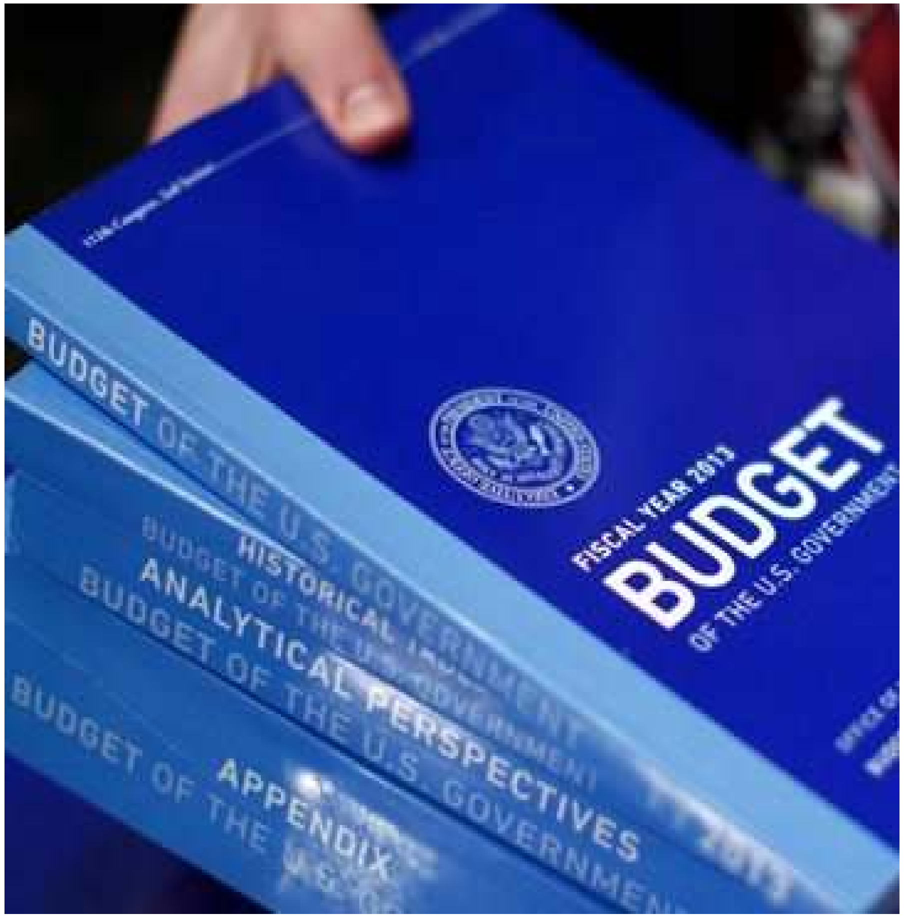

The Union Budget for financial year 2013-14 will be presented in the lower house of the Parliament as usual on the last working day of February 28. This time, the Budget of 2013-14 is a very crucial one as it's going to be the last budget of the UPA government before it goes for a general election in the country. Palaniappan Chidambaram (P. Chidambaram) considered as the co-architect of India's economic reforms will be presenting the budget 2013-14, he has a reputation not only as an economic liberaliser, but also as a tough, decisive and efficient administrator. The Finance Minister was on a foreign tour ahead of the Union Budget, assuring the global investors and allaying their fears that the government is keen on its reform agenda and won't go for a populist budget ahead of the elections. After the foreign direct investment (FDI) reforms in retail, diesel price decontrol and commitment to lower fiscal deficit, in a big respite for the foreign investors, the government has already deferred the implementation of controversial rules on tax avoidance (GAAR) by two years to 2016. Chidambaram has said that the anti-avoidance rules would not apply to foreign funds that were not taking tax benefits from India's various tax treaties with other nations. The domestic industry and investors too are expecting big from the Budget 2013-14 and the India Inc has made a strong pitch for an investor friendly budget that could give a boost to the economic slowdown, seeking cut in excise and customs duty and a stable direct tax regime. So lets find the major issues which are crucial for our Economy, we will also discuss what corrective measures Govt is going to proposed to boost the industrial growth and improve the sentiments of the investors in conjunction with expectations & outlook for the various major GDP contributing sectors/industries across the country.

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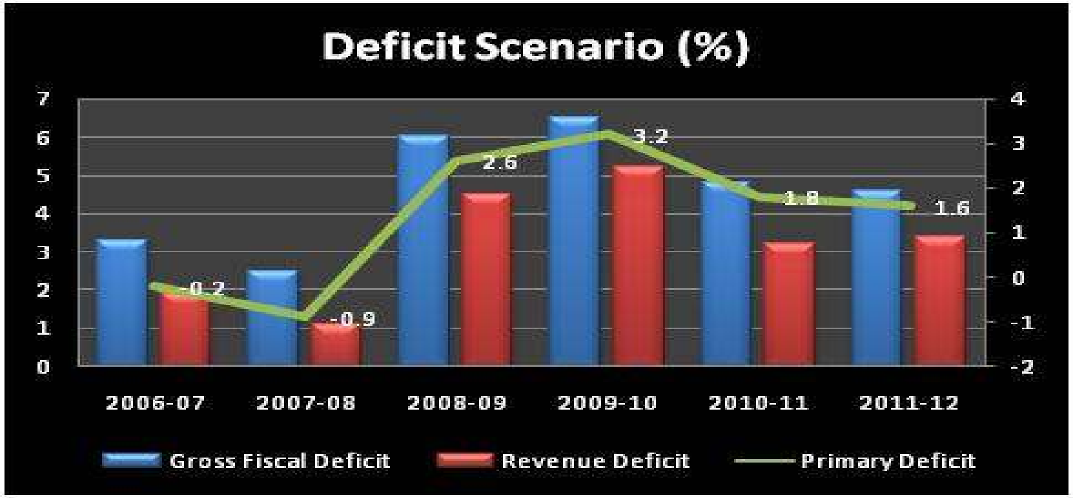
ECONOMY REVIEW

This time, due to poor Economic conditions there no room for wasteful Expenditure...

