

**Mid-caps** 

UNION BUDGET 2011-2012

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## Excise on branded garments to erode profitability of Raymond, Arvind Mills

Excise exemption for coolers in cold storage to benefit Voltas. Blue Star

Excise duty cut on sanitary napkins and diapers boosts P&G. ET FMCG Index rises 4%

Extension of tax sops to infra bonds for one more year a shot in the arm for IDFC, REC

Reduction of basic customs duty on micro irrigation equipment hits Jain Irrigation

#### Godrej **GE Shipping** CMP: ₹ 606.45 254.90 **Properties** The company should The shipping industry is grappling with sharp gain from the upward downswings in spot revision in housing freight rates, given the loan interest SENSEX subvention to ₹25 increase in global 26 Feb '10 28 Feb '11 28 Feb '11 lakh. But lack of supply of ships. Market Cap (₹ Cr) 3882 Market Cap (₹ Cr) 4236 exposure to rural Shipping companies PE Ratio 6.33 PE Ratio 33.00 will benefit from the areas means it may Dividend Yield (%) 0.66 Dividend Yield (%) 3.14 exemption on customs not be able to capitalise on the duties on imported Inst. Holding (%) Inst. Holding (%) 34.76 7.26 increased demand for spare parts announced Sales (TTM in ₹ Cr) 295 Sales (TTM in ₹ Cr) 2691 in this Budget. rural housing Profit (TTM in ₹ Cr) 128 Profit (TTM in ₹ Cr) 614 **GVK Power &** GSK CMP: ₹ 2092.00 CMP: ₹ 26.40 Consumers Infrastructure The allocation of ₹300 Steps to attract foreign crore to promote debt capital in the infrastructure industry higher production of – increase in FII limit nutri-cereals such as SENSEX SENSEX to \$40 billion and cut Bajra, Jowar and Ragi 26 Feb '10 28 Feb '11 26 Feb '10 28 Feb '11 in withholding tax to is positive for the firm Market Cap (₹ Cr) 4169 Market Cap (₹ Cr) 8799 5% – are set to benefit which produces PE Ratio 27.50 PE Ratio 29.34 **GVK Power. Extension** cereal-based food. It is of the sunset clause on Dividend Yield (%) also likely to benefit Dividend Yield (%) 2.39 0.00 tax holiday for power indirectly from the Inst. Holding (%) 36.55 Inst. Holding (%) 30.21 rise in consumer projects is also a Sales (TTM in ₹ Cr) 2374 1941 Sales (TTM in ₹ Cr)



positive.

300

The proposals won't have any major impact on the company. Being a high-end SENSEX player, it operates at 26 Feb '10 28 Feb '11 higher room rates. It Market Cap (₹ Cr) will not therefore be PE Ratio impacted by the Dividend Yield (%) proposal to bring tariff above ₹1,000 per Inst. Holding (%)

Higher allocation for infrastructure will benefit IRB Infra, a leading player in toll roads under the **BOOT** agreement. Infrastructure companies generally have bigger working capital cycles due to

Profit (TTM in ₹ Cr)

151



# Smooth Ride Ahead for Cars and Bikes



hicles. One exception is the

diesel vehicles sector, in which

M&M is a major player. The ap-

prehension about upfront tax

on purchase of diesel vehicles

didn't materialise - and that

was visible in the sharp positive

reaction on M&M's stock price

continues the direction of gov-

ernment policy over the past

consumption by way of small

– i.e. (a) support to

adjustments

to personal in-

come tax ex-

emption lim-

its - though

marginal –

increasing an-

nual dispos-

by ₹6,600, in-

income

able

crease in allocation to social

sector spending (Bharat

Nirmaan, Rashtriya Krishi

Vikas Yojana) and (b) support

to infrastructure by a 23% in-

crease in allocation to infra-

structure-related programmes

and through provisions made

to create an enabling environ-

ment for infrastructure corpo-

few years

Concerns

remain on

implemen-

tation of low

fiscal deficit

and govt

borrowing

The FY12 Budget, in a sense,

FOR THE AUTOMOBILES sector. the budgetary provisions have been a positive not because of what the Budget contains, but because of what the Budget does not contain. For instance, the auto industry was apprehensive about a change in central excise duty across the board to 12% from 10%, increase in excise duty on small cars and special tax on purchase of diesel vehicles. None of these measures came through in the Budget — implying a positive surprise to the sector relative to expectations. However, some questions still remain unanswered. One potential risk to the sector (on which we have little visibility as of now) is that of significant increase in domestic diesel prices. Oil subsidy assumed in the Budget — ₹23.600 crore -

is significantly lower than in FY11. This implies the possibility of adjustment of domestic petrol and diesel prices which could upwards be a risk for commercial vehicle manufacturers. In general, the Budget has been more favourable for "con-

rate debt fund. The concerns sumer autos" - ie, two-wheelare mostly around implemeners and passenger cars, than for tation of the low fiscal "investment autos" — com-mercial vehicles and utility vedeficit and government borrowing programme

### STOCKS TO WATCH OUT FOR BAJAJ AUTO | TATA MOTORS | MARUTI

We like Bajaj Auto, Tata Motors, and Maruti. While the Budget may lead to outperformance of some stocks, our stock picking is driven by long-term considerations and relative valuations.

