Union Budget for FY 2013

Expectations & Analysis

Sumpoorna Knowledge Centre

Economy & Markets

March 15, 2012

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Prelude

The problems in India now are largely homegrown with greater perceived political inertia and lower flexibility in using fiscal and monetary policies to counter the economic moderation. It is hoped that the Budget for would look to correct these anomalies and send the right signals. Considering the weak macro trends, the investors are looking up to the government to relay its commitment to revive growth outlook with budgetary measures and using the fiscal policy as a tool for sustainable growth and development keeping in mind economic reforms.

In India the climate seems to have turned positive and positive triggers for the markets such as the pace of decrease of interest rates, policy initiatives, pending legislations, and foreign capital inflows, seem more likely now than they appeared in the latter part of 2011. However, global factors such as breaking-up of the Euro might bring about a slump in the financial markets across the globe and a flight to safety might leave emerging markets like India in the doll drums. We expect 2012 to mark a year wherein fundamentals relentlessly march forward despite heightened global risks. 2011 was a year full of events and the memories of these events have already begun to fade away. The stock markets should be able to reach its all-time highs sooner than it would have appeared less than a few months back.

We expect the fiscal deficit for FY 2012 to be around 6 percent in the wake of under-achieving disinvestment target, increasing subsidy bill, higher expenditure growth, and lower tax revenue growth; further, if we add the deficit at the state level, the fiscal deficit would be in the region of 8.4 percent for FY12. For FY13, we believe that the fiscal deficit ratio would be targeted at around 5 percent of GDP for the central government and added to that would be around 2.5 percent for the state governments.

Sumpoorna believes that the growth rate for FY 2012 should be around 7 percent; while the growth rate for FY 2013 should be in excess of 7.5 percent in the wake of easing inflationary pressure and reduced borrowing costs. Further, we expect the medium term growth rate of the economy to be in the region of 7.5 percent to 8 percent. Further, we believe that the Union Budget would lay emphasis on the Infrastructure, Agriculture, and the Education Sectors keeping in mind the medium term growth objectives of the economy.

During most part of 2011 the inflation stood high at 9 percent and the inflation started to ease after strict monetary measures implemented by the RBI. We expect the RBI to ease the interest rates by 125 to 175 bps in the next 15 to 18 months in the wake of easing of inflationary pressures. The easing of monetary constraints is likely to boost corporate activity in India, which is likely to help support the asset prices.

Below are some of the key highlights of FY 2012, with projections made by Sumpoorna:

% of GDP	FY '09	FY '10	FY '11 E	FY '12 P
Central Fiscal Deficit	6.0%	6.5%	4.8%	5.8%
State Fiscal Deficit	2.4%	3.3%	2.6%	2.6%
Cumulative	8.4%	9.8%	7.4%	8.4%

Rs.'000 crore	Total Exp.	Subsidies	Interest	Fis. Def.
FY '12 Budget	1,257.7	143.6	268.0	412.8
FY '12 (Projected)	1,330.8	191.1	269.6	549.7
Gap (Proj – Budget)	73.1	47.5	1.6	136.9

Note: Exhibit 1 does not include Off- budget expenditure items.
Source: Budget documents and Sumpoorna Research

Budget Expectations

The Union Budget for 2012-13 (FY13) is to be presented in the Parliament on 16th March. As every year, the budget will be an event that would signal the direction set forth for the growth path of the economy. Global as well as the domestic investors would also be looking for signals.

The attempt of the government to push for higher growth without sound economic fundamentals has further resulted in higher inflation, increased current account deficit, tighter inter-bank liquidity, and sub-optimal utilization of the tax payers' money.

The major expectations that surround the budget can be summarized as below:

- Sustainability in curbing government expenditure to check on the imbalances created by the fiscal deficit, without curbing consumption;
- Managing current account deficits and trade imbalances;
- Direction to catapult private investment, gross capital formation;
- Managing supply side constraints; and
- Empowering the under privileged with skills and knowledge for self-sustenance.

A revival in investment cycle should be the way forward for the economy to drive a revival in productivity, rather than depending on consumption to drive productivity. Further, the supply side constraints, if exist for a prolonged period, would cripple the economy and the government would require greater fiscal and monetary tools than currently available to correct the anomaly. At Sumpoorna, we believe that to revive capacity expansion in a counter-cyclical manner would require aggressive policy impetus and balanced development of the economy, rather than aggressive manipulation of macro-economic trends in certain sectors. However, we believe that reviving growth in the core sectors is likely to act as a stimulus for other sectors and could help revive sustainability.

