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PROGRESS HARMONY DEVELOPMENT

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Budget 2015-16

Fulfilling Hopes…

March 2015

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Quenching India's thirst for progress

One of the largest F&B businesses in India

PepsiCo is one of the largest MNC food and beverage businesses in India with eight brands that generate retail sales of INR 1000 crore annually. PepsiCo and its partners have invested in 37 beverage plants & 3 food plants and will invest another INR 33,000 crore in India by 2020. PepsiCo India is guided by its vision of 'Performance with Purpose' which focuses on environment sustainability and supporting communities in which it operates.

Positive Water Balance

In 2013, PepsiCo India gave back nearly 11bn liters more water than it consumed. This was made possible through continuous increase in water use efficiency in its plants, water recharge programmes in communities that benefits 50,000 people, Direct Seeding of Paddy and Drip Irrigation in Potato.

Benefitting more than 24,000 farmers

PepsiCo India continues to strengthen its partnerships with farmers across the country to boost their livelihoods by providing 360 degree support through assured buy back of their produce at pre-agreed prices, quality seeds, disease control packages, bank loans, insurance support and technological interventions.

Helping clean Indian cities

PepsiCo India's award winning partnership with NGO Exnora Green Pammal for urban solid waste management programme helps recycle 80% of household waste in 7 municipalities across 3 states benefitting more than 5,00,000 people.

Performance with Purpose
The Promise of PepsiCo

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Abbreviations

AIFs	Alternate Investment Funds	MPLADS	Member of Parliament Local Area Development Scheme
NFCDA	National Fund for Control of Drug Abuse	MSMEs	Micro Small and Medium Enterprises
AE	Advance Estimates	MSS	Market Stablisation Scheme
AIIMS	All India Institute of Medical Science	MUDRA	Micro Units Development Refinance Agency
AIM	Atal Innovation Mission	MW	Mega Watt
AOP	Association of Persons	NABARD	National Bank for Agriculture and Rural Development
BE	Budget Estimates	NBFCs	Non Banking Financial Corporations
CBDT	Central Board of Direct Taxes	NCCD	National Calamity Contingency Duty
CBEC	Central Board of Excise and Customs	NDRF	National Disaster Response Fund
CENVAT	Central Value Added Tax	NIIF	National Investment and Infrastructure Fund
CMLV	Cambodia, Myanmar, Laos and Vietnam	NITI	National Institution for Transforming India
CSO	Central Statistics Office	NOFNP	National Optical Fibre Network Programme
CSR	Corporate Social Responsibility	NPS	New Pension System
DMIC	Delhi-Mumbai Industrial Corridor	PAT	Profit After Tax
EPF	Employees' Provident Fund	PDMA	Public Debt Management Agency
Evisas	Electronic Visas	PE	Permanent Establishment
FAME	Faster Adoption and manufacturing of Electric Vehicles	PML Act, 2002	Prevention of Money Laundering Act
FDI	Foreign Direct Investments	PPF	Public Provident Fund
FEMA	Foreign Exchange Management Act	RBI	Reserve Bank of India
FII	Foreign institutional Investments	REITs	Real Estate Investment Trusts
GAAR	General Anti Avoidance Rule	RIDF	Rura; Infrastructure Development Fund
GDP	Gross Domestic Product	RRB	Regional Rural Bank
GIFT	Gujarat International Financial Tec-City	SAD	Seasonal Additional Duty
GST	Goods and Service Tax	SCs	Scheduled Castes
IIT	Indian Institutes of Technology	SDA	Special Duty Allowance
InvITs	Infrastructure investment trusts	SEBI	Securities and Exchange Board of India
ITA	Information Technology Agreement	SETU	Self-Employment and Talent Utilization
ITAT	Income Tax Appellate Tribunal	SPVs	Special Purpose Vehicles
JAM	Jan Dhan, Aadhaar, Mobile	STs	Scheduled Tribes
LCD	Liquid Crystal Display	STT	Securities Transaction Tax
LED	Light Emitting Diode	TARC	Tax Administration Reform Commission
MAT	Minimum Alternate Tax	TReDS	Trade Receivables discounting System
MNREGA	Mahatma Gandhi National Rural Employment Guarantee Act	UMPPs	Ultra Mega Private Projects


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1. Union Budget 2015-16: Fulfilling hopes…

Executive Summary

The Union Budget 2015-16 encourages economic and businesses' confidence with fine tuning of socio economic policies and announcement of some steady reforms. The proposals unveiled in it on various socio-economic fronts of the economy indicate that the government is working towards fulfilling hopes and aspirations of the businesses and households. Focus on agriculture development and infrastructure development asserts that the government is working rightly in achieving an all inclusive growth.

There were no path breaking announcements in the budget but it laid down the foundation for policy framework to usher in faster and consistent growth for Indian economy. Focus on growth was a clear agenda with some compromise on fiscal front. Various steps have been initiated for improving the ease of doing business, financial inclusion and stricter norms for strengthening the Indian financial system.

Reforms in corporate tax structure; reducing it from 30% to 25% in the next 4 years, steps for infrastructural development and deferment of GAAR by 2 years are good steps and would go a long way to bolster the business environment in India and will help Indian economy strengthen in the coming times. However, more is expected in the MSMEs segment in terms of its scalability and financial problems. The high expectations on reduction in MAT have also remained unfulfilled. Increase in services tax can have impact on the ever expanding services sector trajectory as the costs of services are going to rise.

The focus on reducing the demand for overseas gold with gold monetization scheme including gold coin with Ashok Chakra will help recycle domestic gold and will curtail gold imports. Sovereign gold bonds will lead to channelize physical investments in gold to financial investments.

The budget rightly addresses the policy environment and provides roadmap for growth prospects. Roadmap for GST implementation from April 2016 is a potential game changer and will improve the business sentiment. The estimated GDP at 8-8.5% in 2015-16 is encouraging and it is expected that the economy will attain double digit growth trajectory in the medium term. Further, 6 crore housing units in rural and urban areas by 2020 would improve the standard of living of the people and generate demand in the rural economy and rejuvenate the construction industry.

Low agricultural income levels was the first and foremost challenge cited in the Union Budget. For agricultural sector, allocation of Rs 5,300 crore for micro-irrigation schemes would reduce the dependence of farmers on the monsoon and would facilitate the growth of agriculture sector. Further, Rs. 8.5 lakh crores of agriculture credit envisaged during the 2015-16 would help the farmers to adopt new technologies in the agricultural crops production and diversification of the crops system. Launching of National agricultural market will serve dual purposes of curbing inflation and rise in farmer income levels. Going ahead, the multi-fold agenda of improving irrigation, increasing realizations, higher allocation and boosting the lending to the farmers will provide the much needed boost to the sector.

Private capital expenditure continues to remain weak and the government needs to step up capital spending. In the budget, capital expenditure has been stepped up by 25% amounting to Rs 700bn of additional spending. For the infrastructural development, allocation of Rs 25,000 cr for rural infrastructure would generate the ripple effect in terms of employment generation, raising of per capita income and overall quality of life. It will also lead to re-fueling of rural demand and help manufacturing sector to attain growth.

Further, National Investments and Infrastructure Fund (NIIF) with an annual flow of Rs. 20,000 crores would help infrastructure sector's problems to a certain extent and has the potential to attract more private sector investments. Also as expected emphasis has been made on roads, affordable housing, sanitation, power and other long-term revenue generating projects. The government has also allowed issuance of tax free infrastructure bonds for the projects in the rail, road and irrigation sectors.

NIIF will help infrastructure sector's problems to a certain extent and has the potential to attract more private sector investments. NIIF will enable it to raise that to invest as equity in equity infrastructure finance companies. The infrastructure finance companies can then leverage this equity manifold.

Focus on improving MNREGA with allocation of Rs. 34,699 crore is a step in the right direction as the scheme has helped rural demand to remain at the threshold level during the period of economic slowdown. For the MSMEs sector, allocation of Rs 20,000 crore for Mudra Bank for SMEs would help the growth of MSMEs and would address the financial problems of this sector to a certain extent.

Government focus on to cut subsidies leakages is an inspiring step as the subsidies would become meaningful and fruitful & rationalized. Focus on Green India with alternative sources of energy such as target of renewable energy capacities to 175000 MW till 2022 is inspiring and would lead to help attain energy security going forward. Looking ahead, battle to combat 'Black Money' by the government is welcomed and must be continued. However, due care is to be taken to ensure no misuse or harassment to honest tax payer.

Looking forward, institutionalizing bankruptcy norms at par with developed economies, SARFAESI for NBFCs will improve credit culture amongst borrowers and aid recovery of bad loans. Further, allocation to states has been stepped up in-line with government's stated agenda of more concerted efforts between states and the centre. The higher allocation will also ease the Goods and Services Taxes reform. Also, with improved allocations and receipts from coal block allocations the states' ability to fund developmental projects will get a significant boost.

Last but not the least, as far as fiscal consolidation is concerned, the fiscal deficit target at 3.9% and GDP growth expectations are highly realistic and maintaining this level of fiscal discipline sends a strong message on the judicious management of finances. In a nutshell, though the Union Budget for FY2015-16 offers no Big Bang proposals, it lays down roadmap for fulfilling promises which will refuel growth in the coming times.

Economic Survey 2014-15

India Poised to Enter Double Digit Growth Trajectory

2. Economic Survey 2014-15: India poised to enter double digit growth trajectory

Driven by its structural strengths and improving policy environment, the Indian economy is looking up and the growth prospects are bright to attain double digit growth trajectory in the coming times. The critical macroeconomic worries such as persistent inflation, higher fiscal deficit, external account imbalances and oscillating value of rupee are now behind us and the economy is set to attain sustained macroeconomic stability, going forward.

The growth rate anticipated for the FY2015-16 in the Economic Survey at around 8% is inspiring and is achievable and the economy is expected to enter the double digits growth trajectory in the medium term.

> **As far as outlook for growth is concerned, in the short run, growth will receive a boost from lower oil prices, from likely monetary policy easing facilitated by lower inflation and lower inflationary expectations, and forecasts of a normal monsoon. Medium-term prospects will be conditioned by the "balance sheet syndrome with Indian characteristics," which has the potential to hold back rapid increases in private sector investment.**
>
> **-The Economic Survey 2014-15**

Reforms have been initiated in a number of areas and major ones are on the horizon. These reforms have attracted worldwide attention. The macroeconomic response to the favourable terms of trade shock has led to an appropriately prudent mix of increased government savings and private consumption. In the coming year, real GDP growth at market prices is estimated to be about 0.6-1.1 percentage points higher vis-a-vis 2014-15.

However, decline in the rate of gross domestic savings as indicated by Economic Survey during the recent years vis-à-vis decline in the rate of household physical savings needs to be seriously looked in as the household savings are also a major source of investments.

Household savings are a significant part of the gross capital formation in the economy. However, still a large chunk of household savings, around 50% happens in physical assets that need to be channelized in the financial savings in the coming times. Though private investments would remain the primary engine of long term growth, the increase in public investments in crucial areas of importance such as agriculture infrastructure and railways are needed to attract more and more private sector and public-private partnership investments in these areas.

As far as inflation scenario is concerned, consumer price inflation which is likely to be at 6.5% for 2014-15 is likely to decline further. The estimate for CPI inflation for 2015-16 is in 5-5.5% range and for the GDP deflator to be in the range of 2.8-3%. The implication is that the economy will over-perform on inflation which would clear the path for further monetary policy easing.

Structural shifts in the inflationary process are underway caused by lower oil prices and deceleration in agriculture prices and wages. These are simultaneously being reflected in dramatically improved household inflation expectations. The economy is likely to over perform on the RBI's inflation target by about 0.5-1.0 percentage point, opening up the space for further monetary policy easing.

-The Economic Survey 2014-15

The outlook for the external sector is perhaps the most favourable since the 2008 global financial crisis, and especially compared to 2012-13, when elevated oil and gold imports fuelled a surge in the current account deficit. However, one source of concern is muted export growth and rising non-oil, non-gold imports which could be affected by India's deteriorating competitiveness, reflected in the appreciation of the real effective exchange rate by 8.5% since January 2014.

Economic Survey expresses that during the last few years, several projects were in lackluster trajectory and stalled. The revitalizing of PPP model would be critical to speed up the completion of ongoing projects. The medium term strategy on fiscal scenario to reduce fiscal deficit to the established target of 3% of GDP is inspiring as it will attract the foreign investors to invest in India, going forward.

As the survey indicates the manufacturing productivity in India lags behind other nations and registered manufacturing couldn't bridge regional disparities in India, we need to address seriously the distortions in labor market, capital market, land market and skilling of our youth to become competitive. India so as to bolster the "Make in India'' initiative, requires improving infrastructure and reforming labor and land laws by complementing it with the ''Skilling India initiative.

This would enable a larger section of the population to benefit from the structural transformation that such sectors will facilitate. According to the Economic Survey, cash-based transfers based on the JAM number trinity—Jan Dhan, Aadhaar, Mobile offer exciting possibilities to effectively target public resources to those who need it most. Success in this area will allow prices to be liberated to perform their role of efficiently allocating resources and boosting long-run growth.

In a nutshell, the Indian economy is becoming more resilient and promising supported by the new initiatives of the government such as launching fresh initiatives such as Make in India, Digital India, creating National Industrial Corridors Authority streamlining environment and forest clearances, labour reforms, ordinance to streamline land acquisition and launch of investor friendly FDI policy.

Going forward, to balance between growth and fiscal consolidation is a challenge for the government. India can maintain balance the short-term imperative of boosting public investment to revitalize growth with the need to maintain fiscal discipline. Expenditure control and expenditure switching, from consumption to investment, both in the budget and in the medium term will be keys to this.

Union Budget 2015-16

3. Union Budget 2015-16: Key Announcements

- **Economy –** The Gross Domestic Product (GDP) at current prices for the year 2015-16 (Budget estimates) has been estimated at Rs. 141089 billion as against Rs. 126538 billion (Advance estimates) in 2014-15 with a growth of 11.5%. The fiscal deficit is pegged at 3.9% of GDP in 2015-16, 3.5% in 2016-17 and 3% in 2017-18. The government is firm on journey to achieve fiscal target of 3% of GDP in three years rather than two years. The revenue deficit is estimated at 2.8%.

- **Agriculture –** In order to support the agriculture sector with the help of effective and hassle-free agriculture credit, with a special focus on small and marginal farmers, a sum of Rs. 25,000 crore has been allocated in 2015-16 to the corpus of Rural Infrastructure Development Fund (RIDF) set up in NABARD; Rs. 15,000 crore for Long Term Rural Credit Fund; Rs. 45,000 crore for Short Term Cooperative Rural Credit Refinance Fund; and Rs. 15,000 crore for Short Term Regional Rural Bank (RRB) Refinance Fund. An amount of Rs. 8.5 lakh crore for Farm credit has been proposed for the year 2015-16. Focus on improving the quality and effectiveness of activities under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and therefore, an amount of Rs. 34,699 crore allocated for the programme.

- **Industry –** Self-Employment and Talent Utilization (SETU) to be established as Techno-financial, incubation and facilitation programme to support all aspects of start-up business and other self-employment activities, particularly in technology-driven areas with an amount allocated for Rs. 1000 crore as initial amount in NITI Ayog. Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of Rs. 20,000 crores, and credit guarantee corpus of Rs. 3,000 crores to be created. In lending, priority will be given to SC/ST enterprises. A Trade Receivables discounting System (TReDS) which will be an electronic platform for facilitating financing of trade receivables of MSMEs to be established. Comprehensive Bankruptcy Code of global standards to be brought in 2015-16 towards ease of doing business. Part of Delhi-Mumbai Industrial Corridor (DMIC); Ahmedabad-Dhaulera Investment region and Shendra-Bidkin Industrial Park are now in a position to start work on basic infrastructure and an amount of Rs. 1,200 crore have been earmarked for this.

