



Budget 2007-08 : Playing Safe

Edelweiss Research

research@edelcap.com

February 28, 2007

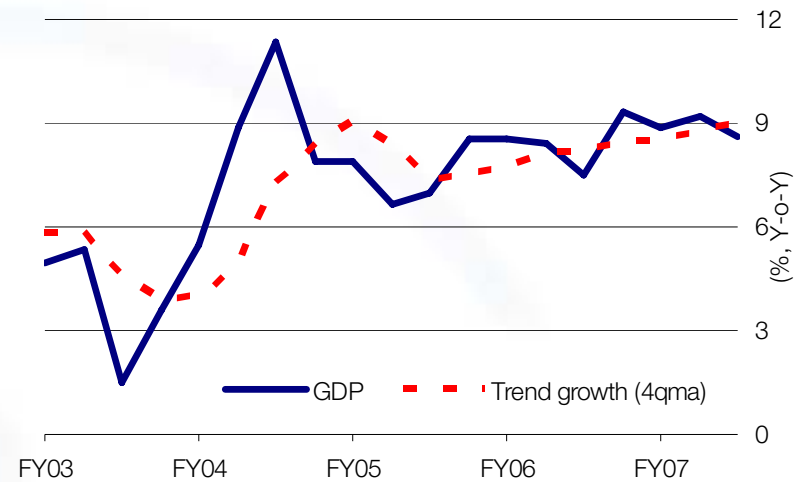
Budget highlights

- * Budget 2007 was neutral to mild positive. The announcements were largely in line with expectations. The long-term growth focus is evident from continued stress on agriculture, social sectors, and infrastructure. The short-term focus was clearly inflation control, which is evident from further cuts in customs duties.
- * The finance minister (FM) played safe by not moving forward on reforms. The next budget will be too close to the elections; making any major reform measures unlikely.
- * From a macro economic perspective, the budget has expressed satisfaction on high growth seen so far. Inflation continues to be highlighted as a source of concern.
- * Fiscal consolidation is in line for FY07 and will continue to be so in FY08 as well. Customs duty cuts are unlikely to impact overall revenues. Capital spending has received greater focus in FY08 as compared to the previous year.
- * The government further cut customs duties, as well as some excise duties to control price rise. There were no major changes on the direct tax front. The positive impact of relaxations in income taxes will be more than offset by an increase in the ambit of MAT and FBT.
- * Sectors impacted positively are FMCG, logistics, pharmaceuticals, and textiles. Cement, construction, IT, and real estate are negatively impacted.
- * Markets are expected to remain volatile in the short run, as they have in the recent past, due to unwinding in yen carry trade, tightening in China, and unfavourable US data flow. We remain positive on the long term India story; equity markets over the medium to long term will be driven by fundamentals, which we expect will continue to remain attractive.

Macro economic outlook : Strong growth, but inflation pains

- * The budget sounds bullish on growth—it points out that growth of 8% Y-o-Y during the 10th plan will be nearly achieved despite FY03 being a slow growth year.
- * Q3FY07 GDP, released yesterday, continued to reflect buoyant growth. It came out at 8.6% Y-o-Y, a minor fall from the 9.2% Y-o-Y growth in Q2. While industry and services continued to grow robustly, agriculture lagged behind.
- * Agriculture growth remains a source of concern, with average growth at 2.3% Y-o-Y during the 10th plan. The 11th plan aims at increasing growth to 4%.
- * The budget raised concerns over inflation. It points to easy liquidity conditions and rising global commodity prices as well as domestic supply side constraints as reasons for the dip. The government expects inflation to continue being a source of worry over the year. Further cuts in customs duties were undertaken to keep prices under control.

