



Kyon ki bhaiya, sabse bada rupaiya.

# Overview

The UPA government's budget has disappointed the high anticipations of the market participants. Accordingly a sharp sell off took place post budget. Despite the negative outlook on the fiscal front, where the fiscal deficit target was raised to 6.8% and revenue neutral tax policies which will make fiscal planning difficult, the budget scores on its infrastructure thrust and consumerism which should provide the much needed fillip to domestic consumption.....

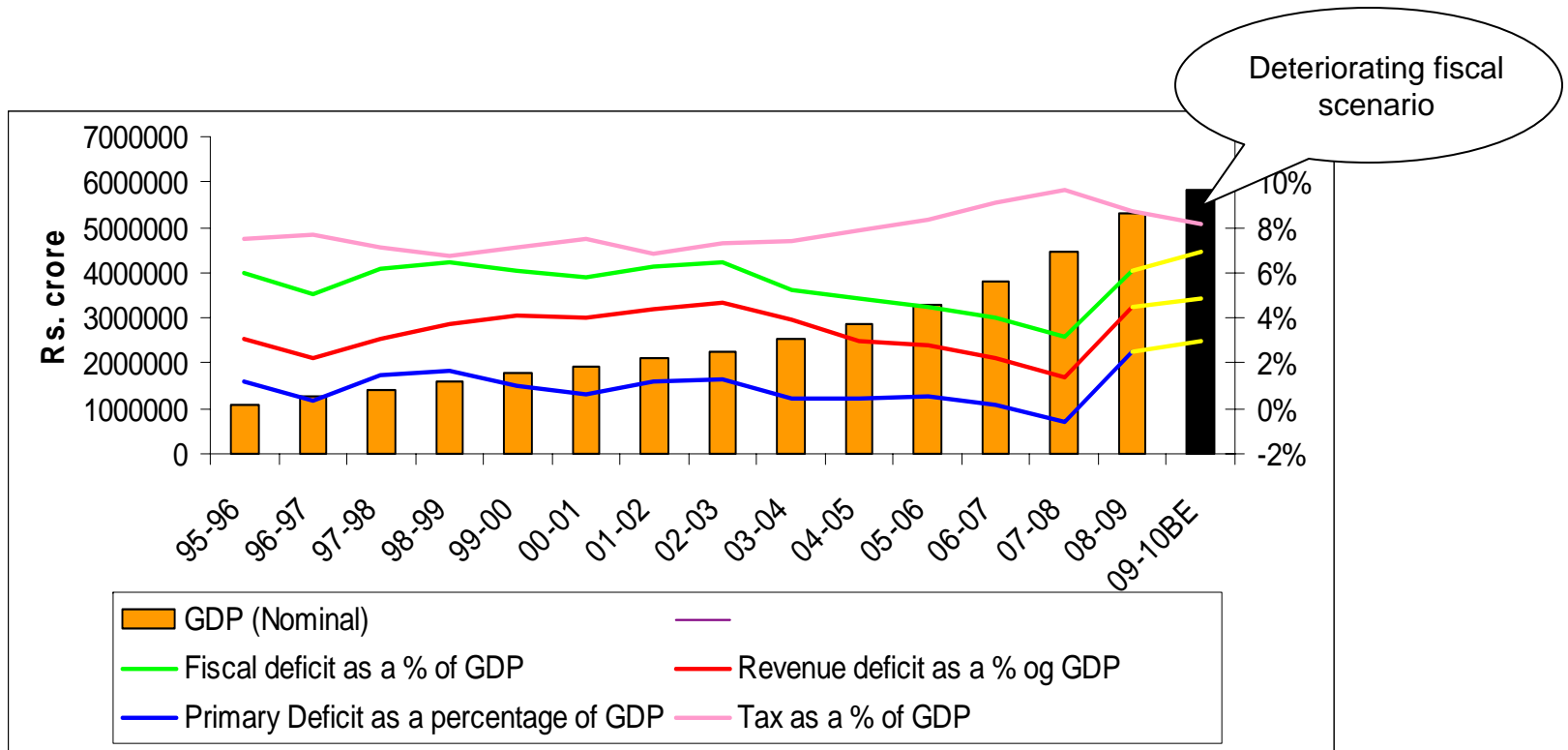
The budgetary estimates for revenue generation are ambitious and we believe that there will be a shortfall. Also taming the fiscal deficit will not be an easy proposition and should be in the range of 7.5% to 8.5% of the GDP....

