7.5% to 5%.

Big optimism on fiscal deficit and borrowing targets

While the total expenditure and revenue receipts are broadly in line with our expectations the only difference has been on capital receipts, particularly non-debt capital receipts (disinvestments + recovery of loans) and non-market debt mobilization (external assistance + flows from small saving schemes and other debt receipts).

- The lower fiscal deficit of Rs 4,28.17bn vs our estimate of Rs4,500bn is largely on account of higher disinvestment target of Rs 400bn which is significantly optimistic compared to our assumption of Rs 150bn and past two year average of Rs 236.62bn garnered during years of conducive financial conditions.
- Net market borrowing of Rs3,580bn (including Rs3,430bn of dated securities and Rs150bn of short-term borrowing) is significantly lower than our expectation of Rs4,200-4,300bn due to lower fiscal deficit numbers in FY12 budget (arising from optimistic disinvestment target) and higher mobilization through debt mobilization-ex market borrowings.
- In addition, budget FY12 also takes help from cash draw down of Rs 200bn from cash balance carried over from FY11.

Pleasing the markets

- Overall, the budget has succeeded in calming market fears on fiscal deficit target by projecting an optimist fiscal deficit/GDP of 4.6% in FY12 and also announcing less than expected market borrowing. In addition through measures to attract foreign capital the budget has attempted to address the imbalances on the current account deficit front. How much of the announcement translates into sustained optimism will depend on whether the FM can actually walk the talk.

Exhibit 3: Budget aggregates

	Rs bn					Growth %)				
	FY11BE	FY11RE (Centrum)	FY12 (Centrum)	FY11RE	FY12BE	FY11RE (Centrum)	FY12E (Centrum)	FY11BE	FY11RE	FY12BE
1 Revenue Receipts	6,822	7,635	7,990	7,838	7,899	32.2	4.7	18.2	35.8	0.8
2 Tax Revenue	5,341	5,741	6,740	5,637	6,645	23.4	17.4	14.8	21.2	17.9
(net to Centre)										
3 Non-tax Revenue	1,481	1,894	1,250	2,201	1,254	68.8	(34.0)	32.0	96.2	(43.0)
4 Capital Receipts (5+6+7)$	4,265	4,281	4,700	4,327	4,678	(3.6)	9.8	(4.0)	(2.6)	8.1
5 Recoveries ofLoans	51	130	50	90	150					
6 Other Receipts (disinvestments)	400	240	150	227	400					
7 Borrowings and other Liabilities	3,814	3,911	4,500	4,010	4,128	(5.5)	15.1	(7.9)	(3.2)	2.9
Net market borrowings	3,450	3,500	4,324	3,454	3,580					
8 Total Receipts (1+4)$	**11,087**	**11,915**	**12,690**	**12,166**	**12,577**	**16.6**	**6.5**	**8.5**	**19.1**	**3.4**
9 Non-plan Expenditure	7,357	8,152	8,453	8,216	8,162	15.4	3.7	4.1	16.3	(0.7)
10 Non Plan Revenue	6,436	7,263	7,477	7,267	7,336	13.1	2.9	0.3	13.2	0.9
11 Interest Payments	2,487	2,487	2,794	2,408	2,680	13.3	12.4	13.3	9.7	11.3
12 Non-Plan Capital	925	889	977	948	826	38.0	9.9	43.6	47.1	(12.8)
13 Plan Expenditure	3,731	3,763	4,236	3,950	4,415	19.4	12.6	18.4	25.3	11.8
14 Plan Revenue	3,151	3,214	3,563	3,269	3,636	21.5	10.9	19.2	23.6	11.2
15 Plan capital	580	550	673	681	779	8.3	22.5	14.2	34.1	14.5
16 Total Expenditure	**11,087**	**11,915**	**12,690**	**12,166**	**12,577**	**16.6**	**6.5**	**8.5**	**19.1**	**3.4**
17 Revenue Expenditure (10+14)	9,587	10,476	11,040	10,537	10,972	15.6	5.4	5.8	16.3	4.1
% of total spending	86	88	87	87						
18 Capital Expenditure (12+15)	1,500	1,439	1,650	1,629	1,606	24.9	14.7	30.2	41.4	(1.4)
% of total spending	13.5	12.1	13.0	13.4						
19 Revenue Deficit (17-1)	2,765	2,842	1,705	2,698	3,073	(13.6)	(40.0)	(16.0)	(18.0)	13.9
% of GDP mp	(4.0)			(3.4)	(3.4)	(3.6)	(1.9)	(3.5)		
20 Fiscal Deficit {16-(1+5+6)}	**3,814**	**3,911**	**4,500**	**4,010**	**4,128**	**(5.5)**	**15.1**	**(7.9)**	(3.2)	2.9
% of GDP mp	(5.5)	**5.0**	**5.0**	**(5.1)**	**(4.6)**					
21 Primary Deficit (20-11)	1,327	1,424	1,705	1,602	1,448	(26.8)	19.8	(31.8)	(17.6)	(9.6)
% of GDP mp	(1.9)			(2.0)	(1.6)	(1.6)	(1.9)	(1.7)		

