Money CARE RESEARCH BUDGET IMPACT.

ADANI POWER Positive

Adani Power Ltd. (APL) is incorporated to develop, operate and maintain power generation projects in India. APL alongwith its subsidiaries has total coal-based thermal power generation projects of 9,240 MW on hand out of which it has achieved commercial operations for 5,280 MW power generation projects. Majority of APL's commissioned power generation capacity is operating on imported bituminous coal.

Proposal and Impact

- The Basic Custom Duty (BCD) on bituminous coal reduced from 5% to 2% and Counter Veiling Duty (CVD) from 6% to 2%. The BCD on steam coal has been raised from Nil to 2% and CVD from 1% to 2%. Hereafter, both steam coal and bituminous coal will attract a uniform rate of 2% BCD and 2% CVD.
- On considering the coal requirements of the existing power plants and the power plants that will come into operation by March 31, 2015, there is no alternative except to import coal and adopt a policy of blending and pooled pricing.

APL uses bituminous coal in its power generation plants whereby reduction in the rate of BCD and CVD is expected to reduce the input cost of power generation for APL. On the back of majority of Power Purchase Agreements having fixed tariff payable to APL, reduction in the input cost of power generation is expected to improve the profitability margins for the company.

Furthermore, on the back of subdued domestic coal production, APL is expected to continue rely on the imported coal whereby pooled pricing mechanism shall help it marginally to reduce the cost of fuel.

BHARAT HEAVY ELECTRICALS **Positive**

Bharat Heavy Electricals Limited (BHEL) is one of India's largest heavy engineering & equipment manufacturing companies with focus on power equipment manufacturing. The company provides a gamut of services starting from design, engineering, manufacture, construction, testing, commissioning and servicing of a wide range of products and services for the core sectors of the economy.

Proposal and Impact

Indian Railways to set-up an electromotive unit in collaboration with the State Government of Rajasthan and BHEL. This augurs well for BHEL. Increase in limit of tax-free bonds upto Rs.50,000 crore, coupled with deduction of 15% on the investment amount for investments in plant and machinery above Rs.100 crore made during period April 01, 2013 and March 31, 2015 would have a positive impact on infrastructure and capital goods industry; BHEL would derive benefits from the same.

COAL INDIA (CIL) Neutral

Coal India Limited (CIL) is the largest coal producer in the world (with production of 436 MT as on March 2012 accounting for approximately 82% of the total national production). CIL plays a dominant role in meeting the country's energy requirement. In India, approximately 52% of primary commercial energy is coal dependent, of which CIL alone meets to the tune of approximately 40%. It operates 471 mines in 21 major coalfields across eight states, including 163 Opencast (OC), 273 Underground (UG) and 35 mixed mines. As on March 2012, 397.4 MT of raw coal was produced from OC mines which constituted approximately 91% of the total raw coal production. A bulk of CIL's coal production (65%) comes from five coal fields (Korba, Singrauli, Talcher, IB Valley, and Wardha Valley) accounting for 39% of its proven reserves and resources.

Proposal and Impact

 \bullet The import duty on steam coal has increased to 2% + 2% CVD from 0% + 1% CVD. This has been neutral for coal India, as it would reduce penalty burden when it enters into legally binding Fuel Supply Agreements.

GAIL (INDIA) LTD Positive

GAIL, India's principal gas transmission and marketing company, was set up by the Gol in August 1984. With the foray in Exploration and Production (E&P) in Oil and Gas and Coal Bed Methane (CBM) activities, the company is emerging as an integrated player in the Natural Gas value chain. GAIL's primary business operations include, trading and transmission of gas, LPG, Hydrocarbons, City Gas Distribution (CGD) and manufacturing of petrochemical products.

Proposal and Impact

The proposed review of pricing policy for Natural gas would provide more transparency and augurs well for GAIL. Gol's focus on encouraging Shale gas projects likely to boost GAIL's endeavors in that segment should they find suitable acquisition opportunities overseas. The announcement for additional deduction to the extent of 15% of capital investment of Rs.100 crore or more is a positive for all companies including GAIL.

The proposed regulatory amendments in E&P for oil and gas sector (shift from profit sharing to revenue sharing) are marginally negative; however, the same has minimal impact because of nascent stage in GAIL's E & P business.

HDIL Neutral

Housing Development and Infrastructure Ltd (HDIL), since 1973, is in the business of real estate development.

