



ICRA Management Consulting Services Limited

## UNION BUDGET, 2009-10—IMPACT ANALYSIS

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**TABLE OF CONTENTS**

TEXTILES ..... 4  
AUTOMOBILES..... 5  
CEMENT..... 5  
DRUGS & PHARMACEUTICALS..... 6  
POWER ..... 7  
PETROLEUM ..... 9  
FERTILISERS ..... 10  
ROADS & HIGHWAYS ..... 11  
TELCOM SERVICES..... 11  
FMCG..... 12  
IT/SOFTWARE ..... 13  
CONSUMER DURABLES ..... 14

## TEXTILES

### Proposals (Budget 2009-10)

- ❑ The excise duty has been proposed to be increased from 4% to 8% on manmade fibres (MMFs) and yarn; Purified Terephthalic Acid (PTA), dimethyl terephthalate (DMT), polyester chips, and acrylonitrile.
- ❑ The scheme of optional excise duty of 4% for pure cotton textiles is proposed to be restored.
- ❑ Excise duty for MMFS and natural fibres other than pure cotton, beyond the fibre and yarn stage, proposed to be increased from 4% to 8% under the existing optional scheme.
- ❑ An optional excise duty exemption is proposed to tops of MMFs manufactured from duty paid tow using 'tow-to-top' process at par with tops manufactured from duty paid staple fibre.
- ❑ Suitable adjustments have been made in the rates of duty applicable to domestic tariff area (DTA) clearances of textile goods made by Export Oriented Units using indigenous raw materials/inputs for manufacture of such goods.
- ❑ Customs duty on cotton waste and wool waste proposed to be reduced from 15% to 10%.
- ❑ The budget has proposed one handloom mega cluster each in West Bengal and Tamil Nadu, and one powerloom mega cluster in Rajasthan.
- ❑ The allocation for Technology Upgradation Fund Scheme (TUFS) has been marginally increased from Rs. 2,632 crore to Rs. 2,890 crore.

### Impact—Negative

The hike in excise duty will be a major burden to the industry which is already reeling under the effects of the economic slowdown and would affect the cost competitiveness of the Indian textile industry in the export markets. The industry was expecting reduction/exemption of excise on MMFs. However, excise duty on MMFs and yarn (on a mandatory basis) and stages beyond fibre and yarn (on optional basis) is now proposed at 8%. The duty changes on intermediates would imply that the duty on all types of manmade fibre and yarn and their intermediates would be the same, easing the problem of credit accumulation. Pure cotton textiles were fully exempted from excise duty. The proposal of optional rate of 4% for cotton textiles (beyond the fibre stage) would be detrimental to the industry. Wool waste and cotton waste are used in the manufacture of cheaper varieties of textile articles such as blankets and rugs and reduction in the customs duty would benefit these sectors. The expenditure outlay for various textile schemes has been increased marginally, contrary to industry expectations.

### Stock Movement

Company/Index	Closing Price (03/07/09)	Closing (06/07/09)
Aditya Birla Nuvo	885.85	
Century Enka	103.1	
Alok Industries	23.25	20.5
Raymond	188.9	185

## AUTOMOBILES

### Proposals (Budget 2009-10)

- ❑ Specific component of excise duty applicable to large cars/utility vehicles of engine capacity 2000 cc and above proposed to be reduced from Rs. 20,000 per vehicle to Rs. 15,000 per vehicle.
- ❑ Excise duty on petrol driven trucks/lorries proposed to be reduced from 20% to 8%. Excise duty on chassis of such trucks/lorries proposed to be reduced from '20% + Rs.10,000' to '8% + Rs. 10,000'.
- ❑ The ad valorem component of excise duty of 6% on petrol intended for sale with a brand name proposed to be converted into a specific rate. Consequently, such petrol would now attract total excise duty of Rs. 14.50 per litre instead of '6% + Rs.13 per litre'.
- ❑ The ad valorem component of excise duty of 6% on diesel intended for sale with a brand name proposed to be converted into a specific rate. Consequently, such diesel would now attract total excise duty of Rs. 4.75 per litre instead of '6% + Rs.3.25 per litre'.
- ❑ Government will form an expert committee to advice on a viable and sustainable system of pricing petroleum products.
- ❑ Proposed increase in exemption on personal income taxes by Rs. 15,000 for senior citizens (who is of the age of sixty-five years and above), and Rs. 10,000 for all others.
- ❑ Proposed removal of surcharge of 10% on personal income taxes.

