MICROSEC RESEARCH REPORT

PRE-BUDGET

EXPECTATIONS & IMPACT 2013-14

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Priorities before the Government

The Government of India is scheduled to present the Union Budget for FY13-14 on February 28th, 2013. Major challenge for the government will be to bring fiscal prudence in place through managing the twin deficits. The FY12-13 GDP growth target of 7.6%, inflation at 6.9% has been widely missed. In a nut shell, the government has to do a balancing act to bring high growth, low inflation, balance fiscal prudence and external sector stability. Policy reforms which has got a kick start should further find a place in the budget to raise confidence. Partial implementation of Goods and Services tax and DTC and with a road map with full introduction of the same by next year would be highly expected.

As mentioned in last pre-budget report, the Priorities before the Government in the FY13-14 is even more demanding than what it was last year as almost all the economic indicators have further aggravated and now needs larger attention. Even as sentiment has improved after the reform measures set in place, the government, through the budget should be able to spell out concrete measures which can turn around the economy though infrastructure development, employment generation and make good the external sector stability indicators.

Priorities before the Government:

✓ **Tame the twin deficits:** Though the fiscal deficit estimates for FY12-13 is expected to be tamed at 5.3%, the quality of fiscal adjustment should not deter government spending on infrastructure. The Current Account Deficit which is at 5.4% of GDP should be brought down gradually to 2.5% through export oriented measures across sectors. India needs to bring down fiscal deficit to targeted levels and FRBM levels in order to bring the country back to high growth trajectory.

✓ **GST and DTC:** A realistic and resolute schedule should be introduced for the roll out of GST and DTC.

✓ **Bring growth back on track:** Recent measures of the government are precursor to long term growth, but the same cannot guarantee growth unless the government supports an enabling environment to do business through quick environmental clearances.

✓ **Boost capital market measures:** The financial savings of households declined from 10.4% of GDP in 10-11 to 8% of GDP in 11-12. An increase in financial savings is a must to support growth at a higher level. The attractiveness of financial savings should be increased. Inflation index bonds can be considered to boost financial savings.

✓ **Manufacturing & Pvt Investment and employment:** The New Manufacturing Policy announced 2 years back should be implemented which will boost not only manufacturing jobs but services jobs as well. Also, higher productivity, innovative competitiveness would tame inflation.

Fiscal prudence to be in focus

The Government of India is scheduled to present the Union Budget for FY13-14 on February 28, 2013. In this budget, the main focus will be on economic revival via fiscal consolidation, reforms and investments. The Government is likely to set the fiscal deficit target of 4.8% of GDP for FY13-14 on account of recovery in tax revenue, reduction in subsidies and cuts in some other expenditure (especially in defense and outlay on roads). Importantly, while any major changes in tax rates are unlikely, an outline for the Goods and Services Tax (GST) along with a timeline for its implementation are expected to be announced. Also, we expect a road-map for implementation of Direct Cash Transfer of subsidy that would significantly reduce the leakages and rationalize the subsidy burden. Moreover, slew of measures are likely to be taken to efficiently mobilize the household savings towards the capital market. In this context, scope of schemes like RGESS (Rajiv Gandhi Equity Savings Scheme) will be widened. Despite fiscal prudence being high on the agenda, deep cuts in social spending is unlikely, given the state election cycled this year and general election in 2014.

Macro challenges

This year budget is likely to present a credible roadmap for fiscal consolidation aimed at tackling problems relating to slowing growth and widening twin deficits - current account deficit (CAD) and fiscal deficit. During the current financial year, Indian economy is expected to grow by its slowest pace, since FY02-03. According to Central Statistical Organization's (CSO) estimates, Indian economy is likely to grow by 5.0% YoY in FY12-13. In addition, during Q2 of FY12-13, India's CAD reached a record-high level of USD22.4 billion or 5.4% of GDP owing to an elevated merchandise trade deficit. Thus, attracting strong capital inflows and controlling imports are imperative to finance the large CAD.

Since September 2012, the Government has undertaken several reforms to stabilize macroeconomic environment. Fiscal consolidation remains the central elements of it. For example, in April-December of FY12-13, fiscal deficit stood at 79% of the budgeted target, way lower than 92% in the same period last year, and that too largely led by expenditure control rather than revenue enhancement.

