UNION BUDGET-2012-13

Economic Affairs and Research Division

HIGHLIGHTS

- Fiscal deficit projected at 5.1% of GDP in 2012-13: Based on a projected buoyancy in non-tax revenue and indirect taxes
- The nominal growth rate of GDP is expected to be 14% for 2012-13: This translates into a 6.5% inflation rate, assuming a 7.6% GDP projection in the next fiscal
- Exemption limit for general category of individual taxpayers has been raised from Rs1.8 lakh to Rs 2 lakh
- Growth impulse could be dampened by the 2% hike in excise duty and service tax: These hikes are expected to add to inflationary pressures and would work against budget expectations of lower inflation
- Over the medium term, the Government believes to bring down fiscal deficit further and has targeted a reduction in fiscal deficit to 4.5% by FY2014 and 3.9% by FY2015: Fiscal consolidation will remain a challenge
- Budget targets to contain the central subsidies under 2% of GDP in 2012-13: It will be a difficult task
- Gross market borrowings will finance 93% of the fiscal deficit in 2012-13: Indication of government borrowing to finance non-plan expenditures
- The Government did not enunciate any actionable roadmap for implementation of either the GST or the DTC
- No revival of investment allowance, no restoration of tax exemption on dividend income or capital gains for infrastructure capital fund / company and no hike in depreciation rate in budget
- Reduction in withholding tax on interest payable on External Commercial Borrowings (ECBs) in certain sectors and extension of concessional tax treatment on the repatriation of overseas dividends are welcome: The raising of the ECB limit for infrastructure sector will also encourage investment in the sector.
- The removal of cascading impact of DDT, which was recommend by FICCI is most welcome. The extension of tax benefit period for companies engaged in in-house R&D activities may also provide some relief to the companies.
- Provision of extension of 200% weighted deduction for R&D expenditure is specially welcome as it has been announced for a period of 5 years
- 150% weighted deduction for agricultural extension will hopefully encourage private sector investment in agriculture and raise crop yields
- For the power sector besides access to low cost funds the Budget has also extended the sunset date by one year until March 31, 2013 by claiming 100% deduction of profits for 10 years along with an additional distribution of 20%. This measure would encourage investment in power generation.

MACROVIEW

FICCI had expected and recommended that the budget would include measures for promoting investment led growth. This was specially requested in the context of ongoing slowdown of economic growth which could be lower than 6.9% in 2011-12. The nominal growth rate of GDP is expected to be 14% for 2012-13. This translates into a 6.5% inflation rate, assuming a 7.6% GDP projection in the next fiscal. It is not clear if the higher growth rate would see a strong revival of the manufacturing sector.

The Government has budgeted a fiscal deficit target of 5.1% of GDP in FY2013 as against an estimated 5.9% of GDP (was budgeted at 4.6% of GDP) in FY2012.This is based on a projected buoyancy in non-tax revenue (32% budgeted growth in 2012-13 against a 5 year compounded annual growth rate/ CAGR at 6.1%), basis Rs 40,000 crore spectrum proceeds in next fiscal. Net tax revenue to Centre is projected to climb by 20.1% (5 year CAGR at 9.9%). Net tax revenue in turn is based on estimated buoyancy in indirect taxes (excise tax projected to grow by a sharp 29%, against a 5 year CAGR at 5% and service taxes at 30.5% against a 5 year CAGR at 16.7%).

The Government has taken several measures to augment indirect taxes. On the services tax front, the tax base has been increased through the introduction of the negative list. The list now contains 17 items, which implies that every other service would be taxed. Apart from this, there is a proposal to raise the service tax rate to 12% from 10% earlier, bringing it to the pre-crisis level.

On the excise duty front, the standard rate on non-petroleum goods is proposed to be increased to 12%. It had been reduced to 8% during the peak of the last global financial crisis and since then the Government has been rolling it back in stages. It has been proposed that customs duty on gold bars, coins and platinum would be increased from 2% to 4%. Duty on nonstandard gold is to be doubled to 10% from 5% earlier. Excise duty on gold has also been increased to 3% from 1.5% earlier.

The Government did not enunciate any actionable roadmap for implementation of either the GST or the DTC.

Growth impulse could be dampened by the 2% hike in excise duty and service tax. These hikes are expected to add to inflationary pressure and would work against budget expectations of lower inflation.

As far as personal income taxes are concerned, the exemption limit for general category of individual taxpayers has been raised from Rs1.8 lakh to Rs 2 lakhs.

Over the medium term, the Government believes to bring down fiscal deficit further and has targeted a reduction in fiscal deficit to 4.5% by FY2014 and 3.9% by FY2015.

FICCI believes fiscal consolidation would continue to be one of the major challenges. The disinvestment target at Rs 30,000 crores is an ambitious one. Additionally, as mentioned earlier, the budgeted spectrum proceeds at Rs 40,000 crores for the next fiscal assumes will be difficult to achieve.

