



# Latin Manharlal





## BUDGET 2015... OVERVIEW

The Budget 2015-announced by the Finance Minister is in line with our expectations, but providing a clear roadmap. While the big ticket investments needed to revive growth have been limited by the need to keep the fiscal deficit roadmap on course, there are major changes in taxation and other areas that are truly reformist. The big changes are for business: not only has FM promised a reduction in the top tax rate to 25 % in four years from current 30 %, but he has simultaneously promised to reduce the major tax breaks.

### The middle class and aam aadmi tax relief

The FM has focused on showering small benefits to the aam aadmi and the rural poor. The income-tax exemption limit remains as before at Rs 2.5 lakh, but deductions for medical spends, pension savings and travel have been increased to provide relief. The tax exemption reductions will however come only from next year, ie 2016-17.

**Note** - No change in Tax slabs from last year

| <b>PERSONAL TAXATION</b>            |        |  |        |
|-------------------------------------|--------|--|--------|
| <u>General tax payers and Women</u> |        | <u>For Senior Citizens &gt;60 years but &lt;80 years</u> |        |
| 0 to 250000                         | No tax | 0 to 300000  | No tax |
| 250001 to 500000                    | 10%    | 300001 to 500000   | 10%    |
| 500001 to 1000000                   | 20%    | 500001 to 1000000  | 20%    |
| Above 1000000                       | 30%    | Above 1000000  | 30%    |

## UNION BUDGET 2015-16



| <b><u>For Super Senior Citizens above 80 years.</u></b> |        |
|---|--------|
| 0 to 500000   | No tax |
| 500001 to 1000000                                       | 20%    |
| Above 1000000   | 30%    |

| <b><u>Tax Exemptions</u></b>                                   | <b><u>Proposed</u></b> | <b><u>Current</u></b> |
|--|------------------------|-----------------------|
| <b>Health insurance premium (sec 80D)</b>                      | 25000                  | 15000                 |
| <b>Health insurance premium (senior citizens) (sec 80D)</b>    | 30000                  | 20000                 |
| <b>Medical exp. allowance to senior citizens &gt; 80 years</b> | 30000                  | 0                     |
| <b>Additional deduction for pension schemes ) (sec 80CCD)</b>  | 50000                  | 0                     |
| <b>Travel allowance per month</b>                              | 1600                   | 800                   |
| <b>Wealth Tax</b>  | 0                      | 2%                    |

### **Tax proposals, attack on black money**

Goods and services tax (GST) timeline is for next year i.e. FY2016.

Corporate tax to be reduce 25 % in four years from current 30 %, which is a big move

A bankruptcy law matching global standards will be introduced in FY16. Black money reduction efforts to be accelerated. 300 %



penalties for hiding taxes. Tax returns will need to declare operation of foreign accounts. Assets located abroad, if located, can result in confiscation of assets at home. Mr. FM wants to make India a cashless society, which means more card usage.

### **Benami Property laws to be strengthened, including jail.**

PAN to be quoted for any purchases or sales above Rs 1 lakh. Reporting of cash transactions to be tightened.

New General Anti-Avoidance Rules (GAAR) to be implemented from 1 April 2017. A revamped MNREGA scheme will get Rs 5,000 crores more.

### **Fillip to Entrepreneurship and Startups**

Small enterprises run by entrepreneurs at the bottom of the pyramid, will now get a refinance agencies called Mudra Bank. This will help Dalit entrepreneurship, among others. Start-ups to also get a boost, especially in IT. Government establishes incubation and facilitation programme for start-ups in technology. Rs 1,000 crores allotted.

### **Monetizing Gold**

Gold monetization scheme to allow the depositors of gold to earn interest in their metal accounts and the jewellers to obtain loans in their metal account. This can help to reduce gold imports and hence benefit the current account deficit.

Sovereign Gold Bond, as an alternative to purchasing metal gold scheme to be developed. Mr FM introduced Indian gold coin with Ashoka Chakra that will help recycle local gold and cut overseas gold demand. Going by the previous experiences on the gold monetization scheme, it seems very difficult for Indians to part with their gold.