- **Infrastructure –** National Investment and Infrastructure Fund (NIIF) to be established with an annual flow of Rs. 20,000 crores to it. Tax free infrastructure bonds propsed for the projects in the rail, road and irrigation sectors. A sum of Rs. 150 crore has been earmarked for Atal Innovation Mission (AIM), which is to be established in National Institution for Transforming India (NITI) to provide Innovation Promotion Platform involving academicians, and drawing upon national and international experiences to foster a culture of innovation, research and development. Further, ports in public sector will be encouraged, to corporatize, and become companies under the Companies to attract investment and leverage the huge land resources.

The Government also proposes to set up 5 new Ultra Mega Power Projects, each of 4000 MWs in the plug-and-play mode and has announced that the second unit of Kudankulam Nuclear Power Station will be commissioned in 2015-16. The budget has increased outlays on both the roads and the gross budgetary support to the railways by Rs. 14,031 crore, and Rs. 10,050 crore respectively. Proposal to launch of a Scheme for Faster Adoption and manufacturing of Electric Vehicles (FAME) with an initial outlay of Rs 75 crore in 2015-16.

- **Investments –** Distinction between different types of foreign investments, especially between foreign portfolio investments and foreign direct investments to be done away with and replacement with composite caps. Foreign investments in Alternate Investment Funds to be allowed. The 'Act East' policy of the Government of India endeavours to cultivate extensive economic and strategic relations in South-East Asia. In order to catalyze investments from the Indian private sector in this region, a Project Development Company will, through separate Special Purpose Vehicles (SPVs), set up manufacturing hubs in CMLV countries, namely, Cambodia, Myanmar, Laos and Vietnam.

- **Financial markets –** Setting up a Public Debt Management Agency (PDMA) which will bring both India's external borrowings and domestic debt under one roof. There is a proposal to merge the Forwards Markets Commission with Securities and Exchange Board of India (SEBI) to strengthen regulation of commodity forward markets and reduce wild speculation. Further, Section-6 of Foreign Exchange Management Act (FEMA) to be amended through Finance Bill to provide control on capital flows as equity will be exercised by Government in consultation with Reserve Bank of India (RBI).

- **Social Sector –** The government is committed to the ongoing welfare schemes for the Scheduled Castes (SCs), Scheduled Tribes (STs) and Women. A sum of Rs. 30,851 crore has been allocted for SC, Rs. 19,980 crore for ST and Rs. 79,258 crore for women during 2015-16. An amount of Rs. 1,000 crore allocated to the Nirbhaya Fund to support programmes for women security, advocacy and awareness. A national skill mission to consolidate skill initiatives spread accross several ministries to be launched.

  New All India Institute of Medical Science (AIIMS) to be set up in Jammu & Kashmir, Punjab, Tamil Nadu, Himachal Pradesh and Assam. Another AIIMS like institutions to be set up in Bihar. An Indian Institute of Technology (IIT) to be set up in Karnataka and Indian School of Mines, Dhanbad to be upgradedin to a full-fledged IIT. To enhance the employability of rural youth, a sum of Rs. 1,500 crore has been allocated under Deen Dayal Upadhyay Gramin Kaushal Yojana. There is a proposal to set up a fully IT based Student Financial Aid Authority to administer and monitor Scholarship as well Educational Loan Schemes, through the Pradhan Mantri Vidya Lakshmi Karyakram.

  Pradhan Mantri Suraksha Bima Yojna to be launched to cover accidental death risk of Rs. 2 Lakh for a premium of just Rs.12 per year. Atal Pension Yojana will also be launched to provide a defined pension, depending on the contribution and the period of contribution. Government to contribute 50% of the beneficiaries' premium limited to Rs. 1,000 each year, for five years, in the new accounts opened before 31st December 2015. Direct

Transfer of Benefits to be extended further with a view to increase the number of beneficiaries from 1 crore to 10.3 crore. Bill for a comprehensive new law to deal with black money parked abroad to be introduced in the current session.

- **Expenditure –** Plan expenditure has been placed at Rs. 4,65,277 crore for the year 2015-16 and non-plan expenditure estimates for the 2015-16 has been placed at Rs. 13,12,200 crore for the same period. Total Expenditure has accordingly been estimated at Rs. 17,77,477 crore.

- **Taxation –** There has been no change in rate of personal income tax and the exemptions to individual tax payers will continue to facilitate savings. It has been proposed to reduce the rate of Corporate Tax from 30% to 25% over the next 4 years, starting from next financial year 2016-17. Further, General Anti Avoidance Rule (GAAR) to be deferred by two years. Rate of Income-tax on royalty and fees for technical services reduced from 25% to 10% to facilitate technology inflow. Service-tax plus education cesses increased from 12.36% to 14% to facilitate transition to Goods and Service Tax (GST). The budget stated that efforts on various fronts to implement GST from next year

  It has been proposed to increase basic custom duty of Metallergical coke from 2.5 % to 5%, tariff rate on iron and steel and articles of iron and steel increased from 10% to 15% and tariff rate on commercial vehicle increased from 10 % to 40%. Basic Custom duty on certain inputs, raw materials, inter mediates and components in 22 items, reduced to minimise the impact of duty inversion. All goods, except populated printed circuit boards for use in manufacture of ITA bound items, exempted from Special Duty Allowance (SAD). Further, Wealth-tax replaced with additional surcharge of 2% on super rich with a taxable income of over Rs. 1 crore annually. Excise duty on footwear with leather uppers and having retail price of more than Rs. 1000 per pair reduced to 6%. While, excise duty on sacks and bags of polymers of ethylene other than for industrial use increased from 12% to 15%.

- **Monetising Gold -** Gold monetisation scheme to allow the depositors of gold to earn interest in their metal accounts and the jewellers to obtain loans in their metal account to be introduced. Sovereign Gold Bond, as an alternative to purchasing metal gold scheme to be developed.

BIG PICTURE

- **Setting up Self-Employment and Talent Utilization (SETU)** to support all aspects of start-up business particularly in technology driven areas with an allocation of Rs. 1000 crore as initial amount in NITI.
- **Micro Units Development Refinance Agency (MUDRA) Bank**, with a corpus of Rs. 20,000 crores, and credit guarantee corpus of Rs. 3,000 crores to be created
- A **Trade Receivables discounting System (TReDS)** which will be an electronic platform for facilitating financing of trade receivables of MSMEs to be established
- **Comprehensive Bankruptcy Code** of global standards to be brought in fiscal 2015-16 towards ease of doing business.
- **National Investment and Infrastructure Fund (NIIF)**, to be established with an annual flow of Rs. 20,000 crores to it, to raise debt, and in turn, invest as equity, in infrastructure finance companies
- **Tax free infrastructure bonds** for the projects in the rail, road and irrigation sectors.
- **Atal Innovation Mission (AIM)** to be established in NITI to provide Innovation Promotion Platform to foster a culture of innovation , research and development with a sum allocated of Rs. 150 crore.
- **5 new Ultra Mega Power Projects**, each of 4000 MW, in the Plug-and-Play mode.
- **Foreign investments in Alternate Investment Funds** to be allowed
- A **project development company** to facilitate setting up manufacturing hubs in CMLV countries, namely, Cambodia, Myanmar, Laos and Vietnam.
- **New All India Institute of Medical Science (AIIMS)** to be set up in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam. Another AIIMS like institutions to be set up in Bihar.
- **Gold monetisation scheme** to allow the depositors of gold to earn interest in their metal accounts and the jewellers to obtain loans in their metal account to be introduced.
- **Pradhan Mantri Suraksha Bima Yojna** to cover accidental death risk of Rs. 2 Lakh for a premium of just Rs. 12 per year.
- **Atal Pension Yojana** to be launched to provide a defined pension depending on the contribution and the period of contribution.
- **Pradhan Mantri Jeevan Jyoti Bima Yojana** to be launched to cover both natural and accidental death risk of Rs. 2 lakh at premium of Rs.330 per year for the age group of 18-50.
- **Corporate Tax reduced from 30% to 25%** over the next 4 years, starting from 2016-17.
- **Bill for a comprehensive new law to deal with black money** parked abroad to be introduced in the current session.
- **Implementation of GST from next year** and General Anti Avoidance Rule **(GAAR) to be deferred by two years.**
- **Rate of Income-tax on royalty and fees for technical services** reduced from 25% to 10% to facilitate technology inflow.
- **Additional investment allowance** at 15% and additional depreciation at 35% to new manufacturing units set up during the period 1st April 2015 to 31st March 2020 in notified backward areas of Andhra Pradesh and Telangana. 100% deduction for contributions, other than by way of CSR contribution, to Swachh Bharat Kosh and Clean Ganga Fund
- **Wealth-tax** replaced with additional surcharge of 2% on super rich with a taxable income of over Rs. 1 crore annually.
- Limit of deduction of **health insurance premium** increased from Rs. 15000 to Rs. 25000, for senior citizens limit increased from Rs. 20000 to Rs. 30000. Senior citizens above the age of 80 years, who are not covered by health insurance, to be allowed deduction of Rs. 30000 towards medical expenditures.
- Limit on deduction on account of contribution to a **pension fund and the new pension scheme** increased from Rs. 1 lakh to Rs. 1.5 lakh. Additional deduction of Rs. 50000 for contribution to the new pension scheme u/s 80CCD.

Budget Estimates

4. Budget Estimates

- Plan expenditure is placed at Rs. 4653 billion as against Rs. 4679 billion with an decline of around 0.6%.
- Non Plan Expenditure is estimated at Rs. 13,122 billion as against Rs. 12,132 billion with an increase of around 8.2% .
- Fiscal deficit for the year 2014-15 contained at 4.1% and for the year 2015-16 at 3.9%.
- Revenue deficit for the year 2014-15 at 2.9% and for the year 2015-16 at 2.8%.
- The fiscal deficit target of 3% will be achieved in 3 years rather than 2 years. The fiscal deficit targets are 3.9%, 3.5% and 3.0% in 2015-16, 2016-17 and 2017-18 respectively.

Budget at a glance (Amount in Rs. Billion)

S.No.	Particulars	2013-14	2014-15	2014-15	2015-16	2015-16 Y-o-Y growth
		Actuals	BE	RE	BE	%
1	**Revenue Receipts (2+3)**	**10147**	**11898**	**11263**	**11416**	**1.4**
2	Tax Revenue (Net to Centre)	8159	9773	9085	9198	1.2
3	Non-tax revenue	1989	2125	2178	2217	1.8
4	**Capital Receipts (5+6+7)~**	**5447**	**6051**	**5549**	**6359**	**14.6**
5	Recoveries of loans	125	105	109	108	-0.9
6	Other Receipts	294	634	314	695	121.3
7	Borrowings & other liabilities*	5029	5312	5126	5556	8.4
8	**Total Receipts (1+4)~**	**15594**	**17949**	**16812**	**17775**	**5.7**
9	**Non Plan Expenditure**	**11061**	**12199**	**12132**	**13122**	**8.2**
10	On revenue account	10190	11146	11219	12060	7.5
11	Of which Interest payments	3743	4270	4114	4561	10.9
12	On Capital account	871	1053	913	1062	16.3
13	**Plan Expenditure**	**4533**	**5750**	**4679**	**4653**	**-0.6**
14	On Revenue account	3527	4535	3669	3300	-10.1
15	On Capital account	1006	1215	1011	1353	33.8
16	**Total Expenditure (9+13)**	**15594**	**17949**	**16812**	**17775**	**5.7**
17	**Revenue Expenditure (10+14)**	**13718**	**15681**	**14888**	**15360**	**3.2**
18	Of Which, Grants for creation of Capital Assets	1294	1681	1319	1106	-16.1
19	Capital Expenditure (12+15)	1877	2268	1924	2414	25.5
20	**Revenue deficit (17-1)**	**3570**	**3783**	**3625**	**3945**	**8.8**
	as % of GDP	3.1	2.9	2.9	2.8	-
21	**Effective Revenue Deficit (20-18)**	**2276**	**2102**	**2306**	**2839**	**23.1**
	as % of GDP	2.0	1.6	1.8	2.0	-
22	**Fiscal deficit {16-(1+5+6)}**	**5029**	**5312**	**5126**	**5556**	**8.4**
	as % of GDP	4.4	4.1	4.1	3.9	
23	**Primary deficit (22-11)**	**1286**	**1042**	**1013**	**995**	**-1.7**
	as % of GDP	1.1	0.8	0.8	0.7	-
24	**GDP at Current Prices**	**113451^**	**128399^^**	**126538&**	**141089**	11.5

Source: PHD Research Bureau compiled from Budget 2015-16. Note: Individual items may not sum up to the totals due to rounding off. GDP for BE 2015-2016 has been projected at Rs. 141089 billion assuming 11.5% growth over the Advance Estimates of 2014-2015 (Rs. 126538 billion) released by CSO. ^ Data pertains to advance estimates of annual national income , 2014-15. It is according to new series estimates, 2011-12. ^^Data pertains to BE GDP for 2014-15.~Excluding receipts under Market Stabilisation Scheme. &Data pertains to advance estimates of annual national income , 2014-15. *Includes draw-down of Cash Balance. BE-Budget Estimates, RE-Revised Estimates. Y-o-Y stands for Year on year growth.

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Summary of Receipts

(Amount in Rs. Billion)

S. No	Component	2013-14	2014-15	2014-15	2015-16	2015-16 Y-o-Y growth
		Actuals	BE	RE	BE	%
1	**Net tax revenue**	**8159**	**9773**	**9085**	**9198**	**1.2**
	Gross tax revenue	11387	13645	12514	14495	15.8
	Corporation tax	3947	4510	4261	4706	10.5
	Income tax	2429	2843	2786	3274	17.5
	Wealth Tax	10	9.5	9.5	-	-
	Customs	1721	2018	1887	2083	10.4
	Union excise duties	1702	2071	1855	2298	23.9
	Service tax	1548	2160	1681	2098	24.8
	Taxes of UTs	31	34	34	36	5.8
	Less – NCCD/ NDRF	46	51	51	57	11.8
	Less – states' share	3182	3822	3378	5240	55.1
2	**Non tax revenue**	**1989**	**2125**	**2178**	**2217**	**1.8**
	Interest receipts	219	198	222	236	6.3
	Dividend and Profits	904	902	888	1007	13.4
	Other Non Tax Revenue	851	1014	1056	962	-9.0
	Receipts of Union Territories	15	11	12	13	8.3
3	**Total revenue receipts**	**10147**	**11898**	**11263**	**11416**	**1.4**
A.	**Non debt receipts**	419	740	422	803	90.3
	Recoveries of loans & advances	125	105	109	108	-0.9
	Miscellaneous capital receipts	294	634	314	695	121.3
B.	**Debt receipts**	5220	5140	5283	5436	2.9
	Market loans	4687	4612	4532	4564	0.7
	Short term borrowings	77	346	512	301	-41.2
	External assistance (net)	73	57	97	112	15.4
	Securities issued against small savings	124	82	333	224	-32.7
	State Provident Funds (net)	98	120	100	100	0.0
	Switching/Buy Back for Securities	-151	-	-63	-	-
	Other receipts (net)	313	-77	-227	136	-160
4	**Total capital receipts**	**5639**	**5880**	**5705**	**6239**	**9.3**
	Draw down of cash balance	-192	172	-157	120	-176
	Total receipts	15594	17949	16812	17775	5.7
	Receipts under MSS (net)	-	200	-	200	-

Source: PHD Research Bureau compiled from Budget 2015-16. Note: Individual items may not sum up to the totals due to rounding off. NCCD stands for National Calamity Contingency Duty/ NDRF stands for National Disaster Response Fund, MSS stands for Market Stabilization Scheme. BE-Budget Estimates, RE-Revised Estimates, Y-o-Y stands for Year on year growth.

