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India Inc reacts to Budget 2013-14

India Inc on Thursday reacted to the Union Budget 2013-14 presented by Union Finance Minister P Chidambaram in the Lok Sabha.

Partha Iyengar, Country Manager - Research, India, Gartner: The big overarching focus on growth by the FM is the fundamental 'feel good' factor in this budget. Given the fact that one can argue that a lot of the weakness in the Indian economy is what I call a 'sentimental recession', his strong statement that there is no grounds for 'doom and gloom' heading into the new year.

The big specific positives of the budget are that he has focused both in terms of the letter and spirit of the budget on the key planks of growth for India and health of every industry, including IT, which is Infrastructure, Education, Skills Development, and incentives for the growth of domestic manufacturing.

Some of the other positive areas are support for entrepreneurship, the MSME sector, both in terms of financial and overall support.

The recognition that the overseas 'trust deficit' in terms of a comfort level on India's investment climate has to be addressed is also welcome.

HOWEVER, the budget is only a directional statement, and the challenge for India historically and even currently is in the execution of the statement of intent outlined in the budget.

This has been India's Achilles' heel, in that bold pronouncements in the budget never see the light of day or are not implemented as effectively as they can or should be.

So it was disappointing to not see any statements on what the government would do to ensure mechanisms/oversight to ensure speedy and efficient implementation of these programs.

Overall a 7/10 score for the budget.

R K Agrawal, Chairman, CII Eastern Region & Managing Partner, S R Batliboi & Co.: The Budget 2013 is a balanced and inclusive in nature. Particular attention has been given to infrastructure, affirmative action, the housing sector, warehousing, roads and Skill development which are commendable. Social inclusion has received particular attention, and that's a welcome step. The 15% investment allowance as announced by the Finance Minister will catalyse the investment scenario.

The MSME sector could have been given greater attention. However, introduction of schemes such as the Rajiv Gandhi Equity Scheme, Inflation Index Bonds for older people are appreciable.

Rajiv Kaul, Past President, CII, and Chairman, Nicco Corporation Ltd.: The Budget proposals will have a positive impact on the manufacturing sector. The increase in planned expenditure will boost supply to a large extent. With Rs 100 cr minimum limit for investment allowance, large investment has been taken care of.

However, MSME and current account deficit still remains areas of concern. I feel overall the Budget has sent a positive indication which will give the much-needed confidence to the industry.

Sanjay Budhia, Past Chairman, CII Eastern Region, and Managing Director, Patton International Ltd.: The proposals are quite promising. The Budget has provided a definite indication for presenting the much-needed GST bill as early as possible. The budget has laid emphasis on growth, education, health and social sector.

Dr Rupali Basu, CEO, Apollo Hospital: The health sector has been given a priority with a proposed allocation of Rs 37,333 cr." Additional focus has been given to the expansion of ayurveda, homeopathy and herbal sectors. The modernization of the health sector will get a major lift up due to the proposed investment allowance. Regional geriatric sector has been allotted Rs 150cr. "I personally appreciate the focus on special sectors like SC, ST along with the women and children.

Rajan Vaswani, Past Chairman, CII Eastern Region, and Chairman and Managing Director, Wesman Engg. Co Pvt Ltd.: From the capital goods market point of view, the budget is a very creative one with everything in the right balance. The Finance Minister has come up with some new ideas which can lend credence to the country's growth story.

Pallavi P Kaul, MD, Nicco Ventures Ltd.: Focus on skill development and education from Central level is a progressive step. Sustainability has been ensured by proposing conversion of garbage waste into energy by local municipality. The stress on renewable energy sector will go a long way in lessening the existing power shortage in the country.

India Ratings: The Union Budget 2013-14 attempts to boost the demand for core sectors such as steel, cement and construction by providing an investment allowance on capital expenditure and additional interest deduction to first time homeowners.

The proposal to provide 15% investment allowance to manufacturing companies investing in excess of INR1bn over the next two years may potentially enhance the viability of investments by improving the internal rate of return for such projects by 200bps to 300bps (depending upon the duration of the project and the debt equity mix).

