



Narendra Modi led NDA government will present its much anticipated first full-fledged budget on 28th Feb, 2015. Finance Minister Arun Jaitley is expected to unveil a comprehensive package of measures to lift investment sentiments and turn the country into a preferred destination for foreign capital. Focus is likely to be on revival of investment, drawing investment into domestic manufacturing sectors and removing hurdles. In addition to this, there may be significant changes in personal income tax slabs to lift consumer sentiments to spur up the economy. FM's priority will be to drive growth along with fiscal prudence. He will budget for higher planned expenditure, finance through higher tax receipts, disinvestment and lower subsidies.

Other agendas like reforms in governance, removing hurdles for growth and clarity on GST and fiscal discipline will be key movers from stock market perspective. FII's will be keenly watching levy of minimum alternate tax (MAT) on foreign portfolio investors, some of them having received notices from the tax department after tribunals backed the imposition of the levy in some instances. Any announcement related to GAAR will impact their sentiments. To spur up foreign investments in India, government may improve dispute resolution and simplify tax framework.

Commodity market participants widely expect rationalization or even complete withdrawal of Commodities transaction tax (CTT).

Few sectors which may hog limelight in the budget are defence, renewable energy and infrastructure. Apart from this we expect focus to be more on improving macros. Area-wise list of key measures that are expected in the upcoming budget, as per our views are as follows:

Area	Measure
Direct taxation	DTC will be reviewed. Personal income tax: Tax exemption limit may be hiked. Exemption limit on investment under 80C may be raised. Tax on super rich to continue. We expect corporate tax rate to remain unchanged, but MAT may be reduced marginally for businesses in Special Economic Zone.
Indirect taxation	Explicit roadmap for GST implementation and specific announcement on how the taxation regime is going to be simplified so that the tax payer is happy to pay all taxes. Excise duty on various items manufactured by local companies will be reduced to give boost to manufacturing sector Excise duty on tobacco products will be increased. We expect service tax rates may be tweaked to bring them in line with the targeted GST
Commodity Market	We expect some downward revision in CTT rates
Capital Market	We expect some alterations to the Rajiv Gandhi Equity Saving Scheme which lay down roadmap for improving investment climate. We expect Mutual fund to be allowed to launch pension plans, namely "Mutual Fund Linked retirement plan" which would be eligible for tax benefit under separate sub-section under chapter VI-A of IT Act, 1961.
Fiscal deficit	Fiscal deficit target for FY16 & FY17 will be kept unchanged at 3.6 per cent & 3 per cent respectively.



Sector	Measure	Top picks
Auto Neutral	Revision in inverted duty structure in tyre. Currently duty on raw material is 20% whereas duty on tyre is 7-10%.	CEAT, JK tyre & MRF
Banking & Financial services Positive	Infusion of capital in PSU banks based on performance. Tax breaks for investment in infrastructure.	SBI, BoB, DHFL & REC
	Granting infrastructure status to affordable/low cost housing.	
Real Estate Positive	Incentives for development of smart cities and satellite township.	Brigade, Sobha developers & Godrej properties
Oil & Gas Neutral	Clarity on subsidy sharing formula to help divestment. Increasing custom duty on imported crude	ONGC, BPCL, HPCL, IOC
	Reduce cess on domestic crude from Rs 4500 / ton to Rs 2000 / ton	
Metals Positive	Increase in import duty of steel from 7.5% to 10%. Thrust on infrastructure.	JSW steel & Hindalco
	Removal of customs duty on iron ore and coking coal.	
Power Positive	Extent sunset clause for claiming Sec 80 IA tax holiday till March 2018. An exercise to rationalize coal linkages to optimize transport of coal and reduce cost of power is underway.	NHPC, JSW Energy, Adani power & Torrent power
	Thrust on renewable energy	
	Reduction on import duty of thermal coal.	



Sector	Measure	Top picks
Infrastructure Positive	The government is expected to outline a strategy to tap into the growing interest from global pension funds and other long-term investors to finance infrastructure projects.	L&T, IRB Infra & IL&FS Transportation Networks Ltd
	Single window clearance for faster execution of projects.	
	Development of smart cities and satellite township.	
	Integrated Public transport project to include roadways, railways and waterways and enhance project awards in each segment	
	Hike in deduction limit to Rs 50,000 as against Rs 20,000 currently for infrastructure bonds under sec 80CCF.	
Cement Positive	Increased spending on roadways to increase demand for cement.	Ultratech, Ambuja cement
	Development of smart cities and satellite township will increase demand for cement	
Others	Hike in Excise duty on cigarettes.	-ve for ITC
	Increased spending on education.	
	Roadmap for GST	+ve for Bata, Relaxo & Liberty shoes
	Hike in personal income tax to spur up spending	+ve for Whirlpool, Hitachi, HUL, GCPL, Marico, Cox & Kings & Thomas cook
	We expect some downward revision in CTT rates.	+ve for MCX
	Sops to encourage domestic defence manufacturers.	+ve for BEL, Bharat forge & Walchandnagar Ind
	Sops for renewable energy	



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