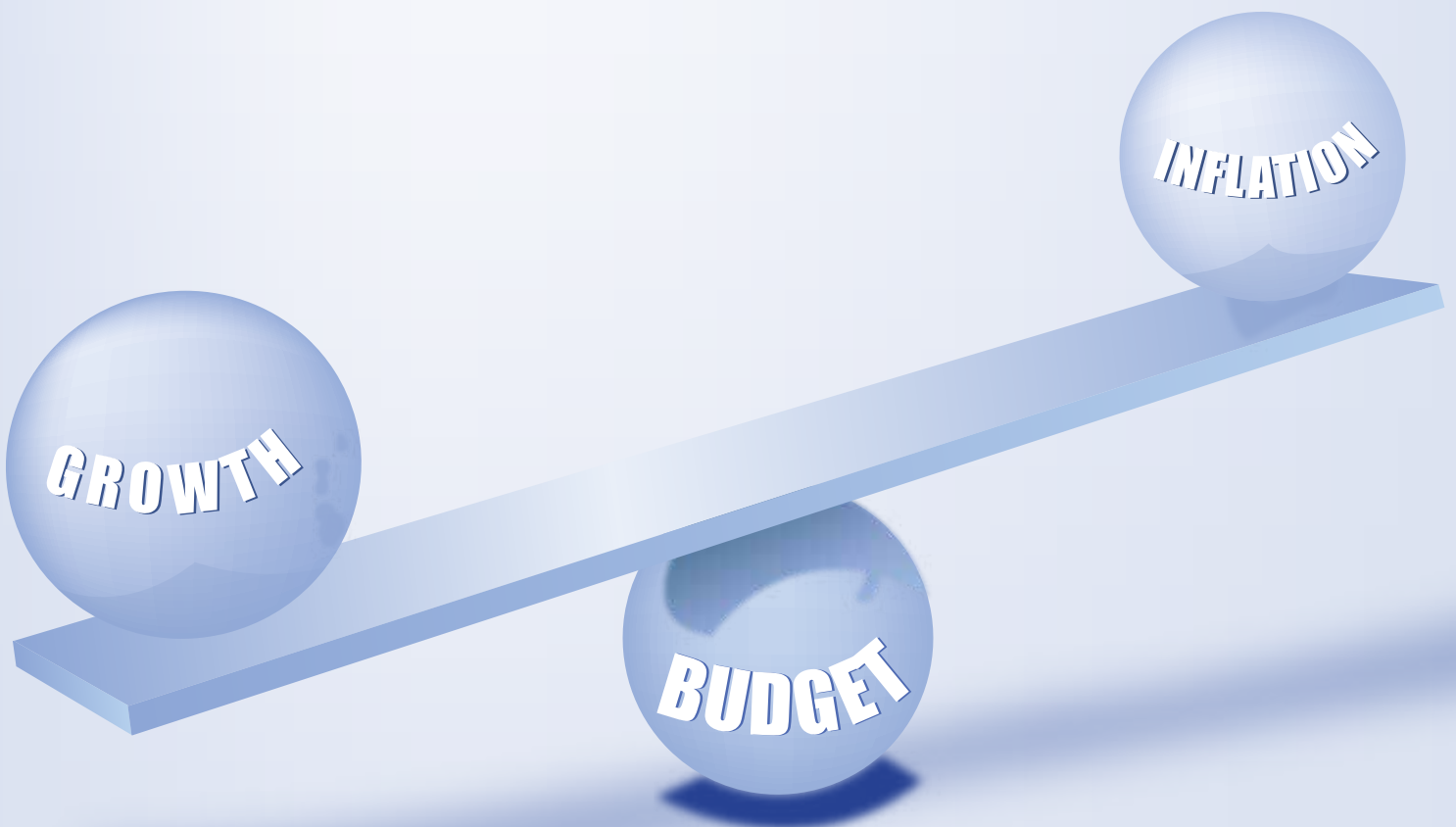




**NIRMAL BANG**  
a relationship beyond broking

# BUDGET 2011-12



### Budget Highlights

FM has surprised equity market with 4.6% fiscal deficit target against the earlier target of 4.8% for the year 2011-12 set in the previous budget. The lower fiscal deficit budget has come without any increase in excise duty rates. 2010-11's fiscal deficit is estimated at around 5.1% supported by higher than expected non tax revenue like auction of 3G spectrum. India's fiscal deficit has ballooned to 6.3% of the GDP in 2009-10 on the back of stimulus spending worth billions of dollars to combat economic slowdown. In the medium term fiscal policy, Finance Minister pegged the target of fiscal deficit at 4.1% for 2012-13, and 3.5% for 2013-14. Even the revenue deficit for the 2010-11 and 2011-12 are seen at 2.3% and 1.8% respectively. FM is targeting to restrict fiscal deficit to a lower level on the assumption of higher growth in the economy. However looking at the risk of tight liquidity and higher oil prices we believe it is an optimistic target.

