PHD CHAMBER

PROGRESS HARMONY DEVELOPMENT

Estd. - 1905

Budget 2016-17

Bharat ka Budget

Ground touching breakthrough

March 2016

PHD RESEARCH BUREAU

PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg New Delhi 110016

Phone: 91-11-49545454, Fax: 91-11-26855450, 26863135

Email: research@phdcci.in Website: www.phdcci.in

TechSci Research

Market Research & Consulting

Chemicals | Automotive | Consumer Products & Retail | IT & Telecom | Oil & Gas | Semiconductors & Electronics

Power | Water | Food & Agriculture Commodities | Infrastructure | Industrial Automation & Equipment

TechSci Research Pvt. Ltd.
A – 51, Sector 57, Noida, U.P., India - 201301
Ph: +91 120 452 3900 | Email: info@techsciresearch.com
www.techsciresearch.com

TechSci Research LLC
708 3RD Avenue, 6th Floor, New York, United States, 10017
Ph: +1 646 360 1656 | Email: info@techsciresearch.com
www.techsciresearch.com

Contents

Union Budget 2016-17

Bharat ka Budget

Ground touching breakthrough

1. Union Budget 2016-17: Bharat ka Budget; Ground touching breakthrough

Executive Summary

Union Budget 2016-17 has touched the ground with major focus on farm sector and rural development while taking care of key ingredients of economy. Reforms in the nine pillars of Union Budget viz. agriculture, rural sector, health sector, education skills and job creation, infrastructure and investments, financial sector reforms, governance and ease of business, fiscal discipline, and tax reform to reduce compliance burden are inspiring and will go a long way to foster a strong and sustainable growth and development of the country.

The effective implementation of the announced measures will increase resilience and mitigate the impact of global headwinds. As depicted by the Economic Survey 2015-16, the growing resilience and strength would pave the way to achieve a potential growth rate of 8 to 10% in the next couple of years. Despite the volatile global economic environment, Finance Minister has maintained fiscal deficit at 3.9% of GDP with a growth rate of 7.6% in 2015-16 and despite the burden due from 7th Pay Commission, has targeted 3.5% fiscal deficit in 2016-17.

Increase in farm incomes to drive demand

Allocation of over Rs. 87,000crore for rural development, Rs35,984crore for agriculture and farmers' welfare, Rs38,500crore for MGNREGA and Rs2.87laccrore to gram panchayats are very integrated and would generate complementarities to foster all-inclusive growth in the country.

A consolidated electronic marketplace for agricultural produce to help better price discovery of farm produce, an online marketplace to administer the MSP regime through Food Corporation of India and the creation of an electronic platform to connect veterinary scientists and breeders with farmers are significant steps to enhance farm incomes. While improvement in the quality of primary education, ensuring electric supply in all villages, health insurance schemes with better access to medical facilities and provision of LPG would go a long way to improve the standards of livings in rural India.

Budget has targeted to double farmers' income in the next five years. Several schemes on crop insurance and significant funds for investments to improve roads and irrigation networks are expected to increase farm productivity and better and net realisations of the farm sector. Improvement in the farm productivity would help demand and supply dynamics while creating demand with increased incomes and addressing supply with enhanced productivity. This will be a win-win situation for the whole economy as revival in rural demand will benefit manufacturing and services sector segments and generate employment, incomes, revenues for the Government and so will be the public spending on infrastructure and urbanisation.

Bolstering Make in India

This budget has given a momentum to make in India, to create jobs through domestic manufacturing, with proposals that make it easier to do business in India. Smaller industries which are essential to the success of the Make in India have got relief in terms of tax incentives. While allocation of Rs 2, 21,246crore and capital expenditure of Rs 2lakh crore on railways and roads will lead to creation of state of the art infrastructure for up scaling manufacturing growth. The medium term goal of the government to abolish permit-raj regime will fasten clearances and facilitate ease of doing business.

While moving towards a non-adversarial tax regime, the significant step of offering a flat 25% (+ surcharge and cess) tax regime to new manufacturing units incorporated on or after 1.3.2016 (provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation) would foster simplified tax administration while extension of SEZ scheme till 2020 would help rejuvenate the SEZs regime and facilitate exports to revive. Budget has proposed to amend section 10AA of the Income-tax Act to provide for a sunset date of 31.03.2020 for commencement of activity of manufacture or production of any article or thing or providing services by a unit located in a Special Economic Zone for availing the deduction under said section.

Startups generate employment, bring innovation and are expected to be key partners in make in India. Budget has proposed to assist their propagation through 100% deduction of profits for 3 out of 5 years for startups set up during April 2016 to March 2019. However, MAT will apply in such cases. Capital gains will not be taxed if invested in regulated/notified fund of funds and by individuals in notified startups, in which they hold majority shares.

Research is the driver of innovation and innovation provides a thrust to economic growth. Budget has provided a special patent regime with 10% rate of tax on income from worldwide exploitation of patents developed and registered in India. As well as reduced tax at 10% for global revenues generated by India-registered IPR. The move is expected to boost much needed entrepreneurship in India.

The Budget has rolled out make in India by announcing a slew of changes in indirect taxes, particularly customs and excise duties, to boost local manufacturing. Budget also proposes to roll out single window clearance for importers from key ports from coming financial year. Importers will not need separate clearances from various authorities such as plant quarantine.

The revised customs and excise duty rates would give cost benefits to key areas of make in India drive such as IT hard ware, capital goods, defence production and textiles, among others and remove the anomalies in the custom tariffs vis-a-vis inverted duty structure. Budget has tried to curb imports of mobile handset components by withdrawing customs and countervailing duty exemptions to boost local production of mobile phones. Maintenance, Repair and Overhaul (MRO) exempted completely of customs duty on spares imported for undertaking repairs. Foreign airlines can bring passengers on aircraft they send for repair in India, and those aircraft can stay for 60 days without approvals. Though all these forward moving steps are in the right direction but for manufacturing activity to increase significantly a lot more has to be done in the four factors of production including land, labour, capital and entrepreneurship (ease of doing business) to achieve 25% share of manufacturing in the GDP.

Investment cycle scene reviving

Investment cycle is expected to revive with the steps towards dispute resolution and renegotiation of old PPP projects, combined with the recapitalisation of the banking sector of Rs25, 000crore. The government has proposed to open up new avenues to overseas investors as well as promised a more conducive business environment with enhanced ease of doing business. Intent of the government is to put most items under the automatic route to reduce the time taken in getting permissions and to bring down compliances associated with FDI rules. Budget has proposed to allow 100% FDI in asset reconstruction companies under the automatic route and 49% FDI in the insurance and pension sectors.

A major push to make in India is likely to come from FDI relaxation in food products marketing, opening the doors for increased investment in food processing infrastructure and creation of large scale jobs in the sector. The share of food processing in manufacturing sector GDP is at around 9-10% which is likely to rise significantly in the coming times. Investors will be allowed to own 100% stake in businesses marketing of food products produced in India, but with clearance from the Foreign Investment Promotion Board.

Tax relief to small taxpayers to support demand

For the small taxpayers, the relief comes under Section 87A, those earning up to Rs 5 lakh a year will get a basic exemption of Rs 3 lakh. On the other hand, super-rich taxpayers earning over Rs 1 crore a year will have to shell out more as surcharge. The 10% surcharge, which was introduced in 2013 as a one-time measure, was hiked last year from 10% to 12%. This year, it has been raised to 15%. Also they will pay 1% tax for certain luxury goods and 10% tax on dividend income exceeding Rs 10 lakh in a year. But there is no change for the middle income group taxpayers and also there is no relief for senior citizens.

To revive the housing demand, the Budget reintroduced Rs50,000 additional deductions for home loan interest under Section 80EE for first-time buyers. However, the additional deduction is available only if the value of the house is up to Rs 50lakh and the loan amount is up to Rs 35 lakh. The scope of the benefit will be limited to smaller cities. Most first-time home buyers in the major metros will be left out. It will mostly benefit first-time home buyers in tier-II and tier-III cities. Those who don't get house rent allowance as part of their compensation, deduction of Rs 24,000 a year under Section 80GG been raised to Rs 60,000 a year.

