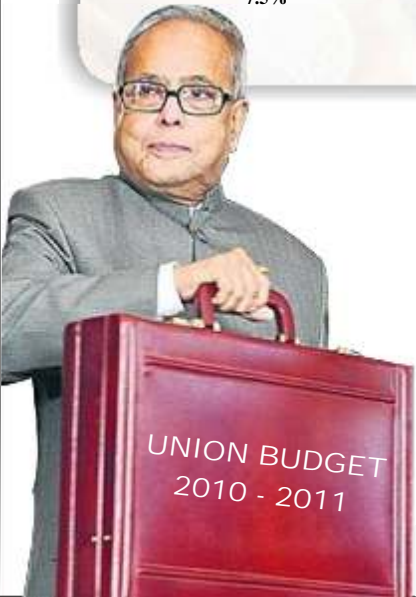


# UNION BUDGET

2011



Budget proposed additional banking license to NBFC

Minimum alternate tax up from 15% to 18%.

Income up to 8 Lakhs will attract only 20% tax leaves higher disposable income in the hands of investor.

Budget is positive on Infrastructure, Power & Banking Funds.

Infrastructure spending up at Rs. 1.73 Lakh Cr.

# Benefit from Budget 2010-11

*Sustainable development and Growth with fiscal prudence.*

*Budget has proposed reduction in tax plan making more money available for common man to increase consumption.*

**A**s we take baby steps out of receding recession and into FY 2010-11, India tackles sustainable growth with control on inflationary pressures. The Union budget for 2010-2011 presented by FM Pranab Mukherjee attempts to achieve a fine balance between sustainable development and fiscal prudence with growth. The Budget places a great thrust on technology to propagate climate resilient initiatives and ecological preservation.

## Markets give thumbs up



The equity and debt markets have responded positively to this budget which can be dubbed as populist to some extent. Overall, the budget spells positive news for sectors including Infrastructure, Agriculture, Education and Rural spending.

## Budget gives high disposable income

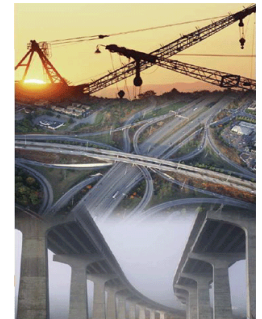
Higher disposable income at the hands of investors can be effectively channelized into high growth investment avenues including mutual funds.



Systematic investment (SIP) in the high growth equity sectors could give an edge to the investors while reducing the risk.

## Tax Saving with Infra Bonds













Additional Tax saving up to Rs 20000 can be achieved through long term investment in infrastructure bonds. This would be over and above Rs. 1 lac limit u/s 80C on saving instruments allowed already.








## Highlights:

- GDP – growth expected at 7.2% in 2009-10 and 8.5% in 2010-11
- Additional Banking License to Private players / NBFC
- Growth – Manufacturing sector grows 18.5% in Q3 FY2010
- Fiscal deficit – pegged at 6.9% for 2009-10 and 5.5% for 2010-11  
Lower rolling fiscal deficit targets for 2011-12 at 4.8% and 2012-13 at 4.1% of GDP augur well for Market.
- Disinvestment – Rs. 25000 cr to be raised by disinvestment in PSUs.
- Government borrowing – Net borrowing by government in 2010-11 is lower than expectation, standing at Rs. 3.45 lac crore. Gross borrowing stands at Rs. 4.57 trillion.
- Infrastructure thrust – Rs. 1.73 lac crore allocation to infrastructure development. This stands at 46% of the total planned allocation.
- Water resources – emphasis on rain water harvesting and eco-friendly measures
- Foreign Trade – boost to export sector by extending interest subvention on select exports, standing at 2%.
- Budget Estimates
  - *Plan Expenditure – stands at Rs. 3.73 trillion, rising 15% from previous year*
  - *Non Plan Expenditure – stands at Rs. 7.36 trillion, rising 6% from previous year*
  - *Fiscal Deficit stands at Rs. 3.81 trillion.*