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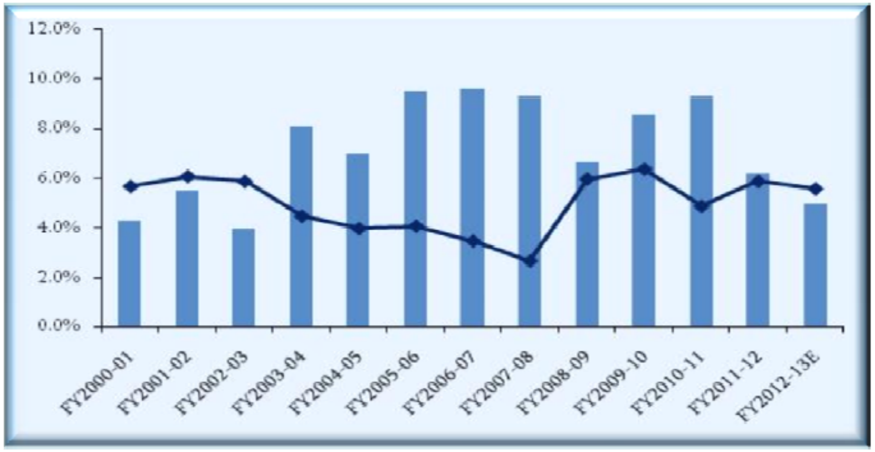
The fiscal consolidation measures taken so far include hike in diesel prices by INR5/litre, restricting subsidized LPG cylinders per household to 9 (the cap was eventually raised from 6 cylinders), PSU disinvestment, hike in railway fares, curtailing plan expenditure, aligning diesel prices for bulk users (accounting for 18% of volumes) to market prices and letting oil marketing companies to hike diesel prices in a staggered way (INR0.45/litre per month) to eliminate under-recoveries.

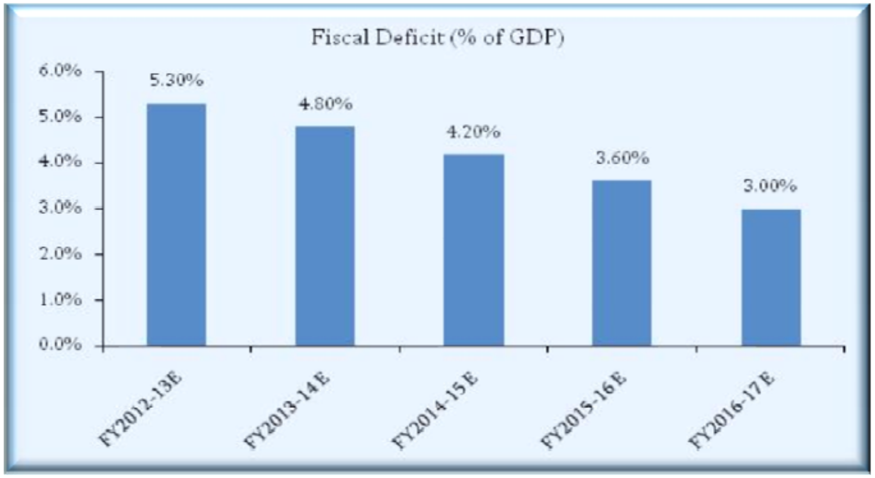
However, despite these credible efforts, meeting a fiscal deficit target of 5.3% of GDP for FY12-13 will be difficult, given the slippage on revenue and subsidy fronts. We expect, fiscal deficit for FY12-13 to be around 5.5% of GDP - still far better than FY11-12.

The Finance Minister outlined a five year roadmap for fiscal consolidation in October, 2012, aimed at eventually bringing down the fiscal deficit by about 50 basis points – 60 basis points every year to 3.0% of GDP in FY16-17, so that the economy can return to the path of high investment, higher growth, lower inflation and long-term sustainability.

GDP Growth & Fiscal Deficit Trend



Roadmap for fiscal consolidation



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Key expectation for FY13-14

Containing the fiscal deficit to 4.8%

This will be the priority of the Government to avoid downgrading of India's credit rating. In addition to some efforts to improve the tax collections, the key focus would be on reduction of subsidies and cut in planned and non-planned expenditures (especially in defence and outlay on roads).