The economic equivalent to this is an interest rate reduction in cost of debt for the project to the tune of over 75bps. However, given the structural issues impacting capital investments, the benefits are likely to accrue largely to brownfield expansions.

The proposal to allow first time homeowners, availing home loan of less than INR2.5mn, an incremental deduction for INR0.1mn of interest has a similar impact of reducing effective interest rate by 75bps to 100bps on the home loan.

Cumulatively, India Ratings expects these two proposals to provide fillip to investment activity as well as support to core sectors in the short term.

India Ratings notes the priority accorded in the Union Budget 2013-14, to addressing some of the many challenges faced by the infrastructure sector, although the agency recognises that solutions for some of the problems have to necessarily be found outside the framework of the annual budget.

The announcement regarding constitution of a regulatory authority for the roads sector is welcome and addresses a long felt need. Insofar as the regulator can be constituted quickly and armed with independent powers, it has the potential to address a number of problems plaguing India's highways development programme.

If the regulator can facilitate expeditious dispute resolution and ensure fair and practical interpretation of several concession provisions, it can have a salutary effect on the credit quality of many road projects.

The announcement that 3,000km of road projects will be awarded in the first six months of FY14 seems a trifle ambitious given that less than one-fourth of that number was achieved in the first eight months of FY13. However, if this is sought to be done on the engineering, procurement and construction (EPC) route, as opposed to the build-operate-transfer (BOT) model, the target could yet be achieved.

The EPC route will avoid some of the challenges in the BOT model viz.,developer apathy, commercial bank aversion to funding toll road projects and over-optimistic traffic forecasts, the latter adversely affecting credit profiles of many projects in the past.

The budget also reiterated the government's commitment to press ahead with some of the previously announced measures such as credit enhancement from India Infrastructure Finance Company Limited ('IND AAA(SO)') and the encouragement for setting up of infrastructure debt funds.

Both of these have the potential to galvanise the bond markets to fund the massive infrastructure investments that India urgently needs. However, to reap significant benefits in the form of large debt inflows from fixed income players, particularly foreign investors, it is imperative that the government works towards clearing the policy and project execution cobwebs afflicting the sector as well ensuring a fully functional contract enforcement regime.

It should come as no surprise that the finance minister expects coal imports, which crossed 100 million tonnes during April-Dec 2012, to go up to 185 million tonnes in 2016-17.

While it may be a little premature to form a definitive assessment, the government's plans to encourage public private partnership projects along with the state-owned Coal India should, prima-facie, be deemed positive if it helps accelerate and supplement domestic coal production particularly to meet the acute fuel scarcity facing power projects.

Arun Kumar Jagatramka, CMD, Gujarat NRE Coke Ltd.: The Finance Minister must be complemented for presenting a responsible and a harmless budget by not falling in the trap of short term populist measures in a pre-election year. The budget also expresses an intent to encourage growth and investment.

Nirakar Pradhan, Chief Investment Officer, Future Generali India Life Insurance Co Ltd.: The Union Budget announced today addresses the twin concerns of reining in fiscal deficit and reviving economic growth.

Fiscal deficit at 4.8% in FY14 reinforces commitment towards fiscal consolidation and seems to pacify rating agencies.

Hike in plan expenditure by 30%, credit enhancement of corporate bonds by IIFCL (Govt. owned entity), 15% investment allowance for projects above Rs. 100 crore and announcement of new industrial corridors augur well for pick-up in investment cycle.

Budget targets to shift savings from gold to productive sectors like equity market and housing. Overall, we feel, the Finance Minister has presented a pragmatic and balanced budget and not a populist one, especially considering it's a pre-election year.

Dr. P. Nandagopal, MD & CEO, IndiaFirst Life Insurance: It is a positive budget from the insurance and BFSI perspective. On the big picture, the investments in education, skill development, infrastructure and rural development will have positive impact on the life insurance demand. On the specifics, while there're no additional tax concessions as expected, the big announcement is the proposed open architecture for bancassurance through the broking route.