The Government has also proposed rationalisation of tax provisions that accrues from overseas transfer of shares holding underlying assets in India. The proposed rationalisation will effect retrospectively from April 1'1962. FICCI believes that any policy changes should always be forward looking and not with retrospective impact as it hurts the investment climate and the business strategies for the investors.

Table 1: Budget at a glance (Rs crore and as a % of GDP)

		2008-09	2009-10	2010-11	2011-12-RE	2012-13-BE	Growth Rate	CAGR 10 yrs	CAGR 5 yrs
1	**Revenue Receipts**	540,259	572,811	788,471	766,989	935,685	22.0	14.2%	9.1%
		9.7%	8.9%	10.3%	8.6%	9.2%			
a.	**Tax Revenue (net to centre)**	443,319	456,536	569,869	642,252	771,071	20.1	16.7%	9.9%
		7.9%	7.1%	7.4%	7.2%	7.6%			
b.	**Non-Tax Revenue**	96,940	116,275	218,602	124,737	164,614	32.0	6.2%	5.1%
		1.7%	1.8%	2.8%	1.4%	1.6%			
1	**Capital Receipts (5+6+7)$**	343,697	451,676	408,857	551,730	555,241	0.6	13.1%	34.1%
		6.2%	7.0%	5.3%	6.2%	5.5%			
2.a.	**Recoveries of Loans**	6,139	8,613	12,420	14,258	11,650	-18.3	-9.3%	29.3%
		0.1%	0.1%	0.2%	0.2%	0.1%			
2.b.	**Other Receipts**	566	24,581	22,846	15,493	30,000	93.6	19.4%	-20.5%
		0.0%	0.4%	0.3%	0.2%	0.3%			
2.c.	**Borrowings and other liabilitie**	336,992	418,482	373,591	521,980	513,590	-1.6	15.3%	42.4%
		6.0%	6.5%	4.9%	5.9%	5.1%			
3	**Total Receipts (1+4)**	883,956	1,024,487	1,197,328	1,318,720	1,490,925	13.1	13.7%	16.6%
		15.8%	15.9%	15.6%	14.8%	14.7%			
4	**Non-Plan Expenditure**	608,721	721,096	818,299	892,116	969,900	8.7	12.8%	15.1%
		10.9%	11.2%	10.7%	10.0%	9.5%			
4.a	**On Revenue Account of which,**	559,024	657,925	726,491	815,740	865,596	6.1	13.2%	18.0%
		10.0%	10.2%	9.5%	9.2%	8.5%			
4.a.1	**Interest Payments**	192,204	213,093	234,022	275,618	319,759	16.0	9.9%	12.7%
		3.4%	3.3%	3.0%	3.1%	3.1%			
4.b	**On Capital Account**	49,697	63,171	91,808	76,376	104,304	36.6	25.9%	33.5%
		0.9%	1.0%	3.0%	3.1%	3.1%			
5	**Plan Expenditure**	275,235	303,391	379,029	426,604	521,025	22.1	-4.1%	-21.9%
		4.9%	4.7%	1.2%	0.9%	1.0%			
5.a.	**On Revenue Account**	234,774	253,884	314,232	346,201	420,513	21.5	21.9%	25.2%
		4.2%	3.9%	4.9%	4.8%	5.1%			
5.b.	**On Capital Account**	40,461	49,507	64,797	80,404	100,512	25.0	27.1%	82.1%
		0.7%	0.8%	4.1%	3.9%	4.1%			
6	**Total Expenditure (9+13)**	883,956	1,024,487	1,197,328	1,318,720	1,490,925	13.1	13.7%	16.6%
		15.8%	15.9%	0.8%	0.9%	1.0%			
6.a	**Revenue Expenditure (10+14)**	793,798	911,809	1,040,723	1,161,940	1,286,109	10.7	16.3%	22.0%
		14.2%	14.1%	15.6%	14.8%	14.7%			
6.a.1	**Of Which, Grants for creation of Capital Assets**			87,487	137,505	164,672			
6.b.	**Capital Expenditure (12+15)**	90,158	112,678	156,605	156,780	204,816	19.8	7.0%	3.8%
		1.6%	1.7%	1.1%	1.5%	1.6%			
7	**Revenue Deficit (17-1)**	253,539	338,998	252,252	394,951	350,424	30.6	4.2%	31.4%
		4.5	-5.2	-3.3	-4.4	-3.4			
8	**Effective Revenue**								
	Deficit (17-18)#			164,765	257,446	185,752	-27.8		
				-2.1	-2.9	-1.8			
9	**Fiscal Deficit {16-(1+5+6)}**	336,992	418,482	373,591	521,980	513,590	-1.6	15.3%	42.4%
		6	-6.4	-4.9	-5.9	-5.1			
10	**Primary Deficit (20-11)**	144,788	205,389	139,569	246,362	193,831	-21.3	27.7%	na
		2.6	-3.1	-1.8	-2.8	-1.9			
	Memoranda								
	Nominal GDP Growth rate	5,582,623	6,457,352	7,674,148	8,912,178	10,159,884			
	Growth	12.0	15.7	18.8	16.1	14.0			