On the pension front, withdrawal of up to 40% of the corpus at the time of retirement is proposed to be exempted from tax in case of the National Pension Scheme; however, earlier, the entire withdrawal was liable to tax.

Economic Survey 2015-16

Envisages promising growth outlook

2. Economic Survey 2015-16: Envisages promising growth outlook

Majorly the direction of the Economic Survey has indicated towards a healthy and a robust growth potential for India. 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 survey highlighted that India is expected to grow at a rate of 7%-7.75% in 2015-16.

State of the Economy

The global macro-economy is currently going through a slowdown and turmoil characterized by weak growth of world output. The situation has been all the more aggravated by (i) declining prices of a number of commodities, with reduction in crude oil prices being the most visible of them; (ii) turbulent financial markets (iii) volatile exchange rates.

Amidst the tough global situation, India has registered a robust and steady pace of economic growth in 2015-16. Other macroeconomic parameters like inflation, fiscal deficit and current account balance further have shown a sign of relief.

> **"This year's Survey comes against the background of an unusually volatile external environment with significant risks of weaker global activity and non-trivial risks of extreme events. Fortifying the Indian economy against possible spillovers is consequently one obvious necessity. Another necessity is a recalibration of expectations."**
>
> **-The Economic Survey 2015-16**

The Survey underlines that India's economic growth is amongst the highest in the world, helped by a reorientation of government spending toward needed public infrastructure. The Survey further states that the country's performance reflects the implementation of number of meaningful reforms. FDI has been liberalized across the board and vigorous efforts have been undertaken to ease the cost of doing business.

The survey highlighted the efforts of the government taken to uplift the socio-economic status of the nation at large. The Survey revealed creation of bank accounts for over 200 million people under Pradhan Mantri Jan Dhan Yojan (PMJDY), the world's largest direct benefit transfer programme in case of LPG with about 151 million beneficiaries receiving Rs. 29,000 crore in their bank accounts and the infrastructure being created for extending the JAM (Jan Dhan Aadhar Mobile) agenda to other Government programmes and subsidies.

The Economic survey emphasizes that the key to creating a more captive environment is to address the exit problem which affects the Indian economy. Second, the Survey calls for major investments in health and education of people to exploit India's demographic dividend to optimal extent. Third, it says that India cannot afford to neglect its agriculture.

Key figures:

In the current year, the growth in GVA is likely to increase to 7.3%, affirming the positive trends in the economy indicated by GDP. Per capita Income level in 2015-16 stands at Rs 88472 (constant prices) and at Rs. 105746 (current prices) registering a growth rate (constant prices) of 6.2% in 2015-16 (Y-O-Y). The fiscal deficit target of 3.9% of GDP seems achievable.

The growth rates in agriculture have been fluctuating at 1.5 % in 2012-13, 4.2 % in 2013-14, (-) 0.2 % in 2014-15 and a likely growth of 1.1 % in 2015-16 owing to two successive years of less than-normal monsoon rains. In 2015-16, the services sector registered a growth of 9.2 % (constant prices). Industry has shown significant improvement on account of acceleration in manufacturing while services continue to expand rapidly. The growth of Industrial sector is expected to strengthen further to 7.3 % for 2015- 16.

Economic survey 2015-16 reveals that Inflation has exhibited distinct signs of improvement. WPI inflation has remained in the negative territory since November 2014 and was (-) 2.8% in 2015-16 (April-January) as compared to 2.0 % in 2014- 15. CPI based core (non-food, non-fuel) inflation also remained range-bound, inching marginally upwards from 4.2% in March 2015 to 4.7% in January 2016. Repo rate stands at 6.75% currently. The implication is that the economy will over-perform on inflation which would clear the path for further monetary policy easing.

India exhibited a mixed picture as far as its external situation is concerned. India's exports slowed down owing to weak growth in advanced and emerging economies. Further, lower imports of petroleum, oil and lubricants were the main reason for the decline in total imports this year so far. This resulted in overall trade and current account deficits to moderate. India's foreign exchange reserves were at US$351.5 billion as on 5 February 2016 and mainly comprised foreign currency assets amounting to US$328.4 billion, accounting for about 93.4 % of the total. During 2015-16 (April-January), the average exchange rate of the rupee depreciated to Rs 65.04 per US dollar as compared to Rs 60.92 per US dollar in 2014-15 (April-January).

In the current year, the rupee values of exports and imports are both projected to decline; the former on account of the sluggish global demand and the latter due to steep decline in international crude oil prices and other commodity prices. The net exports are estimated to make a positive contribution to growth because of the expected decline in the wedge between exports and imports.

The survey indicated that the recent growth revival in India is predominantly consumption-driven which further can be boosted by increased spending from higher wages and allowances of government workers if the seventh pay commission is implemented and return of normal monsoon. At the same time, the Survey enumerates three down side risks – turmoil in global economy could worsen the outlook of exports, contrary to expectations oil prices rise would increase the drag from consumption and the most serious risk is combination of the above two factors.

Indian Economy- the way forward

As the global prospects and policy challenges still point towards a weak global recovery, the task before the government is to sustain India's achievements in a more difficult global environment as the correlation between global and Indian growth is growing significantly.

To sum up, India is bright spot in the global economic system, projected to grow at a robust pace in the times to come. Despite the global headwinds, The Indian economy stands out as a haven of macroeconomic stability, resilience and optimism and an outpost of opportunity. Its macro-economy is stable, founded on the government's commitment to fiscal consolidation and low inflation.

For a sustained growth over the next few decades requires timely implementation of the reforms agenda even though continuing sensitivity to shocks can derail growth, given that the world environment is far from conducive to sustained high growth. If the reforms agenda is implemented effectively at the grass root level, we should expect to see India progressing rapidly with increased presence in the world economic system in the coming times.

Given the fact that the government is committed to carrying the reform process forward, aided by the prevailing macroeconomic stability, India has every potential to raise the economy's growth momentum and achieve growth rates of 8% or higher in the coming years. At the same time, growth in 2016-17 may not pick up dramatically from the levels achieved in 2015-16 as the possibility of slow global economic growth and financial sector uncertainties still haunt the nation.

Union Budget 2016-17

Key Highlights

3. Union Budget 2016-17: Key Highlights

The budget is a mixed bag of meaningful announcements. The government has skilfully articulated both economic and social reforms in this year's budget. Various measures to boost demand and consumption and in turn the overall development has been carefully looked into. Along with keeping up with its fiscal target, it is a pro-agriculture pro-rural sector budget with a focus to revive rural consumption as well as provide income security to the farmers. This year's budget is an optimistic and an inclusive budget.

The major takeaways of the budget 2016-17

- **Economy –** India has achieved a robust growth despite unfavourable global conditions. The growth of the Indian economy accelerated to 7.6% in 2015-16. The CPI inflation has come down to 5.4% from 9.4% during the last three years, providing big relief to the public. The external situation of the economy has been observed to be healthy. The Current Account deficit has declined from 18.4 billion US dollars in the first half of last year to 14.4 billion this year. It is projected to be 1.4% of GDP by the end of this year. The foreign exchange reserves have been reported to be at the highest ever level of about US$ 350 billion.

  The government has decided to adhere to the fiscal targets along with ensuring that the development agenda is not compromised. The Fiscal deficit in RE 2015-16 and BE 2016-17 have been retained at 3.9% and 3.5% respectively. The Revenue Deficit target has been revised from 2.8% to 2.5% of GDP in RE 2015-16. With a total plan outlay of Rs. 706248 crores the budget has carefully articulated and covered all sectors including Rural India, taxation, Agriculture and farmer's welfare, social sector including healthcare, education skills and job creation, financial sector reforms, among others.

- **Agriculture –** The Government has decided to reorient its interventions in the farm and non-farm sectors to double the income of the farmers by 2022 for making the farmers prosperous and agriculture profitable. With re-orientation of focus from food security to income security, the total allocation for Agriculture and Farmers' welfare is Rs. 35,984 crore. For an optimal utilization of water resources Pradhan Mantri Krishi Sinchai Yojana is proposed to be implemented in mission mode and 28.5 lakh hectares will be brought under irrigation under this scheme.