Strong growth sustains



Source: Bloomberg, Office of Economic Advisor

Inflation causes pain

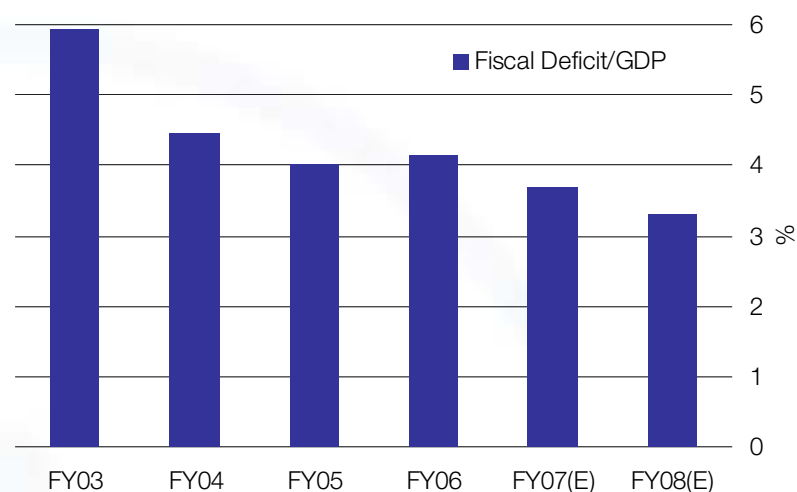


Source: Bloomberg, Office of Economic Advisor

Macro economic outlook : Fiscal outlook positive

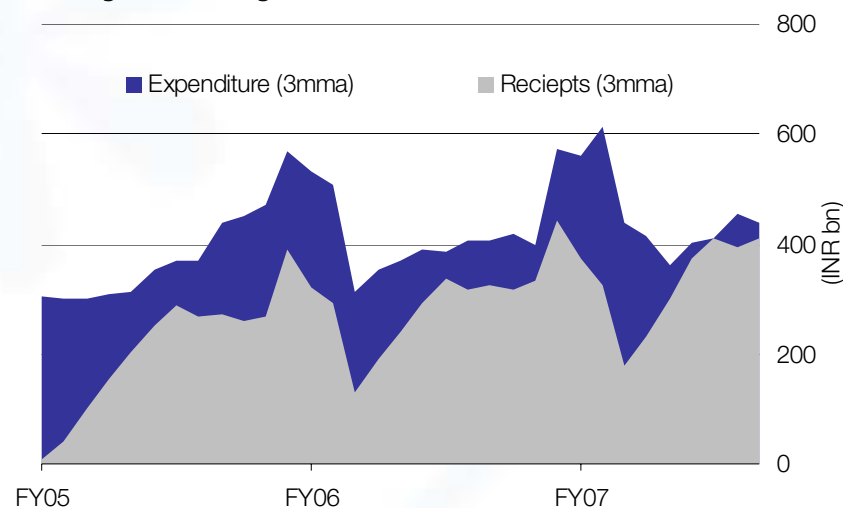
- * The budget maintains a positive fiscal outlook. The fiscal responsibility and budget management (FRBM) target of fiscal deficit as a proportion of GDP at 3.8% is expected to be more than met. Government estimates suggest that it will be at around 3.7% by the end of the year. Our estimates had suggested that the target could be revised further to about 3.5%, given the collections and spend trends so far. Government estimate suggests that spending in Q4 is likely to be higher than expected.
- * For FY08, the FRBM fiscal deficit target has been fixed at 3.3%. This is lesser than that laid out for FY08 in the budget document during the previous year (at 3.4%).
- * Revenue deficit targets too are likely to be met. The initial target was set at 2.1% for FY07; it has been revised down to 2%. FY08 targets for revenue deficit have been further revised down to 1.5% of GDP.