Source: Budget documents

Note: Figures below the estimates are expressed as a % of GDP

FICCI

Table 2: Direct and Indirect taxes (Rs crore and as a % of GDP)

		2008-09	2009-10	2010-11-RE	2011-12-BE	2012-13	2012-13 vis-à-vis 2011-12 growth rates	CAGR 10 yrs	CAGR 5 yrs
1	**Gross Tax Revenue**	605,299	624,528	786,888	901,664	1,077,611	19.5%	17.2%	11.0%
		10.8%	9.7%	10.3%	10.1%	10.6%			
2	**Direct Tax**								
2.a.	Corporation Tax	213,395	244,725	296,377	327,680	373,227	13.9%	24.3%	14.2%
		3.8%	3.8%	3.9%	3.7%	3.7%			
2.b.	Taxes on Income Other than Corporation Tax	106,046	122,475	141,566	166,679	189,866	13.9%	18.3%	12.9%
		1.9%	1.9%	1.8%	1.9%	1.9%			
3	**Indirect Taxes**								
3.a.	Customs	99,879	83,324	131,800	153,000	186,694	22.0%	14.6%	10.1%
		1.8%	1.3%	1.7%	1.7%	1.8%			
3.b.	Union Excise Duty	108,613	102,991	137,263	150,075	193,729	29.1%	6.9%	5.0%
		1.9%	1.6%	1.8%	1.7%	1.9%			
3.c.	Service Tax	60,941	58,422	69,400	95,000	124,000	30.5%	41.7%	16.7%
		1.1%	0.9%	0.9%	1.1%	1.2%			

Source: Budget documents
Note: Figures below the estimates are expressed as a % of GDP

It might also be noted that the capital expenditure is budgeted to go up by 31% in the year 2012-13. But the growth in non-plan capital expenditure is estimated to be much higher than the growth in plan capital expenditure. Hence an impetus to growth through pump priming capital expenditure is difficult to envisage.

Table 3: Expenditure trends (Rs crore and as a % of GDP)

		2008-09	2009-10	2010-11	2011-12-RE	2012-13 BE	Growth Rate	CAGR 10 yrs	CAGR 5 yrs
1	**Non Plan Expenditure**	608,721	721,096	818,299	892,116	969,900	8.7%	12.8%	15.1%
		10.9%	11.2%	10.7%	10.0%	9.5%			
1.a.	Interest payments	192,204	213,093	234,022	275,618	319,759	16.0%	9.9%	12.7%
		3.4%	3.3%	3.0%	3.1%	3.1%			
1.b.	Defence Expenditure	114,223	141,781	154,117	170,937	193,407	13.1%	13.3%	16.9%
		2.0%	2.2%	2.0%	1.9%	1.9%			
1.c.	Subsidies	129,708	141,351	173,420	216,297	190,015	-12.2%	19.5%	32.1%
		2.3%	2.2%	2.3%	2.4%	1.9%			
1.d.	Other Non Plan Expenditure	172,586	224,871	256,740	229,264	266,719	16.3%	11.7%	7.1%
		3.1%	3.5%	3.3%	2.6%	2.6%			
2	**Plan expenditure**	275,235	303,391	379,029	426,604	521,025	22.1%	16.1%	20.1%
		4.9%	4.7%	4.9%	4.8%	5.1%			
2.a.	on Revenue Account	234,774	253,884	314,232	346,200	420,513	21.5%	19.1%	18.8%
		4.2%	3.9%	4.1%	3.9%	4.1%			
2.b.	on Capital Account	40,461	49,507	64,797	80,404	100,512	25.0%	8.1%	26.4%
		0.7%	0.8%	0.8%	0.9%	1.0%			
3	**Total Expenditure**	883,956	1,024,487	1,197,328	1,318,720	1,490,925	13.1%	13.8%	16.6%
		15.8%	15.9%	15.6%	14.8%	14.7%			
3.a.	on Revenue Account	793,798	911,809	1,040,723	1,161,940	1,286,109	10.7%	14.7%	18.2%
		14.2%	14.1%	13.6%	13.0%	12.7%			
3.b.	on Capital Account	90,158	112,678	156,605	156,780	204,816	30.6%	8.6%	7.3%
		1.6%	1.7%	2.0%	1.8%	2.0%			

Source: Budget documents
Note: Figures below the estimates are expressed as a % of GDP

