MICROSEC RESEARCH REPORT

Economic Survey | 2012-13

OUR REPORTS

Fundamental
Company Report
Sector Report
Theme Based Report

Daily & Weekly
Fundamental Market Update
Technical Market Update
Derivative Market Update
Currency Report
Debt Mutual Fund Report

Monthly
India Strategy Report
IIP Report
Auto Sector Update
Cement Sector Update
Metal Sector Update
Telecom Sector Update
Insurance and Mutual Fund Report
Inflation Report
Exports-Imports Report

Quarterly
India and Global Strategy Report
India Economy Report
Company Result Expectation
Company Result Analysis

Others
Event Based Report
RBI Monitory Review Report
Annual Budget Expectation Report
Annual Budget Review Report

On Growth

- Indian economy is estimated to grow by 5.0% in FY13.
- Slowdown in Indian economy was due to a combination of both external and domestic factors.
- Economic slowdown is a wake-up call for stepping up reforms.
- Industrial growth slowed down due to sluggish investments.
- Industry growth is still vulnerable to local, global factors.
- Industrial output is likely to grow around 3% in FY13.
- Industrial growth likely to improve in FY14.
- Services sector has shown more resilience to worsening external conditions than agriculture and industry.
- Services sector has emerged as a prominent sector in terms of its contribution to national and states incomes, trade flows, FDI inflows and employment.
- Growth downturn is more or less over and the economy is looking up.
- Economy is expected to grow by 6.1%-6.7% in FY14.

On Employment

- On account of the demographic advantage, nearly, half of the additions to the Indian labour force over the period 2011-30 will be in the age group 30-49.

- However, job situation is not encouraging. There is not enough formal jobs in manufacturing sector. The high productivity service sector is also not creating enough jobs.

- Overall employment in June 2012 over June 2011 increased by 6.94 lakh and the highest increase was recorded in IT and business process outsourcing sector with 4.44 lakh jobs.

- India has to think of ways to create good job.

On Inflation

- WPI inflation may decline to 6.2-6.6% by March end this year.

- Core inflation slowed down due to RBI action and fall in global prices.

- Priority for the Government will be to fight with high inflation by reducing the fiscal impetus to demand as well as by focusing on incentivizing food production through measures other than price supports.

- Unlike the previous year, when food inflation was mainly driven by higher protein food prices, this year the pressure has been coming mainly from cereals.

- Inflation expectations seen anchored around current target.

- Diesel price hike is likely to put upward pressure on inflation.

On Fiscal Front

- India is likely to meet fiscal deficit target of 5.3% of GDP in FY13, despite "significant" shortfall in revenues.
- Tax mop-up is significantly lower than Budget target in current fiscal.
- Addressing the key fiscal risks of petroleum subsidies is critical for fiscal consolidation.
- The domestic prices of petroleum products, particularly diesel and LPG need to be raised in line with their prices prevailing in the international market.
- Medium-term fiscal consolidation plan credible. Recent reforms in diesel prices and expenditure reprioritization an indicator in that direction.
- Efforts will have to be made to contain subsidies through better targeting and for reducing leakages involved in their delivery. One such initiative is direct benefit transfer (DBT) scheme.
- More than 11% of tax to GDP ratio seems to be critical for sustaining fiscal consolidation.
- Longer term outlook on fiscal deficit is already outlined. Government target for fiscal deficit is 4.8% of GDP in FY14 and going foroward, 3% of GDP in FY17.

On Monetary Front

- There is need to examine the linkages and tradeoffs between policy rate changes and growth in the Indian context.
- Lower inflation would give more elbow room for the RBI to cut interest rates.
- Lower interest rates could provide an additional fillip to investment activity for the industry and services sectors.
- In the current fiscal, foreign exchange reserves have fluctuated between USD286 billion and USD295.6 billion, while the rupee remained volatile in the range of INR53.02 to INR54.78 per US dollar during October 2012 to January 2013.
- Trade and current account deficit remain as a matter of concern.
- To reign current account deficit focus should be on curbing imports, making oil prices more market determined.
- Limitation on gold imports is also necessary to control current account deficit.
- Room to increase exports in the short run is limited.
- Further measures to ease inflow of remittances could help to finance current account deficit.
- Foreign Institutional Investors (FIIs) flows need to be targeted towards long-term rupee instruments.

On Agriculture

- The farm sector achieved 3.6% growth during the 11th Five year Plan (2007-12), falling short of the 4% growth target.
- Agricultural sector needs urgent reforms to boost crop. There is need for stable policies where markets play an appropriate role, private investment in infrastructure is stepped up, the public distribution system (PDS) is revamped, food price and food stock management improves, and a predictable trade policy is adopted for agriculture.
- These initiatives need to be coupled with skills development and better research and development (R&D) along with improved delivery of credit and seeds.

