

# UNION BUDGET

2017-2018



*Priority to Fiscal Prudence, 10 Pillars of Economic Framework, Fiscal Deficit target at 3.2% for FY18, Doubling Farmers Income in 5 years, Stimulus to Rural Economy, Boost to Infrastructure spending*



## Union Budget 2017-18: Historic Budget of Many “Firsts”; with Clear Eye on Fiscal Prudence and Transparency

*The finance minister had succeeded in conveying the message that the budget is targeted for the rural, poor and small business. It also emphasized the importance of rural development (including agriculture, irrigation and infrastructure), universal healthcare, skill development and job creation. This budget is a realistic budget with many small changes that are feasible to implement in timely manner vs few big bang theories that are hard to implement in the given timeframe. Finance Minister has soothed the nerves by stating that there is no spillover of Demonetization from next year; and pace of Remonetisation has picked up. Further, Finance Minister has firmly maintained fiscal prudence path to 3% by FY19E. Government chose to present a common man and small business friendly budget. Further, the finance minister has presented a historic budget which has defied tradition in many respects, with many “Firsts” to his credit setting the “New Normal” for budget architecture.*

### Union Budget 2017-18 is a historical budget on several parameters.

- **Date of Budget:** Since colonial-era, the traditional date of presenting Budget in India was on last day of February. However, this budget 2017-18 will be the first budget breaking that tradition by advancing the date of presentation of Budget by a month. The advancement of Budget date will help to complete the parliamentary approvals for the annual spending plans and tax proposals before April 1 (the start date of new financial year).
- **Merging Rail Budget with Union Budget:** It has been nearly century-old practice (92 years to be precise), to present Rail Budget and Union Budget separately. Ending that practice, the government has decided to scrap separate Rail Budget by merging with Union Budget. With the merger of the Railway Budget there would be a single Budget which would present the full picture of financial position of the Government of India.
- **Plan and Non-Plan Expenditure Distinction is Out-of-Window:** For the first time, there will be no plan and non-plan expenditure differentiation in the financial bill. The central government is keen towards the universally recognised medium-term expenditure framework where classification of expenditure will be between revenue and capital.

*The Finance Minister laid down an economic framework to implement the government’s vision to empower India through 10 broad aspects of economic framework.*

### Farmers:

Agriculture is expected to grow 4.1% in the current year supported by good monsoons. Target for agricultural credit in 2017-18 is fixed at Rs. 10 lakh Cr. Seamless flow of credit to small and marginal farmers supported by NABARD. The Fasal Bima Yojana will secure farmers from natural calamities and the coverage of this scheme has been increased to 40% cropped areas in 2017-18 and 50% cropped areas in 2018-19.

Long term irrigation fund set up by NABARD will see an addition of Rs. 20000 Cr to its corpus adding up to a total of Rs. 40000 Cr. Micro irrigation fund is also to be set up by NABARD with an initial corpus of Rs. 5000 Cr. An important source for income for farmers is dairy. Hence, milk processing units are being set up in NABARD under the Dairy Processing and Infrastructure development fund with Rs. 8000 corpus over 3 years and an initial corpus of Rs. 2000 Cr.

### Rural Population:

Target is to bring 1 Cr households out of poverty by 2019. Allocation for Pradhan Mantri Awaas Yojana is increased to Rs. 23,000 Cr in 2017-18. Women participation in MNGREGA has increased to 55%. Total budget allocation for MNGREGA is

Rs. 48,000 Cr in 2017-18. Road construction under the Pradhan Mantri Gram Sadak Yojana (PMGSY) has increased to 133 kms per day in 2016-17 with an aim to reach the target by 2019. Rs. 27,000 Cr is being allocated to this in 2017-18.

The Deendayal Upadhyaya Gram Jyoti Yojana has also seen an increase in allocation of Rs. 4,814 Cr in 2017-18 to ensure 100% electricity target is met by May 2018. The Swachh Bharat Mission has increased sanitation coverage to 60%. The piped water supply is given importance along with the provision of clean drinking water. The Rural and Agricultural budget is set 24% higher at Rs. 1.87 lakh Cr.

### **Youth:**

Focus is on quality education. Innovation funds will be set up to encourage local innovation and will be focused on backward blocks. Swayam platform will be launched with various online courses which will enable students to increase their knowledge virtually. Access to Swayam will be expanded by DTH channels.

Skill Acquisition and Knowledge Awareness for Livelihood Promotion (SANKALP) program is also proposed at a cost of Rs. 4000 Cr and will provide market training for youth.

Skill Strengthening for Industrial Value Enhancement (STRIVE) will also be launched at a cost of Rs. 2200 Cr for skill development and strengthen apprenticeship programmes.

### **Poor and Underprivileged:**

The allocation for welfare of women and children has been increased to Rs. 1,84,632Cr in 2017-18. The National Housing Banks will refinance loans of Rs. 20,000 Cr in 2017-18 and the focus will remain on affordable housing.

### **Infrastructure:**

Total Infrastructure spending pegged at Rs. 3.96 Lakh Cr. Total allocation for Transportation sector pegged at Rs. 2.41 Lakh Cr. Integrated approach used for creation of infrastructure by drawing synergies between Railways, Roadways, Waterways and Aviation plans going forward. Allocation for railways is at Rs. 1.31 lakh Cr which includes gross budgetary support at Rs. 55,000 Cr. Allocation for roadways is at Rs. 64,900 Cr including PMGSY allocation at Rs. 28,000 Cr. With respect to airport infrastructure, AAI act shall be amended for monetising of land parcels apart from PPP mode of development of airports in Tier 2 cities.

Telecom infrastructure allocation for Bharat Net Project (Optic Fiber Network) pegged at Rs.10,000 Cr connecting 1.5 Lakh Gram Panchayats.

With respect to the energy sector, 2 additional Strategic Crude Reserve (SCR) at Chandikhole, Odisha (3.75 Mn tonnes) and Bikaner, Rajasthan (3.75 Mn tonnes) apart from expanding existing Padur faculty taking SCR capacity to 15.33 Mn tonnes. An additional 20 GW of Solar capacity to be created.

Electronics Manufacturing to be incentivised through Modified Special Incentive Package Scheme (M-SIPS) and Electronics Development Fund (EDF) to the extent of Rs. 745 Cr. An all time high allocation.

To improve competitiveness, a new and restructured scheme, Trade Infrastructure for Export Scheme (TIES) will be launched in 2017-18.

### **Financial sector:**

Focus of TEC (Transform, Energize & Clean) India is on building stable and stronger financial institutions. More than 90% of total FDI inflows are now automated & FIPB has successfully implemented e-filing and online processing of FDI applications & a road map for phasing out of FIPB will be announced in due course.

An expert committee will be constituted to study and promote creation of an operational and legal framework to integrate spot market and derivatives market for commodities

trading. To protect investors from dubious schemes, the draft bill to curtail the menace of illicit deposit schemes has been placed in the public domain and will be introduced shortly after its finalization. The bill relating to resolution of financial firms will be introduced in the Parliament.

