MORNING INSIGHT

Kotak Securities

PRIVATE CLIENT RESEARCH

FEBRUARY 29, 2011

Economy News

- The government's hopes of industrial growth showing recovery from January may stand dashed after the release of the latest set of data. Output of eight core industries, which have close to 38% weight in the Index of Industrial Production (IIP), grew just 0.5% in January with four of the sectors showing negative growth. (BS)
- The government will soon allow foreign investment in the country's fledgling power exchange business. The Foreign Investment Promotion Board (FIPB) and the department of industrial policy and promotion (DIPP) have come around the view that the overall foreign investment in the sector may be capped at 49%, on a par with the level for the commodity exchanges. (FE)
- A government group under the chairmanship of FM Pranab Mukherjee has broadly accepted a Department of Telecommunications (DoT) proposal favouring a three-pronged strategy to deal with the challenges arising out of the Supreme Court order cancelling 122 telecom licences. The accepted proposal envisages the government filing a review petition, a presidential reference with respect to the question of law that has arisen as a result of the order as well as a clarification petition covering operational issues. The drafts of the petitions are now under discussion in the DoT, from where they will be referred to the law ministry. (BS)

Corporate News

- **Essar Oil** has received another setback after the Supreme Court rejected the company's 125% sales tax deferment benefit claim on its investment in the Vadinar refinery project in Gujarat. A tribunal has ruled against the city-based entity in a case relating to its around Rs 30Bn insurance claim for damages sustained by its refinery during a cyclone in 1998. (BS)
- An expected drop in sales may prompt **Mahindra & Mahindra** to cut scheduled capacity expansion plans, if the government goes ahead with the imposition of additional tax on diesel vehicles, according to the country's biggest maker of sports utility vehicles. (BS)
- Country's largest software exporter **Tata Consultancy Services (TCS)** said it has bagged a contract from South Africa's Nedgroup Insurance Company (NIC) for deploying its financial services platform. No financial details of the contract were divulged.(ET)
- **GMR Infrastructure** is in talks with private equity investors to raise $250-300 million through stake sales in some of its road projects, two people with direct knowledge of the matter said. (ET)
- The Union government will raise at least Rs 124Bn through the sale of five per cent stake in **Oil and Natural Gas Corporation (ONGC),** giving it a much-needed cushion in the run-up to the Budget. The government would sell 427.77 million shares at a floor price of Rs 290 through the recently introduced auction mechanism, the company said in a notice to the stock exchanges. (BS)
- The race to acquire a majority stake in **Hexaware Technologies** is gathering momentum, with at least three global majors and a clutch of private equity buyout funds joining the fray. Japan's NEC Global, NTT Group and the US PC manufacturer and services player, Dell, have initiated their negotiations with Hexaware's founder and chairman Atul Nishar and the two private equity investors in the company, General Atlantic and Chrys Capital, said three IT sector and investment banking sources. (BS)
- **Orchid Chemicals & Pharmaceuticals** said it has redeemed outstanding overseas securities worth $167.64 million (over Rs 8.2Bn) on the due date. The company has redeemed the outstanding Foreign Currency Convertible Bonds (FCCBs), including yield-to-maturity, aggregating to $167.64 million on the due date, February 28, 2012, Orchid Chemicals said in a statement. (ET)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange

Equity

		% Chg		
	28 Feb 12	1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	17,731	1.6	2.9	9.7
NIFTY Index	5,376	1.8	3.3	10.8
BANKEX Index	12,045	3.9	6.8	19.2
BSET Index	6,144	(0.6)	7.4	11.6
BSETCG INDEX	10,595	4.0	2.3	9.0
BSEOIL INDEX	8,497	1.3	(0.5)	4.0
CNXMcap Index	7,611	3.5	7.4	13.4
BSESMCAP INDEX	6,818	2.8	5.0	10.8
World Indices				
Dow Jones	13,005	0.2	2.7	12.9
Nasdaq	2,987	0.7	6.0	18.2
FTSE	5,928	0.2	3.4	11.6
NIKKEI	9,723	0.9	11.8	16.6
HANGSENG	21,569	1.7	6.1	20.3

Value traded (Rs cr)

	28 Feb 12	% Chg - Day
Cash BSE	2,772	11.5
Cash NSE	13,991	4.7
Derivatives	92,028	16.0

Net inflows (Rs cr)

	27 Feb 12	% Chg	MTD	YTD
FII	(543)	(107.1)	23,711	34,800
Mutual Fund	700	(413.7)	(1,865)	(3,712)

FII open interest (Rs cr)