### **Fiscal Deficit**

After announcing that the fiscal deficit target of 4.1 % will be met in 2014-15, but he will ease it for the next three years in order to speed up public investment. The 3 % target will thus be met in three years instead of two.

### **Social agenda**

FM is listing the social agenda ahead, including housing for all and eliminating absolute poverty. 24-hours power, and rural road connectivity. Medical facilities in each village. Primary and middle schools to be upgraded by the thousands.



## **Clubbed FDI and FPI**

FM introduced fungibility by clubbing both FDI and FPI. So there will be more room for FIIs to buy further in banks. This will enable banks to raise additional equity capital from multiple sources and will immensely help in boosting the 'Invest in India' agenda

## **Achievements of NDA Government**

FM lists three achievements of the NDA government. One is the Jan Dhan financial inclusion bank. The other is coal auctions, which has ensured transparency in auctions without cronyism. And third, the launch of Swachh Bharat.

## **CONCLUSION:**

Proposing to overhaul capital gains taxes to make way for the listing of Real Estate Investment Trusts(REITs) is a vital step forward for the setting up REITs in the country. Government marginally hiked excise duty from 12.36% to 12.5% and service tax from 12.36% to 14%.

The main theme of the budget is the focus on public investment in infra. This should result in a higher GDP growth. As inflation eases, RBI can cut interest rates to support the economy.

## ***2 questions that still hover our mind are :***

Question : Has the budget done anything that would hurt the stock markets?

Answer: Absolutely No.

Question : Has the budget done anything great on big reforms front?

Answer: No, but direction is clear for further liberalization



**BUDGET AT A GLANCE**

(करोड़ रुपए) (In crore of Rupees)

|  | 2013-2014<br>वास्तविक<br>Actuals | 2014-2015<br>बजट<br>अनुमान<br>Budget<br>Estimates | 2014-2015<br>संशोधित<br>अनुमान<br>Revised<br>Estimates | 2015-2016<br>बजट<br>अनुमान<br>Budget<br>Estimates |
|--|----------------------------------|---|--|---|
| <b>1. Revenue Receipts</b>                     | <b>1014724</b>                   | <b>1189763</b>                                    | <b>1126294</b>   | <b>1141575</b>                                    |
| 2. Tax Revenue<br>(net to centre)              | 815854                           | 977258  | 908463   | 919842  |
| 3. Non-Tax Revenue                             | 198870                           | 212505  | 217831   | 221733  |
| <b>4. Capital Receipts (5+6+7)<sup>5</sup></b> | <b>544723</b>                    | <b>605129</b>                                     | <b>554864</b>  | <b>635902</b>                                     |
| 5. Recoveries of Loans                         | 12497                            | 10527   | 10886  | 10753   |
| 6. Other Receipts                              | 29368                            | 63425   | 31350  | 69500   |
| 7. Borrowings and other<br>liabilities *       | 502858                           | 531177  | 512628   | 555649  |
| <b>8. Total Receipts (1+4)<sup>5</sup></b>     | <b>1559447</b>                   | <b>1794892</b>                                    | <b>1681158</b>   | <b>1777477</b>                                    |
| <b>9. Non-Plan Expenditure</b>                 | <b>1106120</b>                   | <b>1219892</b>                                    | <b>1213224</b>   | <b>1312200</b>                                    |
| 10. On Revenue Account<br>of which,            | 1019040                          | 1114609   | 1121897  | 1206027   |
| 11. Interest Payments                          | 374254                           | 427011  | 411354   | 456145  |
| 12. On Capital Account                         | 87080                            | 105283  | 91327  | 106173  |
| <b>13. Plan Expenditure</b>                    | <b>453327</b>                    | <b>575000</b>                                     | <b>467934</b>  | <b>465277</b>                                     |
| 14. On Revenue Account                         | 352732                           | 453503  | 366883   | 330020  |
| 15. On Capital Account                         | 100595                           | 121497  | 101051   | 135257  |

