CAPITAL MARKET
India's Foremost Investment Fortnightly

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Union Budget 2008-09

Farmers rejoice, individuals better off, Corporate skipped

The Union Budget 2008-09 was expected to be populist, given the fact that this is the last full budget of the current UPA government. Accordingly, greater thrust on agriculture and focus on inclusive growth was highlighted. But the big surprise was the Rs 60000 crore waiver to four crore farmers.

The effective reduction in the personal income tax for all assesses, coupled with general cut in excise duty from 16% to 14% augurs well. Perhaps, India's growth story was powered by domestic consumption and surging investments, and the Finance Minister has tried to make more disposable income with the country men.

Increase in short term capital gains is an irritant

As regards irritants, the Corporate had expected removal of surcharge on income tax, which has not materialized. From market perspective, the increase in short term capital gains from 10% to 15%, is a big irritant, as substantial portion of the market participant's tax incidence will go up. Also, investment companies tax incidence will go up as Securities Transaction Tax (STT) which was hitherto allowed as a rebate against tax liability will now be deductible as expenditure against business income.

DDT incidence to come down

On the positive side, the Corporate got some relief as the budget proposes to allow a parent company to set off the dividend received from its subsidiary company against dividend distributed by the parent company for calculation of dividend distribution tax (DDT), provided that the dividend received has suffered DDT and the parent company is not a subsidiary of another company. Also, cut in excise duty from 16% to 14%, and CST from 3% to 2% and no general overall cut in peak customs duty together is positives that the Corporate can bank on.

Who will foot the Rs 60000 crore bill?

But the market is more worried about how and who will foot the Rs 60000 crore bill. Perhaps, the Finance Minister later said that it will be absorbed over a three year period. But then, it is not clear whether it will be borne by the Banks or the Government. We believe splitting that portion into three:- (a) NPAs already provided in the books out of the above (b) portion to be borne by the government (c) Portion to be borne by Banks. But if the entire burden is taken over by banks, it will be a severe blow, especially to pubic sector banks. On the otherhand, if the entire burden is taken over by Government, it will be a big booster for the banks, as they can come out clean from sticky agriculture loans, and will shortly benefit from surge in treasury income from expected fall in interest rates.

Auto, MNC Pharma, Tyre, Paper, auto ancillaries and paints to benefit

Of the sectors benefited, Small cars, hybrid cars, two and three wheelers, buses, MNC pharma companies, tyre manufacturers, paper and auto ancillaries are noteworthy. Some gains accrue to Paint sector too, through cut in excise duty (benefit restricted due to cut in abatement rates) and reduction in CST. Also, the sector would benefit from invigorating the auto sector through excise duty cuts (industrial paint segment), cut in personal income tax and waiver of agriculture debt (decorative paint segment).

Banks hit due to uncertainty

On sectors that were adversely impacted, we feel Banks deserves to be mentioned, primarily because of the uncertainty on the extent of hit they have to take on waiver of agriculture loans. Also, with credit culture being spoilt with oft repeated waivers, and sooner asking banks to fund the agriculture more, is not good economics, atleast from stock market perspective.

On the positive side, banks can hope for better growth in advances, firstly due to expected cut in interest rates, and secondly due to the boost given to the automobile sector through excise duty cuts. Also, the reverse mortgage scheme can become popular, as the Finance Minister clarified that it would not amount to transfer and revenue streams from reverse mortgage would not be treated as income.