  Further, fast tracking the implementation of 89 irrigation projects under AIBP and creation of a Long Term Irrigation Fund in NABARD with an initial corpus of about Rs. 20,000 crore has been proposed. The government has designed a programme for sustainable management of ground water resources with an estimated cost of Rs. 6,000 crore which will be implemented through multilateral funding. The Soil Health Card scheme will cover all 14 crore farm holdings by March 2017. A Unified Agricultural Marketing e-Platform will provide a common e-market platform for wholesale markets.

Further, allocation under Pradhan Mantri Gram Sadak Yojana has increased to Rs. 19,000 crore and allocation under Prime Minister Fasal Bima Yojana is estimated at Rs. 5,500 crore. Rs. 850 crore has been earmarked for four dairying projects - Pashudhan Sanjivani, Nakul Swasthya Patra, E-Pashudhan Haat and National Genomic Centre for indigenous breeds. Promotion of organic farming through Parmparagat Krishi Vikas Yojana and Organic Value Chain Development in North East Region is an important announcement to support the agriculture sector and provide income security to the farmers. Additionally, to reduce the burden of loan repayment on farmers, a provision of Rs. 15,000 crore has been made in the BE 2016-17 towards interest subvention.

- **Rural Sector –** The total allocation for rural sector is Rs. 87,765 crore. As per the recommendations of the 14th Finance Commission, a sum of Rs. 2.87 lakh crore has been given as Grant in Aid to Gram Panchayats and Municipalities in the budget. A sum of Rs. 38,500 crore has been allocated for MGNREGS in 2016-17. The government has proposed the Digital Literacy Mission Scheme for rural India to cover around 6 crore additional household within the next 3 years. In a bid to transform rural areas into economically, socially and physically sustainable spaces the government has announced 300 Rurban Clusters to be developed under the Shyama Prasad Mukherjee Rurban Mission. The government has put its best foot forward by announcing the 100% village electrification by 1st May, 2018. Also it has been decided to make allocation from Centrally Sponsored Schemes to reward villages that have become free from open defecation.

  Modernisation of land records to be revamped under the Digital India Initiative and will be implemented as a Central sector scheme with effect from 1st April, 2016. The government has proposed to bring every block under drought and rural distress as an intensive Block under the Deen Dayal Antyodaya Mission. In order to support the rural economy the government has decided to launch the Rashtriya Gram Swaraj Abhiyan with an allocation of Rs. 655 crore for Panchayat Raj Institutions to develop governance capabilities to deliver on the Sustainable Development Goals.

- **Industry –** The government has decided to change customs and excise duty rates on certain inputs to reduce costs and improve competitiveness of domestic industry in sectors like Information technology hardware, capital goods, defence production, textiles, mineral fuels & mineral oils, chemicals & petrochemicals, paper, paperboard & newsprint, Maintenance repair and overhauling [MRO] of aircrafts and ship repair. In order to bring big relief to a large number of assesses in the MSME category, the government has increased the turnover limit under Presumptive taxation scheme under section 44AD of the Income Tax Act to Rs. 2 crores.

  The government has announced further reforms to address the requirements of farmers and food processing industry. 100% FDI will be allowed through FIPB route in marketing of food products produced and manufactured in India. This will benefit farmers, give impetus to food processing industry and create vast employment opportunities.

- **Infrastructure –** The total outlay for infrastructure in BE 2016-17 stands at Rs. 2,21,246 crore of which a total investment in the road sector, including PMGSY allocation, is estimated to be Rs. 97,000 crore during 2016-17. Together with the capital expenditure of the Railways, the total outlay on roads and railways will be Rs. 2, 18,000 crore in 2016-17. The government expects to approve nearly 10,000 kms of National Highways in 2016-17. Government will enact necessary amendments in the Motor Vehicles Act and open up the road transport sector in the passenger segment. In the civil aviation sector, the Government is drawing up an action plan for revival of unserved and underserved airports in partnership with the State Governments. The government has also announced to provide calibrated marketing freedom in order to incentivise gas production from deep-water, ultra deep-water and high pressure-high temperature areas. Rs. 800 crore has been provided for enhancing the capacity, modernization and increasing the efficiency of major ports along with expediting the work on National Waterways.

- **Investments –** In order to diversify the sources of power generation for long term stability, the Government is drawing up a comprehensive plan, spanning next 15 to 20 years, to augment the investment in nuclear power generation with a budgetary allocation up to Rs. 3,000 crore per annum. To augment infrastructure spending further, Government will permit mobilisation of additional finances to the extent of Rs. 31,300 crore by NHAI, PFC, REC, IREDA, NABARD and Inland Water Authority through raising of Bonds during 2016-17. In order to revitalize and reinvigorate the private sector the government has announced to introduce Public Utility (Resolution of Disputes) Bill, Guidelines for renegotiation of PPP Concession Agreements and New credit rating system for infrastructure projects.

  Besides, further reforms in FDI have been announced in the areas of Insurance and Pension, Asset Reconstruction Companies, and Stock Exchanges. 100% FDI has been allowed through FIPB route in marketing of food products produced and manufactured in India and a new policy for management of Government investment in Public Sector Enterprises, including disinvestment and strategic sale, has been approved. The government has also decided to rename The Department of Disinvestment as the Department of Investment and Public Asset Management (DIPAM).

- **Financial sector–** A vibrant financial sector is of critical importance to the growth of every economy for which the government has announced a slew of reforms. The government announced a comprehensive Code on Resolution of Financial Firms to be introduced as a Bill in the Parliament during 2016-17. The RBI Act 1934, is being amended to provide statutory basis for a Monetary Policy Framework and a Monetary Policy Committee through the Finance Bill 2016. This will add value and transparency to monetary policy decisions.

  The government has decided to set up a Financial Data Management Centre to facilitate integrated data aggregation and analysis in the financial sector. The budget highlighted that RBI will facilitate retail participation in Government securities and new derivative products will be developed by SEBI in the Commodity Derivatives market. An allocation of Rs. 25,000 crore towards recapitalisation of Public Sector Banks has been made to support credit growth. For the bottom of the pyramid entrepreneurs, target amount sanctioned under Pradhan Mantri Mudra Yojana has been increased to Rs. 1,80,000 crore. General Insurance Companies owned by the Government to be listed in the stock exchanges.

- **Social Sector –** For the rejuvenation of the economy the government has allocated Rs. 1,51,581 crore for social sector including education and health care. The government has allocated Rs. 2,000 crore allocated for initial cost of providing LPG connections to BPL families which will benefit about 1 crore 50 lakh households below the poverty line in 2016-17. The New health protection scheme will provide health cover up to Rs. One lakh per family. For senior citizens an additional top-up package up to Rs. 30,000 will be provided. The government has decided to open 3,000 stores under Prime Minister's Jan Aushadhi Yojana during 2016-17, making quality medicines available at affordable prices. The government has proposed to start a National Dialysis Services Programme under National Health Mission through PPP mode. The Stand Up India Scheme announced will promote entrepreneurship among SC/ST and women for which Rs. 500 crore has been provided. This will benefit at least 2.5 lakh entrepreneurs.

The government has proposed various steps to be taken under education, skill development and job creation in the current budget. These initiatives include:-

Education- The government has announced to open 62 new Navodaya Vidyalayas, and increase focus on quality education through the Sarva Shiksha Abhiyan. A regulatory architecture will be provided to ten public and ten private institutions to emerge as world-class Teaching and Research Institutions. A Higher Education Financing Agency will be set-up with initial capital base of Rs. 1000 Crores. Digital Depository for School Leaving Certificates, College Degrees, and Academic Awards and Mark sheets has also been proposed in this year's budget.

Skill Development- As the Skill India mission seeks to capitalise India's demographic advantage, the government has allocated Rs. 1804 crore for skill development. In addition, 1500 Multi Skill Training Institutes will be set up and a National Board for Skill Development Certification to be setup in partnership with the industry and academia. The government is also making efforts to provide Entrepreneurship Education and Training through Massive Open Online Courses.