Addressing CAD by increasing public savings

The budget is likely to announce measures to discourage investment in physical gold and to encourage savings in other instruments, particularly in the insurance sector and equities. The Government will try to encourage savings into these instruments by tweaking regulatory or tax structure for insurance products and expanding the scope of the Rajiv Gandhi Equity Scheme.

Restarting investment cycle

The Government will try to boost investments in the economy, possibly via increasing Government capital expenditure, encouraging debt flows into infrastructure and giving tax incentives, etc.

Restoring confidence of FIIs'

With Finance Minister P.Chidambaram accepting the Shome Committee's recommendations on tax anti-avoidance regulations, we expect a time-bound roadmap for implementation of the same in this budget.

Discussion on key reformist bills

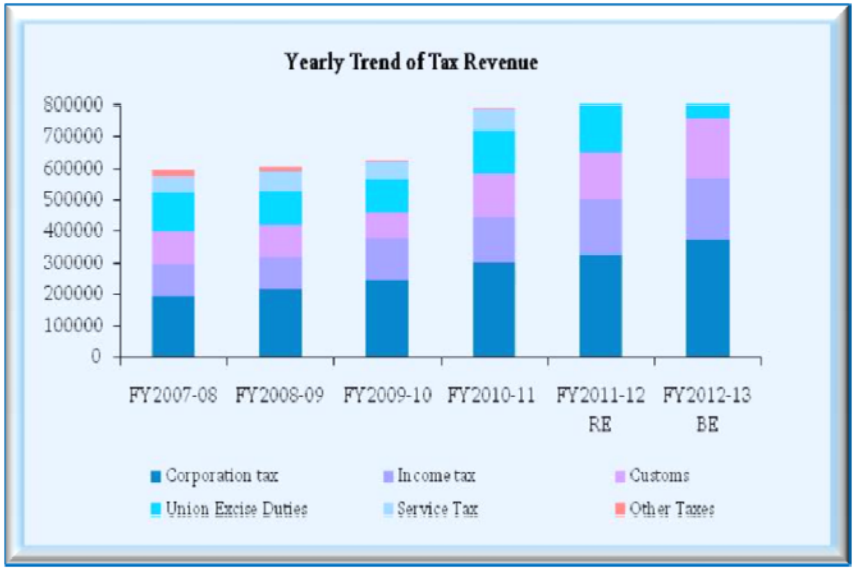
In the budget session, about 72 bills are likely to be presented, which includes key bills like land reform, tax reform (Direct Tax Code [DTC]), GST and insurance bills. The passage of these bills will be encouraging for the economy.

Revenue: little room for improving tax revenues; higher emphasis on non-tax revenue

✓ On the direct taxation front, we do not expect any change in personal income tax and corporate tax rates. Perhaps, imposition of temporary surcharge on income tax and corporate profits may be announced. Real estate transactions can also attract higher taxes.

✓ On indirect taxation, given that service tax and excise rates were increased last year, they are unlikely to be raised this time. Customs duty may be raised on gold and other precious metals to discourage imports and improve CAD.

✓ This budget is likely to announce an outline for implementation of GST, however, without state support the actual date of introduction may still be far away. GST would be the most important reform, and would boost growth by around 100 basis points over the long term.



✓In addition, we expect some clarity on the roadmap for roll out of DTC. The Parliamentary Standing Committee on Finance in its report recommended raising income tax exemption to INR3 lakhs (from the present INR2 lakhs) and modification in subsequent tax slabs, hiking the investment limit for tax saving schemes and wealth tax limit, and the abolition of the Securities Transaction Tax amongst others. The Finance Ministry is likely to review the suggestion of the committee, after which the DTC bill would be tabled in Parliament.

✓The Budget is likely to show higher realization through non-tax revenue and that would be garnered via various spectrum auctions and disinvestment. As the Government is likely to meet its divestment target of INR300 billion (INR216 billion already achieved till now) in FY12-13, the FM is expected to budget higher amount of around INR400 billion for FY13-14.

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Expenditure: conservative on spending; support for infrastructure

Fuel subsidy to be reduced

Subsidy has always remained a large part of fiscal slippage. However post September, 2012, reforms by the Government, especially to tackle fuel subsidy infused confidence that the Government will keep a tight leash on subsidy expenditure. In this regard, recent Government move to raise diesel prices in a staggered way (INR0.45/litre per month) and effort to trim leakage with Direct Cash Transfers will address the total subsidy burden.