The measures outlined in the current Budget are only a part of the reform process. The proposed Insurance Bill, Divestment Policies, Direct Tax code etc are but some of the catalysts which would drive the markets going forward.



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# GDP Ratio's

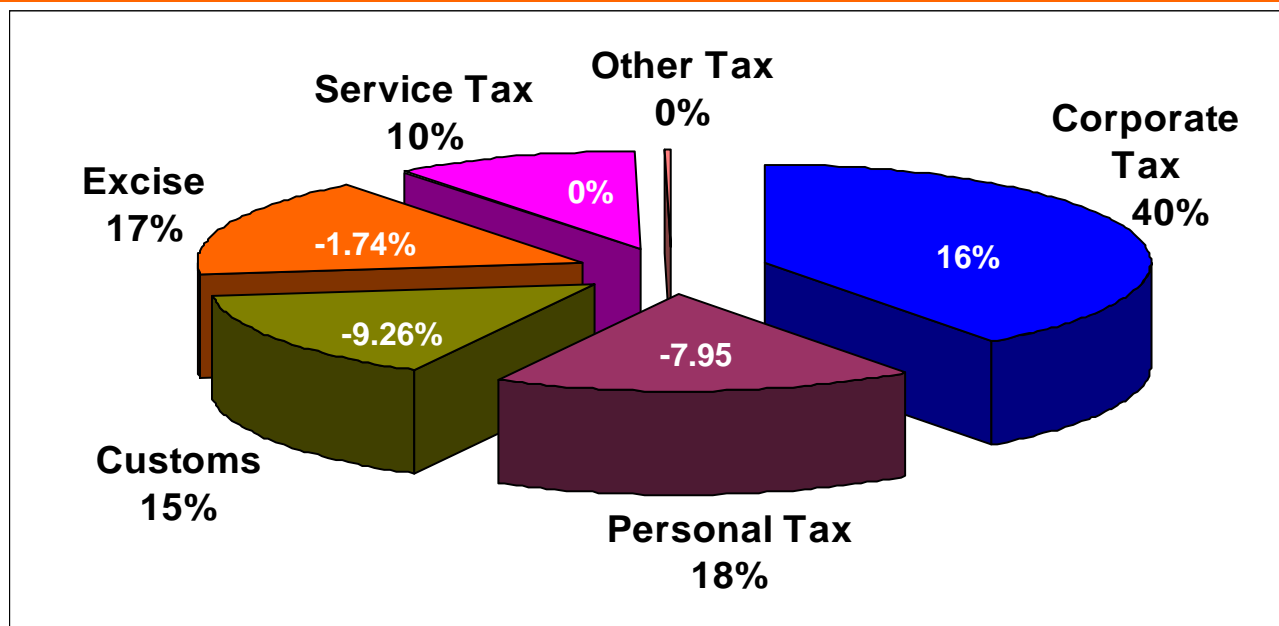


Source: Budget documents and Ventura estimates



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# Share of Tax Revenue Sources



