

# Pre Budget 2009-2010

Sectoral Expectations

Expectations	Impact	Companies Impacted
<b>POSITIVE</b>		
<p><b>Favorable policy changes to undertake joint venture schemes in other countries for fertilizer raw materials</b></p>	<p>This will be done with an idea to substantially reduce the subsidy outflow each year.</p>	<p>Companies like Coromandel Fertilizers, Rallis, Chambal Fertilizers, Deepak Fertilizers, etc. could be benefitted.</p>
<p><b>Formulation of nutrient-based pricing, which the government had assured to examine during the previous budget.</b></p>	<p>The move would encourage the nutrient-based subsidy and encourage the balanced use of all nutrients including the secondary and micro nutrients apart from major nutrients.</p>	<p>Companies like Coromandel Fertilizers, Rallis, Chambal Fertilizers, Deepak Fertilizers, etc. could be benefitted.</p>
<p><b>The benefit of Tax Holiday for a period 15 years may be extended to all future fertilizer projects to attract investment in this sector.</b></p>	<p>New capacity additions would help in reducing the dependence on costly imports.</p>	<p>Companies like Coromandel Fertilizers, Rallis, Chambal Fertilizers, Deepak Fertilizers, etc. could be benefitted.</p>

Expectations	Impact	Companies Impacted
<b>POSITIVE</b>		
<p><b>Depreciation Benefits for commercial vehicles and truck makers announced in the fiscal stimulus package last year are expected to continue for current fiscal.</b></p>	<p>The benefits of additional depreciation will have a positive impact as it gives additional incentive to customers to replace their existing vehicles or buy new ones in an effort to get rebate on income tax.</p>	<p>Companies like Tata Motors and Ashok Leyland will benefit.</p>
<b>NEUTRAL</b>		
<p><b>The duty concessions announced for auto sector in the stimulus packages are likely to continue in current fiscal. However the Government is expected to roll back 2% excise duty on small cars segment (i.e. from 8% to 10%) .</b></p>	<p>This will ensure that the expected revival in the CV sector by the end of current fiscal remains on course. For the small cars segment, even if the excise duty cut (of 2%) is rolled back, given the robust demand, it is expected to be passed on to the consumers without much of a dent in the demand.</p>	<p>Neutral for CV players like Tata Motors, Ashok Leyland &amp; Eicher Motors but a tad negative for small car manufacturers like Companies like Maruti &amp; Tata Motors.</p>

Expectations	Impact	Companies Impacted
<b>POSITIVE</b>		
<p><b>Increase in exemption limit available for the interest payment on the home loans from Rs.0.15 mn to Rs.0.25mn.</b></p>	<p>This would relieve borrowers and help in inducing housing &amp; housing loan demand.</p>	<p>All banks, Housing Finance Companies and Real estate developers will benefit.</p>
<p><b>Allow tax exemption for deposits with maturity lower than 5 years under Section 80(C)</b></p>	<p>This will motivate retail investors to make higher bank deposit</p>	<p>All Banks</p>
<p><b>Insurance sector seeks increase in FDI limit from 26% to 49%</b></p>	<p>The move shall enable more FDI in insurance companies, thus leading to further deepening of the Indian insurance market &amp; may even help in unlocking the value for many companies.</p>	<p>ICICI Bank, Kotak Mahindra Bank, ING Vyasa Bank, HDFC, SBI, Reliance Capital, Max India, Aditya Birla Nuvo, Bajaj Finserv.</p>

Expectations	Impact	Companies Impacted
<b>POSITIVE</b>		
<p><b>Allowing holding company structures (for Banks/NBFC's) proposed in Sept'2008 under Rajan committee report.</b></p>	<p>Holding company would be supervised by Financial Sector Oversight Agency and each subsidiaries by its respective regulator.</p>	<p>ICICI Bank, HDFC, Reliance Capital, SBI, Kotak Mahindra Bank</p>
<p><b>Banks may be allowed to make deduction on provision made for Bad &amp; Doubtful Debts as per RBI guidelines rather than as prescribed U/s 36(1)(viia) of Income Tax Act.</b></p>	<p>This move will help the banks to reduce their effective tax rate since they provide for Bad &amp; Doubtful Debts as per the RBI norms, which are more stringent</p>	<p>All Banks</p>
<p><b>Allowing tax benefits to borrowers along with the start of repayment of housing loan as against existing guidelines which allows tax benefits only after the completion of construction of the house</b></p>	<p>Such measures address the lacunae &amp; resolve the long standing demand of the industry. It is expected that these measure would relieve the borrowers and help in inducing demand.</p>	<p>Real estate developers, Housing Finance Companies and All banks</p>