Announcement of Food Security Bill (FSB)

The Government is going to announce Food Security Bill (FSB) in the budget. The FSB is one of Congress Party's key flagship programmes and consequently, the Government will be keen to announce it as this is the last budget before general elections. The Parliamentary Standing Committee has recommended coverage of 67% of the total population under the NFSB. It seeks to guarantee a uniform entitlement to the beneficiaries of 5kg of food grain per person per month at low cost (rice at INR3/kg, wheat at INR2/kg etc).

Support for infrastructure

To spur growth, the Government will seek to jumpstart the investment cycle. For initial push to the capital expenditure, especially infra sector, the Government is likely to aggressively increase its allocation to capital expenditure, while reducing it on revenue expenditure. Along with that, measures such as improving the clearance mechanism, providing tax sops/benefits and channelizing long-term, low-cost funding for infrastructure projects, increase in tax saving limit for investment in tax-free bonds, etc are likely to be taken to boost growth in the infrastructure sector.

Limited allocations for Flagship programmes

With the Government committed to curtail expenditure, we expect some flagship programmes to witness restricted budgetary allocation. However, deep cuts are unlikely, given the state election cycle this year and general election in 2014.

Fiscal Deficit Estimation for FY2012-13 & FY2013-14

(in INR BN)

Government Accounts	FY20012-13 BE	FY2012-13ME	FY2013-14 ME
1. Revenue Receipts	**9357**	**8840**	**10023**
1.1 Tax Revenue (net)	7711	7427	8492
1.2 Non-Tax Revenue	1646	1413	1531
2. Capital Receipts	**5552**	**5885**	**6051**
2.1 Recoveries of Loans	117	117	140
2.2 Other Receipts (Disinvestments)	300	300	400
2.3 Borrowing and other Liabilities	5135	5468	5511
A. Total Receipts (1+2)	**14909**	**14725**	**16074**
3. Non-Plan Expenditure of which	**9699**	**9985**	**10602**
3.1 Interest payments	3198	3198	3627
3.2 Subsidies	1900	2359	2323
3.2.1 Food	750	900	1000
3.2.2 Petroleum	436	720	550
3.2.3. Fertilizer	610	635	670
3.2.4 Interest and other subsidy	104	104	103
3.3 Other Revenue Expenditure	3557	3459	3611
3.4 Non Plan Capital Expenditure	1043	969	1041
4. Plan Expenditure	5210	4740	5472
B. Total Expenditure (3+4)	**14909**	**14725**	**16074**
Fiscal Deficit (B-A)	**5135**	**5468**	**5511**
as a % of GDP	**5.1**	**5.5**	**4.8**
GDP at market price	101599	100281	115125

Source: Union Budget FY 12-13 ,Microsec Research

SECTOR- WISE EXPECTATIONS & IMPACT

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AUTO AND AUTO ANCILLARIES

EXPECTATIONS	IMPACT
Reduction in Excise Duty – Small Cars from 12% to 10%; Big Cars (including diesel variants) from 24% to 22%; Cars (above 1500cc) from 27% to 22%; Two wheelers from 12% to 10%; 10/13 seater vans from 27% to 10%.	Positive - Reduction in excise duty will directly impact the product prices in auto sector, affecting its volume, thereby increasing the demand of vehicles in an already low demand suffering auto sector.
Subsume Road Tax, R&D Cess & Octroi in the proposed GST & also to provide clarity on applicability of GST on used-vehicles market.	Positive – This could make the sector more organized & also earn revenue for the government.
Duty drawback rates on exported vehicles should be restored to 5.5% from the current 2-2.5% especially for two wheelers.	Positive for the automobile manufacturers across all the segments.
Reduce Excise Duty rate on chassis from 14% to 10%; Increase depreciation rate to 60% from 40%; Start fresh round of JNNURM scheme for buses & extending the same for Inter City Buses also; Bring scheme for fleet modernization; Government purchase of CVs; Purchase of Ambulances through National Rural Health Mission; Extend credit scheme to larger NBFCs/Co-Op Banks.	Positive for the entire sector. It will help companies like TATA Motors, Ashok Leyland among others. Moreover, with JNNURM schemes the State Transport Units will have continued access to funds to buy buses.
Support to be given to National Electric Mobility Mission Plan (NEMMP) to promote the range of Electric Vehicles; Concessions to be provided & extended to at least 5years on identified parts of these vehicles; Hybrid & all electric CBUs (imported) should be taxed at 6%.	Positive for this new variants in automobiles. Besides promoting the usage of Hybrid & Electric Vehicles will also result in the savings of 2.2 – 2.5 million tones (estimated) of liquefied fuel by 2020.
75% Custom Duty on passenger cars/MUVs should stay; Increase duty on imported CVs to 40% from current 10%.	Positive for the Commercial Vehicle manufacturers.