Summary of Expenditure

(Amount in Rs.Billion)

S. No	Indicators	2013-14 Actuals	2014-15 BE	2014-15 RE	2015-16 BE	2015-16 Y-o-Y growth
1	**Total expenditure (2+3)**	**15594**	**17949**	**16812**	**17775**	**5.7**
2	**Total Non- Plan Expenditure**	**11061**	**12199**	**12132**	**13122**	**8.2**
	Revenue Expenditure	10190	11146	11219	12060	7.5
	Capital Expenditure	871	1053	913	1062	16.3
3	**Total Plan Expenditure**	**4533**	**5750**	**4679**	**4653**	**-1**
	Revenue Expenditure	3527	4535	3669	3300	-10.0
	Capital Expenditure	1006	1215	1011	1353	33.9
4	**Central Assistance for State & UT Plans**	**1128**	**3384**	**2782**	**2048**	**-26.4**
	Revenue Expenditure	1005	3246	2648	1904	-28.1
	Capital Expenditure	123	138	133	144	8.3
5	**Budget support for central plan (3-4)**	**3405**	**2366**	**1898**	**2605**	**37.3**
	Revenue Expenditure	2522	1289	1020	1397	36.9
	Capital Expenditure	883	1077	877	1208	37.7
6	**Resources of Public Enterprises**	**2631**	**2479**	**2370**	**3179**	**34.1**
	Revenue Expenditure	-	-	-	-	-
	Capital Expenditure	2631	2479	2370	3179	34.1
7	**Central plan (5+6)**	**6036**	**4845**	**4268**	**5784**	**35.5**
	Revenue Expenditure	2522	1289	1020	1397	36.9
	Capital Expenditure	3513	3557	3248	4387	35.1

Source: PHD Research Bureau compiled from Budget 2015-16. Note: Individual items may not sum up to the totals due to rounding off. BE-Budget Estimates, RE-Revised Estimates, Y-o-Y stands for Year on year growth.

Summary of Subsidies

(Amount in Rs.Billion)

S. No	Indicators	2013-14 Actuals	2014-15 BE	2014-15 RE	2015-16 BE	2015-16 (as % GDP)
1	Major Subsidies of which	2447	2514	2539	2274	1.6
	Food	920	1150	1227	1244	0.9
	Fertilizers	673	730	710	730	0.5
	Petroleum	854	634	603	300	0.2
2	Interest	81	83	111	149	0.1
3	Others	18	9	16	15	0.01
	Subsidy expenditure	**2546**	**2607**	**2667**	**2438**	**1.7**

Source: PHD Research Bureau compiled from Budget 2015-16. Note: Individual items may not sum up to the totals due to rounding off. BE-Budget Estimates, RE-Revised Estimates. GDP at current prices for the year 2015-16 (BE) has been estimated at Rs. 141089 billion.

Central Plan Outlay

(Amount in Rs.Billion)

S.No.	Particulars	2013-14 Actuals	2014-15 BE	2014-15 RE	2015-16 BE
1	**Economic Services**	**4456**	**3972**	**3586**	**4708**
	Agriculture and Allied Activities	178	115	102	117
	Rural Development*	518	31	19	31
	Irrigation and Flood Control	4	18	9	8
	Energy	1824	1663	1549	1673
	Industry and Minerals	334	402	394	431
	Transport**	1040	1162	1062	1934
	Communications	162	130	130	120
	Science Technology & Environment	135	188	148	190
	General Economic Services	261	263	173	203
2	**Social Services *** **	**1507**	**794**	**643**	**810**
3	**General Services**	**73**	**79**	**39**	**266**
4	**Budgetary Support for Central Plan**	**6036**	**4845**	**4268**	**5784**
	Y-o-Y growth rate				
5	**Economic Services**	**25.1**	**-10.9**	**-9.7**	**31.2**
	Agriculture and Allied Activities	4.7	-35.2	-11.3	14.7
	Rural Development	16.4	-94.0	-39	63.2
	Irrigation and Flood Control	0.4	350	-50.1	-11.1
	Energy	38.0	-8.8	-6.9	8.0
	Industry and Minerals	0.7	20.3	-2.0	9.4
	Transport	14.8	11.8	-8.6	82.1
	Communications	157.7	-19.7	0.1	-7.6
	Science Technology & Environment	12.3	39.2	-21.1	28.4
	General Economic Services	28.9	1.0	-34.3	17.5
6	**Social Services**	**10.5**	**-47.3**	**-19.0**	**26.0**
7	**General Services**	**27.3**	**8.2**	**-50.6**	**583**
8	**Budgetary Support for Central Plan**	**21.1**	**-19.7**	**-11.9**	**35.5**
	% of GDP				
9	**Economic Services**	**3.9**	**3.1**	**2.8**	**3.3**
	Agriculture and Allied Activities	0.2	0.1	0.1	0.1
	Rural Development	0.5	0.02	0.01	0.02
	Irrigation and Flood Control	0.004	0.01	0.01	0.01
	Energy	1.6	1.3	1.2	1.2
	Industry and Minerals	0.3	0.3	0.3	0.3
	Transport	0.9	0.9	0.8	1.4
	Communications	0.1	0.1	0.1	0.1
	Science Technology & Environment	0.1	0.1	0.1	0.1
	General Economic Services	0.2	0.2	0.1	0.1
10	**Social Services**	**1.3**	**0.6**	**0.5**	**0.6**
11	**General Services**	**0.1**	**0.1**	**0.03**	**0.2**
12	**Budgetary Support for Central Plan**	**5.3**	**3.8**	**3.4**	**4.1**

Source: PHD Research Bureau, compiled from Budget 2015-16, Note: Individual items may not sum up to the totals due to rounding off. BE-Budget Estimates, RE-Revised Estimates, Y-o-Y - Year on year growth. Note: *Includes the provision for rural housing but excludes provision for rural roads, **Includes the provision for rural roads, ***Excludes provision for rural housing.

Resources Transferred to State and U.T. Governments

(Amount in Rs. Billion)

S.No.	Indicators	2013-2014 Actuals	2014-15 BE	2014-15 RE	2015-16 BE
1	**States' share of taxes and Duties**	3182	3822	3378	5240
2	**Non-Plan Grants & Loans**	606	700	803	1086
	Grants	606	699	803	1086
	Loans	0.8	0.8	0.8	0.8
3	**Central Assistance for State & UT (with Legislature) Plans**	1053	3297	2703	1958
	Grants	942	3177	2584	1833
	Loans	110	120	119	125
4	**Assistance for Central and Centrally Sponsored Schemes**	441	59	46	239
	Grants	441	59	45	239
	Loans	0	0	0	0
5	**Total Grants & Loans (2+3+4)**	2100	4056	3552	3283
	Grants	1989	3935	3432	3157
	Loans	111	121	120	126
6	**Less-Recovery of Loans & Advances**	101	88	90	93
7	**Net Resources transferred to State and UT Governments (1+5-6)**	5181	7790	6840	8430
	Of Which				
	7.1 State Governments	5153	7748	6805	8393
	7.2 UT Governments	28	42	35	36
	In addition -				
(1)	Direct release of Central assistance for State/UT Plans to implementing agencies (MPLADS etc.)	39	40	40	40
(2)	Direct release under Central Plan to State/District level autonomous bodies/implementing agencies	1127	0	0	0
(3)	Investments made from National Small Savings Fund in Special State Government Securities	253	190	481	368

Source: PHD Research Bureau, compiled from Budget 2015-16. Note: BE-Budget Estimates, RE-Revised Estimates, Y-o-Y - Year on year growth. UT stands for Union Territories and MPLADS stands for Member of Parliament Local Area Development Scheme

Sectoral Announcements

5A Sectoral announcements

5A.1 Agriculture

Agriculture in India continues to be the single most important source of livelihood for the masses with more than 50% of the population still depends on it directly or indirectly. Therefore, to attain sustained economic growth and development of the country promoting agriculture is considered to be imperative in India. Focus on agriculture sector in terms of addressing the pressing concerns of the farmers viz. lack of irrigation facilities, allocation of funds for rural infrastructure were much needed steps. This is expected that allocation of Rs 5,300 cr for micro-irrigation schemes would reduce the dependence of farmers on the monsoon and facilitate the growth of agriculture sector and allocation of Rs 25,000 cr for rural infrastructure would generate the ripple effect in terms of employment generation, raising of per capita income and overall quality of life. It will lead to re-fuel rural demand and help manufacturing sector to attain growth.

The Budget has rightly emphasized its commitment to sustaining a growth of 4% led by technology driven second green revolution with focus on higher productivity and also laid stress on protein revolution. The higher budgetary support by 22% to the sector would give a trickledown effect to the small and marginal farmers; improving their ability to afford for high yielding variety seeds, fertilizers, crop protection chemicals and irrigation equipments.

- Major steps taken to address the two major factors critical to agricultural production, that of soil and water.
- ‘Paramparagat Krishi Vikas Yojana’ to be fully supported.
- ‘Pradhanmantri Gram Sinchai Yojana’ to provide ‘Per Drop More Crop’ is announced.
- A sum of Rs. 5,300 crore allocated to support micro-irrigation, watershed development and the ‘Pradhan Mantri Krishi Sinchai Yojana’.
- Allocated Rs.25,000 crore in 2015-16 to the corpus of Rural Infrastructure Development Fund (RIDF) set up in NABARD; Rs.15,000 crore for Long Term Rural Credit Fund; Rs.45,000 crore for Short Term Co-operative Rural Credit Refinance Fund; and Rs.15,000 crore for Short Term RRB Refinance Fund.
- A target of Rs.8.5 lakh crore of agricultural credit is set up during the year 2015-16.
- Focus on improving the quality and effectiveness of activities under MGNREGA.
- Need to create a National Agriculture Market for the benefit farmers, which will also have the incidental benefit of moderating price rises. Government to work with the States, in NITI, for the creation of a Unified National Agriculture Market is announced.

5A.2 Investments, Infrastructure and Tourism

Investments are crucial to kick start the economy and to attain long term economic growth targets. Therefore, encouraging investments via Private Public Partnership Mode along with foreign investors is a right step in this direction. National Investment and Infrastructure Fund (NIIF), mobilising money through issuance of infrastructure bonds, additional allocations to roads are considered to be positive moves to generate more investments in the economy.

Investments

- Foreign investments in Alternate Investment Funds to be allowed.
- Distinction between different types of foreign investments, especially between foreign portfolio investments and foreign direct investments to be done away with. Replacement with composite caps.
- A project development company to facilitate setting up manufacturing hubs in CMLV countries, namely, Cambodia, Myanmar, Laos and Vietnam.

Infrastructure

- Sharp increase in outlays of roads and railways. Capital expenditure of public sector units to also go up.
- National Investment and Infrastructure Fund (NIIF), to be established with an annual flow of Rs.20,000 crores to it.
- Tax free infrastructure bonds for the projects in the rail, road and irrigation sectors.
- PPP mode of infrastructure development to be revisited and revitalised.
- Atal Innovation Mission (AIM) to be established in NITI to provide Innovation Promotion Platform involving academicians, and drawing upon national and international experiences to foster a culture of innovation , research and development. A sum of Rs.150 crore will be earmarked.
- Concerns of IT industries for a more liberal system of raising global capital, incubation facilities in our Centres of Excellence, funding for seed capital and growth, and ease of Doing Business etc. would be addressed for creating hundreds of billion dollars in value.
- (SETU) Self-Employment and Talent Utilization) to be established as Techno-financial, incubation and facilitation programme to support all aspects of start-up business. Rs.1000 crore to be set aside as initial amount in NITI.
- Ports in public sector will be encouraged, to corporatize, and become companies under the Companies Act to attract investment and leverage the huge land resources.
- An expert committee to examine the possibility and prepare a draft legislation where the need for multiple prior permission can be replaced by a pre-existing regulatory mechanism. This will facilitate India becoming an investment destination.
- 5 new Ultra Mega Power Projects, each of 4000 MW, in the Plug-and-Play mode.

Tourism

- Resources to be provided to start work along landscape restoration, signage and interpretation centres, parking, access for the differently abled , visitors' amenities, including securities and toilets, illumination and plans for benefiting communities around them at various heritage sites.
- Visas on arrival to be increased to 150 countries in stages.

5A.3 MSMEs Sector

Finance is a major ingredient for the growth and development of an industry. While, access to timely and adequate credit is the most critical problem for the MSMEs sector in India. Under this purview, focus on Micro finance in terms of MUDRA bank, TReDS are significant steps as it is expected that allocation of Rs 20,000 cr for Mudra Bank for SMEs would help the growth of MSMEs and would address the financial problems of this sector to a certain extent.

Micro Finance

- Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of Rs.20,000 crores, and credit guarantee corpus of Rs.3,000 crores to be created.
- In lending, priority will be given to SC/ST enterprises.
- MUDRA Bank will be responsible for refinancing all Micro-finance Institutions which are in the business of lending to such small entities of business through a Pradhan Mantri Mudra Yojana.
- An announcement for a Trade Receivables discounting System (TReDS) which will be an electronic platform for facilitating financing of trade receivables of MSMEs to be established.
- Comprehensive Bankruptcy Code of global standards to be brought in fiscal 2015-16 towards ease of doing business.
- Postal network with 1,54,000 points of presence spread across villages to be used for increasing access of the people to the formal financial system.
- NBFCs registered with RBI and having asset size of Rs.500 crore and above may be considered for notifications as 'Financial Institution' in terms of the SARFAESI Act, 2002.

5A.4 Financial Markets

A dynamic and vibrant financial market is a pre requisite for continuous entrepreneurship growth and industrial development of an economy. Deepening the bond market and strengthening the equity market can leverage the industrial sector and address their acute challenge of inadequate access to funds. In this context, key announcements are made during this budget to bring the Indian financial markets at the world class equity markets in the coming times.

- Public Debt Management Agency (PDMA) bringing both external and domestic borrowings under one roof to be set up this year.
- Enabling legislation, amending the Government Securities Act and the RBI Act included in the Finance Bill, 2015.

- Forward Markets commission to be merged with SEBI.
- Section-6 of FEMA to be amended through Finance Bill to provide control on capital flows as equity will be exercised by Government in consultation with RBI.
- Proposal to create a Task Force to establish sector-neutral financial redressal agency that will address grievance against all financial service providers.
- India Financial Code to be introduced soon in Parliament for consideration.
- Vision of putting in place a direct tax regime, which is internationally competitive on rates, without exemptions.
- Government to bring enabling legislation to allow employee to opt for EPF or New Pension Scheme. For employee's below a certain threshold of monthly income, contribution to EPF to be option, without affecting employees' contribution.

Monetising Gold

- Gold monetisation scheme to allow the depositors of gold to earn interest in their metal accounts and the jewellers to obtain loans in their metal account to be introduced.
- Sovereign Gold Bond, as an alternative to purchasing metal gold scheme to be developed.
- Commence work on developing an Indian gold coin, which will carry the Ashok Chakra on its face.

5A.5 Key Initiatives

Social development is imperative for the overall development of an economy. In this regard, government several announcements for social security in terms of housing, basic facility of 24*7 power, clean drinking water, a toiled and road connectivity etc. are expected to be beneficial for the society at large. 6 crores housing units in rural and urban areas by 2020 would improve the standard of living of the people and generate demand in the rural economy and rejuvenate the construction industry.Besides, initiatives w.r.t ensuring energy and enhancing skills of Indian youth are also right moves to support Make in India initiative in the coming times. Completing 1 lakh km of road would address the problem of connectivity in the country and enhance the level of urbanisation, going forward.

Amrut Mahotsav - The year 2022, 75th year of Independence Vision for "Team India" led by PM

- Housing for all - 2 crore houses in Urban areas and 4 crore houses in Rural areas.
- Basic facility of 24x7 power, clean drinking water, a toilet and road connectivity.
- At least one member has access to means for livelihood.
- Substantial reduction in poverty.
- Electrification of the remaining 20,000 villages including off-grid Solar Power- by 2020.
- Connecting each of the 1,78,000 un-connected habitation.
- Providing medical services in each village and city.
- Ensure a Senior Secondary School within 5 km reach of every child, while improving quality of education and learning outcomes.
- To strengthen rural economy - increase irrigated area, improve the efficiency of existing irrigation systems, and ensure value addition and reasonable price for farm produce.

