

Union Budget 2014-15

Budget Expectation Vs Reality

Expectation	Reality
Complete removal of retrospective amendment	Future cases will be scrutinised carefully before giving notice
GAAR will be removed	No word on GAAR
FDI in defence will be hiked by 100%	Hiked to 49% only
Labour reforms	No announcement
Modification in Land Acquisition bill	No announcement

Budget Expectation Vs Reality

Expectation	Reality
Roadmap on GST implementation	Steps will be taken to implement
Monthly hike on LPG Prices	No announcement
IT exemption limit will be hiked to 5 Lakh	Limit hiked by 50,000 to 2.5 Lakhs
Reduction in subsidy	Food subsidy increased from 92,000 to 1.15 Lakh Crore

India Budget At a Glance

Segment	FY 13	FY 14	FY 15 (BE)
Revenue	9.2	10.7	12.6
Expenditure	14.1	15.9	17.9
Fiscal Deficit	4.9	5.2	5.3
Fiscal Deficit as % of Income	53.2	48.6	42.1

Budget Blues for Foreign Investors - 2012

- Amendment of Income Tax Act retrospectively from 1962 to cover overseas acquisition and merger
- GAAR (General Anti Avoidance Rule) which will override tax treaties to tax foreign countries

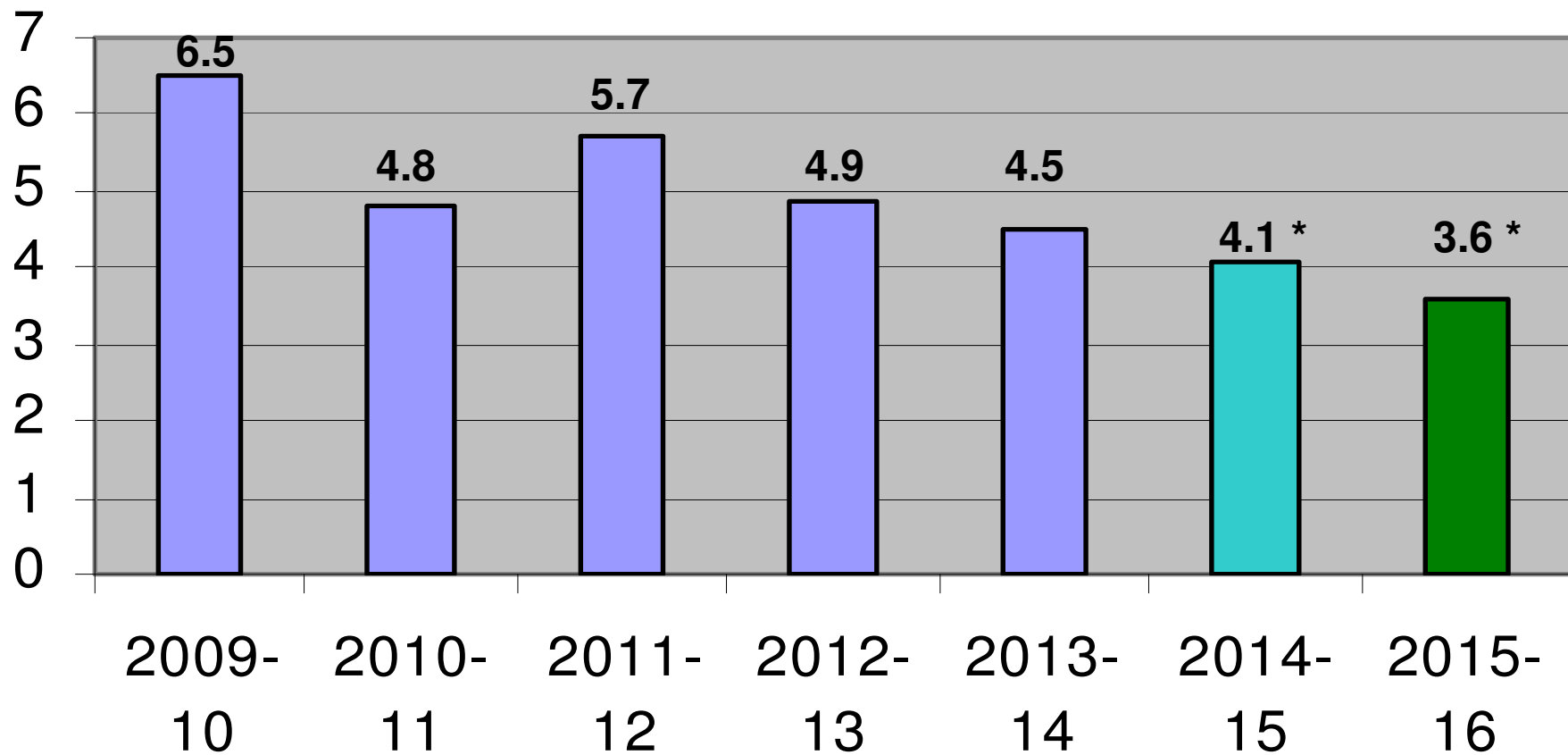
Will GAAR Issue Impact FII Flow?