Job Creation- In order to incentivize creation of new jobs in the formal sector, Government of India will pay the Employee Pension Scheme contribution of 8.33% for all new employees enrolling in EPFO for the first three years of their employment. The government announced that deduction under Section 80JJAA of the Income Tax Act will be available to all assesses who are subject to statutory audit under the Act. 100 Model Career Centres to be operational by the end of 2016-17 under National Career Service, and Model Shops and Establishments Bill to be circulated to States.

Pension- The government has announced a withdrawal up to 40% of the corpus at the time of retirement to be tax exempted in the case of National Pension Scheme (NPS). The government has decided to leave the annuity fund which goes to legal heir as non-taxable. The government has proposed a monetary limit for contribution of employer in recognized Provident and Superannuation Fund of Rs. 1.5 lakh per annum for taking tax benefit. The government proposed to reduce service tax on Single premium Annuity (Insurance) Policies from 3.5% to 1.4% of the premium paid in certain cases.

Affordable Housing- The government announced 100% deduction for profits to an undertaking in housing project for flats up to 30 sq. metres in four metro cities and 60 sq. metres in other cities approved during June 2016 to March 2019 and completed in three years. MAT to apply. The government has announced deduction for additional interest of Rs. 50,000 per annum for loans up to Rs. 35 lakh sanctioned in 2016-17 for first time home buyers, where house cost does not exceed Rs. 50 lakh. Exemption from service tax on construction of affordable houses up to 60 square metres under any scheme of the Central or State Government including PPP Schemes has also been proposed.

- **Expenditure –** The total expenditure in the Budget for 2016-17 has been projected at Rs. 19.78 lakh crore, consisting of Rs. 5.50 lakh crore under Plan and Rs. 14.28 lakh crore under Non-Plan. The increase in Plan expenditure is in the order of 15.3% over current year BE. Plan Allocations have given special emphasis to sectors like agriculture, irrigation, social sector including health, women and child development, welfare of Scheduled Castes and Scheduled Tribes, minorities, infrastructure, etc.

- **Taxation –** Taxation is a major tool available to Government for removing poverty and inequality from the society. This year's tax proposals of the government lay thrust on measures to boost employment generation, incentivise domestic value addition to help Make in India, measures for affordable housing, and simplification and rationalization of taxation, among others.

  The government has given some relief to small taxpayers by raising ceiling of tax rebate under section 87A from Rs. 2,000 to Rs. 5,000. It has proposed to increase the limit of deduction in respect of rent paid under section 80GG from Rs. 24,000 per annum to Rs. 60,000 per annum, which should provide relief to those who live in rented houses.

  The government is committed to providing a stable and predictable taxation regime and reduce black money. For the same reason, the government has proposed that the domestic taxpayers can declare undisclosed income or such income represented in the form of any asset by paying tax at 30%, and surcharge at 7.5% and penalty at 7.5%, which is a total of 45% of the undisclosed income. Surcharge levied at 7.5% of undisclosed income will be called Krishi Kalyan surcharge to be used for agriculture and rural economy. For a transparent taxation system to prevail, penalty rates to be 50% of tax in case of underreporting of income and 200% of tax where there is misreporting of facts. In order to remove backlog of cases 11 new benches of Customs, Excise and Service Tax Appellate Tribunal (CESTAT) will be created.

For simplification and rationalization of taxes the government has abolished 13 cesses, levied by various Ministries in which revenue collection is less than Rs. 50 crore in a year. For non-residents providing alternative documents to PAN card, higher TDS will not apply. Customs Single Window Project to be implemented at major ports and airports starting from beginning of next financial year. Increase in free baggage allowance for international passengers with filing of baggage only for those carrying dutiable goods has also been proposed.

The government plans to use technology in taxation Department in a big way to make life simpler for a law abiding citizen, and for data mining to track tax evaders. The government has decided to expand the scope of e-assessments to all assesses in 7 mega cities in the coming years. e-Sahyog to be expanded to reduce compliance cost, especially for small taxpayers has also been proposed in this year's budget.

- **Governance and ease of doing business –** The government has decided to appoint a Task Force for rationalisation of human resources in various Ministries. A Comprehensive review and rationalisation of Autonomous Bodies has been proposed and a Bill for Targeted Delivery of Financial and other Subsidies, benefits and services by using the Aadhar framework will be introduced. Additionally, based on the success of DBT in case of LPG the government has proposed to introduce DBT on pilot basis for fertilizer in a few districts across the country. Also, of the 5.35 lakh Fair Price Shops in the country, automation facilities will be provided in 3 lakh Fair Price Shops by March 2017.

  Amendments in Companies Act have been proposed in order to improve enabling environment for start-ups. To help maintain stable prices of pulses Price Stabilisation Fund with a corpus of Rs. 900 crore is proposed. Further, Ek Bharat Shreshtha Bharat programme will be launched to link States and Districts in an annual programme that will connect people through exchanges in areas of language, trade, culture, travel and tourism. To remove the difficulties and impediments to ease of doing business, the government will introduce a bill to amend the Companies Act, 2013 in the current Budget Session of the Parliament.

- **Resource mobilization for agriculture, rural economy and clean environment–** The government has decide to levy additional tax at the rate of 10% of gross amount of dividend on the recipients receiving dividend in excess of Rs. 10 lakh per annum. Surcharge has been raised from 12% to 15% on persons, other than companies, firms and cooperative societies having income above Rs. 1 crore. The government has also proposed to deduct tax at source at the rate of 1 % on purchase of luxury cars exceeding value of Rs. ten lakh and purchase of goods and services in cash exceeding Rs. Two lakh. For financing initiatives for improvement of agriculture and welfare of farmers, Krishi Kalyan Cess, @ 0.5% on all taxable services, w.e.f. 1 June 2016 will be applicable.

  The excise duties on various tobacco products other than beedi have been raised by about 10% to 15%. Further, excise on readymade garments with retail price of Rs 1000 or more raised to 2% without input tax credit or 12.5% with input tax credit. The government also decided to apply Excise duty of '1% without input tax credit or 12.5% with input tax credit' on articles of jewellery [excluding silver jewellery, other than studded with diamonds and some other precious stones], with a higher exemption and eligibility limits of Rs. 6 crores and Rs. 12 crores respectively. The Clean Energy Cess levied on coal, lignite and peat has been renamed to Clean Environment Cess and rate has increased from Rs. 200 per tonne to Rs. 400 per tonne.

- **Boost employment and growth-** Based on a large number of constructive suggestions on exemptions and tax incentives the government has made some very meaningful proposals. The accelerated depreciation provided under IT Act will be limited to maximum 40% from 1.4.2017. The benefit of deductions for Research will be limited to 150% from 1.4.2017 and 100% from 1.4.2020. The benefit of section 10AA to new SEZ units will be available to those units which commence activity before 31.3.2020. The weighted deduction under section 35CCD for skill development will continue up to 1.4.2020.