Though the budget targets to contain the central subsidies under 2 % of GDP in 2012-13, and bringing them down from the current 2.4% will not be easy. This is because implementation of food security bill will alone amount to a minimum of 0.7% of GDP and could be as high as 1.5% of GDP. We believe that the estimates of food subsidy may have a downward bias, as it does not include subsidy storage and transport, leakage costs etc (food subsidy is projected to increase by only 3% in 2012-13, against a 5 year CAGR at 22.1%) Also, the budgeted figures for oil subsidy indicate a decline by about 12% or Rs 24,901 crores. However there has been no word on the proposed deregulation of the sector or an increase in diesel prices. We hope that the much required deregulation of the petroleum sector is taken forward in the right earnest.

Table 4: Subsidy trends (Rs crore and as a % of GDP)

		2008-09	2009-10	2010-11	2011-12 RE	2012-13 BE	2012-13 vis-à-vis 2011-12 growth rates	CAGR 10 Years	CAGR 5 Years
1	**Total Subsidies**	129,708	141,351	173,420	216,297	190,015	-12.2%	19.2%	31.9%
		2.3%	2.2%	2.3%	2.4%	1.9%			
1.a.	Fertiliser Subsidy	76,602	61,264	62,301	67,199	60,974	-9.3%	22.3%	21.4%
		1.4%	0.9%	0.8%	0.8%	0.6%			
1.b.	Food Subsidy	43,751	58,443	63,844	72,823	75,000	3.0%	13.0%	22.2%
		0.8%	0.9%	0.8%	0.8%	0.7%			
1.c.	Petroleum Subsidy	2,852	14,951	38,371	68,481	43,580	-36.4%	30.4%	120.7%
		0.1%	0.2%	0.5%	0.8%	0.4%			
1.d.	Interest Subsidies	3,493	2,686	4,680	5,791	7,968	37.6%	25.2%	19.6%
		0.1%	0.0%	0.1%	0.1%	0.1%			
1.e.	Other Subsidies	3,009	4,006	4,223	2,002	2,493	24.5%	-1.9%	-0.8%
		0.1%	0.1%	0.1%	0.02%	0.02%			

Source: Budget documents
Note: Figures below the estimates are expressed as a % of GDP

The gross market borrowings for the year 2011-12 have been revised upwards by 22% from Rs 4171 billion (BE) to Rs 5100 billion (RE). This figure is further expected to go up to Rs 5696 billion in 2012-13. Such a high level of borrowing will continue to exert pressure on interest rates. Apart from dated securities, the Government is also scheduled to borrow Rs 900 billion through treasury bills. However the decrease in interest rates on EPFs is an encouraging move.

Table 5: Government Borrowings (Rs crore and as a % of GDP)

	2008-09	2009-10	2010-11	2011-12 RE	2012-13 BE	2012-13 vis-à-vis 2011-12 growth rates	CAGR 10 yrs	CAGR 5 yrs
Gross Market Borrowings	273,000	451,000	437,000	510,000	569,616	11.7%	16.9%	32.0%
	4.9%	7.0%	5.7%	5.7%	5.6%			
Less repayments	39,370	52,576	111,586	73,586	90,616	23.1%	11.6%	19.3%
	0.7%	0.8%	1.5%	0.8%	0.9%			
Net Market Borrowings	233,630	398,424	325,414	436,414	479,000	9.8%	18.1%	34.9%
	4.2%	6.2%	4.2%	4.9%	4.7%			

Source: Budget documents
Note: Figures below the estimates are expressed as a % of GDP

Interestingly, as table 6 shows, the huge increase in gross borrowings for the government in 2012-13 may crowd out credit to private sector. For example, the ratio of gross borrowings to non-food credit in 2011-12 was 1.14 indicating that for every rupee of non-food credit, there is a concomitant borrowing of Rs 1.14 by the Government. Interestingly, the ratio of redemption to gross borrowings (indicating for every rupee of Government borrowing, the amount that is going purely to repay previous government debt) was 43 paise in 2004-05, that had declined to 16 paise in 2012-13. By this logic, the government borrowings should have declined in 2012-13. However, in contrast, in the next fiscal, the market borrowings will finance 93% of the fiscal deficit as compared to 84% last year. This clearly indicates that the Government is now borrowing purely to finance non-plan expenditure, as revenue growth has decelerated in the last couple of years.

Table 6: Gross borrowings, crowding out and redemption

	Gross Borrowing/ Non Food Credit	Redemption / Gross Market Borrowings
2002-03	0.88	0.22
2003-04	1.03	0.35
2004-05	0.29	0.43
2005-06	0.37	0.27
2006-07	0.35	0.24
2007-08	0.39	0.22
2008-09	0.66	0.14
2009-10	0.97	0.12
2010-11	0.64	0.26
2011-12	1.14	0.14
2012-13		0.16

Source: Budget documents

SECTOR ANALYSIS

Table 7 gives us an impact of budget on the different sectors. As can be seen from the table, most of the issues which were in the wish list have not been fulfilled. Sectors like insurance, retail, warehousing, environment & climate change and chemical are the ones where issues have not been addressed extensively. A more detailed impact of the budget has been provided below based on different sectors.