In view of the recent successful further issue of CPSE, revised mechanism to ensure time bound listing of CPSEs on stock exchanges. Recapitalization of banks will be done with an amount of Rs. 10000 Cr in line with “Indradhanush” roadmap. However, government can increase this amount as and when needed.

Shares of Railway PSE like IRCTC, IRFC & IRCON would be listed on stock exchanges. Computer emergency response team would be formed for financial sector. Pradhan Mantri Mudra Yojana lending target doubled to Rs. 2.44 lakh Cr for 2017-18. Major announcement is that no cash transaction would be permitted above Rs. 3 lakhs.

### **Digitization:**

Digital India - Bhim app will unleash mobile phone revolution - two new schemes to promote the app to promote cash back scheme for merchants & referral Bonus Scheme for individuals. AADHAAR pay, a merchant version of Aadhar Enabled Payment System to be launched.

The Committee on Digital Payments constituted by Department of Economic Affairs has recommended structural reforms in the payment eco-system, including amendments to the Payment and Settlement Systems Act, 2007. Panel on digital payments has recommended structural reforms. A payment regulatory board would be created at RBI.

### **Public Service:**

Head post-offices would be used for passport rendering services. Centralized defense travel system would be developed. Comprehensive web based interactive Pension Disbursement System would be launched for Defence Pensioners. To increase transparency in Govt recruitment, single registration and two-tier exam system would be introduced.

For big-time offences - including economic offenders fleeing India, the government will introduce a legislative change or new law to confiscate the assets of these people within the country.

### **Prudent Fiscal Management**

Total budget expenditure is pegged at Rs. 21.47 Tr. Plan and non-plan expenditure concepts are scrapped. Going forward, focus will be on revenue and capital expenditure. The Capital expenditure is stepped up by 25.4%.

Defence expenditure excluding pensions is at Rs. 2,74,114 Cr. Further, expenditure on science and technology will be at Rs. 37,435 Cr. FRBM review panel has recommended debt-to-GDP of 60% by 2023. Of this, 40% will be at central government level and remaining 20% will be at state government level.

Lot of emphasis is given to fiscal prudence; with Fiscal deficit for FY18E pegged at 3.2% of GDP, and recommended 3% fiscal deficit for FY19E with a 0.5% deviation. Revenue deficit for FY18E is pegged at 1.9% vs 2% mandated by FRBM Act

### **Disinvestment:**

In the Union Budget 2016, the government has strategically renamed the Department of Disinvestment to Department of Investment and Public Asset Management (DIPAM). For the next year, the government has expressly indicated that the Railway units named IRCTC, IRCON and IRFC will be listed on various stock exchanges. Further, he has also indicated that ETF route will be widely used for disinvestment purposes. The government’s confidence on ETF route has improved after the major success of CPSE ETF issuances. The disinvestment target next fiscal through PSUs is kept at Rs. 72,500 Cr.

## Direct Taxes

### Personal Income Tax

No change in the income tax slab rates.

Tax rate has been reduced to 5% from 10% for Individual assessee whose total taxable income does not exceed Rs.5 lakhs.

If payment of rent exceeds Rs. 50, 000 per month, it is proposed to deduct TDS at 5% by an individual or HUF, other than those whose books of account are required to be audited.

It is proposed to restrict the set off of losses from house property against income under any other head during the current year up to Rs. 2 lakhs. The balance of the losses that are not set off would be allowed to carry forward for 8 years to be set off against income from house property .

**Section 87A:** Rebate has been reduced from Rs. 5000 to Rs. 2500 for individuals with total income not exceeding Rs. 3.5 lakhs.

Surcharge@10% now will also be levied on the individuals whose annual taxable income is between Rs. 50 lakhs - Rs. 1 Cr. Also the surcharge @15% will continue to be levied on individuals whose taxable income exceeds Rs. 1 Cr.

One page income tax return to be filed by the individuals whose taxable income does not exceed 5 lakhs. Also the person in the same category who files the return for the first time will not be subjected to scrutiny.

Under section 194H TDS is deductible at 5% on payment of commission to insurance agent has been removed if the assessee has taxable income below the basic exemption limit

The threshold for maintenance of books of accounts for individuals and HUF is being increased from turnover of Rs.10 lakhs to Rs.25 lakhs or income from Rs.1.2 lakhs to Rs.2.5 lakhs.

### Companies/General

Under the scheme of profit-linked income tax exemption for promoters of affordable housing scheme, instead of build up area, the carpet area will be considered. And also 30 sq.mtr limit will apply only in case of municipal limits of 4 metropolitan cities only. Time period for the scheme also proposed to extend to 5 years instead of 3 years.

The holding period of immovable property for capital gain consideration reduced to 2 years from 3 years. Also the base year for indexation benefit is proposed to be shifted from April 1, 1981 to April 1, 2001 for all classes of assets.

Capital gains have been exempted to the persons holding land on June 2, 2014, whose land is being pooled for creation of capital city under the government scheme of Andhra Pradesh.

Profit linked deduction available to the start-ups for 3 years out of 5 years is being changed to 3 years out of 7 years.

No change in MAT provision and carry forward of MAT credit allowed up to 15 years instead of 10 years.

Income tax rate for smaller companies whose annual turnover does not exceed Rs. 50 Cr has been reduced to 25%.

Tax rate under presumptive income tax scheme has been reduced to 6% from 8%.

Limit for cash expenditure has been reduced to Rs.10,000 from Rs. 20,000 and also the limit for cash donation received by a charitable trust limit reduced to Rs. 2,000 from Rs.10,000.

Maximum amount of cash donation to a political party is restricted to Rs. 2,000 from one person.

Provisions of section 115BBDA in income tax act has been extended to all resident persons except domestic companies / trust / institution / fund registered under section 12AA / referred to in section 10(23C).

Proposed to widen the scope of section 56 of the income tax act to cover any money, immovable property or specified movable property received without consideration or received with inadequate consideration.

No cash transactions more than Rs. 3 lakhs will be allowed and proper tax implications will be announced soon.

Source: Budget Documents, Karvy Research

**Impact:** It has been estimated that Direct tax proposals would result in net revenue loss of Rs.20,000 Cr and there is no significant loss or gain due to indirect tax proposals.

