

BUDGET 2010

ORANGE
FLASH



Fiscal situation and the stimulus roll back were the two most important elements being watched for, in the Finance Minister's speech.

Not only were both these issues addressed emphatically but the commitment for the tax reforms a.k.a. GST and DTC were also reemphasized. The fiscal prudence requirement was well articulated, backed by a roadmap of the next three years. The FM has laid out a fiscal deficit estimate of 5.5%, 4.8%, and 4.1% for FY10, FY11 & FY12 respectively.

This also translates into government net borrowing for the financial year at Rs 3.45 trillion which is below the market expectations thus having a positive rub off on the equity as well as the bond market.

Introduction of GST and DTC from April 2011 was re stated paving the way for reforms continuity and long term growth of the country through increased efficiency.

All this was achieved without burdening the industry with steep tax hikes. On the contrary, the roll back in

stimulus was partial with a 2% hike across the board, service tax left untouched, increasing money in the hands of individuals by raising the income tax slabs, reducing the surcharge on corporate tax from 10% to 7.5% etc.

The major money flow is estimated from disinvestment and 3G auction pegged at Rs 75,000 crore. The major tax hikes proposed were, hike in MAT rate from 15% to 18%, increase in excise duty by Rs 1/- on Petrol and Diesel and excise hike on cigarettes.

Most of the measures announced in the direct and indirect taxes leads to synchronization with the GST and the DTC expected to be implemented in the next Financial Year.

Social thrust continued with increased allocation to the various social schemes like NREGA , rural development etc.



INVESTMENT MANAGEMENT

www.ingim.co.in

ING



Budget Impact on the Quant Portfolios

At a sectoral level the budgetary impact was neutral to positive for most of the sectors as the excise duty was hiked by 2% across the board. There was some expectation of a hike higher than that announced and hence it was not only a relief but a sentiment booster.

The most negatively impacted sector was Tobacco and cigarettes which witnessed a steep rise in excise duty in some category of cigarettes.

The increase in the MAT rate would impact companies selectively & particularly, for those paying income tax less than the MAT rate. Most of the construction companies and a few pharma companies would get impacted. However, thrust on infrastructure, increased allocation to road development and healthcare and increased R&D deduction to companies would not only mitigate the negative impact of MAT but would have a positive impact on the sector in general.

ING India BSE-200 Quant Equity Portfolio

The ING India BSE-200 Quant Equity Portfolio is significantly overweight in IT, Pharma and Auto. It is also reasonably exposed to Metals, Financials, Oil, Gas and consumer goods.

Our exposure in Auto is the biggest beneficiary of the budget announcements. The sector definitely had a positive impact and our stocks also had a positive impact of the announcement as the excise duty on diesel vehicles was not hiked.

The pharma exposure benefits from the increased deductions on the R&D expenditure. Some stocks in the segment may be impacted negatively on account of increase in MAT rates. Majority of the pharma exposure in our portfolio benefits from the announcement and is out of the ambit of MAT, except for a small exposure which would have some negative impact. Overall, the impact should be positive on the pharma exposure.

IT sector exposure should have a neutral impact from the budget announcement as there was no direct announcement related to the sector. However, focus and thrust by the FM on developing technological platforms for various social initiatives like UID and reforms like GST could increase the domestic IT spend.

The FM indicated issue of Banking license to some NBFCs in the next financial Year. He also announced increasing capitalization of PSU Banks. Also the interest rate subsidy extension (housing finance upto Rs 10 lakhs for a property value of Rs 20 lakhs) bodes well for the housing finance companies. We have a balance exposure in PSU and Private banks. The overall impact is positive for our exposure in the Portfolio.

Metal exposure is neutrally impacted.

Oil and Gas exposure is restricted to domestic OMCs. The payment of subsidy in cash should have a positive impact. Increase in MAT would have a negative impact on the private crude producers where our exposure is nil.

The consumer sector exposure in the portfolio has a neutral to slightly positive impact. There were no direct announcements pertaining to this sector. However, increased social and rural development allocation and increase in disposable income on the back of increased income tax slab should lead to robust consumption.



INVESTMENT MANAGEMENT



www.ingim.co.in

ING Investment Management (India) Private Limited is registered with SEBI as a Portfolio Manager ("Portfolio Manager").

RISK FACTORS: This Document is for information purpose only. This Document and the Information do not constitute a distribution, an endorsement, an investment advice, an offer to buy or sell or the solicitation of an offer to buy or sell any securities/schemes or any other financial products/investment products (collectively "Products") mentioned in this Document or an attempt to influence the opinion or behavior of the Investors/Recipients. Any use of the Information / any investments and investment related decisions of the Investors/Recipients are at their sole discretion & risk. This Document has been prepared on the basis of information, which may be already available in publicly accessible media. Under no circumstances should this information or any part of it be copied, reproduced or redistributed.

Please read the Disclosure Document carefully before investing. Investments in Portfolio Management Products are subject to market risks due to various micro and macro factors and forces affecting the capital markets which include price fluctuation risks. There is no assurance or guarantee/warranty that the objectives of any of the Products will be achieved. The investments may not be suited to all categories of Investors/Recipients. As with any investment in any securities, the value of the portfolio under any Scheme / Product can go up or down depending on the factors and forces affecting the capital market. The investment objective of the ING India BSE-200 Quant Equity Portfolio is to construct an optimally focused portfolio of large and mid cap securities to significantly outperform BSE-200 with the risk lesser than the benchmark (BSE-200). ING India BSE-200 Quant Equity Portfolio is only the name of the Portfolio Management Scheme and does not in any manner indicate either the quality of the Scheme or its future prospects and returns. The past performance of the Portfolio Manager and/or its affiliates is not indicative of future performance. Investors/Recipients are not being offered any guaranteed or assured returns. Derivatives/Futures and Options products may be affected by various risks including, but not limited to counterparty risk, market risk, valuation risk, liquidity risks and basis risks. The use of a Derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Investors/Recipients must make their own investment decisions based on their own specific investment objectives, their financial position and using such independent professional advisors, as they believe necessary, before investing in such Products. The Portfolio Manager, its affiliates/associates, their directors, employees, representatives or agents shall not be liable or responsible, in any manner whatsoever, to any Investor/Recipient or any other person, for the performance/profitability/operations of the Schemes/Products (incl. any offshore funds), the contents of any document or any investments in the Schemes/Products including any and all direct, special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

ING India BSE-200 Quant Equity Portfolio is not sponsored, endorsed, sold or promoted by Bombay Stock Exchange Limited ("BSE"). The relationship of BSE towards ING Investment Management (India) Private Limited ("Portfolio Manager") is only in respect of the licensing of use of the Trademark "BSE-200" which is determined, composed and calculated by BSE without regard to the Portfolio Manager or ING India BSE-200 Quant Portfolio. Kindly refer to the Disclosure Document for the detailed warranties & disclaimers. Any change or amendment to this Disclaimer altering any of the provisions may be made at the sole discretion of BSE.



email: advisor@in.ing.com