Inside Budget Special

India's Fisc at a Glance

	PARAMETERS	2006-2007 ACTUALS	2007-2008#	2007-2008&	2008-2009#
		FOR THE FINANCIAL YEAR			
1	Revenue Receipts	434387	486422	525098	602935
2	Tax Revenue	351182	403872	431773	507150
	(net to Centre)				
3	Non Tax Revenue	83205	82550	93325	95785
4 = 5 + 6 + 7	Capital Receipts	149000	194099	184275	147949
5	Recoveries of Loans	5893	1500	4497	4497
6	Other Receipts	534	41651	36125	10165
7	Borrowings and Other liabilities $	142573	150948	143653	133287
8 = (1 + 4)	Total Receipts	583387	680521	709373	750884
9	Non-plan Expenditure	413527	475421	501849	507498
10	On Revenue Account of Which,	372191	383546	412975	448352
11	Interest Payments	150272	158995	171971	190807
12	On Capital Account	41336	91875	88874	59146
13	Plan Expenditure	169860	205100	207524	243386
14	On Revenue Account	142418	174354	175611	209767
15	On Capital Account	27442	30746	31913	33619
16 = 9 + 13	Total Expenditure	583387	680521	709373	750884
17 = 10 + 14	Revenue Expenditure	514609	557900	588586	658119
20 = 16-1-5-6	Capital Expenditure	68778	122621	120787	92765
21 = 20-11	Revenue Deficit	80222	71478	63488	55184
	As a % of GDP	-1.9	-1.5	-1.4	-1
	Fiscal Deficit	142573	150948	143653	133287
	As a % of GDP	-3.5	-3.3	-3.1	-2.5
	Primary Deficit	-7699	-8047	-28318	-57520
	As a % of GDP	-0.2	-0.2	-0.6	-1.1

Figures in Rs crore; # Budget Estimates; & Revised Estmates.
* GDP for BE 2008-2009 has been projected at Rs.5303770 crore assuming 13% growth over the advance estimate of 2007-08 (Rs 4693602 crore) released by CSO.
$ Does not include receipts in respect of Market Stabilization Scheme, which will remain in the Cash Balance Central Government and will not be used for expenditure.

BUDGET SPECIAL

Hike in composite rate to 4% will impact margins on current fixed price orders

In the last year Budget, the service tax was extended to cover services component of a works contract. Later the government brought a composite scheme, whereby the player can either pay service tax on works contract (value addition) or at the rate of 2% of the total contract value. Now the Union Budget 2008-09 has enhanced this rate to 4% of the contract value. This will adversely impact the real estate players and construction companies in respect of turnkey works contract. We also find that the turnkey projects of the engineering sector will also be covered by this proviso. So, the composition scheme is to rub off further margins from the real estate and engineering – turnkey contracts, atleast for the ones already booked. Fortunately, they are pass through item, and are likely to be taken care off in future orders. But for the pending orders, it remains to be seen how they settle with the customers.

Zero Sum Game: Hikes excise incidence on cement and lower it on steel

As if this were not enough, the construction sector has to live with rise in excise incidence on its cement requirements. The excise duty on cement was Rs 400 per tonne for bulk cement, and variable excise duty for packaged Cement. The variable duty is a specific Rs 350 per tonne on cement with Retail Sale Price of Rs 190 per 50 kg bag or Rs 600 for cement with RSP in excess of Rs 250 per bag. If the RSP is more than Rs 190 but not exceeding Rs 250 per 50 kg bag, then the excise duty is 12% of the RSP. Currently, the RSP of Cement in Mumbai is about Rs 250 per 50 kg bag. So, the excise duty on packaged cement is Rs 600 per tonne, but on bulk cement is only Rs 400 per tonne. The budget seeks to wrest away this benefit to the bulk customers, by saying that the excise duty will be Rs 400 per tonne or 14%, whichever is higher.

Typically, the selling rate of cement for bulk customers is about Rs 15 per 50 kg bag less than the retail rate. So, the excise incidence on cement purchased by bulk customers will be invariably higher. The neutral cement price is Rs 142.86 per 50 kg bag, at which rate 14% advalorem rate and specific Rs 400 per tonne converge, but given the cement dynamics this is far from realty, and may never come in the foreseeable future. In this context, the construction sector will be impacted with higher excise incidence on cement purchased, especially in the fixed price contracts. The benefit of lower excise duty on steel is largely nullified by hike in excise incidence on bulk cement for construction.

Perhaps, the Budget was not too bad, but for a couple of irritants. Token cut in excise duty, and a promise of combined GST augurs well. But despite significant cut in personal income tax, it remains to be seen how the direct tax proposals are revenue neutral. Perhaps, the Finance Minister is banking too much on spike in tax incidence on investment income and bolstered by surging volumes in commodity futures trading, which he has brought into securities transaction tax ambit.

The Finance Minister said that his tax proposals on direct taxes are revenue neutral and will fall short by Rs 5900 crore due to indirect taxes. But with incremental obligations likely from Sixth Central Pay Commission revision, and Rs 6000 crore waiver to farmers, it remains to be seen how these to mega expenses are going to be funded. Lacks clarity!