**Summary of announcements for key sectors and stocks to focus**

Sector	Announcements	Stocks to focus
Agri	<ul style="list-style-type: none"> <li>The target for agricultural credit for 2017-18 has been fixed at a record level of Rs. 10 lakh Cr.</li> <li>Losses due to natural calamities the crop insurance coverage under the Fasal Bima Yojana increased from 30% of cropped area to 40% in FY18 and 50% the year after.</li> <li>New crop insurance scheme Pradhan Mantri Fasal Bima Yojana has been increased to Rs. 13,240 Cr this fiscal from budgeted Rs. 5,500 Cr. The allocation for the next fiscal has been earmarked at Rs 9,000 Cr. The sum insured for this Yojana has more than doubled from Rs. 69,000 Cr in Kharif 2015 to Rs. 1,41,625 Cr in Kharif 2016.</li> <li>Farmers will benefit from 60-day interest waiver announced by PM.</li> <li>National agriculture markets to be expanded to 585 markets. Dairy processing infra fund will be created with corpus Of Rs. 8,000 Cr in three years.</li> <li>A dedicated Micro Irrigation Fund will be set up in NABARD to achieve the goal, 'per drop more crop'. The Fund will have an initial corpus of Rs. 5,000 Cr.</li> <li>A Long Term Irrigation Fund has already been set up in NABARD. Prime Minister has announced an addition of Rs. 20,000 Cr to its corpus. This will take the total corpus of this Fund to Rs. 40,000 Cr.</li> <li>Agriculture sector is expected to grow at 4.1 percent during the current fiscal on good monsoon.</li> </ul>	UPL, PI Industries, Excel Cropcare, Insecticides India, Bayer Cropscience and Jain Irrigation.
Auto & Ancillary	<ul style="list-style-type: none"> <li>Allocation for National Highway Authority of India (NHAI) stepped up to Rs. 64000 Cr from Rs. 57676 Cr to boost road infrastructure and this is expected to increase demand for the overall automobile industry as well.</li> <li>The total allocation for transport sector including railways, road and shipping account to Rs. 2, 41,387 Cr thus benefiting the auto ancillary industry.</li> <li>Proposal for multi model transportation pattern to improve logistics is expected to boost the commercial vehicle sector.</li> <li>The target for agricultural credit has been fixed at Rs. 10, 00,000 Cr which is expected to improve demand for tractors and other farming equipments.</li> <li>Allocation for the Pradhan Mantri Gram Sadak Yojana for roads layout is Rs. 27000 Cr, which is now being implemented at a pace of 133km per day. Also, 2000 Km of coastal connectivity roads have been identified for construction and development. All this is expected to facilitate interconnectivity between small villages thus accelerating commercial as well as personal transportation.</li> <li>Proposed to carry forward the MAT for a period of 15 years instead of 10 years at present.</li> <li>Customs duty for Alumax used in ceramic substrate for catalytic convertors (exhaust systems) reduced from 7.5% to 5.0%.</li> </ul>	TATA motors, MSIL, Force Motors, Mahindra & Mahindra, SML Isuzu, Motherson sumi and Minda Industries etc.
BFSI	<ul style="list-style-type: none"> <li>The bill relating to resolution of financial firms will be introduced in Parliament to protect the consumers of various financial institutions.</li> <li>In line with the 'Indradhanush' roadmap, Rs.10,000 Cr are catered towards recapitalization of Banks in 2017-18. Additional allocation will be provided, as may be required.</li> <li>Listing and trading of Security Receipts issued by a securitization company or a reconstruction company under the SARFAESI Act will be permitted in SEBI registered stock exchanges. This will enhance capital flows into the securitization industry and will particularly be helpful to deal with bank NPAs.</li> <li>Promotion of a digital economy has a transformative impact in terms of greater formalization of the economy and mainstreaming of financial savings into the banking system. This, in turn, is expected to energize private investment in the country through lower cost of credit.</li> </ul>	

BFSI	<ul style="list-style-type: none"> <li>• Increase of allowable provision for Non-Performing Asset (NPA) from 7.5% to 8.5%. This will reduce the tax liability of banks. Also tax interest receivable on actual receipt instead of accrual basis in respect of NPA accounts of all non-scheduled cooperative banks at par with scheduled banks is proposed. This will remove hardship of having to pay tax even when interest income is not realized.</li> <li>• Proposition to allow systemically NBFCs above a certain net worth, to be categorized as QIBs. This will strengthen the IPO market and channelize more investments.</li> <li>• The surplus liquidity in the banking system, created by demonetization, will lower borrowing costs and increase the access to credit. This will boost economic activity, with multiplier effects.</li> <li>• Integration of CPSEs across the value chain of an industry will give them capacity to bear higher risks, avail economies of scale, take higher investment decisions and create more value for the stakeholders.</li> <li>• Use of ETF as a vehicle for further disinvestment of shares will be continued in future as well. Accordingly, a new ETF with diversified CPSE stocks and other Government holdings will be launched in 2017-18.</li> </ul>	SBI, HDFC bank, Kotak Mahindra Bank, LIC Housing Finance, Gruh Finance, DHFL, Repco Home Finance, SKS Micro.
Chemical Industry	<ul style="list-style-type: none"> <li>• Target of 1 Cr Pucca houses by 2019 is likely to enhance the demand of adhesive and water proofing products.</li> <li>• To promote the production of Phthalic Anhydride, basic custom duty of o-Xylene has been removed from existing 2.5%.</li> <li>• The basic custom duty on Vinyl Polyethylene Glycol (VPEG) which is used to manufacture Poly Carboxylate Ether has been reduced from 10% to 7.5%.</li> </ul>	Pidilite, Thirumalai Chemicals
Dairy	<ul style="list-style-type: none"> <li>• Availability of milk processing facility and other infrastructure will benefit the farmers through value addition.</li> <li>• A Dairy Processing and Infrastructure Development Fund would be set up under NABARD with a total corpus of Rs. 8,000 Cr over 3 years. Initially, the fund will start with a corpus of Rs. 2,000 Cr.</li> </ul>	Hatsun Agro, Heritage Foods, Kwality and Prabhat Dairy
Defence	<ul style="list-style-type: none"> <li>• Defence budget increased by 4.3% to Rs.3.45 lakh Cr from Rs.3.41 lakh Cr for the year FY17.</li> <li>• Defence pension provision increase by less than a percent to Rs.85,740 Cr from Rs. 85,626 Cr.</li> <li>• Pay and allowances of three services increased by 7.4% to Rs.98,737 Cr from Rs. 91,912 Cr.</li> <li>• Allocation for capital procurement increased by 20.6% to Rs.86,488 Cr from Rs. 71,700 Cr.</li> <li>• Capital procurement budget for Army increased by 6.2%, Navy decreased by 1.3%, Air Force increased by 18.9%; this includes Other equipment purchases of Air Forces which is 30% of incremental total capital procurement. Re-classification of line items into capital procurement account for 57% of incremental budget allocation.</li> </ul>	BEL, BEML, L&T, Bharat Forge, Walchandnagar Industries, Astra Micro, Premier Explosives, Solar Industries, Centum Electronic and Dynamatic Technologies.
E-commerce	<ul style="list-style-type: none"> <li>• A merchant version of Aadhar Enabled Payment System, will be launched which will be specifically beneficial for those who do not have debit cards, mobile wallets and mobile phones.</li> <li>• A Mission will be set up with a target of 2,500 Cr digital transactions for 2017-18 through UPI, USSD, Aadhar Pay, IMPS and debit cards. Banks have targeted to introduce additional 10 lakh new PoS terminals by March 2017. They will be encouraged to introduce 20 lakh Aadhar based PoS by September 2017.</li> <li>• Government is going to launch two new schemes to promote the usage of Bharat Interface for Money Application (BHIM); these are Referral Bonus Scheme for individuals and a Cashback Scheme for merchants.</li> <li>• The shares of Railway Public Sector Enterprises like IRCTC, IRFC and IRCON will be listed in stock exchanges.</li> </ul>	Just Dial Ltd