- Ensure communication connectivity to all villages.
- To make India, the manufacturing hub of the World through Skill India and the Make in India Programmes.
- Encourage and grow the spirit of entrepreneurship - to turn youth into job creators.
- Development of Eastern and North Eastern regions on par with the rest of the country.

Jan Dhan to Jan Suraksha

- Government to work towards creating a functional social security system for all Indians, specially the poor and the under-privileged.
- Pradhan Mantri Suraksha Bima Yojna to cover accidental death risk of Rs.2 Lakh for a premium of just Rs. 12 per year.
- Atal Pension Yojana to provide a defined pension, depending on the contribution and the period of contribution. Government to contribute 50% of the beneficiaries' premium limited to Rs.1,000 each year, for five years, in the new accounts opened before 31st December 2015.
- Pradhan Mantri Jeevan Jyoti Bima Yojana to cover both natural and accidental death risk of Rs.2 lakh at premium of Rs.330 per year for the age group of 18-50.
- A new scheme for providing Physical Aids and Assisted Living Devices for senior citizens, living below the poverty line.
- Unclaimed deposits of about Rs.3,000 crores in the PPF, and approximately Rs.6,000 crores in the EPF corpus. The amounts to be appropriated to a corpus, which will be used to subsidize the premiums on these social security schemes through creation of a Senior Citizen Welfare Fund in the Finance Bill.
- Government committed to the on-going schemes for welfare of SCs, STs and Women.

Safe India

- Women safety and security is the top most agenda of the government. For which, the government has announced an additional Rs.1000 crores to the Nirbhaya Fund to support programmes for women security, advocacy and awareness.

Green India

- Target of renewable energy capacity revised to 175000 MW till 2022, comprising 100000 MW Solar, 60000 MW Wind, 10000 MW Biomass and 5000 MW Small Hydro.
- A need for procurement law to contain malfeasance in public procurement.
- Proposal to introduce a public Contracts (resolution of disputes) Bill to streamline the institutional arrangements for resolution of such disputes.
- Proposal to introduce a regulatory reform Bill that will bring about a cogency of approach across various sectors of infrastructure.

Skill India

- Less than 5% of our potential work force gets formal skill training to be employable. A national skill mission to consolidate skill initiatives spread across several ministries to be launched.
- Deen Dayal Upadhyay Gramin Kaushal Yojana to enhance the employability of rural youth.
- A Committee for 100th birth celebration of Shri Deen Dayalji Upadhyay to be announced soon.
- A student Financial Aid Authority to administer and monitor the front-end all scholarship as well Educational Loan Schemes, through the Pradhan Mantri Vidya Lakshmi Karyakram.
- An IIT to be set up in Karnataka and Indian School of Mines, Dhanbad to be upgraded in to a full-fledged IIT.
- New All India Institute of Medical Science (AIIMS) to be set up in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam. Another AIIMS like institutions to be set up in Bihar.
- A post graduate institute of Horticulture Research & Education is to be set up in Amritsar.
- 3 new National Institute of Pharmaceuticals Education and Research in Maharashtra, Rajasthan & Chattisgarh and one institute of Science and Education Research is to be set up in Nagaland & Orissa each.
- An autonomous Bank Board Bureau to be set up to improve the governance of public sector bank.
- The National Optical Fibre Network Programme (NOFNP) to be further speeded up by allowing willing states to execute on reimbursement of cost basis.
- Special assistance to Bihar & West Bengal to be provided as in the case of Andhra Pradesh.
- Government is committed to comply with all the legal commitments made to AP & Telengana at the time of their re-organisation.
- Inspite of large increase in devolution to state sufficient fund allocated to education, health, rural development, housing, urban development, women and child development, water resources & cleaning of Ganga.
- Part of Delhi-Mumbai Industrial Corridor (DMIC); Ahmedabad-Dhaulera Investment region and Shendra-Bidkin Industrial Park are now in a position to start work on basic infrastructure.
- Made in India and the Buy and the make in India policy are being carefully pursued to achieve greater self-sufficiency in the area of defence equipment including air-craft.
- The first phase of GIFT to become a reality very soon. Appropriate regulations to be issued in March.

Good governance

- Need to cut subsidy leakages, not subsidies themselves. To achieve this, Government committed to the process of rationalizing subsidies.
- Direct Transfer of Benefits to be extended further with a view to increase the number of beneficiaries from 1 crore to 10.3 crore.

5B Tax Proposals

The Union Budget 2015-16 encourages businesses and economic confidence with fine tuning of socio economic policies inclusive of the taxation policy. Reforms in corporate tax structure, reducing it from 30% to 25% in the next 4 years (starting from 2016-17), roadmap for GST implementation from April 2016 and deferment of GARR by 2 years are good steps and would go a long way to help Indian economy grow strength to strength in the coming times.

- Objective of stable taxation policy and a non-adversarial tax administration.
- Fight against the scourge of black money to be taken forward.
- Efforts on various fronts to implement GST from next year.
- No change in rate of personal income tax.
- Proposal to reduce corporate tax from 30% to 25% over the next four years, starting from next financial year 2016-17.
- Rationalisation and removal of various tax exemptions and incentives to reduce tax disputes and improve administration.
- Exemption to individual tax payers to continue to facilitate savings.
- Broad themes :
  - Measures to curb black money;
  - Job creation through revival of growth and investment and promotion of domestic manufacturing – “Make in India” ;
  - Improve ease of doing business - Minimum Government and maximum governance;
  - Improve quality of life and public health – Swachh Bharat;
  - Benefit to middle class tax-payers; and
  - Stand alone proposals to maximise benefit to the economy.

Black Money

- Generation of black money and its concealment to be dealt with effectively and forcefully.
- Investigation into cases of undisclosed foreign assets has been given highest priority in the last nine months.
- Major breakthrough with Swiss authorities, who have agreed to:
  - Provide information in respect of cases independently investigated by IT department;
  - Confirm genuineness of bank accounts and provide non-banking information;
  - Provide such information in time-bound manner; and
  - Commence talks for automatic exchange of information.
- New structure of electronic filing of statements by reporting entities to ensure seamless integration of data for more effective enforcement.
- Bill for a comprehensive new law to deal with black money parked abroad to be introduced in the current session.
- Key features of new law on black money:
  - Evasion of tax in relation to foreign assets to have a punishment of rigorous imprisonment upto 10 years, be non-compoundable, have a penalty rate of 300% and the offender will not be permitted to approach the Settlement Commission.

  - Non-filing of return/filing of return with inadequate disclosures to have a punishment of rigorous imprisonment upto 7 years.
  - Undisclosed income from any foreign assets to be taxable at the maximum marginal rate.
  - Mandatory filing of return in respect of foreign asset.
  - Entities, banks, financial institutions including individuals all liable for prosecution and penalty.
  - Concealment of income/evasion of income in relation to a foreign asset to be made a predicate offence under PML Act, 2002.
  - PML Act, 2002 and FEMA to be amended to enable administration of new Act on black money.
- Benami Transactions (Prohibition) Bill to curb domestic black money to be introduced in the current session of Parliament.
- Acceptance or re-payment of an advance of Rs. 20,000 or more in cash for purchase of immovable property to be prohibited.
- PAN being made mandatory for any purchase or sale exceeding Rupees 1 lakh.
- Third party reporting entities would be required to furnish information about foreign currency sales and cross border transactions.
- Provision to tackle splitting of reportable transactions.
- Leverage of technology by CBDT and CBEC to access information from either's data bases.

Make in India

- Revival of growth and investment and promotion of domestic manufacturing for job creation.
- Tax "pass through" to be allowed to both category I and category II alternative investment funds.
- Rationalisation of capital gains regime for the sponsors exiting at the time of listing of the units of REITs and InvITs.
- Rental income of REITs from their own assets to have pass through facility.
- Permanent Establishment (PE) norm to be modified to encourage fund managers to relocate to India.
- General Anti Avoidance Rule (GAAR) to be deferred by two years.
- GAAR to apply to investments made on or after 01.04.2017, when implemented.
- Additional investment allowance (@ 15%) and additional depreciation (@35%) to new manufacturing units set up during the period 01-04-2015 to 31-03-2020 in notified backward areas of Andhra Pradesh and Telangana.
- Rate of Income-tax on royalty and fees for technical services reduced from 25% to 10% to facilitate technology inflow.
- Benefit of deduction for employment of new regular workmen to all business entities and eligibility threshold reduced.
- Basic Custom duty on certain inputs, raw materials, inter mediates and components in 22 items, reduced to minimise the impact of duty inversion.

- All goods, except populated printed circuit boards for use in manufacture of ITA bound items, exempted from SAD.
- SAD reduced on import of certain inputs and raw materials.
- Excise duty on chassis for ambulance reduced from 24% to 12.5%.
- Balance of 50% of additional depreciation @ 20% for new plant and machinery installed and used for less than six months by a manufacturing unit or a unit engaged in generation and distribution of power is to be allowed immediately in the next year.

Ease of doing business – Minimum Government Maximum Governance

- Simplification of tax procedures.
- Monetary limit for a case to be heard by a single member bench of ITAT increase from Rs. 5 lakh to Rs. 15 lakh.
- Penalty provision in indirect taxes are being rationalised to encourage compliance and early dispute resolution.
- Central excise/Service tax assesses to be allowed to use digitally signed invoices and maintain record electronically.
- Wealth-tax replaced with additional surcharge of 2% on super rich with a taxable income of over Rs. 1 crore annually.
- Provision of indirect transfers in the Income-tax Act suitably cleaned up.
- Applicability of indirect transfer provisions to dividends paid by foreign companies to their shareholders to be addressed through a clarificatory circular.
- Domestic transfer pricing threshold limit increased from Rs. 5 crore to Rs. 20 crore.
- MAT rationalised for FIIs and members of an AOP.
- Tax Administration Reform Commission (TARC) recommendations to be appropriately implemented during the course of the year.
- Education cess and the Secondary and Higher education cess to be subsumed in Central Excise Duty.
- Specific rates of central excise duty in case of certain other commodities revised.
- Excise levy on cigarettes and the compounded levy scheme applicable to pan masala, gutkha and other tobacco products also changed.
- Excise duty on footwear with leather uppers and having retail price of more than Rs. 1000 per pair reduced to 6%.
- Online central excise and service tax registration to be done in two working days.
- Time limit for taking CENVAT credit on inputs and input services increased from 6 months to 1 year.
- Service-tax plus education cesses increased from 12.36% to 14% to facilitate transition to GST.
- Donation made to National Fund for Control of Drug Abuse (NFCDA) to be eligible for 100% deduction u/s 80G of Income-tax Act.
- Seized cash can be adjusted towards assessees tax liability.

Swachh Bharat

- 100% deduction for contributions, other than by way of CSR contribution, to Swachh Bharat Kosh and Clean Ganga Fund.
- Clean energy cess increased from Rs. 100 to Rs. 200 per metric tonne of coal, etc. to finance clean environment initiatives.
- Excise duty on sacks and bags of polymers of ethylene other than for industrial use increased from 12% to 15%.
- Enabling provision to levy Swachh Bharat cess at a rate of 2% or less on all or certain services, if need arises.
- Services by common affluent treatment plant exempt from Service-tax.
- Concessions on custom and excise duty available to electrically operated vehicles and hybrid vehicles extended upto 31.03.2016.

Benefits to middle class tax-payers

- Limit of deduction of health insurance premium increased from Rs. 15000 to Rs. 25000, for senior citizens limit increased from Rs. 20000 to Rs. 30000.
- Senior citizens above the age of 80 years, who are not covered by health insurance, to be allowed deduction of Rs. 30000 towards medical expenditures.
- Deduction limit of Rs. 60000 with respect to specified decease of serious nature enhanced to Rs. 80000 in case of senior citizen.
- Additional deduction of Rs. 25000 allowed for differently abled persons.
- Limit on deduction on account of contribution to a pension fund and the new pension scheme increased from Rs. 1 lakh to Rs. 1.5 lakh.
- Additional deduction of Rs. 50000 for contribution to the new pension scheme u/s 80CCD.
- Payments to the beneficiaries including interest payment on deposit in Sukanya Samriddhi scheme to be fully exempt.
- Service-tax exemption on Varishtha Bima Yojana.
- Concession to individual tax-payers despite inadequate fiscal space.
- Lot to look forward to as fiscal capacity improves.
- Conversion of existing excise duty on petrol and diesel to the extent of Rs. 4 per litre into Road Cess to fund investment.
- Service Tax exemption extended to certain pre cold storage services in relation to fruits and vegetables so as to incentivise value addition in crucial sector.
- Negative List under service-tax is being slightly pruned to widen the tax base.
- Yoga to be included within the ambit of charitable purpose under Section 2(15) of the Income-tax Act.
- To mitigate the problem being faced by many genuine charitable institutions, it is proposed to modify the ceiling on receipts from activities in the nature of trade, commerce or business to 20% of the total receipts from the existing ceiling of Rs. 25 lakh.
- Most provisions of Direct Taxes Code have already been included in the Income-tax Act, therefore, no great merit in going ahead with the Direct Taxes Code as it exists today.

- Direct tax proposals to result in revenue loss of Rs. 8315 crore, whereas the proposals in indirect taxes are expected to yield Rs. 23383 crore. Thus, the net impact of all tax proposals would be revenue gain of Rs. 15068 crore.

Excise & Custom Duties/Service Tax

- Increase in basic custom duty:
  - Metallergical coke from 2.5 % to 5%.
  - Tariff rate on iron and steel and articles of iron and steel increased from 10% to 15%.
  - Tariff rate on commercial vehicle increased from 10 % to 40%.
- Basic custom duty on digital still image video camera with certain specification reduced to nil.
- Excise duty on rails for manufacture of railway or tram way track construction material exempted retrospectively from 17-03-2012 to 02-02-2014, if not CENVAT credit of duty paid on such rails is availed.
- Service-tax to be levied on service provided by way of access to amusement facility, entertainment events or concerts, pageants, non recoganised sporting events etc.
- Service-tax exemption:
  - Services of pre-conditioning, pre-cooling, ripening etc. of fruits and vegetables.
  - Life insurance service provided by way of Varishtha Pension Bima Yojana.
  - All ambulance services provided to patients.
  - Admission to museum, zoo, national park, wile life sanctuary and tiger reserve.
  - Transport of goods for export by road from factory to land customs station.
- Enabling provision made to exclude all services provided by the Government or local authority to a business entity from the negative list.
- Service-tax exemption to construction, erection, commissioning or installation of original works pertaining to an airport or port withdrawn.
- Transportation of agricultural produce to remain exempt from Service-tax.
- Artificial heart exempt from basic custom duty of 5% and CVD.
- Excise duty exemption for captively consumed

In a nutshell, the budget is highly focused on the inclusive growth of an economy. Almost all critical areas that support in the growth and development of an economy including agriculture sector, manufacturing sector, infrastructure sector have been looked into and covered significantly. The proposal of providing greater financial autonomy to states, revisiting the PPP model of investment, greater fiscal prudence and a defined roadmap, governments commitment to transparency and accountability towards subsidy leakages, addressing the critical problems related to agriculture, funding some major projects and initiatives, skill based education, promoting women safety, making India a cleaner and greener economy, strengthening the financial market and monetization of gold are some major developments that have been warmly welcomed and are encouraging for all segments of the society.

Impact on Economy, Businesses, Agriculture, Infrastructure and Markets

6. Impact on Economy, Businesses, Agriculture, Infrastructure and Markets

We have conducted an impact analysis of the Union Budget 2015-16 on various socio-economic segments such as economy, infrastructure, emerging businesses, investors and markets. These are compiled as follows.