In the long term, this would deepen the distribution reach of the banks in offering a wide range of insurance products. We need to check the details and also take steps to see the broking model does not result in excess distribution costs for the insurance companies which are already reeling under the pressure of thinning margins.

Sminu Jindal, Managing Director, Jindal Saw & Founder Svayam: Increase in allocation of budget to Rs.110 crore for Department of Disability Affairs is a much needed welcome step. At Svayam, we hope that the funds will be utilized for creation & implementation of empowering schemes for people with reduced mobility.

We hope that investments will be made for programs such as skill development , making public infrastructure accessible to all and creating accessible infrastructure.

Sanjiv Kataria, Communications Counsel for the Education Sector: The Finance Minister has seized the opportunities for youth by focusing on Human Infrastructure development—a meta resource for growing India.

Allocation of $12 billion in 2013-14 on education, representing one-sixth increase over last year, will unlock the potential of young to contribute to India's growth for 2020 and beyond.

Government's emphasis on Right to Education, Sarva Shiksha Abhiyan, Mid-day meals, Rashtriya Madhyamik Shiksha Abhiyan and Skill Development will go a long way in enhancing literacy, growing school enrolments and building marketable skills.

By funding skill building of youth, firms set up in association with National Skills Development Council have a key role cut out for themselves in offering skills that get them jobs and building their confidence to live as equals.

Direct transfer of scholarships to girls, including those from SC, ST, will encourage parents to educate them just as they invest in boys.

Nidhi Saxena, Founder, Chairman & CEO, Karmic Lifesciences: With this budget India may have missed an opportunity to assert itself in the life sciences domain. Industry expected Government to promote Scientific and Research infrastructure development to give a big thrust to R&D, including Clinical Research.

India needs a strong research culture so as to create at least one blockbuster drug for which R&D and Clinical Research activities needed encouragement by way of a long term tax holiday on products developed in-house, extension of weighted deduction on R&D on all research related services, grants and scholarships for translational medicine.

Despite an outlay of Rs. 37,330 crore for Health and Welfare, private Infrastructure Development in the sector– setting up of new Hospitals and Labs -- is likely to lag with little incentive for the sector to play a big role.

Move to continue non-tax benefits to MSMEs even after they cross the threshold limits is welcome. The Clinical Research Organisations urge their inclusion in the MSME definition.

As President & Founding Chair for "Women in Bio", India Chapter, I would have liked to see special dispensation for encouraging ventures by Women entrepreneurs especially in life sciences. However, looks like women have to contend themselves with women friendly sops like an allocation of Rs. 1000 Crore to ensure safety and security of women as well as the proposal to set-up India's first women's bank as a PSU bank.

Ravi Kiran, co-founder, VentureNursery: The move to allow investment in Technology Business Incubators to qualify as CSR investment is a good start and good for tech incubators. Hope it comes with a mechanism to establish accountability of such investments.

The Government needs to recognize private accelerators' role in the entrepreneurial ecosystem as well.

Continuation of non-tax benefits 3 years after the Micro, Small and Medium Enterprises move to next level is welcome, even though the exact impact will need be assessed. I would also have liked to see reforms in the way we define MSMEs today as it is fundamentally flawed in today's context.

Alternative Investment Funds getting pass through benefit needs to make a distinction between pooled angel investment versus individual investment.

Rishi Jain, Executive Director, Jain Group: It is very encouraging to see that the Central Government and the Finance Ministry are giving more priority to the Affordable Housing sector, as well as in the infrastructure development area.

The move by the Finance Minister to boost the tax exemption for Housing Loans upto Rs. 25 lakh by 1 lakh will definitely add a much needed boost to the affordable home buying activity.

The Service Tax differentiation between luxury and affordable properties also shows that the Finance Ministry is recognising the distinction between middle class home buyers for whom a house is a necessity and the HIG home buyer for whom home buying is a luxury.