# More Reforms Bills Get the **Right of Way**

**Analysts' Picks** 

**Ashish Gupta** 



its best to balance the government's social commitments with fiscal responsibility. Industry-specific stimuli in the form of lower Cenvat rates were largely left untouched, as the government felt it was too early to withdraw them. This should surprise the market positively, especially for automobile and cigarette manufacturers. While there was little to note from the reforms perspective in the Budget itself, the finance minister's speech gave an encouraging line-up of legislations expected to be introduced in the Budget session — the Insurance Bill, the Pension Fund Reform Bill, etc. The critical aspect of the

Budget was the government borrowing number for FY12 and fiscal deficit. The headline number for net borrowing seems low, but once adjusted for short-term borrowings and usage of cash surplus, it is closer to consensus expectations. The fiscal deficit ratio was helped by a sharp 28% jump in

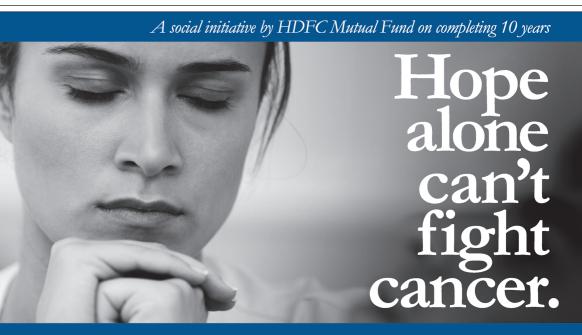
nominal GDP in FY11, implying the GDP deflator was a significant 18% year-on-year. For the real estate sector, over-

all, the Budget was neutral, though for some, it was posi-

### STOCKS TO WATCH OUT FOR

UNITECH | SOBHA | INDIABULLS REAL ESTATE

Given the Budget's net neutral impact on real estate, our top picks in the sector remain the same: Unitech, Sobha and Indiabulls Real Estate.



Managing Director & Head, India Research, Credit Suisse THE BUDGET 2011-12 TRIES tive, and for others, negative The 1% interest subvention scheme has been extended for

home loans up to ₹15 lakh, subject to the house value being less than ₹25 lakh. The earlier limit was ₹10 lakh of loan value subject to house value being less than ₹20 lakh. Further, for priority sector lending, the loan value for home loans has been increased to ₹25 lakh against₹20 lakh earlier. Lastly, the in-

vestment-lin-The critical ked tax deducaspect of the tion for **Budget** is the developing and borrowing building number for housing project under slum FY12 and fiscal deficit redevelopment or slum reha-

ed to affordable housing. These measures should help real estate developers working on affordable and low-end housing On the other hand, SEZ devel opers have been brought under MAT. Against zero tax payable for a block of 10 years, the developers will now need to pay 18.5% MAT. While the MAT paid will be available for set-off against future tax liability (af ter the 10-year tax holiday), it will hurt near-term earnings

bilitation has now been extend-

room under the service tax net.

disposable income.

loan limits under

in the long term.

**Indian Hotels** 

HDIL

Sales (TTM in ₹ Cr) Profit (TTM in ₹ Cr)

Profit (TTM in ₹ Cr)

1586 longer-gestation period of projects. 107

Sales (TTM in ₹ Cr) 2173 Profit (TTM in ₹ Cr) 491

CMP: ₹ 415.45

SENSEX

28 Feb '11

3587

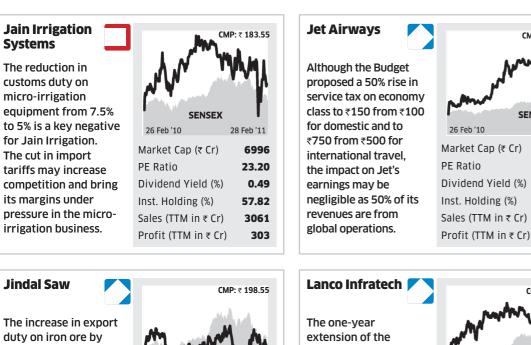
18.61

0.00

15.74

12323

193

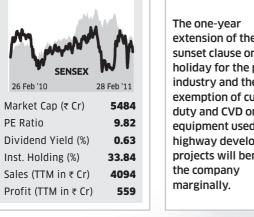


5981

55.85

1.27

40.14



Marico

e n tax	mon	MP: ₹ 38.10
power e	SENSEX	ľ
Jstoms	26 Feb '10	28 Feb '11
n some	Market Cap (₹ Cr)	9174
d in	PE Ratio	16.93
opment	Dividend Yield (%)	0.00
nefit	Inst. Holding (%)	23.41
	Sales (TTM in ₹ Cr)	8133
	Profit (TTM in ₹ Cr)	542

#### LIC Housing Finance

also positive.