...continued on next page

## UNION BUDGET 2015-16



|   |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| <b>16. Total Expenditure (9+13)</b>                       | <b>1559447</b> | <b>1794892</b> | <b>1681158</b> | <b>1777477</b> |
| 17. Revenue Expenditure<br>(10+14)                        | 1371772        | 1568111        | 1488780        | 1536047        |
| 18. Of Which, Grants for<br>creation of Capital<br>Assets | 129418         | 168104         | 131898         | 110551         |
| 19. Capital Expenditure<br>(12+15)                        | 187675         | 226781         | 192378         | 241430         |
| <b>20. Revenue Deficit (17-1)</b>                         | <b>357048</b>  | <b>378348</b>  | <b>362486</b>  | <b>394472</b>  |
|   | <b>(3.1)</b>   | <b>(2.9)</b>   | <b>(2.9)</b>   | <b>(2.8)</b>   |
| <b>21. Effective Revenue<br/>Deficit (20-18)</b>          | <b>227630</b>  | <b>210244</b>  | <b>230588</b>  | <b>283921</b>  |
|   | <b>(2.0)</b>   | <b>(1.6)</b>   | <b>(1.8)</b>   | <b>(2.0)</b>   |
| <b>22. Fiscal Deficit<br/>{16-(1+5+6)}</b>                | <b>502858</b>  | <b>531177</b>  | <b>512628</b>  | <b>555649</b>  |
|   | <b>(4.4)</b>   | <b>(4.1)</b>   | <b>(4.1)</b>   | <b>(3.9)</b>   |
| <b>23. Primary Deficit (22-11)</b>                        | <b>128604</b>  | <b>104166</b>  | <b>101274</b>  | <b>99504</b>   |
|   | <b>(1.1)</b>   | <b>(0.8)</b>   | <b>(0.8)</b>   | <b>(0.7)</b>   |

UNION BUDGET 2015-16



---

# SECTOR- WISE PROPOSALS & IMPACT

## UNION BUDGET 2015-16



### AUTO

| Proposal   | Key Beneficiaries   |
|--|---|
| Government to allocate Rs 75 cr for electric vehicles and excise duty waived on electric & hybrid vehicles                   | Positive for Electrotherm India, M&M                            |
| Government. hiked in customs duty from 10 percent to 40 percent for commercial vehicles (remains at 10 percent for CKD kits) | Imports of CV's is not major, so this will not affect companies |
| Excise duty on ambulance chassis approximately halved from 24% to 12%  | Positive for Force Motors as it is the major player             |

### BANKING AND FINANCIAL SERVICES

| Proposal   | Key Beneficiaries  |
|--|--|
| NBFCs with size of over Rs 500 cr will get access to SARFAESI Act                                    | Positive for NBFC's who are in mortgages and corporate loans like Shriram Transport finance, Sundaram finance, IDFC, Bajaj Finance, Srei Infrastructure Finance, L&T finance   |
| Setting up of Micro Units Development Refinance Agency or Mudra Bank with a corpus of 20,000 crores. | The new bank will refinance loans of microfinance companies at a lower rate. This will result in a lower rate for MSME borrowers and hence increase in credit demand.<br>Positive for SKS Microfinance, Manappuram Finance, SE Investments |

## UNION BUDGET 2015-16



|  |  |
|--|--|
| Credit demand in infra as investment in infra to go up by Rs 70,000 crores   | Positive for SBI, Axis bank, ICICI, PNB , BOB  |
| Finance Minister announced a slew of low-cost pension and insurance schemes, including Atal Pension Yojana and Universal Social Security scheme. Besides, the government proposes to launch PM Suraksha Bima Yojana to increase the access to insurance. | Positive for Max India, Bajaj Finserv  |
| Government to do away with differentiating between FII and FDI investors which will create pace for FII and FPI to buy into banks mainly private sector  | Very Positive for Axis bank, Yes bank, Indusind bank, ICICI bank, Kotak Mahindra bank  |
| Government proposed to merge FMC with SEBI   | Big Positive for MCX as the facilities which MCX do not have current can now enjoy facilities and streamlined actions can be taken against any irregularities, which will generate confidence for the investors. |