Fiscal consolidation to continue



Source: CGA, Budget documents

Strong revenue growth



Source: CGA, CMIE

Macro economic outlook : Fiscal details

Tax revenues	(INR bn)		
	FY07 (B.E)	FY07 (R.E)	FY08 (B.E)
Gross tax revenue	4,421	4,678	5,481
Excise	1,190	1,173	1,302
Customs	771	818	988
Corporation tax	1,330	1,465	1,684
Income tax	774	825	988
Service tax	345	382	502

Source: Budget document 2007-08

Expenditure	(INR bn)		
	FY07 (B.E)	FY07 (R.E)	FY08 (B.E)
Non plan expenditure	3,913	4,089	4,754
Revenue	3,444	3,622	3,835
Capital	468	467	919
Plan expenditure	1,727	1,727	2,051
Revenue	1,438	1,446	1,744
Capital	290	281	307
Total expenditure	5,640	5,816	6,805

Source: Budget document 2007-08

- * **Tax collections to remain strong:** Tax collections are expected to stay buoyant next year as well. All major tax heads are expected to grow strongly, as against the revised estimates for FY07. Service tax is expected to grow at the highest rate (of over 30% Y-o-Y). Income tax and customs tax are the other two fast growing heads.
- * **Tax measures unlikely to impact collections:** Despite cuts in indirect taxes, there is unlikely to be a major hit on either customs or excise collections. While customs duties are expected to grow by 20%, excise duty collections will show an 11% growth.
- * **Capital spend gains prominence:** The overall pattern of expenditure remains essentially unchanged—non-plan expenditure will be at 70% of total expenditure, while plan expenditure will contribute to the remaining 30%. In terms of classification by revenue and capital spends, there is higher emphasis on capital expenditure. The proportion of capital expenditure will rise from 13% as per FY07(BE), to 18% as per FY08 (BE). Revenue expenditure will now contribute to 82% of expenditure, as opposed to 87% according to FY07 (BE).

Budget measures: Major tax related announcements

Direct taxes:

- * The threshold limit of exemption for all assesses has been hiked by INR 10,000, giving a relief of INR 1,000. For women assesses, the threshold limit has been increased from INR 135,000 to INR 145,000; for senior citizens it has been increased from INR 185,000 to INR 195,000
- * Deduction in respect of medical insurance premium to be increased to a maximum of INR 15,000, and to INR 20,000 for senior citizens
- * Surcharge on income tax on all firms and companies with a taxable income of INR 10 mn or less has been removed (mild positive, though not in line with expectations)
- * Issue of tax-free bonds through state pooled finance entities formed for raising funds for a group of urban local bodies allowed
- * The scope of minimum alternate tax (MAT) has been extended
- * Dividend distribution tax rate has been raised from 12.5% to 15% on dividends distributed by companies and to 25% on dividends paid by money market mutual funds and liquid mutual funds
- * FBT extended to include ESOPs
- * Cash withdrawals by Central and State governments to be excluded from the scope of Banking Cash Transactions Tax (BCTT)
- * Additional cess of 1% on all taxes has been levied to fund secondary and higher education

Budget measures: Major tax related announcements

Indirect taxes:

- * Peak customs duty on non-agricultural products slashed to 10% from 12.5%. Also, customs duties have been cut/removed on a host of items:
 - chemicals and plastics (12.5% to 7.5%)
 - seconds and defectives of steel (20% to 10%)
 - coking coal (fully exempt)
 - polyester fibers and yarns (10% to 7.5%)
 - dredgers (exempt)
 - drip irrigation systems (7.5% to 5%)
 - agricultural sprinklers (5% from 7.5%)
 - food processing machinery (5% to 7.5%)
 - medical equipment (7.5% from 12.5%)
 - edible oils (exempt from additional CV duty of 4%)

- * Sector specific excise duty changes have been effected
 - Ad valorem component of excise duty on petrol and diesel has been reduced (8% to 6%)
 - cigarettes duty has been raised (by 5%), so has duty on *biris*
 - differential excise duty has been imposed on cement
 - duty cut on plywood (16% to 8%)
 - duty on bio-diesel (fully exempt)
 - exemption limit for small scale industries has been increased from INR 10 mn to INR 15 mn