<p>FMCG</p>	<ul style="list-style-type: none"> <li>• Aimed to boost spending in rural areas and to provide more employment by increasing the allocation under “Mahatma Gandhi National Rural Employment Guarantee Act” (MGNREGA) to Rs.48,000 Cr from Rs.38,500 Cr.</li> <li>• A new Mission Antyodaya announced in rural areas to bring at least 10 Mn households out of poverty in the next few years and to make 50,000 gram panchayats poverty free by 2019. This mission will improve the livelihood and disposable incomes of people which leads to surplus money in the hands of people and boost consumption.</li> <li>• Excise duty on Cigar and Cheroots increased from Rs.3755 per thousand to Rs.4006 per thousand. And excise duty on Paper rolled biris increased from Rs.21 per thousand to Rs.78 per thousand.</li> <li>• Excise duty on non-filter cigarettes and filter cigarettes of length not exceeding 65 mm increased to Rs.311 per thousand from Rs.215 per thousand.</li> <li>• Excise duty on non-filter Cigarettes of length 65mm-70mm and filter Cigarettes of length 70mm-75mm increased to Rs.541 per thousand from Rs.370 per thousand.</li> <li>• Excise duty on filter Cigarettes of length 65mm-70mm increased to Rs.386 per thousand from Rs.260 per thousand.</li> <li>• Excise duty on other Cigarettes increased to Rs.811 per thousand from Rs.560 per thousand.</li> <li>• Excise duty on Chewing Tobacco (including filter Khaini), Jarda scented tobacco and Pan Masala containing Tobacco (Gutkha) increased to 12% from 6%.</li> </ul>	<p>ITC, VST Industries, HUL, Dabur India, Emami, Godrej Consumer Products, P&amp;G and Britannia.</p>
<p>Infrastructure</p>	<ul style="list-style-type: none"> <li>• Total Infrastructure spending pegged at Rs.3.96 Lakh Cr.</li> <li>• Total allocation for Transportation sector pegged at Rs.2.41 Lakh Cr. <ul style="list-style-type: none"> <li>◆ Integrated approach for creation of infrastructure by drawing synergies between Railways, Roadways, Waterways and Aviation plans going forward. <ul style="list-style-type: none"> <li>• Allocation for Railways at Rs.1.31 Lakh Cr which includes Gross Budgetary Support at Rs.55,000 Cr</li> <li>• Allocation for Roadways at Rs.64,900 Cr with PMGSY allocation at Rs.28,000Cr.</li> <li>• Airport infrastructure, AAI act shall be amended for monetising of land parcels apart from PPP mode of development of airports in TIRE 2 cities.</li> </ul> </li> </ul> </li> <li>• Telecom infrastructure, allocation for Bharat Net Project (Optic Fiber Network) pegged at Rs.10,000 Cr connecting 1.5 Lakh Gram Panchayats.</li> <li>• Energy infrastructure <ul style="list-style-type: none"> <li>◆ Oil &amp; Gas infrastructure - 2 additional Strategic Crude Reserve (SCR) at Chandikhole, Odisha (3.75 Mn tonnes) and Bikaner, Rajasthan (3.75 Mn tonnes) apart from expanding existing Padur faculty taking SCR capacity to 15.33MT .</li> <li>◆ Renewal Energy infrastructure – additional 20 GW of Solar capacity to be created.</li> </ul> </li> <li>• Electronics Manufacturing to be incentivised through Modified Special Incentive Package Scheme (M-SIPS) and Electronics Development Fund (EDF) to the extent of Rs.745 Cr. An all time high allocation.</li> <li>• Export infrastructure, to improve competitiveness a new and restructured scheme, Trade Infrastructure for Export Scheme (TIES) will be launched in 2017-18.</li> </ul>	
<p>Information Technology</p>	<ul style="list-style-type: none"> <li>• The government has allocated a massive Rs 10,000 Cr towards the Bharat Net project for 2017-18. By the end of 2017-18, high speed broadband connectivity on optical fibre will be available in more than 1,50,000 gram panchayats, with wifi hot spots and access to digital services at low tariffs.</li> <li>• A DigiGaon initiative will be launched to provide tele-medicine, education and skills through digital technology.</li> <li>• It is proposed to lower the rate of deduction of tax in case of payments made to a person engaged only in the business of operation of call centre.</li> </ul>	<p>Infosys, TCS, HCL Tech, Tata Elxsi, NIIT Tech, First Source Solutions, Vakrangee Software, Mphasis, eClerx, Accelya Kale Solutions, Polaris Consulting &amp; Services, Zensar Tech and KPIT Technologies.</p>

Leather / Footwear	<ul style="list-style-type: none"> <li>Launched scheme for the labour intensive leather and footwear sector which will be similar to the special package worth Rs. 60 Bn announced for the textiles sector in June last year, attracting investments of US\$ 11 Bn and generating US\$ 30 Bn in exports.</li> <li>The commerce ministry has proposed Rs. 70 Bn for Indian Leather Development Programme (ILDLP) programme for three years.</li> <li>The industry has also demanded cut in excise duty to 6% from 12% for non-leather products like footwear till the Goods and Service Tax (GST) comes into force.</li> <li>The government aims to increase the sectoral exports to US\$ 15 Bn by 2020 from the current US\$ 7 Bn.</li> </ul>	Bata India Ltd, Mirza International, Liberty, Relaxo Footwear, Superhouse and Super Tannery
Logistics	<ul style="list-style-type: none"> <li>Budget 2017-18' has proposed Rs. 396135 Cr for infrastructure and Rs. 2.41 lakh Cr for transport sector as a whole including rail, roads and shipping.</li> <li>A specific programme for development of multi-modal logistics park together with multi modal transport facilities to be drawn up and implemented.</li> <li>Railways to implement end to end integrated transport solutions for select commodities through partnership with logistics players.</li> </ul>	GDL, Container Corporation of India Ltd, VRL Logistics, Gati, Snowman Logistics, Balmer Laerie & Co.
Mining and Minerals	<ul style="list-style-type: none"> <li>Basic custom duty on mineral fuels and mineral oils including LNG has been reduced from 5% to 2.5%.</li> <li>Basic custom duty on Nickel has been abolished which was at 2.5%.</li> </ul>	GMDC, NMDC, Neyveli, MOIL, Hindustan Zinc, Hindustan Copper etc.
Oil and Gas	<ul style="list-style-type: none"> <li>Import duty on LNG reduced from 5% to 2.5%. The direct beneficiary of this will be Petronet LNG as they can now procure LNG at lower cost. Other industries which are expected to benefit are fertilizers, City Gas Distribution (CGD) and petrochemicals which use imported LNG as a raw material. Gas transmission companies may also benefit as the demand for LNG may increase on the back of lower import duty.</li> <li>To create integrated public sector oil major in line with international &amp; domestic PSUs.</li> <li>India to have two more strategic crude oil reserves taking India's crude oil storage facility to 15 MMT. The two new locations selected for reserves are Bikaner &amp; Odisha.</li> </ul>	Petronet LNG, Indraprastha Gas Ltd, Mahanagar Gas Ltd, Gujarat Gas Ltd, GAIL, GSPL, Fertilizer and Petrochemical companies using LNG, ONGC, Oil India, HPCL, BPCL and Indian oil.
Pharma & Healthcare	<ul style="list-style-type: none"> <li>Government proposes to amend the Drugs and Cosmetics Rules to ensure availability of drugs at reasonable prices and promote use of generic medicines.</li> <li>New rules to be formulated for regulating medical devices. These rules will be internationally harmonized to attract investments which will reduce the costs of medical devices.</li> <li>Financial assistance in the form of direct transfer of Rs.6000 to bank accounts of pregnant women who undergo institutional delivery and vaccinate their new born.</li> <li>Action plan prepared to eradicate the following diseases: 1. Kala Azar by 2017, 2. Filariasis by 2017, 3. Leprosy by 2018, 4. Measles by 2020 and 5. Tuberculosis (TB) by 2025.</li> <li>Action plan prepared to reduce IMR (Infant Mortality Rate) from 39 per 1000 live births in 2014 to 28 per 1000 live births by 2019 and MMR (Maternal Mortality Rate) from 167 per 100,000 live births in 2011-13 to 100 per 100,000 live births by 2018-2020.</li> <li>About 1.5 Lakh Health Sub Centers will be transformed into Health and Wellness Centers.</li> <li>New 5000 postgraduate medical courses to be added by Government to increase number of specialty doctors particularly in rural areas.</li> <li>Government plans to encourage reputed private hospitals to start new DNB courses (a postgraduate medical program).</li> <li>Two AIIMS (All India Institutes of Medical Sciences) hospitals to be setup in Jharkhand and Gujarat.</li> </ul>	Pfizer, Sun Pharma, Glenmark, Cipla, Dr.Reddy's and Lupin.  Apollo Hospitals, Fortis Healthcare and Narayana Hrudayalaya.