Source: Budget documents and Ventura estimates

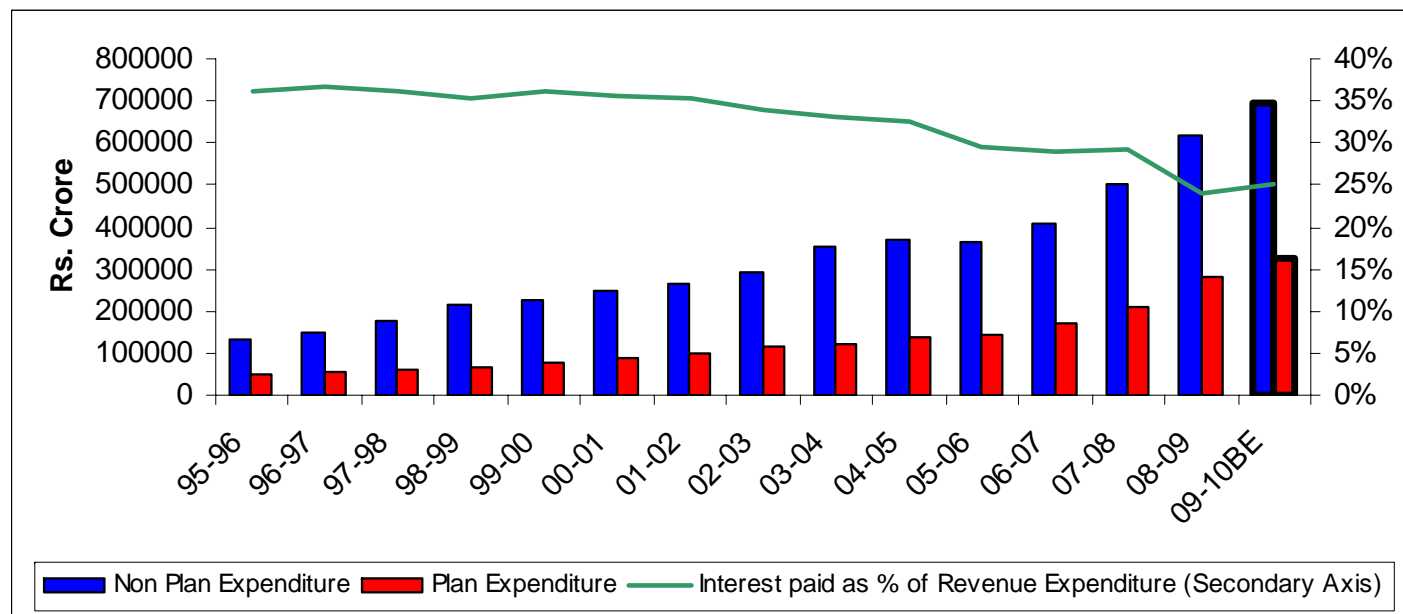
Note: Figure inside the pie (in white) is percentage growth over 2008-09

- The revenue estimates for 2009-10 at Rs. 641079 cr, are expected to rise by 14%YOY. (Prior to this the YoY growth was 7% in 2008-09 and 24% in 2007-08).
- Non Tax Revenue estimated at Rs. 140279 cr for 2009 -10, indicates a rise of over 45% over 2008-09. This jump is expected due to revenue of Rs. 35000 cr from proposed auction of the 3G spectrum.



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# Expenditure – Plan and Non Plan



Source: Budget documents and Ventura estimates

- 2009-10 Budget estimates total expenditure at Rs.10,20,838 crore. Of this Rs.6,95,689 crore is under Non-plan and Rs.3,25,149 crore under Plan expenditure. This represents an increase of 37 per cent in Non-plan expenditure and 34 per cent in Plan expenditure over B.E. 2008-09
- The uptick in Interest to Revenue expenditure is pointing towards an increase in interest cost.



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# Sectoral Measures and Impact



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# Sector Summary

Sector	Budget Impact	Key Highlights
Automobiles	Positive	No roll back in excise duties
Pharmaceuticals	Positive	Increased allocation to National Rural Health Mission
Banking / Financial Services	Negative	No FDI hike in Insurance & raising of fiscal deficit
IT / ITES	Neutral	STPI extension, however MAT rate increased
Infrastructure	Positive	Increased fund Allocation to Bharat Nirman, NHDP & AIBP
Power	Positive	Increase outlay for APDRP Scheme
Oil & Gas	Neutral	Section 80IB extension for gas producers, however MAT rate increased
FMCG	Positive	Thrust on NREGS & social sector reforms



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# Automobiles

Item	Budget Measures	Budget Impact	Companies Impacted
Excise Duty	No roll back	Positive	All Auto companies
NREGS	Higher Allocation	To boost auto companies having rural exposure	Hero Honda & Mahindra & Mahindra
JNNURM	Higher Allocation by 87%	Release of higher funds for replacement of buses of urban transport	Tata Motors & Ashok Leyland



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# Pharmaceuticals

Item	Budget Measures	Budget Impact	Companies Impacted
National Rural Health Mission	Increased Allocation of Rs 2,057 crore	Positive	All Pharma companies
Customs Duty on 10 specified life saving drugs	Reduced from 10% to 5%	Positive	All major Pharma Companies
Customs Duty on specified heart devices	Reduced from 7.5% to 5%	Positive	Opto Circuits



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# Banking / Financial Services

Item	Budget Measures	Budget Impact	Companies Impacted
Insurance Reforms	No FDI hike in Insurance	Negative	Banks with Insurance JV & Aditya Birla Nuvo
Fiscal Deficit	Raised to 6.8%	Hit on treasury earnings	All Banks
Interest Subvention Scheme	7% Interest to farmers & additional 1% subvention for timely payment	Marginal Impact on NIM's	All Banks