Section	Parameters to look for	Actual budget announcements	Impact	↑ ↓
Equity Sectors				
Banking	Borrowing and Deficit Projection	RBI to dole out more banking licences to private players including NBFC	Positive for private banks & NBFCs	↑
		Rs. 16500 Cr Recapitalization for PSU banks	positive for PSU banks	↑
		Lower than expected borrowing for 2010-11 at Rs. 4.57 Trillion	Positive for banks	↑
Capital goods	Excise & custom duty	Customs duty on machinery exempted	Positive	↑
Infrastructure & Construction	Subsidies & allocation	Rs. 1.73 lac crore (46% of total Plan) allocation to infrastructure development.	Positive	↑
		Allocation for roads raised by 13%.	Positive	↑
		Rs. 20000 cr disbursement by IIFCL to banks lending for infrastructure projects	Positive	↑
Power	Infrastructure projects announcements & allocation	Allocation to power sector more than doubled to Rs 5,130 cr	Positive	↑
		Rs 500 crore for solar and hydro projects in Ladakh region	Positive	↑
		New Clean Energy Fund for research in new energy sources	Positive	↑
		Govt for competitive bid for coal blocks for captive power		
Cement	Excise duty	Partial rollback of excise duty on cement.	Neutral	
Real estate	Reforms	Allocation for urban development raised 75% to Rs 5,400 cr	Positive	↑
		% loan interest subdsiy for houses upto Rs 20 lakh	Positive	↑
FMCG	Excise duty	Excise duty on Non-smoking tobacco	Negative for ITC	↓
	Rural spending & employment projects	Spending on social sector increased to Rs. 1.37 trillion	Positive	↑
Auto	Stimulus roll back	Full excise cut on electric cars.	Positive	↑
		Partial rollback of duty for large cars	Positive	↑
		Weighted deduction on R&D from 150% to 200%	Positive	↑

Section	Parameters to look for	Actual budget announcements	Impact	
Information Technology	SEZ status	Hike in MAT	Negative	
	roll back of MAT	Service Tax refund simplified	positive for IT	
Oil & Gas	Deregulation of oil prices	Petroleum basic duty of 5% on crude.	Negative	
	Custom duties	7.5% on diesel & petrol	Negative	
		10% on other products	Negative	
		No Oil bonds issued	Negative	
Pharmaceutical	Expected increase in the rate of	Weighted deduction on R&D from 150% to 200%	Neutral	
Agriculture	Fertilizer subsidy	Rs. 200 cr for Rain water harvesting, climate friendly irrigation methods	Positive	
		Fertilizer subsidy reduced	Negative	
		Rs. 400 cr farming subsidy	Positive	
		Food processing sector to get impetus	Positive	
DEBT	Government borrowing projection	In line with expectation, borrowing projected for 2010-11	Positive for the bonds	
		Gross Borrowing at Rs. 4.57 trillion		
Insurance	Health insurance	Contributions to the Central Government Health Scheme also allowed as a deduction under the Income-tax Act		

Section	Parameters to look for	Actual budget announcements	Impact	
Tax				
Direct Income tax	Tax slab change	Widening of income Tax slab	Positive	
	Individual			
	Up to 1.6 lac = 0	Up to Rs. 160000 = 0		
	1.6 lac to 3 lac = 10%	160001 to 500000 = 10%		
	3 - 5 lac = 20%	500001 - 800000 = 20%		
	5 lac and above = Rs. 30%	800001 and above = 30%		
	Women			
	Upto Rs. 1.9 lac = 0	Up to Rs. 190000 = 0		
	1.9 lac to 3 lac = 10%	190001 to 500000 = 10%		
	3 - 5 lac = 20%	500001 - 800000 = 20%		
	5 lac and above = Rs. 30%	800001 and above = 30%		
	Senior citizen			
	Upto 2.4 lac = 0	Up to 240000 = 0		
	2.4 - 3 lac = 10%	240001 to 500000 = 10%		
	3 - 5 lac = 20%	500001 - 800000 = 20%		
	5 lac and above = Rs. 30%	800001 and above = 30%		
Indirect Income tax	Service tax - roll back expected	Service tax steady at 10%		
		New services to come under service tax		