This time there are expectations of a good budget for 2013-14, with economy friendly measures rather than voter friendly one. The markets want the government to be practical on its policies. Lower subsidies, widening tax net, rational allocation of scarce funds and reasonable policies for the industry are the major expectations of the markets. Though, with the government in expenditure-cutting mode, various ministries are bracing for a reduction in their annual budgets for the year 2013-14 which could be even up to 24% of this fiscal. According to indications to various ministries, the finance ministry would be slashing the annual budget of ministries in view of the poor financial health of the economy. Chidambaram has already stated that there is no room in a developing country for wasteful expenditure and we have to contain spending and try to get the best bang for the buck.

The macroeconomic environment has been under stress since 2008-09 when the global economic and financial crisis unfolded, necessitating rapid calibration of policies. Fiscal expansion followed in 2008-09 and 2009-10 did yield macroeconomic dividends in the form of a sharp recovery in 2009-10, which stabilized in 2010-11 at the same 8.4% level of growth while it moderated in 2011-12 and declined further in 2012-13. Indian economy continued showing signs of moderation, the world economic outlook too remained grim, so lets checkout the major concerns confronted by the Govt, especially in the upcoming budget.



Mansukh Securities and Finance Ltd
Office: 306, Pratap Bhavan, 5, Bahadur Shah Zafar Marg, New Delhi-110002
Phone: 011-30123450/1/3/5 Fax: 011-30117710 Email: research@moneysukh.com
Website: www.moneysukh.com

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GROSS DOMESTIC PRODUCT

GDP in FY13 is estimated at 5.0% compared to 6.2% in 2011-12...

Moving back on to the domestic economy, as per the advance estimates Gross Domestic Product (GDP) at factor cost at constant (2004-05) prices in the year 2012-13 is likely to attain a level of Rs.55,03,476 crore, as against the First Revised Estimate of GDP for the year 2011-12 of Rs. 52,43,582 crore, released on 31st January 2013. The growth in GDP during 2012-13 is estimated at 5.0% as compared to the growth rate of 6.2% in 2011-12. GDP growth slowed significantly this year, dropping to 5.5% in the first quarter, and dropping even further to 5.3% in the second quarter, while the third quarter growth is likely to even slump below 5%. The decline in the GDP growth rate became more broad based, with consumption demand also slowing alongside stalling investment and declining exports.

Finance minister sees India getting to 8% GDP growth rate by FY14...

At current prices, GDP in 2011-12 is estimated at Rs 83,53,495 crore as against Rs 72,66,967 crore in 2010-11, showing an increase of 15.0% during the year, as against an increase of 19.0% in the previous year. The growth rate of 6.2 % in the GDP during 2011-12 was achieved due to growth in financing, insurance, real estate & business services (11.7%), transport, storage and communication (8.4%), electricity, gas & water supply (6.5%) and trade, hotels & restaurants (6.2%). The finance minister sees India getting to 8% GDP growth rate by FY14. There was a greater concentration on the macro economy. To keep his promise to bring GDP between 6.5 and 7 percent in FY14 and 8 percent in FY15, he will have to take some concrete measures.

DOMESTIC SAVINGS

Gross Domestic Saving fell to 30.8% of the GDP in FY12...

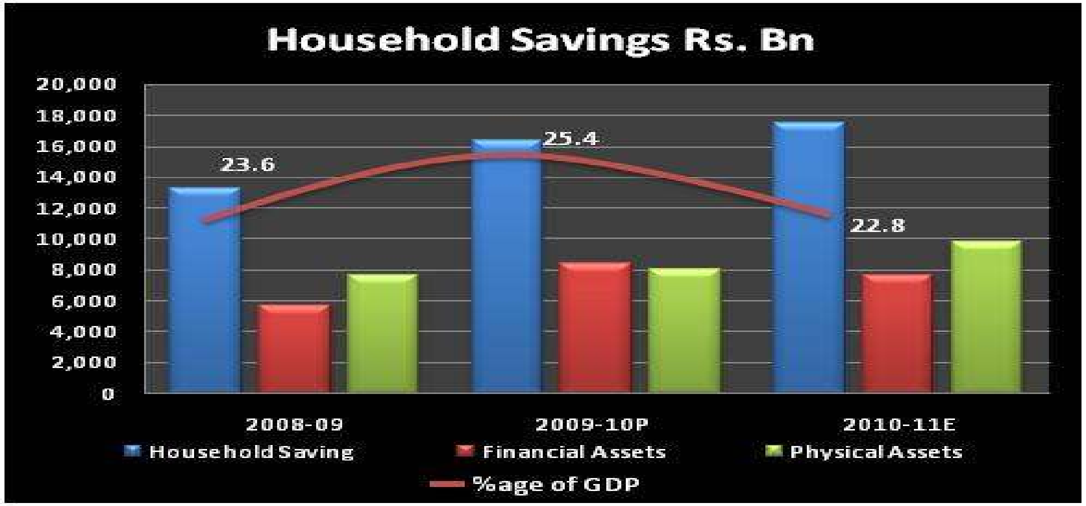
The country's savings rate, considered as one of the biggest economic strengths is on the declining path. The domestic saving rate, which had touched a high of 36.9% in 2007-2008, fell to 30.8% of the GDP in FY'12 growth in per capita income fell both on current prices and real terms basis in FY12. Gross Domestic Saving (GDS) at current prices in 2011-12 is estimated at Rs 27,65,291 crore as against Rs 26,51,934 crore in 2010-11, constituting 30.8% of GDP at market prices as against 34.0% in the previous year. The decrease in the rate of GDS has mainly been due to the decrease in the rates of financial savings of household sector from 10.4% to 8.0%, private corporate sector from 7.9% to 7.2% and that of public sector from 2.6% to 1.3% in 2011-12 as compared to 2010-11.

Gross Domestic Capital Formation increased 4.7% during FY12...