The impetus given to consumption through increased public spending has assisted in increased growth, to compensate for decline in growth from private investments; however, in the absence of new productive capacity, it has led to heightened inflationary pressures.

A focus on the following should enable the government to set forth an environment for more inclusive, balanced, and sustainable growth:

- Giving direction for the Goods and Services Tax (GST) Act;
- Encouraging greater participation in long gestation projects such as infrastructure, power, etc.;
- Energy and food security measures;
- Policy implementation;
- Rise in new productive capacity; and
- Divestments/ Disinvestments from non-critical public owned enterprises.

Glance at FY 2012

Indirect Tax Collection

The indirect tax collection jumped 14.6 percent in the April-February period to Rs.3.49 lakh crore, which equals to 89 percent of the budgeted target of Rs.3,94 lakh crore for the fiscal year. During the same period last year the total indirect tax collection was Rs.3.04 lakh crore. We expect the indirect tax collection to be within a reasonable limit of +/- 5 percent of the target.

Fiscal Consolidation

According to the budgetary estimates of February 2011, the government targeted a fiscal deficit of 4.6 percent; however, we expect the fiscal deficit to be around 6 percent in the wake of under-achieving disinvestment target, increasing subsidy bill, higher expenditure growth, and lower tax revenue growth.

For the period Apr - Dec 2011, the fiscal deficit has stood 92 percent of the budgeted fiscal amount vis-a-vis 64 percent for the same period for the previous year. Further, the central government fiscal deficit combined with that of the state governments, the cumulative fiscal deficit is likely to be around 8.5 percent for FY12. During Apr – Dec, the total expenditures amounted to Rs.8.96 lakh crore, amount to 71.3 percent of the FY12 budget estimates. However, the revenue collected during the period stood at 63.3 percent of targets.

Macro-Economic Overview

From an earlier estimate of GDP growth rate of over 8.5 percent, the government announced in January 2012, that the expected GDP growth rate of closer to 7 percent for the current fiscal. Based on CSO's projections for the year, industrial sector growth is expected to be subdued in FY12 with manufacturing growing at 3.9 percent vis-a-vis 7.6 percent for the previous year. The construction industry and mining & quarrying are likely to grow at 4.8 percent and negative 2.2 percent compared with previous year growth estimates of 8 percent and 5 percent, respectively. Further, the Service sector is likely to record a robust growth of around 9 percent, while electricity, gas & water supply sector is likely to grow at 8.3 percent for FY2012.

During most part of 2011 the inflation stood high at 9 percent and the inflation started to ease after strict monetary measures implemented by the RBI. The Wholesale Price Index ('WPI') is likely to be marginalized in the coming year, primarily due to a high base year effect and tight monetary policy.

Divestment & Buyback

The government till date it has been able to raise only Rs 1,145 crore from PFC. Its sale of stake in ONGC through the auction route has fetched another Rs.12,000 crore. The government, which has not been able to reach anywhere near the disinvestment target of Rs.40,000 crore in FY 2012, is likely to raise funds by selling its stake in various PSU's. At Sumpoorna, we envisage that the government would be looking to raise an amount in excess of Rs.1 lakh crore.

The Tax Angle

The need to increase revenue collection

To control the rising expenditure and reduced rate of growth of tax collections, we expect the Finance Ministry to try and increase revenue collections by increasing excise duty and service tax from 10 percent to 12 percent. This should also form a base for the GST at 12 percent. Further, the other sources that could be looked upon by the Finance Ministry as a measure to boost tax collections are as follows:

- Increasing taxes on cigarettes, etc. in order to improve human and fiscal health;
- Increase import duty on certain key goods;
    - Anywhere between 15 percent and 20 percent on select import items such as power equipment etc., to provide a level playing field to domestic industries, which are facing hard competition from countries such as China;
    - Rollback the custom duty cut on crude oil (raising it from nil to 5 percent), which may expected to garner about Rs.30,000 crore; however, this will have a cyclical effect on subsidy burden.
- A reduction in the overall Cenvat rate may be considered. The revenue risk could be compensated by a non-refundable cess on polluting goods and services.
    - By increasing the tax rate by 2 percent in excise and service tax rate, government is likely to bring about additional revenue of Rs.35,000 crore.
- By creating a 'negative list' of services that would not be taxed: this will be done incrase the scope of taxation; this is likely to bring additional revenue to the tune of over 15,000 crore.
- Rationalization and simplification in terms of reduction in surcharges for corporates, withdrawal of some tax exemptions and increase in the rate of Minimum Alternate Tax ('MAT').