	27 Feb 12	% Chg
FII Index Futures	13,192	7.0
FII Index Options	39,314	4.8
FII Stock Futures	27,974	6.5
FII Stock Options	1,068	20.5

Advances / Declines (BSE)

28 Feb 12	A	B	T	Total	% total
Advances	185	1,564	388	2,137	71
Declines	18	478	267	763	25
Unchanged	0	76	40	116	4

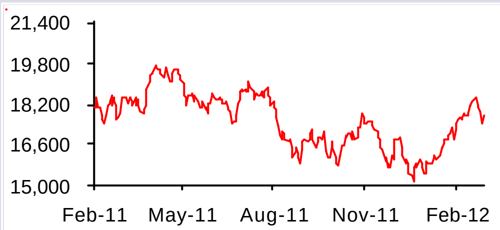
Commodity

		% Chg		
	28 Feb 12	1 Day	1 Mth	3 Mths
Crude (NYMEX) (US$/BBL)	106.8	0.2	8.5	6.4
Gold (US$/OZ)	1,786.8	0.6	3.2	2.3
Silver (US$/OZ)	37.1	4.3	11.5	12.2

Debt / forex market

	28 Feb 12	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	49.08	49.24	49.80	51.97
Re/US$	49.1	49.2	49.8	52.0

Sensex



PRE-BUDGET ANALYSIS

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EXPECTED SECTORAL IMPACT

POSITIVE: Banking, NBFCs, Capital Goods, Cement, Construction, FMCG, Logistics, Media, Oil & Gas, Power, Shipping

NEGATIVE: Automobiles

NEUTRAL: Aviation, Hotels, InformationTechnology, Metals & Mining, Real Estate, Telecom

PRE BUDGET NOTE - FEBRUARY 2012

The Finance Minister will present the FY2012-13 budget in the backdrop of a sharp rise in the fiscal deficit for 2011-12. Interest rates have risen sharply in FY12 and budget provisions are expected to largely determine future monetary actions, we opine. Thus, the FM's priority in the 2012-13 budget will be fiscal rectitude, we believe. Revised FRBM targets may also be set for the next few years. While the nominal GDP for FY12 will likely grow at the budgeted pace, the composition between real growth and inflation is quite different as compared to expectations. Improving the real GDP growth rates will also invite the FM's attention.

Overall, we believe that, the budget will aim to provide an investment - led supply push to growth as against a consumption - led demand pull (higher subsidies, etc). Lower deficit and borrowings (and interest rates) post tax increases will also encourage investments. The resultant easing of supply constraints will also reduce the pressure on inflation.

With fiscal deficit expected to be at about 5.9% in FY12 (our estimate), we expect the FM to target greater fiscal discipline. The target for fiscal deficit for FY12-13 is expected to be set at 5.02% on a nominal GDP growth of 13%. We expect increase in indirect tax rates (excise, service tax). We believe that, service tax revenues will also receive a boost through increase in scope of coverage (negative list expected to be announced). We expect the divestment target to be set at around the FY2011-12 levels of Rs.400bn. Growth rate in expenditure will likely be relatively lower. However, containing subsidy burden beyond a point may prove difficult especially keeping in mind the rising crude prices.

Real GDP growth is expected at around 7% in FY12 v/s budget estimate of 9%. Advance estimates indicate that gross fixed capital formation as a proportion of GDP has dropped to 29.2% in FY2012E from the peak of 32.9% in FY2008. We expect higher allocations in the budget towards infrastructure, social initiatives and agriculture. We believe the FM will invite more private participation by giving incentives for investments in targeted areas. These should help in sustaining and improving the rate of GDP growth and that too, equitable (inclusive) growth. However, speedier implementation of allocated budgets will make these spends more effective. We believe that, significant stress will be laid on more effective implementation of the outlays rather than increasing any outlays significantly.

WPI inflation for FY12 is expected to average around 9%; much higher v/s the target levels. We expect measures towards easing supply constraints, both on food articles and manufactured items. Measures / investments to increase agricultural output, reduce wastage of perishables and improve supply chain may be announced. However, we understand that, most supply side constraints can be addressed only in the long term. We are already seeing initiatives to ease supply bottlenecks on the manufacturing side (Mining, Power, etc) and the budget may provide further direction to these. While higher duties / taxes are inflationary in nature, lower Government borrowings can help in cushioning the impact, we opine.