Gross Domestic Capital Formation has increased from Rs 28,71,649 crore in 2010-11 to Rs 31,41,465 crore in 2011-12 at current prices and it increased from Rs 21,20,377 crore in 2010-11 to Rs 21,31,839 crore in 2011-12 at constant (2004-05) prices. The rate of Gross Capital Formation at current prices is 35.0 per cent in 2011-12 as against 36.8 per cent in 2010-11. The rate of Gross Capital Formation at constant (2004-05) prices is 37.9 per cent in 2011-12 as against 40.0 per cent in 2010-11. The per capita income (per capita Net National Income at factor cost) in real terms, i.e. at 2004-05 prices, is estimated at Rs 38,037 for 2011-12 as against Rs 36,342 in 2010-11, registering an increase of 4.7 per cent during the year, as against an increase of 7.2% during the previous year.

Gross Domestic Savings also likely to increase in 12th plan...

On the other hand, Planning Commission has also projected a sharp increase in India's Gross Domestic Savings (GDS) during the 12th Plan (2012-17). A Working Group led by RBI Deputy Governor, Subir Gokarn, has estimated the savings rate as a percentage of the country's GDP could range from 36.2 to 37 % during the 12th Plan. The slowdown in the savings rate takes resources away from investment, which is necessary for a developing country like India and this in turn, results in greater dependence on foreign capital.



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Foremost Issues to be confronted by Govt in Budget 2013-14

FISCAL CONSOLIDATION

Partial deregulation of fuel prices will help to reduce the subsidy...

In this year's budget, the need to control the fiscal deficit is the prime target, along with other things, reducing or at least rationalising subsidies. After the global slump and two years of purposeful fiscal expansion, the government resumed its fiscal consolidation with a partial rollback of the stimulus in 2010-11 and extended it in 2011-12. After the budget of 2012-13 the industrial downturn got prolonged and the persistence of inflationary pressures and monetary tightening led to a sharper demand slowdown, which had its impact on public finances with rising costs impairing profit margins and thereby affecting the level of growth in corporate income tax and central excise. Global crude petroleum prices remained high, though of late some more petroleum products went for partial deregulation on domestic level but it will take time to show its impact. It was expected that slippage in the Centre's fiscal outcome in the year may push up the consolidated general government deficit, it may moderate if states continue to perform well, but things don't seem to have materialized much. Now the government has expressed its commitment of following the path of fiscal consolidation in the forthcoming budget for 2013-14.

Fiscal Deficit will be kept around 5.3% target for the current year ...

Though, the recent advanced estimates of GDP's decade low growth rate of 5%, demands for a growth-inducing budget along with fiscal consolidation. The figures were based on data till November last year only but the most striking part is that CSO has forecast nominal growth at 11.7% this year, while the finance ministry's fiscal deficit target is based on a 14% nominal growth. However, with a judicious mix of revenue and expenditure measures it is possible to reduce the deficit to 5.3% of GDP. This will call for resisting temptation for purely populist measures with an eye on the 2014 elections. The finance minister has promised FIIs that he will stick to the 5.3% fiscal deficit target for the current year and aims to reduce the deficit by 60 basis points in each year for the next four years till it reaches 3%. Fiscal consolidation is taking place across nations, since 2010 and India needs a larger correction in terms of key fiscal indicators.

INFLATION

Inflation, which is the one of the domestic root causes of the slowdown of the economy, has remained over 8% for much of the year. The doggedness of inflationary pressures and consequent demand slowdown had their impact on public finances with rising costs impairing profit margins and thereby affecting levels of growth in corporate income tax and central excise. With global commodity prices remaining high and given limited flexibility in domestic price setting, there have been some expenditure additionalities with implications for the levels of deficit both revenue and fiscal. RBI made it its one point agenda to fight inflation despite the slowing growth.

RBI, adopted a hawkish stance to curb the Inflation...

Though, headline Inflation (WPI) and its core component, non-food manufactured products inflation, softened through the third quarter. But inflation jeopardy remained in the forefront and dominated the first half of the year. RBI, which adopted a hawkish stance on the backdrop of rising inflation, went for a token cut in policy rates after a long 9 month wait but said that there is an increasing likelihood that going into 2013-14, inflation will remain range-bound around the current levels. This provides space, albeit limited, for monetary policy to give greater emphasis to growth risks. But with the easing of inflationary pressures in the months to come, there could be further expectations of reduction in policy rates by the RBI, which would encourage investment activity that could have a positive impact on growth.

RBI has to take an efficacious anti-inflationary step...

This time again, the Budget 2013-14 needs to have an anti inflationary stance as it would give the RBI headroom to lower interest rates when growth is continuously declining. Inflation over the last three years has been a result of demand pressures as well as supply constraints. With demand pressures now on the ebb, the supply constraints need to be urgently addressed. In the absence of an effective supply response, inflationary pressures may return and persist with adverse implications for macroeconomic stability.

CURRENT ACCOUNT DEFICIT

At all time high & worsening trade deficits may increase it further...

The one of the most concerning factor for the Govt current account deficit (CAD), which is hovering an all-time high of 5.4% of GDP in the Jul-Sep quarter, putting the rupee under pressure and increasing the reliance on volatile capital flows to fund the shortfall. Widening CAD, which represents the difference between exports and imports after considering cash remittances and payment, has become one of the major concern of the government and the RBI. CAD as a proportion of GDP was marginally up to 3.9% for the first quarter of 2012-13 from 3.8% for the same quarter in 2011-12, while it reached its highest ever peak of 5.4% of GDP in Q2 of 2012-13 as compared with 4.2% in Q2 of the previous year. Early indications are that it may increase further in Q3 of 2012-13. CAD has widened mainly due to worsening trade deficit.

Rupee Value & Forex Reserves have been adversely impacted by CAD...

A higher CAD has an adverse impact on rupee value and impacts foreign exchange reserves as well. The CAD had risen to 4.2% of GDP in the 2011-12 fiscal on account of high gold import and increasing prices of crude oil in international markets. There has been lots of efforts from the government side to keep the widening current account deficit in control, the major emphasis is being put on the gold import which has become a big concern and there is a need to moderate the demand for gold imports. India is the world's biggest gold consumer; it imported 1,080 tonne worth Rs 2.69 lakh-crore of gold last fiscal. Government in the past few months has taken steps to check gold imports by levying more duties and hiked import duty on gold to 6% from 4%.