- General Anti Avoidance Rule (GAAR) is targeted at foreign investors who try to avoid paying taxes in India
- Currently India has a treaty with Mauritius where India cannot tax foreign investors from that country
- GAAR will override this treaty and tax them

Union Budget Synopsis

- Finance Minister adheres to fiscal consolidation road map and will restrict fiscal deficit to 4.1% of GDP for FY15 and projects 3.6% for FY16
- Promises stable tax and regulatory regime
- Offers sops to individual tax payers, manufacturers
- No big bang announcements

Fiscal Deficit (% of GDP)



* Projected

Risks to Fiscal Deficit Target

	FY14 BE	FY 14 (Actual)	FY 15 BE
PSU Divestment	40,000 Cr	16,027 Cr	43,425 Cr
Non PSU Divestment	14,000 Cr	3,000 Cr	15,000 Cr
Tax Collection Growth	19.2 %	12.9 %	16.9 %

BE - Budget Estimates

Expenditure Breakup

Segment	FY 14 BE	FY 14 (Actual)	FY 15 BE
Plan	5,55,322	4,75,532	5,75,000
Non-Plan	11,09,975	11,14,902	12,19,892
Total	16,65,297	15,90,434	17,94,852

BE - Budget Estimates

Major Non Plan Expenditures

	FY14 BE	FY 14 (Actual)	FY 15 BE
Interest	3,68,684	3,79,066	4,26,011
Defence	2,03,672	2,03,672	2,29,000
Fertilizers Subsidy	65,971	67,971	72,970
Oil Subsidy	65,000	85,480	63,426
Food Subsidy	90,000	92,000	1,15,000
Total	7,93,327	8,28,189	9,06,407

BE - Budget Estimates

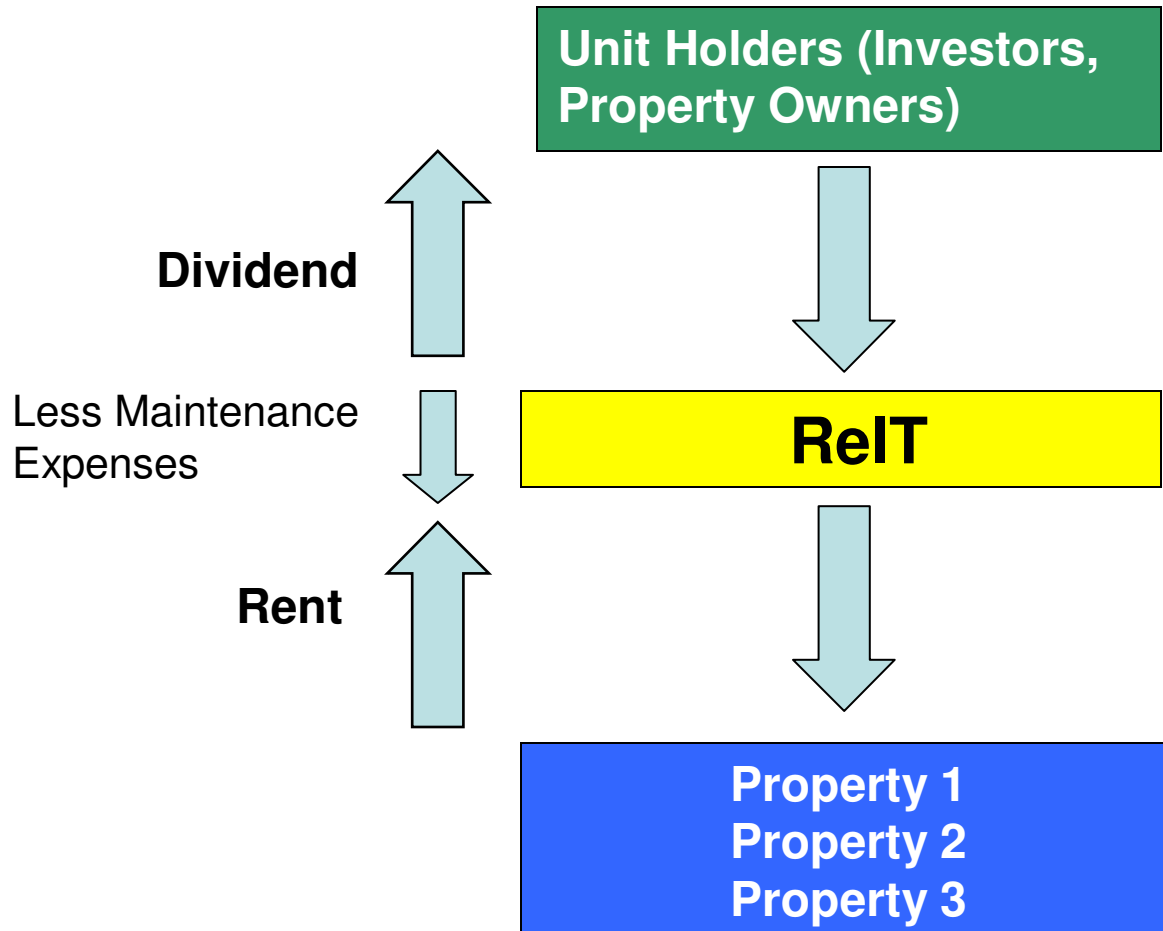
Key Announcements

- Hikes FDI in defence to 49% from 26%
- Hikes FDI in Insurance to 49% from 26%
- Tax pass through for REIT (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust)
- Investment allowance at the rate of 15% to a manufacturing company that invest more than 25 Cr.

What is ReIT ?

- ReIT is a company that owns income generating real estate
- Unit holders of ReIT are owners of the real estate
- ReIT provides investment opportunity for investors to invest in real estate. Further ReIT provides exit opportunity for developers
- ReIT will be listed in exchange to provide liquidity to unit holders

Operations of ReIT



How it Will help Real Estate Companies

- Companies like DLF owns lot of income generating properties
- Company can transfer these properties to ReIT and sell units to interested investors
- Money raised can be used for reducing debt or can be invested in other projects

Direct Tax Changes

- Personal income tax exemption limit increased from 2 Lakh to 2.5 Lakh
- Increases exemption limit under Section 80 C from 1 Lakh to 1.5 Lakh
- Deduction on interest on loan in respect of self occupied house property from 1.5 Lakh to 2 Lakh

Infrastructure Sector

- Infrastructure Investment Trust can be formed for infrastructure and PPP projects
- Banks will be permitted to raise long term money for lending to infrastructure sector with minimum regulatory requirements like CRR, SLR
- Setting up institution to provide support for mainstreaming PPP