- * Exemption limit for small service providers raised for the purpose of service tax. Also, ambit of service tax increased to include
 - services outsourced for mining of mineral, oil or gas
 - renting of immovable property for use of commerce or business
 - development and supply of content for use in telecom and advertising purposes
 - asset management services provided by individuals
 - design services
 - services involved in execution of works contract with an optional composition scheme. asset management services provided by individuals

Budget measures: Agriculture and social sectors

- * **Financing :** (i) Target for farm credit has been raised to INR 2,250 bn for FY08, expected to bring 50 lakh new farmers into the banking system; and (ii) NABARD to issue government guaranteed rural bonds to the extent of INR 50 bn
- * **Water provision:** (i) Irrigation outlay increased to INR 110 bn, a rise of over 54% Y-o-Y; (ii) New rain-fed area development programme introduced with an outlay of INR 1 bn; (iii) Subsidy to small and marginal farmers to divert rain into 'dug wells'; and (iv) World Bank loan signed with Tamil nadu to restore water bodies.
- * **Insurance:** (i) National agriculture insurance scheme to be continued with a provision of INR 5 bn; and (ii) Weather-based crop insurance scheme to be started by Agriculture Insurance Corporation, with a INR 1 bn allocation.
- * **Social security:** A new scheme called *Aam Aadmi Bima Yojana* will be introduced for death and disability insurance cover through LIC for rural landless households without cover
- * Corpus of rural infrastructure development fund to be raised from INR 100 bn to INR 120 bn
- * Pulses and plantation sectors get special focus
- * Emphasis on training of farmers

Budget measures: Major infrastructure related announcements

- * **Power:** (i) Seven more Ultra Mega Power Projects under process and two likely to be awarded by July 2007; (ii) Accelerated Power Development and Reforms Project being restructured to cover all district head quarters and towns with population of more than 50,000; (iii) Budgetary support for APDRP to increase from INR 6.5 bn to INR 8 bn; and (iv) Amount allocated to Rajiv Gandhi Grameen Vidyutikaran Yojana to increase from INR 30 bn to INR 39 bn
- * **Coal:** Government companies and approved end users have been allotted 26 coal blocks with reserves of 8,581 mt and four lignite blocks with reserves of 775 mt
- * **National highways:** (i) Provision for NHDP has increased from INR 99 bn to INR 107 bn; and (ii) Road-cum-rail bridge at Bogibeel, Assam, over Brahmaputra to be taken up as a national project
- * **Public-private partnership and viability gap funding:** Revolving fund with a corpus of INR 1 bn is to be set up to quicken project preparation; the fund will contribute up to 75% of preparatory expenditure in the form of interest-free loan to be recovered from successful bidders

Sector specific measures

Budget measures

Airlines

ATF for all small aircrafts classified as "declared goods" to charge sales tax at a flat 4%

No comment on exemption on withholding tax on leased aircraft (which is valid till March 31, 2007). Exemption likely to become void by default

Automobile Components

Reduction in peak customs duty from 12.5% to 10%; applies to most auto components

Dividend distribution tax rate increased to 15% from 12.5%

Automobiles

Reduction in peak customs duty from 12.5% to 10%; applies to most auto components

Weighted deduction (150%) on in-house R&D for income tax extended for five years

Dividend distribution tax rate increased to 15% from 12.5%

Increased target for farm credit to INR 2.25 tn from INR 1.9 tn (FY07RE)

Benefit for unlocking holdings in group companies

Impact

Neutral to marginally negative

Neutral on listed companies as the same was already valid for ATR, which are the only small aircraft in fleet of listed companies

Mild negative—Most airlines have signed deals already for their forthcoming expansions, future deals likely to be routed through tax havens

Mild negative

Mild negative for Auto Components

Mild negative for all companies. Dividend payout ratio for most auto component companies is between 27% and 41%.