As a result of lower fiscal deficit FM could manage to keep a check on net market borrowings also. He has set a target of Rs 3.43 lakh crs for 2011-12 as against the earlier target of Rs 4.80 lakh crs. This could have some positive impact on the interest rate scenario.

Finance Minister retained the rate of excise duty at 10%, giving a little respite to industries like auto and cigarette, which feared roll-back of stimulus measures. FM has even brought 130 items under the tax net to prepare the ground for transition to GST, although the burden would only be to the tune of 1%. He also retained service tax at 10% for 2011-12, but increased the scope of revenue by bringing more services under the purview of services tax.

Another important factor expected in the budget was how Finance Minister would support growth in infrastructure sector. Though FM was able to create new avenue for financing infrastructure sector but was lacking in clearing the way for smooth implementation. For the funding of infrastructure projects FM has taken steps by proposing tax-free bonds worth Rs. 30,000 crore, extending income tax exemption on tax-saving infrastructure bonds, special infrastructure debt funds to attract foreign financing in infrastructure, hiked the FII investment limit by an additional \$20 billion for investment in infrastructure-related sectors. But on implementation side he was silent on land acquisition, labour law & environment clearance process.

FM has re-affirmed implementation of DTC, GST and issuance of new banking licenses. He has also indicated government intention to move towards direct subsidy on kerosene and fertilizers to poor people from March next year.

FM has announced many initiatives to provide relief to the people below the poverty line in the agricultural sector. These initiatives include increasing credit flow for farmers from Rs 3.75 lakh crores to Rs 4.75 lakh crores. Moreover interest subvention has been increased from 2% to 3% bringing the effective interest rate to 4% and direct cash subsidy in the hands of farmers. Basic food and fuel to be exempted from central excise duty.

**In all we feel 2011-12 is a positive budget which has tried to keep growth momentum intact with lower fiscal deficit, higher avenue for financing infrastructure project and re-affirming important law implementation.**

## Major Changes In The Tax Structures

### Custom Duty (CD)

- ✓ Full exemption from basic customs duty is being extended to de-oiled rice bran oil cake
- ✓ Export of 10% is being imposed on exports of de-oiled rice bran oil cake
- ✓ Basic customs duty is being reduced from 5% to 2.5% on specified agricultural machinery mainly paddy trans-planter, laser land leveler, cotton picker, reaper-cum-binder, straw or fodder balers, sugar cane harvesters and track used for manufacture of track-type combine harvester
- ✓ Basic customs duty on waste paper and Ferro nickel is being reduced from 5% to 2.5%
- ✓ Full exemption from basic customs duty is being extended to stainless steel scrap
- ✓ The customs duty dispensation and concessional CVD @5% is also being made available to import of spare battery packs for the electric vehicles by importers which are registered with the agencies notified for Central Financial Assistance (CFA) scheme of the ministry of Non-conventional and Renewable Energy (MNRE)
- ✓ Basic customs duty is being reduced from 7.5% to 2.5% on micro-irrigation equipment
- ✓ Basic customs duty on raw pistachios is being reduced from 30% to 10%
- ✓ Full exemption from basic customs duty and SAD and concessional CVD @ 5% (by way of a central excise duty exemption) is being extended to specified parts of the hybrid vehicles, namely, battery pack, battery chargers, AC/DC electric motors and motor controllers. The concession is subject to actual user condition and will be available till 31.02.2013
- ✓ All clearances from SEZ into Domestic Tariff Areas (DTA) are being exempted from Special Additional Duty (SAD) provided they are not exempt from the levy of VAT/Sales Tax
- ✓ The benefit of exemption which is currently available to ship repair units on import of spares and consumables required for repair of ocean going vessels is being extended to the owners of such vessels registered in India.
- ✓ Basic customs duty is being reduced on raw silk (not thrown) of all grades from 30% to 5%
- ✓ Cotton waste is being full exempted from basic customs duty.
- ✓ Basic customs duty is being reduced from 5% to 2.5% on rayon grade wood pulp
- ✓ Basic customs duty is being reduced from 7.5% to 5% for specified gems and jewellery machinery
- ✓ The scope of full customs duty exemption to water supply projects for agricultural and industrial use is being expanded to the water pumping station and water reservoir of such projects
- ✓ Endovascular stents are being full exempted from basic custom duty of 5%

- ✓ Exemption from SAD in being provided to P&P medicines imported for retail sale
- ✓ Basic customs duty on lactose for use in the manufacture of homeopathic medicines is being reduced from 25% to 10%
- ✓ A concessional import duty structure of 5% CVD and Nil SAD is being prescribed on parts of inkjet and laserjet printers imported for manufacture of such printers
- ✓ An import of Nil basic customs duty, CVD of Rs 140 per 10gm and Nil SAD is being prescribed for gold dore bars of upto 80% gold purity imported for refining and manufacturing serially numbered gold bars in India