<p>Railways</p>	<p>Total allocation to Railways at Rs.1.31 Lakh Cr including Gross Budgetary Support at Rs.55,000 Cr.</p> <p>Four Areas of focus in Railways:</p> <p><b>A) Passenger Safety</b></p> <ul style="list-style-type: none"> <li>• A fund called 'Rashtriya Rail Sanraksha Kosh' with a corpus of Rs. 1 Lakh Cr five years.</li> <li>• Unmanned level crossing on Broad Gauge lines be eliminated by 2020.</li> </ul> <p><b>B) Capital and development works</b></p> <ul style="list-style-type: none"> <li>• 70 projects shall be implemented under JV mode between Railways and 9 State Governments.</li> <li>• 25 stations shall be awarded for station redevelopment in 2017-18 and 500 stations shall be made disabled friendly.</li> <li>• 7000 stations shall be feed with Solar Power in the medium term. Under 1000MW Solar Power mission 2,000 stations shall be taken up in the first phase.</li> <li>• 3,500 km of railway lines to be commissioned during 2017-18.</li> </ul> <p><b>C) Cleanliness</b></p> <ul style="list-style-type: none"> <li>• By 2019 all trains shall be fitted with Bio-toilets.</li> <li>• Solid-to-Waste energy degradable plants to come-up in New Delhi and Jaipur.</li> <li>• SMS based Clean My Coach service broadened with single window interface facility 'Coach Mitra' for Swachh Rail mission.</li> </ul> <p><b>D) Reforms in Finance &amp; Accounting System</b></p> <ul style="list-style-type: none"> <li>• As a part of accounting reform, Railways will move to Accrual based accounting system by March 2019.</li> <li>• In a period of 3 years throughput shall be increased by 10% through identified rail corridors.</li> <li>• Railway Traif Rates shall be made competitive with other modes of transportation.</li> <li>• End-to-End integrated transport solutions for select commodities through partnerships with logistics players.</li> <li>• Rolling stocks and practices will be customised for transportation of agricultural goods , especially perishables.</li> <li>• A new Metro Rail Policy announced and a new Metro Rail Act shall be brought into existence for promotion of investments and jobs.</li> </ul>	<p>L&amp;T, Kalindee Rail, Titagarh Wagons, Concor, KEC International, Siemens</p>
<p>Real Estate / Housing</p>	<ul style="list-style-type: none"> <li>• Affordable housing will now be given infrastructure status, which will enable these projects to avail the associated benefits.</li> <li>• Profit-linked income tax exemption for promoters of affordable housing scheme which has received a very good response. In order to make this scheme more attractive instead of built up area of 30 and 60 sq.mtr., the carpet area of 30 and 60 sq.mtr. will be counted. Also the 30 sq.mtr. limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 sq.mtr. will apply. In order to be eligible, the scheme was to be completed in 3 years after commencement. Now it is extended to 5 years.</li> <li>• At present, the houses which are unoccupied after getting completion certificates are subjected to tax on notional rental income. For builders for whom constructed buildings are stock-in-trade, I propose to apply this rule only after 1 year of the end of the year in which completion certificate is received so that they get some breathing time for liquidating their inventory.</li> </ul>	

Real Estate / Housing	<ul style="list-style-type: none"> <li>Changes in the capital gain taxation provisions in respect of land and building. The holding period for considering gain from immovable property to be long term is 3 years now. This is proposed to be reduced to 2 years. Also, the base year for indexation is proposed to be shifted from April 1, 1981 to April 1, 2001 for all classes of assets including immovable property. This move will significantly reduce the capital gain tax liability while encouraging the mobility of assets. FM also has plans to extend the basket of financial instruments in which the capital gains can be invested without payment of tax.</li> <li>For Joint Development Agreement signed for development of property, the liability to pay capital gain tax will arise in the year the project is completed.</li> <li>The National Housing Bank will refinance individual housing loans of about Rs. 20,000 Cr in 2017-18.</li> </ul>	Ashiana Housing and NBCC (INDIA).
Renewable Energy	<ul style="list-style-type: none"> <li>Proposed to feed about 7000 railway stations with solar power and work on 300 railway stations already started. Works will be initiated for 2000 railway stations as a part of government's 1000MW solar mission.</li> <li>Under governments solar development park scheme, proposal to take up 20000Mw of additional capacity in second phase.</li> <li>No Basic customs duty on solar tempered glass which is used manufacture of solar cells/ panels/modules.</li> <li>Countervailing duty on parts / raw materials used in manufacture of solar tempered glass for use in solar photovoltaic cells/ modules is reduced from 12.5% to 6%.</li> </ul>	Ujaas Energy and Suzlon Energy.
Start Ups	<ul style="list-style-type: none"> <li>Start ups were given income tax exemption with conditions for carrying forward losses with continuous holding of 51% voting rights has been relaxed if the promoter holding continues.</li> <li>Profit linked deduction for three years of five has changed to three years out of seven years.</li> </ul>	Info Edge India.
Telecom	<ul style="list-style-type: none"> <li>In 2017-2018 Budget, Telecom sector is one of the important components in the infrastructure eco system. The recent spectrum auctions have removed spectrum scarcity in the country. The people living in rural and remote areas could be reached by the mobile broadband.</li> <li>Bharat Net was re-branded from its name National Optic Fibre Network (NOFN) project in April 2015. It aims to cover a total of 2.5 lakh gram panchayats; till now 1,55,000 kms has been laid.</li> <li>Rs. 10000 Cr would be allocated to expand the Bharat Net Project in FY17-18.</li> <li>By the end of 2017-2018 high speed broadband is expected to reach 1.5 lakh gram panchayats via WIFI hotspots.</li> <li>Through Digital technology, the rural people enjoy the services of tele-medicine, education and skills.</li> </ul>	Airtel, Vodafone, Idea Cellular, Reliance, Communications, Finolex Cables and Sterlite Technologies.
Textiles	<ul style="list-style-type: none"> <li>A special scheme for creating employment in the textile sector has already been launched. In June 2016, the government approved Rs 6,000 Cr special packages for the textiles sector to create 1 Cr new jobs in 3 years, attracting investments of US\$ 11 Bn and generating US\$ 30 Bn in exports.</li> <li>Basic customs duty on Nylon mono filament yarn for use in monofilament long line system for Tuna fishing, decreased from 7.5% to 5%.</li> </ul>	Page Industries, Welspun India, Indo Count Industries, Himatsingka Siede, Ambika Cotton Mills, Trident, Raymond