The thrust towards development of new roads and the announcement of a new port in West Bengal is a welcome move as well.

However, the introduction of 1% TDS on properties exceeding Rs. 50 lakh will lead to further complication in transactions of immovable property will add to the woes of an already clogged Paperwork and Compliances requirement for a Real Estate developer.

It is also disappointing that no significant announcement has been made for the Hospitality Sector, even though talks have been on for a very long time.

Lowell Paddock, President & Managing Director of General Motors India: The budget is encouraging due to its focus on agriculture, irrigation, education, skill development, health care and infrastructure. Since it addresses some of the concerns of the industry in general, it should help economic growth going forward.

As far as the automotive industry is concerned, the budget did not meet the expectations. We were expecting the roll back of the excise duty imposed last year. Instead there is an increase of 3 per cent excise duty on SUVs and there is also a hike in customs duty of 25% on high end imported vehicles.

These hikes are not on the expected lines and will impact the sale of SUVs. Having said this, we have to see the fine print to understand the clear definition of SUVs.

The automotive industry is one of the growth drivers of the economy with its backward and forward linkages to generate multiple and substantial employment opportunities any duty concessions would have helped the industry to register some growth as the industry has already started slowing down due to high interest rates, fuel prices, commodity prices, negative market sentiments etc. Some concessions announced for electric vehicles and increased allocation for the road transport sector are welcome decisions.

Some of the other announcements made by the finance minister for manufacturing, R&D activities, regulatory authority to monitor road projects, focus on skill development etc should enhance the competitiveness of the Indian industry.

The intention to further promote the development of infrastructure, particularly in rural areas, is a positive step. The government's commitment to continue with its reform process is likewise a positive step.

Similarly, the investment and demand stimulating measures in manufacturing especially the investment allowance for two years, purchase of buses under JNNURM, movement on GST and some positive action on industrial corridors are also welcome decisions. These proposals, if implemented effectively, should have a positive impact on industry and the economy as a whole.

The challenge now is the implementation of the proposals. Our hope is that the market will respond favorably.

Vinod Gupta, Managing Director, Dollar Industries Ltd: We are elated that our year long demand of putting hosiery industry out of the ambit of excise duty is now heard. Now, the problems, which our industry was facing from non-branded garments is sorted out. It is a big relief for the entire industry.

The prices of the products will be cheaper now. The consumers will be benefited, while the industry will have scope to grow faster.

Fr. E. Abraham, S J., Director of XLRI: With Incubators set up by companies in academic institutions qualifying as Corporate Social Responsibility (CSR) activity entrepreneurship in higher education institutions will get a major boost.

XLRI as a respected management institution looks forward to welcoming forward-thinking organisations to set-up incubators in our campus. With the economy getting more mature it is imperative that entrepreneurs are encouraged to help shape a vibrant economy and sustainable future.

It is definitely a move in the right direction to allocate Rs.1 lakh crores towards skill-training for youth in our country. This is definitely a need of the hour and will help in ushering in a more inclusive society and help underserved sections of our youth to contribute their mite in the economic progress of our nation.

However, it is equally important to monitor the organisations that get funding to ensure that desired outcomes are met. Higher education institutions must be given a role in auditing the skill-training institutes so as to ensure that optimum utilisation of funding is done by the large number of government and private vocational institutes.

Sanjay Chamria, VC & MD, Magma Fincorp Ltd.: Finance Minister Sh PChidambaram presented his budget in the parliament today. Contrary to the entire pre budget hype, the budget was without any big announcements. While containing the FY 13 fiscal deficit at 5.2% is laudable, taking necessary steps, even if they are politically unpopular, to manage the FY 14 fiscal deficit within budget estimates of 4.8% are essential to reduce costs for private sector and encourage it to make fresh investments.

It will in any case be inevitable for the fiscal deficit to be maintained as proposed to avoid reduction of India's rating to Junk status.

Keeping in line with the need to boost investments to spur growth in the economy, the 15% Investment allowance for entities investing over Rs.100 cr is a great step forward. In my view it will have been appropriate for this to be extended to the MSME segment as well to further boost the dormant investment cycle.