BFSI

Expectations	Impact
Channelize more funds into the banking sector.	Positive for PSU Banks. Capital infusion will help to maintain sufficient capital adequacy levels especially in light of new Basel lll requirements and also help to cater the credit need of the Industry.
Norms for fixed deposits eligible for tax benefit u/s 80C could be relaxed from 5 years to 3 years to bring it on par with equity linked saving schemes.	Positive for the banks to raise long term fund and will also help in their ALM profile.
NPA provisions may be allowed for full tax deductibility.	Positive for the entire BFSI.
Further clarity on issuing new Banking licenses.	Positive for new entities, competition may increase among the banks as a result, consumer may be benefited.
Increase in foreign limit (from 26% to 49%) in Insurance sector.	Positive for the insurance companies. Increase in foreign limit will bring them closer to listing.
Affordable housing may be assigned as Infrastructure status.	Positive for low cost housing finance companies like LICHF, Dewan housing Ltd, Gruh finance Ltd and also for those banks which have large exposure in housing segment like SBI, ICICI Bank as clearances and sanctions to finance projects will be easier and cheaper.
Large investment in infrastructure space may be announced.	Positive for the Infrastructure finance Companies like IDFC, HDFC etc.
Government borrowing programme may be lowered.	Positive for the banks as lower borrowing will ease the pressure of liquidity in the banking system.

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CAPITAL GOODS

EXPECTATIONS	IMPACT
Levy of import duty on power transmission and distribution (T&D) equipment.	Hike in basic custom duty will help protect the domestic equipment manufacturers against cheap imports. Positive for companies like BHEL, L&T, etc.
Impetus on railway spending/modernization & urban transport.	Positive for manufacturers and contracting companies like BHEL, Siemens, ABB & CRG, LT & KEC.
Higher depreciation rate on capex from 15% to 25%.	Positive for the sector.
Increased indigenization of defense equipment .	Positive for BHEL, LT & BEL.
Budget allocation for power transmission projects.	Positive for CRG, BHEL, KEC & L&T.

CEMENT

EXPECTATIONS	IMPACT
The Cement Manufacturer's Association of India (CMA) has requested the government to reduce the Excise Duty on building materials to 6-8% from the existing 12%	Positive in general for the entire sector as companies catering to High Yield market are to be benefitted the most.
CMA has requested to levy Basic Customs Duty on Cement Imports into India.	Positive for the companies like JK Lakhsmi Cement, JK Cement, Shree Cement & Ambuja Cement.
Import Duty on goods required to manufacture cement such as limestone, gypsum, etc. be abolished.	Positive for all cement companies.

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CONSUMER DURABLES

EXPECTATIONS	IMPACT
Increase in personal income tax limit of the middle class.	Positive for all companies as consumer's disposable income will increase and will help in increasing the sales of the companies.
Hike in Excise duty and service Tax from 12 to 14%.	Negative for all white goods companies like Whirlpool, Hitachi, Bajaj Electric, V-Guard etc.
Customs duty relaxation to units manufacturing energy efficient products.	Positive: This will promote manufacturing of more Energy Efficient products in India, which could lead to more Exports and revenue.

FMCG

EXPECTATIONS	IMPACT
Hike in Service Tax from 12 to 14%	Neutral : Higher prices may impact consumption for very short time but eventually neutralize.
Hike in Excise duty from 12 to 14%.	Negative: It will increase the cost of manufactured goods. Negative for companies like HUL, Asian Paints, Godrej Consumer Products, Colgate etc.
Excise duty on Cigarettes to remain same or increase marginally.	Neutral for companies like ITC, Godfrey Phillips.
Increase in personal income tax exemption limits – higher disposable incomes resulting in impetus to overall demand.	Positive: For all FMCG companies as it will boost volumes.

