



New Economy

UNION BUDGET 2011-2012
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Paving the way for a cleaner drive even as IT prepares for a more taxing life

A National Mission will be set up to encourage manufacture of hybrid and alternate fuel cars

Alternate fuel cars may take off after excise duty on vehicle tool kits cut to 5%

Hike in education outlay by 24% expected to drive investment and create new jobs

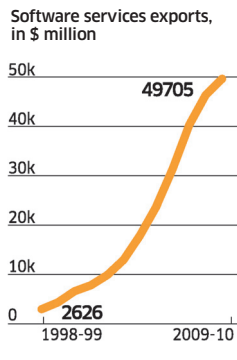
Inkjet, laserjet prices may drop as excise duty on their parts cut to 5% from 10%

VOYAGE FROM '91

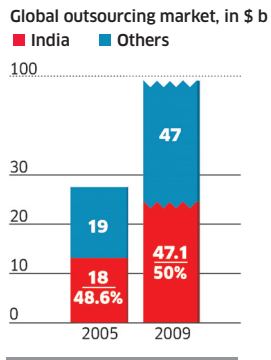
Indian IT: Seeking New Horizons

It was the millennium bug—or Y2K—that made the world sit up and take notice of the Indian IT prowess. A decade later, while it tries to keep ahead of China and the Philippines, Indian IT needs to rise up the value chain

India grabbed the Y2K opportunity with both hands...

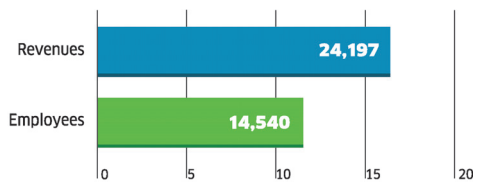


...and used the greater visibility to corner a big chunk of market...



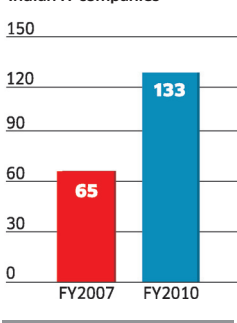
...but it is no longer just doing low-end body shopping work...

Revenue and employee growth, CAGR FY07 - FY11



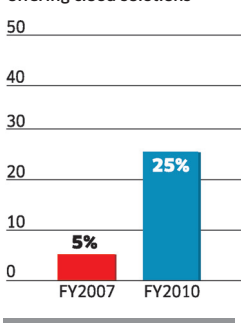
...as it has started to innovate and research ...

Patents granted to top 5 Indian IT companies



...to keep pace with new ideas that are re-shaping the industry...

Leading Indian companies offering cloud solutions



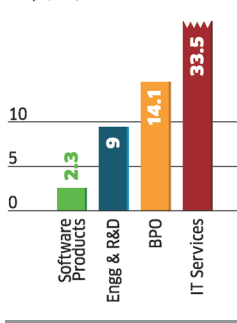
...to nearly double the size of the Indian IT industry...

\$150 Billion

Projected revenues of IT-BPO industry by 2015 against \$88 billion now, according to the estimates of industry body NASSCOM

...but companies will need to do top-end work...

break up of revenues, in \$ billion



... even as they protect their traditional markets

Call centre revenue in \$ billion and growth in %

REVENUES*	
India	5.58
Philippines	5.7
GROWTH*	
India	11.92
Philippines	27.6

*2010
#CAGR over past two years

No Free Parking for IT

It's been coming for a while. But the end to IT's carefree ride has become a double whammy, with SEZs coming under MAT. For many, it goes against the spirit of creating SEZs. Smaller players will be hit hard



TAPROOT INDIA

Bucking the effects of a global slowdown, India came out much stronger than the developed nations. This has triggered a Reverse Brain Drain. Two decades after economic liberalisation, India is now the preferred job destination of people across the globe. Indeed, India has set the stage with its booming economy and its cutting-edge skills

what it means for new economy

PCs Likely to Cost More

The levy of 5% excise duty on microprocessors as well as DVD writers is likely to make PCs costlier. AMD said that instability in policy is not good for the industry. Intel says it's still reading the fine print, but a marginal price rise may be imminent.

Nokia to Increase Prices Marginally

Phone maker Nokia is expected to pass on the 1% increase in central excise to customers, but other phone makers say it is too small a number and are not expected to do anything. Nokia phones may cost ₹100-200 more.

Sops on Mobile Phone Parts to Continue

No hike in customs duty of 5% on mobile phone parts, as was widely expected, will give local manufacturers some relief. Full exemption from special additional customs duty on handset components and accessories will help lower costs marginally.

Push for Rural Broadband, but will it Work?

Rural broadband has got a big push, but earlier efforts have not clicked. The government planned to set up 2,50,000 citizen service centres in villages to drive e-governance. Many of the one lakh CSCs that were set up have shut down, raising questions about the model.

Thinking Green not Enough

THE PRICES of electric and hybrid vehicles are likely to be reduced and companies setting up solar power units can take advantage of lower customs duty. But despite a 61% increase in allocation for "green power" to ₹1,000 crore, the government's initiatives to promote alternate energy appear timid and unambitious, say experts.

Smaller IT Cos to Feel Tax Pinch More, Take Margin Hit

In Focus

INDIA'S SMALL AND medium-sized IT firms will be hit hard by the decision to end tax exemption for software units and impose MAT on SEZ units, company officials and analysts said. Big exporters like Infosys and TCS will not be affected so much as they already have an effective tax rate of around 20%. The budget did not extend tax exemption for units registered under the

Software Technology Parks of India (STPI) making export income taxable for them from fiscal 2012. Software units in SEZs which were exempt from Minimum Alternate Tax, have now been brought under the tax's purview. "The impact will be felt more by the smaller companies. The STPI tax benefit would have allowed them to reinvest and grow big," V Balakrishnan, CFO, Infosys said. SEZ developers are likely to pass on the impact of MAT to

rentals, hurting margins of smaller firms, which do not have their own SEZs. India's second largest software exporter, Infosys, for instance, already has an effective tax rate of close to 27%. "We do not believe our effective tax rate will change substantially," said Mr Balakrishnan. "Why have an SEZ when you want to tax them," asked Hanuman Tripathi, MD, Infrasoftware Technologies. Polaris chairman and CEO Arun Jain said

SEZs were becoming a joke as they are not giving the benefits envisaged earlier: "The biggest fear in India now is that countries like Singapore are giving lots of sops and tax benefits," he said. Nasscom, the apex software industry body, was also disappointed. "The industry, which is the largest growing services sector has not been addressed properly," its president Som Mittal said.

TEAM ET

AN ATM EVEN AT ONE OF INDIA'S HIGHEST POINTS

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