Table 7: FICCI's Scorecard of Wish list & Budget Impact

Sector	Wish-list			Budget Impact	
	No of wishes	Addressed	Not Addressed	+ve	-ve
Chemical	15	2	13	7	1
FMCG	6	1	5	3	1
Energy, Defense & Aerospace	3		3		2
Oil & Gas	3		3		
Retail	8		8		7
Medical Devices	3	1	2	1	
Technical Textiles	7	4	3	4	2
Warehousing	21	5	16	5	1
MSME	4	1	3	7	
Power	8	4	4	2	
Infrastructure	1		1		
Homeland Security				1	
ICT				3	2
Agriculture	5	5			
Environment & Climate change	10		10		
Textiles	8	2	6	10	
Gems & Jewellery	2		2	1	3
Wellness	4		4		
Health	11	3	8	5	
Human Resource	7	3	4	4	2
Banking	3	3			
Insurance & Pensions	4	1	3		
Health Insurance	4	2	2		
Microfinance	1	1			
Capital Markets	7	7			
Total	145	45	100	53	21

Source: FICCI Research

Footnote: counts of 'Addressed' and 'Not Addressed' wish-list adds up to the number of wishes made in every sector. However, counts for Budget Impact will not add up to the numbers of wishes as rest of the impact are neutral

Agriculture

- The budget has placed a major emphasis on agriculture by way of announcing right policies that would ensure more investments in agriculture extension, development of agri marketing infrastructure, increasing agri credit availability to the farmers, etc. FICCI welcomes these initiatives, as they will give a big push to agriculture growth

- The long standing demand of FICCI that 150 per cent weighted deduction of expenditure be extended to investments made in the extension services has been considered. This is a very positive move as it will lead to more investments by the private sector in agriculture extension, which will result in increasing yields.

- The government has considered FICCI's suggestion to extend interest subvention for post harvest loans against warehouse receipts. This will reduce the distress selling by the farmers.

- FICCI also welcomes the decision to enhance the investment linked deduction for warehouses and cold storages to 150 per cent. This would attract large private investments in the cold chain across the country whose demand far outstrips the present handling capacity. The enhanced cold chain and warehousing facilities would immensely contribute to the government coffers as these would reduce horticultural produce wastages to an extent of 30 %. Apart, significant allocation was made for increasing the warehousing capacity in the country.

- Several announcements made on indirect taxes front by way of reduction in import duty on farm equipment, green houses, water soluble fertilizers would also result in lower input costs for farmers.

- Government's decision to set up a company to financing minor irrigation works and including irrigation projects under viability gap funding is an innovative as it would encourage several private companies to enter into the business of developing irrigation facilities.

- Rs 200 crore for Research Rewards for agricultural researchers for breakthroughs is yet another innovative policy approach adopted by the government

Chemicals

- An estimated 40% of the fruit and vegetable production in India goes waste due to lack of storage, cold chain and transport infrastructure. To address these issues, during 2011-12, approval is being given to set up 15 more Mega Food Parks. Specialty chemicals will be part of this facilitation.

- To attract investment in this sector, henceforth, capital investment in the creation of modern storage capacity will be eligible for viability gap funding scheme of the Finance Ministry. It is also proposed to recognize cold chains and post-harvest storage as an infrastructure sub-sector.

- In order to give a boost to infrastructure development in railways, ports, housing and highways development, tax free bonds of Rs 30,000 crores to be issued by various Government undertakings in the year 2011-12. This includes Indian

Railway Finance Corporation Rs 10,000 crores, National Highway Authority of India Rs 10,000 crores, HUDCO Rs 5,000 crores and Ports Rs 5,000 crores.

- Policy expects to take the share of manufacturing in GDP from about 16% to 25% over a period of ten years. A Group of Ministers has been set up to consider all issues relating to reconciliation of environmental concerns emanating from various departmental activities including those related to infrastructure and mining. This Group will also suggest changes in the existing statutes, rules, regulations and guidelines and make its recommendations in a time bound manner. This will benefit the chemical industry also.

- Weighted deduction on payments made to National Laboratories, universities and Institutes of technology, for scientific research, enhanced from 175% to 200%.

- Micro-irrigation is an environment-friendly and efficient means of irrigation especially for dry land farming. It is proposed to reduce the basic customs duty on micro-irrigation equipment from 7.5% to 5%. This is an opportunity for the Plastics industry.