### Impact—Positive

Additional specific duty on high fuel consuming vehicles have been removed which is a positive for such vehicle manufacturer. However, such vehicles constitute only around 1% of domestic sales. Although excise duty has been reduced on petrol driven trucks/lorries as well as chassis of such trucks, diesel commercial vehicles (CVs) account for almost all domestic CV sales. Increase in exemption on personal income taxes and removal of surcharge on personal income taxes is also a positive move for the automobile industry. Additionally the continued thrust on infrastructure development augurs well for domestic CV manufacturers.

### Stock Movement

Company/Index	Closing Price (03/07/09)	Closing (06/07/09)
Tata Motors	300.5	282.35
Maruti Suzuki	1056.8	1026.5
Mahindra & Mahindra	737.45	713
Hero Honda	1369.6	1360
Bajaj Auto	984.45	984

## CEMENT

### Proposals (Budget 2009-10)

- ❑ Allocation to National Highways Authority of India (NHAI) for the National Highway Development Programme (NHDP) increased by 23%, from Rs. 6,972 crore in 2008-09 to Rs. 8,578 crore in 2009-10.

- ❑ Allocation under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) increased by 87% to Rs. 12,887 crore.
- ❑ Allocation for housing and provision of basic amenities to urban poor enhanced to Rs. 3,973 crore.
- ❑ The GoI is also implementing the 'Bharat Nirman' programme for rural infrastructure. The outlay on 'Bharat Nirman' has been increased by 45% during 2009-10.
- ❑ Allocation under Accelerated Irrigation Benefit Programme (AIBP) increased by 75%.
- ❑ In addition to the NHDP, the Government has also embarked on the Pradhan Mantri Grameen Sadak Yojana (PMGSY). The programme seeks to provide connectivity through good all-weather roads, to all unconnected habitation in the rural areas with a population of more than 1,000 persons in three years and habitations with population of 500-1,000 persons by the end of the 10th Plan. Allocation under PMGSY increased by 59% to Rs. 12,000 crore in FY2010. Further, an allocation of Rs. 6,500 crore has been made as loan for PMGSY through the Rural Infrastructure Development Fund (RIDF) window of NABARD.

### Impact—Positive

Thrust to the infrastructure sector is a continuation of the initiatives being undertaken by the government to stimulate demand. The continued thrust on infrastructure development, rural housing and irrigation will provide impetus to the healthy growth in demand, protecting the bottom line of cement companies. Higher allocation of housing and provision of basic amenities to urban poor subsidy for the housing of poor is likely to drive the construction activities emanating from the private sector, and is expected to be positive for cement demand.

### Stock Movement

Company/Index	Closing Price (03/07/09)	Closing (06/07/09)
ACC	766.9	721.75
Grasim Cement	2408.5	
Ambuja Cement	90.8	86.8
India Cement	137.7	132.9
Ultratech	705.25	698.8

## DRUGS & PHARMACEUTICALS

### Proposals (Budget 2009-10)

- ❑ Customs duty on 10 specified life saving drugs/vaccine and their bulk drugs proposed to be reduced from 10% to 5% with nil countervailing duty (CVD).
- ❑ Customs duty on specified heart devices, namely artificial heart and Patent Ductus Arteriosus/Atrial Septal Defect (PDA/ASD) occlusion device, proposed to be reduced from 7.5% to 5% with nil CVD. Excise duty exempted.
- ❑ Excise duty proposed to be exempted on specified drugs. These drugs/vaccines include influenza vaccine and nine specified life saving drugs used for the treatment of breast cancer, hepatitis-B, rheumatic arthritis etc.
- ❑ Excise duty of 4% proposed to be maintained for drugs and pharmaceutical products falling

under Chapter 30.

- ❑ Scope of provisions relating to weighted deduction of 150% on expenditure incurred on in-house R&D to all manufacturing businesses being extended except for a small negative list.
- ❑ Allocation under National Rural Health Mission (NRHM) proposed to be increased by Rs. 2,057 crore over and above Rs. 12,070 crore provided in the Interim Budget.
- ❑ All below poverty line (BPL) families to be covered under Rashtriya Swasthya Bima Yojana (RSBY). Allocation under RSBY increased by 40% over previous allocation to Rs 350 crore.

### Impact—Neutral

On the one hand reduction of customs duties could act as a threat to the domestic manufacturers as vaccines are primarily manufactured in the small to medium enterprise sector. Biotechnology firms trying to raise money for research through vaccine revenues may have to contend with increased competition. However, India is one of the largest vaccine markets as well as being one of the largest manufacturers in the world. Excise duty exemption benefits the local manufacturers. Also, their pre-budget demand has been met.