## UNION BUDGET 2015-16



### INFRASTRUCTURE, ENGINEERING, CONSTRUCTION AND CAPITAL GOODS

| Proposal  | Key Beneficiaries   |
|---|---|
| Freight Rate Hiked For Cement, Coal & Iron & Steel  | Negative for Ultratech, Ambuja, ACC, Shree cement.  |
| Government to see 6 crores units of rural & urban housing by 2020 - 4 crores in rural and 2 crores in urban and also housing for all by 2022.   | This would be negative for the realty players there would be a sharp rise in the supply, impacting the pricing power. Going forward, the profitability of these companies will remain under pressure.<br>Some of the companies which operate at low ticket size include - Ashiana housing, Mahindra Lifespace, Sobha developers, Prestige Estate and Purvankara. Positive for paint companies like Asian paints, Berger Paints , Akzo Noble |
| Housing for all would indirectly benefit Housing Finance companies  | Positive for LIC Housing Fin, HDFC, Canfin homes, Repco home finance, Gruh finance  |
| Government says will need to build additional 1 lakh km of roads, road outlays to increase by Rs 14,031 cr in FY16 and investment in infra to go up by Rs 70,000 crores and Government will establish national infra fund, to allocate Rs 20,000 crores | Positive for IRB Infra, J.Kumar infra, KNR Constr, Ashoka Buildcon, Sadbhav Engineering   |
| Government to allocate Rs 25,000 cr for rural infrastructure and also will provide Rs 5300 cr to support micro irrigation   | Positive for Supreme Ind, Jain Irrigation, Astral Polytech.   |
| Import tax on met coke increased to 5% from 2.5% and special additional duty on iron, steel scrap cut by 2%   | Positive for Star Ferro and Cement  |
|   |   |

## UNION BUDGET 2015-16



|   |  |
|---|--|
| The budget mentioned encouraging REITs by providing partial pass through. This could unlock funds for several companies which are already struggling with high debt and weak cash flows.      | Positive for HDIL, Indiabulls real estate, Godrej properties   |
| The government has proposed to set up a Rs 20,000 crores fund to finance infrastructure projects and permit debt-free bonds in rail, road and irrigation sectors and to spend Rs 96,182 Cr on | Positive for ABB, BHEL, Adani ports, L&T, Bharat Electronics and Alsom T&D                                       |
| Service tax will be exempted from Water Treatment, Sewage Treatment and Water Supply and also proposed cleaning of Ganga.   | Positive for companies like Va Tech Wabag, Ion Exchange as revenues will increase for water management companies |
| The central government will achieve the target of building six crores toilets across the country under the Swachh Bharat Abhiyan  | Positive for sanitaryware and ceramics companies like Cera Sanitaryware, HSIL, Kajaria Ceramics, Somany ceramics |

### CHEMICALS

| Proposal                                     | Key Beneficiaries   |
|--|---|
| Government proposes housing for all by 2022. | Positive for adhesives companies like Pidilite Industries |

## UNION BUDGET 2015-16



### CONSUMER GOODS - FOOD AND BEVERAGES AND CONSUMER NON-DURABLES

| Proposal  | Key Beneficiaries   |
|---|---|
| Excise duty on mineral water & aerated drinks increased to 18%              | Negative for Tata global beverages, Mount Everest mineral water   |
| Reduction in the corporate tax rate from 30% to 25% over 4 year time frame. | Positive for most of the Consumer companies who pay 30% currently |

### IT AND EDUCATION

| Proposal   | Key Beneficiaries                                    |
|--|--|
| Government to launch a National Skills Mission to enhance employability of rural youth   | Positive for Tree house, NIIT                        |
| Fee for technical services rate reduced from 25% to 10% and also government proposed to reduce corporate tax to 25 percent from 30 percent over the next four years. | Positive for TCS, Infosys, Wipro, Persistent Systems |

## UNION BUDGET 2015-16



### MEDIA AND ENTERTAINMENT

| Proposal  | Key Beneficiaries   |
|---|---|
| Entertainment sector removed from service tax negative list | Positive for Sun TV, Dish TV , Zee entertainment  |
| GST is to be implemented in April 2016, next year           | Very positive for DTH companies like Sun TV, Dish TV , Zee entertainment and as well as multiplex companies like PVR, Inox Leisure. |