### Excise Duty (ED)

- ✓ The standard rate of central excise duty is maintained at 10%.
- ✓ An excise duty of 1% without Cenvat credit facility is being imposed on 130 items which were earlier either fully exempt or chargeable to nil rate of excise duty.
- ✓ The concessional central excise duty rate of 4% is being increased to 5% and thus items such as sugar confectionary, pastry and cakes, textile goods, drugs, medical equipments will now attract enhanced duty of 5%.
- ✓ Full exemption from excise duty is being withdrawn on microprocessors for computers, hard disc drive, CD ROM drive flash memory and combo drives and they will now attract a concessional rate of 5%.
- ✓ An excise duty of 5% is being imposed on automatic looms and projectile looms.
- ✓ Excise duty on greaseproof paper and glassine paper is reduced from 10% to 5%.
- ✓ Excise duty is being reduced from 10% to 5% on parts of specified textile machinery.
- ✓ Excise duty of 10% is being imposed on branded readymade garments and textiles.
- ✓ A concessional rate of excise duty at 10% is being extended to factory built ambulances.
- ✓ A tariff rate of excise duty of 10% is being prescribed for jute yarn.
- ✓ The exemption from excise duty on Cashew shell liquid (CNSL) is being withdrawn and consequently it will now attract a concessional rate of 1% without CENVAT credit facility.
- ✓ Excise duty on sanitary napkins, baby and clinical diapers is reduced from 10% to 1% with no Cenvat credit.
- ✓ Concessional rate of excise duty of 1% is being extended to water filters but without use of electricity and their replaceable kits.
- ✓ Excise duty of 1% is imposed on branded jewellery and branded articles of precious metals.
- ✓ Exemption from excise duty is being extended to air conditioning equipments, panels and refrigeration panels.
- ✓ Replaced excise duty of Rs 290/ bag on cement with ad valorem rate of 10% + Rs 80 per tonne where the maximum retail price (MRP) of cement is less than Rs 190 per 50kg bag. On the other hand, where the MRP is greater than Rs 190, the excise duty of 10% of price is replaced by 10% ad valorem + Rs 160 per tonne.
- ✓ Tariff rate of excise duty is being increased from Nil to 10% on silver powder, silver unwrought and semi manufactured silver in specified forms.

- ✓ Excise duty is reduced on serially numbered gold bars from Rs. 280 per 10 grams to Rs 200 per 10 grams.
- ✓ Excise duty on LEDs has been reduced to 5% and special CVD has been fully exempted.

**Proposals relating to customs and central excise are estimated to result in a net revenue gain of Rs. 7,300 crs for the year.**

### Service Tax

- ✓ Rate of tax on services retained at 10 per cent to pave the way forward for GST.
- ✓ Scope of Service Tax has been enhanced, bringing new services under the coverage of the act.
  - 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.
  - Tax on all services provided by hospitals with 25 or more beds with facility of central air conditioning and services.
  - Service Tax on air travel both domestic and international raised by Rs. 50 and Rs.250 respectively. In Domestic other than economy class, 10% standard service tax will be levied
  - Services provided by life insurance companies in the area of investment and some more legal services proposed to be brought into tax net. The composition rate has been increased from 1% to 5%
  - All individual and sole proprietor tax payers with a turnover up to Rs 60 lakh freed from the formalities of audit
- ✓ Exemption for certain services
  - Exemption is being provided to "Work Contracts" services provided for Construction or finishing of new residential complex under JNNRUM& Rajiv Awaas Yojana.
  - Exemption is being provided to services provided within a port or an airport under a work contract services for specified purpose
  - Exemption is being provided to:"Rashtriya Swasthya Bima yojana" under the General Insurance service.
  - Services related to transportation of goods by road, rail or air, when both the origin & destination are located outside the India

**Proposals relating to service tax are estimated to result in a net revenue gain of Rs. 4,000 crs for the year.**

**Income Tax**  
**Income tax Rate for Individuals**

Rs	Individual		Women		Senior Citizen (60 - 80 years)		Senior Citizen (above 80 years)	
	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing
<b>Basic Exemption Limit</b>	180,000	160,000	190,000	190,000	250,000	240,000	500,000	240,000
<b>10% Rate</b>	180,001 to 500,000	160,001 to 500,000	190,001 to 500,000	190,001 to 500,000	250,001 to 500,000	240,001 to 500,000	NA	240,001 to 500,000
<b>20% Rate</b>	500,001 to 800,000	500,001 to 800,000	500,001 to 800,000	500,001 to 800,000	500,001 to 800,000	500,001 to 800,000	500,001 to 800,000	500,001 to 800,000
<b>30% Rate</b>	800,001 & above	800,001 & above	800,001 & above	800,001 & above	800,001 & above	800,001 & above	800,001 & above	800,001 & above