Key Misses

- Retrospective tax legislation introduced by Shri. Pranab Mukherjee on Income Tax Act to continue
- No word on GAAR (General Anti Avoidance Rule) which will come into effect from April 2015
- Roadmap for GST implementation not mentioned
- No reform announcements for crucial Oil & Gas sector

Railway Budget Highlights

- To concentrate on existing projects rather than announcing new projects
- To allow FDI in railways except in railway operations
- Periodic revision in passenger fares linked to fuel prices
- Bringing transparency in Railway functioning
- Improvement in Railway services like catering, ticketing, sanitation, cleanliness

Railway Landmark Projects

- Diamond Quadrilateral Network of High Speed Rail connecting major metros and growth centers
- Bullet Train to be introduced with Mumbai-Ahmedabad Sector initially
- High speed train with travel of 160-200 KMPH to be introduced in select sectors
- Computerization of major functions of Indian Railways

Resource Mobilisation

- Leveraging Railway PSU resources
- Private investment in Rail infrastructure through domestic and foreign direct investment
- Public Private Partnership

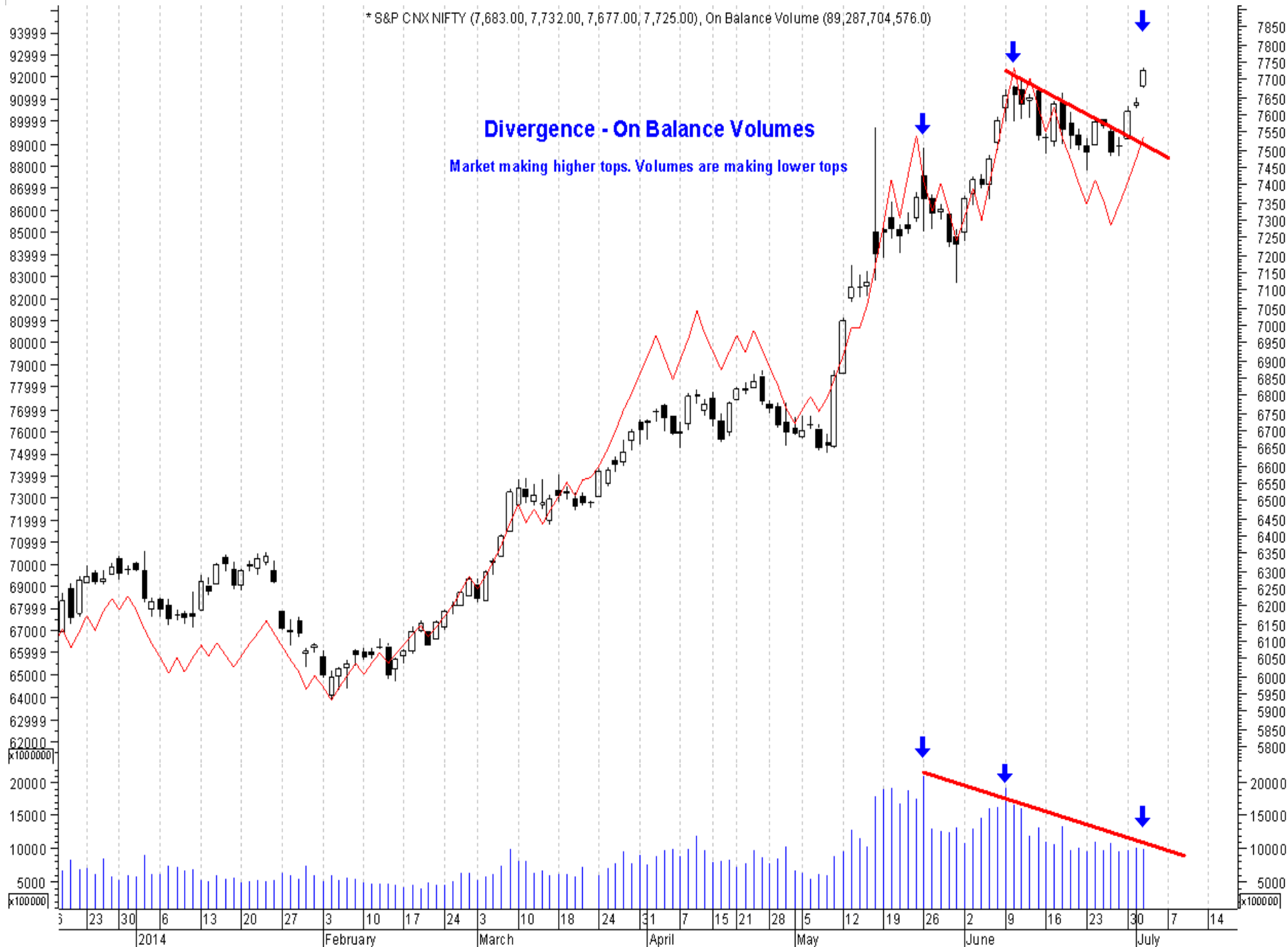
Key Takeaways from Railway Budget

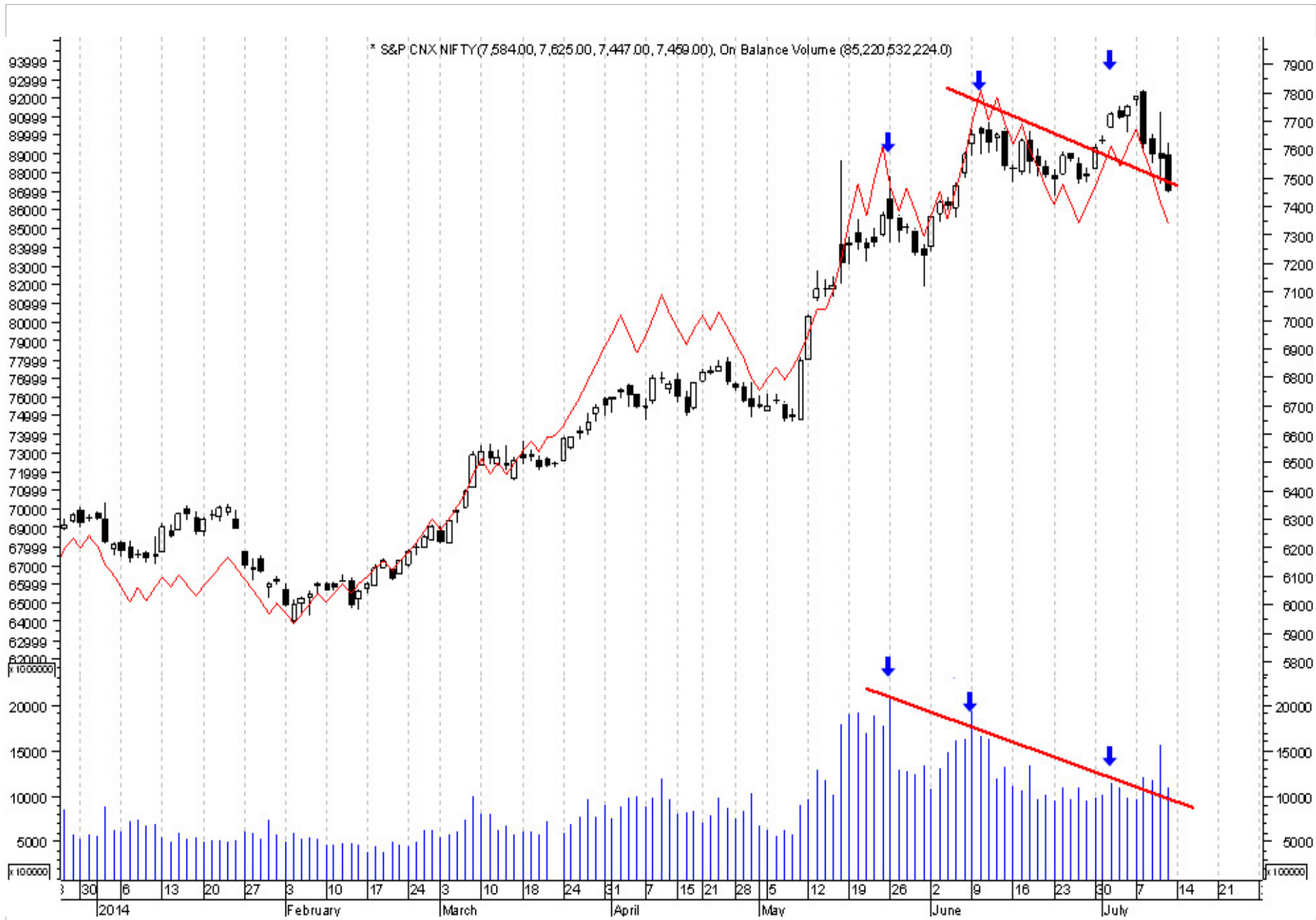
- Railway budget is pragmatic and on right direction
- Implementation of announcements hold the key