On reforms, the FM may signal the Government's intention to move ahead with the reforms process on several fronts. DTC and GST are expected to be implemented WEF FY14 now. However, some enabling measures may be announced. We expect a negative list of services to be announced (service tax). Changes in taxation of transactions in a globalized environment are also expected. There are several reform initiatives which the Government has initiated outside the budget. The budget may take some of them ahead - FDI in multi-brand retail, Companies Bill, Competition Bill, Mining Bill, Banking Regulation Act, Power sector reforms, etc.

We believe that, with crude at high levels, the FM may not be able to tinker much with the subsidy targets. However, we expect to see a roadmap and targets for reducing the overall subsidy burden. Possible disclosure of all financial guarantees provided by the Government will increase transparency.

Critical issues like labour reforms, pension reforms, etc may need broader political consensus.

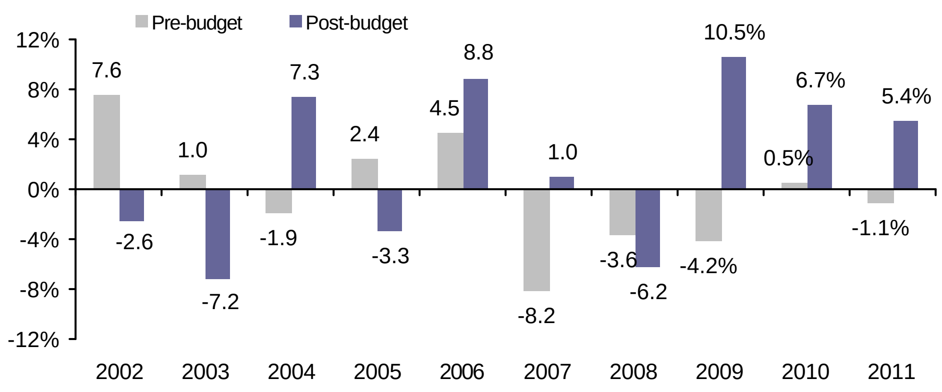
As far as tax measures are concerned, we expect the FM to roll back the stimulus provided earlier. Thus, we expect excise and service tax rates to increase by 200bps to 12%; a step towards GST. Increasing the coverage of service tax will also result in higher collections. We expect a negative list of services to be announced. On direct taxes, the exemption limit for individuals is expected to increase by Rs.20000. We also expect the FM to introduce provisions for foreign companies relating to Advanced Pricing Agreement and Controlled Foreign Companies. Tax exemptions on targeted investments may also be announced.

We do not expect any major initiatives for the stock markets. Any reduction in STT will be cheered by the markets. Thus, we believe that, the focus of the markets will be on fiscal prudence, on effective implementation of investments, and on sectors which are impacted by the budget proposals.

We believe that, the budget may have:

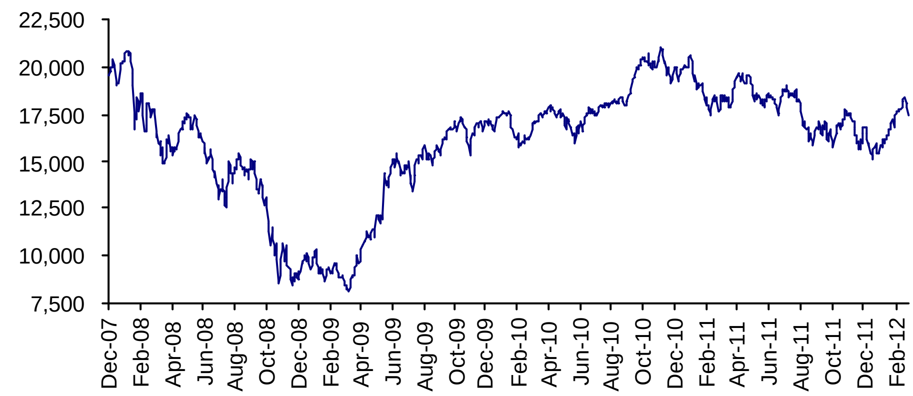
Positive implications for Banking, NBFCs, Capital Goods, Cement, Construction, FMCG, Logistics, Media, Oil & Gas, Power, Shipping sectors; Negative implications for Automobile sector and Neutral for sectors like Aviation, Hotels, Information Technology, Metals & Mining, Real Estate, Telecom.

Market movement - one month before and after budget



Source: Bloomberg

Sensex performance



Source: Bloomberg

The FM will be presenting the 2012-13 budget at a time when Government finances (deficit), are far from desired levels. To that extent, we expect fiscal prudence to be a priority. With nominal GDP growth driven largely by inflation in FY12, we expect real GDP growth also to invite his attention.