Direct Tax Code

The Direct Tax Code ('DTC') should be delayed by one more year, as the Bill has not been passed in the Winter Session of the Parliament. Further, the industry participants seek clarifications on a various features such as MAT credit under DTC (which currently can be carried forward and set off within a period of 10 years); Advanced Pricing Agreements ('APA') under DTC, etc.

Personal Taxation

Deduction under section 80C may be revised to Rs.1,50,000 from the existing limit of Rs.1,00,000 to provide enhanced options of investment to the assesses. Deduction for investment in infrastructure bond is currently Rs.20,000, which may be raised to Rs.50,000. There could also be some concessions given to interest on bank deposits to encourage savings. The limit of deduction on interest paid against self-occupied property may also be revised upwards.

We do not expect the tax slab for tax free income to be increased to Rs.3,00,000; however, an increase to Rs.2,00,000 may be expected to keep pace with inflation.

Industry & Sector View

The Union Budget to be presented on March 16, 2012 is likely to have an impact on various sectors. In the table below we assess the likely impact of the budget on various industries & sectors, we have elaborated the impact in the following pages:

Industry	Impact	Companies to watch out for
Airport Infrastructure & Aviation	Positive	Spice Jet and GMR
Agriculture	Positive	Jain Irrigation
Auto Components and tyres	Positive	Bharat Gears, UCAL, Rane Group, and Apollo Tyres
Automobiles	Negative	Maruti Suzuki, Tata Motors, and M&M
Banking & Finance	Positive	SBI, ICICI Bank, Axis Bank, IDFC, HDFC, and Reliance Capital
Cement	Positive	ACC, Ambuja Cements, and Shree Cement
Chemicals	Neutral	BASF India Ltd
Education	Positive	Everonn Education Ltd and Educomp Solutions Ltd.
Fertilizers	Marginally Positive	Coromandel International, GSFC, GNFC, and Chambal
FMCG	Positive	HUL, ITC, Dabur, and Godrej Consumer
Hotels / Travel and tourism	Neutral	Thomas Cook, Indian Hotels and EIH
Housing & Real estate	Positive	HDFC, LIC Housing, DLF, and IndiaBulls Realty
Infrastructure	Positive	L&T, BHEL, Patel Engg., GMR and Punj Lloyd
Information Technology	Neutral	NIIT Tech, Nucleus Software, Rolta, Infosys, Wipro, and TCS
Logistics	Neutral	Gati
Media and Entertainment	Neutral	Dish TV and TV Today
Metal & Mining	Marginally Negative	Sterlite, NMDC, MOIL, Hindalco, Sesa Goa, and Vedanta
Oil and Gas	Neutral	Reliance, Cairn, ONGC, and Videcon
Paper	Neutral	AP Paper, BILT, JK Paper, and Orient Paper Mills
Pharmaceuticals & Healthcare	Neutral	Dr. Reddy's Lab, Lupin Ltd, and Ranbaxy Laboratories
Power	Positive	TATA Power, Jindal Steel and Power, and Adani Power
Port Infrastructure	Marginally Positive	Great Eastern Shipping, SCI, and L&T
Retail	Marginally Positive	Future Group, Gitanjali Group
Roads and Highways/Construction	Positive	IRB Infra, GVK Power, GMR, and L&T
Steel	Neutral	JSPL
Textiles	Positive	Alok industries, Vardhman,and RSWM
Telecom	Neutral	Bharti Airtel, Reliance Communications, and Idea Cellular
Tractors	Positive	Mahindra & Mahindra, HMT, and Escorts

Airport Infrastructure & Aviation

Industry wish-list:

- Airline industry be declared as 'Core Infrastructure' to make available incentives available
- Aviation Turbine Fuel ('ATF') to be granted 'Declared Goods' status, to facilitate emergence of Indian Airports as 'Hubs' and help in stabilizing ATF prices across the country
- Approval of FDI in Indian carriers

Sumpoorna View: ***Positive***

In our opinion the government is likely to bring cheer to the industry, in the wake of the suffering of the industry.