- Full exemption from basic customs duty and a concessional CVD of 1% to steam coal for a period of two years till March 31, 2014

FMCG

- Direct tax: Exemption limit of personal income tax increased, will be leading to augmentation in the disposable income: Should give stimulus to the demand of FMCG products.

- Cascading effect of dividend distribution tax removed: To benefit Indian MNCs

- GST network expected to roll out by August 2012: No clarity on the implementation timeline.

- Standard rate of excise increased from 10% to 12%, the merit rate from 5% to 6%, and the lower merit rate from 1% to 2%: could lead to increase in the product price and would have inflationary impact

- Increase in basic excise duty on cigarettes of more than 65mm length by adding an ad valorem component of 10% to the existing specific rates. The ad valorem duty would be chargeable on 50% of the Retail Sale Price declared on the pack: Prices will increase of cigarettes manufactured domestically.

- Increase in basic excise duty on hand-rolled bidis from 8 to 10 per thousand and machine-rolled bidis from 19 to 21 per thousand, however existing exemption available to hand-rolled bidis for clearances up to 20 lakh bidis per annum is being retained: It is an effort to gain revenue and structure the unorganised sector.

Energy, Defense and Aerospace

- The budget has not addressed any of the issues which are plaguing the growth of the private sector in defence. No step is being taken in the direction of creating a level playing field for the private sector. Private sector continues to be on an uneven footing unable to competitively bid against the DPSUs and the OEMs owing to the issues such as FERV, and uneven taxes and duties.

- Although the government has approved the guidelines for establishing the joint venture companies by defence PSUs in PPP mode, it can't be claimed that setting of guidelines alone will boost self reliance and indigenization. The guidelines will ensure transparency in setting up of JVCs and not directives to DPSUs to forms JVs with private sector. As DPSUs' order books are full with orders and overflowing in some cases, the intent to form JV in DPSUs is not there.

Retail

- Direct tax: Exemption limit increased, although a token increase yet will be leading to augmentation in the disposable income : Should give stimulus to the retail sales

- Indirect tax: Service tax increased from 10% to 12%: Food services retailing to have an impact; eating out would be expensive. In addition increase in service tax on rentals of commercial premises would lead to increase in cost for the retailers.

- DTC deferred no clarity on GST timelines

- Efforts to continue to build a consensus in consultation with the State governments. : No fresh air for multi-brand retailing in this respect

- Investment linked deduction of capital expenditure incurred in the cold chain business is proposed to be provided at the enhanced rate of 150%, as against the current rate of 100%: Will attract investment in cold chain infrastructure and improvise the supply chain

- Weighted deduction of 150% on expenditure incurred for agri-extension services which will trickle down to give boost to food retailing sector as well

- Concessional import duty to be available for installation of Mechanised Handling Systems and Pallet Racking Systems in mandis or warehouses for horticultural produce: Mechanisation would lead to reduction in wastage

Medical Devices

- The impact of custom duty reduction will be far reaching in cutting down the costs of medical devices and equipments where titanium dioxide is used as an input.

Technical Textiles

- The use of right mix of fibre as is the trend worldwide

- Likely to encourage manufacturing of technical textiles items like bullet proof helmets in the country and making them competitive

- Geo-textiles manufacturing will get a boost in the country if the domestically produced items are encouraged under the Rs 500 crores scheme announced for North-East for application of geo-textiles

- R&D is must for technical textiles, hence the budget will have salutary impact on the sector

- Green house covers can be imported at basic import duty of 5% now as against 10%. May disincentive local manufacturing here

- Weaving is weak link in the textiles value chain and needs to be modernised. Hence, custom duty exemption on shuttles looms will help the sector in upgrading the technology

Warehousing

- The proposal for setting up the national food Processing Mission is a welcome move which will definitely contribute to enhanced growth of the sector on account of improved centre state coordination and execution of policies.

- The increase in excise duty across categories ranging from 1-2% will contribute to inflationary pressures and we seek a roll back. Since the industry is low margin and high volume the roll back becomes even more pertinent.

- Enhancement in investment linked deduction of capital expenditure towards cold chain facility, warehouses is a positive move towards incentivizing flow of money in these areas.