### MANUFACTURING

| Proposal  | Key Beneficiaries                 |
|---|-----------------------------------|
| GST will be implemented from April 2016   | Very much positive for the sector |
| Proposed cut in the corporate tax rate to 25 per cent in phased manner over next four years | Very much positive for the sector |
| Deferment of GAAR by two years to enhance ease of doing business in India                   | Very much positive for the sector |

**UNION BUDGET 2015-16****METALS AND MINING**

| Proposal   | Key Beneficiaries  |
|--|--|
| The government has hiked tariff rate of customs on iron, steel products to 15 per cent | Positive for Tata steel, JSW Steel, JSPL and SAIL                            |
| The government plans to sell stake in Hindustan Zinc and BALCO.                        | Positive for Sesa Sterlite, which owns 64.9 per cent stake in Hindustan Zinc |
| Clean energy cess on coal increased from Rs. 100 per tonne to Rs, 200 per tonne        | No impact on Coal India since it will be passed to the consumers             |

**OIL AND GAS**

| Proposal   | Key Beneficiaries  |
|--|--|
| Oil subsidy provision for FY16 announced at RS. 30000 Crores | Positive as provision came higher. So, positive for companies like for ONGC, Oil India, HPCL, BPCL |



### PHARMA AND HEALTHCARE

| Proposal  | Key Beneficiaries   |
|---|---|
| Basic Customs Duty and CVD is being fully exempted on artificial heart                  | Positive for the sector   |
| Increase in Tax deduction limit by extending health cover and boosting health insurance | Positive for the sector as this will increase revenue for hospitals particularly like Apollo Hospitals, Kovai Medical, Fortis Healthcare, Indraprastha Medical Corporation as this will reduce expenses of the common man |
| No announcement of funding into Research and Development                                | Negative for the sector as it was widely expected   |

### POWER AND ENERGY

| Proposal  | Key Beneficiaries                                       |
|---|---|
| Government to set up 5 ultra mega power projects  | Positive for Bhel, L&T, Thermax, Alstom India           |
| Government will target to put up projects worth 60,000 MW under Wind Power and 1000 MW Of Solar Plants To Be Set Up On Railway/Pvt Land | Positive for Suzlon                                     |
| Government to increase target of renewable power to 1,75,000 MW   | Positive for Suzlon, BHEL, Alstom India, Swelect Energy |

UNION BUDGET 2015-16



**RETAIL**

| Proposal  | Key Beneficiaries   |
|---|---|
| To introduce gold monetization scheme and introduce Indian-made gold coins to reduce demand for foreign coins. This can help to reduce gold imports and hence benefit the current account deficit | Positive for Titan, Rajesh exports, PC Jeweler, TBZ   |
| Government reduces excise duty on leather footwear to 6% from 12%   | Positive for footwear companies like Bata, Liberty shoes, Relaxo footwear   |
| Increase in the service tax from 12.36% to 14%  | This can be seen as negative for retail companies like Shoppers Stop, Future Retail, and jewellery companies like Titan, Rajesh Exports, PC Jeweller, TBZ as they have to bear the increased service tax. |

**SHIPPING AND LOGISTICS**

| Proposal  | Key Beneficiaries   |
|---|---|
| GST to be implemented from next year  | Negative for companies like Allcargo logistics, Container corporation, Gati, Bluedart |
| Government gave grant of RS. 230 crores to Inland Water Transport Authority of India. | Positive for the sector.  |

**TELECOMMUNICATION**

| Proposal   | Key Beneficiaries   |
|--|---|
| Government reduces royalty rates in telecommunication services | Positive for Idea cellular, Rcom, Bharti Airtel   |
| Increase in the service tax from 12.36% to 14%                 | Negative for telecom companies like Bharti Airtel, Tata Teleservices, Rel Communication as the end consumers will now have to pay more charges, which can also lower talk time usage. |