Economy can sustain CAD of about 2.5% under a scenario of slower growth...

Even RBI has noted in its monetary policy review that the widening of the CAD to historically high levels, especially in the context of a large fiscal deficit and slowing growth, exposes the economy to the twin deficit risk. Financing the CAD with increasingly risky and volatile flows increases the economy's vulnerability to sudden shifts in risk appetite and liquidity preference, potentially threatening macroeconomic and exchange rate stability. Large fiscal deficits will accentuate the CAD risk, further crowd out private investment and stunt growth impulses. The Reserve Bank's own research shows the economy can sustain a CAD of about 2.5 per cent of GDP under a scenario of slower growth, but it will definitely affect the currency value of the economy.

SUBSIDIES

Subsidy burden has grown faster than GDP to stand at around 2.4%...

The Planning Commission, has targeted to bring down the subsidy to 1.4 per cent from 2.4 per cent in the 12th Five-Year Plan (2012-2017) compared with 2.4 per cent at the end of 2011-12. Shortfall in tax revenue receipt and increase in expenditure, mainly in subsidies mainly leads to increase in revenue deficit, to control expenditure increase there is urgent need to reduce the outgo on subsidies and contain the growth in interest payment by lowering the fiscal deficit. While, the Provision for major subsidies was estimated to decline from Rs 2,08,503 crore in RE 2011-12 to Rs 1,79,554 crore in BE 2012-13. Though total Subsidies were estimated to decline from Rs 2,16,297 crore in RE 2011-12 to Rs 1,90,015 crore in BE 2012-13 amounting to 1.9 per cent of GDP. In recent years, India's subsidy burden has grown faster than GDP to stand at around 2.4% of GDP, the highest in 10 years, due to the higher price of crude oil and other commodities. The government intends to cap the overall subsidy burden at less than 2% of GDP.

Partial De-regulation of Fuel & Fertiliser will reduce subsidy burden...

The Prime Minister's Economic Advisory Council (PMAEC) had suggested in its Economic Outlook report for 2012-13 that the process of reducing the subsidy burden on the exchequer could begin with “dismantling the fertiliser subsidy”. Government on its part initiated the process and made payment of fertiliser subsidy to companies conditional to providing acknowledgement of its sale to the farmer, a precursor to the introduction of a direct cash transfer regime in the sector. The fertilizer subsidy burden had been rising with companies claiming more consumption without the government being able to verify the same. The challenge however remains to adhere to these allocations and not to resort to substantive augmentation through Supplementary Demands for Grants during the course of the year. Planning commission too has been emphasizing the need to 'squeeze' subsidies including those on energy and fertilisers as it could elbow out non-subsidised plans linked to investments.

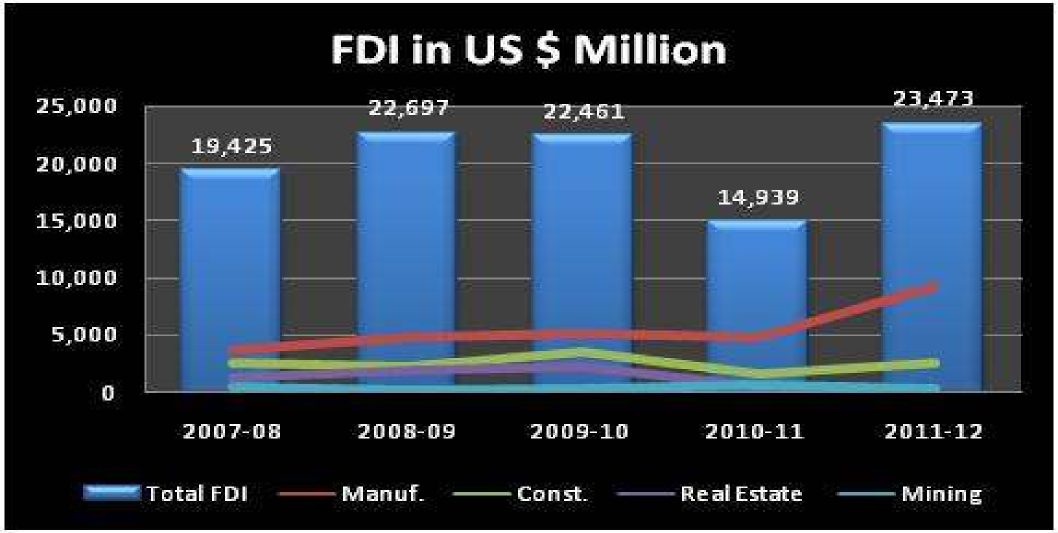
FOREIGN DIRECT INVESTMENT

FDI inflows declined to $15.84 billion in first eight months of FY13...

Foreign investments are a crucial factor for developing country like India, which needs around $ 1 trillion in the next five years to overhaul its infrastructure sector. As per RBI FDI has made a remarkable recovery in 2011-12 to $23.5 billion from $14.94 billion of 2010-11, when FDI witnessed significant moderation. Huge improvement was seen in Manufacturing, Construction, Financial and Business Services, while the Real Estate Activities, Mining and Trading still lacked interest owing to different legal and regional obstacles. But the global economic weakness has been impacting the domestic markets and FDI inflows, FDI inflows into the services sector, which contributes over 50% to India's GDP declined by about 14% to $3.63 billion during the April-November period this fiscal. As far as overall FDI inflows are concerned, they declined to $15.84 billion during the first eight months of the current financial year, from $27.92 billion in the year-ago period.

FDI in Insurance & in other sectors will revive the Investment cycle...