- ✓ The exemption limit for the general category of individual tax payers has been enhanced to Rs 1,80,000 from Rs. 1,60,000 in the Union Budget 2011-12.
- ✓ Qualifying age for Senior Citizens has been reduced from 65 years to 60 years and exemption limit for Senior Citizens has been enhanced from Rs 2,40,000 to Rs 2,50,000.
- ✓ A new category of Very Senior Citizens, 80 years and above, has been created who will be eligible for a higher exemption limit of Rs 5,00,000.
- ✓ Current surcharge of 7.5% on domestic companies reduced to 5%.
- ✓ Corporate Tax remains unchanged.
- ✓ Rate of Minimum Alternative Tax proposed to be increased from 18% to 18.5% of book profits
- ✓ Tax incentives extended to attract foreign funds for financing of infrastructure.
- ✓ Additional deduction of Rs. 20,000 for investment in long-term infrastructure bonds proposed to be extended for one more year.
- ✓ Low withholding tax of 5% for notified infra funds
- ✓ The Direct Tax Code Procedure (DTC) is aimed to implement by April 1, 2012.
- ✓ Lower rate of 15% tax on dividends received by an Indian company from its foreign subsidiary.
- ✓ Investment in fertilizer sector is capital intensive and is to include capital investment in fertilizer production as an infrastructure sub-sector.
- ✓ Weighted deduction on payments made to National Laboratories, Universities and Institutes of Technology to be enhanced to 200%.
- ✓ Earlier units under Special Economic Zone were exempted have been brought under the preview of MAT 18.5% plus 5% surcharge. Special Economic Zones Developer will come under MAT in the Union Budget of 2011-2012.
- ✓ Investment linked deduction to businesses developing affordable housing.
- ✓ System of collection of information from foreign tax jurisdictions to be strengthened.
- ✓ Audit not required for individuals having turnover up to Rs 6 mn

**Proposals on direct taxes estimated to result in a revenue loss of Rs. 11500 cr for the year.**

## Budget Impact on Sectors and companies

### Sector: Agro based industry

Budget Proposal	Sector Impact	Company Impacted
Reduce basic customs duty on micro-irrigation equipment from 7.5% to 5%.	It will increase imports which will result in higher competition for the micro irrigation equipment sector	<b>Negative</b> for Jain Irrigation
Full exemption on excise duty for installation of cold chain infrastructure and conveyor belt systems used for cold storage	It will improve the availability of storage and warehouse facilities for agricultural produce	<b>Positive</b> for all food processing companies

### Sector: Automobile

Budget Proposal	Sector Impact	Company Impacted
Excise Duty maintained at 10%	Positive impact as it was expected that excise duty will be raised to 12% owing to withdrawal of stimulus	<b>Positive</b> for all Auto companies
Credit flow for farmers raised from Rs.3.75 lakh crs to Rs. 4.75 lakh crs in 2011-12. Interest subvention proposed to be enhanced from current 2% to 3% for providing short-term crop loans to farmers who repay their loan on time	Overall impact will be positive for the sector as it will provide an opportunity for the farmers to get an additional credit facility	<b>Positive</b> for tractor manufacturing stocks like M&M, Escorts
Outlay for Defense capital expenditure has been increased from Rs. 60000 crs in FY 2011 to Rs.69199 crs for FY 2012	This will increase the sales of vehicles used in the defense industry	<b>Positive</b> for Ashok Leyland, Tata Motors and M&M
Increase in MAT rates from 18% to 18.5% on book profits got compensated by decrease in surcharge rate by 2.5% to 5%	Effective tax rate has increased by 7 bps only	<b>Neutral</b>
Specified parts of hybrid vehicles will get full exemption from basic customs duty and special CVD. In addition, a concessional rate of excise duty of 5 per cent is being prescribed to incentivize the domestic production of hybrid cars.	Positive for the hybrid car manufacturer as government continues to promote hybrid cars	<b>Positive</b> for M&M
Customs duty and a concessional rate of Central Excise duty of 4 per cent on specified parts of electrical vehicles to continue	Positive for the electrical car manufacturer	<b>Positive</b> for M&M
Reduction in basic customs duty from 5% to 2.5% is being provided to Carbon Black Feedstock.	This will reduce carbon black prices & will benefit carbon black & Tyre companies	<b>Positive</b> for Phillips Carbon Black Ltd

**Sector: Banking & Finance**

Budget Proposal	Sector Impact	Company Impacted
Fiscal deficit estimated at 4.6% of GDP in FY2012.	Positive as less government borrowing program will result in control on interest rate increase.	<b>Positive</b> for Banking sector as a Whole.
Rs.6,000 crs provided to public sector banks to enable them to attain a minimum of 8% Tier- 1 capital by March 31, 2012 and increase government equity in some banks to 58%.	Positive as public sector banks would be adequately capitalized for future business growth.	<b>Positive</b> for Corporation, Bank Dena bank, UCO bank, Central Bank of India, Vijaya Bank.
Providing Rs. 500 crs to Regional Rural banks to enable them to maintain CRAR of 9% as on March 31, 2012.	Positive as regional banks would be adequately capitalized for future business growth.	<b>Positive</b> for banks like PNB, BOB etc.
Introduction of new private banking licenses. RBI likely to issue guidelines by the end of current fiscal year	Positive as it will go a long way in ensuring that the penetration of financial products and services	<b>Positive</b> for Reliance Capital, IFCI, Bajaj Financial Services, M&M Finance.
Foreign investors allowed to buy SEBI registered Mutual Funds who meet the KYC requirements for equity schemes	Positive for mutual fund sector as a whole	<b>Positive</b> for companies Reliance Cap, Bajaj Finserve
Service tax to be levied on investment services by insurance companies	Negative for insurance sector	<b>Negative</b> for banks which have insurance business like ICICI, HDFC