Companies to look out for: Spice Jet and GMR

Agriculture

Industry wish-list:

- Extension of Section 35(2AB) of the Act to include a weighted deduction of 200 percent for expenditure on agricultural extension and crop development being done by all industries.
- Granting of weighted deduction of 200 percent for computing the taxable income to companies undertaking Oilseeds Extension Programme.
- To provide banks with a credit guarantee fund for agricultural loans to facilitate credit to the sector

Sumpoorna View: ***Positive***

We expect the Union Budget to provide impetus to the sector through various financial incentives to encourage reforms in the sector.

Companies to look out for: Jain Irrigation

Auto Components & Tyre

Industry wish-list:

- The Department of Heavy Industry (DHI) has demanded a Rs.1,000-crore corpus in the Budget to fund technology upgradation
- To make duty paid imports viable for the type sector by reducing duties of principal raw material i.e. natural rubber from 20 percent. Or else, Increase in Customs Duty on tyres - from current 10 percent to suggested 20 percent to provide a level playing field for the domestic tyre industry

Sumpoorna View: ***Positive***

In our opinion there would be increase in custom duty on tyres to bring the same at par with domestic producers. Further, we expect the government to boost technological upgradation within the industry through financial benefits. The endorsement of these steps would signal a positive impact for the industry.

Companies to look out for: UCAL Fuel, Bharat Gears, Rane Group, and Apollo Tyres

Automobiles

Industry wish-list:

- R&D benefits provided to the sector to be extended to attract incremental investments in the sector.
- Increase in excise duty by expected.
- Industry participants have requested the government to continue with its current custom duty structure on car while lowering the additional excised levied on large vehicles.

Sumpoorna View: ***Negative***

In our opinion automobile sector is likely to be marginally impacted with the advent of levying additional duty on diesel vehicle. Further, a major concern for the industry remains the increasing prices of petrol, which is likely to inflict a change in consumer behavior in the longer term.

Companies to look out for: Maruti Suzuki, Tata Motors, and M&M

Banking & Finance

Industry wish-list:

- Higher amount (vis-à-vis previous year's Rs.6000 crore) for Government recapitalization of PSU Banks to maintain Tier-I capital at 8 percent.
- Increasing FDI limit for the insurance sector from 24 percent to 49 percent.
- Currently, provision for NPAs is allowed as deduction only upto 7.5 percent of the total income and 10 percent of the rural advances (5 percent of total income for foreign banks). The industry again demands that the cap be removed and full deduction be allowed for such provision for NPAs. This is to bring in sync the taxation of banks with their accounting profits.
- Banks should be permitted to raise funds by issuing long-term bonds that qualify for a deduction in computation of income of individuals, similar to Infrastructure Bonds.
- The lock-in of FDs to be reduced from 5 years to 3 years for tax benefit to accrue to such investments, i.e. to make such instruments competitive vis-à-vis other tax saving instruments.

Sumpoorna View: ***Positive***

In our opinion the government is likely to pursue infusion of capital into PSU's to make them compliant with the 8 percent Tier-I capital requirement norm.

Companies to look out for: SBI, ICICI Bank, Axis Bank, IDFC, HDFC, and Reliance Capital

Cement

Industry wish-list:

- To enhance the limit for housing interest rate subventions to beyond Rs.20 lakh from Rs.15 lakhs, to give a boost to cement demand from the housing sector.
- Uniform and Specific Rate of Excise Duty on Cement.
- Levy of Import Duty on cement imports and abolition of Import Duty on tyre chips.

Sumpoorna View: ***Positive***

In our opinion the budget would be positive for the cement industry due to the emphasis on infrastructure. However, we do not foresee any major direct benefits to accrue to the industry through rationalization of tax structures.

Companies to look out for: ACC Limited, Ambuja Cements Limited, and Shree Cement Limited

Chemicals

Industry wish-list:

- To combat dumping of chemicals in India through levy of various taxes
- To remove remove customs duty of several raw materials such as alcohol, LNG, Naptha, titanium di-oxide, and aromatics

Sumpoorna View: ***Neutral***

In our view, the sector is unlikely to receive any significant benefits in the current Union Budget.