The government is making sustained efforts, including involving stakeholders in policy formation and to make the investment regime more attractive and investor friendly. There were lots of measures taken in the last budget to increase the FDI in different sectors. While, retail and Aviation finally got what they were expecting, Insurance is the sector which still needs more to be done, as the growth of the Indian insurance sector is critical from the aspect of a social security measure. Fresh FDI is required to fuel this and to ensure that customers in India get access to world-class products. Lifting caps of FDI on insurance and a few other sectors too will provide a solution to revive the investment cycle and growth momentum.



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Tax Amendments Expected in Union Budget 2013

Goods and Service Tax

The most awaiting unified taxing policy, GST made in 2006-07 & so many years passed it is still in limbo. However, there has been some ray of hopes of its implementation with states forming consensus on many issues. Recently, there were some reports that the Centre and the state governments have arrived at a consensus on the sales tax compensation to state. It has also given states an option to exit the system, if they find it unviable later. As per the suggestions by a panel of central and state government officials, for a two percentage point cut in central sales tax to 2%, states are to be given 100% compensation for 2010-11, 75% for 2011-12 and 50% for 2012-13. The rollout is going to be a phased one, as in the case of value added tax, while the arrears for the compensation would be Rs 34,000 crore. Besides this, the Centre has to get Parliament approval for the Constitution Amendment Bill, that will help the GST rollout. A Parliament standing committee is considering this bill, which gives power to states to impose service tax and Centre to levy tax beyond manufacturing, now. Last year Finance Minister, introduced the DTC (Direct Taxes Code) rates for personal income tax, marking progress in the direction of movement towards DTC and GST. It is expected that the Union Budget for 2013-14 will include steps to modernise the country's tax administration, reduce the compliance burden and improve transparency.

Exemption Limit on Individual Tax

The financial limit i.e. the tax limit is increased once in a while by the finance minister. However, it needs to be aligned according to the increasing daily expenses. If this part is taken into consideration then the exemption limit for every individual tax payer should be Rs. 2,50,000 p.a. A lower exemption limit leads to tax evasion and it has been observed earlier that tax collection increases with a reduction in the tax limit.

Capital Gain Tax

So far as per the section 54EC of the Income Tax Act, to save capital gain, an individual can invest in capital gain bonds. The upper investment limit under this section is Rs. 50 lakh. In the past, there was no such cap and all transactions related to property were done with white money. With the government making changes to this law few years ago and placing a limit, people have been resorting to unwanted ways to save tax. This cap, hence, is expected to be removed in the forthcoming budget.

Rent Allowance

People who are not having their own house and stay in a rented accommodation or employees who do not get accommodation or house rent allowance from their employer enjoy a special tax deduction on the rent paid by them. This deduction is allowed under section 80GG of the Income Tax Act in which an individual can avail 25% deduction on the rent amount. However, the limit is restricted to Rs 2000 per month and has not changed for many years, which is now expected to change this year. Standard exemption should continue as in the past and should be given to all employees who are salaried, while the transport allowance deduction should increase.

Leave Travel Assistance

Leave Travel Assistance is given to the employees by their employer on which employees avail a tax exemption twice in the span of four years. This exemption is provided under the section 10(5) of the Income Tax Act, 1961. The present rules provide that an employee can travel anywhere in the country along with their family; however, this travel exemption is not available for travelling abroad and neither for boarding and accommodation. The law needs amendment as to make employees' travel more enjoyable the exemption should not only cover travelling but lodging and boarding charges as well.

Rebate for Senior Citizens

The exemption limit for senior citizens over 80 years of age is Rs 5 lakh p.a., which when compared to other taxpayers sounds reasonable. However, in case of an income of more than the specified amount, they are required pay income tax @ 20% on income up to Rs 10 lakhs. Hence, the tax slabs need to be aligned to benefit super senior citizens so that they have a fair chance as compared to other taxpayers.

Gift Tax

According to the prevalent section 64 of the Income Tax Act of 1961, when a person gifts his wife clubbing provisions apply and the wife's income is either clubbed or combined with that of the husband. This law needs to be amended now and at least allow a reasonable amount to be given to a spouse without drawing provisions of section 64.

Industry-Wise Expectations

AUTOMOBILE - Demand of reduction in excise duty..

The automobile industry is one of the key components of Indian economy constituting one of the largest markets in the world. It had previously been one of the fastest growing globally, but is now seeing a flat or negative growth rates. India's passenger car and commercial vehicle manufacturing industry is the sixth largest in the world, with an annual production of more than 3.9 million units in 2011. In financial year 2012, Indian automobile industry saw a moderation in demand, following the double-digit growth in sales in preceding three years. In the latter half of the year 2012, industry witnessed sharp decline in consumer demand due to weak macroeconomic sentiment coupled with subdued consumer confidence.

Muted start in 2013...

In the starting month of the year 2013, According to the Society for Indian Automobile Manufacturers (SIAM), domestic passenger car sales declined 12.45% to 1,73,420 units in January this year compared with 1,98,079 units in the same month of 2012. SIAM's data stated that, motorcycle sales grew 7.45% to 8,86,527 units from 8,25,050 units in the same month previous year. Total two-wheeler sales increased 8.46% to 12,06,937 units from 11,12,767 units. Total sales of commercial vehicles declined 9.51% to 63,218 units from 69,865 units. Total sales of vehicles across categories registered a growth of 5.31% to 15,61,104 units in January 2013 against 14,82,437 units in the same month of 2012.

Expectations from Budget

- **Minimize the gap between the cost of Petrol & Diesel cars**
- **Automotive manufacturing export hubs**
- **Excise Duty revision & Clarity on GST**
- **Infrastructure development required for automobile industry**

BANKING - Demand reducing the lock-in period of tax-saving FDs

Recently the sector has undergone significant developments & investments

The Indian banking sector has emerged as one of the strongest drivers of India's economic growth. The Indian banking industry ($ 1.22 trillion) has made outstanding advancement in the last few years, even during the times when the rest of the world was struggling with the financial meltdown. Today Indian Banking is at the crossroads of an invisible revolution. The sector has undergone significant developments and investments in the recent past. Most of the banks provide various services such as Mobile banking, SMS Banking, Net banking and ATMs to their clients. Indian banks have begun to revise their growth approach and re-evaluate the prospects on hand to keep the economy rolling. Recently, the RBI took a few important steps to make the Indian Banking industry more robust and healthy. This includes de-regulation of the savings rate, guidelines for new banking licenses and implementation of Basel Norm III and mostly importantly slashing of repo and Cash Reserve Ratio by 25 basis points in its third quarter monetary policy review on January 29, 2013.