Proposal and Impact

Additional deduction of Rs.1 lakh for the person taking home loan for the first time, not exceeding Rs.25 lakh over and above the deduction of Rs.1.50 lakh allowed for self-oc-

cupied properties. The Budget Proposal would augur well primarily for the projects in Tier II and Tier III cities or low / mid cost projects in Tier I cities.

However, the budget proposal related to service tax rate abatement on houses of above 2,000 sq ft or costing Rs.1 crore and above which has been reduced from 75% to 70% would lead to higher prices, thereby impacting the demand adversely to some extent.

HINDUSTAN ZINC LIMITED (HZL) Neutral

Hindustan Zinc Ltd. (HZL), incorporated in 1966, is the only integrated lead and zinc producer in the country. HZL's operations are classified into mining and smelting, wherein it has four mining facilities and three smelting facilities with total zinc, lead and silver smelting capacity of 879,000 mtpa, 93,000 mtpa and 180 mtpa, respectively.

Proposal and Impact

• Excise duty of 4% is being imposed on silver produced or manufactured during the process of zinc or lead smelting.
• Silver being a by-product contributed approximately 9.39% of the total sales of HZL in the financial year 2011-12, and hence the imposition of excise duty on silver has limited impact on the company.

JSW STEEL LTD (JSWSL) **Negative**

JSW Steel Ltd (JSWSL), a part of the O.P. Jindal group, is a partially integrated steel manufacturer having units in Karnataka, Maharashtra and Tamil Nadu, with an overall manufacturing capacity of 11 mtpa as at the end of December 2012. The facilities are well-connected with ports and rail heads.

Proposal and Impact

Hike in freight of nearly 6% on the movement of iron ore, pig iron, finished steel, etc in the Railway Budget and imposition of 2% customs duty on steam coal to impact JSWSL negatively.

However, the demand for steel players like JSWSL is expected to increase on account of the boost given to construction activities. Furthermore, entitlement to investment allowance of 15% of investment in plant and machinery for Rs.100 crore or more in FY14 and FY15 to impact JSWSL positively in the long term, given the MAT tax credit entitlement.

LIC HOUSING FINANCE Positive

Promoted by Life Insurance Corporation of India (LIC), LIC Housing Finance Ltd. (LICHF) is the second largest housing finance company in India. LIC holds 40.31% stake in the company. The loan portfolio of LICHF predominantly comprises housing loans to salaried individuals.

Proposal and Impact

Introduction of additional interest deduction up to Rs.100,000, in respect of a person availing loan for his first home up to Rs.2,500,000 during FY14, is a worthy measure taken by the government to give impetus to the affordable housing segment. This measure is expected to provide momentum to the loan book growth of LICHF, as this customer segment comprises major part of the lending profile of the company.

LARSEN & TOUBRO Positive

Larsen & Toubro is a multi-location diversified engineering conglomerate with strong market position in E&C (engineering and construction), Electrical and Electronics, Machinery and Industrial Products. It also has substantial investments in infrastructure projects, financial and IT services.

Proposal and Impact

A focus area of the Budget was providing finance for developing infrastructure, including continued improvement in the IDF structure. A regulatory authority is proposed to take up various issues facing investments into roads through the public private partnerships (PPP) route. Other important related provisions include enhancing PPP in defence sector and the earlier announcement of PPP in railways. The investment allowance of 15% per annum on investment in plant machinery exceeding Rs.100 crore from April 1, 2013 to March 2015 indicates the government's strong support for fresh capital expenditure.

MAHINDRA & MAHINDRA Neutral

Mahindra & Mahindra Limited (M&M) is engaged in the manufacture of Utility Vehicles (UVs), Light Commercial Vehicles (LCVs), tractors and three wheelers. It also operates in diverse sectors like information technology, financial services, retail, logistics, automotive components, hospitality, real estate and defense through its various subsidiaries, joint ventures and associate companies.

Proposal and Impact

M&M is currently facing a slowdown in the tractors segment. Furthermore, the hike in the excise duty on Sports Utility Vehicles (SUVs) from 27% to 30% will impact the sentiments in the UV segment, as the company's product portfolio primarily comprises UVs. However, the overall impact on M&M will be neutral, as the company also has a presence in sectors like real estate and defense, the allocation towards which has been increased in the Budget.