Section	Parameters to look for	Actual budget announcements	Impact	
Tax				
Indirect Income tax	Excise duty	Peak excise duty hiked from 8% to 10%.	Negative	
		Partial rollback of excise duty on cement.		
		Full excise cut on electric cars.		
	Central excise	Rate reduction in Central Excise duties to be partially rolled back		
Corporate tax	Minimum Alternate Tax (MAT)	MAT hiked from 15% to 18%	Negative for companies	
	Surcharge on domestic companies	Down from 10% to 7.5%		
	Goods and Services Tax (GST)	GST and Direct Tax Code (DTC) to be implemented from April		

## Recommended Schemes

The following schemes are likely to benefit from the Union Budget, because of their allocation in sectors like Banks, Auto, Power, Infrastructure, NBFC's and Capital goods which are expected to perform well.

Best Mutual Fund Schemes	Category	Returns %	Corpus (in Crs)	Sectoral Allocation					
		1 year		Banks	Infrastructure	Capital Goods	Power	Auto	NBFC
Birla Sun Life Frontline Equity Fund - Plan A-G	Largecap	88.20	1723	13.09	6.35	3.37	7.13	5.50	--
DSP BlackRock Top 100 Equity Fund-G	Largecap	70.77	2449	15.09	2.37	5.04	8.41	5.40	--
Franklin India Bluechip-G	Largecap	84.49	2673	21.04	3.80	5.95	10.04	3.96	--
SBI Magnum Bluechip Fund-G	Largecap	82.33	1072	14.90	8.15	6.28	12.80	2.23	0.86
ICICI Prudential Discovery Fund-G	Mid-Small	143.87	669	14.34	3.46	--	3.17	3.72	3.10
ICICI Prudential Infrastructure Fund-G	Thematic	61.81	4183	14.56	1.28	4.87	13.23	--	--
Reliance Banking Fund-G	Thematic- Banks	94.87	972	82.57	0.00	--	0.00	--	10.42
Reliance Diversified Power Fund-G	Thematic - Power	91.72	5518	6.52	3.63	11.77	19.60	--	--
DSP BlackRock India Tiger Fund-G	Thematic	76.72	3264	14.49	12.71	7.22	14.14	--	--
Religare Tax Plan-G	ELSS	87.06	90	10.39	1.99	--	5.96	8.81	2.68

## Best ULIP Schemes

- Aegon Religare Premium gain Plus Plan
- Birla Sunlife Dream Plan
- Kotak Flexi Plan
- Aegon Religare Protect Gain Plan
- Kotak Smart Advantage

## Disclaimer:

This document has been prepared by RFL Finvest Limited (RFL) – Religare Product Research & Information Desk [PRIDE]. This is not an offer to buy or sell or the solicitation of an offer to buy or sell any security or to participate in any particular trading strategy or as an official confirmation of any transaction. The views expressed are those of analyst. The information contained herein is from publicly available data or other sources believed to be reliable or developed through analysis. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. RFL accepts no obligation to correct or update the information or opinions in it. RFL may discontinue research coverage of a subject company or change the opinion(s) without notice. The investment discussed or views expressed may not be suitable for all investors and certain investors may not be eligible to purchase or participate in some or all of them. RFL recommends that investors independently evaluate particular investments and strategies. The user assumes the entire risk of any use made of this information. Neither RFL nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. RFL and its affiliates, officers, directors, and employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or act as advisor or lender / borrower to such company (ies) or have other potential conflict or interest with respect to any recommendation and related information and opinions. The recipient should take this into account before interpreting the document. This report is not directed or intended for distribution, publication, availability or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication availability or use would be contrary to law regulation or which would subject RFL and affiliates to any registration or licensing requirements within such jurisdiction, persons in whose possession this document comes, should inform themselves about and observes, any such restrictions. Copy right in this document vests exclusively with Religare. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose, without prior written permission from Religare. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person.

### For Inquiries Contact:-

Religare Finvest Limited, 3rd floor, "Dheeraj Arma",  
Anant Kanekar Marg, Station road, Bandra (East)  
Mumbai, India - 400 051,  
Tel No: 66124000 / 66124686  
Web site: [www.religare.in](http://www.religare.in)  
E-mail: [pride@religare.in](mailto:pride@religare.in)