6.1 Impact on Economy

S.No	Parameter	Announcement	Impact
1	**Macro-economic stability**	The Budget outlines roadmap for fiscal consolidation with fiscal deficit target of 3% to be achieved in 3 years, establishment of National Investment and Infrastructure Fund (NIIF) with an annual flow of Rs. 20,000 crores, emphasis on agricultural production, health, education, tourism, black money, Make in India, skill India, ease of doing business, enhanced social security system for poor and the under-privileged and Implementation of GST from next year.	Emphasis on controlling inflation, MSME, Make in India, skill development will help the government to attain the target of achieving double digit growth.
2	**Inflation**	Monetary Policy Framework Agreement with RBI, to keep inflation below 6%.	This step will keep a check on inflation in the coming times.
3	**Investments**	Establishment of National Investment and Infrastructure Fund (NIIF) with an annual flow of Rs.20,000 crores.	Establishment of National Investment and Infrastructure Fund will solve the problem of infrastructure funding.
		An expert committee to examine the possibility and prepare a draft legislation where the need for multiple prior permission can be replaced by a pre-existing regulatory mechanism.	This will ease the process of investment in our country and thus will facilitate greater foreign investments.
		Distinction between foreign portfolio investments and foreign direct investments to be done away with and will have to comply with FDI norms.	Doing away with distinction between foreign portfolio investments and foreign direct investments will simplify FDI regime.
		Introduction of tax-free infra bonds for railways and roads.	This will give encourage investment in road and railway infrastructure.
		PPP mode of infrastructure development to be revisited and revitalised.	Risk to be balanced between the government and private players.

Source: PHD Research Bureau

6.2 Impact on businesses

The Union Budget 2015-16 has focused on many important sectors. The budget has given thrust on the sectors such as Industry, agriculture, infrastructure, tourism and education etc.

S.No.	Sector	Announcement	Impact
1	**Industry**	Increase in spending on infrastructure by Rs700bn vs. FY15; outlay on roads higher by Rs140b and Rail by Rs100bn. Total capex by Central PSU's at Rs3178bn.	Positive for infrastructure companies.
		Tax free infra bonds to be allowed in road, rail and irrigation sectors.	It will help provide long term funding to infrastructure sector.
		National Investment and Infra Fund to be established with a corpus of Rs. 2000bn.	It will provide funding for infrastructure projects.
		Defence spending increased to Rs. 2,467bn.	It will boost indigenous defence manufacturing
		Basic Corporate tax to be reduced to 25% from 30% over next 4 years.	Positive for the entire sector as it increases PAT by approximately 1-1.2% over each year.
		Additional investment allowance (@15%) and depreciation (35%) to new units being set up in notified backward areas in AP and Telengana from 2015 to 2020.	Boost to investments and will lead to higher industrial capex.
		Delhi Mumbai Industrial Corridor allocation has been doubled to Rs12bn.	This will benefit infrastructure companies.
		Excise duty cut from 12% to 6% on inputs for use in the manufacture of LED drivers and MCPCB for LED lights, fixtures and LED lamps.	Promote domestic manufacturing of LED lamps.
		Additional depreciation at 20% is allowed on new plant and machinery installed by a manufacturing unit or a unit engaged in generation and distribution of power.	Positive for Capital Goods equipment providers. Will provide an incentive to increase capex by manufacturing units and power generators.

2	**Manufacturing**	A project development company to facilitate setting up manufacturing hubs in CMLV countries, namely, Cambodia, Myanmar, Laos and Vietnam.	Job creation through revival of growth and investment and promotion of domestic Manufacturing – "Make in India".
		Additional investment allowance (@ 15%) and additional depreciation (@35%) to new manufacturing units set up during the period 01-04-2015 to 31-03-2020 in notified backward areas of Andhra Pradesh and Telangana.	The step is directed towards making "Make in India" initiative a success.
3	**Tourism**	Resources to be provided to start work along landscape restoration, signage and interpretation centres, parking, access for the differently abled, visitors' amenities, including securities and toilets, illumination and plans for benefiting communities around them at various heritage sites.	Focus on developing World Heritage Sites will boost tourism in the country which will be beneficial for the industries in the tourism sector.
		Visas on arrival to be increased to 150 countries in stages.	The extension of Electronic Travel authorisation (Evisas) to 150 more countries is a positive step for tourism as this sector contributes 7% of India's GDP and helped create more than 40 million jobs last year. This should certainly catapult the inbound foreign visits to exceed 8 million in the current calendar year.
4	**Emerging Businesses**	The rate of income tax on royalty and fees for technical services is to be reduced from 25% to 10%.	This would facilitate technical know- how to small businesses at low costs.
		Business entities will be eligible for the benefit of deduction for employment of new regular workmen of 50 rather than 100 employees.	This would boost employment opportunities in Business entities.
		Self-Employment and Talent Utilization (SETU) to be established as Techno-financial, incubation and facilitation programme to support all aspects of start-up business.	This would fuel innovation and encourage young companies and empower the entrepreneurs in a big way.

		Rs. 1000 crore to be set aside as initial amount in NITI in support of start-ups.	This would promote entrepreneurship in the country. Digital India and other measures would encourage and boost small set ups.
		Reducing the tax on R&D and innovation investments to 10%	This will give boost to research and development activities in the country.

Source: PHD Research Bureau

6.2.1 Taxation Impact on Businesses

S.No	Parameter	Announcement	Impact
1	**Income-tax**	Rate of Income-tax on royalty and fees for technical services reduced from 25% to 10%	This step would facilitate technology inflow. US companies getting royalties from Indian entities would benefit from lower tax.
		Additional tax deduction of Rs. 50000 for NPS contribution	Additional deduction of Rs. 50000 for NPS contribution is a move to encourage creation of a retirement corpus.
		Wealth-tax replaced with additional surcharge of 2% on super rich with a taxable income of over Rs 1 crore annually.	This would make up for the loss in revenue due to scrapping of wealth tax.
		Provision of indirect transfers in the Income-tax Act suitably cleaned up.	This is a relief to small overseas transaction involving Indian assets from tax claims.
2	**Reduction in Excise duty**	Excise duty on footwear with leather uppers and having retail price of more than Rs. 1000 per pair reduced to 6%.	This would lead to an increase in demand thus boosting manufacturing sector.
3	**Increase in excise duty**	Excise levy on cigarettes and the compounded levy scheme applicable to pan masala, gutkha and other tobacco products increased. Excise duty on sacks and bags of polymers of ethylene other than for industrial use increased from 12% to 15%.	Increase in Excise duty of tobacco related products will reduce the profit margins of the companies.
		Conversion of existing excise duty on petrol and diesel to the extent of Rs. 4 per litre into Road Cess.	This would fund investments for the road sector.

4	**Basic Customs duty**	Concessions on custom and excise duty available to electrically operated vehicles and hybrid vehicles extended upto 31.03.2016. Corrected problem of inverted duty on certain items.	Reduction in custom duty on certain items would boost domestic manufacturing in local industries. This would also incentivise value addition in crucial sector. This would provide encouragement to domestic manufacturers.
5	**Service tax**	Service-tax plus education cesses increased from 12.36% to 14% Service-tax to be levied on service provided by way of access to amusement facility, entertainment events or concerts, pageants, non recognised sporting events etc.	This would facilitate transition to GST. Several new items have been brought under service tax which will widen the tax base.
6	**Corporate Tax**	Corporate tax reduced from 30% to 25%	Confidence of investors would be boosted and would make industry competitive. Positive for the entire sector as it increases PAT (Profit after tax) by approximately 1-1.2% over each year

Source: PHD Research Bureau

6.3 Impact on Agriculture and Infrastructure

S.No	Parameter	Announcement	Impact
1	**Agriculture**	Rs. 5,300 crore to support micro-irrigation, watershed development and the 'Pradhan Mantri Krishi Sinchai Yojana'. Target of Rs. 8.5 lakh crore of agricultural credit during the year 2015-16. Allocation of Rs. 34,699 crore for the MGNREGA in the Budget.	The Budget provides for allocation of Rs. 5,300 crore to support micro-irrigation, watershed development and the Pradhan Mantri Krishi Sinchai Yojana. This would incentivise farmers. This step aims at providing employment opportunities.
2	**Infrastructure fund**	National Investment and Infrastructure Fund (NIIF), to be established with an annual flow of Rs. 20,000 crores to it.	Establishment of National Investment and Infrastructure Fund will give a boost to infrastructure funding and will help in furthering infrastructure development.

		Rs.25,000 crore in the year 2015-16 to the corpus of Rural Infrastructure Development Fund (RIDF)	This will give a boost to infrastructure in rural areas.
3	**Roadways and Railways**	Sharp increase in outlays of roads.	Increased outlays for roads will further help in development of road transportation in our country.
		Introduction of tax free infrastructure bonds for the projects in the rail, road and irrigation sectors.	Fund starved railways and companies in the road sector will be able to raise money a lot more easily.
4	**Real Estate**	Rationalisation of capital gains regime for the sponsors exiting at the time of listing of the units of REITs(Real Estate Investment Trusts) and InvITs (infrastructure investment trusts).	Rationalisation of capital gain tax regime for the sponsors of newly-created business structures REITs and INViTs will give a fillip to investments in realty and infrastructure sectors. Further, these tax incentives would give much needed relief to the real estate sector, which is facing a huge slowdown in demand from last few years that had led to liquidity crunch and delay in completion of existing projects.
		Rental income arising from real estate assets directly held by the REIT is also proposed to be allowed to pass through and to be taxed in the hands of the unit holders of the REIT.	The impact of Pass-Through Status on Rental Income for REITs would be that the entire income generated by the REIT will be passed on to unit holders, who will pay the tax.
5	**Urban Development & Housing**	6 crore houses under 'Housing for All by 2022 - 2 crore houses in Urban areas and 4 crore houses in Rural areas.	This will give boost to the real estate industry in the country and will further attract private investment in the housing sector.
6	**Ports**	Ports in public sector will be encouraged to corporatize and become companies under the Companies Act	This move of the government will help to attract investment in the public sector ports and leverage huge land resources lying unused with them. Further, this announcement of the government is an attempt to upgrade these public sector ports, which are struggling to manage rising cargo demands which will help India's major-ports to reach global standards.
7	**Energy**	Target of renewable energy capacity revised to 175000 MW till 2022, comprising100000 MW Solar, 60000 MW Wind, 10000 MW Biomass and 5000 MW Small Hydro.	This announcement will encourage renewable energy production in the country.

		Clean energy cess increased from Rs. 100 to Rs. 200 per metric tonne of coal.	Increase in the Clean energy cess would finance clean environment initiatives and will strengthen India's position at upcoming global climate change negotiations. Also this increase in the Clean energy cess will generate higher interest from private players to participate in a nascent sector, thus spurring growth in renewable energy production.
		Electrification of the remaining 20,000 villages including off-grid Solar Power- by 2020.	Electrification of villages will help in development of rural areas of the country.
		5 new Ultra Mega Power Projects, each of 4000 MW, in the Plug-and-Play mode.	Will create large power generation capacities at a single location. Also introduction of Plug-and-Play mode for UMPPs will stir private sector interest to bid for these projects.

Source: PHD Research Bureau

6.4 Impact on Markets and Investors

S.No	Parameter	Announcement	Impact
1	**Foreign Direct Investments (FDI)**	An expert committee to examine the possibility and prepare draft legislation where the need for multiple prior permissions can be replaced by a pre-existing regulatory mechanism.	This will facilitate India becoming an investment destination.
		Composite caps to streamline FDI regime.	Introduction of Composite caps will further simplify the procedures for Indian companies to attract foreign investments and thus will facilitate investment. However, the sectors where 100% foreign investment is allowed under the automatic route will however remain unaffected by this change.
2	**FII (Foreign institutional investments)**	General Anti Avoidance Rule(GAAR) to be deferred to 2017	This brings clarity on tax rules and would encourage foreign investment into Indian capital markets.
		For FIIs, profits corresponding to their income from capital gains on transactions in securities which are liable to tax at a lower rate, shall not be subject to MAT (Minimum Alternate Tax)	This will boost inflow of FIIs in the economy.

3	**Foreign Exchange Management Act (FEMA)**	Section-6 of FEMA to be amended through Finance Bill to provide government control over capital flows in consultation with RBI.	This will reduce delays as so far government announcements were followed up by RBI notifications for the changes to take effect.
4	**Forwards Market Commission**	Forwards Market Commission to be merged with Securities and Exchange Board of India	This would help streamline the monitoring of commodity futures trading and curb wild speculation. This was one of the recommendations of FSLRC, which was formed to suggest comprehensive reforms for financial sector regulations.
5	**Alternate Investment Funds (AIFs)**	Government to allow Foreign investments in Alternate Investment Funds.	Offshore funds can now channel money into domestic private equity funds, thus easing the capital raising process for domestic corpuses.
6	**Gold**	Sovereign Gold Bond, as an alternative to purchasing metal gold scheme to be developed.	The bonds will carry a fixed rate of interest and will also be redeemable in cash in terms of the face value of gold at the time of redemption.
		Gold monetisation scheme to allow the depositors of gold to earn interest in their metal accounts and the jewellers to obtain loans in their metal account to be introduced.	This will allow depositors of gold to earn interest in their metal accounts and thereby, help in converting physical assets to financial assets.
		Develop an Indian gold coin which will carry the Ashok Chakra on its face.	This will reduce the demand for coins minted outside India and recycle the gold available in the country.

Source: PHD Research Bureau

National Small Industries Corporation (NSIC), an ISO 9001:2008 certified company and a Govt. of India Enterprise has b
in the country. The company assists the existing MSME units through its schemes of assistance of Financing, Market
enhancing exports & projects and products from MSMEs.
NSIC operates through country wide network of branch offices and Technical Centres. To manage operations in Africa

A Marketing Support Programmes

1. **Raw Material Assistance**

   NSIC fulfils your Raw Material requirements and provides Raw Material on convenient and flexible terms.

2. **Consortia and Tender Marketing**

   NSIC forms Consortia and participates in Government tenders on behalf of Micro & Small Enterprises to procure orders for them.

3. **Single Point Registration**

   Register under this scheme for participating in Government and PSU Tenders.

4. **B2C Web Portal for Marketing**

   An e-commerce portal called msmeshopping.com, that aims to help MSMEs in the country sell their products online. It acts as a low-cost marketing platform for MSMEs and enables them to sell retail products as well as industrial equipment and machineries. Also get latest Specific information on Business Leads, Tenders, Technology & Policy issues.

5. **Marketing Intelligence**

   Collects and disseminates both domestic as well as International Marketing Intelligence for the benefit of MSMEs. It helps Micro, Small & Medium Enterprises(MSMEs) in:

   Tapping New Domestic & Export Markets
   Access Vast database of Millions of Exporters, Imports, Bulk Buyers, Technology Suppliers.
   Obtain Tenders floated by Government, Public Sector Enterprises(PSUs) and International Buyers.
   Know future Trends about Markets of Products/Industries.

6. **Performance & Credit Rating**

   Credit Rating by international agencies subsidized for micro and small enterprises up to 75% to get better credit terms from banks and export orders from foreign buyers.

National Small Industries Corporation
NSIC Bhawan, Okhla Industrial Estate, Phase-III, New De
Ph.: +91-11-26926275 Toll Free No. : 1800 111 955 Email: feedback@nsic.co.in Website-

Exclusive NSIC Schemes for SC/ST Units

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NSIC

ISO 9001 : 2008

been working to fulfill its mission of promoting, aiding and fostering the growth of Micro, Small & Medium Enterprises
ing, Technology support & other support program, strengthening linkages with large and medium enterprises and

n countries, NSIC operates from its office in Johannesburg, South Africa.

7. Facilitating Participation in National And International Exhibitions

NSIC facilitates participation of Micro & Small Enterprises in select National & International Exhibitions to showcase their competence and products.