NTPC LTD (NTPC) Positive

NTPC is the largest power generation company in India with an installed capacity of 39,674 MW (as on December 31, 2012; including joint ventures). The company contributed to

25.48% of the total power generation of the country in FY12. It enjoys 'Maharatna Status', a status that gives greater autonomy to the company in investment and capital expenditure decisions. The company is also expanding its operations beyond thermal power generation and is venturing into generation of power through hydro, nuclear, renewable energy sources, etc.

Proposal and Impact

 The Government of India (GoI) thrust to devise a PPP policy framework (with Coal India Ltd as a partner) is expected to increase the production of coal in the long-term.
 The same augurs well for NTPC's capacity expansion programmes.

• The extension of section 80-IA benefits for power sector companies for one more year i.e. upto March 31, 2014, is also a positive for power sector companies like NTPC.

The Gol's focus on financial restructuring of state power distribution utilities shall help improve the finances of the distribution utilities thus benefitting generators like NTPC.
Adoption of coal blending and pooled pricing is likely to increase the prices of coal for the power generators, thereby, increasing the generation cost. However, these costs are passed through and are recoverable in the form of higher tariff.

PUNJAB NATIONAL BANK **Positive**

Punjab National Bank (PNB) is India's largest nationalized bank in terms of business and second largest bank in terms of number of branches. As of December 2012, PNB had a branch network of 5,788 branches and 6,058 ATMs throughout the country with net advances Rs.2.97 lakh crore and a deposit base of Rs.3.86 lakh crore.

Proposal and Impact

Commitment of the Government to infuse capital in PSU banks to the extent of Rs.14,000 crore in 2013-14 will help in supporting the CAR of the bank in line with BASEL III norms. As of December 31, 2012, the government holds 56.1% stake in PNB and CAR of the bank stood at 11.66% with Tier 1 CAR of 8.62%.

Continued thrust of the government on infrastructure development (including allocation for development of ports, warehousing and roads, coal production on PPP basis etc) and agriculture will boost credit growth of the bank.

RANBAXY LABORATORIES Neutral

Ranbaxy is a leading global generic drug manufacturing company and India's largest pharmaceutical company in terms of sales. Ranbaxy has its sales spread over 125 countries with its major markets being USA, India, Europe, Russia, and South Africa.

Proposal and Impact

The Union Budget proposes to allow investment allowance of 15% per annum on investment in plant machinery exceeding Rs.100 crore. from April 1,2013 to March 31, 2015. The proposal will have a marginal positive impact on Ranbaxy, given its expansion strategy.

RELIANCE POWER LIMITED Positive

Reliance Power Limited (R-Power) is India's leading private sector power generation company. The company has the largest portfolio of power projects (ongoing and under development) in the private sector with an operational generation capacity of 1,840 MW as on January 2013. R-Power has stake in coal reserves (over 2 billion tones) in Indonesia.

Proposal and Impact

One year extension for power projects to avail benefit under 80–IA of the Income Tax, would be positive for R-Power's Butibori and Sasan power projects, scheduled to commission in FY14. Increase in both basic customs duty (BCD) and counter veiling duty (CVD) on imported coal to 2% would have no impact on its earnings, as R-Power's Rosa I&II power plants, which uses imported coal, have a fuel cost pass through clause as per the Power Purchase Agreements (PPAs). However, Fuel Adjustment Component (FAC) over and above the base tariffs which would increase the freight rates for coal by 5.8% as announced in the Railway Budget 2013-14, would have some impact in terms of increased fuel costs for its Butibori power plant, as the company is yet to sign cost plus PPAs for this plant.

STEEL AUTHORITY OF INDIA Neutral

SAIL, the largest steelmaker in India, is an integrated iron and steel manufacturer, having presence across the steel manufacturing value chain. It enjoys 'Maharatna Status', a status that gives greater autonomy to the company in investment and capital expenditure decisions. SAIL's total crude steel and saleable steel capacities currently stand at 12.8 Million Tonnes Per Annum (MTPA) and 11.2 MTPA, respectively.

Proposal and Impact

With levy of customs duty on steam coal, marginal negative changes are expected in input energy prices. With significant capacities on stream in next two years, the investment allowance appears a timely boost, providing significant long-term taxation shelter to the company, though in the immediate term MAT would limit the relief. Proposal to implement Fuel Adjusted Component (FAC) in Freight Tariffs is likely to increase the freight cost component for all the metal manufacturing companies. Cost of transportation of key raw materials is likely to increase. Also the cost of transportation of finished products is likely to increase on similar lines.