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Hotels

EXPECTATIONS	IMPACT
Infrastructure status for Hotel Industry	If implemented, will be positive for all the hotel companies.
Abatement on service tax	Positive for all category hotels
Restoration of depreciation allowance	Positive for all category hotels

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INFRASTRUCTURE

EXPECTATIONS	IMPACT
The government may restore tax exemption under Section 80 CCF of the Income Tax Act on infrastructure bonds worth INR20,000 per individual, thereby boosting the investment in infrastructure.	Increase in the (company) borrowing limit for infra-bonds in order to give a push to infrastructure development is positive for the sector.
Increase in allocation of funds to various infrastructure flagship programmes like JNNURM, Bharat Nirman, APDRP, AIBP and NHDP.	It will provide impetus to award of projects and enhance the inflow of orders to the construction industry. Positive for NCC, L&T, ITNL etc.
Permitting 100% refinancing of INR debt through ECBs.	This will help the industry to reduce the cost of debt. Positive for all the companies in the infra space.
Increase in taxes as differential between MAT and IT comes down.	Any increase in MAT in the context of a tight fiscal situation would be negative for the sector.
The government to exempt a holding company from paying dividend distribution tax if the dividend received from its subsidiaries is invested in infrastructure projects.	Positive for all private infra developers .
Reduction in customs duty on import of equipments for ports.	Given the need for up gradation of port infrastructure, this exemption would help port developers to procure new technology at lower cost. Positive for all port developers.
Major policy measures in respect of public-private partnership (PPP) projects to increase the private sector's participation.	Positive for all private infra developers .

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IT, MEDIA & ENTERTAINMENT

EXPECTATIONS	IMPACT
Increase government investment in Education and Healthcare sectors, where technology can make a big difference	Mildly positive for the sector, if implemented. May help the companies to report incremental domestic revenues, seems likely.
Duty waiver for Hardware / Component imports and abolishment of inverted duty structure	If implemented, will be positive for hardware manufacturers such as HCL Infosystems, seems unlikely.
Abolishment of MAT levy on SEZ developers and units together with carry forward of MAT credit entitlement for an indefinite period	Positive for the sector, if implemented. Seems unlikely.
Incentives for IT industry to spread itself in Tier 2 / 3 cities with encouragement to build products and IP in India	If implemented, positive for the sector. Seems unlikely.
Rationalization tax structure for Cable and DTH services: multiple taxes such as license fee, service tax, entertainment tax, VAT cumulatively add up to as high as 56%	If implemented, will be positive for Hathway Cables, Dish TV, and Den Network. Seems less likely.
Provide ten year tax holiday to animation and gaming industry. Promote domestic gaming market by removing excise duty on local manufacturing of the same, currently the duty stands at 12.5%	If implemented, will be positive for Eros, Tata Elxsi, Reliance Mediaworks. Seems unlikely.
Exempt multiplex operators from import duty on cinema exhibition equipment	Positive for Multiplex owners such as PVR, INOX, Cinemax etc, if implemented. Seems less likely.

Metal & Mining

EXPECTATIONS	IMPACT
Reduction of export Duty on Iron Ore from the current 30% to 15-20%	Positive for Iron Ore exporters like Sesa Goa and NMDC.
Import Duty on sponge Iron from 0% to 5-10%	Positive for all sponge iron manufacturing companies like Monnet Ispat, JSPL, Tata Sponge, etc.
Removal of steel products from the ambit of Free Trade Agreement (FTA)	Positive for all steel manufacturing companies.
Increase in Import duty on manganese ore from the current 2% to 5%	Positive for manganese ore producers such as MOIL and Adhunik Metaliks.
Import Duty exemption on Thermal Coal	Positive for all coal importing steel companies like Tata Steel, JSW Steel, JSPL, SAIL, Bhushan Steel.
Rise in basic Customs duty on stainless steel flat products from 5% to 15%.	Positive for stainless steel producers like Jindal Stainless.
Increase in custom duty on copper or reduction in customs duty on copper concentrates	Positive for all domestic copper smelters like Hindalco and Sterlite Industries.
Increase in customs duty on aluminium products	Positive for all domestic aluminium manufacturing companies like NALCO.