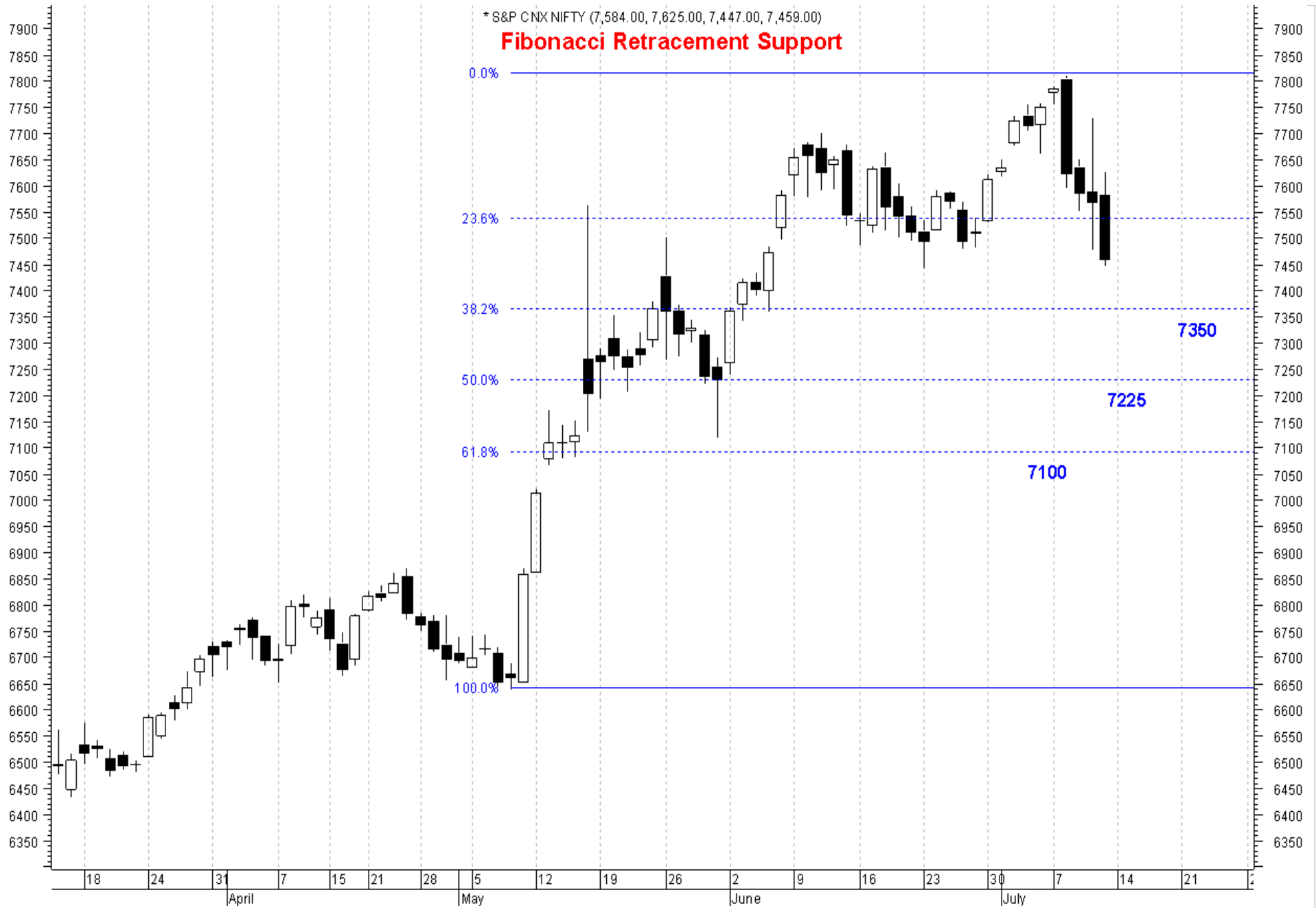
Current Market Scenario

* S&P CNX NIFTY (7,683.00, 7,732.00, 7,677.00, 7,725.00), On Balance Volume (89,287,704,576.0)

Divergence - On Balance Volumes
Market making higher tops. Volumes are making lower tops