Spending increase in NRHM along with derived benefit from income generating programmes like National Rural Employment Guarantee Act (NREGA) and unorganised workforce security scheme are likely to increase long term demand for medicines.

### Stock Movement

Company/Index	Closing Price (03/07/09)	Closing (06/07/09)
Ranbaxy	250.55	260.25
Sun Pharma	1150.7	1141
Dr Reddys	848.3	820.1
Glenmark	796.8	760.1
Glaxo SmithKilne		1270.5
IPCA Labs	512.3	524.75
CIPLA	134.15	125.1

## POWER

### Proposals

- ❑ Proposed extension of sunset clause for tax holiday under section 80-IA of the Income Tax Act:
  - Under the existing provisions of clause (v) of sub-section (4) of section 80-IA, an undertaking owned by an Indian company and set up for reconstruction or revival of a power generating plant is eligible for 10 year tax benefit. It is proposed to extend the terminal date for commencing the activity of generation, transmission or distribution of power in case of such undertaking from 31.3.2008 to 31.3.2011.
  - Under section 80-IA, the provisions of clause (iv) of sub-section (4) provides for a deduction of profits and gains of an undertaking It is proposed to extend the terminal date for a further period of one year upto 31.03.2011.
- ❑ Minimum Alternate Tax (MAT) proposed to be increased from 10% to 15%. The period

allowed for carrying forward the tax credit under MAT to be extended from seven years to ten years. It is proposed to insert a new clause (i) in Explanation 1 after sub-section (2) of Section 115JB so as to provide that if any provision for diminution in the value of any asset has been debited to the profit and loss account, it shall be added to the net profit as shown in the profit and loss account for the purpose of computation of book profit.

- ❑ IIFCL to evolve a takeout financing scheme in consultation with banks to facilitate incremental lending to infrastructure sector.
- ❑ IIFCL to refinance 60% of commercial bank loans for public private partnership (PPP) projects in critical sectors over the next fifteen to eighteen months. IIFCL and banks are now in a position to support projects involving total investment of Rs. 100,000 crore.
- ❑ Increased allocation for Accelerated Power Development and Reform Programme (APDRP) scheme to Rs. 2,080 crore, a steep increase of 160% above the allocation in 2008-09.
- ❑ Increase in allocation to Rajiv Gandhi Grameen Viduytikaran Yojana (RGGVY) to Rs. 7,000 crore, which represents a 27% increase.
- ❑ Customs duty on permanent magnets for permanent magnet (PM) synchronous generator above 500 KW used in wind operated electricity generators proposed to be reduced from 7.5% to 5%.

### Impact—Neutral

Section 80IA benefits will have a significant positive impact on power sector investments. Increase in MAT rates will likely impact the project viability adversely to some extent since the project cash flows are usually not healthy during the initial years. This adverse affect may however be somewhat cushioned because of the extension of the MAT period from the earlier 7 years to 10 years, when the project cash flows become healthy. Demand is expected to be increased for equipment suppliers in generation, transmission and distribution in view of the expected to increase in investments. Continued allocation under APDRP and RGGVY, and corresponding increase in allocation for capital expenditure to reduce T&D losses is expected to positively impact all players in the sector.

'Takeout financing' is an accepted international practice of releasing long term funds for financing infrastructure projects. It can be used to effectively address the asset liability mismatch of commercial banks arising out of financing infrastructure projects and also to free up capital for financing new projects. IIFCL would, in consultation with banks, evolve a 'takeout financing' scheme which could facilitate incremental lending to the infrastructure sector. However, it must be treated with caution, since a fair amount of regulatory hurdles/constraints needs to be sorted out before take-out financing becomes lucrative for the Banks/FIs to participate.

Although the Finance Minister has urged the Central and State Governments to remove policy, regulatory and institutional bottlenecks for speedy implementation of infrastructure projects, it remains to be seen as to what is actually effected regarding the much needed reforms initiatives in the sector.