Source: CSO, Centrum Research

Exhibit 4: Difference: Finance ministry /Centrum (%)

	FY11RE	FY12BE
1 Revenue Receipts	2.7	(1.1)
2 Tax Revenue	(1.8)	(1.4)
(net to Centre)		
3 Non-tax Revenue	16.2	0.3
4 Capital Receipts (5+6+7)$	1.1	(0.5)
5 Recoveries ofLoans		
6 Other Receipts (disinvestments)		
7 Borrowings and other Liabilities	2.5	(8.3)
Net market borrowings		
8 Total Receipts (1+4)$	**2.1**	(0.9)
9 Non-plan Expenditure	0.8	(3.4)
10 Non Plan Revenue	0.1	(1.9)
11 Interest Payments	(3.2)	(4.1)
12 Non-Plan Capital	6.6	(15.4)
13 Plan Expenditure	5.0	4.2
14 Plan Revenue	1.7	2.1
15 Plan capital	23.8	15.7
16 Total Expenditure	**2.1**	(0.9)
17 Revenue Expenditure (10+14)	0.6	(0.6)
% of total spending		
18 Capital Expenditure (12+15)	13.2	(2.7)
% of total spending		
19 Revenue Deficit (17-1)	(5.0)	80.2
% of GDP mp		
20 Fiscal Deficit {16-(1+5+6)}	2.5	(8.3)
% of GDP mp		
21 Primary Deficit (20-11)	12.5	(15.1)
% of GDP mp		

Source Ministry of Finance, Centrum Research

Exhibit 5: Key non-plan revenue expenditure

	Rs bn.					Growth (%)				
	FY11BE	FY11RE (Centrum)	FY12 (Centrum)	FY11RE	FY12BE	FY11RE (Centrum)	FY12E (Centrum)	FY11BE	FY11RE	FY12BE
Interest payments	2,487	2,487	2,794	2,408	2,680	*13.3*	*12.4*	*13.3*	*9.7*	*11.3*
Subsidy	1,162	1,862	1,750	1,642	1,436	*42.1*	*(6.0)*	*(11.3)*	*25.3*	*(12.5)*
Food	556	656	700	606	606	*17.1*	*6.7*	*(0.7)*	*8.2*	*(0.0)*
Fertilizer	500	745	700	550	500	*40.5*	*(6.0)*	*(5.7)*	*3.8*	*(9.1)*
Petroleum	31	335	300	384	236	*123.3*	*(10.4)*	*(79.3)*	*155.9*	*(38.4)*
Defense	873	873	890	907	952	*(1.2)*	*1.9*	*(1.2)*	*2.6*	*4.9*
Other non plan revenue exp.	1,914	2,040	2,042	2,311	2,268	*0.5*	*0.1*	*(5.7)*	*13.8*	*(1.9)*

Source: CSO, Centrum Research

Market Strategy: Time to look at interest rate sensitives? Not yet

Crude prices - the only impediment to a positive interest rate/investment/market cycle

While the budget aims to address the goal of kick-starting the investment cycle (which has been weak) by keeping government borrowing under check, factors outside of government's control (crude prices, fertilizer prices, etc) would have a big say whether it would succeed in this objective. The trajectory of interest rates will largely be dependant on how crude price moves. The petro subsidy that is penciled in for FY12 of Rs236.4bn corresponds to crude price of $75-$78/bbl which is significantly below the prevailing price of the Indian crude basket at $105/bbl (This estimate is based on 1/3rd under-recovery absorption by upstream players, 10-20% absorption by OMCs and the rest by the government). At the current price, Government subsidy burden for petroleum would likely be Rs1.05trn (assuming 1/3rd is shared by upstream and OMCs' share is capped an absolute amount of Rs50bn). In such a scenario we believe the government's net borrowing would be Rs800bn higher (at Rs4.2trn) than current BE of (Rs3.4trn) – everything else being the same. This would likely create an upward pressure on interest rates. So while on budget day the market did heave a sigh of relief, the math does indicate that we may be in for tough times.