Neutral

Mild positive, particularly for Maruti, which imports a significant proportion of components

Mild positive for Tata Motors, M&M, and Bajaj Auto, as the benefit was to expire in FY07

Mild negative for all companies. Dividend payout ratio for most auto companies is 25% or more except Maruti, which pays 10%. Effective cash flows will be reduced marginally

Mild positive for M&M, as it would support continued growth in tractor sales

Details of the scheme not announced. Likely benefit to Bajaj Auto and M&M

Sector specific measures

Budget measures

Banking & Financial services

Fiscal deficit targeted to be 3.3% of GDP for FY07-08

Bank eligible for deduction under Sec 36(1)(viii) for long term financing of agriculture, industrial and infrastructure development

Deduction for special reserves reduced to 20% (from 40% earlier) under section 36(1) (viii);

Income limit is increased to INR 10,000 (from INR 5,000 earlier) for TDS on interest on bank deposits (Sec 194A)

Dividend distribution tax of 25% on money market funds

In the event of merger, merged entity can now set off unabsorbed losses (previous years) of merging banks (Sec 72A)

SARFAESI Act now available to RRBs to recover bad loans; permit RRBs to accept NRE deposits; RRBs to be recapitalized to facilitate branch expansion programs

Creation of mortgage guarantee companies (like Fannie Mae and Freddie Mac)

NHB will introduce a novel product for senior citizens—reverse mortgage

Impact

Neutral

Positive for banks, lower government borrowings should support lower bond yields

Positive for banks as their effective tax rates will reduce

Negative for mortgage finance players like HDFC, IDFC and LIC Housing

Positive for banks as will lead to higher deposit mobilization

Mild positive for banks as this should lead to higher deposit growth with money market mutual funds becoming unattractive

Positive for banks as this should provide an incentive to merge weak banks with self

Mild positive for PSU banks like SBI, Canara, Union, and Syndicate

Positive for HDFC, ICICI Bank and LIC HF, as this will improve flow of housing loans and reduce overall funding cost in the medium term

Mild positive for mortgage lenders

Sector specific measures

Budget measures

Cement

Differential excise duty imposed: Increase in excise duty from INR 400/tonne to INR 600/tonne for cement sold at an MRP of more than INR 190/bag. For cement which is sold in retail for not more than INR 190/bag, duty has been reduced to INR 350/tonne

Infrastructure thrust: Increased thrust on irrigation (INR 110 bn) and higher budgetary allocation under the NHDP program to INR 107 bn (INR 99 bn in the previous year)

Construction

Tax benefits under Section 80IA have been withdrawn. Consequently, construction companies availing of MAT for contracting revenues in infrastructure segment projects (not classified under 'infrastructure' status) will have to provide for full tax on contracting profits with retrospective effect from 2000

Accelerated thrust on government projects through higher budget allocations and viability gap funding in roads, mass housing, irrigation and urban infrastructure

Increase in budgetary allocation under the NHDP program to INR 107 bn from INR 99 bn in the previous year

Impact

Negative

Negative for the sector as price hikes will be capped. Current cement prices are more than INR 190/bag across the country. Hence, there will be an incremental burden of INR 12/bag (including the impact 1% additional education cess). However, this burden will be borne by consumers

Positive as Increased infrastructure thrust bodes well for the cement sector given that infrastructure contributes to 15% of total cement demand

Negative

Negative: Particularly for HCC, IVRCL, Nagarjuna Construction, Patel Engineering, Gammon and Madhucon Projects. Impact is neutral for companies not availing of section 80IA benefits like L&T, Simplex Infrastructure, Era Construction, JMC Projects, BLK and C&C Constructions

Positive: As the thrust on infrastructure development continues, leading to the growth momentum across the sector remaining intact

Positive: Increase in the pace of road projects being awarded under Public Private Partnerships (PPP). Largest beneficiaries include companies with potential to scale up on BOOT portfolios such as Gammon, HCC, L&T, Nagarjuna Construction and IVRCL