Companies to look out for: BASF India Ltd

Education

Industry wish-list:

- Tax Relief for those Universities & Colleges which undertake Capacity Building of Higher Education (HE) Staff
- Tax rebate on money invested in skills development
- Tax exemption for Educational Service Provider opening a Skills Centre in a backward areas of upto 5 years
- Establishment of the proposed Education Finance Corporation for easy access to loans

Sumpoorna View: ***Positive***

In our view, the sector is likely to receive major benefits in the current Union Budget, considering the skill development is considered to be a major focus area for the youth of the country.

Companies to look out for: Everonn Education Ltd and Educomp Solutions Ltd.

Fertilizers

Industry wish-list:

- To extend the nutrient-based subsidy ('NBS') regime to cover urea.

Sumpoorna View: ***Marginally Positive***

It is likely that urea will be brought under the NBS regime. If any of these happen, it would be positive for the fertilizer sector; however, it is unlikely that the benefits would be passed on the farmer.

Companies to look out for: Coromandel International, GSFC, GNFC, and Chambal

FMCG

Industry wish-list:

- Increase in excise duty on cigarettes
- Reduction in excise duty on vegetable oil; and abolition of excise duty on biscuits

Sumpoorna View: ***Positive***

In our view, the industry should be positively impacted as the government should provide financial benefits for expansions and bringing more enterprises under the organized sector.

Companies to look out for: HUL, ITC, Dabur, and Godrej Consumer

Hotels, Travel & Tourism

Industry wish-list:

- Hotels to be included in RBI's Infrastructure Lending List and to be included in the 'Infrastructure' list
- To allow 100 percent FDI in tourism infrastructure in India;
- Section 32 of the IT Act to be amended to restore the depreciation rate to 20 percent. Further, additional depreciation applicable to Plant & Machinery under section 32(1)(ii)(a) to be allowed to hotels, as heavy investment are made in plant and machinery;
- To promoter medical tourism through lower import duties and higher depreciation rates on medical equipment, and expedite visas for overseas patients; and
- To abolition service tax on travel educational courses, currently at 10.33 percent.

Sumpoorna View: ***Neutral***

In our view, the sector is unlikely to receive any significant benefits in the current Union Budget.

Companies to look out for: Thomas Cook, Indian Hotels and EIH

Housing & Real estate

Industry wish-list:

- Rationalize tax structures to resolve dispute and litigations arising from transactions taxability
- Promotion of rental housing and lowering the tax rate on rental income from 30 percent to 20 percent; further taxing only 50 percent of the rental income as compared to the current 70 percent
- The limit on deductions on interest payable on home loans to be increased to Rs.3 lakh from current Rs.1 lakh
- To enhance the limit for housing interest rate subventions to beyond Rs.20 lakh from Rs.15 lakhs, to give a boost to the housing sector.
- To allocate more funds to the Rajiv Awas Yojana ('RAY') for urban housing targeted at the EWS and the LIG sections. Further, to enact provisions for Special Residential Zones (SRZs) to incentivise the growth of housing stock at specific locations.
- To relax the norms for repatriation of foreign direct investment ('FDI') and external commercial borrowings (ECBs) for the sector.

Sumpoorna View: ***Positive***

In our view, the industry should be positively impacted as the government should provide impetus to the housing sector.

Companies to look out for: HDFC, LIC Housing, DLF, and IndiaBulls Realty

Infrastructure

Industry wish-list:

- Permitting banks to issue long term tax-free infrastructure bonds, thereby enhancing the participation of banks, financial institutions, and large NBFCs in the sector
- Higher allocation to flagship programs of Bharat Nirman, JNNURM, APDRP, AIBP, and NHDP;
- Roll out of policies to expedite land acquisition and environmental clearance;
- The industry expects the benefits under Section 80IA and Section 80IB to be extended from the current deadline of revolving around March 2011
- The tax break under 80CCF will be increased from the current limit of Rs.20,000 to beyond Rs.40,000.

Sumpoorna View: ***Positive***

In our opinion, the industry is likely to be the front-runner for the current budget as government is likely to give impetus to the industry to further garner pace for the economy. Further, Sumpoorna believes that the multiplier effect the sector has on the economy makes it a natural winner.