**Sector: Cement**

Budget proposal	Sector Impact	Company Impacted
Change in excise duty structure <ul style="list-style-type: none"> <li>Retail sale price not exceeding Rs. 190 per 50 kg bag – changed from Rs 290/bag to (10% ad valorem + Rs 80/ton) –</li> <li>Retail sale price exceeding Rs. 190 per 50 kg bag- changed from 10% of price to (10% ad valorem + Rs 160/ton)</li> <li>Cement clinker – from Rs 375/ton to (10% ad valorem +200/ton)</li> </ul>	It's not yet clarified that ad-valorem rate of 10% would be charged on which base like at MRP or Cost or Ex-Factory price, so the actual impact would depend on specification of base price.	<b>Negative</b> for the sector
Import duty on pet coke/gypsum reduced from 5% to 2.5%	It will bring down the price of raw materials for cement companies which import coal	<b>Marginally Positive</b> for Ultra Tech Cement, Binani Cement , Shree Cement, Ambuja Cement and JK Cement

**Sector: Consumer Durables**

Budget Proposal	Sector Impact	Company Impacted
Concessional rate of excise duty of 1% is being extended to water filters but without use of electricity and their replaceable kits	Positive	<b>Positive</b> for Bajaj Electricals

**Sector: Education**

Budget Proposal	Sector Impact	Company Impacted
Allocation for education increased by 24 per cent to Rs.52,057 crs for 2011-12	This will provide more growth opportunities to companies	<b>Positive</b> for Everonn, Educomp, NIIT

**Sector: Fertilizers**

Budget Proposal	Sector Impact	Company Impacted
Government is mulling of bringing Urea under Nutrient based subsidy	Positive for the sector as it will make Urea manufacturers more competitive as seen in complex fertilizers	<b>Positive</b> for Chambal Fertilizers, Tata Chemicals, Madras Fertilizers
To provide cash subsidy to farmers directly	Fertilizers companies would be able to manage their working capital effectively	<b>Positive</b> for Whole sector
Investments in Fertilizers sector would be treated as sub-sector of Infrastructure	This will boost the private sector participation in the sector and would help the fertilizers in raising funds at an attractive rates	<b>Positive</b> for Whole sector

**Sector: FMCG & Food Processing**

Budget Proposal	Sector Impact	Company Impacted
The excise duty on Cigarette & Tobacco has been maintained at current levels	This will help them in keeping check on costs	<b>Positive</b> for ITC, Godfrey Phillips, VST
Outlays on schemes like NREGA, Agri-support schemes have been significantly increased	Positive for companies with rural thrust	<b>Positive</b> for HUL, Marico, ITC, Dabur, Godrej Consumer, Colgate
Increase in MAT rates from 18% to 18.5% on book profits got compensated by decrease in surcharge rate by 2.5% to 5%	Effective tax rate has increased by 7 bps only	<b>Neutral</b> for HUL, Godrej Consumer & Dabur
GST roll out by April 1, 2012	Uniform taxation, will reduce duplication of taxes	<b>Positive</b> for FMCG's Companies
Excise duty on sanitary napkins, baby and clinical diapers is reduced from 10% to 1% with no Cenvat credit	Positive	<b>Positive</b> for P&G, Wipro & HUL

**Sector: Hospitality**

Budget Proposal	Sector Impact	Company Impacted
Net service Tax of 5% is levied on hotel accommodation, in excess of declared tariff of Rs 1,000 per day	Will increase the cost of room rents	<b>Negative</b> for all large hotels
Service tax of 3% is levied on services provided by air-conditioned restaurants that have license to serve liquor	Will increase the cost of services for end users	<b>Marginal Negative</b> for Kamat Hotels