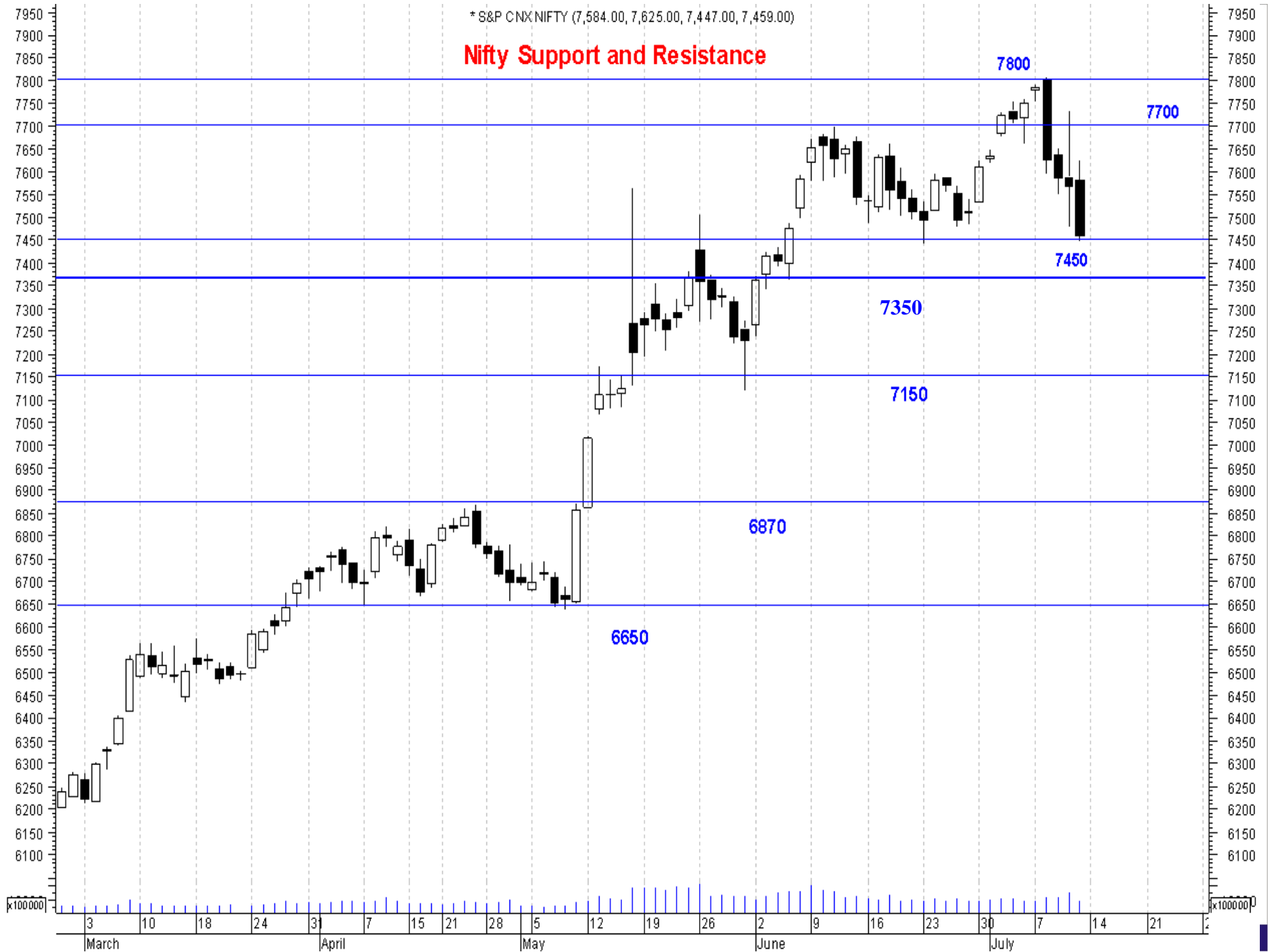






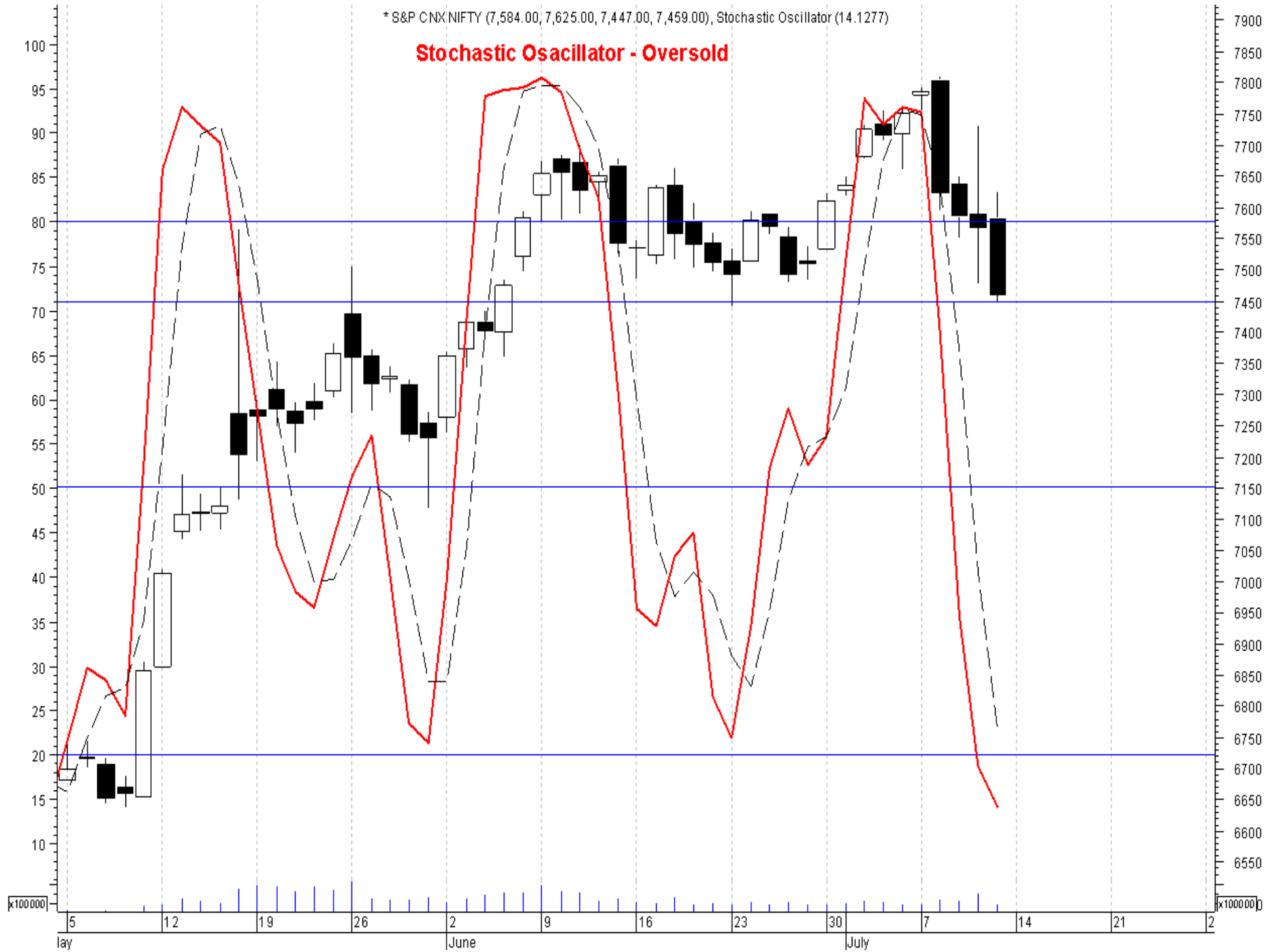
* S&P CNX NIFTY (7,584.00, 7,625.00, 7,447.00, 7,459.00)

Nifty Support and Resistance



* S&P CNXNIFTY (7,584.00, 7,625.00, 7,447.00, 7,459.00), Stochastic Oscillator (14.1277)

Stochastic Oscillator - Oversold



Profit Booking Pulls Down Market

- Bulls are tired and looking for triggers
- Individual stocks to react on results
- Overall market performance from now depends on Government action
- Global markets are stable

INDEX WATCH

INDEX	July 12	June 14	% Change
Nifty	7459	7542	- 1.1
Sensex	25024	25228	- 0.8
CNX Midcap	10495	10648	- 1.4
BSE Small Cap	9688	9674	- 0.1

Sector Performance – First Half ‘14

Sector Indices	% Change
BSE Cap Goods	57.8
BSE Cons Dur	52.3
BSE PSU	46.0
BSE Realty	44.9
BSE Bankex	34.4
BSE Auto	24.3
BSE Healthcare	15.0
BSE Infotech	2.9
BSE FMCG	1.6

Global Markets YTD Performance

Country	Return %
India	20.0
Philippines	16.9
Thailand	16.8
Taiwan	10.2
Nasdaq	5.2
USA	2.0
Germany	1.1
France	0.1
Hong Kong	-0.3
UK	-1.1
China	-3.3