Fiscal deficit - revert to fiscal prudence

The fiscal deficit picture is concerning. We expect FY12 to end with a fiscal deficit of about 5.9%; much higher than the projected level of 4.6%. This will be due to both - shortfall in revenues and higher-than-projected expenditure. According to CAG, the fiscal deficit number was at 92.3% of the annual Budget estimates, by end of December 2011.

According to Government data, net direct tax mop-up during the April-January period rose 9.28% as against the envisaged growth of 19% for the full year. Also, the divestment target is likely to fall short by about Rs.270bn when compared to a target of Rs.400bn.

On the expenditure side, the Government has conceded that, the subsidy target could be exceeded by about Rs.1trn for the fiscal. However, the slowdown witnessed in the spending by Government post the bribery and 2G scams, may lead to under-utilisation of budgets for FY12, helping the deficit numbers. Government expenditure (ex-subsidies) was at about 60% of the FY12 target during April - November 2011.

We opine that, the FM will attempt to revert back to fiscal prudence. We expect that, he will project a 14% rise in direct tax revenues for FY12-13, based on a 13% projected growth in nominal GDP. There could be some losses due to an expected increase in personal income-tax exemption limit. However, that may be set-off by better compliance.

On indirect taxes, we expect the rates of excise duties and service tax to be raised by 200bps each, from 10% to 12%. Excise duties on cigarettes are expected to rise by 12-15%. We also factor in a further rise in service tax revenues due to an increase in scope of coverage. We believe that, the negative list for service tax will be announced in the budget. We do not expect any material changes in the customs duty. Duty on gold may be increased to discourage excessive import of gold.

Thus, growth in indirect tax collections may be projected at 19% YoY. We see these increases as a means to reduce the fiscal deficit. While these increases may have an inflationary impact, the expected reduction in Government borrowings should provide cushion to the same. We expect divestment targets to remain at around Rs.400bn for FY2012-13E.

We estimate the subsidy burden to be about Rs.2.3trn in FY12, on the back of a sharp rise in crude and fertilizer prices, globally. The crude prices continue to rule higher with the Brent currently at $125/barrel. We expect additional allocation of about Rs.50bn towards the Food Subsidy Bill. Thus, we estimate the Government's subsidy target to be higher at Rs.2.45trn for FY13. We believe that, beyond a point, it may not be possible for the Government to reduce subsidies. The high inflation may prevent immediate moderation. However, we expect the Government to provide a roadmap for reducing the subsidy burden.

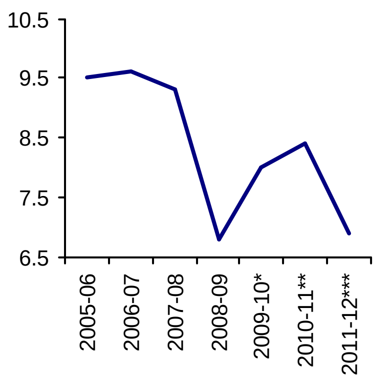
We are penciling in a 10% rise in the plan expenditure over our FY12 projected numbers. We have mentioned earlier that, the stress in FY13 will be on better implementation of the allocations rather than a significant rise in the same.

We project a fiscal deficit of 5.02% for FY13, with a gross tax / GDP ratio of about 10.4%. We expect a revised roadmap for reducing the Fiscal Deficit to be announced by the FM.

Improving GDP growth

In the 2011-12 budget, the FM had targeted a real GDP growth of 9%. However, we are expected to grow by about 7% for the fiscal. The growth has slowed down over the quarters and 2HFY12 is expected to report a 6.6% growth. The slowdown is partially attributable to the global economic scenario. However, the slow pace of domestic policy initiatives and the consequent hike in interest rates have also led to this slackening of growth, we opine.

GDP growth (%)



*Source: CSO; * stands for Provisional Estimate; ** stands for Quick Estimate; *** stands for Advance Estimate*

In this backdrop, we expect the FM to continue to focus on investments with a view to sustain and improve the rate of growth. Sustenance of high growth is very important to make the benefits of this growth reach all sections of the society. The target for GDP may be set at 7.5% for FY13.

Higher allocations for investments, mainly in infrastructure, are expected to continue. Segments like roads, highways, airports, ports, power, etc are expected to receive continued attention and funding. But, we believe that, the focus of the Government will be on efficient and speedier implementation of the plans, which will make them more effective.