**Exhibit: Budget At a Glance (Rs. Cr.)**

	2015-16 Actuals	2016-2017 RE	2017-2018 BE
<b>1. Revenue Receipts</b>	<b>1195025</b>	<b>1423562</b>	<b>1515771</b>
2. Tax Revenue (Net to Centre)	943765	1088792	1227014
3. Non-Tax Revenue	251260	334770	288757
<b>4. Capital Receipts (5+6+7) \$</b>	<b>595748</b>	<b>590845</b>	<b>630964</b>
5. Recoveries of Loans	20835	11071	11932
6. Other Receipts	42132	45500	72500
7. Borrowing and Other Liabilities *	532791	534274	546532
<b>8. Total Receipts (1+4)</b>	<b>1790783</b>	<b>2014407</b>	<b>2146735</b>
<b>9. Scheme Expenditure</b>	<b>725114</b>	<b>869847</b>	<b>945078</b>
10. On Revenue Account	545619	631511	674057
11. On Capital Account	179495	238336	271021
12. Expenditure on Other than Schemes (13+15)	1065669	1144560	1201657
<b>13. On Revenue Account</b>	<b>992142</b>	<b>1103049</b>	<b>1162877</b>
14. of which, Interest Payments	441659	483069	523078
15. On Capital Account	73527	41511	38780
<b>16. Total Expenditure (9+12)</b>	<b>1790783</b>	<b>2014407</b>	<b>2146735</b>
17. On Revenue Account (10+13)	1537761	1734560	1836934
18. Of which, Grants in Aid for Creation of Capital Assets	131754	171472	195350
19. On Capital Account (11+15)	253022	279847	309801
<b>20. Revenue Deficit (17-1)</b>	<b>342736</b>	<b>310998</b>	<b>321163</b>
	(2.5)	(2.1)	(1.9)
<b>21. Effective Revenue Deficit (20-18)</b>	<b>210982</b>	<b>139526</b>	<b>125813</b>
	(1.6)	(0.9)	(0.7)
<b>22. Fiscal Deficit [16-(1+5+6)]</b>	<b>532791.0</b>	<b>534274.0</b>	<b>546532.0</b>
	(3.9)	(3.2)	(3.2)
<b>23. Primary Deficit (22-14)</b>	<b>91132</b>	<b>51205</b>	<b>23454</b>
	(0.7)	(0.3)	(0.1)

Source: Budget Documents, Karvy Research; RE: Revised Estimates, BE: Budget Estimates

\$ Excluding receipts under Market Stabilisation Scheme

\* Includes draw-down of Cash Balance.

Notes:

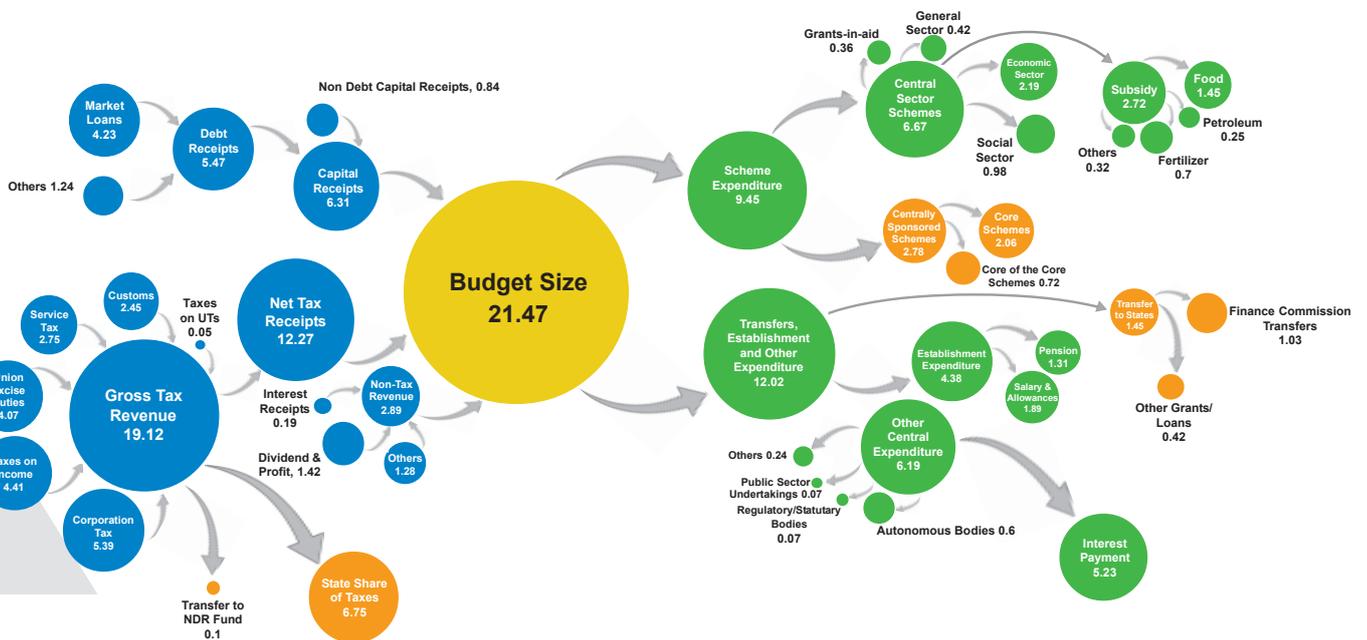
(i) GDP for BE 2017-2018 has been projected at Rs. 16847455 Cr assuming 11.75% growth over the Revised Estimates of 2016-2017 (Rs. 15075429 Cr).

(ii) Individual items in this document may not sum up to the totals due to rounding off

(iii) Figures in parenthesis are as a percentage of GDP

# Budget Profile

(Money Comes From Money Goes To)



## Receipts

(Rs. Cr.)