FII Activity

2014	Equity \$ Bn
Jan	0.1
Feb	0.2
March	3.3
April	1.6
May	2.3
June	2.3
July 10	1.1
Total	11.0

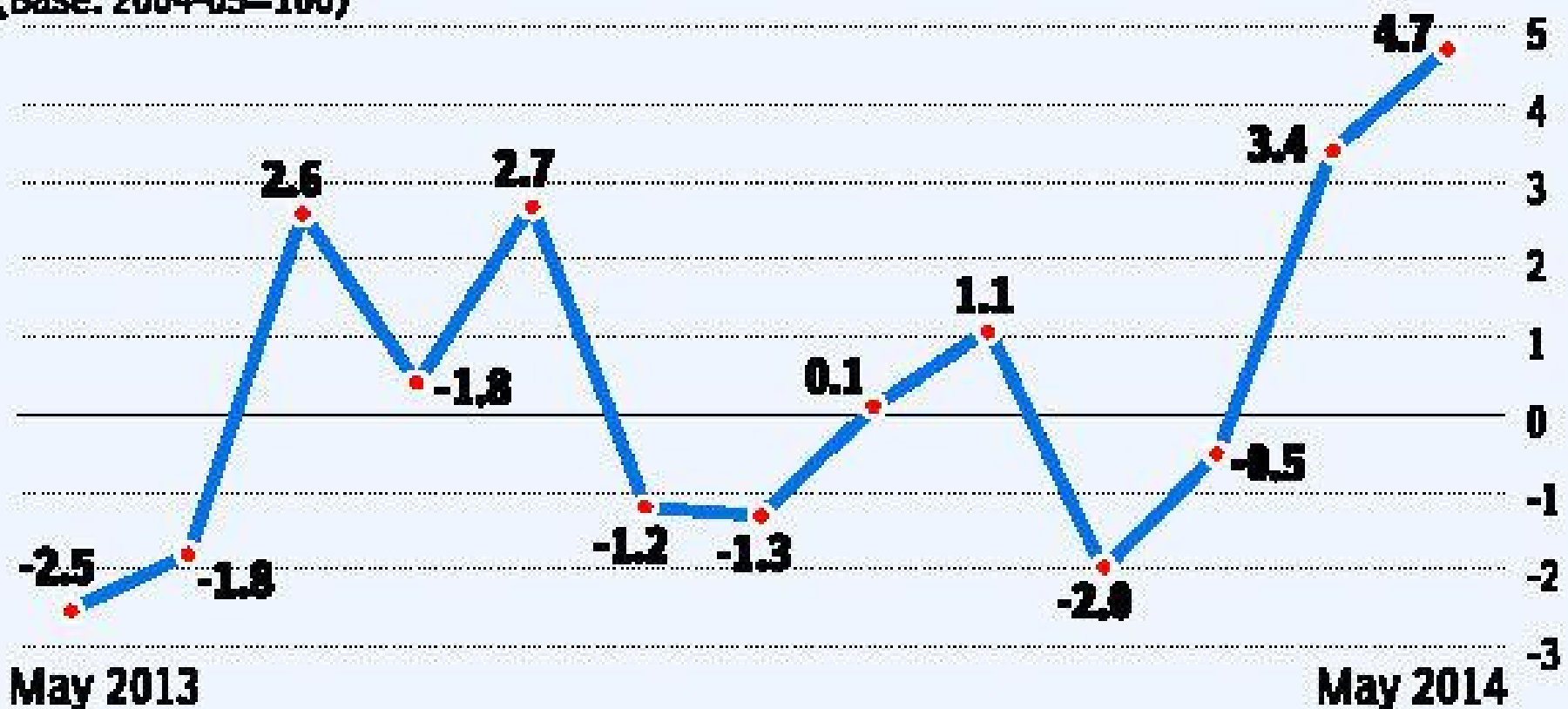
IIP Growth at 19-Month High

Powering up

Index of Industrial Production for May 2014

(Base: 2004-05=100)

Growth In %



Source: Ministry of Statistics and Programme Implementation

June Auto Sales

No. of Units Sold

Segment	June '14	June '13	% Change
Two Wheelers	12,61,589	11,16,538	12.9
Three Wheelers	38,714	47,348	23.2
Passenger Cars	2,18,828	1,96,726	11.2
Commercial Veh.	51,119	56,194	-9.0