Farm Loans Waiver

This Rs 60,000 crores action is THE Defining point of this Budget. This is a populist measure with an eye on early elections. However this could create moral hazards in the subsequent years, with parties competing with each other to lay out populist giveaways to the electorate at the cost of fiscal responsibility. It represents a write off of nearly 4% of outstanding bank loans and 25% of outstanding agricultural credit. We must remember what the free power dole outs to farmers did. As SEBs went bankrupt, new power capacities got neglected and we became a hugely power deficit nation. Nearly 4 crores farmers will be benefited by this measure, so it will be a huge election plank indeed. Since this money has already been consumed, it will not create any fresh purchasing power immediately, though over time, the principal and interest servicing payments will flow into consumption.

Extracts from reactions on Budget by Ajay Bagga, CEO, Lotus India Mutual Fund

BUDGET SPECIAL

India's Revenue Estimates

	2007-2008#	2007-2008$	2008-2009#
REVENUE RECEIPTS			
1. Tax Revenue			
Gross Tax Revenue	548122	585410	687715
Corporation tax	168401	186125	226361
Income tax	98774	118320	138314
Other taxes and duties	315	315	325
Customs	98770	100766	118930
Union Excise Duties	130220	127947	137874
Service Tax	50200	50603	64460
Taxes of the Union Territories	1442	1334	1451
Less- NCCD transferred to the National Calamity Contingency Fund	1800	1800	1800
Less States' Share	142450	151837	178765
Net Tax Revenue	403872	431773	507150
2. Non -Tax Revenue			
Interest Receipts	19308	17464	19135
Dividend and Profits	33925	36108	43204
External Grants	2135	2091	1795
Other Non-Tax Revenue	26471	36842	30836
Receipts of Union Territories	711	820	815
Total Non-Tax Revenue	82550	93325	95785
Total Revenue Receipts	486422	525098	602935
3. CAPITAL RECEIPTS*			
A. Non-debt Receipts			
1. Recoveries of Loans & Advances@	1500	4497	4497
2. Miscellaneous Capital receipts	41651	36125	10165
Total	43151	40622	14662
B. Debt Receipts to finance Fiscal Deficit			
3. Market Loans	109579	110671	100571
4. Short term borrowings	1748	25553	12429
5. External assistance (Net)	9111	9970	10989
6. Securities issued against Small Savings	10510	-1802	9873
7. State Provident Funds (Net)	5000	4800	4800
8. Other Receipts (Net)	15000	12645	-12600
9. Draw-down of cash Balance	...	-18184	7225
Total	150948	143653	133287
Total Capital Receipts (A + B)	194099	184275	147949
Total Receipts	680521	709373	750884
Receipts under MSS (Net)	10000	154831	29806
@ excludes recoveries of short-term loans and advances from States and loans to Government servants, etc.	1530	1510	1495

Figures in Rs crore; # Budget Estimates; $ Revised Estmates

* The receipts are net of repayments.

BUDGET SPECIAL

Sectoral Impact of Union Budget 2008-09

Auto, Tyre, Pharma, Paper and Paints to benefit
Banks, Construction, Engineering Turnkey Services to be impacted

General

Peak Customs duty unaltered, Cenvat rate reduced from 16% to 14%, CST from 3% to 2%

Peak customs duty at 10% reduced from 12.5% by Union Budget 2007-08 has been left untouched as the global economic slowdown looming large. Some category of products such as drugs and bulk drugs for treatment of certain health deficiencies etc has been reduced the budget has spring surprise by imposing special customs duty of 4% on certain capital goods or withdrawal of concessional customs duty on certain items which were enjoying exemption hitherto thus eliminating the some of competitive disadvantage of domestic industry and providing some protection.

Fortunately, Excise duty has been reduced from 16% to 14%. Further Central Sales Tax has been reduced from 3% to 2% effective from 1st April 2008. The cumulative impact will be positive for almost all the sectors.

Sectors that were positively impacted

Automobiles

Union budget 2008-09 has surprised the domestic automobile industry with a slew of excise duty cuts. The excise duty for small cars has been cut down to 12% from 16%. The excise duty on electric cars has been reduced to nil (from 8%) and that of hybrid cars to 14% from (24%). The excise duty on 2 wheelers and three wheeler passengers' vehicles was reduced to 12% from 16%. Similarly the excise duty on buses and other vehicles that for transportation of 13 passenger or more has been cut down to 12% from 16%. Automobile industry especially the two wheelers, buses and small cars would benefit from the cut in excise duty. Further the increase in personal income tax threshold will leave more money in the hands of the tax payers and the industry is one of the sure contenders for this pie. Major beneficiaries are **Maruti Suzuki, Bajaj Auto, Hero Honda Motors and Tata Motors**.

