



## Budget 2009 – Key Takeaways

***“Blessed is the man who expects nothing, for he shall never be disappointed”***

Markets anticipated few major announcements from the FM on various measures like concerns on growing fiscal deficit, disinvestment, GST, STT, FBT, FDI, reforms on BFSI segment, sops for education / real estate, etc. Post the budget presentation by the FM, the major issues on fiscal deficit and divestment still remained unanswered.

Although we believe abolition of FBT, CTT and introduction of GST are good moves. At the start of the speech FM mentioned ‘One budget can’t solve all the problems’. We take this statement as a positive note and a first step towards ensuring a gradual and sustained growth in the long term. This has been complimented by measures like higher emphasis on maintaining GDP growth of 9%, agriculture growth of 4%, higher allocation for infrastructure development via NHA, IIFCL, APDRP, RGGVY, National Gas Grid, etc. This enhances our belief that government has a focus on development.

The key concern has been the growing fiscal deficit which has further been proposed to be higher at 6.8% of GDP. The FM has not touched on the roadmap to either reduce the fiscal deficit or on the sources to raise further money via divestment/3G auctions.

Overall we believe the budget was focused on achieving economic development and a sustainable growth. But lack of announcements on measures to reduce fiscal deficit, divestment, reforms for BFSI, FDI policy has not gone well for the markets. The major indices have tumbled with Sensex down 4.02% and Nifty down 3.94%.

### **Key challenges for the government**

- ◆ To maintain high GDP growth rate of 9% and agriculture growth of 4%
- ◆ Deeper focus on inclusive development across regions
- ◆ Re-energise government and strengthen the delivery mechanism

### **Key Highlights**

#### **Infrastructure**

- ✓ Infrastructure spend target – to exceed 9% of GDP by 2014
- ✓ Allocation to NHA increased by 23%
- ✓ IIFCL to be given greater flexibility. IIFCL to refinance 60% of commercial loans on PPP based projects. IIFCL to invest Rs.1,00,000 crores in infrastructure development
- ✓ Allocation to railways increased to Rs.15,800 crores

***Positive for Infrastructure companies like Patel Engineering / IVRCL / Gammon Infrastructure / HCC / Nagarjuna Construction***

- ✓ Additional subvention incentive to bring down the farmers loan rate by 1% to 6% per annum; 5% increase for accelerated irrigation program

***Positive for Infrastructure companies like Jain Irrigation / IVRCL***



## Energy

- ✓ Energy Security to be a priority
- ✓ Outlay for APDRP is proposed to be increased
- ✓ Increase in allocation for RGGVY
- ✓ To allocate Rs7,000 crores for Rural Electrification Scheme

***Positive for Infrastructure companies like Jyoti Structure / KEC International / ICSA India / BHEL***

- ✓ National Gas grid proposed.

***Positive for Welspun Gujarat / GAIL***

- ✓ New panel to be set up to bring local fuel prices in line with global prices Banks and Insurance sector will continue to stay with the public sector

## Other Positives

- ✓ Tax Holiday for exporters extended until 2011.

***Positive for Gems / Textiles Industry***

- ✓ Branded Jewellery fully exempted from Excise duty.

***Positive for Gitanjali Gems / Titan / Rajesh Exports***

## Negatives

- ✗ 5% customs duty on set top boxes (earlier exempt)

***Negative for Dish TV***

## Disinvestment, Tax, Subsidy & Others

- ◆ To promote divestment but the government's stake in PSU to remain above 51%
- ◆ Interest subsidy would be provided for higher education
- ◆ Allocation of Rs 2,000 crores for rural housing fund
- ◆ Total expenditure for 2009-2010 to cross Rs 10,00,000 crore mark (3.25 lakh crores for planned and 6.96 lakh crores for unplanned expenditure)\*
- ◆ Fiscal Deficit to be higher at 6.8% of GDP in 2009-2010 / Revenue deficit at 4.8% of GDP
- ◆ Subsidy payout increased to Rs 141,703 crores
- ◆ For 2009-2010, Non-Tax revenue expected to be at Rs 1.4 lakh crores and Tax Revenue expected Rs 6.8 lakh crores
- ◆ Tax to GDP ratio expected at 11.5%
- ◆ Rs 1,120 crores seen as divestment proceeds in 2010
- ◆ GST to be introduced from April 01, 2010
- ◆ New direct tax to be released in 45 days
- ◆ No change in Corporate Tax is proposed / MAT rate increased to 15% from 10% of book profits and carry forward period increased to 10 years from 7 years
- ◆ Exemption limit for Income Tax raised by Rs 10,000 only / limit for senior citizens increased by Rs 15,000
- ◆ Section 80 DD limit to be hiked to Rs 100,000
- ◆ Continues with 7 years tax holiday on Gas production
- ◆ States can raise up to Rs 21,000 crores debt
- ◆ FBT to be abolished
- ◆ Surcharge on Individual income tax of 10% to be withdrawn
- ◆ Abolition of Commodity Transaction Tax
- ◆ Section 80IB benefit extended to Natural Gas
- ◆ Import Tax on Silver and Gold bars increased to Rs.1000/kg and Rs.20/gm
- ◆ Customs duty on bio-fuel diesel cut to 2.5% from 7.5%
- ◆ To scrap excise on petrol, diesel blended with bio-diesel
- ◆ Cuts custom duty on medical equipments



Contact us at: <a href="mailto:research@rrfcl.com">research@rrfcl.com</a>	011-23636362 / 63	<a href="http://www.rrfinance.com">www.rrfinance.com</a>
RR Information & Investment Research Pvt. Ltd.	47, MM Road, Jhandewalan New Delhi-110055 (INDIA)	

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