In the budget, the Finance Minister has continued with his focus on Agriculture through higher target of Rs7 lac crores for agriculture credit, continuation of interest subvention scheme and extending the same to private sector banks, 22% increase in budget allocations to Ministry of Agriculture, These and other steps will help boost rural economy and in turn will help companies well positioned in the interiors of the country.

Consistent with government's focus on affordable housing, there is a 50% increase in allocation to Rural Housing Fund from Rs 4000 cr to Rs 6000 cr. Recognising the huge shortage of housing in urban areas, an Urban Housing Fund with an allocation of Rs 2000 crore is being set up.

This along with tax measures such as allowing additional deduction of interest of Rs 1 lac for first time home buyers with loans uptoRs 25 lacs will help provide boost to housing sector as well as housing finance companies in Tier II, Tier III and smaller cities and towns.

Steps taken to increase insurance penetration specially in Tier II an below cities are welcome. Steps such as allowing unhindered opening of branches by Insurance companies in locations other than Tier 1, easier KYC norms will provide a boost to the sector.

Continuing with his investor friendly image, FM has taken further steps to boost the market and to get more foreign funds. . These include simplification of procedures for foreign portfolio investors, providing clarification on what will FII and FDI constitute, , allowing FIIs to trade in exchange traded currency derivatives, introduction of dedicated debt segment on stock exchanges, liberalisation of Rajiv Gandhi Equity Saving Scheme etc. Hopefully all such steps will yield results in deepening of the bond market.

The FM has introduced tax on super rich (albeit for one year) and has also increased surcharge on companies along with dividend distribution tax. While various steps are required to be taken to increase revenues to control deficit, credible steps are required to increase the tax base and improve tax compliance rather than increase taxes on existing tax paying entities.

Fulfilling industry's demand, FM has exempted securitisation trusts from income tax and has clarified that tax will be levied only once at the time of distribution of income from the trust. This will provide a fillip to the securitisation market which had been hampered by tax demands on SPVs resulting in various litigations.

While overall the budget has moved in the direction of reducing fiscal deficit, more credible steps on reduction in subsidies to help reduce inflation, lower interest rates and increase the growth in the economy would be our expectations from the government going forward.

Hemant Kanoria, Chairman and Managing Director, Srei Infrastructure Finance Limited: Keeping in mind the existing macroeconomic realities, I feel the Honourable Finance Minister has presented a well calibrated budget. Union Budget 2013-14 has been a sincere attempt to re-start the growth engine while trying to maintain fiscal rectitude to the maximum possible extent.

It is heartening to note that infrastructure development has figured prominently in his speech. The initiatives to provide support to Infrastructure Debt Funds (IDFs) are commendable, especially as the banks are constrained and unable to increase their exposure to infrastructure projects. I hope the IDFs will be able to mobilize resources from a diverse cross section of investors with Government's active participation.

There are several other positives for the infrastructure sector. Enhanced corpus for MGNREGA, PMGSY, RIDF, Indira Awas Yojana along with increased funds for NABARD so that refinancing can be extended to projects pertaining to warehousing, cold storage, etc. will go a long way in addressing the supply bottlenecks that have been fuelling food inflation.

The decision to announce 3000 km of new road projects in next 6 months, the proposal to build 2 new ports (in West Bangal and Andhra Pradesh), 1 harbour in Tamil Nadu, dredging of national waterways, proposal to create a grid (combining ports, inland waterways and roadways) augur well for the infrastructure sector.

The work on 3 industrial corridors is also something to cheer about. I am especially excited about the proposal to step up domestic coal production by forming PPPs with Coal India Ltd. Also States have been encouraged to submit their discom restructuring plans to Ministry of Power and avail benefit of the scheme.

As regards, oil & gas sector, the proposed move to move from a profit sharing to revenue sharing arrangement in terms of shale gas production is also a step in the right direction.