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# IT / ITES

Item	Budget Measures	Budget Impact	Companies Impacted
STPI scheme	Extended for one year	Neutral	All companies
MAT Rate	Increase from 10% to 15%	Higher tax liability	All companies



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# Infrastructure

Item	Budget Measures	Budget Impact	Companies Impacted
Takeout Financing Scheme	IIFCL in consultation with banks	Incremental lending	IDFC
Bharat Nirman	Increased allocation by 45%	Positive	All Infrastructure players
Accelerated Irrigation Benefit Programme (AIBP)	Increased allocation by 75%	Positive	IVRCL, Patel Engineering, HCC, Gammon & KSB Pumps
PPP Projects in critical sectors	Refinancing 60% of commercial bank loans	Positive	All Infrastructure players
National Highway Development Programme (NHDP)	Increased Allocation by 23%	Positive	IRB Infra, Reliance Infra, HCC among others



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# Power

Item	Budget Measures	Budget Impact	Companies Impacted
APDRP Project	Additional Provisional of Rs 2,080 crore	Positive	Power ancillary equipment companies in focus



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# Oil & Gas

Item	Budget Measures	Budget Impact	Companies Impacted
Natural Gas	Section 80IB tax benefit extension to producers of natural gas	Lower tax liability for gas producers	RIL & ONGC
National Gas Grid	Blue print to be developed for long distance gas pipelines	Positive for gas transportation & pipe manufacturing companies	GAIL, RIL, Welspun Gujarat, Jindal Saw, PSL & Man Industries
MAT Rate	Increase from 10% to 15%	Higher tax liability	RIL



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# FMCG

Item	Budget Measures	Budget Impact	Companies Impacted
Reforms for stimulation of demand	Thrust on NREGS & other social sector reforms	Positive	All FMCG Companies
Cigarettes	No hike in Excise Duty	Positive	ITC, Godfrey Phillips & VST



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# Miscellaneous

Item / Sector	Budget Measures	Budget Impact	Sectors & Companies Impacted
Fertilizers	Move towards nutrient based subsidy regime	Positive for phosphoric fertilizer manufacturers	Coromandel Fert, Rallis India, Chambal Fertilizer & Zuari Industries
Set Top Box	Custom Duty of 5% imposed	Marginally Positive	Bharat Electronics
Tea, coffee & Rubber	Concessional customs duty of 5% on specified machinery	Marginally Positive	Mcloed Russel, Harrisons Malayalam, Tata Tea & Bombay Burmah
Print Media	Stimulus package comprising waiver of 15% agency commission on DAVP Advertisements & 10% increase in DAVP rates	Positive	Deccan Chronicle & HT Media
Branded Jewellery	Excise fully exempted	Marginally Positive	Titan Industries
Manmade Fibre & yarn, PTA, DMT & polyester chips	Excise Duty increased from 4% to 8%	Marginally Negative	Reliance Industries



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# Policies – Direct Tax

- Threshold limit of exemption from personal income tax increased
  - Male Assesses – Rs 160,000 (up by Rs 10,000)
  - Female Assesses – Rs 190,000 (up by Rs 10,000)
  - Senior Citizens – Rs 240,000 (up by Rs 15,000)
- Additional deduction of Rs 25,000 (raised from Rs 75,000 to Rs 100,000) under Section 80DD in respect of maintenance including medical treatment, of a dependent who is a person with severe disability
- Elimination of 10% Surcharge on personal Income Tax
- Extension of STPI benefits under Section 10A & 10B extended by one more year. i.e. till FY2010-2011
- MAT increased to 15% of book profits from the present rate of 10%
- Abolishment of Commodity Transaction Tax & Fringe Benefit Tax



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# Policies – Indirect Tax

- No changes in peak rate of customs & excise duty
- Introduction of the Goods & Service Tax (GST) with effect from April 01, 2010



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# Policies – Service Tax

- Services received by exporters from goods transport agents and commission agents exempted from service tax
- Membership & other fees collected by Export Promotion Councils & the Federation of Indian Export Organizations exempted from service tax
- Goods carried by Indian Railways now subjected to Service Tax
- Levy of Service Tax on Advice, Consultancy or Technical Assistance provided in the field of Law
- Transportation of passengers undertaken by private enterprises in vehicles having 'Contract Carriage Permits' subjected to Service Tax
- Sub Brokers – to be outside the purview of Service Tax



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# Disclaimer

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