Directionally therefore, performance of interest rate sensitive sectors (banking/infra/real estate) will entirely depend on movement of the Crude Price. Recent spike up in the crude price has been on the back of events in the MENA region. Should more regime changes happen over the next 6-12 months, the chances of crude price remaining above $100/bl looks high and would be detrimental to this segment of the market.

So we would remain underweight interest rate sensitive sectors. With in them there are some areas like banking where valuations are at or above mean P/Adj Book multiples making the risk-reward not so attractive. On the other hand we believe there are sectors like Construction where we believe valuations have become extremely attractive as they seem to be pricing in the worst – provided one is looking to invest for 18-24 month investment horizons

Mildly pro-consumption

With discretionary government spending growing at an anemic pace, keeping excise duty rates constant would help private consumption at the margin. This would be helpful for demand for consumer sector (durable and non-durables). However Raw material price pressures would likely offset some of the upsides one might likely see from a demand perspective. We are therefore selectively positive. There are selective consumer stocks which have pricing power which are likely to show a steady increase in earnings growth.

Focus on defensives/globally growth sensitives at least till we see a turn around in crude

We believe the domestic sectors (largely interest rate sensitive) will continue to suffer because of the high crude price. We would overweight selective energy stocks (which benefit from higher crude price, GRMs, pet chem margins), selective consumer (those with pricing power), pharma (non-correlated with interest rates and facing a large generic opportunity) and IT services sector (which benefits from the pick up in IT spending in the global economy).

Key measures

Foreign investments

- SEBI-registered mutual funds permitted to accept subscription from foreign investors who meet KYC requirements for equity schemes.
- To enhance flow of funds to infrastructure sector, the FII limit for investment in corporate bonds issued in infrastructure sector being raised.

Public Sector Bank Capitalisation

- Rs60bn to be provided during FY12 to enable public sector banks to maintain a minimum of Tier I CRAR of 8%

Housing Sector Finance

- Existing housing loan limit enhanced to Rs250,000 for dwelling units under priority sector lending.
- To enhance credit worthiness of economically weaker sections and LIG households, a Mortgage Risk Guarantee Fund to be created under Rajiv Awas Yojana.

Agriculture

- To improve rice based cropping system in Eastern region, allocation of Rs 4bn has been made

Agriculture Credit

- Credit flow for farmers raised from Rs 3,750 bn to Rs 4,750 bn in FY12.
- Interest subvention proposed to be enhanced from 2% to 3% for providing short-term crop loans to farmers who repay their crop loan on time.
- In view of enhanced target for flow of agriculture credit, capital base of NABARD to be strengthened by Rs 30bn in phased manner.

Infrastructure and Industry

- Allocation of Rs 2,140bn for infrastructure in FY12. This is an increase of 23.3% over FY11.
- To boost infrastructure development, tax free bonds of Rs300bn proposed to be issued by Government undertakings during FY12.

National Manufacturing Policy

- Share of manufacturing in GDP expected to grow from 16% to 25% over a period of 10 years. Government will come out with a manufacturing policy-Focus on employment generation

Strengthening inclusion

- Allocation for social sector in FY12 of Rs 1,609 bn, 17% increased over FY11

MGNREGA

- The Government has decided to index the wage rates notified under the MGNREGA to the Consumer Price Index for Agricultural Labour. Total allocation kept unchanged at Rs 400bn.

Education

- Allocation for education increased by 24% over current year. Rs 210bn allocated for Sarva Siksha Abhiyan, which is 40 % higher than Budget for FY11

Direct Taxes

- Exemption limit for the general category of individual taxpayers enhanced from Rs 160 thou to Rs 180 thou
- Current surcharge of 7.5 % on domestic companies proposed to be reduced to 5 %.
- Rate of Minimum Alternative Tax proposed to be increased from 18 % to 18.5% of book profits.