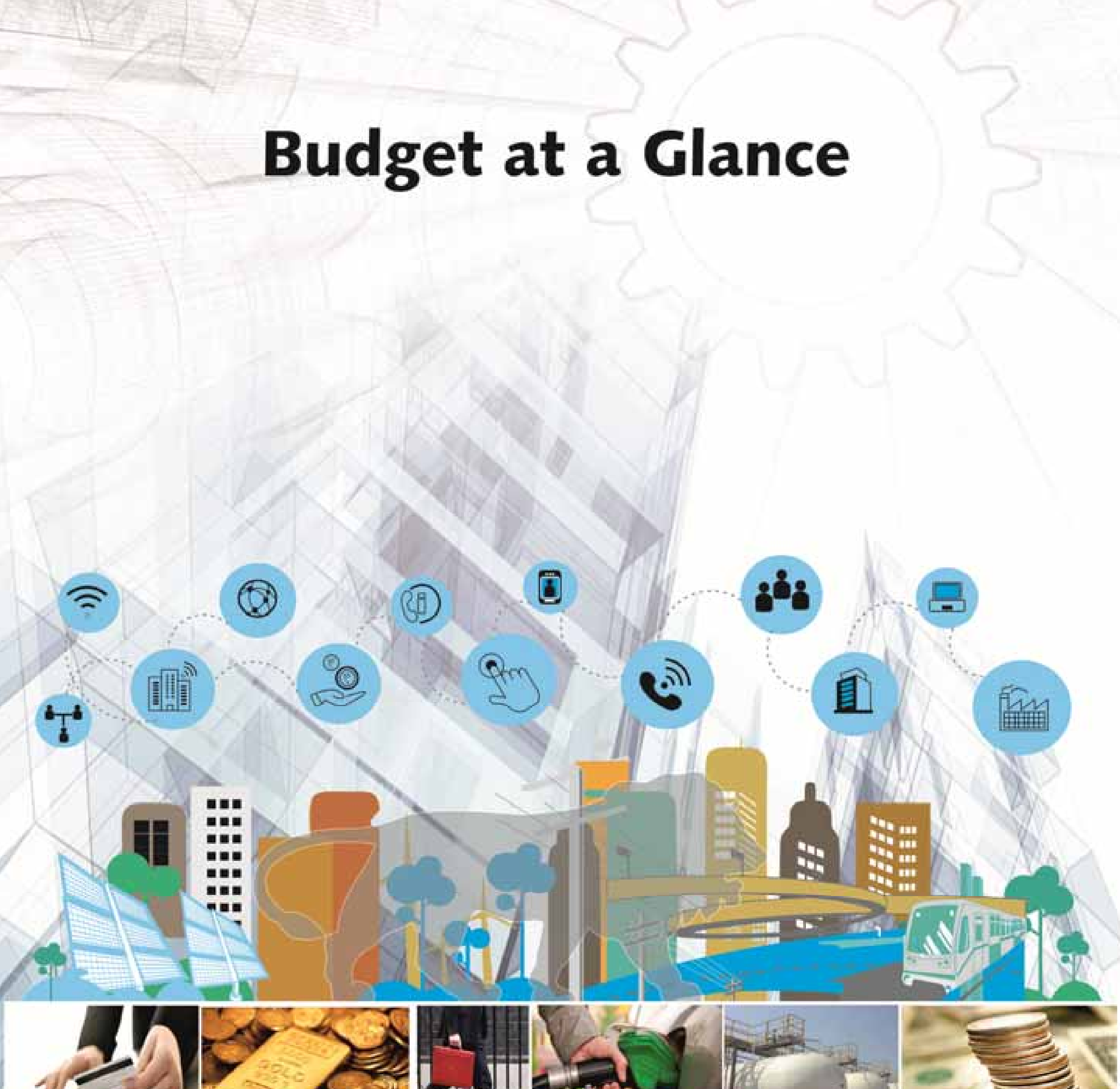
  Two changes in corporate income-tax rates include, new manufacturing companies incorporated on or after 1.3.2016 to be given an option to be taxed at 25% + surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation. Second, the proposal to lower the corporate income tax rate for the next financial year of relatively small enterprises i.e companies with turnover not exceeding Rs. 5 crore (in the financial year ending March 2015), to 29% plus surcharge and cess.

  Startups generate employment, bring innovation and are expected to be key partners in Make in India programme therefore the government proposed to assist their propagation through 100% deduction of profits for 3 out of 5 years for startups set up during April 2016 to March 2019. MAT will apply in such cases. The government is committed to implement General Anti Avoidance Rules (GAAR) from 1.4.2017.

  The government has also provided exemption of service tax on services provided under Deen Dayal Upadhyay Grameen Kaushalya Yojana and services provided by Assessing Bodies empanelled by Ministry of Skill Development & Entrepreneurship. Further, exemption of Service tax on general insurance services provided under Niramaya Health Insurance Scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability has also been proposed.

All in all, the Union Budget 2016-17 has been presented with an inclusive economic and social agenda. The budget is broad in its content and specialized and focused in its approach. The focus of the budget on rural India will go a long way to generate demand in the economy and give a push to overall growth and development of the country.

Budget at a Glance



4. Budget at a Glance

- Fiscal deficit in RE 2015-16 and BE 2016-17 retained at 3.9% and 3.5% respectively.
- Revenue Deficit target from 2.8% to 2.5% in RE 2015-16.
- Total expenditure projected at Rs. 19.78 lakh crore.
- Plan expenditure pegged at Rs. 5.50 lakh crore under Plan, increase of 15.3%.
- Non-Plan expenditure kept at Rs. 14.28 lakh crores.

Budget at a Glance (Amount in Rs. Billion)

S.No.	Particulars	2014-15 Actuals	2015-16 BE	2015-16 RE	2016-17 BE	2016-17 Y-o-Y growth %
1	**Revenue Receipts (2+3)**	**11014**	**11415**	**12060**	**13770**	**14.2**
2	Tax Revenue (Net to Centre)	**9036**	9198	**9475**	10541	**11.3**
3	Non-tax revenue	1978	2217	2586	3229	**24.9**
4	**Capital Receipts (5+6+7)**$	5622	**6359**	5793	**6010**	**3.7**
5	Recoveries of loans	**137**	107	**189**	106	**-43.9**
6	Other Receipts	377	695	253	565	**123.3**
7	Borrowings & other liabilities*	5107	5556	5350	5339	**-0.2**
8	**Total Receipts (1+4)**$	16636	**17774**	17853	**19780**	**10.8**
9	**Non Plan Expenditure**	12010	**13122**	13081	**14280**	**9.2**
10	On revenue account	11093	12060	12126	13274	**9.5**
11	Of which Interest payments	**4024**	4561	**4426**	4926	**11.3**
12	On Capital account	916	1061	955	1006	**5.3**
13	**Plan Expenditure**	4626	**4652**	4771	**5500**	**15.3**
14	On Revenue account	**3575**	3300	**3350**	4036	**20.5**
15	On Capital account	1050	1352	1421	1463	**3.0**
16	**Total Expenditure (9+13)**	16636	**17774**	17853	**19780**	**10.8**
17	**Revenue Expenditure (10+14)**	**14669**	**15360**	**15476**	**17310**	**11.9**
18	Of Which, Grants for creation of Capital Assets	1307	1324	1320	1668	**26.4**
19	Capital Expenditure (12+15)	1966	2414	2377	2470	**3.9**
20	**Revenue deficit (17-1)**	**3655**	**3944**	**3415**	**3540**	**3.7**
	as % of GDP	**2.9**	2.8	**2.5**	2.3	**....**
21	**Effective Revenue Deficit (20-18)**#	2347	2680#	2095	**1871**	**-10.7**
	as % of GDP	1.9	2	1.5	1.2	**....**
22	**Fiscal deficit {16-(1+5+6)}**	**5107**	**5556**	**5350**	**5339**	**-0.2**
	as % of GDP	4.1	3.9	3.9	3.5	**....**
23	**Primary deficit (22-11)**	1083	**995**	924	**412**	**-55.4**
	as % of GDP	0.9	0.7	0.7	0.3	**....**
24	**Nominal GDP**	**124882**	**141089**	**135671**	**150650**	**11**

Source: PHD Research Bureau complied from Budget 2016-17. Note: Individual items in this document may not sum up to the totals due to rounding off. GDP for BE 2016-2017 has been projected at Rs.150650 billion assuming 11% growth over the Revised Estimates of 2015-2016 (Rs. 135671 billion) released by CSO. #Deviation in BE 2015-16 is due to better caption of information. $Excluding receipts under Market Stabilisation Scheme. *Includes draw-down of Cash Balance. BE-Budget Estimates, RE-Revised Estimates. Y-o-Y stands for Year on year growth.