Companies to look out for: L&T, BHEL, Patel Engg., GMR, and Punj Lloyd

Information Technology

Industry wish-list:

- Re-introduction of tax holiday especially for Small and Medium Enterprises, to cope with pricing pressures and lower margins
- Removal of double taxation (Service tax and VAT) on right to use software and maintenance contracts
- Safe harbor provisions and introduction of Advance Pricing Agreements are eagerly awaited in the backdrop of compounding transfer pricing disputes.
- To reconsider the provision of carry forward and set-off of MAT credit entitlement, which is presently only allowed for a period of ten years. Abolishing MAT levy on the SEZ developers/ units and carry forward of MAT credit entitlement for an indefinite period

Sumpoorna View: ***Neutral***

In our view, the Union Budget is likely to be neutral for the sector. However, if the demands of the industry are met for the removal of double taxation on software, then there might be marginal upside for the sector.

Companies to look out for: NIIT Tech, Nucleus Software, Rolta, Infosys, Wipro, and TCS

Logistics

Industry wish-list:

- TCI has suggested setting up a separate regulatory authority for the logistics sector, following the footsteps of the Insurance Regulatory & Development Authority and Telecom Regulatory Authority of India
- To announce measures for speedy implementation of dedicated freight corridor (DFC) that would provide container rail operators a dedicated high speed rail line to lower the turnaround time, improve efficiency and reduce cost for these operators.
- To treat warehousing for non-agricultural commodities at par with the infrastructure projects.

Sumpoorna View: ***Neutral***

In our view, the sector is unlikely to receive any significant benefits in the current Union Budget.

Companies to look out for: Gati

Media and Entertainment

Industry wish-list:

- Levy of service tax and VAT on copyright acquired for content to be revisited. Further, to lower the levy of entertainment tax (in excess of 30 percent) on film exhibitions
- For the Broadcasting sector, uncertainty surrounding TDS on several payments and high withholding tax @ 20 percent in the absence of PAN.
- Currently FDI limit in DTH and cable is 49 percent, 26 percent in news broadcasting & print media, and 20 percent for radio. Industry wishes to the FDI limit on DTH and cable to 74 percent; and news broadcasting, print media, and radio to 49 percent.

Sumpoorna View: ***Neutral***

In our view, the sector is unlikely to receive any significant benefits in the current Union Budget.

Companies to look out for: Dish TV and TV Today

Metal & Mining

Industry wish-list:

- Direction for amendment in Section 32 of IT Act with regard to acquisition of mining rights
- To allow plant and machinery used for exploration and mining for accelerated depreciation
- Reduction in export levy on iron ore to push exports.

Sumpoorna View: ***Marginally Negative***

In our opinion, the Union Budget is likely to take steps to curb illegal mining. This might lead to stricter rules and regulations for the sector. Further, any financial benefits and tax relief is highly unlikely for the sector.

Companies to look out for: Sterlite, NMDC, MOIL, Hindalco, Sesa Goa, and Vedanta

Oil and Gas

Industry wish-list:

- Natural gas to be included in the 'Declared Goods' list under CST law.
- Currently, the levy of MAT dilutes the tax holiday incentive, and hence to be revisited.
- Clarity on availability of deduction of expenditure on exploration activities for the Indian Companies' overseas production blocks

Sumpoorna View: ***Neutral***

In our view, the sector is unlikely to receive any significant benefits in the current Union Budget.

Companies to look out for: Reliance, Cairn, ONGC, and Videcon

Paper

Industry wish-list:

- Industry has accumulated significant CENVAT credit and expects government to extend the benefit of the same through mechanisms other than excise duty rebate.
- To waive off customs duty on import of coal.
- Assistance in agro-forestry initiatives as enabling policies for captive plantations is currently non-existent in India.

Sumpoorna View: ***Neutral***

In our view, the sector is unlikely to receive any significant benefits in the current Union Budget.

Companies to look out for: AP Paper, BILT, JK Paper, and Orient Paper Mills

Pharmaceutical & Healthcare

Industry wish-list:

- The biotech sector should be encouraged by facilitating venture funds; incentivizing R&D via a five-year tax holiday on products developed in-house; zero duty on R&D equipment; and longer tax-free allowance for biotech SEZs
- Rationalization of excise duty on formulations and API's
- Extension of Tax exemption to be awarded beyond March 2011 Under section 10B for 100 percent export-oriented units (EOUs)
- The industry also wants the extension of grant of related tax holidays and exemptions. To extend the current 5-year tax holiday for healthcare infrastructure in tier-2 and tier-3 towns to 10 years
- To increase the expenditure allocation towards healthcare
- To provide the Healthcare sector with 'infrastructure' status

Sumpoorna View: ***Marginally Positive***

In our view, the sector is unlikely to receive any significant benefits in the current Union Budget.