Auto ancillaries to benefit in the replacement market

The cut in excise duty from 16% to 14% will benefit in terms of improvement in after sales market. The excise concessions on small cars, two and three wheelers, buses etc should facilitate better demand growth, and will indirectly lead to better demand growth for auto ancillary sector. Also, sizeable portion of the alloy steel production is consumed by the auto ancillaries. In this context, removal of customs duty on steel scrap will benefit alloy steel producers, which can in turn benefit its major user auto ancillaries. The reduction in CST from 3% to 2% will also add sheen, especially in respect of replacement market.

The waiver of farmer loans to the extent of Rs 60000 crore, will also rid the farmers of indebtedness, and will improve their cash flows. This should also facilitate replacement market demand for auto ancillaries, as critical repairs deferred may now be accelerated due to improving cash flows.

Tyres

Tyre industry characterized by weak demand partly with the declining volumes from its OEM customers who themselves were faced with declining volumes and not so buoyant replacement market. The 2% cut in general excise duty to 14% in the union budget 2008-09 along with 1% reduction in CST will all likely to do favour for the industry. In particular, the margins in the replacement sector are set to grow faster. Moreover the budget which doled out a slew of excise duty cut for automobile OEMs will also impact the tyre industry positively indirectly. Apart from the duty cuts for its user industry, the tyre industry directly benefits by cut in customs duty for Chlorobutyl rubber and bromobutyl rubber to 5% from current 10%. More to it the customs duty on polyester tyre cord fabric that goes into making of radial tyres was also reduced to 5% from 10%. So, Union Budget has bestowed on the tyre sector cost savings, demand growth and revenue growth, which together can set the tyre margins rolling and profits upwards.

Players to benefit: MRF, Apollo Tyres, J K Industries, Goodyear, Ceat

Pharma

Budget provision for Pharma industry were cut in excise duty to 8% from 16% and weighted deduction of 125% on any payment made to companies engaged in R&D. Major beneficiary on account of cut in excise duty is the MNC pharma companies as they get higher proportion of their revenue from domestic markets compared to home growth companies. The contract research which is on take off in the county has got a boost by way of weighted deduction of 125% on any payment made to companies engaged in R&D. Also, recently, the pharma companies demerged their innovative research units as separate corporate entities, and some of the research outfits have got listed too. Some commercial arrangement will ensure that this provision can be effectively utilized. The allocation under 'National Rural Health Mission' has been increased to Rs 12,050 crore and there is an allocation of Rs 993 crore for National Aids control programme and provision of Rs 1042 crore for 2008-09 for eradication of Polio auguring well for the industry. All Pharma companies will be benefited, but we believe MNC pharma will be optimally benefited. Our choice in MNC pharma space is companies like **GlaxoSmithKline Pharmaceuticals, Pfizer, Novartis, Aventis Pharma.**

Paper

Cut in excise duty will do a world of good for the paper industry which is in the midst of massive capacity expansion with many of the projects scheduled to come on stream from 2008 onwards. Excise duty on writing paper, printing paper and packing paper has been reduced from 12% to 8%. Further excise duty has been fully exempted on paper and paper products, manufactured from non-conventional raw materials, upto clearance of 3500 metric tonne in a year from a unit. However, this benefit is available only if the unit does not have an attached wood / bamboo pulping unit. They will also be levied only 8% excise duty for production in excess of 3500 metric tonne in a year. Cut in excise duty along with greater emphasis on the education backed by increase in allocation to education and health by 20% to Rs 34400 crore augurs well for the sector sustaining the demand growth. **Ballarpur Industries, Tamil Nadu News Print, West Coast Paper Mills and Rama Newsprints** are the stocks to watch in this sector.

Paints

Cut in excise duty from 16% to 14% and CST from 3% to 2% will benefit paint sector. Excise benefits are cut short due to cut in abatement on MRP from 40% to 35%. On the otherhand, the cut in excise duty on automobiles will drive the demand for industrial paints while the waiver of farm loans, lower tax incidence of personal income tax and lower excise duty together with increased allocation for rural housing will benefit decorative paint segment.