**TOBACCO**

| Proposal   | Key Beneficiaries   |
|--|---|
| Excise duty on tobacco increased to Rs 70/kg from Rs 60/kg and excise duty on cigarettes increased by 25% for sub-65 mm cigarettes and also hiked excise duty on cigarettes of other lengths by 15 per cent. | Negative for cigarette companies like ITC, VST, Godrey Phillips |


**MISCELLANEOUS**

| Proposal   | Key Beneficiaries  |
|--|--|
| Government to increase Visa on arrivals to 150 countries   | Positive for tourism companies like Tourism Finance, Cox and Kings, Thomas Cook, ITHL and will also benefit hotels like EIH, Indian Hotels   |
| Government allocated Rs 2.47 lakh crores for defence equipment in FY16 and the proportion of capital expenditure in total defence increased to 38.3% | Positive for the defence sector mainly large companies like BEL, L&T and also Positive for Bharat forge, Centum electronics, Mahindra CIE and Ramkrishna forgings as these are component suppliers, who are the indirect beneficiaries |
| The government has hiked service Tax of 2.4 per cent for non-economy class air travel.   | Negative for airline companies like Jet Airways, Spicejet  |
| Government to permit debt-free bonds in rail, road and irrigation sectors  | Positive for Credit rating agencies like Care, Crisil, ICRA as they will generate revenues as the bond issuances come  |
| Basic custom duty on Sulphuric acid for manufacturing fertilizers is reduced from 7.5% to 5%   | Positive for Kaveri Seeds, Monsanto India, Bayer Crop science as they will have to pay now lower for imports of Sulphuric acid which is a raw material for them  |



**Disclosures:**

- (a) The research analyst or research entity or his/their associates or his/their relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company or any financial interest in the subject company.
- (b) The research analyst or research entity or his/their associates or his/their relatives do not have any other material conflict of interest at the time of publication of the research report or at the time of public appearance.
- (c) The research analyst or research entity or its associates have not received any compensation for investment banking or merchant banking or brokerage services nor received any compensation for products or services from the subject company in the past twelve months.
- (d) The research analyst or research entity or its associates have not received any other benefits from the subject company or third party in connection with the research report.
- (e) The subject company is not or was not a client during twelve months preceding the date of distribution of the research report and the types of services provided by the research analyst or research entity or his/their associates or his/their relatives.
- (f) The research analyst has not served as an officer, director or employee of the subject company.
- (g) The research analyst or research entity has not been engaged in market making activity for the subject company.



**Disclaimer:-**

This report has been prepared by Latin Manharlal Securities Pvt Ltd .

The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only.

Latin Manharlal Securities Pvt Ltd. may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments. Latin Manharlal Securities Pvt Ltd., its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

Neither Latin Manharlal Securities Pvt Ltd. nor any of its employees shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material

Registered Office: 124 Viraj, S,V.Road, Khar (W), Mumbai 400 052.

Tel. (022) 4082 4082, Fax (022) 2649 7997. [research@lmspl.com](mailto:research@lmspl.com) [www.latinmanharlal.com](http://www.latinmanharlal.com),

LMSPL Network: Fort, Mahalaxmi, Parel, Bandra, Santacruz, Vile Parle, Andheri, Malad, Kandivili, Borivali, Bhayender, Ghatkopar, Mulund, Chunabhatti, Jacob Circle, Masjid Bunder, Cotton Green, Thane, Bhiwandi, Panvel, Pune, Sholapur, Nasik, Malegoan, Ahmednagar, Aurangabad, Akola, Mahekar, Nagpur, Surat, Karjan(Baroda), Khambhat, Ahmedabad, Rajkot, Surendranagar, Porbandar, Amreli, Bharuch, Anand, Chennai, Vishakhapatnam, Vizianagaram, Palasa, Kakinada, Karnal, Kolkatta, Bhubhaneshwar, Hyderabad, Bangalore, Jafrabad, Chital, Kodinar, Keshod, Gondal, Haryana, Srikakulam, Mehkar (Buldhana, Jamnagar, Bangalore, Jodhpur, Jalgaon, Malkangiri (Orissa), Karimnagar Dist. (Andhra Pradesh).



---

**THANK YOU**