The total investment in infrastructure which includes roads, railways, ports, airports, electricity, telecommunications, oil gas pipelines and irrigation is estimated to have increased from 5.7% of GDP in the base year of the Eleventh Plan to around 8% in the last year of the Plan, according to the Planning Commission. The Planning Commission envisions doubling the investment in infrastructure sectors to $1 trillion (about Rs 45,00,000 crore) during the 12th Five-Year Plan to achieve a GDP growth of 9%.

Infrastructure construction accounts for the maximum share (54%) of construction activities. Industrial expansion contributes to 36% of overall construction activity, and residential and commercial are at 5% each.

The government has proposed an increase in the existing highway network of 71,772 km to about 85,000 km in the 12th Plan period. We believe that, the target of constructing 2500kms of highways during FY12 will be missed by a margin. We expect the further stress on effective execution.

In the forthcoming 12th Plan, the Commission is eyeing 1,00,000 MW of additional power generation capacity. At present, the total installed capacity in the country is nearly 1,77,000 MW. This is however possible only if the Government and industry can arrive at an effective resolution of issues holding up domestic production of coal and effective measures for improving financial health of power utilities.

Continued emphasis is expected on other renewable resources, especially on expanding wind power generation and in the emerging area of solar thermal and solar photovoltaic.

However, the fiscal constraints faced by the Government may not allow the FM to increase allocations significantly. He will likely seek increased private sector participation.

Private and PPP investments are estimated to have accounted for a little over 30% of total investment in infrastructure in the Eleventh Plan. In fact, the road transport ministry plans to more than double private participation in highway construction during the 12th Five Year Plan starting April 2012. This projected increase in private investment will raise the percentage of private-sector contribution in the highway sector to 51% from the present 41%. The expenditure in road sector in the 12th Plan is projected to double from Rs.1.52trn to Rs 3.23trn.

In September 2011, the Government had liberalised rules for FIIs, who are already allowed to individually invest $5bn in infrastructure bonds (and $25bn cumulatively). We expect more liberalised rules and more avenues for foreign funds to be invested in India.

Real GDP Growth

(%)	2005-06	2006-07	2007-08	2008-09	2009-10*	2010-11**	2011-12***
Agriculture & Allied activities	**5.1**	**4.2**	**5.8**	**-0.1**	**0.4**	**7.0**	**2.5**
Industry	**8.5**	**12.9**	**9.2**	**4.0**	**8.3**	**7.2**	**3.9**
Mining & quarrying	1.3	7.5	3.7	1.3	6.9	5.0	-2.2
Manufacturing	10.1	14.3	10.3	4.2	8.8	7.6	3.9
Electricity, gas & water supply	7.1	9.3	8.3	4.9	6.4	3.0	8.3
Construction	12.8	10.3	10.7	5.4	7.0	8.0	4.8
Services	**11.2**	**10.1**	**10.4**	**9.5**	**9.7**	**9.3**	**9.4**
Trade, Hotels, Transport, Communication	12.2	11.6	11.0	7.5	9.7	11.1	11.2
Finance, Real Estate, Other Businesses	12.7	14.0	11.9	12.5	9.2	10.4	9.1
Community, Social & Personal Services	7.0	2.9	6.9	12.7	11.8	4.5	5.9
Total	9.5	9.6	9.3	6.8	8.0	8.4	6.9

*Source: CSO; * stands for Provisional Estimate; ** stands for Quick Estimate; *** stands for Advance Estimate*

...and promoting equitable growth

Equitable growth has been one of the important cornerstones of the UPA's tenure and we expect the same to continue. Schemes like Sarva Shiksha Abhiyan, National Rural Employment Guarantee Scheme, mid-day meal scheme, etc have lagged targets, tough significant progress on the same has been achieved.

We expect measures to provide further impetus to these schemes to ensure rural upliftment, employment, education, agricultural growth and public health. Initiatives on agriculture also help in easing supply side constraints and sustaining the GDP growth rate.

Implementation is the key

While the intent is there, the implementation issue needs to be addressed. Only speedier implementation will make these plans more effective, we believe. We expect greater focus on timely and effective implementation of plan outlays.

We understand that, the actual spends on various plans have been lagging the allocations made for the fiscal. For eg, out of the total available funds for MGNREAGA, 58.2% has been spent till date. (Source: NREAGA). Also, out of the total capacity addition target of 28,000 MW of power in FY12, only about 12,360 MW have been added till January 2012 (source : CEA).

Moreover, capex spend by private sector has also likely moderated because of the various bottle-necks and procedural delays, post the exposure of various scams and bribery scandals. There are concerns about delays in decision making in various projects and the consequent impact on financials. These are adequately reflected in the lower IIP growth in the last few months.