Expectations	Impact	Companies Impacted
<b>POSITIVE</b>		
<p><b>Restoration of tax benefits on income from infrastructure lending U/s 10 (23G) of Income Tax Act, which was available till FY06.</b></p>	<p>This will allow banks to claim the interest earned on long-term lending to infrastructure projects as an allowable deduction. Banks will pass on the benefit partly to infrastructure companies by way of lower lending rates.</p>	<p>All Banks will benefit. Also Infrastructure focused NBFC's like IDFC, IFCI, etc &amp; players in the Infrastructure sector will benefit</p>
<b>NEGATIVE</b>		
<p><b>Directed lending to SSI and export oriented units with government guarantee; Increase in limit for agri lending.</b></p>	<p>This will force banks to increase lending to export oriented units, SSI and agriculture sector, where NPA probabilities are high.</p>	<p>All Banks</p>

Expectations	Impact	Companies Impacted
<p><b>Government is expected to increase the Excise duty by 4 per cent to bring it back to 12 per cent level. It was reduced to 8 per cent from 12 per cent, as a part of stimulus package declared in December 08.</b></p>	<p style="text-align: center;"><b>NEUTRAL</b></p> <p>The move will impact the retail prices of Cement (MRP) in the market directly. In shorter run, till the cement supply matches up with the demand, the companies may be able to pass on the cost increases to the consumers, but it could dampen their volumes to some extent. However, in the medium term, since huge capacities are expected to be commissioned in FY2010, cement prices may fall impacting the margins of the companies in this segment.</p>	<p>Pan India players like ACC, Ambuja Cement, Ultratech Cement and strong regional players like Shree Cement, Madras Cement, India Cement will be better off compared to small and marginal players.</p>

Expectations	Impact	Companies Impacted
<b>POSITIVE</b>		
<p><b>Increased budgetary allocation for infra schemes like NHDP, PMGSY, JNNURM, AIBP, Bharat Nirman etc..</b></p>	<p>Would ensure large flow of new Orders for the construction companies.</p>	<p>Companies such as L&amp;T, HCC, Patel Engg., Gammon, Nagarjuna Cons., IVRCL, JMC projects, Sadbhav Engg, etc would be benefitted.</p>
<p><b>Increase deduction available under Sec. 24 (B) of IT act (for interest paid on home loans) from Rs. 150,000 to 200,000</b></p>	<p>Savings in taxes will lead to higher demand of homes.</p>	<p>Would benefit all real estate, construction and real estate financing companies.</p>
<p><b>Increase in custom duty on import of engineering equipment, to protect the interest of domestic players competing with overseas players.</b></p>	<p>The move will benefit all the companies manufacturing engineering goods.</p>	<p>All engineering &amp; capital goods manufacturers</p>

Expectations	Impact	Companies Impacted
<b>POSITIVE</b>		
<p><b>Tax incidence on account of excise and VAT on food products like tea/coffee pre mixes, vending pre mixes to be lowered</b></p>	<p>The move would cast positive impact on the companies.</p>	<p>Companies like Assam Company, Tata Coffee etc. could be benefitted.</p>
<p><b>Lower custom duties on food products and raw materials for food products (e.g. confectionery products, frozen foods, preparation for infants etc)</b></p>	<p>The move would help in reducing the cost of the product.</p>	<p>Companies like ITC, Heritage foods, Temptations etc. could be benefitted.</p>
<p><b>Reduction of VAT from 12.5% to 4% on biscuits, bread, jam, jellies &amp; fruit juices.</b></p>	<p>The move would be beneficial for the manufacturers of all those products.</p>	<p>Companies like HUL, Britannia, ITC Agro, etc would be benefitted.</p>

Expectations	Impact	Companies Impacted
	<b>POSITIVE</b>	
<b>Reduction in excise duty to NIL as an incentive for companies that are providing energy-efficient consumer goods.</b>	The move would lead to higher growth in consumption leading to growth of the sector.	Companies like Voltas, Videocon, Blue Star, Whirlpool, Hitachi Home, etc would be benefitted