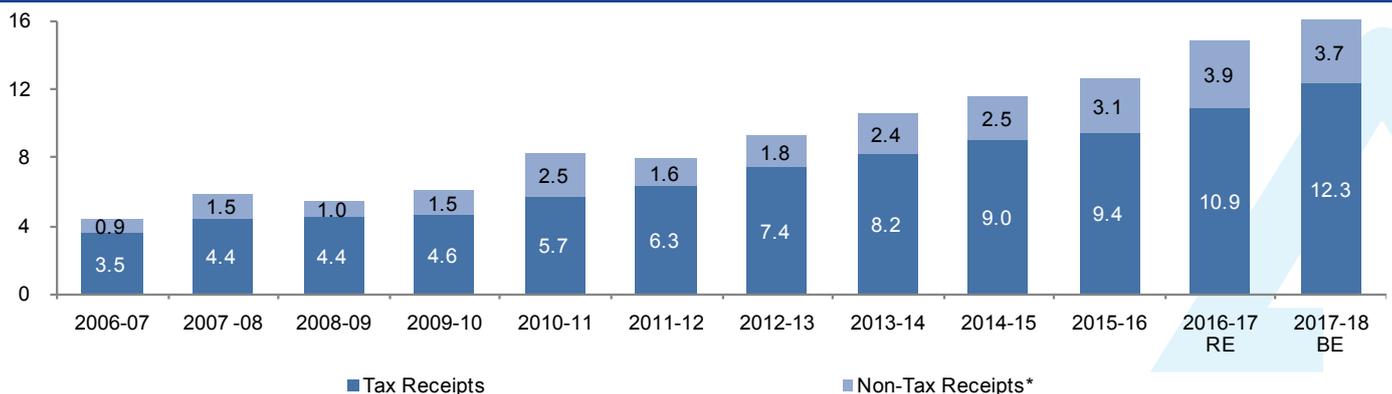
Particulars	2015-16 Actuals	2016-2017 RE	2017-2018 BE	Change in YoY (%)
<b>REVENUE RECEIPTS</b>				
<b>1. Tax Revenue</b>				
Gross Tax Revenue	1455648	1703243	1911579	12.2
Corporation Tax	453228	493923	538745	9.1
Taxes on Income	287637	353174	441255	24.9
Wealth Tax	1080	...	...	
Customs	210338	217000	245000	12.9
Union Excise Duties	288073	387369	406900	5.0
Service Tax	211414	247500	275000	11.1
Taxes on Union Territories	3878	4277	4679	9.4
Less - NCCD transferred to the NCCF/NDRF	5690	6450	10000	55.0
Less - State's share	506193	608000	674565	10.9
1(a) Centre's Net Tax Revenue	943765	1088793	1227014	12.7
<b>2. Non-Tax Revenue</b>	251260	334770	288757	(13.7)
Interest receipts	25378	18149	19021	4.8
Dividend and Profits	112127	153222	142430	(7.0)
External Grants	1881	2882	3060	6.2
Other Non Tax Revenue Receipts of Union Territories	110336	159115	122728	(22.9)
Territories	1538	1402	1518	8.3
<b>Total Revenue Receipts(1a + 2)</b>	<b>1195025</b>	<b>1423563</b>	<b>1515771</b>	<b>6.5</b>
<b>3. Capital Receipts</b>				
<b>A. Non-debt Receipts</b>				
(i) Recoveries of loans and advances <sup>@</sup>	20835	11071	11933	7.8
(ii) Miscellaneous Capital Receipts	42132	45500	72500	59.3
<b>B. Debt Receipts*</b>	<b>532791</b>	<b>534273</b>	<b>546531</b>	<b>2.3</b>
<b>Total Capital Receipts (A+B)</b>	<b>595758</b>	<b>590844</b>	<b>630965</b>	<b>6.8</b>
<b>Total Receipts (1a+2+3)</b>	<b>1790783</b>	<b>2014407</b>	<b>2146735</b>	<b>6.6</b>
<b>4. Draw-Down of Cash Balance</b>	<b>13170</b>	<b>40227</b>	<b>12844</b>	<b>(68.1)</b>

Source: Budget Documents, Karvy Research, RE: Revised Estimates, BE: Budget Estimates

@ excludes recoveries of short-term loans and advances from States, loans to Government servants, etc.

\* The receipts are net of repayments and do not include receipts under Market Stabilisation Scheme

## Receipts (Rs. Lakhs Cr)



Source: Budget Documents, Karvy Research, \* Including Capital Receipts, RE: Revised Estimates, BE: Budget Estimates

## Expenditure

(Rs. Cr)

Particulars	2015-16 Actuals	2016-2017 RE	2017-2018 BE	YoY (%)
<b>A. Centre's Expenditure</b>				
I Establishment Expenditure of Centre	334870	406711	437538	7.6
II Central Sector Schemes/Projects	521374	624411	666644	6.8
III Other Central Sector Expenditure	592909	585589	619225	5.7
a. Statutory and Regulatory Bodies	5818	6196	6482	4.6
b. Autonomous Bodies	41939	49331	60278	22.2
c. Public Sector Undertakings	9696	8090	4639	(42.7)
d. Public Sector Banks	25000	25000	10000	(60.0)
e. Financial Institutions	1627	1905	4068	113.5
f. Others	508829	495066	533758	7.8
<b>B. Centrally Sponsored Schemes and other Transfers</b>				
IV Centrally Sponsored Schemes	203741	245435	278433	13.4
V Finance Commission Grants	84579	99115	103101	4.0
VI Other Grants/Loans/Transfers	53310	53146	41794	(21.4)
<b>Grand Total</b>	<b>1790783</b>	<b>2014407</b>	<b>2146735</b>	<b>6.6</b>

Source: Budget Documents, Karvy Research, RE: Revised Estimates, BE: Budget Estimates

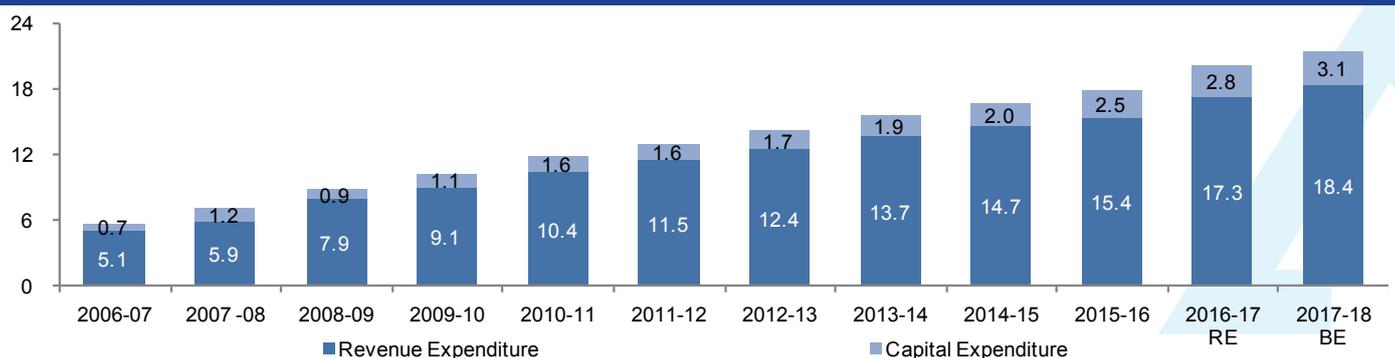
## Statement of Major Expenditure

(Rs. Cr)