Asian Paints, Kansai Nerolac, Berger Paints and ICI India to benefit.

Computer Education: To benefit from Higher allocation and plans to start model schools

The budget proposes to increase the allocation for education sector by 20% from Rs 28674 crore in 2007-08 to Rs 34400 crore in 2008-09. Out of this amount, Sarva Shiksha Abhiyan (SSA) will be provided Rs.13100 crore and secondary education will be provided Rs 4554 crore.

The budget proposes to start a Model School programme, with the aim of establishing 6,000 high quality model schools, starting in 2008-09 and proposes to provide Rs 650 crore for the new scheme.

The increased allocation to the SSA and secondary education would have a positive impact on all the IT education companies as there would be increased allocation to computer training as well. Also the proposal of starting model schools would further boost the IT education companies who are in the business of setting up schools and managing syllabus of various subjects.

Stocks to watch: NIIT, Educomp Solutions, Everonn Systems

Banks

The country stepping into the election year, the government decided to waive the farm loans availed by

Car market leader Maruti Suzuki India Limited has passed on the full benefit of excise duty reduction to customers. This follows the announcement by the Union Finance Minister for reduction in excise duty for small cars to 12% from 16% in his Union Budget.

The company has announced price reduction in all the six models that qualify for the lower excise benefit: Maruti 800, Omni, Zen, Wagon R, Swift Diesel and Alto - India's largest selling car. After passing on the complete excise duty reduction benefit, the price reduction ranges from Rs 6,500/- for Maruti 800 to Rs 18,030/- for Swift Diesel (ex-showroom Delhi).

BUDGET SPECIAL

the marginal farmers leaving the Indian banking sector strained. The budget provided for complete waiver of the loans availed by small and marginal farmers (holding upto 2 hectare) that were overdue on Dec 31, '07 and remained unpaid until Feb 29, '08. In respect of other farmers there will be 25% rebate under one time settlement scheme for all loans that was overdue on Dec 31, '07 and remained un paid as on Feb 29, '08. The total impact will be Rs 60000 crore but as of now, there is no clarity as whether the government and/or banks will bear this burden. We hope it will be shared by both, apart from a significant portion would have already been provided as NPAs. With this development we expect the PSU banks will severely hit. But the impact will swing from negative to positive depending on clarity on who shares how much of this burden.

Players to be impacted include **State Bank of India, Punjab National Bank, Indian Bank, Canara Bank. Amongst Private banks, HDFC bank has relatively higher exposure to rural credit.**

Construction, Engineering Turnkey Services

Opportunities for the construction industry has not been broken with sustained thrust on infrastructure development with increased allocation for schemes such as Bharat Nirman, JNURM, NHDP and Accelerated Irrigation Development Programme etc the industry has got a shocker by way of doubling of service tax applicable under composition scheme for work contracts to 4% of value of the contract and revision of excise duty on bulk cement to 14% or Rs 400 which ever is higher so as to bring parity to the higher slab rate of cement bags. Rise in cement rates on account of revision increase the cost of construction but the margin for contracts that has some form of price escalation is insulated to some extent but as far as the fixed rate contracts the impact will be severe. On positive side the excise duty on steel has been cut to 14% from 16% but this and positive covering the rise in cement price largely depend on the structural construction and the role of steel in it as the usage of steel will vary being minimum in road to higher level in hydro dams. The setoff of dividend received from subsidiary against the dividend distributed by the parent company is another positive for the industry that operates through various SPVs. With positives overweighed by negatives the outlook is gloomy.

Same adverse impact will be on engineering turnkey service providers.

IVRCL Infrastructure, Nagarjuna Construction Company, Consolidated construction Company, Kalptaru Power Transmission, KEC International will be the major losers.

Computer Software: Product centric companies to be impacted

The excise duty on packaged software is increased from 8% to 12%. Further, customized software is brought under the service tax purview and is chargeable at 12% on par with packaged software and other IT services. The increase in excise duty on packaged software would have a negative impact on the product centric companies. The IT majors would not be impacted much. Likewise, the inclusion of customized software under the Service tax purview would have a negative impact on the product centric Companies rather than the service centric Companies.