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<b>POSITIVE</b>		
<p><b>Reduction in Import duty on set up boxes used in DTH &amp; digital cables.</b></p>	<p>The move would help the DTH/CAS service providers, to reduce the cost of digitalization significantly.</p>	<p>Companies like Dish TV, Wire &amp; Wireless, etc. could be benefitted.</p>
<p><b>To exempt broadcasters from the levy of service tax.</b></p>	<p>The move would cast positive impact for the broadcasting companies.</p>	<p>TV-18 Group, TV Today, Zee, NDTV, UTV, etc.</p>

Expectations	Impact	Companies Impacted
<b>POSITIVE</b>		
<p><b>Increase in import duty on long products to 10% and on flat products to 15%, from existing flat rate of 5% across products.</b></p>	<p>Likely to have a slight positive impact on large domestic steel producers as it would boost domestic sales and curb cheap imports</p>	<p>JSW Steel, Steel Authority of India Ltd, Tata Steel</p>
<p><b>Import duty on aluminum scrap to increase from Nil to 5%</b></p>	<p>Likely to curb cheap imports of Aluminum scrap</p>	<p>Nalco, Hindalco</p>
<b>NEGATIVE</b>		
<p><b>Royalty on iron ore may be increased from the current rate of Rs 4 - Rs 27 per tonne, accordingly to the iron content, to 10% of sale price on the basis of ad-valorem.</b></p>	<p>Likely to have an impact on the margins of Iron ore Miners.</p>	<p>Sesa Goa Ltd., Resurgere Mining, etc</p>

Expectations	Impact	Companies Impacted
<b>POSITIVE</b>		
<p><b>Availability of Seven years of tax holiday for production of natural gas under NELP blocks.</b></p>	<p>The move would lead to increase in interest of upstream companies in bidding for oil &amp; gas blocks under NELP VIII</p>	<p>Upstream companies like Reliance Ind., ONGC, Oil India, etc.</p>
<p><b>Granting natural gas a 'declared goods' status to ensure that it attracts a uniform state sales tax not exceeding 4%.</b></p>	<p>The move will provide natural gas a competitive edge in the oil &amp; gas segment, as it will attract a uniform sales tax and not multi-point sales tax which varies from 8% to 20%.</p>	<p>Companies engaged in transmission &amp; distribution of natural gas like GAIL, Gujarat Gas, Indraprastha Gas, etc.</p>
<p><b>Increase the term of tax holiday on production of mineral oil from 7 years to more than 10 years.</b></p>	<p>The move will enable upstream sector companies to get the benefits when their production levels are reach the peak.</p>	<p>Upstream companies like Reliance Ind., ONGC, Oil India, etc.</p>

Expectations	Impact	Companies Impacted
<b>POSITIVE</b>		
<p><b>Extension of the present tax holiday benefits beyond 2012 &amp; to be made applicable for the next 10 years.</b></p>	<p>The move will be highly beneficial for all the power generation and power distribution companies and will encourage new capacity additions.</p>	<p>All power generation companies like NTPC, REL, Reliance Power, PGCIL, PTC India etc. will be benefited.</p>
<p><b>Service Tax exemption for developers on timely completion of construction of Power Projects.</b></p>	<p>Will enable the Power Ministry to lower the delays in capacity addition &amp; more players would be enticed to enter the Power Generation sector.</p>	<p>All EPC &amp; construction players like L&amp;T, BHEL, Thermax, HCC, Patel Engg., Gammon, Nagarjuna Cons., IVRCL, etc will be benefited.</p>
<p><b>Reduction in Customs duty on all energy efficient project equipments.</b></p>	<p>Would encourage companies to buy energy-efficient boilers, compressors &amp; ground heat pumps.</p>	<p>Companies such as BHEL, Sunil Hi-tech, BGR Energy etc. will be benefitted.</p>

Expectations	Impact	Companies Impacted
<b>POSITIVE</b>		
<p><b>Further allocation of funds under RGGVY scheme for electrification of 118,000 villages.</b></p>	<p>The move would result in increase order inflows for T&amp;D companies. The move would prove to be beneficial for power finance companies.</p>	<p>Companies like REC, PFC, Jyoti Structures, Kalpataru, KEC International, ICSA India, Apar Industries could be benefitted.</p>
<p><b>Hike in budgetary allocation for APDRP (Accelerated Power Development and Reform Programme).</b></p>	<p>More fund allocation will benefit companies in T&amp;D sector and enable the Govt in achieving its target of “Power for All” by 2012</p>	<p>Jyoti Structure, Kalpataru, KEC International, Emco, Havells, ICSA India, Apar Industries, etc could be benefitted.</p>
<p><b>Expedite clearance process for setting up of Power plant. E.g. Fuel linkages, land, environment etc.</b></p>	<p>Would facilitate faster setting up of Power plant encouraging more companies to enter into Power Generation.</p>	<p>Companies such as NTPC, TATA Power, Reliance Power, Lanco Infratech etc. will be benefitted.</p>