We expect measures towards this end. Stricter monitoring of progress of projects and linking the release of budgets to actual performance can be good ways of ensuring better implementation. Regular reviews, say, on a quarterly basis, will ensure even spending across the fiscal and not bunching up of spends towards the end of the fiscal.

We understand that, several issues may not really fall under the purview of the Budget and conviction of resolution will have to be seen in legislation and administrative action over the next few months.

Reforms at work

There have been several road blocks in the reforms process in this fiscal. Due to these, the implementation of important reforms like DTC and GST has likely been postponed further to FY14, we understand. However, the FM may signal the Government's intention to move ahead with major reforms. Thus, there may be some enabling measures which may be announced. We expect a negative list of services to be announced for Service Tax exemption. Also, provisions to tax transactions in a globalized environment may be included.

There may be some roadmap regarding removing roadblocks in areas like mining and land acquisition. Moreover, we also expect the FM to spell out the future direction for other important issues like the Companies Bill, Competition Bill, Banking Regulations Act, Power sector reforms, etc. FDI in areas like multi-brand retail, cable digitalization, etc, will help in attracting capital flows also, while removing operational bottlenecks for companies.

As far as subsidies are concerned, an outline to reduce the subsidy burden on the Government may be drawn up, though there may be no concrete proposals. The rising crude prices also restrict the ability of the FM to assume cuts in the subsidy burden.

Possible disclosure of all financial guarantees provided by the Government will increase transparency. Apart from these, several initiatives in administrative reforms may be outlined in the budget. However, we believe that pension reforms and labour reforms will need wider political consensus before they are implemented.

Inflation

Inflation has remained high for most part of FY12. WPI inflation is expected to average about 9% for the fiscal. The high base of the previous year has helped in moderating the same over the past two months, though.

Going into details, the primary articles inflation index (20% weight) has shown a month-on-month fall recently, which is encouraging. However, it is the core inflation (non-food manufacturing - 55% weight) which is of concern. While the pace of rise has been lower of late, this index has continued to rise each successive month.

This indicates that, companies are consistently increasing prices. While we understand that, higher demand has played a part in stoking up inflation, it is largely the supply side constraints (mostly in raw materials, power, etc) which have resulted in the rate remaining high. The high commodity prices (especially crude) have also contributed to the same.

In our opinion, the FM will focus on addressing the supply side constraints. Though this has been the theme of the past few budgets, we do expect more concrete steps towards this in this budget.

In terms of manufacturing inflation, attempts are being made to reduce supply constraints through reforms in areas like mining, power, etc. We expect the FM to give a roadmap on these reforms in his speech. Further progress on the Land Acquisition Bill will also be helpful.

We expect higher outlays towards investments in agriculture and irrigation. We expect higher allocations for increasing production of primary articles in which India is deficient.

India loses about 30% of its food-grains / vegetables / fruits, etc to pilferage and wastage every year. Several steps were taken in the previous budget to promote better storage facilities. It had made provisions for setting up Mega Food Parks and augmenting storage capacity through private entrepreneurs and warehousing corporations. We expect further impetus to these proposals.

We also expect the FM to announce enhanced allocations to boost cold storage facilities and tax incentives on the same. A big thrust can be expected on expanding institutional credit to agriculture as that has been found to be a major reason behind increasing area coverage and yield.

The Government has been looking at permitting FDI in multi brand retail. If this is actually announced, it may help more investments in the cold chains, etc, and also improve investments in back-end thereby leading to lower wastages and increased supplies.

The Public Distribution System (PDS) in the country facilitates the supply of food grains to the poor at a subsidised price. The PDS needs to be restructured and we expect believe there is a possibility of making food available to the poor wherever they may be in cost-effective manner. The FM may announce initiation of Aadhar-based subsidy distribution on a pilot basis.

Moreover, we expect that, the movement of food-grains between states may be made simpler and speedier. As of now, there are state level restrictions on food-grains moving between states. This leads to shortages in several states and excesses in the remaining in turn, resulting in wastage. Removing these restrictions can reduce the periodic and geographical shortages.

Thus, we believe that, the FM will focus on removing supply bottle-necks to improve supplies in the short term, while increasing agricultural investments to address long term supply issues.

Few changes in direct tax rates expected

The Direct Tax Code will be discussed in FY13 and will likely be implemented WEF FY14. Pending its implementation, we do not expect the FM to make few changes to tax rates.

We do expect that, the exemption limit for individual tax payers may be raised, keeping in mind the impact of inflation on the people. An increase in exemption limit to Rs.200,000 will bring it in line with the limit proposed under DTC. Also, tax exemptions on investments may be continued / enhanced to channel funds for infrastructure.