B. Incubation of Unemployed Youth for Setting Up New Micro & Small Enterprises

Provides necessary facilities for the prospective entrepreneurs and starts up companies to learn product manufacturing processes coupled with technology development, business development etc. under one roof.

C. Credit Support Programs

1. Meeting Credit Needs of Micro & Small Enterprises

NSIC facilitates sanction of term loans and working capital credit limits of micro & small enterprises from banks.

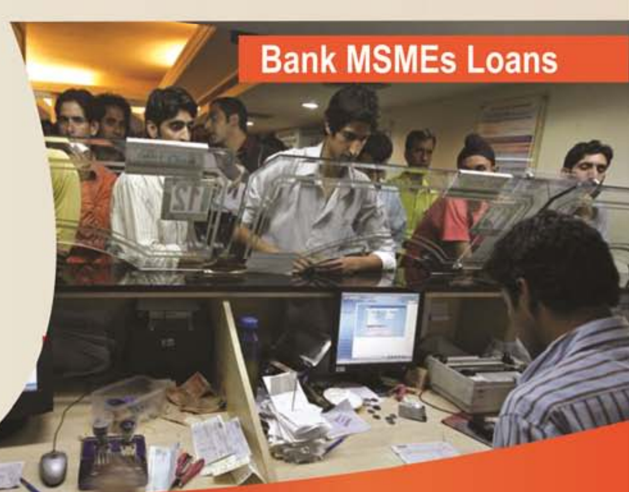
2. Performance and Credit Rating

Credit Rating by international agencies subsidized for micro and small enterprises up to 75% to get better credit terms from banks and export orders from foreign buyers.

D. Technology Support

NSIC offers small enterprises the following support services through its Technical Services centres and Extension Centres

- Advise on application of new techniques
- Material Testing facilities through accredited laboratories
- Product designing including CAD
- Common facility support in machining, EDM, CNC, etc.
- Energy and environment services at selected centres
- Classroom and practical training for skill



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Impact on Consumers and Socio Economic Segments

7. Impact on Consumers and Socio Economic Segments

7.1 Impact on Consumers

S.No	Parameter	Announcement	Impact
1	**Packaged Fruits and vegetables**	Exempted from Service tax	Packaged fruits and vegetables will become cheaper as pre-cooling, ripening, retail packing and labelling of these items have been exempted from service tax thus increasing their demand.
2	**Footwear with leather uppers**	Leather footwear with retail price of more than Rs 1000 per pair reduced to 6% from 12% earlier.	Footwear above Rs 1000 to get cheaper by 5% which will increase its demand.
3	**LED/LCD TV (Liquid Crystal Display), Mobile phones, LED (Light Emitting Diode) lamps**	Excise duty on locally made mobile phones, LED/ LCD panels, LED lights and LED Lamps has been cut.	Cost of locally manufactured consumer electronics brought down. This would also promote manufacturing of LED lamps.
4	**Microwave Ovens**	Exempted from basic custom duty.	Microwave ovens are likely to become cheaper as a key component, magnetron, has been exempted from basic customs duty as compared to 5 % earlier.
5	**Solar water heater**	Excise duty on the item has been changed from 12% to nil without Central Value Added Tax (CENVAT) credit or 12.5 % with CENVAT credit.	Solar water heater to become less expensive.
6	**Cigarettes**	Excise duty on cigarettes hiked by 25% of length not exceeding 65mm and 15% hike in cigarettes of other lengths.	Cigarettes to cost more now, a step towards discouraging unhealthy lifestyle.
7	**Pan masala, gutkha, Tobacco**	Excise duty on cut tobacco is being increased to Rs 70 per kg from Rs 60 per kg earlier.	Tobacco products to become expensive. This will curb consumption of tobacco to an extent.
8	**Agarbattis**	Full exemption from excise duty extended to captively consumed intermediate compound coming into existence during the manufacture of Agarbattis.	Agarbattis' prices to come down.

9	**Colas & Packaged water**	Prices to get a hike of Rs 1 on account of increase in excise duty.	This will curb consumption of colas.
10	**Desserts**	Duty on condensed milk hiked.	Desserts with milk as key ingredient are set to become costlier.
11	**Amusement Services**	A 14% service tax to be imposed on amusement services such as rides, water parks etc.	Amusement services to become more expensive.
12	**Electric and hybrid vehicles**	Concessional duty rates available to electrically operated vehicles and hybrid vehicles extended upto 31.03.2016.	Encourage sale of clean energy vehicles
13	**Service Tax**	Service tax raised to 14%	Services of cable and direct to home connections , beauty parlour charges, courier services, restaurants, hotels, asset management and insurance to cost more.

Source: PHD Research Bureau

7.2 Impact on Socio-economic segments

S.No	Parameter	Announcement	Impact
1	**Education**	AIIMS in Jammu and Kashmir, Punjab, Tamil Nadu, Himachal Pradesh, Bihar and Assam. IIT in Karnataka; Indian Institute of Mines in Dhanbad to be upgraded to IIT, PG institute of Horticulture to be set up in Amritsar, Kerala to have University of Disability Studies. IIM for Jammu and Kashmir and Andhra Pradesh.	Much focus is on Higher education. Dream of IT, Medical and management professionals will be created in the country.
2	**Health**	Limit of deduction of health insurance premium increased from Rs. 15000 to Rs. 25000, for senior citizens limit increased from Rs. 20000 to Rs. 30000. Rs. 297 billion ($4.81 billion) has been announced for main health department, roughly 2% higher than current year's revised budget of 290 billion rupees.	This step is advantageous for people as it would help them save more. This step would revamp the health sector and would make medical services easily affordable to the public.
3	**Skill development**	A national skill mission to consolidate skill initiatives spread across several ministries would be launched. Deen Dayal Upadhyay Gramin Kaushal Yojana to be launched.	This programme would help in employment generation and developing entrepreneurial skills. This would enhance the employability of rural youth.
4	**Rural development**	Increase irrigated area, improve the efficiency of existing irrigation systems, and ensure value addition and reasonable price for farm production. Rs. 25,000 crore in 2015-16 to the corpus of Rural Infrastructure Development Fund (RIDF) set up in NABARD; Rs. 15,000 crore for Long Term Rural Credit Fund; Rs 45,000 crore for Short Term Co-operative Rural Credit Refinance Fund; and Rs 15,000 crore for Short Term RRB Refinance Fund.	This step caters to the need of rural population thus empowering rural infrastructure in a big way. This would support agriculture sector with the help of effective agricultural credit with special focus on small and marginal farmers.

5	**Safety and Welfare**	Rs 1000 crores to the Nirbhaya Fund.	The decision would ensure safety of women.
		A functional social security system for all Indians is to be set up for the poor and the under-privileged. Allocation of Rs. 34,699 crore for the MGNREGA in the Budget. Further, there will be increased focus on improving the quality and effectiveness of activities under MGNREGA.	This would lead to the upliftment of under privileged and poor people at large.
		Government to work towards creation of a functional social security system for all Indians, specially the poor and the under-privileged, a Senior Secondary School within 5 km reach of every child, improving quality of education and learning outcomes, a new scheme for providing Physical Aids and Assisted Living Devices for senior citizens, living below the poverty line.	Focus of the Government on social security, skill India, secondary education, improving quality of education and learning outcomes and provision of physical aids and assisted living devices for senior citizens will further socio-economic development of the citizens of the country.
		In lending, priority will be given to SC/ST enterprises.	This will help in upliftment of the SC/ST segment of the population.

Source: PHD Research Bureau

Industry Viewpoint

8. Industry Viewpoint

PHD Chamber of Commerce and Industry organized the Budget viewing session on Saturday 28th February 2015 at PHD house, New Delhi. The eminent speakers in the Session were Dr. Subir Gokran, Director-Research, Brookings India and Former Deputy Governor, RBI, Ms. Sudha Pillai, Former Member Secretary, Planning Commission, Dr. Ram Upendra Das, Professor, Research and Information System for Developing Countries and Dr. Atmanand, Dean and Professor of Economics, MDI and Independent Director, SAIL. Mr. Alok B Shriram, President, PHD Chamber, Mr. Mahesh Gupta, Sr. Vice President, PHD Chamber, Mr. Gopal Jiwarajka, Vice President, PHD Chamber, Mr. Prabhat Jain, Chairman Economic affairs Committee, PHD Chamber, and Mr. Akhil Bansal, Co-Chairperson Economic Affairs Committee, PHD Chamber, Mr. Saurabh Sanyal, Secretary General, PHD Chamber, also participated in the panel discussion.

The program was well attended by senior representatives from around 250 industrialists across small, medium and large business segments. Their post budget reactions have been compiled to understand the view point of the industry on the budget proposals. They are as follows:

Industry Applause	
Positive for society at large	The focus on infrastructure, public investments and social security measures are expected to have a far reaching positive impact on the whole society.
Ensures greater liquidity	The monetization of gold scheme is an encouraging initiative as it ensures greater liquidity and enhances interest incomes for the investors.
Investments inducing budget	The focal point of the budget is the funding of infrastructure investments and ensuring tax stability that can have a favorable effect on the inflow of FDI. The plug and play approach will generate huge investments flows in the ultra mega power projects and moves towards reducing inverted duty structure, additional allocation to roads and refinancing for micro financiers are some other positive moves to generate more investment in the economy.
Focus on tourism sector	The extension of Electronic Travel authorisation (Evisas) to 150 more countries shall play a crucial role to make the sector more attractive and dynamic. The tourism sector contributes

	significantly to GDP and also helps to create employment opportunities. This initiative will further extend these benefits for the economy.
Focus on Green Economy	India's commitment to make it a cleaner and greener economy shall now be widely acknowledged. Its pledge to reduce its emission intensity in the power sector is also a positive change for the environmental concerns. The taxing of petroleum products, gas and oil by means of a carbon tax is also an important announcement in the budget to deal with the pressing issue of climate change and to transform India to a green economy.
Corporate profitability	Lower commodity prices, improved working capital cycle and lower interest and tax rates is expected to speed up the corporate earnings. The proposal to reduce corporate tax to 25% in four years is expected to make companies more competitive and leave more cash in their hands for expansion and investment.
Boost to manufacturing sector	The economy is expected to benefit from rollout of Goods and Services Tax, deferment of the General Anti-Avoidance Rule and higher tax allocation to states. These rollouts will boost the manufacturing sector going ahead.
PPP model revisited	The PPP model has been greatly focused in the current budget to make it a success story for India's infrastructure sector and it is expected to generate interest among private players to extend their contribution in India's growth story.
Energy policy in a right direction	The current Budget hopes to enhance the current installed capacities for both wind and solar power. On the whole, the energy policy is in the right direction with the twin aim of increasing efficiency and reducing emissions.
Boost to social sector	The Finance Minister's emphasis to shore up and strengthen secondary schools within 5kms from habitation will prove to be helpful in achieving the goal of imparting universal education.

	An increase in the limit of tax deductions on health insurance premiums for individuals and family from Rs 15,000 to 25,000 and for senior citizens from Rs 20,000 to Rs 30,000 are also very encouraging for the benefit of the society at large.
Sustained growth focused	Reforms such as JAM Trinity (Jan Dhan Yojana, adhaar identity, mobile for effective subsidy delivery) announcement of the implementation date of Goods and Services tax (April, 2016), crucial tax reforms, push to mega infrastructure projects and to enhance ease of doing business all reflect a sustainable growth trajectory.
Leveraging E-Commerce	The announcement of the innovation fund and skill promotion initiatives is a major breakthrough as it can greatly enhance the internet driven business activity. Furthermore, E-commerce in India has the potential to generate 10 million jobs in the next three years that can drive the economy towards a double digit growth.
Focus on rural development	Incentives for rural India, increasing MNREGA and infrastructure development will augment inclusive growth along Sabka Sath Sabka Vikas; which is the success mantra of the government.
Pragmatic budget	The efforts directed to reduce needless subsidies and wastages in the system is a big positive sign of the seriousness and rationality of the government.
Optimistic budget with a word of caution	The budget numbers are satisfactory on a whole. A little more was expected to boost domestic savings in financial assets, especially long term saving instruments such as in insurance. Overall the budget promotes growth and is in harmony with current economic requirements.

Industry Concerns	
No path breaking announcements	There were no path breaking announcements in the budget but it laid down the foundation for policy framework to usher in faster and consistent growth of Indian economy.
Reform attempts missing	Disappoint looms large over the steel, cement and the power sector as no mention has been made to revive growth in these sectors.
Road map for Make in India uncleared	Even though the budget is supportive for the Make-in India initiative; while, it lacks a clear cut policy framework on how the government is set to transform India into a manufacturing hub.
Service tax to cost more	The proposed increase in service tax from 12.36% to 14% would cost more to the customers, resulting in reduced business activities such as web based retailers, taxi owners and hoteliers. The increase in the services tax should be rolled back immediately. Education & health sectors should be exempted from the services tax considering India's efforts for enhancement of higher education & health security.
Disposable income not focused	India is facing severe decline in demand vis-à-vis inflation during the recent past and economic slowdown. So, to enhance demand, increase in disposable income should have been considered with change in current slabs of income tax.
Falls short of MSMEs expectations	Allocation of Rs 20,000crore for Mudra Bank for SMEs would help the growth of MSMEs and would address the financial problems of this sector to a certain extent. However, industry was expecting more in MSMEs segment in terms of its scalability and meeting compliances under the ambit of new companies' act 2013.
MAT was not considered	Abolition of Minimum Alternate Tax (MAT) was highly expected by the industry and especially by the SEZs for their success in the coming times. While, MAT was either not reduced or abolished

	in the current budget which has created a wave of disappointment in the industry.
Construction sector not focused	Housing & construction sector needs a major attention to refuel growth and employment generation of the Indian economy. The taxation & interest rate scenario in housing & construction sector as both are impacting the growth of this prime sector of the economy must be rationalized. There should be an enhancement of tax rebate in terms of interest paid on housing loan from the current level of Rs. 2 lakhs (self occupied house) to Rs. 3 lakhs. Or interest rate on the housing loan should not be more than 7.5% for the housing loans upto Rs. 40 lakhs.

Railway Budget 2015-16

Focuses on Cleanliness, Safety and Quality of Life in Journey

9. Railway Budget 2015-16: Focuses on cleanliness, safety and quality of life in journey

The Budget highlighted the four goals for Indian Railways over next five years which include delivering a sustained and measurable improvement in customer experience, making Railways a safer means of travel, expanding Bhartiya Rail's capacity substantially and modernizing infrastructure and making Bhartiya Rail financially self-sustainable. It also stated five key drivers for execution strategy which includes adopting a medium term perspective, building partnerships with key stake holders to gain access to long term financing and technology from overseas, the private sector to improve last mile connectivity, expand fleet of rolling stock and modernize our station infrastructure, leveraging additional resources, revamping management practices, systems, processes and re-tooling of human resources and setting standards of Governance and transparency. Five years action plan is encouraging and Railways will become a prime mover of the Indian economy. The proposal to take up MUTP III for Mumbai has also been announced. To meet growing demand there is an urgent need for integrated transport solutions. In this regard, the Ministry of Railways will work with all states towards this end.

Revamping management practices, systems, processes, and re-tooling of human resources will be taken up by the Railways to achieve targeted operating ratio for 2015-16 at 88.5%. Fast decision making, tight accountability, improved management information systems and better training and development of human resource will also be part of the action plan to achieve the goals.

Proposed investment plan in the tune of Rs. 8,56,020 crore is inspiring as it will facilitate network expansion, network decongestion, safety, research, passenger amenities, high speed rails and elevated corridors and station redevelopment and logistics parks which would be mobilized from multiple sources for funding. The announcement of 11 major thrust areas namely, Cleanliness, Network Expansion, Quality of life in journey, safety, station redevelopment, Technology Upgradation, Tourism, Partnerships for development, Energy and Sustainability, Resource mobilization, Social initiatives would facilitate overall development of the sector and each issue would be covered that would rejuvenate growth of the railways sector.