Sector specific measures

Budget measures

Engineering and capital goods

Technology Upgradation Fund (TUF) to be continued in XI Plan

Increased allocation for defence to INR 960 bn, including INR 419 bn for capex

Seven more UMPPs to be announced of which two UMPPs before July 2007

Increased allocation for NHAI at INR 126 bn

Surcharge unchanged at 10%; education cess increased by 1% to 3%

Impact

Mild positive

Positive for Voltas, as it is the sole selling agent (SSA) of LMW for textile machineries

Positive for L&T, given that defence is likely to be one of its future growth drivers

Positive for BHEL, L&T

Positive for L&T

Negative for all engineering and EPC companies, given that unlike other sectors, the companies pay marginal tax rate of ~30%

Sector specific measures

Budget measures

FMCG

FBT imposed on ESOPs

No VAT announced on cigarettes; excise duties hiked by 5%

Zero excise duties on biscuits below MRP of INR 50 per kg

Customs duty on crude sunflower oil has been reduced from 65% to 50% and on refined sunflower oil from 75% to 60%

Edible grade vegetable oils and their edible grade fractions have been exempted from the additional duty of customs under section 3(5)

Peak customs duty reduced on paints from 12.5% to 10%, but offset by decline in customs duty on pigments from 12.5% to 7.5%

Customs duty on liquor products reduced from 182% to 150%

Nil excise duty for preparations for infant use, put up in unit containers has been restored

Excise duty has been reduced from 16% to nil for water purifiers that do not use electricity or use membrane filtration

Excise duty on biris manufactured without aid of machines increased from INR 12 to 16 per 1000 and INR 22 to INR 29 per 1000 for other biris

Excise duty on food mixes has been reduced from 16%/8% to 0

Excise duty of 8% on MRP of toothbrushes has been withdrawn

Impact

Positive

Mild negative for companies which issue or are planning to issue ESOPs. Companies impacted: Marico, Godrej

A hike of only 5% in excise duties bodes well for the cigarette industry. It is likely that state governments could implement VAT. Hence, we should watch out for state budgets

Positive for biscuit companies such as ITC and Britannia

Mild positive for food processing companies such as Britannia, ITC, Nestle

Mild positive for food processing companies such as Britannia, ITC, Nestle

Mild negative for all paint companies

Negative for United Spirits and Radico Khaitan

Big positive for Nestle

Positive for HLL and Forbes Gokak

Positive for cigarette companies ITC, Godfrey Philips, VST and GTC

Positive for ITC

Positive for Colgate, HLL

Sector specific measures

Budget measures

IT

Extension of MAT provision to include income exempt under section 10A and 10B

Dividend distribution tax increased from 12.5% to 15% and education surcharge increase by 1%

FBT chargeable on ESOPs

Infrastructure and miscellaneous

Dredgers to be fully exempt from import duty

Dividend distribution tax hiked from 12.5% to 15%

Custom duty brought down by 2.5% for industrial chemicals

Levy of service tax on rental incomes

Impact

Negative

Negative for the sector as a whole - profits to be impacted by ~ 4-7%. Effective tax rate for large cap companies will increase by ~ 4-6%, leading to an impact of 4-7% on the EPS for FY08.

Company wise impact on FY08 EPS - Infosys, TCS ~ 5-6%, HCL Tech ~ 4%, Wipro ~ 3%, Satyam 3-4%. Rolta - Minimal impact as 60% of the business is domestic which is already liable to full tax. We do not expect any change in our earnings

Other companies are still evaluating the impact on their earnings, but we estimate ~ 4-8% impact on profits

Negative impact on cash flows. As applicable to other sectors as well

Negative for companies having large outstanding ESOPs (applicable - Apr 2008 onwards)

Neutral

Positive for Dredging Corporation of India as new capacity addition is expected to be in the form of chartering of dredgers

Negative for Deepak Fertilizer as it has a high dividend payout ratio of ~35-40%

Negative for Deepak Fertilizers as it can bring down the pricing for methanol

Mildly negative for Deepak fertilizers as the incidence of service tax can be passed on to the customers to some extent