**Sector: Infrastructure**

Budget Proposal	Sector Impact	Company Impacted
Increased allocation of Rs. 214,000 crs for infrastructure development in the country, which accounts for over 48 per cent of the total plan allocations.	Positive as the infrastructure companies will have more opportunities	<b>Positive</b> for most infra companies including HCC, <b>Patel Eng</b> , NCC, Simplex, L&T, <b>Unity Infra</b>
Increase allocation to Bharat Nirman from Rs. 48,000 crs to Rs. 58,000 crs.	Positive for Infrastructure companies.	<b>Positive</b> for IRB Infra, L&T, IVRCL, NCC, GMR Infra, <b>Patel Eng</b> , IL&FS Transport, <b>Unity Infra</b>
Status Quo on deduction of an additional amount of Rs.20,000 for investment in long-term infrastructure bonds over and above the existing limit of Rs.1 lakh on tax savings.	This will encourage more investment for infra companies	<b>Positive</b> for L&T, GMR Infra, GVK Power, IRB Infra, IL&FS Transport
Thrust on increasing disbursement by IIFCL to achieve cumulative disbursement target of Rs. 25,000 crs by March 31, 2012	Positive as financing for infra companies will be easier	<b>Positive</b> for companies such as L&T, Gammon India, GMR Infra, IVRCL, IRB Infra
Increase allocation to Defense Capex from Rs. 60,833 crs to Rs. 69,199 crs, an Increase of 13%	Positive for companies engaged in manufacturing of defense component	<b>Positive</b> for BEL, Astra Microwave, BEML, L&T
Increase in FII's limit for Corporate bond to USD 40 billion. Additional \$20 billion allowed from next fiscal year can be invested in bonds with a residual maturity of over five years Further FII's can also invest in SPV created by Infra companies with min lock in period of three years	Positive for sector	<b>Positive</b> for companies such as L&T, Gammon India, GMR Infra, IVRCL, IRB Infra
Increase in Rural Infrastructure Development fund from Rs. 16000 Crs to Rs. 18000 Crs.	Positive for Infra companies	<b>Positive</b> for companies such as L&T, Gammon India, GMR Infra, IVRCL, IRB Infra
To boost infrastructure, tax free bonds worth of Rs. 30,000 Crs are proposed to be issue.	Financing for infra companies will be easier.	<b>Positive</b> for companies like IRB. IL&FS Transport, GVK Power.
Creation of Infrastructure Debt Fund	Positive for infra sector as access to low cost funds	<b>Positive</b> for companies such as L&T, Gammon India, GMR Infra, IVRCL, IRB Infra, IL&FS Transport
Increase in MAT rates from 18% to 18.5% on book profits got compensated by decrease in surcharge rate by 2.5% to 5%	Effective tax rate has increased by 7 bps only	<b>Neutral</b>
SEZ developers and units operating are bought under MAT	Companies will pay 19.43% effective tax rate. Companies under SEZ will have to pay dividend distribution tax, which was earlier exempted	<b>Negative</b> for Mundra Port

**Sector: Information Technology**

Budget Proposal	Sector Impact	Company Impacted
Increase in MAT rates from 18% to 18.5% on book profits got compensated by decrease in surcharge rate by 2.5% to 5%. MAT is now applicable on SEZ units also.	Effective tax rate has increased by 7 bps only. This will lead to higher cash outflow	<b>Marginally Negative</b> for Infosys, TCS, Polaris, Take Solutions, KPIT Cummins
No extension of the tax benefits for Software Technology Parks of India (STPI) units	Neutral as it was in line with expectation	<b>Neutral</b>

**Sector: Paper**

Budget Proposal	Sector Impact	Company Impacted
Basic custom duty on waste paper reduced from 5% to 2.5%	Overall impact will be positive for the sector as it will reduce the price of the raw materials for the industry	<b>Positive</b> for stocks like West Coast paper, JK Paper, ITC, TNPL

**Sector: Power & Capital Goods**

Budget Proposal	Sector Impact	Company Impacted
Extension of Sunset clause under section 80 IA	Power utilities, whose new power plants are delayed and would get completed between March 2011 and March 2012, will be benefited	<b>Positive</b> for NTPC, Tata Power, Reliance Power
Exemption from Excise duty for supply of goods to UMPP/ Mega Projects	Positive: It will reduce the capital cost for NTPC & DVC. It will also benefit domestic equipment manufactures as it will make competitive compared to Imported Chinese equipments	<b>Positive</b> for BHEL, L&T etc
2.5% custom duty on power equipment Manufacture	Negative as cost of project will be increased	<b>Negative</b> for BGR Energy, Thermax
Excise duty is being reduced from 10% to 5% on parts of Specified textile machinery	Positive as cost of equipment will reduce	<b>Positive</b> for Lakshmi Machine Works