On Banking

- The housing loan portfolio of scheduled commercial banks and housing finance companies stood at INR6.10 lakh crore as in end-March 2012. However, due to limited housing finance solutions, the gap between housing demand and supply is widening.
- Under the National e-Governance Plan (NeGP), the government focuses on making critical public services available electronically and promoting rural entrepreneurship.
- Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) beneficiaries through post office savings bank accounts. At present, MGNREGS wages are disbursed through 5.55 crore NREGS accounts in 96,895 post offices.
- Aggregate deposits of the banking sector increased from an average of INR48,019.8 billion in 2010-11 to INR64,362.3 billion during Q3 of 2012-13.

On Infrastructure

- Time overruns in the implementation of projects continue to be one of the main reasons for underachievement in many infrastructure sectors. The status report of major central-sector projects costing INR150 crore and above for the month of September 2012 shows that out of the 566 projects, five were ahead of schedule, 226 on schedule, and 258 had been delayed with respect to their latest scheduled date of completion. Sector-wise, in the power sector 45 projects were delayed out of 98, in the railways 40 out of 127, and in the road sector 86 out of the total 146 projects.

- The overall cost overrun amounted to 16.8% of the original cost and till September 2012 only 45.5% of the anticipated cost of the projects had been incurred.

- Among the infrastructure services, growth in freight traffic by railways has been comparatively higher so far, while the civil aviation sector and cargo handled at major ports have witnessed negative growth.

- In the road sector the National Highways Authority of India (NHAI) achieved 17.3% growth during the current financial year upto November 2012.

- Electricity generation by power utilities during 2012-13 was targeted to go up by 6.05% to 930 billion units.

- The overall plant load factor (PLF), a measure of efficiency of thermal power stations, during April to December 2012 declined to 69.63% as compared to the PLF of 71.94% achieved during April to December2011.

- A capacity addition of 54,964 MW has been achieved during the Eleventh Plan. The capacity addition during the Twelfth Plan period is estimated at 88,537 MW, comprising 26,182 MW in the central sector, 15,530MW in the state sector, and 46,825 MW in the private sector respectively

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On Oil & Gas

- Overall crude oil production during April-November FY13 at 25.39 MMT, however, shows a negative growth of 0.54% over the same period of the previous year.

- The projected natural gas production in FY13 is about 117.8 MMSCMD, which is about 9% lower than production in the previous year.

- As on April 2012, about 737 MMT of oil equivalent hydrocarbon reserves have been added under the NELP. The investment made by Indian and foreign companies until April 2012 was of the order of US$ 20.2 billion, of which US $12.1 billion was on hydrocarbon exploration and US$ 8.1 billion on development of discoveries.

- A multi-organizational team (MOT) of the DGH, Oil and Natural Gas Corporation (ONGC), Oil India Limited (OIL), Gas Authority of India Limited (GAIL) has been formed by the government to examine the existing data set and suggest a methodology for shale gas development in India.

- There has been substantial increase in the pipelines network in the country with 32 product pipelines with a length of 11,274 km and capacity of 70.688 MMT at present.

- The 'Vision-2015' adopted for the LPG sector inter alia focuses on raising the LPG population coverage in rural areas and areas where LPG coverage is low. Under this scheme 75% population is to be covered by 2015 by releasing 5.5 crore new LPG connections.

- In order to check leakages, adulteration, and inefficiency resulting from the current system of delivery of subsidized products, the Government of India set up a task force for evolving a suitable mechanism for direct transfer of subsidies to individuals/families, who are entitled to subsidized kerosene, LPG, and fertilizers.

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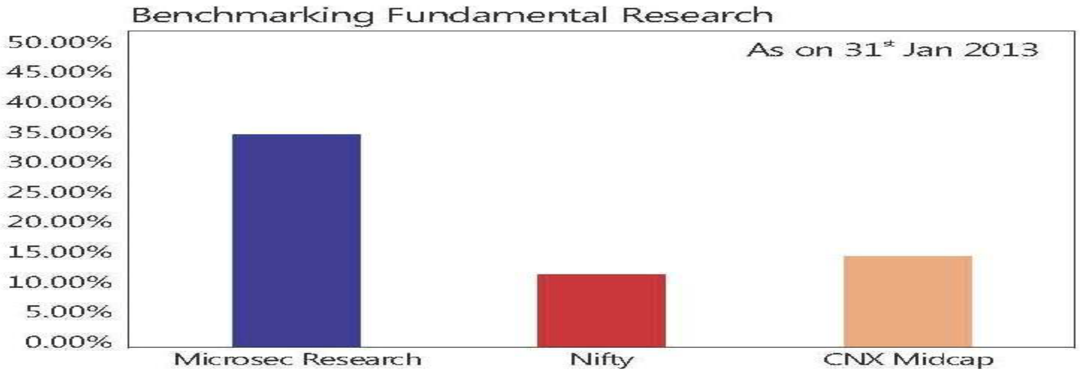