20% is positive, as it is

likely to bring

domestic iron ore

prices down, easing

raw material costs.

tax-free bonds to

The government's plan

to issue ₹30,000-crore

boost infrastructure is

Operating in the urban market with a diversified portfolio, the company will not benefit much from the extension of interest subsidies on housing loans. This is because its average loan size is in excess of the existing ceiling of ₹15 lakh.

	The company sl from the 2.5% s cut. The propos bring 60,000
26 Feb '10 28 Feb '11	hectares under palm plantation will provide an
Market Cap (₹ Cr) <b>8928</b> PE Ratio <b>21.04</b>	indirect benefit
Dividend Yield (%) 1.59   Inst. Holding (%) 46.25	Market Cap (₹ Cr) PE Ratio
Sales (TTM in ₹ Cr) 4289   Profit (TTM in ₹ Cr) 873	Inst. Holding (%) Sales (TTM in ₹ C

CMD· ≠ 188 10

npany should benefit e 2.5% surcharge proposal to s under oil antation vide an benefit Cap (₹ Cr) 7283 SOND 27.38 29.71 「M in ₹ Cr) 2989 Profit (TTM in ₹ Cr) 266

### Vour investment can help. The dividend income on your investment will be donated to the Indian Cancer Society. Let's fight cancer together.

• A 3 year closed ended capital protection oriented income scheme • 50% or 100% of your dividend income will be donated (Section 80G# benefit available) • No investment and advisory fee shall be charged by HDFC AMC

### • Unit Price ₹ 10 • NFO closes on 4<sup>th</sup> March, 2011 • Rated AAA (so) by CRISIL

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The scheme is "oriented towards protection of capital" and "not with guaranteed returns". The scheme does not guarantee any returns. The orientation towards protection of capital originates from the structure of the Portfolio of the Scheme and not from any Bank guarantee, Insurance Cover etc.

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Factors such as interest rate movements, reinvestment risk, credit defaults etc. can impact the ability of the portfolio to meet capital protection or maturity. Please read the Scheme Information Document for detailed scheme specific risk factors. HDFC Debt Fund for Cancer Cure, a 3 year closed-ended capital protection oriented scheme, is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospects and returns. Please read the Scheme Information Document (SID) and Statement of Additional Information (SAI) before investing. Investment Objective: To protect the capital and generate income through investments in high quality. fixed income securities like Debt / Money Market Instruments and Government Securities maturing on or before the maturity date of the Scheme. However, there can be no assurance that the tixed income securities like Uebt / Money Market Instruments and Government Securities maturing on or before the maturing date of the Scheme. However, there can be no assurance that the investment objective of the scheme will be realized. Tenure of the Scheme: 3 years from the date of allotment. Asset Allocation Pattern: Debt Instruments (min. 80%; max. 100%); Money Market Instruments (min. 0%; max. 100%) and Government Securities (min. 0%; max. 20%). Load Structure: Entry Load: Not Applicable. Exit Load: Not Applicable. Terms of Issue: The Units having a face value of ₹ 10/- are issued at par during the New Fund Offer Period (NFO). NFO Expenses shall be borne by the AMC / the Trustee Company. The Units will be listed on the Capital Market Segment of the National Stock Exchange of India Limited (NSE) within 5 days from the date of allotment. Minimum Application: ₹ 1,00,000 and in multiples of ₹ 1,000 thereafter. 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The Tuting and Work the regression any envent the regression and wide for HDFC Debt Euro for Career Cure - A aver Closed Ended Contin is only valid for HDFC Debt Fund for Cancer Cure - A 3 year Closed Ended Capital Protection Oriented Income Scheme. The rating only indicates highest degree of certainty regarding payment of face value of investment (excluding entry load charged, if any) to the Unit holders on maturity and is not an opinion on the stability of the scheme's NAV before its maturity date. The rating will be reviewed on a quarterly basis. Disclaimer of NSE: It is to be distinctly understood that the permission given by NSE should not in any way be deemed or construed that the SID has been cleared or approved by NSE nor does it certify the correctness or completeness of any of the contents of the Draft Scheme Information Document. The investors are advised to refer to the SID for the full text of the Disclaimer clause of NSE. 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26 Feb '10

PE Ratio