Government's inclination to boost the infrastructure sector and give impetus to investment cycle through investment and funding measures are likely to give fillip to infrastructure demand and shall be long-term positives for SAIL.

STATE BANK OF INDIA Positive

State Bank of India (SBI) is the largest bank in India with an asset base of Rs.14.7 trillion as on December 31, 2012. SBI also has presence across the country through its five associate banks. The bank received capital infusion of Rs.7,900 crore in FY12 leading to an increase in the government holding to 61.58% from 59.4%. The bank has systemic importance in the Indian banking sector with market share of approximately 16% in advances and deposits, respectively, among all the scheduled commercial banks in India.

Proposal and Impact

Additional capital infusion in public sector banks in FY14 would be a key positive for the bank, as SBI is anticipated to be the among the largest beneficiary of the same on account of its size and stature of being the largest public sector bank. At the end of December 2012, total CAR and Tier I CAR stood at 12.21% and 8.66%. The capital infusion is expected to help the bank in maintaining adequate capitalization level under the Basel III framework and provide impetus to demonstrate healthy growth in the business going forward. Continued thrust of the government on infrastructure development (including allocation for development of ports, warehousing and roads, coal production on PPP basis etc) and agriculture will boost the credit growth of the bank.

TATA CHEMICALS LIMITED Neutral

Tata Chemicals is the second largest producer of soda ash in the world with manufacturing facilities across the globe. It is also India's leading nitrogenous and phosphatic fertilizer producer.

Proposal and Impact

Surcharge on the income tax for domestic companies and dividend distribution tax (DDT) has been revised to 10% (from 5% last year).

The proposed increase in tax surcharge would have marginal impact on the company's cash outflows given that Tata Chemicals Ltd is a high dividend paying company. However, it is important to note that the additional surcharges are proposed to be imposed for only one year, i.e. Financial Year 2013-14. Hence, on medium to long-term basis, the impact of union budget proposals is neutral for Tata Chemicals Limited.

TATA MOTORS LIMITED Neutral

Incorporated in 1945, Tata Motors Ltd. (TML) is one of the leading automotive manufacturers in India and has a presence across all the automotive segments.

Proposal and Impact

The excise duty on Sports Utility Vehicles (SUVs) has been increased from 27% to 30%, except for those bought to be used as taxis. Furthermore, the import duty on fully built cars has been increased from 75% to 100%. However, the impact of both these proposals on Tata Motors is likely to be limited as the contribution to the revenues of the company from the SUV segment is marginal and India constitutes a very small percentage of the total revenue market share of JLR. There would be some positive volume growth in the commercial vehicle segment due to the proposal to purchase 10,000 buses under the JNNURM scheme as Tata Motors is a large player within this segment. Considering all these factors, the overall impact on Tata Motors remains neutral.

TITAN INDUSTRIES LIMITED **Neutral**

Titan Industries is a market leader in the Indian branded watches and jewellery segment with renowned brands like Titan, Sonata, Fastrack, Xylys, Nebula and Zoop in its watches and accessories segment and Tanishq, GoldPlus and Zoya in its branded jewellery segment. The company also has its presence in eyewear through its brand Titan Eye+.

Proposal and Impact

Reduction in basic customs duty on pre-forms of semi-precious stones from 10% to 2% is a marginally positive event for Titan Industries Limited. However, the impact of the same is expected to be minimal given that the company's jewellery sales are predominantly gold and diamond studded jewellery. Furthermore, with no imposition of any further import duty on gold, given the government's stance to reduce gold imports, the overall impression of the budget has been rather neutral.

ULTRATECH CEMENT Positive

UltraTech is India's largest cement company with a production capacity of 48.8 Million Tonnes Per Annum (MTPA) with multiple manufacturing facilities and a pan India market presence. The company plans to expand its capacity over next two years by 9.2 MTPA.

Proposal and Impact

UltraTech would benefit from government's continuing thrust on infrastructure projects (backed by enhancement in budget allocation and part easing of possible financial constraints) like roads, food security (warehouses, silos, etc), new ports, support towards industrial corridors (including formation of new industrial cities) and national grid to connect inland waterways.

Hike in freight in the Railway Budget and imposition of 2% customs duty on steam coal to impact UltraTech, negatively.

