Union Budget 2013-14 04th March 2013

Union Budget has always generated excitement in India. And this Budget 2013-14 the excitement was more than usual for two reasons. First, it was represented by P.Chidambaram who has a reputation for big bang budgets. And secondly, it was to be the last budget before the next general elections. We believe P. Chidambaram has chosen to play safe in this Budget. FM expects fiscal deficit of about 4.8% of GDP in FY14 i.e 5.4lakh crores

Education Sector

In the past, the government has initiated several schemes including the Sarva Shiksha Abhiyan (budgetary allocation of Rs.25,555 crore in 2012) and Rashtriya Madhymik Shiksha Abhiyan (budgetary allocation of Rs.3,124 crore in 2012) to improve the quality of education and eventually the literacy level in the country.

Proposal

- The budgetary allocation to Ministry of HRD for various schemes increased by 17% to Rs.65,867 crore for the education sector
- Budgetary allocation to Sarva Shiksha Abhiyan at Rs.27,258 crore;
- Budgetary allocation to Madhyamik Sihksha Abhiyan at Rs.3,983 crore;
- Budgetary allocation to provide scholarship of Rs.5,284 crore to SC, OT, OBC, Minorities and girl children
- Budgetary allocation of Rs.13,215 crore for mid-day meal scheme

Impact on Companies

- **Positive for EDUCOMP,NIIT LTD and EVERONN as increased budgetary allocation will open the new sources of revenue along-with increasing demand of up gradation of existing infrastructure.**

Oil & Gas

Proposal

- Shift from profit sharing model to revenue sharing
- Subsidy provision of Rs.969 billion for FY2013 and Rs.650 billion for FY 2014
- To review and clear uncertainties on gas pricing issues

Impact on Companies

- **Negative for Oil Exploration Company like Cairn India as the proposal to move from Profit Sharing model to revenue sharing model is expected to lead to substantial increase in risk profile.**
- **Positive for OMC like HPCL and BPCL as Government has made petroleum subsidy provision of 969 bn which is around 60% of total petroleum under-recoveries.**
- **Positive for RIL and ONGC as any clarity on gas pricing will benefit gas explorers**

Steel

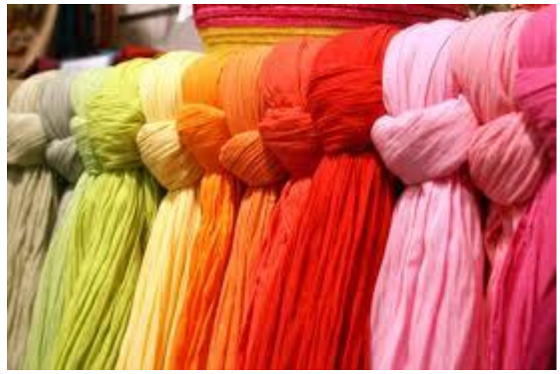
Proposal

- Decrease in custom duty for bituminous coal from 5% to 2% and CVD from 6% to 2% along with increase in custom duty on steam coal from nil to 2% and CVD from 1% to 2%
- Flat rolled products of iron or non-alloy steel, plated or coated with zinc to be exempted from export duty retrospectively from March 1, 2011

Impact on Companies

- **Increase in custom duty on steam coal will increase the cost of production for the companies like SAIL, Tata Steel and JSW Steel which is negative for the above companies.**

Textile



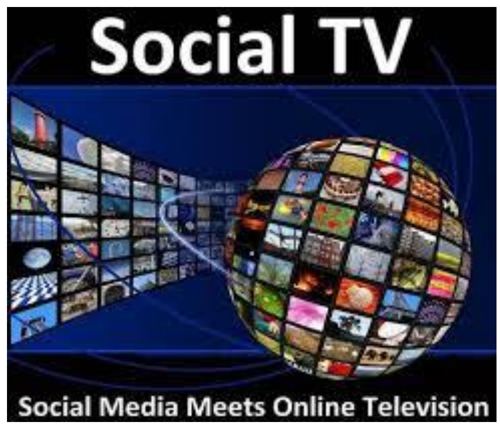
Proposal

- ‘Zero Excise Duty Route’ for Readymade Garment (RMG) Industry
- Extension of Technology Upgradation Fund Scheme (TUFS) in the 12th Plan with an investment target of Rs.151,000 crore with focus on the powerloom sector.

Impact on Companies

- **Extension of TUFS and Zero excise duty is positive for the companies like Raymond and Arvind as these companies has now increased the focus on readymade garments.**

Media



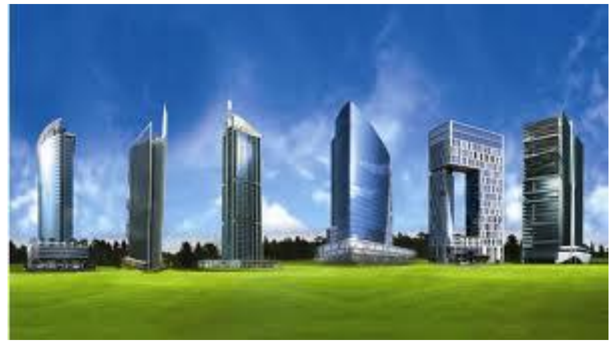
Proposal

- Hike in customs duty on set top boxes from 5% to 10%
- Expansion of private FM services to 294 more cities. Auction of 839 new FM radio channels

Impact on Companies

- **Hike in custom duty will affect the DTH players like SUN TV and Dish TV as they will not be able to pass on the duty to the consumer, which will affect the bottom-line of the company.**
- **Company like Entertainment Networks India Ltd will be benefitted with expansion of private FM service as they will be looking to enter new cities.**

Real Estate and Infrastructure



Proposal

- ➢ The government has set a target of awarding 3,000 km of road projects in the first six months of FY14.
- ➢ Infrastructure Debt Funds are encouraged, which will raise resources and provide the long-term and low-cost debt for infrastructure projects.

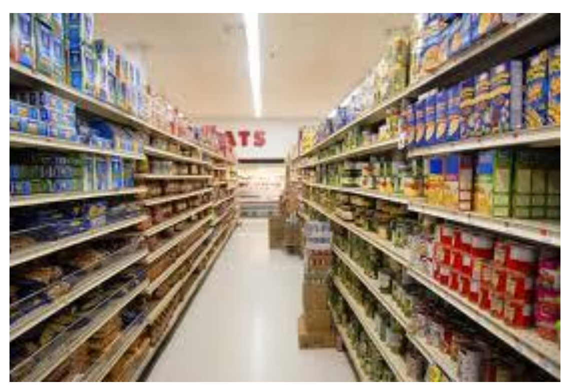
Impact on Companies

- ➢ **IRB Infrastructure will be benefitted due to increase in road projects and ease of availability of the funds**

Power

FM has proposed to extend the eligible date of power projects to avail benefit under section 80-IA till next year. This is positive for the power generation companies.

FMCG



The excise duty on cigarettes has been increased by 18%, ITC will pass on the cost to consumer but Godfrey Philips and VST industries will have to take a hit on margins.

Pharma

The 15% investment allowance on investment in plant and machinery above 100 crorecan benefit the pharma companies making such investment

Outlook

Overall Budget was a lacklustre one. Everyone has expected that Budget measures to reduce the fiscal deficit. Though FM has pegged the fiscal deficit at 4.8% of GDP in FY14, he has also increased the expenditures. These additional expenditure would be funded by the additional surcharge to super rich category, there is no change in personal income tax slab so there will be no additional revenue from the larger tax payer. We believe investors should pay more attention on Fundamentals of the company and the valuation it is trading at

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