

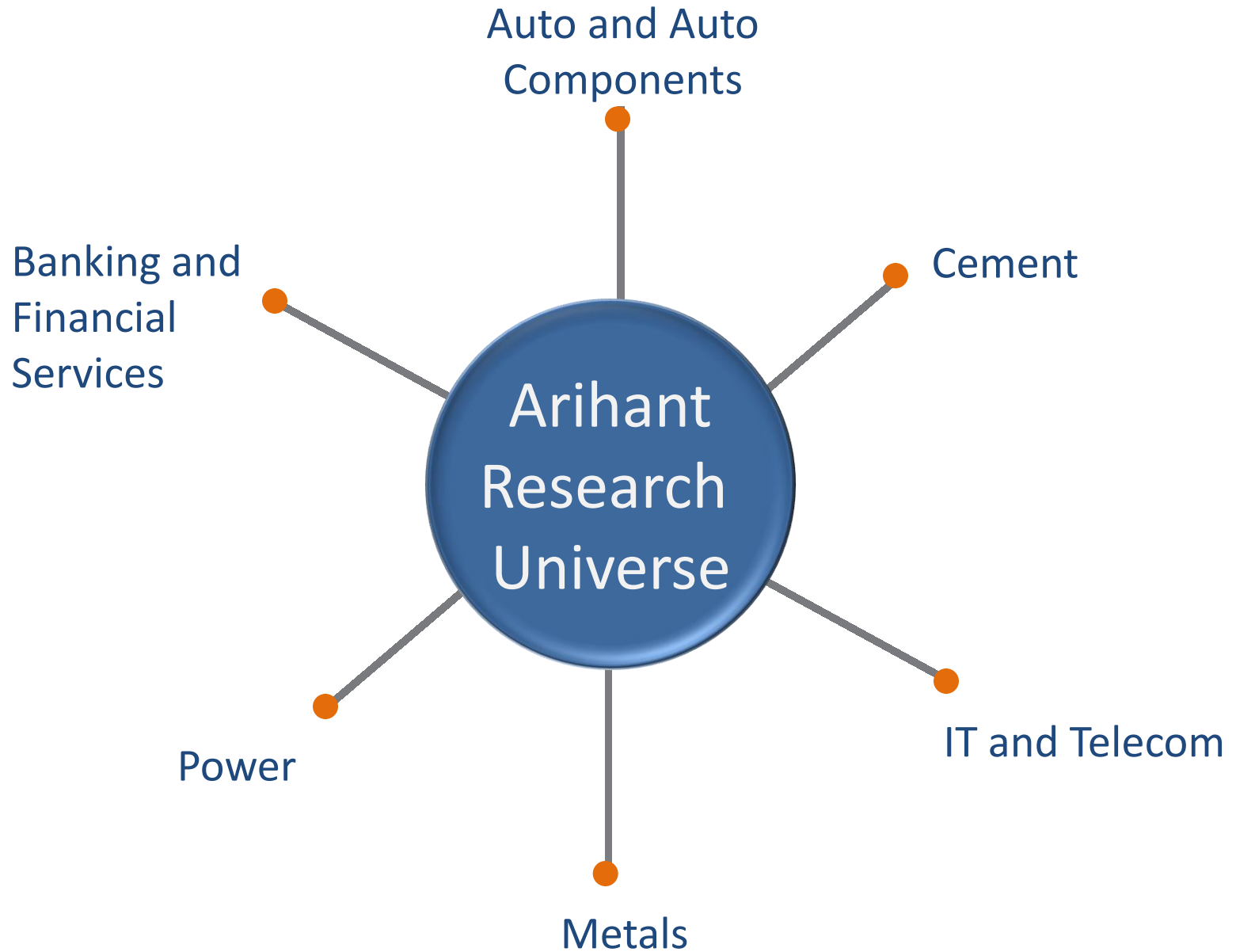
EXPECTATIONS

Union Budget

2013-14



ARIHANT capital markets ltd.



The background of the slide is a blue-toned collage of financial data. It features several upward-pointing arrows of varying sizes, a candlestick chart, a line graph, and a bar chart. A silver fountain pen is positioned diagonally across the lower right portion of the image, resting on what appears to be a document with some faint numbers like '0.0076' and '0.0445'.