Indirect Taxes

- Central Excise Duty to be maintained at standard rate of 10 %.

Agriculture and Related Sectors

- Basic Custom Duty reduced for specified agricultural machinery from 5% to 2.5%.
- Basic Custom Duty reduced on micro-irrigation equipment from 7.5% to 5%

Manufacturing Sector

- Rate of Export Duty for all types of iron ore enhanced and unified at 20% ad valorem. Full exemption from Export Duty to iron ore pellets.
- Basic Custom Duty on two critical raw materials of cement industry viz. petcoke and gypsum is proposed to be reduced to 2.5 %.

Service Tax

- Hotel accommodation in excess of Rs. 1,000 per day and service provided by air conditioned restaurants that have license to serve liquor added as new services for levying Service Tax.
- Services provided by life insurance companies in the area of investment and some more legal services proposed to be brought into tax net.
- Proposals relating to Service Tax estimated to result in net revenue gain of Rs. 40bn.

Post-budget sectoral views

Sector	Budget highlights	Impact of Budget 2010	Expected stock impact	
			Key gainers	Key losers
Automobile	No change in excise duty; remains at 10% for 2Ws and small cars,22% for large cars/UVs and 10% for CV	Positive	All auto companies	
	No additional tax on diesel cars	Positive	Maruti Suzuki, M&M and Tata Motors	
	Increase in agriculture lending; credit flow to farmers increased from Rs3,750bn to Rs4750bn. Interest subvention scheme of providing short term crop loans to farmers (at 7% interest) to continue Interest subvention for farmers repaying their crop loan on time increased from 2% to 3% Wage rates notified under MGNREGA to be indexed to CPI for agricultural labourers Jan 14, 2011	Positive	Bajaj Auto, Hero Honda, TVS Motors, Maruti Suzuki, M&M and Escorts	
	Full exemption from customs and excise duties for batteries imported by electric vehicle manufacturers. Exemption granted from basic custom and special CVD to critical parts/assemblies needed for hybrid vehicles.	Positive	M&M (which acquired REVA) and Electrotherm	
Banks & Financial Services	Manageable net borrowing program of Rs 3.43 trillion as fiscal deficit target has been placed at 4.6% of GDP.	Positive (if delivered)	All banks, especially PSBs	
	Recapitalization of PSU banks (allocation of Rs60bn in FY12)	Marginally Positive	Positive for banks with low tier I capital: Andhra Bank, Union Bank, Dena Bank, Vijaya Bank, UCO Bank, OBC etc	-
	Housing loans eligible for priority sector status (limit raised to Rs2.5mn from Rs 2.0mn earlier). Interest subvention of 1% for housing loans up to 1.5mn (as against Rs 1mn earlier)	Positive	Banks & Housing Finance companies	-
	Allowing power finance, infrastructure finance companies to float tax free bonds (upto Rs 300 bn). Banks have not been included in the list.	Negative	PFC, REC	Banks
	RBI to come out with final guidelines and roadmap for granting banking licenses to private players including NBFCs by Mar'2011.	Marginally Positive	L & T Finance, Reliance Capital, Bajaj Auto Finance, IDFC, M&M Financial Services, Aditya Birla Financial Services, LIC Housing Finance, SREI infra	
	FII limit in corporate bond market raised by $20bn	Positive	IDFC, PFC, REC	
	Mutual Funds can accept subscriptions from foreign investors who meet the KYC requirements	Positive	Companies with sizable AMC business: ICICI Bank, HDFC etc	