**Stock Movement**

Company/Index	Closing Price (03/07/09)	Closing (06/07/09)
L&T	1607.7	1457.7
BHEL	2182.05	2113
NTPC	204.35	194.3
GMR	140.3	131.2
GVK	43.35	
PowerGrid	112.7	104.4
ABB	784.1	745
Siemens	489.15	463.9
Reliance Power	176.6	163
Tata Power	1186.45	1115.85

**PETROLEUM****Proposals**

- Government to set up an expert group to advice on a viable and sustainable system of pricing petroleum products.
- Government proposes to extend investment-linked tax incentives to the businesses of laying and operating cross country natural gas (NG) or crude or petroleum oil pipeline network for distribution on common carrier principle. Under this method; all capital expenditure, other than expenditure on land, goodwill and financial instruments will be fully allowable as deduction.
- Outlay for Assam Gas Cracker Project stepped up suitably. This project is being executed at a cost of Rs. 5,461 crore. The capital subsidy of Rs. 2,138 crore for the project is to be provided by the Central Government.
- Customs duty on bio-diesel proposed to be reduced from 7.5% to 2.5%, i.e. at par with petrodiesel. Duty paid High Speed Diesel blended with upto 20% bio-diesel proposed to be fully exempted from excise duties.
- Excise duty on Special Boiling Point spirits proposed to be reduced to 14%.
- Excise duty on naphtha proposed to be reduced to 14%.
- The ad valorem component of excise duty of 6% on petrol intended for sale with a brand name proposed to be converted into a specific rate. Consequently, such petrol would now attract total excise duty of Rs.14.50 per litre instead of '6% + Rs.13 per litre'.
- The ad valorem component of excise duty of 6% on diesel intended for sale with a brand name proposed to be converted into a specific rate. Consequently, such diesel would now attract total excise duty of Rs.4.75 per litre instead of '6% + Rs.3.25 per litre'.
- Excise duty on PTA and DMT proposed to be increased from 4% to 8%.
- Excise duty on polyester chips proposed to be increased from 4% to 8%.
- Excise duty on acrylonitrile proposed to be increased from 4% to 8%.
- Excise duty for MMFs, beyond the fibre and yarn stage, proposed to be increased from 4% to 8% under the existing optional scheme. An optional excise duty exemption proposed to be provided to tops of MMFs manufactured from duty paid tow at par with tops manufactured from duty paid staple fibre.

**Impact—Negative**

Reduction in excise duty on naphtha is expected to improve the margin of naphtha cracker based polymers & chemicals manufacturers on the domestic sales. Increase in excise duty of PTA, DMT, polyester chips, acrylonitrile, Special Boiling Point spirits will increase the cost pressure on the downstream petrochemical product companies, and may adversely affect the demand for end products.

The Budget has announced a proposal to restore the rate of 8% Central Excise duty on MMFs and yarn on a mandatory basis and on stages beyond fibre and yarn at that rate on optional basis. These changes, together with duty changes on intermediates, would imply that the duty on all types of MMFs and yarn and their intermediates would be the same, easing the problem of credit accumulation.

**Stock Movement**

Company/Index	Closing Price (03/07/09)	Closing (06/07/09)
RIL	126.8	118.3
IOC	562.6	541.4
BPCL	459.8	439.9
HPCL	330.95	317

**FERTILISERS****Proposals (Budget 2009-10)**

- ❑ To ensure balanced application of fertilisers, the Government intends to move towards a nutrient based subsidy regime instead of the current product pricing regime. It will lead to availability of innovative fertiliser products in the market at reasonable prices.
- ❑ The proposed outlay for subsidy on decontrolled fertilisers reduced from Rs 65,351 crore in FY2009 to Rs. 34,252 crore in FY2010.
- ❑ The proposed outlay for subsidy on indigenous fertilisers is Rs 9,780 crore in FY2010 compared to Rs 19,561 crore in FY2009.

**Impact—Negative**

Although the raw material costs have come down for the fertiliser companies, the outlay for fertiliser subsidy seems inadequate. This may necessitate issuing of bonds to the industry as part of fertiliser subsidy payment. The industry was expecting an all cash subsidy payment and reimbursement of the losses incurred on the sale of securities issued earlier. The subsidy provision has been reduced presumably to account for the sharp decline in international prices of fertilizers, intermediates and raw materials.

The budget proposals for the agriculture segment is expected to benefit the fertiliser industry. The target for agriculture credit flow for the year 2009-10 is being set at Rs. 325,000 crore, compared with actual credit flow of Rs. 287,000 crore in 2008-09. The interest subvention scheme for short term crop loans to farmers for loans upto Rs. 300,000 per farmer at the interest rate of 7% per annum is proposed to be continued.