The Railway Budget proposes to create a new department for keeping stations and trains clean. Integrated cleaning will be taken up as a specialized activity, which will include engaging professional agencies and also training staff in the latest cleaning practices. Railways plans to set up 'waste to energy' conversion plants near major coaching terminals to dispose waste in an environment-friendly manner. One pilot plant will be set up, to begin with, followed by more plants in a phased manner.

Allocation for passenger amenities up by 67% indicating the focus of the government to generate sate of art passenger facilities including making railway a safer means for travel, installation of hot buttons, coin vending machines for railway tickets within five minutes, e-catering to select meals from an array of choices. Further, 24*7 help lines for attending passenger problems, security related complaints and particularly surveillance cameras in suburban coaches for women would make it more lucrative for passengers to travel by trains.

Ordering food through IRCTC website at the time of booking of tickets; integrating best food chains into this project; setting up of Base Kitchens in specified divisions to be run by reputed agencies for serving quality food and expansion of water vending machines will be taken up. PPP cell of Railways will be revamped to make it result oriented, "Foreign Rail Technology Cooperation scheme" will be launched. Joint ventures will be set up with States for focused project development, resource mobilization, land acquisition, project implementation and monitoring of critical rail projects. In order to meet the requirements of new lines JVs will also be set up with major public sector customers.

The speed of nine railway corridors will be increased to 160 and 200 kmph which will facilitate faster delivery of goods and services, thereby leading to industrial growth in the coming times. Further, Train Protection Warning System and Train Collision Avoidance System to be installed on selected routes will reduce accident rates.

In order to make Indian Railways more environment friendly, 100 DEMUs will be enabled for dual fuel – CNG and diesel. Locomotives running on LNG are also currently under development. Noise levels of locos to be at par with international norms; concerns related to wildlife to be addressed.

> **"The railway map of India is a network of veins that pump life-giving blood into the heart of India's economy. Indian Railways is a unique integrator of modern India, with a major role in its socio-economic development. It is an organization that touches the hearts and existence of all Indians, even Mahatma Gandhi."**
>
> **-Railway Budget Speech 2015-16**

Important measures announced in the Railway Budget 2014-15

S.No.	Parameter	Measures
1	**Quality of life in journey**	Establishing a new department for cleanliness "Swachh Rail Swachh Bharat" and "Bio toilets". 24X7 helpline number and issuing unreserved tickets. Coin vending machines, concessional e-tickets for differently abled travellers, developing a multi-lingual e-portal. "SMS Alert" service informing passengers in advance of the updated arrival/departure time of trains. Wi - Fi to be provided at B category stations, online booking of wheel chair on payment basis.
2	**Station Redevelopment**	Station redevelopment policy to be revamped and processes to be simplified.

3	**Network Expansion**	Fast track works on 7,000 kms of double/third/fourth lines and 1200 km at an investment of Rs. 8686 crore sanctioned. Acceleration of pace of Railway electrification--6,608 route kilometers sanctioned. Speed of 9 railway corridors to be increased from existing 110 and 130 kmph to 160 and 200 kmph. Loading density on all major freight bearing routes to be upgraded to 22.82 tonne axle loads. Transport Logistics Corporation of India (TRANSLOC) to be set up for developing common user facilities.
4	**Safety**	Action plan being prepared for areas where accidents occur. Five-year corporate safety plan by June 2015 indicating annual quantifiable targets. Radio based signal design project been taken up with IIT Kanpur for warnings at unmanned level crossing. Train Protection Warning System and Train Collision Avoidance System to be installed on select routes. 970 ROB/RUBs and other safety-related works.
5	**Technology Upgradation**	An innovation council "Kayakalp" for business re-engineering and a spirit of innovation in Railways to be introduced. Integration of train control and asset management applications.
6	**Partnerships for development**	Public Private Partnership (PPP) cell to be revamped. Projects for rail connectivity to many ports and mines being developed. Foreign Rail Technology Cooperation scheme to be launched. Joint ventures to be set up with States for critical rail projects. MUTP III for Mumbai to be taken up.
7	**Resource Mobilisation**	Size of Plan Budget up by 52% from Rs. 65,798 crore to Rs. 1,00,011 crore. Support from the Central Government constitutes 41.6% of the total Plan Budget. Internal generation of 17.8 %.

		Setting up an infrastructure fund, a holding company and a Joint Venture with an existing NBFC of a PSU with Indian Railway Finance Corporation (IRFC).
8	**Energy and Sustainability**	Environment Directorate to be constituted, detailed energy audit for energy saving. Procuring power through the bidding process. 1000 MW solar plants will be set up by the developers on Railway/private land and Railway buildings.
9	**Transparency**	System of on-line applications introduced, e-procurement value chain being expanded. All possible solutions to be explored to address administrative bottlenecks.
10	**Social Initiatives**	Infrastructure to be made available for skill development. Promotion of products made by Self Help Groups, consisting mainly of women and youth on the model of Konkan Railway.
11	**Tourism**	Incredible Rail for Incredible India to be launched and training of auto-rickshaw and taxi-operators as tourists guides. Gandhi circuit to be used to attract tourists to mark the occasion of 100 years of the return of Mahatma Gandhi to India from South Africa. IRCTC to work on Kisan Yatra, a special travel scheme for farmers for farming & marketing technique centres.
12	**Human Resource**	Setting up a full-fledged University during 2015-16. Improved delivery of health services to employees. Upgradation of four Holiday Homes. Training in yoga to be imparted to staff.
13	**Improvement to Management process**	Delegate, de-centralize, de-regulate & simplify to be the new mantra. Paperless working in material management system to be expanded. Vendors to be integrated through Vendor Interface Management System to provide single window interface to vendors.

Source: PHD Research Bureau, compiled from Railway Budget 2015-16

Financial Performance of Railways in 2014-15

Net reduction in Gross Traffic Receipts by Rs 917 crore has been observed and the growth in Ordinary Working Expenses (O.W.E) has been scaled down to 11.7%. Appropriation to the Pension Fund has been increased to Rs. 29,540 crore. Excess of receipt over expenditure stands at Rs 7,278 crore in RE 2014-15. The Plan size for 2014-15 increased from Rs 65,445 crore in the B.E to Rs 65,798 crore in the Revised Estimates. The targeted Operating Ratio is 91.8% against 92.5% in BE, which is an improvement of 0.7% percentage point over BE and 1.8% over 2013-14. Plan size for 2014-15 has increased from Rs. 65,445 crore in the B.E to Rs 65,798 crore in the Revised Estimates i.e. by Rs 353 crore with higher provisions under internal resource component and market borrowings for rolling stock requirement.

Budget Estimates for 2015-16

The total receipts is estimated at Rs 1,83,578 crores and total expenditure is estimated at Rs 1,74,291 crores. Passenger earning growth is pegged at 16.75% and has been accordingly budgeted at Rs. 50,175 crores where Freight traffic is estimated to be at 85 million tonnes. Plan Outlay is Rs 1100011 crores which is 52% more than the previous year outlay. Earnings are proposed at Rs 121423 crores while Gross traffic receipts are estimated at Rs 183578 crores. Ordinary Working Expenses is expected to grow at 9.6%. Seventy Seven new railway projects worth Rs 96182 crores are sanctioned whereas Rs 6581 crores have been sanctioned for elimination of 3438 level crossing in next financial year.

Revenue of the central government from Railways

(हजार रुपयों में) / (In thousands of rupees)

राजस्व के शीर्ष Heads of Revenue	लेखा Accounts, 2013-14	बजट अनुमान Budget Estimates, 2014-15	संशोधित अनुमान Revised Estimates, 2014-15	2014-15 के बजट की तुलना में वृद्धि (+)/ कमी (-) Increase (+)/ Decrease (-) as compared with Budget, 2014-15	बजट अनुमान Budget Estimates, 2015-16
1002 और 1003 - राजस्व प्राप्तियां **1002 & 1003 - Revenue receipts**					
यात्री - ऊंचा दर्जा Passenger - Upper Class	10820,37,33	13330,35,00	12736,62,71	-593,72,29	15073,83,87
यात्री - दूसरा दर्जा Passenger - Second Class	25711,88,05	31314,65,00	30265,37,29	-1049,27,71	35101,16,13
जोड़ - यात्री यातायात से आमदनी Total - Passenger Earnings	36532,25,38	44645,00,00	43002,00,00	-1643,00,00	50175,00,00
कोचिंग यातायात से अन्य आमदनी Other Coaching Earnings	3678,52,43	4200,00,00	4028,00,00	-172,00,00	4612,00,00
माल यातायात से आमदनी Goods Earnings	93905,63,25	105770,00,00	106927,00,00	+1157,00,00	121423,00,00
अन्य फुटकर आमदनी Sundry Other Earnings	5721,29,46	5500,00,00	5241,00,00	-259,00,00	7318,00,00
जोड़ - आमदनी Total Earnings	139837,70,52	160115,00,00	159198,00,00	-917,00,00	183528,00,00
उचंत Suspense	-279,52,50	50,00,00	50,00,00	..	50,00,00
@*भारतीय रेलों की सकल यातायात प्राप्तियां **@*Gross Traffic Receipts of Indian Railways**	139558,18,02	160165,00,00	159248,00,00	-917,00,00	183578,00,00

Source: PHD Research Bureau, compiled from Ministry of Railways

Expenditure on Railways met from the central government

(हजार रुपयों में) / (In thousands of rupees)

व्यय के शीर्ष Heads of Expenditure	लेखा Accounts, 2013-14	बजट अनुमान Budget Estimates, 2014-15	संशोधित अनुमान Revised Estimates, 2014-15	2014-15 के बजट की तुलना में वृद्धि (+)/ कमी (-) Increase (+)/ Decrease (-) as compared with Budget, 2014-15	बजट अनुमान Budget Estimates, 2015-16
बी (सी)(iii) - रेलवे - व्यय					
(B)(c) (iii) - Railways - Expenditure					
3002 और 3003 - संचालन व्यय					
3002 & 3003 - Working Expenses					
(1) साधारण संचालन व्यय Ordinary Working Expenses	97570,75,27	112649,00,00	108970,00,00	-3679,00,00	119410,00,00
(2) मूल्यह्रास आरक्षित निधि में विनियोग Appropriation to Depreciation Reserve Fund	7900,00,00	6850,00,00	7775,00,00	+925,00,00	7900,00,00
(3) पेंशन निधि में विनियोग Appropriation to Pension Fund	24850,00,00	28550,00,00	29225,00,00	+675,00,00	34900,00,00
* 3001 ए और बी - भारतीय रेलें - नीति निर्धारण,निर्देशन अनुसंधान और अन्य विविध संगठन * 3001 A & B - Indian Railways - Policy Formulation, Direction, Research and Other Misc. Organisation	1144,05,10	1126,56,00	1027,54,00	-99,02,00	1270,25,32
3004 - चालू लाइन निर्माण - राजस्व 3004 - Open Line Works - Revenue	27,66,69	..	..	..	..
3005 सामान्य राजस्व को भुगतान					
3005 - Payment to General Revenues					
(1) वर्तमान लाभांश Current Dividend	7982,93,64	9109,27,03	9148,40,02	+39,12,99	10785,01,02
(2) यात्री किराया कर के बदले भुगतान Payment in lieu of Passenger Fare Tax	23,12,00	23,12,00	23,12,00	..	23,12,00
(3) रेलवे संरक्षा निधि में अंशदान Contribution to Railway Safety Fund	2,60,98	2,60,97	2,60,98	..	2,60,98
जोड़ - अग्रेनीत **Total - Carried forward**	**139501,13,68**	**158310,56,00**	**156171,67,00**	**-2138,89,01**	**174290,99,32**
*इसमें निम्नलिखित शामिल है					
* Includes					
राजस्व से रेलवे पेंशन निधि में विनियोग Appropriation from Revenue to Railway Pension Fund	15,00,00	15,00,00	15,00,00	..	60,00,00
चालित लाइनो को भुगतान Payment to Worked Lines	9,75	41,46	10,02	-31,44	10,50

Source: PHD Research Bureau, compiled from Ministry of Railways

Impact analysis of Railway Budget 2015-16

The budget has given emphasis on providing a range of modern passenger amenities which will give a thrust to industry players in harnessing new business opportunities.

Impact analysis of announcements in the Railway Budget on various sectors

S.No.	Announcement	Impact
1	Station Redevelopment plan to be revamped.	This policy of the government of station redevelopment is encouraging as it will provide state of art infrastructure to the passengers.
2	Increase the daily carrying capacity from 21 million to 30 million, track length by 20% from 1,14,000 km to 1,38,000 Km and annual freight carrying capacity to from 1 billion to 1.5 billion tonnes.	The expanding capacities would enhance the investments and generate employment opportunities in the coming times. Travelling facility would be made easy by increasing accessibility.
3	Setting up of Diamond Quadrilateral Network of High Speed Rail.	The decision may raise demand for steel and cement based industry.
4	Proposal to harness solar energy by using rooftop spaces of railway stations through Public Private Partnership (PPP) mode.	Suppliers and manufacturers of solar panel may benefit and this will help railways to save on its burgeoning energy costs.
5	Fully fledged Railway University to be set up.	A significant move in modernizing skill sets and employee development.
6	Speed of 9 Railway corridors to be enhanced to 130 kmph.	This will facilitate faster delivery of goods and services, thereby leading to industrial growth in the coming times.
7	Train Protection Warning System and Train Collision Avoidance System would be installed on selected routes.	All measures are appreciable as they would make travelling in Indian railways safer for the passengers.
8	Transport Logistics Corporation of India (TRANSLOC) to be set up.	The setting up of TRANSLOC is encouraging as it will help railways to effectively expand their freight handling capacity.
9	Allocation for passenger amenities up by 67%.	The move aims at generating sate of art passenger facilities.
10	24*7 help lines for attending passenger problems, security related complaints and particularly surveillance cameras in suburban coaches for women.	The step will make it more lucrative for passengers to travel by trains.

11	77 new projects covering 9,400Km of doubling/tripling/quadrupling works proposed.	It will attract more investments in the sector and refuel growth of the sector thereby pushing it into higher trajectory, going ahead.
12	Innovation council 'Kayakalp' has been proposed	It will have a fruitful impact on modernization and upgradation of the new rail infrastructure.
13	Setting up an infrastructure fund, a holding company and a JV with an existing NBFC of a PSU with IRFC.	This would help in raising long term debt from domestic as well as overseas sources.

Source: PHD Research Bureau

10. Union Budget 2015-16 gives a boost to major initiatives of Government

The Union Budget 2015-16 has made significant announcements to give boost to recent initiatives such as Make in India and Swachh Bharat Abhiyan. The Budget has laid down a clear roadmap for promoting infrastructure development and investments in manufacturing sector and thus has shown a welcome inclination to improve the ease of doing business in India.

Make In India

Various announcements made in the Budget to give a boost to Make in India are as under-

1. Rs. 70,000 crore boost to Infrastructure Development

- Significant infrastructure rollout commitments, including 1 lakh km of road, irrigation infrastructure, housing for all have been announced as major initiatives. National fibre optic has been rolled out.
- Funding of Rs 40,000 crore for infrastructure through existing using Rs 4 of excise duty on petrol and diesel has been announced.
- The capital gains regime has been rationalised for the sponsors exiting at the time of listing of units of Real Estate Investment Trusts (REITs) and Infrastructure Investments Trusts (InvITs), subject to payment of Securities Transaction Tax (STT).
- Certain parts and components used in manufacture of wind-operated electricity generators and solar photovoltaic cells have been exempted from excise duty which is a rationalisation step since final product is exempted from duty.

2. Faster dispute resolution

- The budget provides for rationalisation of penalty provisions in customs, central excise and service tax to encourage compliance, and early dispute resolution will help improve the contract enforcement ranking in World Bank rankings.
- GAAR has been deferred for two years.
- Draft legislation replacing multiple prior permissions with a single regulatory mechanism has been proposed.