An amount of ₹ 1,00,000 invested individually in all 186 stocks ie, ₹ 1,86,00,000 investment as and when recommended has appreciated to ₹ 2,50,00,780 giving a return of 34.4 percent. On the same basis Nifty has given a return of 11.6 percent and CNXMID CAP has given a return of 13.9 percent.

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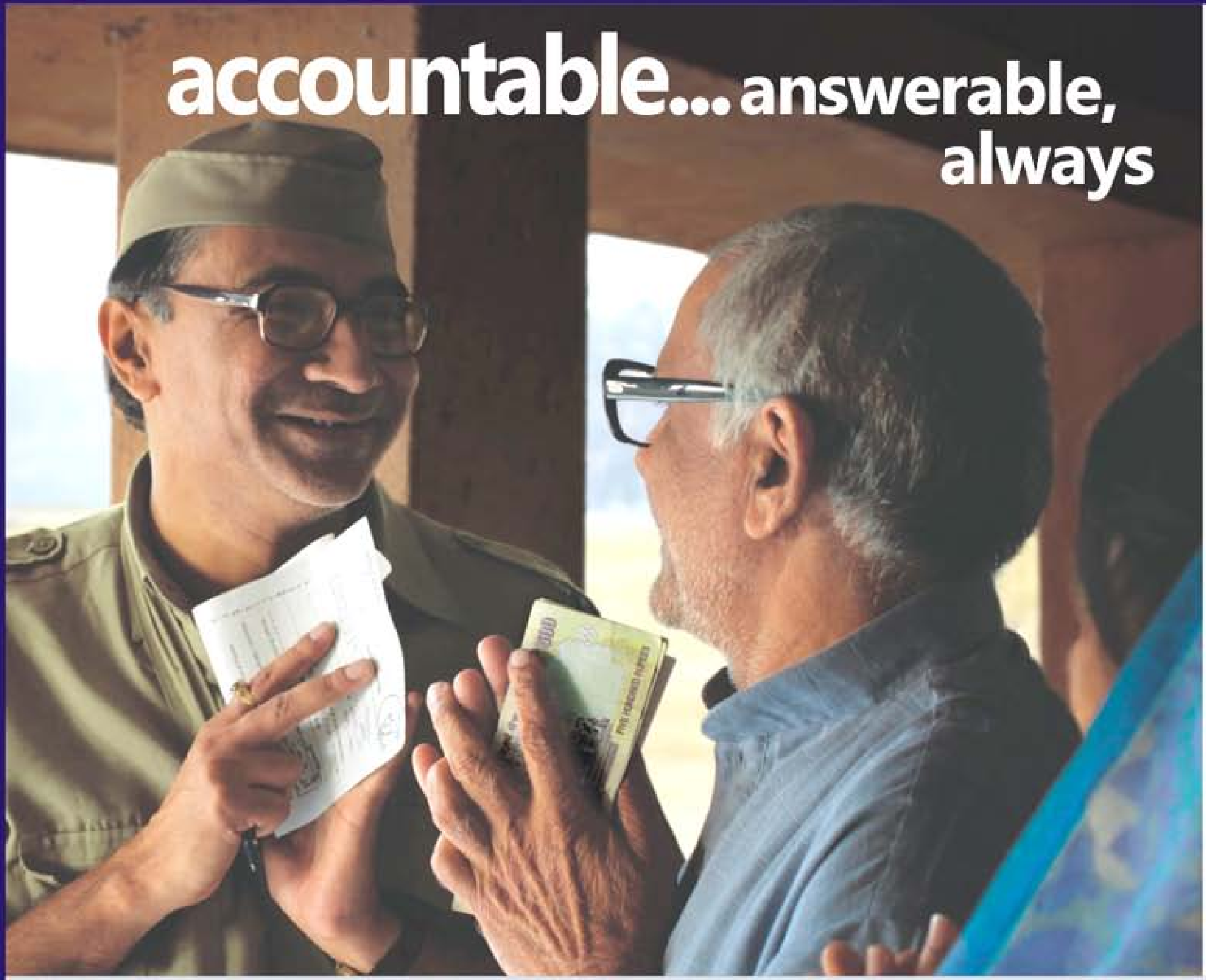

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