Sector specific measures

Budget measures

Logistics

Complete phasing out of CST as per the original schedule by 2010 and immediate reduction of CST to 3%

Blue print for substituting the complex web of central and state taxes on manufacturing and services with a single goods and services tax (GST) and maintaining the time frame for introduction of GST by 2010

Ramp up in investment in physical and social infrastructure like near completion of Golden Quadrilateral and targeted completion of NSEW corridor by 2009

Media

Fringe benefit tax on ESOPs

Custom duty exemption on recorded magnetic films used for producing serials has been withdrawn

Concessional rate of custom duty has been withdrawn on some items like professional TV cameras, audio recording equipment, and video editing machines

Exemption from CVD on certain specified parts of set top boxes has been withdrawn

Lease rentals on commercial property have been included under service tax net. However, land for sports, entertainment and parking purposes and immovable property for educational or religious purposes have been excluded

Dividend distribution tax rate increased to 15% from 12.5%

Impact

Positive

Positive for logistics companies with more focus on warehousing segment like Gati and TCI

Mild positive for road transportation companies like Gati, TCI and SICAL

Positive for logistics companies as it aims to reduce infrastructural bottlenecks

Mild negative

Mildly negative for most companies that have issued ESOPs at exercise price lower than the fair price

Neutral as most production is now done in digital format and not in analog format

Mild negative

Mild negative

We have spoken to a few multiplex companies to find out whether multiplexes will be covered under entertainment and hence, excluded from this list. They seem to believe so, but are unsure at present. In case they are not excluded, it will be negative for multiplexes.

Mild negative for all companies.

Sector specific measures

Budget measures

Mining equipment

Inclusion of mining equipment contractors under the service tax net

Increase in dividend distribution tax from 12.5% to 15%

Budgetary support of INR 960 bn (INR 890 bn previous budget) with capital expenditure support of INR 420 bn (INR 375 bn previous budget)

Impact

Mild negative

Negative for those contractors who have entered into contracts inclusive of taxes. The hit will be to the extent of the service tax. Marginally negative for TRF which has some contracts inclusive of taxes

Negative for high dividend pay out companies like TRF(40%)

This positively augments the visibility of BEML's defence contracts

Sector specific measures

Budget measures

Oil & Gas

Cut in advalorem excise duty rates on Petrol and Diesel from 8% to 6%

No reduction in import duty of Crude and Products

CST reduction from 4% to 3%

Cut in import duty for plastics/chemicals from 12.5% to 7.5% and polyester and intermediate products (PTA/MEG/DMT) from 10% to 7.5%

Infrastructure status for gas pipeline projects

Extension of service tax on outsourcing of oil and gas services

Impact

Positive

Positive for oil marketing companies (BPCL, HPCL & IOCL) as marketing margins on MS and HSD will increase by INR 0.25/litre and INR 0.09/litre after considering the hike in education cess

Positive for refining companies (IOCL, HPCL, BPCL, Chennai Petro, MRPL, RIL) as we had expected cut in import duty leading to fall in refining margins

Positive for the refining companies as this would mean lower CST under-recoveries for the refiners

Marginal negative for intermediate manufacturers (RIL, IOC, India Glycol)

Competitiveness of polyester against cotton will improve. Marginal positive for the polyester manufacturers.

Concessions under Sec.80 IA and hence new pipelines would get income tax exemptions for 10 years. Positive for GAIL, GSPL, pipe manufacturers (PSL, Welsun Gujarat, Man Industries, Jindal Saw)

Negative for O&G service (like Great Offshore, Aban Offshore, Jindal drilling, Garware offshore, Shiv Vani, Dolphin Offshore)
Marginal negative for upstream firms (ONGC, RIL) as costs for services will increase