Expectations	Impact	Companies Impacted
<b>POSITIVE</b>		
<p><b>Setting up a National Electricity Fund with a corpus of about Rs. 900 bn to finance development of power T&amp;D network</b></p>	<p>The same had been proposed in the last budget for up-gradation of T&amp;D system in the country. The fund would give loans to states at low rate of interest.</p>	<p>Areva, Siemens, ABB, Voltamp, Jyoti Structure, Kalpataru, KEC International, ICSA India, Apar Industries could be benefitted.</p>
<p><b>Accelerate the disinvestment process of Power PSU through IPO and FPO.</b></p>	<p>Would provide much needed liquidity to Government to reduce the fiscal deficit.</p>	<p>Companies such as NTPC, NHPC, Power Grid, PFC, REC, etc. will be benefitted.</p>

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<b>POSITIVE</b>		
<p><b>Ensure the benefit of Tax Holiday u/s 80IA in case of amalgamation/merger</b></p>	<p>The move would lead to increase in M&amp;A activities in the sector leading to optimization, ensuring benefits for the players in sector.</p>	<p>Telecom Service providers like Bharti Airtel, RCom, Idea Cellular, etc.</p>
<p><b>Rationalization of existing multifarious Tax Structure of spectrum charge, license fees, service tax, VAT etc.</b></p>	<p>The move would lead to single tax structure &amp; reduce litigation &amp; enhance tax compliance.</p>	<p>Telecom Service providers like Bharti Airtel, RCom, Idea Cellular, etc.</p>

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<b>POSITIVE</b>		
<p><b>The STPI tax benefits available to IT companies u/s 10A/10B till March, 2010 to be extended further (by atleast 2 years), to ensure level playing field for Tier-II IT companies which are not able to take full advantage of the benefits under SEZ scheme.</b></p>	<p>The move will benefit IT Companies (specially Tier-II IT Companies) to save cost to some extent, as these companies are facing challenges due to weak demand outlook and pricing pressure for their products &amp; services.</p>	<p>All technology &amp; other export oriented companies operating out of a STPI could be benefitted.</p>
<p><b>Increasing in e-governance &amp; educational program outlays.</b></p>	<p>Higher IT spending in e-governance &amp; education program would help companies in IT services &amp; education space.</p>	<p>TCS, 3i-Infotech, NIIT, Aptech, Glodyne, Educomp, Everonn, Vakarangee, Core projects, etc.</p>

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<b>POSITIVE</b>		
<p><b>Removal of excise duty on all man-made fibres from 4% &amp; reduction in service tax</b></p>	<p>Rationalization in the duty structure would encourage increased utilization of man-made fibres and will mildly improve the cost structures of companies in the MMF industry.</p>	<p>Indorama Synthetics, JBF Industries, etc.</p>
<p><b>Directed lending to SSI and export oriented units with government guarantee; Also, extension of repayment period /rescheduling of loans.</b></p>	<p>Easier credit will be a booster for this ailing sector</p>	<p>All textile companies</p>
<p><b>Restoration of 4% interest rate subsidy on bank loans for exporters from 2% currently and extension of its period beyond Sept'2009</b></p>	<p>The move would reduce borrowing cost and hence increase the Competitiveness of the companies</p>	<p>All textile companies</p>

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<b>POSITIVE</b>		
<p><b>Increasing duty drawback rates which were reduced in Sept'08</b></p>	<p>The move would increase the competitiveness of exporters, especially against china</p>	<p>All textile Exporters will benefit</p>
<p><b>Cut in duties on textile machinery components and spares to flat 4% from current 4-8% range.</b></p>	<p>Since the textiles industry is highly capital intensive, any reduction in the capital investment cost will encourage higher investments in the sector, besides being an important factor in achieving the growth potential of the industry.</p>	<p>All the textile companies, which are in expansion mode like Alok Industries, Welspun India, Raymonds, etc., could be benefitted.</p>

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