**Stock Movement**

Company/Index	Closing Price (03/07/09)	Closing (06/07/09)
Rashtriya Chemicals and Fertilizers Ltd	80.3	72.3
Naional Fertilizers Limited	64.7	61.5
Coromandel Fertilisers Ltd	202.1	188

**ROADS & HIGHWAYS****Proposals (Budget 2009-10)**

- ❑ Allocation to NHAI for the NHDP increased by 23%.
- ❑ Allocation under JNNURM increased by 87% to Rs. 12,887 crores.
- ❑ In addition to the NHDP, the Government has also embarked on the PMGSY. The programme seeks to provide connectivity through good all-weather roads, to all unconnected habitation in the rural areas with a population of more than 1,000 persons in three years and habitations with population of 500-1,000 persons by the end of the 10th Plan. Allocation under PMGSY has been increased by 59% to Rs. 12,000 crore in FY2010.
- ❑ IIFCL will refinance 60% of commercial bank loans for PPP projects in critical sectors (within infrastructure) over the next fifteen to eighteen months.

**Impact—Positive**

Roads & Highways sector has been benefited largely from the overall thrust given to the infrastructure sector. Increase in allocation for NHDP will increase projects in this sector and expedite the existing ones. The sector will be benefited from higher allocation under JNNURM as well. Therefore, impact of Union Budget on 'Roads & Highways' has been largely positive.

**Stock Movement**

Company/Index	Closing Price (03/07/09)	Closing (06/07/09)
IVRCL Infra	358.6	327.55
HCC	108.9	102.5
IRB Infra	175	

**TELCOM SERVICES****Proposals (Budget 2009-10)**

- ❑ Full exemption from CVD of 4% available to accessories, parts and components imported for the manufacture of mobile phones has been proposed to be extended for another year.
- ❑ Proposal to increase the rate of MAT to 15% of book profits from the present rate of 10%. However tax credit under MAT can be carried forward for ten years against prevailing seven years.
- ❑ Proposal to abolish Fringe Benefit Tax (FBT) has been made.

**Impact—Neutral**

Telecom services industry has not received the expected attention in Union Budget 2009-10. Apart from proposals on MAT and FBT which is common across industries, only exemption on hardware for manufacture of mobile phones has been proposed to be extended. This is expected to help the industry marginally by reducing handset costs, make telecom services more affordable, and improve telephone penetration. Therefore, the impact of Union Budget 2009-10 is neutral for the sector.

**Stock Movement**

Company/Index	Closing Price (03/07/09)	Closing (06/07/09)
Bharti Airtel	817.25	785.1
Reliance Communication	292.4	269.15
MTNL	107.2	95.75
Idea Cellular	74.3	70.05
Tata Communications	483.55	469.95

**FMCG****Proposals (Budget 2009-10)**

- ❑ Budget outlay for various rural and agriculture-centric schemes proposed to be increased.
- ❑ Allocation under National Rural Employment Guarantee Scheme (NREGS) proposed to be increased by 144% to Rs.39,100 crore.
- ❑ Exemption limit in personal income tax proposed to be raised by Rs. 15,000 for senior citizens and by Rs.10,000 for all other categories of individual taxpayers.
- ❑ Surcharge on various direct taxes proposed to be phased out; in the first instance, elimination of the surcharge of 10% on personal income-tax has been proposed.
- ❑ Excise duty rate on items currently attracting 4% proposed to be raised to 8% with major exceptions of some products including specified food items viz. biscuits, sharbats, cakes and pastries.
- ❑ Concessional customs duty of 5% on specified machinery for tea, coffee and rubber plantations proposed to be reintroduced for one year, up to 06.07.2010.
- ❑ Customs duty on 'mechanical harvester' for coffee plantation proposed to be reduced from 7.5% to 5%. CVD on such harvesters also proposed to be reduced from 8% to nil, by way of excise duty exemption.
- ❑ FBT on the value of certain fringe benefits provided by employers to their employees proposed to be abolished.
- ❑ Introduction of the Goods and Services Tax (GST) proposed with effect from April 1, 2010.

**Impact—Positive**

Enhanced allocation under NREGS and increased budget outlay on other rural and agriculture-centric schemes will boost rural economy resulting in a spur in demand for FMCG in rural areas and villages. The proposed hike in personal income tax exemption limits as well as elimination of surcharge on personal income-tax will increase disposable income in hands of consumer leading to increased spending on FMCG. The biscuit industry will benefit from being

spared a hike in excise duty on specified food items including biscuits, sharbats, cakes and pastries. Reintroduction of customs duty on specified machinery for tea and coffee plantation will increase the input costs of the industry. However, coffee manufacturing companies will benefit from reduction in customs duty and CVD on 'mechanical harvester' for coffee plantation. Continued thrust on NHDP would help reduce the transportation costs of the industry. In addition, proposed introduction of GST with effect from April 1, 2010 will address the key issue of multiple taxation which is currently hampering the sector's growth. Abolition of FBT is also positive for the industry. Overall impact on industry players would be largely positive.