Expectation from Budget 2013

This is the time, when the budget should come with up with the measure to boost the Indian banking sector, which has become a significant aspect of the economy. With the present financial turmoil, the position of banks have become all the more important in the course of working of the money market and hence the economy of a nation. Following hereby is the wish list of the sector, which has remained resilient in the face of the global economic crisis and has received praise from abroad as it has managed to weather the economic and financial storms raging globally. The major expectations & requirements of the banking industry are:

- **Recapitalization of Banks**
- **Cut in lock-in period for tax-saving FDs & Issue of tax-free bonds**
- **Further promote banks for providing Education Loan**

TELECOM - Seeks some tax relief from the Budget 2013

Indian telecom sector accounts for almost 3% of the GDP

The Telecom market in India is one of the fastest growing telecom markets in the world wherein the telecommunications sector has emerged as a key propeller of social-economic development in an intensive, knowledge-driven global landscape. Introduction of National Telecom Policy-2012 has furthermore accelerated equitable and inclusive economic growth by laying special focus on providing affordable and quality telecommunication services in rural and remote areas. The sector's significant contribution to the economic development is clearly reflected in the unprecedented increase in tele-density and sharp decline in tariffs in the Indian telecom sector which accounts for almost 3% of the GDP.

However, the Indian telecom industry has clearly been under the weather since the cancellation of 122 licenses by the Supreme Court in February 2012. While, some telecom companies decided to exit the industry, some approached the judiciary for a way-out and some simply accepted the uncertain environment.While, ambiguities over key regulations and policies were among the core concern areas for telcos in 2012, the government also witnessed a plunge in the Foreign Direct Investment (FDI) and a lukewarm response to the November 2012 auctions, due to the lasting uncertainty and a gloomy outlook.

Expectations from Budget

- **Infrastructure Status**
- **Lowering of levies and tax breaks for the sector**
- **Dedicated sectoral allocation/fund**
- **Taxability of VAS & License fees and other levies**

CEMENT - Demands reduction in the rate of excise duty

Cement industry is also one of the major contributors to the exchequer

Cement is one of the core industries which play an essential role towards the growth and expansion of the nation. India is the second largest producer of quality cement in the world and the industry occupies an important place in the Indian economy because of its strong linkages to other sectors such as construction, transportation, coal and power. The cement industry is also one of the major contributors to the exchequer by way of indirect taxes. The industry is engaged in the production of the different category of cement such as Ordinary Portland Cement (OPC), Portland Pozzolana Cement (PPC), Portland Blast Furnace Slag Cement (PBFS), Oil Well Cement, Rapid Hardening Portland Cement, Sulphate Resisting Portland Cement, White Cement, etc.

Rising Operational Cost and Slowing Demand

In India there is 139 large cement plants and over 365 mini cement plants. There are 40 players in the industry across the country. At present, the top players like UltraTech, ACC, Ambuja Cements, Jaiprakash Associates, India Cements - and Shree Cement, together control more than half of the cement market in the country. The major cement companies have shown good improvement in their production numbers for the month and quarter ended September despite challenging economic environment. Most of them had done well considering rising operational cost and slowing demand. However, the rally, which cement counters showcased for most part of CY2012, was subdued in the October-December quarter on the back of poor demand and price decline.

Expectations from Budget

- **Reduction in the rate of excise duty on Cement**
- **Levy of clean energy cess on Coal**
- **Classifying Cement as "Declared Goods**
- **Levy of customs duty on cement imports**
- **Reduction of Customs Duty on Imports under EPCG scheme**
- **Abolition of import duty on tyre chips**
- **Customs Duty on Pet Coke**
- **Treatment of waste heat recovery as renewable energy source**
- **Incentives for Limestone availability for future growth**
- **Stimulus to the sectors which are major users of Cement**

FMCG - Expects concrete measures regarding the roll-out of GST

Despite obstacles the sector has performed well in 2012

The fast-moving consumer goods (FMCG) sector is one of the key participants in India's gross domestic product (GDP) as it is the fourth largest player in the Indian economy with total market size of $13.1 billion. The FMCG sector remained under pressure in the year 2012, because of many factors such as weak consumer sentiment, increasing input costs and inflation, hovering at over 7% level. Despite of these obstacles the sector has performed well compared to other sector, posting a growth of 15-20% in the calendar year. Though, the growth came on the back of FMCG firms either increasing prices by 4-5% or reducing the cost to protect their margins, at the same time there was weakness in some categories, such as edible oil, soaps, and packaged foods. This Indian FMCG market is highly fragmented but some products such as packaged rice, liquid toilet soaps, floor cleaners, breakfast cereals, air fresheners & mosquito repellent equipment have a higher penetration in modern trade channel however, major part of the market constitutes of unorganized players selling unbranded and unpackaged products.

A Defensive Sector

In calendar year 2012, BSE FMCG Index increased over 48%, reporting around 39% of returns during the year - substantially outperforming the 25% returns logged by the Sensex. As global uncertainties and policy paralysis at home affected the economy to a major extent, investors picked up the defensive stock and year 2012 proved to be a good year for them.