- Creation of 2 million tonnes of storage capacity in the form of modern silos has already been approved. Nearly 15 million tonnes capacity is being created under the Private Entrepreneur's Guarantee Scheme, of which 3 million tonnes of storage capacity will be added by the end of 2011-12 and 5 million would be added next year

- The reduction in customs duty on probiotics and Soya protein concentrate and isolated soya protein as well as reduction in excise duty on all processed soya food products, as also the reduction in concessional basic customs duty along with reduced excise duty of 6% on iodine, is a step in the right direction towards achieving nutrition and health goals

MSME

- Increase in Compulsory audit limit of small business will help curtail cost of hiring auditors/ legal experts

- In order to enhance availability of equity to MSME sector, setting up of Rs. 5,000 crores India Opportunities Venture Fund with SIDBI is a welcome step. This will help MSMEs funding requirement during their start-up as well as growth stage

- For the year 2012-13, tax-free bonds for Rs. 5000 crores were announced for financing infrastructure projects for SIDBI

- In addition to 4 mega handloom clusters already operationalised, the announcement of two more mega clusters, one to cover Prakasam and Guntur districts in Andhra Pradesh and the other for Godda and neighbouring districts in Jharkhand is a welcome move for promoting cluster development for MSMEs. Also providing assistance in setting up of dormitories for women workers in the 5 mega clusters relating to handloom, power loom and leather sectors would increase employment opportunities for women.

- The allocation for Prime Minister's Employment Generation Programme (PMEGP) has been increased by 23% from Rs. 1,037 crore in 2011-12 to Rs. 1,276 crore in 2012-13. This would eventually help in broadening entrepreneurship base and thereby increasing the employment opportunity in the MSME sector.

- In order to provide impetus to the MSME engaged in production of low-cost medical devices, a reduction on basic customs duty to 2.5% with concessional CVD of 6% on specified parts, components and raw materials for the manufacture of some disposables and instruments was announced. Also, full exemption from basic customs duty and CVD is also being extended to specified raw materials for the manufacture of coronary stents and heart valves. These concessions would be subject to actual user condition. This announcement will help Indian manufacturers to bring out indigenised products at low cost.

Power

- Fuel reforms: Government's appreciation for the concerns of power sector stakeholders particularly pertaining to the fuel issues is welcome. The efforts started by PMO by mandating Coal India Limited to sign Fuel Supply Agreements (with undertakings having signed the PPAs and likely to commission before or by March 31, 2015). These have been further enhanced by full exemption of basic customs duty and a concessional CVD of 1% on steam coal for a period of 2 years till March 2014. Other fuels used for power generation such as natural gas and LNG, uranium have also been fully exempted from basic customs duty. The proposed constitution of an inter-ministerial group to undertake periodic review of the allocated coal mines and make recommendations on de-allocations, if so required is also welcome. These measures coupled with full exemption from basic customs duty for coal mining projects will certainly make the process more accountable and hopefully lead to greater domestic exploration of coal.

- Financing Imperatives: ECBs have been allowed to part-finance Rupee Debt of existing power projects and tax-free bonds amounting INR 10,000 crores have been proposed for the power sector. For the power sector, besides access to low cost funds, the Budget has also proposed extension of the sunset date by one year for power sector undertakings so that they can be set up on or before March 31, 2013 for claiming 100% deduction of profits for 10 years. Additional depreciation of 20% in the initial year is proposed to be extended to new assets acquired by power generation companies. The decision to remove the cascading effect of Dividend Distribution Tax is also welcome.

Homeland Security

- Efforts to increase the availability of residential quarters to forces. In 2012-13, it is envisaged to construct nearly 4,000 residential quarters for Central Armed Police Forces for which 1,185 crores are proposed to be allocated
- A provision of 3,280 crores for 2012-13 has also been made for construction of office buildings including land acquisition and barracks to accommodate 27,000 personnel. This will provide better working environment and incentive for people to serve in various forces.

ICT

- Need to get further elaboration on the viability gap funding announced for phone towers.
- Some mobile phone parts have been exempted from basic customs duty which is good news
- Increase in service tax will hit the end customers in telecom sector, more so when the industry is facing lots of uncertainty
- Focus on e-enablement by stressing on enabling e-filing, e-payment of taxes, computerization of commercial taxes, Creation of online platforms etc.
- All three public sector Oil Marketing Companies have launched LPG transparency portals to improve customer service and reduce leakage
- Mobile-based system that gives all information on fertilizer and subsidies movements to be rolled out nation-wide is positive step
- Use of Aadhaar as powerful effective tool in achieving good governance and maintaining transparency
- Endeavour to scale up and roll out Aadhaar enabled payments for various government schemes in at least 50 districts within next 6 months

Environment, Climate Change & Renewable Energy

- No change in the existing condition

Textiles

- Excise duty on readymade Garments further reduced: Excise duty of 10% is applicable to branded ready-made garments with abatement of 55% from the Retail Sale Price. Along with increase in duty to 12%, FM proposes to enhance the abatement to 70%. As result, the incidence of duty as a percentage of the Retail Sale Price would come down from 4.5% to 3.6%.In terms of impact, there would be marginal benefit to textile companies in the higher end of the value chain
- Automated shuttle looms exempted from customs duty: Fully exempt automatic shuttle-less looms from basic customs duty of 5% would have the positive impact on weaving industry and specially Denim sector

- More Handloom clusters: Setting up of two more handloom mega clusters, one to cover Prakasam and Guntur districts in Andhra Pradesh and other for Godda and neighboring districts in Jharkhand in addition to 4 mega handloom clusters already operating.