### Stock Movement

Company/Index	Closing Price (03/07/09)	Closing (06/07/09)
ITC	191.8	198.4
HUL	273.2	276.9
Dabur	130.15	129.45
Colgate	619.75	610.85
Marico	74.2	71.65

## IT/SOFTWARE

### Proposals (Budget 2009-10)

- Proposed CVD exemption, on packaged or canned software, to be provided on the portion of the value which represents the consideration for transfer of the right to use such software, subject to specified conditions
- Proposed extension of tax benefit under the Software Technology Parks of India (STPI) sunset clause under section 10A/10B.
- Proposal to create an alternative dispute resolution mechanism within the Income Tax Department for the resolution of transfer pricing disputes and proposal to empower the Central Board of Direct Taxes (CBDT) to formulate 'safe harbour' rules to reduce the impact of judgemental errors in determining transfer price in international transactions
- Proposed abolishment of the FBT on the value of certain fringe benefits provided by employers to their employees
- Proposed increased in the overall Plan budget for higher education by Rs. 2,000 crore.

### Impact—Positive

Extension of tax benefit under the Software Technology Parks of India (STPI) sunset clause under section 10A/10B is likely to benefit companies across the sectors. Tier-II players are expected to benefit more and it would also encourage expansion of the small and medium enterprises (SMEs) into smaller towns and ensure that India remains competitive as an off-shoring destination. CVD exemption on packaged or canned software is also expected to benefit the industry in the assessment of software which involves transfer of the right to use after the levy of service tax on IT software service. Alternative dispute resolution mechanism within the Income Tax Department for the resolution of transfer pricing disputes and proposal to empower the CBDT to formulate 'safe harbour' rules to facilitate the resolution of tax disputes faced by the foreign companies

within a reasonable time frame are expected to improve the investment climate. Proposed abolishment of FBT is also likely to benefit the IT/Software industry. Increased spending on higher education is also likely to benefit companies such as NIIT, Aptech, Educomp, etc.

### Stock Movement

Company/Index	Closing Price (03/07/09)	Closing (06/07/09)
TCS	391.4	382.5
Infosys	1800.9	1762.3
Wipro	385.55	368.25
HCL Tech	191.6	186.55
TechMahindra	752.9	690.05
NIIT	70.7	59.1
Aptech	175.6	156.05
Educomp	4440.5	
Bartronics	179.05	
Rolta India	126.65	116.5
Moser Baer	88.25	82.35

## CONSUMER DURABLES

### Proposals (Budget 2009-10)

- Budget outlay for various rural and agriculture-centric schemes proposed to be increased.
- Allocation under NREGS proposed to be increased by 144% year-on-year to Rs. 39,100 crore.
- Exemption limit in personal income tax proposed to be raised by Rs. 15,000 for senior citizens and by Rs. 10,000 for all other categories of individual taxpayers.
- Surcharge on various direct taxes proposed to be phased out; in the first instance, elimination of the surcharge of 10% on personal income-tax has been proposed.
- Customs duty on LCD Panels for manufacture of LCD televisions proposed to be reduced from 10% to 5%.
- FBT on the value of certain fringe benefits provided by employers to their employees proposed to be abolished.
- Introduction of GST proposed with effect from April 1, 2010.

### Impact—Positive

Enhanced allocation under NREGS and increased budget outlay on other rural and agriculture-centric schemes will boost rural economy resulting in increase in demand for consumer durables in rural areas. The elimination of surcharge and increase in income tax exemption limits may have the impact of increasing disposable income and increasing demand. The reduction in customs duty on LCD panels from 10% to 5% may result in lower prices of LCD TVs, reduce the price advantage of conventional cathode ray tube (CRT) TVs over LCD TVs and accelerate the significant demand substitution in favour of LCDs. The decline in customs duty on LCD panels is also expected to result in increased competition from imports and exert pressure on domestic manufacturers. Proposed introduction of GST with effect from April 1, 2010 will address the issue of multiple taxation. Abolition of FBT is also positive for the industry.

**Stock Movement**

Company/Index	Closing Price (03/07/09)	Closing (06/07/09)
Titan Industries	1202.15	1240.5
Whirlpool Appliances	49.4	
Videocon Industries	176.7	
Voltas	126.6	121.5

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