**Sector: Metals and Mining**

Budget proposal	Sector Impact	Company Impacted
Hike in export duty on iron ore (20% ad-valorem on all grades from earlier duty of 5% on iron ore fines and 15% on iron ore lumps)	Negative on iron ore, positive for steel This would have negative impact on entire iron ore companies and would result in 17% and 18% drop in FY12 and FY13 EPS respectively for Sesa Goa. For NMDC, the impact would be very muted at 1% on the EPS for FY12 and FY13 respectively as the company would prefer to divert its exports volume in the domestic market due to better net realization. It should be better for domestic steel producers as iron ore availability would improve, while cost would decline.	<b>Negative</b> for Sesa Goa, <b>Positive</b> for All non-integrated steel producers
No export duty on iron ore pellets	Due to imposition of export duty on iron ore lumps and fines, the iron ore producers would opt for value added products like pellets. This should result in higher capital outlay in the initial years, however, profitability would improve in coming years. The fear of export duty would also recede post pelletisation plant.	<b>Neutral</b> for Sesa Goa and NMDC
Fully exempt stainless steel scrap from basic customs duty (from earlier 2.5%)	This would result in lower scrap cost for stainless steel manufactures.	<b>Marginally Positive</b> for JSL Stainless
Basic custom duty on ferro nickel cut from 5% to 2.5%	This would result in lower cost of ferro nickel in stainless steel manufacturing.	<b>Marginally Positive</b> for JSL Stainless
Excise duty of Rs 1,500/Kg is imposed on silver manufactured during the process of copper smelting	Excise duty on silver would reduce the net realization for silver producers as silver is priced according to import parity.	<b>Marginally Positive</b> for Sterlite Ind, <b>Hindustan Zinc</b> and Hindalco
Current surcharge of 7.5% on domestic companies reduced to 5%.	This would result in marginal reduction in effective tax rate across the board.	<b>Positive</b> for All companies in the sector
Increase in MAT rates from 18% to 18.5% on book profits got compensated by decrease in surcharge rate by 2.5% to 5%	Effective tax rate has increased by 7 bps only	<b>Neutral</b> for all companies
Allocation of Rs 2.14 tn provided for infrastructure development (23% higher compared to last year)	Higher spending on infrastructure i.e. Road, Railway, Ports, Airports and others will directly lead to higher metal demand.	<b>Positive</b> for All companies in the sector
Scheme of 1% interest subvention on housing loan upto Rs 15 lakh, where the cost of the house does not exceed Rs 25 lakh will be extended up to March 2011.	The Government has shown its intention to provide urbanization and housing facilities at greater speed, which will result in robust metal demand from construction, infrastructure and real estate companies.	<b>Positive</b> for All companies in the sector

**Sector: Oil & Gas**

Budget proposal	Sector Impact	Company Impacted
Rate of Minimum Alternate Tax (MAT) increased from the current rate of 18 per cent to 18.5 per cent of book profits, But surcharge reduced from 7.5% to 5%	Neutral: - Increase in MAT is compensated by reduction in surcharge. So effective tax rate marginally increase from 19.35% to 19.43%	<b>Neutral</b> for RIL, Cairn India

**Sector: Pharmaceutical**

Budget proposal	Sector Impact	Company Impacted
Minimum Alternate Tax (MAT) on units operating in SEZs	Higher tax burden	<b>Negative</b> for <b>Torrent Pharma</b> , <b>Dr Reddy</b> , <b>Cipla</b> , <b>Cadila</b> , <b>Glenmark</b>
Increase in MAT rates from 18% to 18.5% on book profits got compensated by decrease in surcharge rate by 2.5% to 5%	Effective tax rate has increased by 7 bps only	<b>Neutral</b>
Allocation to Ministry of Health & Family Welfare increased from Rs 22,300 crs to Rs 26760– increase of 20%	Impetus for whole sector	<b>Positive</b> for Whole sector
Scope of service tax extended to diagnostic services provided by any clinical establishment with the aid of laboratory or other medical equipment and by a centrally air-conditioned (wholly or partially) clinical establishment having more than 25 beds for in-patients	Will increase the cost of services of hospitals	<b>Negative</b> for <b>Fortis Healthcare</b> , <b>Apollo Hospitals</b>

**Sector: Real Estate**

Budget Proposal	Sector Impact	Company Impacted
Increase in allocation under Rural housing Fund from Rs. 2,000 crs to Rs. 3,000 crs	Positive for housing developers	<b>Positive</b> for HDIL, Unitech, Ansal API
Scheme of 1% interest subvention on housing loans up to Rs. 15 lakhs where the cost of the house does not exceed Rs. 20 lakhs to be extended up to March 31, 2012.	Positive as the housing loans will remain still attractive to buyers	<b>Positive</b> for Puravankara, HDIL, Sobha Developers, Ansal Properties
To create a Mortgage Risk Guarantee Fund under Rajiv Awas Yojana. This would guarantee housing loans taken by Economically Weaker Sections and LIG households.	Positive for companies engaged in low cost housing	<b>Positive</b> for Puravankara, HDIL, Sobha Developers,

**Sector: Retail**


Budget proposal	Sector Impact	Company Impacted
Excise duty of 1% is imposed on branded jewellery and branded articles of precious metals	Slight Negative	<b>Negative</b> for Titan
No announcement on expected increase in FDI in Retail	Negative	<b>Negative</b> for Pantaloon, Shopper Stop

**Sector: Shipping and Logistics**

Budget Proposal	Sector Impact	Company Impacted
Increase in services taxes on domestic air travel by Rs. 50 and Rs. 250 on international travels	Increase in cost may be easily transferred to passengers	<b>Neutral</b>
Increase in MAT rates from 18% to 18.5% on book profits got compensated by decrease in surcharge rate by 2.5% to 5%	Effective tax rate has increased by 7 bps only	<b>Neutral</b>
Ship owners to be allowed duty free imports of spare parts of ships	Positive for the sector	<b>Positive</b> for Great Eastern, SCI
Full exemption on excise duty for installation of cold chain infrastructure and conveyor belt systems used for cold storage	Positive for the sector	<b>Positive</b> for GDL