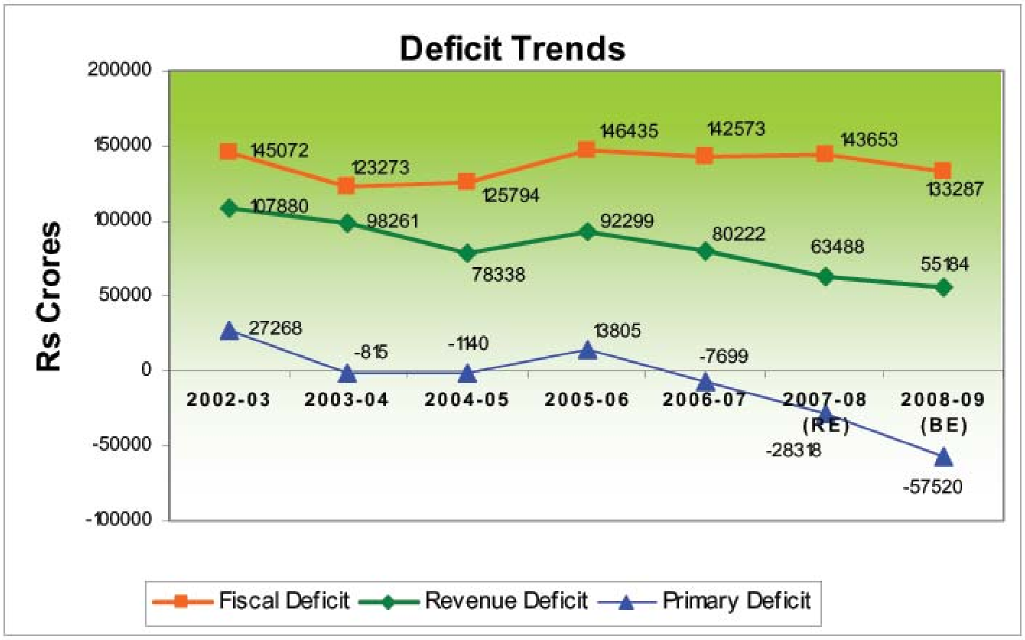
Stocks to watch: Infosys Technologies, Satyam Computer, TCS

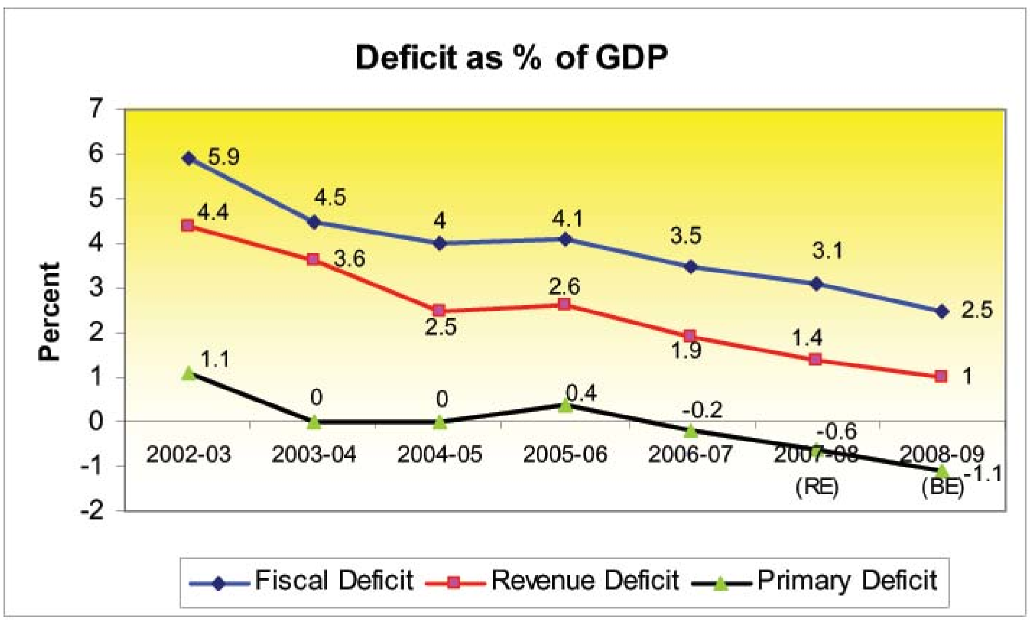
"We have decided to pass the entire 2% benefit to customers" K J Rao, Chief Financial Officer, Ceat.