Continued growth in the economy may encourage the FM to budget for a 14% growth in direct tax revenues, we opine.

Indirect changes - expect hike in excise / service tax rates

With an eye on fiscal rectitude and a move towards DTC, the FM is expected to raise rates of excise duty and service tax to 12% from 10%. This will also effectively roll back the stimulus provided during the previous downturn. Cigarettes may also see duty going up, likely sharply.

The coverage of service tax may be enhanced, with GST expected to be operational from FY14. We expect the Government to notify a negative list of services, which will not attract service tax. All other services will be covered, thus increasing the revenue for the Government.

We also expect import duty on gold to go up, with a view to reduce the gold imports, which are impacting the balance of payments and also are pressurizing the rupee to some extent.

Stock markets

We do not expect any significant measures for the stock markets. Markets will be pleasantly surprised if there are downward revisions in STT. We opine that, if the budget focuses strongly on fiscal consolidation and lays down a roadmap for reforms, markets may not be disappointed.

Sectoral implications

We believe that, the focus of the markets will be more on :

- Reverting back to fiscal prudence,
- Initiatives to sustain and improve the GDP growth,
- Announcement and speedier implementation of reform initiatives,
- Steps to control inflation - LT as well as ST measures and
- Sectors which will be positively impacted by the budget proposals

We expect the following sectors to be positively impacted by the budget:

Expected sectoral impact

Budget impact	Sector
Positive	Banking, NBFCs, Capital Goods, Cement, Construction, FMCG, Logistics, Media, Oil & Gas, Power, Shipping
Negative	Automobile
Neutral	Aviation, Hotels, InformationTechnology, Metals & Mining, Real Estate, Telecom

Source: Kotak Securities - Private Client Research

Budget estimates

(Rs bn)	FY11RE	FY12BE	FY12RE (KS)	FY13BE (KS)
Receipts				
1. Revenue receipts (2d + 3)	7,838	7,899	7,671	8,762
2. Gross tax revenue (2a + 2b)	7,869	9,325	9,037	10,509
2a. Direct taxes	4,484	5,352	5,148	5,872
2a1. Corporation tax	2,964	3,600	3,349	3,818
2a2. Income tax	1,416	1,645	1,699	1,954
2a3. Other taxes	104	107	100	100
2b. Indirect taxes	3,385	3,973	3,889	4,637
2b1. Customs duty	1,318	1,517	1,476	1,668
2b2. Excise duty	1,373	1,636	1,476	1,845
2b3. Service tax	694	820	937	1,124
(2c) Transfers to States and UTs	2,232	2,680	2,621	3,048
2d Net tax revenue	5,637	6,645	6,417	7,462
3. Non-tax revenue	2,202	1,254	1,254	1,300
4. Capital receipts (4a + 4b + 4c)	973	1,248	1,018	1,290
4a. Recovery of loans	90	150	190	190
4b. Other receipts (Disinvestments)	227	400	130	400
4c. Borrowings and other liabilities	656	698	698	700
4c1. Net market borrowing	3,354	3,430	4,537	4,447
5. Total receipts (1 + 4)	12,166	12,578	13,226	14,499
Expenditures				
11. Non-plan expenditure (12 + 13)	8,216	8,162	9,000	9,700
12. Non-plan revenue expenditure	7,268	7,336	8,180	8,800
12a. Interest payments	2,408	2,680	2,680	2,900
12b. Subsidies	1,642	1,436	2,300	2,450
12b1. Food	606	606	650	750
12b2. Fertilizer	550	500	900	900
12b3. Others	486	330	750	800
12c. Grants to States and UTs	526	663	650	700
12d. Others	2,692	2,557	2,550	2,750
13. Non-plan capital exp.	948	826	820	900
14. Plan expenditure (15 + 16)	3,950	4,415	4,280	4,708
15. Plan revenue expenditure	3,269	3,636	3,500	3,850
16. Plan capital expenditure	681	779	780	858
17. Total expenditure (11 + 14)	12,166	12,577	13,280	14,408
18. Revenue expenditure (12+15)	10,537	10,972	11,680	12,650
19. Capital expenditure (13+16)	1,629	1,605	1,600	1,758
20. Revenue Deficit (18-1)	2,698	3,072	4,009	3,888
21. Fiscal Deficit (17-{1+4a+4b})	4,010	4,128	5,289	5,056
22. Primary Deficit (21-12a)	1,602	1,448	2,609	2,156
23. Gross domestic product (GDP)	76,741	89,744	89,122	100,708
PD/GDP (%)	2.1	1.6	2.9	2.1
RD/GDP (%)	3.5	3.4	4.5	3.9
FD/GDP (%)	5.23	4.60	5.93	5.02