Expectations from Budget

- **Roll-out of GST to reduce the overall tax burden on products and services thereby propelling demand.**
- **Reconsideration of the current rates of service taxes and excise duties**
- **Excise Duty rates on cigarettes to be kept unchanged**
- **Review and withdrawal of export duty of 10% on defiled rice bran**
- **Revising the tariff value of RBD Palm oil and other oils**
- **To impose import duty on Crude Palm oil (CPO) at 10% and RBD Palmolein and RBD Palm oil at 20%**

HEALTHCARE - Healthcare industry wants infrastructure status from budget

The Indian healthcare sector is expected to reach $100 billion by 2015 from the current $65 billion, growing 20% yoy. The industry aims to touch $280 billion by 2020, on the back of increasing demand for specialized and quality healthcare facilities. Meanwhile, the hospital services market, which represents one of the most important segments of the Indian healthcare industry, is expected to be worth $81.2 billion by 2015. Further, the healthcare segment offers an attractive growth opportunity for the IT and BPO industry. The market for outsourced services to healthcare payers is expected to increase from $9 billion in 2011 to $15 billion in 2016. In addition, the Indian pharmaceutical market is also expected to grow at a compound annual growth rate (CAGR) of 15.3 per cent during 2011-12 to 2013-14..

At present the industry is pegged at $65 billion, the healthcare sector attracts 4.6 percent of total GDP spent in India. There is a huge demand-supply gap in the healthcare delivery business in India. The national doctor-patient ratio is 1:1700, in rural areas is much worse to 1:25,000. Healthcare indicators in rural India are significantly bleaker than those in urban areas. This is witnessed by the fact that the difference of life expectancy between urban and rural India is currently 12 years. The government in order to alleviate the problem, announced an increase in allocation for National Rural Health Mission to Rs 20,822 crore for 2012-13, which is more than 15 percent of Rs 18,115 crore allotted in 2011-12.

Expectations from Budget

- **Infrastructure Status for Healthcare Sector**
- **Increase public spending on Healthcare**
- **Service Tax waiver on health insurance schemes**
- **TDS benefit on health insurance claims**
- **R&D support**
- **Technology Enabled Healthcare Services**
- **Electronic Health Record**
- **Compulsory Health Insurance for Employees**
- **Deduction for Preventive Health Check-Ups**
- **Free/concessional land and use of public healthcare facilities for private medical colleges**

POWER - Sector demands increase in allocations in bank lending

Power producers successfully add a record capacity addition of about 55,000 MW

Power sector belongs to the core industry category and significantly contributes to the development of economy. India stands at number five position with more than 2 lakh MW power generating capacity, however, most of the countryside is still waiting for the electricity connection. The growth of this core sector is hindered by various factors, missing the accomplishment of the "Power for all by 2012" the ambitious dream of the UPA-2 government. The UMPPs which had promised to lighten every Indian household have commissioned mere 1-2 plants of 800 MWs. Most of UMPPs were seen lagging for want of primary fuel - coal. However, the power producers were able to successfully add a record capacity addition of about 55,000 MW during the eleventh five year plan, which is almost as much as the total capacity added in the three earlier plans put together. Further, the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) which surpassed its target of providing electricity to the rural India and BPL households is going to be continued in the 12th five year plan.

Power sector should grow in line with the GDP growth, for adequate power supply in the country. However, India needs to first combat with the coal and the ailing financial health of discoms to bridge the gap between current power demand and supply. On this front, private power companies are scouting for coal assets abroad to fulfill the supply crunch while PSUs are waiting for allocation/re-allocation of coal blocks from the government.

Expectations from Budget

- **Seek financial support of Rs 1,200 crore for restructuring the debt of the state power distribution companies**
- **More financial incentives and speedy clearances needed for projects.**
- **Exempting power projects from service tax net and the removal of import duty on equipment**
- **Considering the unprecedented hike in the imported coal prices and scarcity of domestic coal**
- **Existing provision of a 10-year tax holiday could be extended to at least 15 years**
- **Increase in allocations in bank lending to the power sector**
- **Govt should extend the service tax exemption to power generation, transmission and distribution**
- **Higher & Accelerated depreciation should be allowed to write off equipments in 10 years**

STEEL INDUSTRY - Seeks tax incentive from the budget to boost

Steel industry is contributing to nearly 2% of the GDP & employed over 5 lakhs people

Steel has a direct correlation with the GDP growth and the industry is riding high on the growing Indian economy. Soaring demand by the sectors like infrastructure, real estate and automobiles at home and abroad has put the India's steel industry on the world map. The Indian steel industry entered into a new development stage from 2007-08. The steel industry is contributing to nearly 2% of the GDP and employed over 5 lakhs people. 100 percent foreign direct investment is allowed through the automatic route in the steel sector. India has emerged as the fourth largest steel producing nation in the world and is also the world's largest producer of sponge iron. Based on the assessment of the current ongoing projects both in green-field and brown-field, the Working Group on Steel for the 12 th Plan has projected that the India may become the second largest steel producer in the world with the capacity likely to be 140 mt by FY17 from 73 mt in FY12 and has the potential to reach 149 mt if all the proposed expansion plans are adequately met.

In union budget 2012-13 as well as in 12 Five years Plan draft, the government has taken lots of steps toward the infrastructure sector which presented the growth scenario for the industry. In FY13 budget, custom duty has reduced to 2.5% from 7.5% on plant and machinery imported for setting up or substantial expansion of iron ore pellet and beneficiation plants.Other significant steps taken by the government are 100 per cent foreign direct investment allowed through the automatic route in the sector. Large infrastructure projects in Public-Private Partnership mode are being formed.

Expectations from Budget

- **Removal of Steel products from the ambit of the Free Trade Agreement with Japan & Korea**
- **Import duty on steel grade limestone and dolomite**
- **Exemption to coal used in Iron & Steel industry and customs duty on natural gas used in the steel manufacturing process**
- **Customs duty on stainless steel flat products & Excise duty on directly reduced iron (DRI) may be reduced from 12% to 6%**
- **The Central Excise duty on steam coal should be fully exempted.**

MEDIA & ENTERTAINMENT - Sector demands infrastructure status

Expected to register a CAGR of 15% to touch Rs 1.46 trillion by 2016

The Indian Media & Entertainment industry is the fastest growing industry followed by China (14%), Russia (12%) and Brazil (11%) as is projected to grow at 17% CAGR between 2012 and 2016. Its various segments -film; television, animation, print and Out-of-home advertising (OOH) among others-have witnessed remarkable growth in the past few years. Rise in digital content consumption, launch of innovative content delivery platforms, higher penetration in tier II and tier III cities, enhancing the reach of regional media and regulatory shifts are major factors that are driving the growth of the sector. The entire M&E landscape is witnessing a shift; thanks to cable digitisation, wireless broadband penetration, increasing direct-to-home (DTH) penetration, digitisation of film distribution and growing internet usage. In 2011, the M&E Industry registered a growth of 12% over 2010, to reach Rs 72,800 crore. The growth trajectory is backed by strong consumption in Tier II and III cities, continued growth of regional media, and fast increasing new media business. Overall, the industry is expected to register a CAGR of 15% to touch Rs 1,45,700 crore by 2016.