Budget 2016-17

Summary of Receipts (Amount in Rs. Billion)

S. No	Component	2014-15 Actuals	2015-16 BE	2015-16 RE	2016-17 BE	2016-17 Y-o-Y growth %
1	**Net tax revenue**	**9036**	**9198**	**9475**	**10541**	**11.3**
	Gross tax revenue	12448	14494	14596	16308	11.7
	Corporation tax	4289	4706	4529	4939	9.1
	Income tax	2657	3273	2990	3531	18.1
	Wealth Tax	10.9	....	....	.....	.....
	Customs	1880	2083	2095	2300	9.8
	Union excise duties	1899	2298	2841	3186	12.1
	Service tax	1679	2097	2100	2310	10.0
	Taxes of UTs	32	35	39	41	5.1
	Less – NCCD/ NDRF	34	56	59	64	8.5
	Less – states' share	3378	5239	5061	5703	12.7
2	**Non tax revenue**	**1978**	**2217**	**2585**	**3229**	**24.9**
	Interest receipts	238	236	231	296	28.1
	Dividend and Profits	898	1006	1182	1237	4.7
	External Grants	16	17	29	28	-3.4
	Other Non Tax Revenue	812	944	1129	1653	46.4
	Receipts of Union Territories	13	12	12	13	8.3
3	**Total revenue receipts**	**11014**	**11415**	**1206**	**13770**	**14.2**
A.	**Non debt receipts**	514	802	442	671	51.8
	Recoveries of loans & advances@	137	107	189	106	-43.9
	Miscellaneous capital receipts	377	695	253	565	123.3
B.	**Debt receipts***	4329	5436	5571	5207	-6.5
	Market loans	4530	4564	4406	4251	-3.5
	Short term borrowings	91	300	686	166	-75.8
	External assistance (net)	129	111	114	190	66.7
	Securities issued against small savings	322	224	534	221	-58.6
	State Provident Funds (net)	119	100	110	120	9.1
	Other receipts (net)	-863	135	-280	256	-191.4
4	**Total capital receipts**	**4844**	**6238**	**6013**	**5878**	**-2.2**
	Draw down of cash balance	-777	120	-220	131	-159.5
	Total receipts	16636	17774	17853	19780	10.8
	Financing of Fiscal Deficit	5107	5556	5350	5339	-0.2
	Receipts under MSS (net)	....	200	....	200	......

Source: PHD Research Bureau complied from Budget 2016-17. Note: Individual items in this document may not sum up to the totals due to repayments. BE-Budget Estimates, RE-Revised Estimates. Y-o-Y stands for Year on year growth. NCCD transferred to the National Calamity Contingency Fund/National Disaster Response Fund. *The receipts are net of repayments. @excludes recoveries of short-term loans and advances from States, loans to Government servants, etc

Summary of Expenditure (Amount in Rs. Billion)

S.No.	Particulars	2014-15 Actuals	2015-16 BE	2015-16 RE	2016-17 BE	2016-17 Y-o-Y growth %
1	**Total Expenditure (2+3)**	**16636**	**17774**	**17853**	**19780**	**10.8**
2	**Total Non Plan Expenditure**	**12010**	**13122**	**13081**	**14280**	**9.2**
	Revenue Expenditure	11093	12060	12126	13274	**9.5**
	Capital expenditure	916	1061	955	1006	**5.3**
3	**Total Plan Expenditure**	**4626**	**4652**	**4771**	**5500**	**15.3**
	Revenue Expenditure	3575	3300	3350	4036	**20.5**
	Capital Expenditure	1050	1352	1421	1463	**3.0**
4	**Central Assistance for State & UT Plans**	2708	2047	2161	2419	**11.9**
	Revenue Expenditure	2575	1903	2017	**2275**	**12.8**
	Capital Expenditure	132	144	143	143	**0.0**
5	**Budget support for central plan (3-4)**	**1918**	**2604**	**2610**	**3081**	**18.0**
	Revenue Expenditure	1000	1396	1332	**1760**	**32.1**
	Capital Expenditure	917	1208	1278	1320	**3.3**
6	**Resources of Public Enterprises**	**2290**	**3178**	**3216**	**3981**	**23.8**
	Revenue Expenditure	....	....	....	.....	.....
	Capital Expenditure	2290	3178	3216	3981	23.8
7	**Central plan (5+6)**	**4208**	**5782**	**5826**	**7062**	**21.2**
	Revenue Expenditure	1000	1396	1332	1760	32.1
	Capital Expenditure	3208	4387	4494	5301	18.0

Source: PHD Research Bureau compiled from Budget 2016-17. 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	2014-15 Actuals	2015-16 BE	2015-16 RE	2016-17 BE	2016-17 (as % GDP)
1	Major Subsidies of which	**2490**	2273	**2418**	2317	**1.5**
	Food	**1176**	1244	**1394**	1348	**0.9**
	Fertilizers	710	729	724	700	0.5
	Petroleum	602	300	300	269	0.2
2	Interest	**76**	149	**138**	155	**0.1**
3	Others	**16**	15	**21**	31	**0.02**
	Subsidy expenditure	2582	**2438**	2578	**2504**	1.7

Source: PHD Research Bureau compiled from Budget 2016-17. 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 2016-17 (BE) has been estimated at Rs. 150650 billion.

Central Plan Outlay (Amount in Rs. Billion)

S.No.	Particulars	2014-15 Actuals	2015-16 BE	2015-16 RE	2016-17 BE
1	**Economic Services**	**3648**	**4708**	**4806**	**5897**
	Agriculture and Allied Activities	97	116	109	194
	Rural Development*	12	31	30	27
	Irrigation and Flood Control	9	7	11	10
	Energy	1708	1673	1715	2058
	Industry and Minerals	440	431	455	493
	Transport**	1005	1934	1785	2298
	Communications	64	120	134	138
	Science Technology & Environment	143	190	179	209
	General Economic Services	167	203	385	466
2	**Social Services *** **	**508**	**810**	**835**	**1002**
3	**General Services**	**52**	**266**	**185**	**162**
4	**Budgetary Support for Central Plan**	**4208**	**5783**	**5827**	**7062**
	Y-o-Y growth rate				
5	**Economic Services**	**-18.2**	**29.0**	**2.1**	**22.7**
	Agriculture and Allied Activities	-44.9	19.4	-6.8	78.0
	Rural Development	-97.7	158.3	-3.2	-6.7
	Irrigation and Flood Control	125.0	-11.1	37.5	-9.1
	Energy	-6.4	-2.0	2.4	20.0
	Industry and Minerals	31.7	-2.0	5.6	8.4
	Transport	-3.4	92.4	-7.7	28.8
	Communications	-60.5	87.5	12.5	2.2
	Science Technology & Environment	5.9	32.9	-5.3	16.1
	General Economic Services	-35.6	20.8	90.1	20.7
6	**Social Services**	**-66.2**	**59.1**	**3.2**	**19.9**
7	**General Services**	**-28.8**	**411.5**	**-30.1**	**-12.9**
8	**Budgetary Support for Central Plan**	**-30.3**	**37.4**	**0.8**	**21.2**
	% of GDP				
9	**Economic Services**	**2.9**	**3.3**	**3.5**	**3.9**
	Agriculture and Allied Activities	0.1	0.1	0.1	0.1
	Rural Development	0.0	0.0	0.0	0.0
	Irrigation and Flood Control	0.0	0.0	0.0	0.0
	Energy	1.4	1.2	1.2	1.4
	Industry and Minerals	0.4	0.3	0.3	0.3
	Transport	0.8	1.4	1.4	1.5
	Communications	0.1	0.1	0.1	0.1
	Science Technology & Environment	0.1	0.1	0.1	0.1
	General Economic Services	0.1	0.1	0.1	0.3
10	**Social Services**	**0.4**	**0.6**	**0.6**	**0.7**
11	**General Services**	**0.0**	**0.2**	**0.2**	**0.1**
12	**Budgetary Support for Central Plan**	**3.4**	**4.1**	**4.3**	**4.7**