Source: Budget documents; Kotak Securities - Private Client Research
Note: KS stands for Kotak Securities - Private Client Research estimates

Bulk deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
28-Feb	Agre Developers	Vikash Somani Securities Pvt Ltd	B	125,000	34.8
28-Feb	Agre Developers	Lambodar Traders	B	275,000	34.8
28-Feb	Agre Developers	Ratnabali Capital Markets Limited	S	400,000	34.8
28-Feb	Anand Credit	Shah Daksha Pravinchandra	S	58,783	2.5
28-Feb	Aroma Ent	Adroit Tradelink Pvt Ltd	S	40,000	8.4
28-Feb	Bhilwra Tec	Diplomat Leasing & Finance Pvt Ltd	B	329,504	5.9
28-Feb	Bhilwra Tec	Arshia Trade Mart Pvt Ltd	S	317,000	5.9
28-Feb	Cubical Fin	Ocean Pearl Hotels Pvt Ltd	B	83,698	46.4
28-Feb	Gujarat Nre Coke	Hridaynath Consultancy Pvt Ltd	B	4,991,930	23.1
28-Feb	Gujarat Nre Coke	Pasha Finance Pvt. Ltd.	S	5,000,000	23.1
28-Feb	Jai Mata Glass	Dharmendra Rikhanchand Shah Huf	S	501,010	1.5
28-Feb	Jaihind Syn	Akshar Investment	B	50,000	7.4
28-Feb	Kamanwala Hous	Arunkumar Sohanlal Gupta	B	173,146	37.9
28-Feb	Kamanwala Hous	Ramesh Jayantilal Patel	S	75,531	38.0
28-Feb	Karma Ind	Moonstar Securities Trading & Fin	B	300,000	53.5
28-Feb	Karma Ind	Bhushan Finance Pvt Ltd	B	200,000	53.9
28-Feb	Karma Ind	Multiplast Trading Company Pvt Ltd	S	187,915	53.6
28-Feb	Khodiyar Inds	Devesh Shantilal Contractor	B	77,363	3.3
28-Feb	Krishna Deep	Graceunited Real Estate Pvt Ltd	B	40,000	45.0
28-Feb	Krishna Deep	Rita Mehta	S	25,000	45.0
28-Feb	Krishna Deep	Subh Chintak Commotrade Pvt Ltd	S	25,000	45.0
28-Feb	Omkar Overseas	Shah Daksha Pravinchandra	S	31,462	3.9
28-Feb	Pasupati Fin	Rohnil Boradia	B	50,000	37.7
28-Feb	PG Electroplast	Jhaveri Trading And Investment Pvt Ltd	S	94,000	199.9
28-Feb	Premco Glob-$	Upsurge Investment And Finance Ltd	B	18,540	18.5
28-Feb	Premco Glob-$	Hemant Rajendrabhai Shah	S	18,540	18.5
28-Feb	Raymed Labs	Fastcon Infrastructure Pvt Ltd	B	45,000	23.7
28-Feb	Raymed Labs	Suman Bhura	S	45,000	23.7
28-Feb	Refex Refr	Wazir Financial Services Pvt.Ltd.	S	132,381	6.2
28-Feb	Rockon Fin	Shyam Laxman Pedamkar	B	1,000,000	1.8
28-Feb	Rockon Fin	Deepesh Gahlot	B	879,443	1.8
28-Feb	Rockon Fin	Global Capital Market & Inf Ltd	S	880,000	1.8
28-Feb	Rushil Decor	Jhaveri Trading & Investment Pvt Ltd	B	84,100	189.5
28-Feb	Sea Tv Network	Harsha Rajeshbhai Jhaveri	S	130,616	33.4
28-Feb	Stone India-$	Touchline Securities Pvt Ltd	B	38,875	37.3
28-Feb	SV Electricals	Pawan Kumar Sharma	S	138,098	8.7

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
Gainers				
SBI	2,231	5.1	9.2	4.5
ICICI Bank	911	2.6	8.9	4.9
HDFC Bank	531	2.9	8.8	3.7
Losers				
TCS	1,227	(2.0)	(4.3)	2.0
ITC	211	(0.8)	(2.8)	8.8
Infosys	2,872	(0.4)	(1.7)	1.0

Source: Bloomberg

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