Companies to look out for: Dr. Reddy's Lab, Lupin Ltd, and Ranbaxy Laboratories

Power

Industry wish-list:

- Exempt thermal or steam coal of basic customs duty and countervailing duty.
- Reduce customs duty on imported coal as it discourages power projects based on imported coal.
- Extension of the eligibility norms of tax holiday incentives for power generation companies from starting their power generation before 01 April 2011 for another five years.
- Re-establish tax exemptions of income from investment in power generation projects. One more way is the tax exemption on the interest earned by foreign lenders on overseas loans availed by Indian borrowers as was the position earlier under section 10(15) (f).
- Higher exposure limits for banks for financing UMPPs. Presently, the exposure limit of a bank to a single private company and a group is 20 percent and 30 percent of net worth respectively.

Sumpoorna View: ***Positive***

In our view, the industry should be positively impacted as the government should provide impetus to the housing sector. The sector is likely to receive assistance on the interest paid, as the sector is heavily dependent on debt financing. Further, restructuring of State Electricity Boards (SEBs) and power contracts would be high on the agenda given their tenuous state of financial health.

Companies to look out for: TATA Power, Jindal Steel and Power, and Adani Power

Port Infrastructure

Industry wish-list:

- Port projects to be exempt from MAT
- A deduction of 150 percent in respect of revenue share, royalty, wharfage, or any other revenue payable to the Port Authority
- While input services consumed by the shipping industry are taxable, these services consumed in sea transportation to a place outside India though in the nature of export of service are not eligible for credit [(not covered by section 65(105)]. The industry wishes for re-consideration of these provisions

Sumpoorna View: ***Marginally Positive***

In our view, the Union Budget is expected to be marginally positive for the sector, considering the linkages to the infrastructure sector.

Companies to look out for: Great Eastern Shipping, SCI, and L&T

Retail

Industry wish-list:

- FDI in multi brand retail
- To granting an 'Industry' status to the retail sector and promote it through fiscal incentives, on the same lines as the hotel industry

Sumpoorna View: ***Marginally Positive***

In our view, there will be a marginally positive effect for the sector; reforms such as introduction of 100 percent FDI in multi retail to provide major boost to FDI interest in the sector.

Companies to look out for: Future Group and Gitanjali Group

Roads & Highway and Construction

Industry wish-list:

- To promote private sector participation
- To include road safety investments under income tax exemption.

Sumpoorna View: ***Positive***

In our view, the industry should be positively impacted as the government should provide impetus to the sector. The Government is likely to award various projects for construction in excess of 6,000 km of roads. Further, we expect impetus for Public-Private Partnerships, which will be a boast to the sector.

Companies to look out for: IRB Infra, GVK Power, GMR, and L&T

Steel

Industry wish-list:

- Listing of key raw materials such as Ferro Manganese Slag as 'Free Items' instead of current 'Restricted Items'
- Customs duty on certain Ferro alloys to be increased to 7.5 percent
- Reduction of customs duty of several scarcely available raw materials

Sumpoorna View: ***Neutral***

In our view, the sector is unlikely to receive any significant benefits in the current Union Budget.

Companies to look out for: JSPL

Textiles

Industry wish-list:

- The Ministry of Textiles has sought enhanced budget allocation to Rs 24,597crore.
- Benefits to help the industry cope with unavailability of easy credit and high raw-material prices.

Sumpoorna View: ***Positive***

In our view, the industry should be positively impacted as the government should provide additional benefits under TUFS.

Companies to look out for: Alok Industries, Vardhman, and RSWM

Telecom

Industry wish-list:

- Tax rebates for broadband services.
- To earmark a portion of proceeds from the upcoming auctions for the growth of the telecom sector, especially in the rural areas. Further, the advent of subsidies for expansion into the rural areas.
- To classify the Telecom Sector under infrastructure category.

Sumpoorna View: ***Neutral***

In our view, the sector is unlikely to receive any significant benefits in the current Union Budget.

Companies to look out for: Bharti Airtel, Reliance Communications, and Idea Cellular

Tractors

Industry wish-list:

- More farmer friendly policies and the rural employment schemes like NREGA should be continued.

Sumpoorna View: ***Positive***

In our view, the impetus given to the agriculture sector should be an encouragement to the tractor industry

Companies to look out for: Mahindra & Mahindra, HMT, and Escorts

Disclosure

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