3. Implementation of GST by 2016

- Commitment to introduce GST has been reiterated by April 2016 .
- Service tax rate has been enhanced from 12% to 14% to ensure seamless transition to GST regime. However, impact areas include certain entertainment events, amusement

facilities, services provided by government to business entity, port/ airport construction, etc. on which service tax has been raised.

- Service tax exemptions/negative list pruned in light of proposed GST structure which envisages minimal exemptions.
- Addressing the inverted duty structure problem will make manufacturing in India more attractive.

4. Supply chain efficiency

- The investments in road and rail infrastructure will improve supply chain speed and efficiency, and strengthen the Make in India campaign.
- Thrust on housing is positive for related manufacturing sectors such as steel and cement that have been struggling for the last few years.

Swachh Bharat Abhiyan

Announcements made in the Union Budget 2015-16 to give a boost to Swacch Bharat Abhiyan are as under-

1. Target of building 60 million toilets has been mentioned in the Budget.
2. Provisions for 100% deduction under Section 80G of the Income Tax Act for donations made to Swachh Bharat Kosh (by both resident and non-resident Indians) and Clean Ganga Fund (by residents) have been announced.
3. Concessions from customs and excise duties on specific parts for manufacture of electrical and hybrid vehicles have been extended by one year.
4. Service tax exemption for common effluent treatment plants
5. Funding through increase in the clean energy cess from Rs 100 to Rs 200 per metric tonne of coal to finance clean environment initiatives. Increase in excise duty from 12% to 15% on bags of polymers of ethylene, other than for industrial use. Provision to levy Swachh Bharat cess of 2% or less on services has also been proposed.

Digital India Campaign

Announcements made in the Union Budget 2015-16 which would give a boost to Digital India are as follows-

- Providing reimbursements to states that roll out national optic-fibre network to 2.5 lakh villages.
- Special additional duty on import of goods used in manufacture of certain IT products exempted. Basic customs duty on certain inputs for manufacture of telecommunication grade optical fibre cables exempted.

However, no articulation of budgetary support for the vision of Digital India and no mention of smart cities which forms an integral part of the Digital India vision was mentioned in the Budget.

Announcements for Defence Sector Budget

11. Announcements for Defence Sector Budget

The allocation of Rs. 2,46,726 has been announced for the defence sector for the fiscal year 2015-16. Further, the thrust on "Make in India" by the government would mean Indian domestic industries would now not only aim at producing indigenous equipment, including aircraft, but would also export them.

The total defence spending has increased from Rs. 1,41,781 crore in the year 2009-10 to Rs. 2,03,672 crore and Rs. 2,29,000 crore in the year 2013-14 and 2014-15 respectively. Defence outlay as a percentage of total budget expenditure has declined from 13.8% in 2009-10 to 12.8% in the year 2014-15.

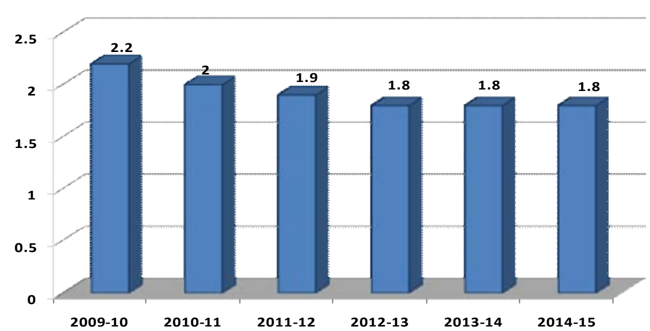
Defence outlay as a percentage of total budget expenditure

Year	Total Budget Expenditure (in Rs. Crore)	Total defence spending (in Rs. Crore)	Defence outlay as a %age of total budget expenditure
2009-10	1024487	141781	13.8
2010-11	1197328	154117	12.9
2011-12	1304365	170913	13.1
2012-13	1410372	181776	12.9
2013-14	1590434	203672	12.8
2014-15	1794892	229000	12.8

Source: PHD Research Bureau

During the last five years, defence expenditure as a percentage of GDP has decreased from 2.2% in 2009-10 to 1.8% in 2014-15.

Defence Expenditure as a percentage of GDP



Source: PHD Research Bureau

12. Economic analysis & Conclusions

The Union Budget 2015-16 is a budget for growth and competitiveness as it encourages economic and businesses' confidence with fine tuning of socio economic policies and announcement of some steady reforms. The Budget has a clear vision to put India firmly in the top League of Nations by 2022 which is 75th year of Independence. The Budget sets out a comprehensive vision for economic overhaul by revitalizing public expenditures without unduly burdening public finances, undertaking structural regulatory and fiscal reforms and encouraging private participation. Estimated GDP at 8-8.5% in 2015-16 is encouraging and it is expected that the economy may attain double digit growth trajectory in the medium term.

The Economic Survey 2014-15 also asserts that critical macroeconomic worries such as persistent inflation, higher fiscal deficit, external account imbalances and oscillating value of rupee are now behind us and the economy is set to attain sustained macroeconomic stability. Driven by its structural strengths and improving policy environment, the Indian economy is looking up and the growth prospects are bright to attain double digit growth trajectory in the coming times.

As the survey indicates the manufacturing productivity in India lags behind other nations and registered manufacturing couldn't bridge regional disparities in India, we need to address seriously the distortions in labor market, capital market, land market and skilling of our youth to become competitive. India so as to bolster the "Make in India'' initiative, requires improving infrastructure and reforming labor and land laws by complementing it with the ''Skilling India initiative. This would enable a larger section of the population to benefit from the structural transformation that such sectors will facilitate. According to the Economic Survey, cash-based transfers based on the JAM number trinity—Jan Dhan, Aadhaar, Mobile offer exciting possibilities to effectively target public resources to those who need it the most. Success in this area will allow prices to be liberated to perform their role of efficiently allocating resources and boosting long-run growth.

The significant announcement in this Union Budget has been the conscious relaxation of the fiscal discipline targets in order to channelize more funds for the creation of infrastructure. The emphasis on public sector units to step up investments in infrastructure will spur infrastructure development in the country. Further, the proposed National Investments and Infrastructure Fund with an outlay of Rs. 20,000 crore from the centre augurs well for infrastructure financing. Tax-free infrastructure bonds, on the other hand, will facilitate garnering additional investments for projects in rail, road and irrigation sectors.

The Railway Budget also seems pragmatic as it rightly focuses on cleanliness, safety and quality of life in journey. The announcement of 11 major thrust areas namely, Cleanliness, Network Expansion, Quality of life in journey, safety, station redevelopment, Technology Upgradation, Tourism, Partnerships for development, Energy and Sustainability, Resource mobilization, Social initiatives would facilitate overall development of the sector and each issue would be covered that would rejuvenate growth of the railways sector. No hike in Railway Passenger Fares is good as the economy was facing severe inflation during the last many years and will be good respite to the common man. 77 new projects covering 9,400Km of doubling/tripling/quadrupling works proposed will attract more investments in the sector and refuel growth of the sector thereby pushing it into higher trajectory, going ahead.

The Union Budget has made certain announcements that would benefit the small and medium firms such as the proposal to enhance threshold for compliance with specified domestic transfer pricing rules which will simplify compliances and curtail transfer pricing disputes. The roadmap for GST implementation before April 2016 is a potential game changer. However, the budget does not address the issues of MSMEs segment in terms of its scalability and financial problems. The high expectations on reduction in MAT have also remained unfulfilled. Increase in services tax can have impact on the ever expanding services sector trajectory as the costs of services are going to rise.

The Budget elaborates its commitment towards providing a stable and adversarial tax regime by implementing the expert committee proposals for indirect transfer taxation which is a huge step forward. Also, reforms in corporate tax structure by reducing it from 30% to 25% in the next 4 years, funds for infrastructure; rural infrastructure and agriculture credit and deferment of GARR by 2 years are good steps and would go a long way to help Indian economy grow strength to strength in the coming times. Further, the proposal to rationalize the rules for deeming a taxable presence for foreign funds in India is a major boost to the sector and shall reduce tax disputes in genuine cases.

As far as agricultural sector is concerned, allocating Rs 5,300 crore for micro-irrigation schemes would reduce the dependence of farmers on the monsoon and would facilitate the growth of agriculture sector. Further, Rs. 8.5 lakh crores of agriculture credit envisaged during the 2015-16 would help the farmers to adopt new technologies in the Agricultural crops production and diversification of the crops system.

Last but not the least, government's focus on to cut subsidies leakages is an inspiring step as the subsidies would become meaningful and fruitful & rationalized. Focus on Green India with alternative sources of energy such as target of renewable energy capacities to 175000 MW till 2022 is inspiring and would lead to help attain energy security going forward.

Looking ahead, battle to combat ‘Black Money’ by the government is welcomed and must be continued. However, due care is to be taken to ensure no misuse or harassment to honest tax payer. In a nutshell, though the Union Budget for FY2015-16 offers no Big Bang proposals, it lays down roadmap for fulfilling promises by inducing investments which will refuel growth in the coming times.

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India: Statistical snapshot

Indicators	FY09	FY10	FY11	FY12	FY13	FY14	FY15
GDP at FC - Constant prices Rs Bn	41,586	45,161	49,185	52,475	54,821	91698^	98577*
GDP at FC - Constant prices growth YOY (%)	6.7	8.6	8.9	6.7	4.5	6.6^	7.5*
GDP at MP-current prices Rs. Bn	56,300	64,778	77,841	90,097	1,011,33	1,135,50	29575*’
Agriculture growth	0.1	0.8	8.6	5.0	1.4	3.7^	1.1*’
Industry growth	4.1	10.2	8.3	6.7	0.8	1.2^	1.5*
Services growth	9.6	8.0	7.5	4.9	7.0	4.6^	5.6*
Consumption (% YOY)	7.7	8.4	8.2	8.9	5.2	4.7`	-
Private consumption (% YOY)	7.2	7.4	8.7	9.3	5.0	4.8`	-
Gross domestic savings as % of GDP	32.0	33.7	34.0	31.35	30.09	30.5`	30.6%”’
Gross Fixed Capital Formation as % of GDP	32.3	31.7	30.9	31.8	30.4	28.3	29.1**
Gross fiscal deficit of the Centre as a % GDP	6.0	6.5	4.8	5.7	4.9	4.5	4.1’’
Gross fiscal deficit of the states as a % GDP	2.4	2.9	2.1	2.4	2.3	2.2	2.3’’
Gross fiscal deficit of Centre & states as a % GDP	8.3	9.3	6.9	8.1	7.2	6.7	6.4’’
Merchandise exports (US$Bn)	183.1	178.3	250.8	305.7	300.2	312.35^	265^^^
Growth in exports	12.3	-2.6	40.6	21.9	-1.8	3.98^	2.44^^^
Imports (US$Bn)	299.3	287.6	369.4	489.1	490.3	450.94^	383.4^^^
Growth in imports (YOY)	19.8	-3.9	28.5	32.4	0.2	-8.1^	2.17^^^
Trade deficit (US$Bn)	116.2	109.3	118.6	183.4	190.1	138.6^	118.3^^^
Net invisibles US$Bn	91.6	80.0	79.3	111.6	107.5	115.0`	-
Current account deficit US$Bn	28.7	38.4	48.1	78.2	88.2	32.4^^	10.1
Current account deficit as % of GDP	2.6	3.2	2.6	4.2	4.8	1.7^^	2.1
Net capital account US$Bn	8.7	53.4	60	67.8	94.2	33.3^^	11.8
Overall balance of payments US$Bn	20.1	-13.4	-13.1	12.8	3.8	15.5^^	6.9
Foreign exchange reserves US$Bn	252	279.1	304.8	294.9	292.04	304.22	303.33 ~
External debt - Short term US$Bn	43.4	52.3	65	78.2	96.7	89.2``	86.4```
External debt - Long term US$Bn	181.2	208.7	240.9	267.5	293.4	351.4``	369.5```
External debt - US$Bn	224.5	260.9	305.9	345.8	392.1	441``	456```
Money supply growth	19.3	16.9	16.1	13.5	13.6	13.2	11.1%[&]
Bank credit growth	17.5	17.1	21.2	16.8	13.5	14	9.6[@@@]
WPI inflation	8.1	3.8	9.6	8.9	7.4	5.7[#]	-0.39[@]
CPI inflation	7	12.4	10.4	6.0	10.2	9.8	5.1[@]
Exchange rate Rs/US$ annual average	46	47.4	45.6	47.9	54.4	60.68	61.79[@@]

Source: PHD Research Bureau compiled from various sources, ^ Data pertains to 1st Revised Estimates of National Income 2013-14, *Data pertains to Advance Estimates of National Income 2014-15 from MOSPI, `Planning Commission Data Book Dec 2013, ”’Data pertains to the new Series Estimates from economic survey 2014-15, ** Data pertains to Q3, 2014-15 from Advance estimates of National income, 2014-15, MOSPI, ***Data pertains to Q2 2014-15. ^^Data pertains to India’s Balance of payment Apr-Mar 2013-14 from RBI, ^^^data pertains to April- January, 2014, ``India’s external debt end Dec 2013 from RBI, ! The money supply growth pertains to the month of November from RBI Bulletin December 2014, [#] Data pertains to Mar 2013, ~ Data as on 2 January, 2015 from RBI, [@]Data pertains to January 2015, [@@] Data as on 27 February 2015 from RBI, [@@@]Data pertains to December 2014, [#]Data pertains to November 2014, [&] Data pertains to December, 2014-15.

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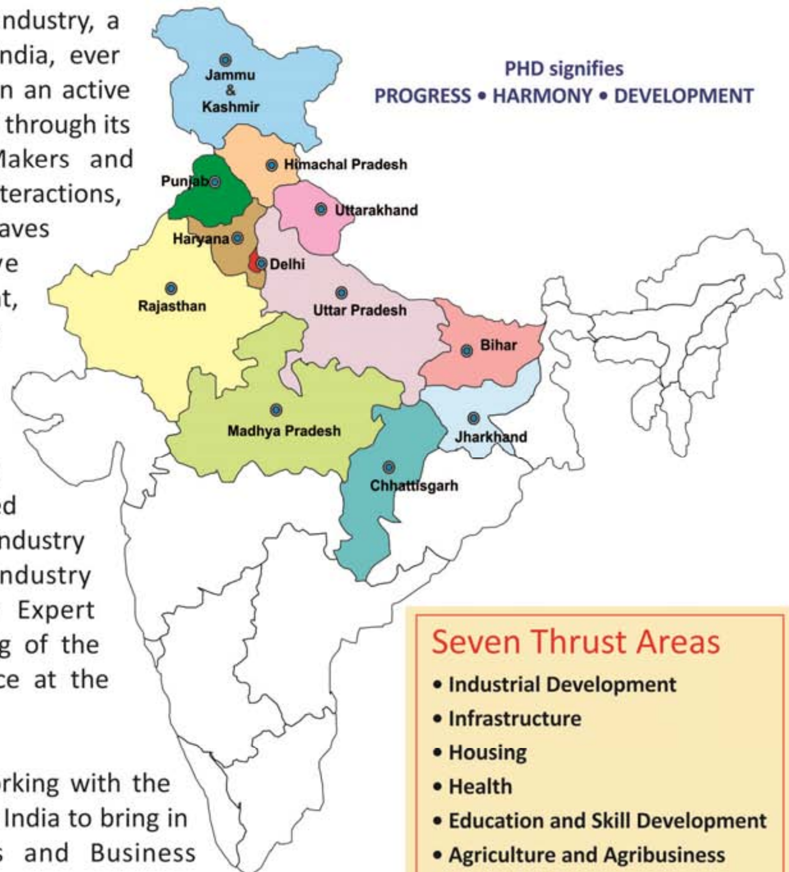

Seven Thrust Areas

- **Industrial Development**
- **Infrastructure**
- **Housing**
- **Health**
- **Education and Skill Development**
- **Agriculture and Agribusiness**
- **Digital India**

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