Particulars	2016-2017 RE	2017-2018 BE	YoY (%)
1 Interest Payment	483069	523078	8.3
2 Capital Outlay Excluding Defence	162570	183280	12.7
3 Defence	248005	262390	5.8
4 Grants and Loans to States	293172	307553	4.9
5 Food Subsidy	135173	145339	7.5
6 Education	32229	36884	14.4
7 Police	62407	65576	5.1
8 Pensions	128166	131201	2.4
9 Health and Family Welfare	14478	16836	16.3
10 Other Subsidies	125312	126937	1.3
11 Grants and Loans to UT Governments	5547	3996	(28.0)
12 Other expenditure	324279	343665	6.0
<b>Total Expenditure</b>	<b>2014407</b>	<b>2146735</b>	<b>6.6</b>

Source: Budget Documents, Karvy Research, RE: Revised Estimates, BE: Budget Estimates

## Expenditure (Rs. Lakhs Cr)



Source: Budget Documents, Karvy Research, RE: Revised Estimates, BE: Budget Estimates

## Debt and Deficit Statistics

(Rs. Cr)

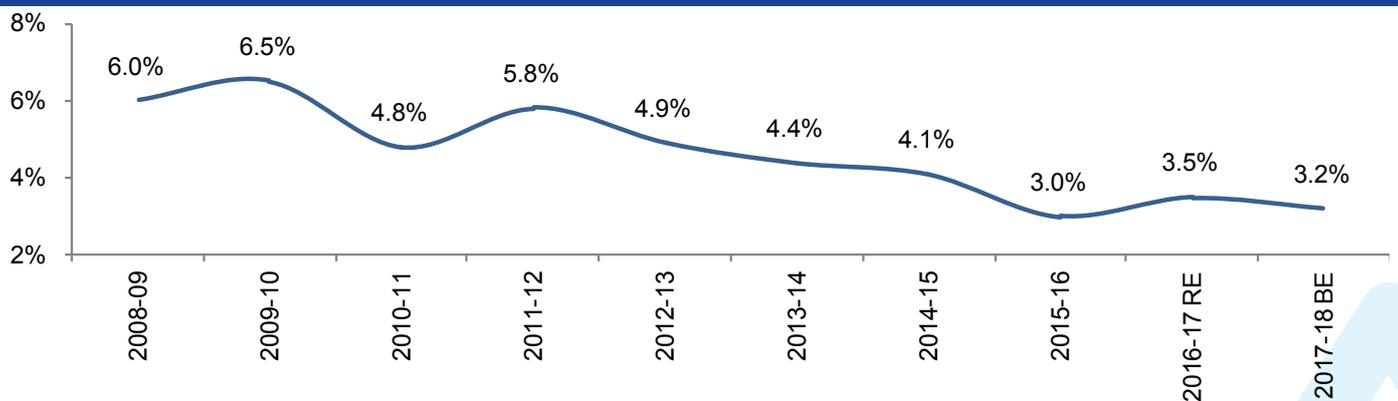
Particulars	2015-16 Actuals	2016-2017 RE	2017-2018 BE
<b>1. Fiscal Deficit</b>	<b>532791</b>	<b>534274</b>	<b>546532</b>
<b>2. Primary Deficit</b>	<b>91132</b>	<b>51205</b>	<b>23454</b>
<b>3. Revenue Deficit</b>	<b>342736</b>	<b>310998</b>	<b>321163</b>
<b>4. Effective Revenue Deficit</b>	<b>210982</b>	<b>139526</b>	<b>125813</b>
<b>5. Debt Receipts (Net)</b>			
6. Borrowings	454743	365848	350228
7. Securities Against Small Savings	52465	90377	100157
8. State Provident Funds	11858	13000	14000
9. Other Receipts (Internal Debts and Public Account)	(-) 12202	9948	53513
10. External Debt	12748	14873	15789
<b>11. Draw Down of Cash Balance</b>	<b>13170</b>	<b>40227</b>	<b>12844</b>
<b>12. Grand Total</b>	<b>532791</b>	<b>534274</b>	<b>546532</b>

### As a % of GDP

<b>1 Fiscal Deficit</b>	<b>3.9</b>	<b>3.5</b>	<b>3.2</b>
<b>2 Primary Deficit</b>	<b>0.7</b>	<b>0.3</b>	<b>0.1</b>
<b>3 Revenue Deficit</b>	<b>2.5</b>	<b>2.1</b>	<b>1.9</b>
<b>4 Effective Revenue Deficit</b>	<b>1.6</b>	<b>0.9</b>	<b>0.7</b>
<b>5 Debt Receipts (Net)</b>			
6. Borrowings	3.4	2.4	2.1
7. Securities Against Small Savings	0.4	0.6	0.6
8. State Provident Funds	0.1	0.1	0.1
9. Other Receipts (Internal Debts and Public Account)	(-) 0.1	0.1	0.3
10. External Debt	0.1	0.1	0.1
<b>11 Draw Down of Cash Balance</b>	<b>0.1</b>	<b>0.3</b>	<b>0.1</b>
<b>12 Grand Total</b>	<b>3.9</b>	<b>3.5</b>	<b>3.2</b>

Source: Budget Documents, Karvy Research, RE: Revised Estimates, BE: Budget Estimates

### Fiscal deficit as % of GDP



Source: Budget Documents, Karvy Research, RE: Revised Estimates, BE: Budget Estimates

**Allocations of Important Ministries, Sectors and Vulnerable Sections**

Particulars	2015-16 Actuals	2016-17 RE	2017-18 BE
1 Ministry of Agriculture and Farmers' Welfare	44485	48072	51026
2 Ministry of Development of North Eastern Region	2430	2524	2682
3 Ministry of Drinking Water and Sanitation	14010	16512	20011
4 Ministry of Health and Family Welfare	38206	39688	48853
5 Ministry of Housing and Urban Poverty Alleviation	5411	5285	6406
6 Ministry of Human Resource Development	72394	73599	79686
7 Ministry of Micro, Small and Medium Enterprises	3465	5463	6482
8 Ministry of Minority Affairs	3827	3827	4195
9 Ministry of New and Renewable Energy	5036	4360	5473
10 Ministry of Railways	45000	46155	55000
11 Ministry of Road Transport and Highways	57976	52447	64900
12 Ministry of Rural Development	87765	97760	107758
13 Ministry of Skill Development and Entrepreneurship	1804	2173	3016
14 Ministry of Social Justice and Empowerment	7350	7353	7763
15 Ministry of Tribal Affairs	4827	4827	5329
16 Ministry of Urban Development	24523	32550	34212
17 Ministry of Water Resources, River Development and Ganga Rejuvenation	6201	4756	6887
18 Ministry of Women and Child Development	17408	17640	22095

Source: Budget Documents, Karvy Research, RE: Revised Estimates, BE: Budget Estimates

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