Expectations from Budget

- **Infrastructure status to the cable sector**
- **Rationalization of license fee for DTH industry**
- **Inclusion of DTH services in the Negative List of service tax**
- **Digitization with addressability**
- **Entertainment tax rationalization**
- **Exemption of service tax on digital cinema services**

AVIATION - Industry demands MRO business to be exempted

India is currently the ninth largest civil aviation market in the world

The aviation sector is one of the major economic drivers for prosperity, development and employment in a country. The rapidly expanding aviation sector in India at present handles about 2.5 billion passengers across the world in a year; moves 45 million tonnes (MT) of cargo through 920 airlines, using 4,200 airports deploying 27,000 aircraft. At present, 87 foreign airlines fly to and from India and five Indian carriers fly to and from 40 countries. Also, a massive boom in the tourism industry and increasing levels of disposable incomes has given an impetus to the Indian Aviation industry. Strong government support and private participation, coupled with the availability of skilled manpower, and favorable business environment have positioned India as an attractive investment destination on the world map. India is likely to be the fourth biggest market in terms of value for all new aircraft deliveries during the next 20 years. According to the latest data released by the Directorate General of Civil Aviation (DGCA), the passengers carried by domestic airlines during the year 2012 (January-December period) were 588.19 lakhs.

Expectations from Budget

- **MRO business to be exempt from service tax**
- **Ancillary/Support services be termed as infrastructure**
- **Concessional Customs Duty on Goods required for Airports development**
- **Custom Duty exemption for X-ray baggage inspection system and other airport security systems**
- **Long term non-taxable infrastructure bonds by private operators**

Gems and Jewellery - Industry seeks reduction of import duty

Gold formulates almost 80 percent of the Indian jewellery market

Gems and Jewellery (G&J) has been consumed by Indians for ages for its aesthetic as well as investment value and also figures as an essential part of the Indian tradition. The country is the largest market for gold jewellery in the world and was also one of the first countries to mine, cut & polish, and trade in diamonds. While a predominant portion of gold jewellery manufactured in India is for domestic consumption, a predominant portion of rough, uncut diamonds processed in India is exported either in the form of polished diamonds or in the form of finished diamond jewellery. Gold dominates the Indian jewellery market and formulates almost 80 percent of the market share, which is followed by fabricated studded jewellery including diamond and gemstone studded jewellery. India possesses world's most competitive gems and jewellery market owing to its low cost of production and availability of skilled labour. In value terms, gold demand in 2012 was $236.4 billion - an all-time high. The annual volume of demand totaled 4,405.5 tonnes, down by 4% from 2011 as an increase in demand from institutional investors and central banks only partly offset a year-on-year decline in consumer demand.

Expectations from Budget

- **Reduction of import duty**
- **Reduction of Benign Assessment Procedure rate**
- **Establishing Special Notified Zones**
- **Reintroduction of 2% interest subvention & Dollar borrowing**

OUTLOOK

Ahead of Budget sessions, the countdown has begun, while most of the industry and economic bodies have sent their expectations and recommendations. Finance Minister after deliberating different issues will be finalizing the much awaited 'Budget-2013-14'. In the backdrop of weak global, as well as domestic economic scenario, the 2013-14 Budget is likely to focus on reining-in fiscal deficit, controlling expenditure, showing buoyancy in tax revenues and overall being a people and investment-friendly budget. While keeping in the mind the election battle next year, keeping fiscal rectitude target of 5.3% and move towards 4.8% is going to be a tough task for the Govt. Indirect taxes may again see a hike after service tax and standard excise duty rates were hiked in the last budget from 10% to 12%, though finance minister has reiterated that instead of hiking the rates he prefers to widen the tax net, but the indirect tax collections so far has not been that encouraging and it may prompt the FM to go for a further hike, though such hikes would further propel inflation.

Every sector will keep eying on Budget to get its demand fulfilled, expecting a dream budget from the finance minister. India Inc, as well as the individual taxpayers are striking an optimistic note. There is expectation that the Budget will lay down a clear road map for the introduction of the DTC and major announcement on GST. While the individual taxpayers are expecting tax regime clarity, different sectors too are optimist about their demand, while the auto sector is expecting some serious measures in form of reduction in the excise duty, in view of the sharp slump in sales, the increase in FDI will give the Indian insurance industry with the necessary capital infusion required for its development and expansion. Fingers are crossed and just a day to go, to see what comes out of the magic box of Finance Minister. How tough he gets to reign-in the burgeoning fiscal deficit and inflation, what impacts it makes on the tax framework, what more efforts he will be putting to prune the subsidy and the most important thing, what will be the reaction of the foreign investors as they have been promised big and are expecting bigger.

Mansukh Securities and Finance Ltd
Office: 306, Pratap Bhavan, 5, Bahadur Shah Zafar Marg, New Delhi-110002
Phone: 011-30123450/1/3/5 Fax: 011-30117710 Email: research@moneysukh.com
Website: www.moneysukh.com

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MCX/TCM/CORP/0740 NCDEX/TCM/CORP/0293

NAME	DESIGNATION	E-MAIL
Varun Gupta	Head - Research	**varungupta@moneysukh.com**
Pashupati Nath Jha	Research Analyst	**pashupatinathjha@moneysukh.com**
Vikram Singh	Research Analyst	**vikram_research@moneysukh.com**

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