Expectations Summary: Sector-wise

AUTO & AUTO-COMPONENTS

Expectations	Remarks	Impact
Cutting excise duty on small cars, 2wheelers and 3wheelers from 12% to 10%	Cut in excise duty is unlikely, given the pressure on Government Revenue. A cut , if it came, would entirely be passed on to the consumer.	Positive for all
Cutting Excise duty on large cars from 24-27% to 20%.		
No taxation on Diesel Vehicles (due to de-regulation in diesel prices)	Diesel vehicle tax would be extremely harmful for the passenger vehicle industry, because diesel prices have already been de-controlled, and with a proposed 50 paise hike per month, under recoveries will be minimized, which negates the case for a tax on diesel vehicles.	Positive: M&M & Maruti to benefit the most from no diesel tax
Further concessions to the hybrid / electric vehicle		Positive for M&M
Indirect proposals	Along with direct proposals such as cuts in excise duty, we also have to watch out for “indirect proposals” such as sops to the agricultural sector, continuation of social schemes such as JNNURM, higher income tax exemption limits, infra & road sector push. All these “indirect” outcomes might also benefit different segments in the auto industry.	M&M, Hero MotoCorp, Ashok Leyland

BANKING AND FINANCIAL SERVICES

Expectations	Remarks	Impact
Private equity firms and capital venture funds to pay income tax on the premium they have charged over their fair market value while selling shares to unregistered investors	Proposal may make private equity and venture funds investment difficult	Positive for broking companies and other capital market related businesses, for instance Reliance Capital
Allowing banks to raise tax-free infra bonds	Availability of more funds and avoidance of asset-liability mismatch	Positive for all banks
Infra status to affordable housing	Development of housing sector with low-cost long term fund availability	Positive for Banks and HFCs
Capital infusion in the form of equity into PSU banks	Infusion in public sector banks, regional rural banks and NABARD and allocation to NABARD to fund RRBs w.r.t. capitalization of banks	Capitalization support to PSU banks (like BoI, SBI, UBI, CBOI) for BASEL III implementation that requires stringent capital buffers
Implementation of SEB restructuring	Revival of SEBs confronted with asset quality issues	Positive for banks, particularly PSU banks

CEMENT

Expectations	Remarks	Impact
Hike in excise duty from present 12%.	Post hike in excise duty to 12% in last budget cement players were able to pass on the same to end users on account of better demand scenario. However, with cement demand slowing down considerably, ability of cement players to pass on hike in excise duty looks difficult and will hurt margins of cement players.	Negative for all cement players
Removal import duty on pet coke and thermal coal (from 5% to 0%)	With reduced supply of domestic coal, companies have started relying on alternative fuels like pet coke and imported coke.	Negative for all cement players
Increased allocation towards infrastructure projects	Investment in infra projects has been weak and has resulted into lower incremental demand for cement. Increased emphasis on infrastructure projects plus soaps and tax rebate to low cost housing projects will bring in additional demand for cement.	Positive for all cement companies

METALS

Expectations	Remarks	Impact
Hike in import duty from 7.5% to 10%	Currently domestic prices are around 3-4% discount to landed cost. Post imposition of import duty discount will widen to 6-7%, implying Rs 1000/tonne of price differential on account of import duty hike. This will help domestic producers to hike prices by same amount.	Positive for Steel companies
Exclusion of steel from FTA ambit	Currently imported steel from FTA countries commands import duty of 3.13% compared to 7.5% from others.	Positive for Steel companies
Reduction in export duty on iron ore from 30% to 20%	Presently both fines and Lump ore has 30% export duty.	No impact as most of the iron ore operations has been suspended for want of regulatory clearances
Increase in import duty on stainless steel products to 20%	Current rate is 5%. The government, however, in the month of January hiked import duty on certain stainless steel products from China to 20% for the notified period of 200days	Positive for Jindal Stainless Steel

POWER

Expectations	Remarks	Impact
Extension of tax Holiday beyond FY13.	Power generation companies who will commission their power projects on or before FY13 are entitled to get tax concession under 80-IA. With number of projects getting delayed purely on regulatory ground extension of tax holiday scheme augers well for the sector	Positive for all power companies
Reduction in import duty on thermal coal from 5% to 0%.	Sourcing of thermal coal from coal India has become a constraint thus many companies are relying on imported coal increasing power generation cost and reducing margins.	Positive for JSW Energy, Lanco Infratech, Indiabulls Power and Adani Power (as it will bring down power generation cost)

TELECOM

Expectations	Remarks	Impact
Infra status to Tower companies	Companies attaining the Infra status will be availed loan for a lower interest rate and will be ending up paying lower taxes.	Positive for all Telecom Players (Bharti Airtel, R Com, Idea, Bharti Infratel)
Auction in Mar 2013 with second round for 2G licenses	Govt is planning for auctioning the rest of pending spectrum	Neutral

INFORMATION TECHNOLOGY

Expectations	Remarks	Impact
NIL	We don't expect any major announcement during the Budget that would impact IT sector	Neutral

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