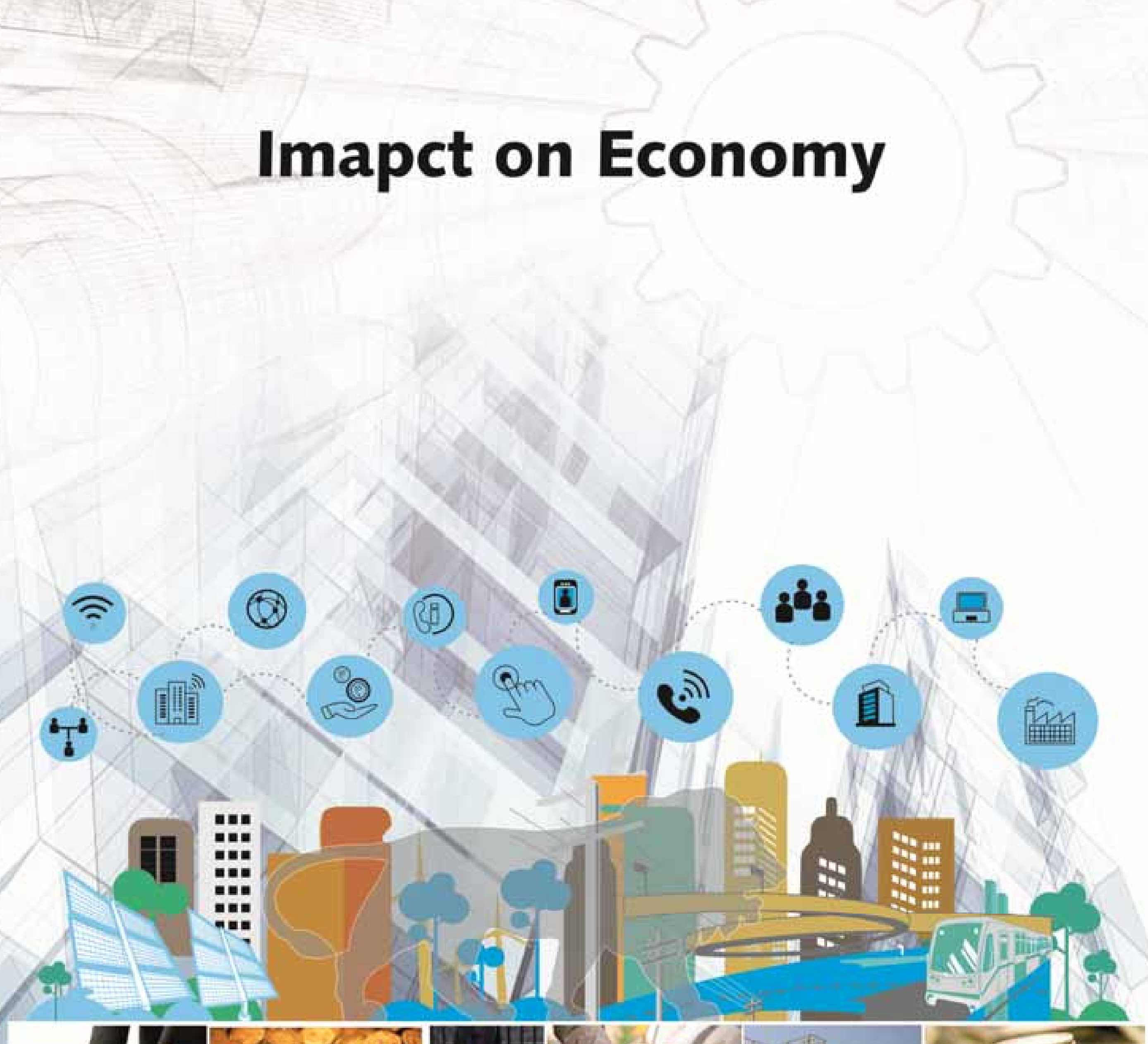
Source: PHD Research Bureau, compiled from Budget 2016-17, Note: Individual items may not sum up to the totals due to rounding off. BE-Budget Estimates, RE-Revised Estimates, and Y-o-Y - Year on year growth. Note: *Includes the provision for rural housing but excludes provision for rural roads, **Includes the provision for rural roads, ***Excludes provision for rural housing.

Resources Transferred to State and U.T. (Amount in Rs. Billion)

S.No.	Indicators	2014-15 Actuals	2015-16 BE	2015-16 RE	2016-17 BE
1	**States' share of taxes and Duties**	3378	5239	5061	5703
2	**Non-Plan Grants & Loans**	771	1086	1083	1184
	Grants	771	1085	1082	1183
	Loans	0.73	0.78	0.79	0.81
3	**Central Assistance for State & UT Plans**	2708	2196	2161	2419
	Grants	2588	2071	2036	2294
	Loans	119	125	125	125
4	**Total Grants & Loans (2+3)**	3480	3282	3244	3603
	Grants	3360	3156	3118	3477
	Loans	120	125	125	125
5	**Less-Recovery of Loans & Advances**	106	92	90	94
	Of Which				
	5.1 State Governments	105	88	86	90
	5.2 UT Governments	0.76	5	4	4
6	**Net Resources transferred to State and UT Governments (1+4-5)**	6751	8429	8215	9212
	Of Which				
	6.1 State Governments	6682	8342	8114	9113
	6.2 UT Governments	69	87	100	98
	In addition -				
	National Small Savings Fund in Special State Government Securities	481	368	591	263

Source: PHD Research Bureau, compiled from Budget 2016-17. Note: BE-Budget Estimates, RE-Revised Estimates. UT stands for Union Territories and MPLADS stands for Member of Parliament Local Area Development Scheme. * The difference of Rs. 5057 crore in UT Plan against provision made in Budget 2016-17 is on account of the provision for UT (with Legislature) being included in State Plan.

Imapct on Economy



5. Impact on Economy

The Union Budget 2016-17 focuses primarily on infrastructure development to address the manufacturing sector and steering economic growth by stimulating rural demand. The nine pillars of Union Budget viz. Agriculture, rural sector, health sector, education skills and job creation, infrastructure and investments, financial sector reforms, governance and ease of business, fiscal discipline, and tax reform to reduce compliance burden are inspiring and will not only fuel economic growth but increase India's competitiveness in the coming times.

S.No	Parameter	Announcement	Impact
1	**Macro-economic stability**	The Budget proposals aims to give an impetus to agriculture sector while maintaining fiscal discipline, measures to uplift rural India with promotion of cleanliness, special incentives for MSMEs, promote affordable housing, favourable announcements for commodity markets and stimulate health and education sector	The focus on rural and agriculture sector will push up domestic demand in times of weak global activity. Focus on affordable housing and skill development will create job opportunities and stimulate economic growth
2	**Fiscal Prudence**	The fiscal deficit in 2015-16 (Revised Estimates) and 2016-17 (Budget Estimates) has been retained at 3.9% and 3.5% of GDP respectively.	It shows government's commitment towards fiscal prudence
		Improved revenue deficit target from 2.8% to 2.5% of GDP in 2015-16 (Revised estimates)	It shows government is moving towards achieving its goal of productive spending
3	**Agriculture**	An amount of Rs. 35,984 crore allocated for agriculture and farmers' welfare.	It will increase farmers' income and stimulate rural demand thereby facilitating economic growth
		Implementation of Pradhan Mantri Krishi Sinchai Yojana in mission mode. About 28.5 lakh hectares will be brought under irrigation	It will facilitate increased agricultural productivity which will facilitate growth of the sector
		Price Stabilization Fund set up with a corpus of Rs. 900 crore	It will maintain stable prices of pulses which has been cause of worry in the recent times
		Allocation under Pradhan Mantri Gram Sadak Yojana increased to Rs. 19,000 crore in 2016-17 and will connect remaining 65,000 eligible habitations by 2019.	This will promote better road connectivity in rural areas which will lead to faster delivery of raw materials and finished goods in the economy thus reducing inflation due to supply side bottlenecks

4	**Rural Development**	An amount of Rs. 87,765 crore allocated for rural sector in 2016-2017	The focus on rural development will touch the grassroots; immense job opportunities will be created, demand will be stimulated and consumption will increase. This will steer economic growth in the coming times
		An amount of Rs. 2.87 lakh crore will be given as Grant in Aid to Gram Panchayats and Municipalities	The funds allocated will help in transforming villages and small towns
		100% village electrification targeted by 1st May, 2018. An amount of Rs. 8,500 crore has been provided for Deendayal Upadhayaya Gram Jyoti Yojna and Integrated Power Development Schemes	It will lead to the transformation of villages with improvements in standards of living
5	**Industry**	100% deduction of profits for 3 out of 5 years for eligible start-ups set up between April 2016 and March 2019, though MAT will be applicable	This will promote entrepreneurship in the economy and create an ecosystem for growth of start-ups
		Corporate tax exemptions for companies which construct affordable housing projects	It will promote affordable housing projects in the realty sector
		100% FDI to be allowed through FIPB route in marketing of food products produced and manufactured in India	It will give a boost to Make in India initiative of the government The move will benefit farmers, give a fillip to the food processing industry and create vast employment opportunities
		Sharp increase in outlays of roads. Total outlay of Rs. 2,18,000 crore in the Budget for Roads and Railways	The increased outlays for roads will further help in development of road and rail transportation in our country. This will facilitate better transportation of goods thus reducing costs for industry
		Introduction of public utility bill, guidelines for renegotiations of PPP concessions	These steps will revive and push public private partnerships
		Proposal to ease the registration processes, digitize land records and procure agricultural produce through the e-route	This will open up avenues for Start-ups
		Proposal for amendments in the Motor Vehicles Act	This will facilitate more efficient public transport facilities, greater public convenience, new investment in this moribund sector, creation of new jobs for our youth, growth of start-up entrepreneurs