National Housing Fund has been provided additional funds to promote rural housing through refinancing and has also been instructed to set up an urban housing fund. Further, additional tax incentives for the first time home owner is also a good move.

I feel all these steps will play an important role in stimulating internal demand that will help in pushing the economy to a higher growth path.

Ramana Akula, CFO – Pearson India: It is overall a positive budget from the education sector standpoint – despite the expenditure management exercise the government has increased allocation to the education sector by 17 per cent. The education cess of 3% has been retained for the financial year 2013-14; this move will continue to promote the public spending in various education schemes like Sarva Shiksha Abhiyan.

However, some expectations such as extension of tax sops provided to vocational education in agri sector to other streams of vocational education have not been met but nevertheless the budget of 2013-14 should provide a boost to the education sector and the overall economy largely due to serious measures to promote saving and investments in the economy.

S. Ramani, Partner of Savourites Hospitality Pvt. Ltd.(6 Ballygunge Place and The Wall): The already heavily burdened consumer is forced to pay more in the form of service tax. At the end of the day the consumer ends up paying more.

India Electronics and Semiconductor Association (IESA): The India Electronics and Semiconductor Association (IESA) welcome the budget for its boost to the Indian Electronics and semiconductor industry. We believe the steps outlined for this sector by the Hon'ble Finance Minister will help to boost this sector by attracting investments, promoting entrepreneurship and domestic manufacturing.

Vandana Luthra, Founder & Mentor, VLCC: The budget announcement for the financial year 2013-14 is not really on the lines we had hoped for. As a constituent of the Preventive Healthcare and Wellness domain, we were expecting this sector to be also included under negative list of Service Tax.

We are disappointed that the Budget has got nothing pertaining to the wellness sector. However, it is heartening to learn that government has given due importance to vocational education to provide skill development to 50 million people through National Skill Development Council and we believe that NSDC would encourage beauty & nutrition courses wherein earnings for qualified professionals can be substantial.

Increase in Surcharge on Corporate Tax is going to impact the cash flows but we believe that the Hon'ble FM really may have had no choice given the need to raise inflows to control the fiscal deficit.

A most welcome step certainly is the setting up of an all-Women bank as also the Nirbhaya fund for women safety.

Anurag Kedia, Director- New Projects, The Four Fountains Spa: We would have liked to see Service Tax on spa services reduced from 12% to 6% in order to make spa therapies more affordable. High prices of spa services are a disincentive for people to invest in their health and well-being.

Spas have an important role to play in reducing stress levels and improving the productivity of the country's new age workforce and it's important to keep spa services affordable so that more and more people can try them. Since the time-frame for introduction of GST seems indefinite, a reduction in service tax levels would have helped in keeping spa services affordable.

The allocation of Rs. 4,727 crore for medical education and research and Rs 1,069 crore to the Department of Ayush for the development of alternative medicines are long-term positive initiatives for the wellness industry. We hope this will have a trickle-down effect on the spa industry.

Ajay Bimbhet, Managing Director, Royal Sundaram Alliance Insurance Company Limited: The overall budget looks to be responsible which signals positivity and growth. Keeping the financial environment of the economy in mind, the budget seems to be a realistic one.

Kuldip Maity, MD & CEO, Village Financial Services Pvt. Ltd.: From the standpoint of the microfinance industry, the only direct gain from this budget is additional Rs. 100 Crs for the Microfinance Equity Fund allocated to SIDBI. It is one kind of recognition of our good work but we would have been happier if the size of the fund was Rs. 200 crores.

My expectation from the Budget was also to relax the Service Tax for the microfinance loan which would have helped MFIs and our own microfinance borrowers.

However, I heartily welcome the idea and initiative for India’s first Women’s Bank as public sector bank.

The idea to allow Banking correspondents to sell micro-insurance products will help cover more economically poor people. It is another good attempt. I also think that allocation of Rs.6000 crores to the Rural Housing Fund to refinance rural housing through NHB and another Rs.2000 crores for urban housing is a great boost for common people.