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OIL & GAS

EXPECTATIONS	IMPACT
Implementation of the new gas pricing formulated by C.Rangarajan Commiitee recommendations.	Positive for the upstream companies like RIL,ONGC,Oil India.
Exemption of import duty on LNG, currently it is at 5%(exempted only for Power).	Positive impact as the lower domestic output of natural gas along with increasing demand raises the importance of LNG. Key beneficiaries: PetronetLNG,.GAIL & IGL.
Re-introduction of custom duty @ 5% on crude oil.	This move will facilitate the GoI to address the CAD and fiscal deficit. Negative for oil & gas companies due to higher under-recoveries.
LNG & Natural Gas may grant the Declared Good status .	Declared Goods enables the sector to reduce their existing sales tax/VAT i.e.12.5%/20% respectively as the maximum rate for declared goods is 5%. Key beneficiaries: PetronetLNG, GAIL & IGL.
Granting of Tax holiday to natural gas sector (7 year tax holiday are applicable to crude oil E&P activities).	Encourage the domestic natural gas sector to carry out more production raising activities. Positive for ONGC,RIL.
Extension of tax holiday to refinery projects till the end of 12th five year plan (i.e. 2012-2017).	To ensure the ongoing new refineries/expansion projects eligible for benefit of tax deduction (as the 7 year tax holiday for refining projects already expired in March,2012). Positive for Oil Marketing Companies(OMCs).

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POWER

EXPECTATIONS	IMPACT
Extension of tax holiday u/s 80IA.	Provision of a 10-year tax holiday to be extended to 15 years and it should be continued beyond 2013. Positive for overall Generators.
Freight hike for coal in Railway budget.	Negative for the sector.
Elimination of import duty on thermal coal.	Likely positive for players dependent on imported coal such as ADANI and JSW.
Exempting power projects from service tax net.	Positive for the sector as a whole.
More clarity over SEB Restructuring & Coal Price Pooling.	Positive for the sector as a whole.

REAL ESTATE

EXPECTATIONS	IMPACT
Extension of 1% interest subvention on home loans by 1 yr.	Positive for the sector as a whole.
Increase scope/limit of ECB for Real estate companies.	ECB issuance is currently allowed for only low-cost and rural housing projects. Any extension of the limits with certain caveats will be positive for Real estate companies.
Increase in tax benefit for home loan Interest (current Rs.0.15mn) and Principal repayment (Current Rs.0.1mn).	Positive for the residential developers.
Industry lobbying for infra status for affordable housing .	Positive for the sector as a whole.
Tax incentives to developers for mid income housing and Slum rehabilitation schemes	Positive for developers in mid-income housing segment .
Increase in service tax.	Slightly negative for the sector as it would increase the cost of purchasing homes and result in higher cost of construction.

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RETAIL

EXPECTATIONS	IMPACT
Exemption from Service Tax on renting of commercial properties.	Positive for all the players in the Organised retailing industry.
Permission to raise funds through ECB route	In case of approval for raising funds through ECB, the retailers would find new avenues for funding their capex and importantly at a lower rate as opposed to the higher interest rate regime in the country. Positive for all the players in the Organised retailing industry
Grant of industry status to the retail sector.	The grant would ensure greater focus on retailing development, fiscal incentives for retailing sector, and availability of organized financing and establishment of insurance norms, for the sector. Positive for all the players in the Organised retailing industry

TELECOM

EXPECTATIONS	IMPACT
Telecom sector should be provided infrastructure status, which could imply tax exemptions for additional five years. Furthermore, the sunset clause restricting current tax benefits to companies formed in or before 2005 should be removed	If implemented, will be positive for the sector. The status could help telecom players to entail cheap funding as infrastructure loans are generally available at lower rates, seems unlikely
End user restrictions for ECB guidelines of RBI to be liberalized to cover working capital and operations as well, against only for capital expenditure, as of now	If implemented, will positive for the sector. The step could ease much needed funding for the operators, may be touched upon
Industry should also be provided dedicated sectoral allocation to ensure consistent financial support for 15-18 yrs,	If implemented, will be beneficial for the sector, seems unlikely
Tax breaks for domestic equipment manufacturers - Ten year tax holiday on all profits and gains from manufacturing or rendering of services in relation to mobile phone industry	If implemented, will be positive for Kavveri Telecom. Seems likely
Service tax exemption on data services through mobile networks	If implemented, positive for the sector, specially operators having 3G and 4G airwaves, seems less likely
Rationalization of Taxes and Levies, which currently represent almost 30% of telecom service revenues compared with just 5% in other Asian countries	If implemented, will be beneficial for the sector, seems unlikely

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TEXTILES

EXPECTATIONS	IMPACT
Increase in Custom duty on polyester fibre from 5% to 10%	Positive for domestic textile companies like Alok Industries, Grasim Industries and Bombay Dyeing as polyester based domestic products will become cost competitive.
TUFS Scheme for the Textile Industry to Continue	Neutral: for Textile companies.