Sector	Budget highlights	Impact of Budget 2010	Expected stock impact	
			Key gainers	Key losers
Cement	Ad valorem duty in place of differential excise duty	Marginally Positive	It will result in a decrease of Rs 30-40/tonne (excluding transportation cost in ex-factory price) in excise duty for cement sold above Rs 3,800/tonne.	
	Import duty on gypsum reduced from 5% to 2.5%	Positive	All cement players	
	Import duty on Pet coke reduced from 5% to 2.5%	Marginally Positive	Shree Cement	
	Corporate income surcharge reduced from 7.5% to 5%	Marginally Positive	All companies	
Construction	Full exemption from basic customs duty to bio-asphalt and specified machinery for application in road sector development.	Positive for road construction players	Very minimal positive impact	
Education	Thrust on secondary education, higher education and skill training. Vocational education to improve employability. Budget allocation to education increased by 24% to 520bn and additional Rs5bn to National Skill Development Fund	Positive	Everonn Education, Educomp, Career Point and NIIT Ltd.	
Hospitality	No infrastructure status provided to the Hotels sector & no investment linked deductions provided.	Neutral	All Hotel Companies	
	Service Tax to be levied on hotels charging in excess of Rs. 1000 per night. However this will be passed on to the final consumer.	Negative	All Hotel Companies	
Hospitals	Service tax to be levied on all air-conditioned hospitals bigger than 25 beds. However this will be passed on to the final consumer.	Negative	Fortis Healthcare & Apollo Hospital	
Infrastructure	Enhancing the FII investment in Infrastructure companies' corporate bonds limit from $5bn currently to $25bn. Overall FII limit in Indian corporate bonds now stands at $40bn from $20bn	Positive for Infrastructure Companies	NA	
	Allocation of Rs2.14trn for FY12 (growth of 23% YoY).	Neutral as it was expected according to 11th Plan	l	
	Creation of modern storage capacity (including Cold Chain) will be eligible for Viability Gap Funding (VGF) from the Ministry of Finance	Positive	Blue Star, Voltas	
	Central Government notified foreign "Infrastructure Debt Fund" would be exempt from tax. Also, only 5% of gross interest from such bonds would be deducted as TDS. These amendments are w.e.f.June'11.	Positive for infrastructure sector as a whole	NA	
IT Services	As expected, STPI exemption not extended.	Neutral		
Logistics	Capital investment in creation of modern storage capacity will be eligible for viability gap funding of the Finance Ministry. Also, cold chains and post-harvest storage have been proposed to be recognized as an infrastructure sub-sector.	Positive	Transport Corp, Gateway Distriparks	

Sector	Budget highlights	Impact of Budget 2010	Expected stock impact	
			Key gainers	Key losers
Oil & Gas	No change in customs duty on crude oil, remains unchanged at 5.0%	Neutral		
	No change in excise duty on Petrol and Diesel	Neutral		
	MAT rate increased from 18% to 18.5%, however at the same time the surcharge has been reduced from 7.5% to 5%. Effectively the MAT rate has increased from 19.93% to 20%, and thus will not have any mentionable impact on the power companies.	Neutral		
	Subsidies from government in the form of cash in lieu of oil bonds. The budget allocation for compensation to OMCs for under-recoveries for FY11 is Rs35,000cr out which Rs21,000cr has already been provided for during 9MFY11. The balance Rs14,000cr is to be provided in Q4FY11.	Neutral		
	Proposal for direct cash subsidy on PDS kerosene	Positive	Once introduced, it will be positive for OMCs (BPCL, HPCL and IOC) as the under-recoveries on PDS kerosene would become nil thus reducing overall under-recoveries and working capital. Positive for upstream (ONGC, OIL and GAIL) as total under-recoveries will reduce thus reducing upstream share in overall under-recoveries	
	Customs duty on Petroleum coke reduced from 5.0% to 2.5%.	Negative		RIL
	MAT applicable on units operating in SEZ	Negative		RIL
Power	MAT rate increased from 18% to 18.5%, however at the same time the surcharge has been reduced from 7.5% to 5%. Effectively the MAT rate has increased from 19.93% to 20%, and thus will not have any mentionable impact on the power companies.	Neutral		
	Custom duty on raw material used to produce Solar Modules reduced to nil. This will reduce the cost of solar power and is thus positive for companies like Tata Power and Lanco Infratech, that plan to develop solar power plants in the future	Positive		Nominally positive for solar power plant developers like Tata Power and Lanco Infratech.
Retail	FDI policy to be further liberalized. No further specific details with regards to multi brand retail provided.	Neutral	All Retail Companies	
	Exemption limit raised from Rs. 1, 60,000-1, 80,000.	Positive		
Shipping	Exemption from import duty for spares and capital goods required for ship-repair units extended to imports by ship owners too	Positive	GE Shipping, SCI	
Telecom	MAT rate increased from 18% to 18.5%, however at the same time the surcharge has been reduced from 7.5% to 5%. Effectively the MAT rate has increased from 19.93% to 20%, and thus will not have any mentionable impact on the power companies.	Neutral		

Appendix A

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