K J Rao said that the Union Budget has come on expected lines being the election year. He further added that a Substantial amount has been allocated towards populist schemes such as public distribution systems, rural employment scheme, etc. Write-off of debt to farmers has taken large allocation of Rs. 60,000 crore. For the corporate sector, the budget is neutral except for Pharma, Health and Auto Industry. For these industries the Budget has been positive.

For Tyre Industry in particular the Budget has been positive. Reduction in excise duty structure would facilitate higher demand for cars and for tyres. Cut in mean excise duty from 16% to 14% for tyres is a welcome measure. CEAT has decided to pass the entire 2% benefit to its customers. Cut in CST by 1% should have positive impact on profits of the tyre industry. While the fine prints have yet to be scrutinized, it appears that customs duty structure remains unaltered. Reduction in duty project imports should have a positive impact for future projects.

Increase in short term capital gain tax is a dampener to the Stock Market albeit temporary. Reduction in incidence of Income Tax to the individuals are positive steps in the right direction. However the Union Budget is a positive impact for the Auto / Tyre Industry.





Source: General Budget 2008-09

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GDP

Can we bank on one day wonder?

India's GDP growth decelerated from 10.1% in the quarter ended September 2006 to 9.3% in the quarter ended June 2007. Continuing the downtrend, the growth decelerated to 8.9% in the quarter ended September 2007, which the latest data shows that it has come down further to 8.4% in the quarter ended December 2007.

Earlier, the government estimated that India's GDP growth is likely to decelerate from 9.6% in FY 2006-07 to 8.7% in 2007-08. If this 8.7% growth has to be achieved, then the country has to grow by 8.4% in the current quarter ending March 2008, assuming no further revision in the GDP numbers of the first three quarters of the current fiscal.

The pace of growth in services sector has fallen from 11.5% in the quarter ended September 2006 to 10.3% in the quarter ended September 2007, but has fortunately rebounded slightly to 10.5% in the quarter ended December 2007. During this period, the fall in the pace of growth in manufacturing sector was steeper from 11.0% in the quarter ended September 2007 to 8.4% in the quarter ended December 2007.

The boost given by the Union Budget in terms of 2% cut in excise duty across the board, welcome break in excise duty on small cars, two and three wheelers and buses, paper and pharmaceuticals can work for one full month in the current quarter. Also, we will have one day wonder in the current quarter, as we will have 91 days in the current quarter as 2008 is a leap year, as against 90 days otherwise. That alone will provide 1.11% growth in production, without even assuming any productivity gains.

Trends in India's GDP growth in the Quarter ended

	Jun-06	Sep-06	Dec-06	Jun-07	Sep-07	Dec-07
Agriculture, forestry & fishing	3.3	3.6	3.4	3.8	3.7	3.2
Mining & quarrying	4.2	4.1	6.1	3.2	7.7	4.9
Manufacturing	11.7	12.2	11.3	11.9	8.6	9.3
Electricity, gas & water supply	4.3	6.6	7.6	8.3	7.3	5.3
Construction	13.1	12	10.8	10.7	11.1	8.4
Trade, hotels, transport and communication	10.8	12.5	12	11.9	11.4	11.3
Financing, insurance, real estate & business services	13.6	13.9	14.7	11.1	10.7	11.6
Community, social & personal services	10.3	7.2	5.6	7.6	7.7	7.6
GDP at factor cost	9.6	10.1	9.1	9.3	8.9	8.4
Broad Three Sectors						
Agriculture	3.3	3.6	3.4	3.8	3.7	3.2
Industry	10.8	11.0	10.4	10.6	9.1	8.4
Services	11.4	11.5	11.1	10.6	10.3	10.5
Share	54.2	56.9	52.4	54.8	57.6	53.5

Industry includes Mining & Quarrying, Manufacturing, Electricity, Gas and Water supply and construction; Services excludes agriculture and allied services, and industries. Data Source: Central Statistical Organisation

"Union Budget 2008-09 has been overall negative to Power Transmission & Distribution EPC Players. The service tax applicable for work contracts under composition scheme has been doubled from 2% to 4% of contract value impacting the turnkey contractors negatively. This completely shadows the increased budget allocation under various schemes and 5 new UMPP's."

Ramesh Chandak, Managing Director & CEO, KEC International

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