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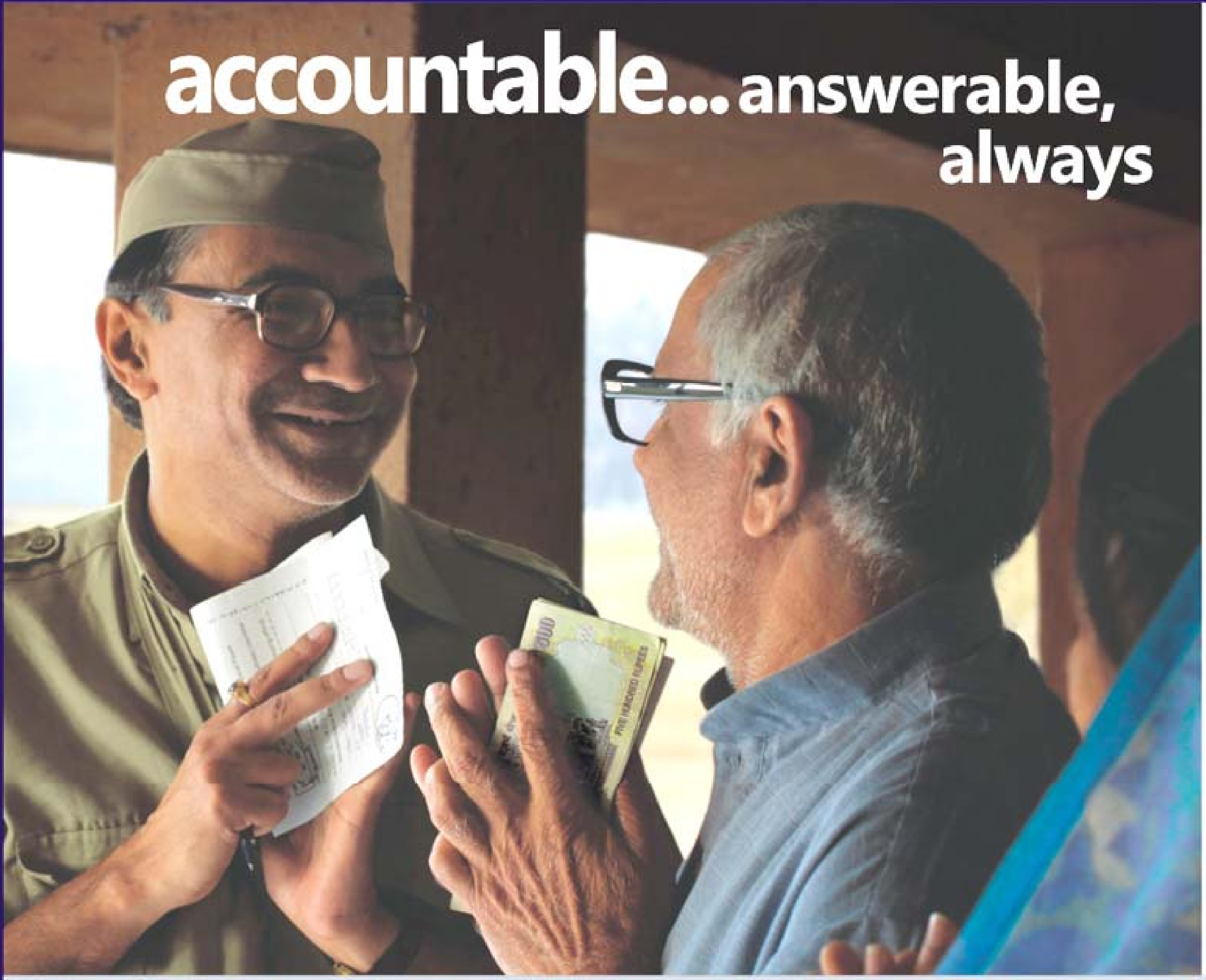

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