**Sector: Textile**

Budget Proposal	Sector Impact	Company Impacted
10% excise duty on branded garments	Negative for branded garments companies	<b>Negative</b> for Alok Industries, Arvind Ltd, Welspun India, Raymond, Bombay Rayon, Pantaloon, Aditya Birla Nuvo, Mandhana Industries
Increase in MAT rates from 18% to 18.5% on book profits got compensated by decrease in surcharge rate by 2.5% to 5%	Effective tax rate has increased by 7 bps only	<b>Neutral</b> for Alok Industries, Century Textiles, Grasim Industries, Welspun India
Excise duty on specified textile machinery halved to 5%	Capital cost will reduce to that extent	<b>Neutral</b> for Textile producer. <b>Positive</b> for Lakshmi Machine Works
An Excise duty of 5% being imposed on automatic looms and projectile looms	Capital cost will increase to the extent on increase in excise duty	<b>Neutral</b> for whole sector

 Stocks under coverage

**Financial Health**

(Rs. in Cr)	2010-11 Budget Estimates	2010-11 Revised Estimates	Variance (%)	2011-12 Budget Estimates	Variance (%)
<b>Revenue Receipt</b>					
Excise Duty	132,000	137,778	4.4%	164,116	19.1%
Custom Duty	115,000	131,800	14.6%	151,700	15.1%
Corporate Tax	301,331	296,377	-1.6%	359,990	21.5%
Income Tax	128,066	149,066	16.4%	172,026	15.4%
Service Tax	68,000	69,400	2.1%	82,000	18.2%
Other Tax	2,254	2,467	9.4%	2,608	5.7%
Gross Tax Revenue	746,651	786,888	5.4%	932,440	18.5%
Less Transferred to National Calamity					
Contingency Fund	3,560	3,900	9.6%	4,525	16.0%
Less State share	208,997	219,303	4.9%	263,458	20.1%
<b>Net Tax Revenue</b>	<b>534,094</b>	<b>563,685</b>	<b>5.5%</b>	<b>664,457</b>	<b>17.9%</b>
Non Tax Revenue	148,118	220,148	48.6%	125,435	-43.0%
<b>Total Revenue Receipt</b>	<b>682,212</b>	<b>783,833</b>	<b>14.9%</b>	<b>789,892</b>	<b>0.8%</b>
<b>Capital Receipt</b>					
Non Debt Receipt	45,129	31,745	-29.7%	55,020	73.3%
Debt to finance Deficit (Deficit)	381,408	415,998	9.1%	392,816	-5.6%
<b>Total Capital Receipt</b>	<b>426,537</b>	<b>447,743</b>	<b>5.0%</b>	<b>447,836</b>	<b>0.0%</b>
Drawdown of Cash Balance		(15,000)		20,000	
<b>Total Receipt</b>	<b>1,108,749</b>	<b>1,216,576</b>	<b>9.7%</b>	<b>1,257,728</b>	<b>3.4%</b>
<b>Non-planned</b>					
<b>Revenue Expenditure</b>					
Interest	248,664	240,757	-3.2%	267,986	11.3%
Defence	87,344	90,748	3.9%	95,216	4.9%
Subsidies	116,224	164,153	41.2%	143,570	-12.5%
Other	191,367	231,091	20.8%	226,786	-1.9%
<b>Revenue Expenditure</b>	<b>643,599</b>	<b>726,749</b>	<b>12.9%</b>	<b>733,558</b>	<b>0.9%</b>
<b>Capital Expenditure</b>					
Defence	60,000	60,833	1.4%	69,199	13.8%
Other	32,058	33,969	6.0%	13,425	-60.5%
<b>Capital Expenditure</b>	<b>92,058</b>	<b>94,802</b>	<b>3.0%</b>	<b>82,624</b>	<b>-12.8%</b>
<b>Total Non planned Expenditure</b>	<b>735,657</b>	<b>821,552</b>	<b>11.7%</b>	<b>816,182</b>	<b>-0.7%</b>
<b>Planned Expenditure</b>					
Budget support for Central Plans	280,600	298,612	6.4%	335,521	12.4%
Central Assistance for State & UT plans	92,492	96,412	4.2%	106,026	10.0%
<b>Total Planned Expenditure</b>	<b>373,092</b>	<b>395,024</b>	<b>5.9%</b>	<b>441,547</b>	<b>11.8%</b>
<b>Total Expenditure</b>	<b>1,108,749</b>	<b>1,216,576</b>	<b>9.7%</b>	<b>1,257,729</b>	<b>3.4%</b>
<b>Revenue Deficit</b>	<b>276,512</b>	<b>269,844</b>	<b>-2.4%</b>	<b>307,270</b>	<b>13.9%</b>
<b>Revenue Deficit as % of GDP</b>	<b>4.0%</b>	<b>3.4%</b>		<b>3.4%</b>	
<b>Fiscal Deficit</b>	<b>381,408</b>	<b>400,998</b>	<b>5.1%</b>	<b>412,817</b>	<b>2.9%</b>
<b>Fiscal Deficit as % of GDP</b>	<b>5.5%</b>	<b>5.1%</b>		<b>4.6%</b>	

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