Sector specific measures

Budget measures

Pharmaceuticals

Provision for Polio control programme of about INR 12,900 mn

Exemption of clinical trials from service tax

Weighted deduction of 150% on inhouse R&D extended till 2012

Extension of MAT provision to include income exempt under section 10A and 10B

Excluding expenditure on free samples from FBT

Power ancillaries

Increase in APDRP allocation by 23% Y-o-Y to INR 8 bn for FY08E. Further, APDRP program is restructured to enlarge coverage to towns/ townships covering population of 50,000-plus

Increase in RGGVY allocation by 31% Y-o-Y to ~INR 40 bn

Impact

Positive

Positive for Panacea Biotech

Positive for Biocon, Suven, Jubilant and other unlisted CROs

Positive for all major pharmaceutical companies involved in R&D

Negative for most Indian companies whose effective tax rate is below MAT

Positive for all companies in domestic formulations market

Mild positive

Marginally positive on an incremental basis. However, continued government support is encouraging. Positive for power ancillaries like the tower and cable/ conductor companies and project execution companies like Kalpataru Power, Jyoti Structure, RPG Transmission, Apar, KEI, Emco

Marginal positive for power T&D project execution companies like Kalpataru Power, Jyoti Structure, RPG Transmission

Sector specific measures

Budget measures

Real estate

Inclusion of lease rental income from commercial business in service tax net

Non-extended benefits under Sec 80IB

Telecom

Department of Telecommunications to constitute a committee to study the possibility of a unified tax structure for telecoms by streamlining multiple taxes and levies

Extension of service tax to the development and supply of content for use in telecom

Textiles

Customs duty on polyester fibres, yarns and its raw materials DMT, PTA and MEG to be reduced from 10% to 7.5%

More budgetary allocation for textile and apparel parks. FM informs that 26 parks have been approved out of 30 sanctioned under the Scheme for Integrated Textiles Parks (SITP). Government proposes to increase the provision for these parks from INR189 crore in 2006-07 to INR 425 crore in 2007-08

Technology Upgradation Fund (TUF) scheme, giving 5% interest rate subsidy on capital expenditure, to be continued in the 11th Plan

Impact

Negative

Marginal negative for the companies in commercial segment as lease rental agreements have provisions for tax increases. However, in the longer run, companies may not be able to pass through these tax increases

Negative for the sector.

Company NAVs will get revised down. However, P&L impact will be felt only later, as most developers get approval for their projects from local authorities 2-3 years in advance

Mild positive

Positive for telecom service providers like Bharti Airtel, Reliance Communications as this indicates a move towards a simplified tax regime

Neutral for telecom service providers as the service tax would be passed on to consumers

Positive

PSF and PFY prices like to come down. Positive for the sector

Positive

Positive as our coverage companies will be able to focus on consolidating their current expansion plans and then should go for a fresh round of TUF funded cap-ex after 2-3 years

This Information Package is distributed by Edelweiss on a strictly confidential basis. This Information Package and the information and projections contained herein may not be disclosed, reproduced or used in whole or in part for any purpose or furnished to any other persons without the express prior written permission of Edelweiss.

This Information Package is distributed by Edelweiss upon the express understanding that no information herein contained has been independently verified. Further, no representation or warranty expressed or implied is made nor is any responsibility of any kind accepted with respect to the completeness or accuracy of any information. Also no representation or warranty expressed or implied is made that such information remains unchanged in any respect as of any date or dates after those stated herein with respect to any matter concerning any statement made in this Information Package. Edelweiss and its directors, employees, agents and consultants shall have no liability (including liability to any person by reason of negligence or negligent misstatement) for any statements, opinions, information or matters (express or implied) arising out of, contained in or derived from, or for any omissions from the Information Package. All recipients of the Information Package should make their own independent evaluations and should conduct their own investigation and analysis and should check the accuracy, reliability and completeness of the Information and obtain independent and specific advice from appropriate professional advisers, as they deem necessary.

Where this Information Package summarizes the provisions of any other document, that summary should not be relied upon and the relevant documentation must be referred to for its full effect.