Monsoon Remains A Concern

All India Area Weighted Rainfall in mm

Actual	Normal	% Deviation
102.6	180.6	- 43

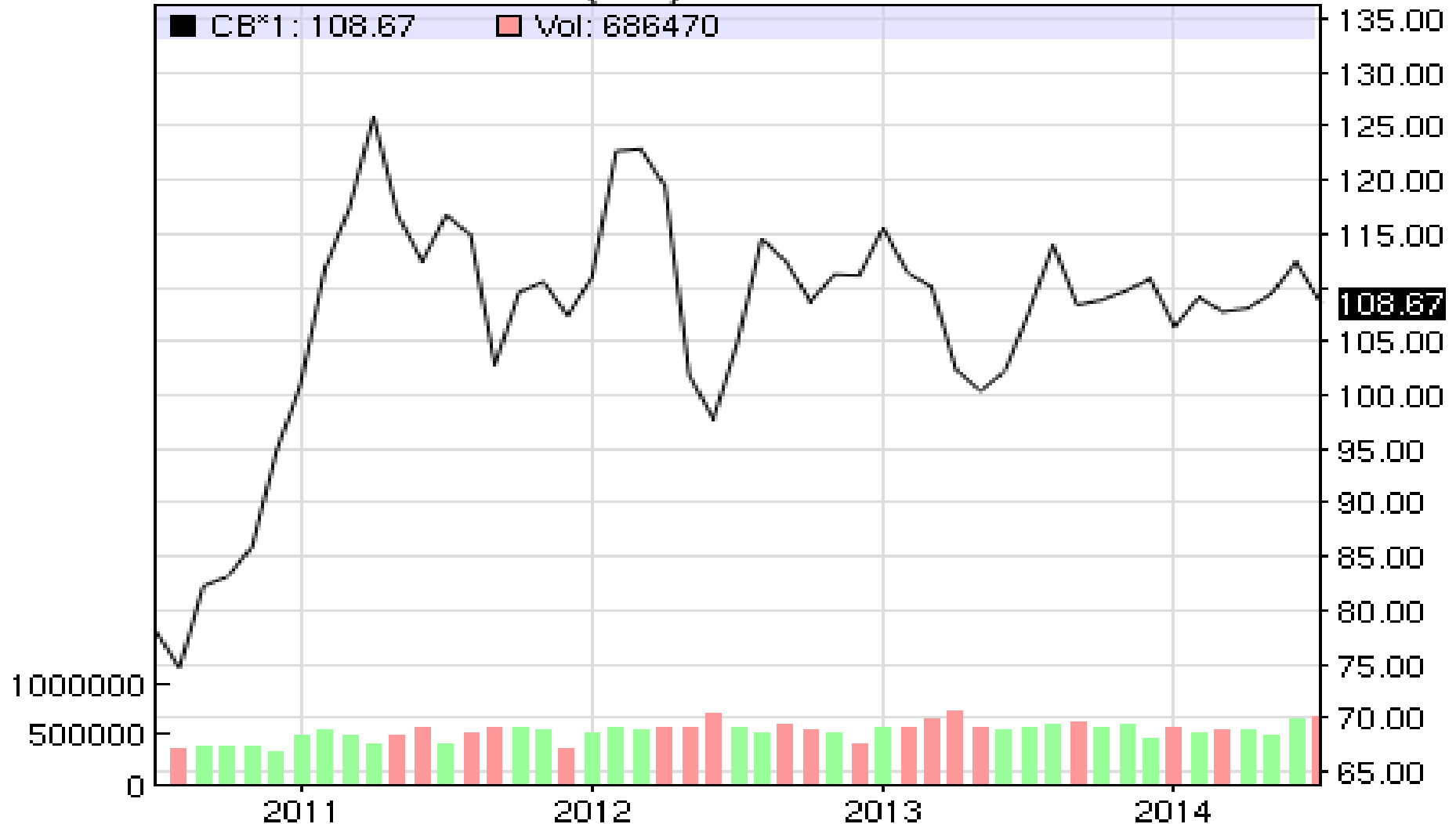
Period 1 June – 2 July

Deficient Across India

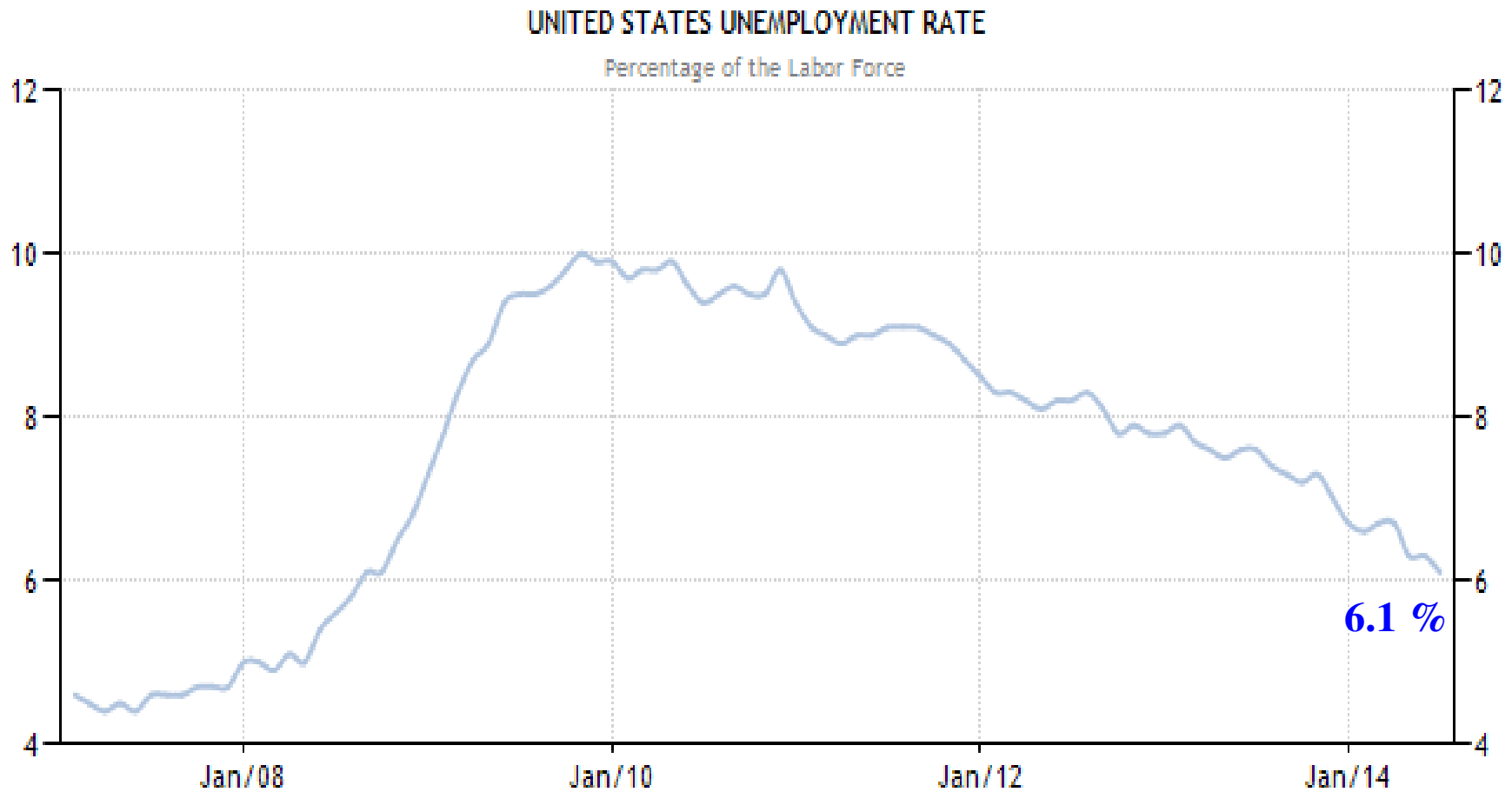
No. of SubDivisions	Till July 2 2014	Till July 3 2013
Excess	0	21
Normal	5	11
Scanty and Deficient	31	4

Will Iraq Crisis Impact Crude Oil Prices

CBQ10 - Crude Oil Brent (ICE)



US Unemployment Rate Coming Down



SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

Events and Data to Watch

- Q1 Results
- Monsoon
- Government Action

Thank You