- Three Weaver's Service Centers one each in Mizoram, Nagaland and Jharkhand to be set up for providing technical support to poor handloom weavers

- Setting up of dormitories for women workers in the 5 mega clusters relating to handloom, power loom and leather sectors

- Rs 500 crores pilot scheme in twelfth plan for promotion and application of Geo-textiles in the North East Region

- Reduction of basic customs duty on raw materials

- Mega Power loom Cluster: A Power loom Mega Cluster will be set up in Ichalkaranji in Maharashtra with budget allocation of Rs 70 crores

- Relief to Silk industry: Full exemption from basic duty is being accorded to automatic silk reeling and processing machinery as well as its parts. It is also proposed to restrict these exemptions and the existing concessional rateof basic customs duty of 5% only to new textile machinery

- Second-hand machinery would now attract basic duty of 7.5%

- To reduce basic customs duty on wool waste and wool tops from15% to 5%

- To reduce basic customs duty on Titanium dioxide from 10% to 7.5%

Gems & Jewellery

- Excise duty stays at 1%

- Custom duty on Gold and Platinum duty has been increased from 2% to 4%. This will affect the end user, since the duty hike will be passed on to them

- Branded Silver Jewellery is exempted from excise duty; as such there is no branded silver jewellery available in market

- Cut and Polished colored gems stone to attract basic custom duty of 2% at par with Diamonds. This will have marginal impact.

Health

- Investment link deduction of capital expenditure for certain businesses including hospitals proposed to be provided at the enhanced rate of 150% which will include hospitals. The measure will incrementally incentivize hospital penetration into tier- II and tier- III cities. However, the demand for 'Infrastructure Status' has not been met which would have a far greater impact on the expansion of numbers of beds in Tier II- Tier III cities.

- Within the existing limit for deduction allowed for health insurance, a deduction of up to Rs.5000 is being allowed for preventive health checkups.

    - This would benefit the end consumer in a big way; the proposal would lead to move towards prevention and management of diseases as also health counseling instead of just curative healthcare which is the need of the hour

    - Hospitals and standalone diagnostics centers would benefit through substantial additional business.

    - Health insurance industry can also benefit indirectly through better risk profiling of consumers and more scientific pricing in the long run.

- Allocation for NRHM proposed to be increased from Rs.18,115 crores in 2011-12 to Rs.20,822 crores in 2012-13.
    - Additional funding will positively impact various public health initiatives of the Government at the rural level.

- National Urban Health Mission is being launched.
    - This will have a positive impact on including the urban poor in the public health initiatives of the Government which was neglected until now

Human Resource

- Government has largely missed out on the FICCI recommendations for higher education. Except for the routine increase in the fund allocation for the sector, there has not been any major announcement made. In fact, the budget speech finds no mention of higher education anywhere, thereby not giving a clear picture of the amount allocated for higher education this year. Also the much awaited impending Bills on higher education found no place in his speech which would further aggravate the anxiety of stakeholders, more so from the foreign higher education providers.

Higher Education

- Government's proposal to create a Credit Guarantee Scheme for education loans through banks to ensure better flow of credit to deserving and meritorious students will definitely enhance the affordability of higher education amongst the middle and low income groups there by increasing the GER.

- To promote investment in research and development, the government has extended the weighted deduction of 200% for R&D expenditure in an in-house facility beyond March 31, 2012 for a period of five years which certainly impact the R&D growth in universities and research centres.

- Government's announcement of weighted deduction of 150% of expenditure incurred on skill development in manufacturing sector would partially help in addressing shortage of skilled manpower in the manufacturing sector and would generate employment. FICCI's initiative of setting up National Knowledge Functional Hubs (NKFH) for creating a sustained mechanism for industry-academia linkage focusing on capital goods/manufacturing will gain by attracting corporate investment in the hub. Planning Commission is also proposing to integrate this model in the 12th Plan.

School Education

- 21.7% increase in budget allocation (Rs 25,555 crores for 2012-13) for Sarva Shiksha Abhiyan (SSA) which is being currently implemented through Right to Education (RTE) would certainly help in meeting the resource crunch and help in increasing literacy level in the country

- The mention of setting up 6000 model schools is one of the elements from last year's budget. 2500 model schools to be built in PPP a framework has not taken off due lack of consensus between the government and the private sector. Hence, there is an urgent need by the government to expedite the process so that it fructifies in the 12th Plan period

- 29% hike in fund allocation (Rs 3124 crores) for Rashtriya Madhyamik Shiksha Abhiyan (RMSA) which was launched in 2009 to enhance access to quality secondary education is a good move forward to arrest school dropout rate at the middle school level.