Source: PHD Research Bureau

Impact on Industry

6. Impact on Industry

The thrust of the Budget 2017 proposal for Indian industry underlies in the ambitious programme of our Hon'ble Prime Minister 'Make in India'. This is reflected in various positive moves which have been announced to promote startups/new companies and MSMEs sector of the country. Furthermore new units which would commence their business before 2020 within SEZs are also tried to be incentivized by extending benefit of section 10AA to these units. While, SEZ units are not provided with highly desired exemption of MAT/DDT, which is again a discouraging factor for the SEZs developers/units. In order to provide further impetus to Make in India through participation of foreign investors, several significant moves related to FDI policy have been announced which would enable the country to acquire new technologies, global best practices and ultimately to attain global competitiveness besides attracting investments. The most important section i.e. taxation have resulted few products to be cheaper and few to be dearer. Overall, the Budget 2017 is highly focused on MSMEs and Startups which carry huge potential to take the economic growth to the next level, while big ticket companies including SEZs have not much benefitted.

Impact of several announcements on Indian industry is briefly analyzed here below :

	Industry	Announcements	Impact
1	**MSMEs**	Turnover limit under Presumptive taxation scheme under section 44AD of the Income Tax Act to 2 crores Extended the presumptive taxation scheme with profit deemed to be 50% to professionals with gross receipts up to `50 lakh	A positive step towards ease of doing business as MSMEs and professional will not require to maintain detailed accounts which is a tedious and time consuming process
2	**New manufacturing companies/ Start-ups**	New manufacturing companies incorporated on or after 1.3.2016 to be given an option to be taxed at 25% + surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation.	It will enhance overall industrial activities in the country with the entry of new companies
		Corporate tax rate for small companies having turnover less than Rs. 5 crore is reduced to 29% plus surcharge and cess	Reduction in corporate tax rate is not much significant, however it is a positive booster for small companies
		New startups, involving innovation development, set up before April 1, 2019 proposed to be provided with 100% deduction of profits for 3 out of 5 years. However, MAT will be applicable	This move will incentivize development of new technology in Indian industry.

3	**SEZs**	Benefit of section 10AA to new SEZ units will be available to those units which commence activity before 31.3.2020	This will encourage new SEZ units to expeditiously complete their projects and begin operations before 2020. While, it will be a major disincentive for SEZs developers/units when these direct benefits will be withdrawn after March 31, 2020

Source: PHD Research Bureau

Impact of Changes in excise duties/basic custom duties and Cess on key sectors

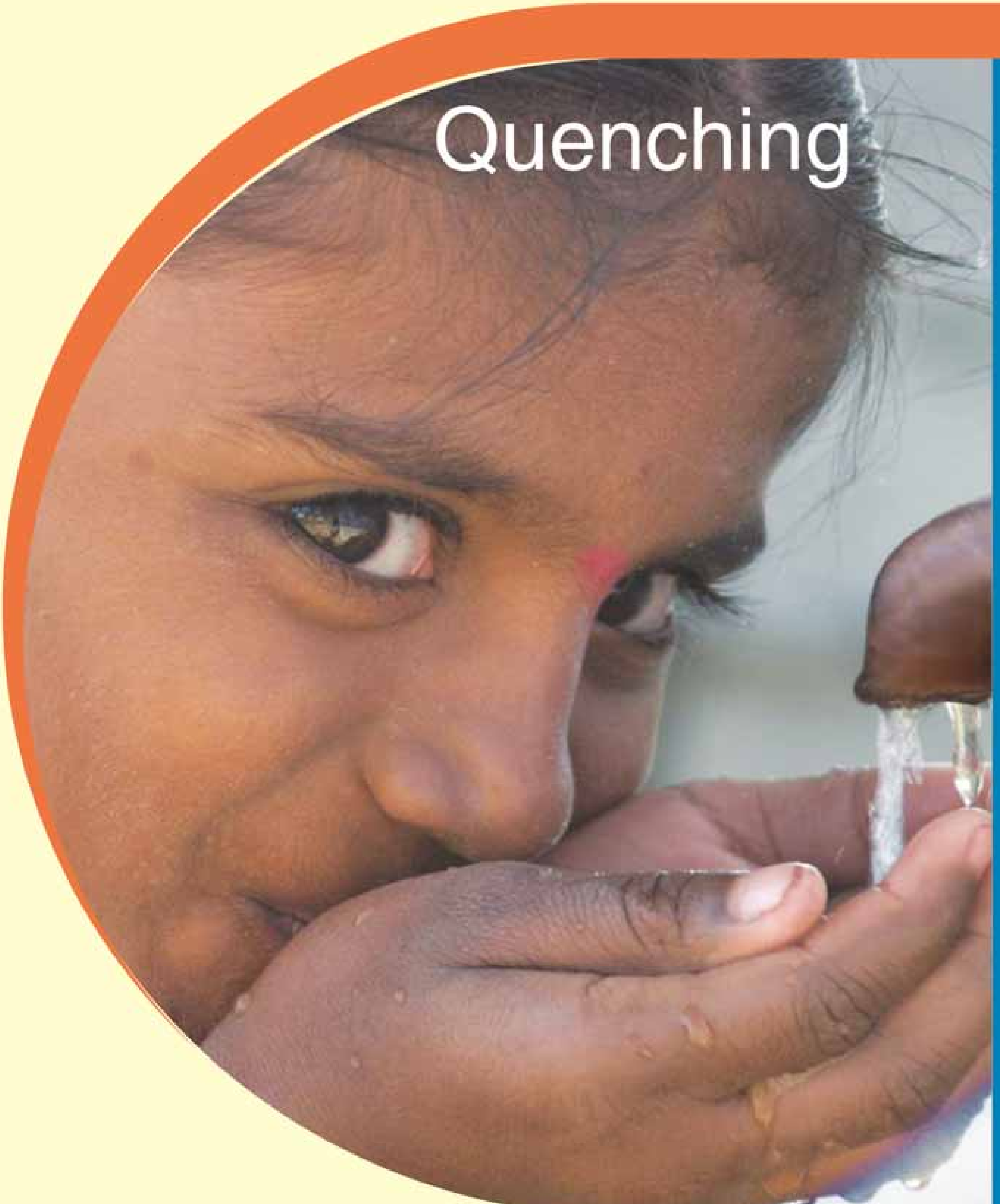
S.No	Parameter	Announcement	Impact
1	**Automobile**	Tax to be deducted at source at the rate of 1 % on purchase of luxury cars exceeding value of ten lakh and purchase of goods and services in cash exceeding ` two lakh. Infrastructure cess, of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs. No credit of this cess will be available nor credit of any other tax or duty be utilized for paying this cess.	This will escalate the prices of luxury and passenger cars, leading to decline in industry sales which is already passing through a trough phase due to global slowdown and domestic constraints.
2	**Financial**	Foreign investment up to 49% will be allowed in the insurance and pension sectors in the automatic route	It will attract more overseas investments in specified sectors
		100% FDI in Asset Reconstruction Companies (ARCs) will be permitted through automatic route & Foreign Portfolio Investors (FPIs)will be allowed up to 100% of each tranche in securities receipts issued by ARCs subject to sectoral caps.	This will help in managing bad loans of Banking sector as ARCs are facing a financial crunch due to mounting NPAs
		Investment limit for foreign entities in Indian stock exchanges will be enhanced from 5 to 15% on par with domestic institutions.	This will enhance global competitiveness of Indian stock exchanges and accelerate adoption of best-in-class technology and global market practices
3	**Food Processing**	100% FDI to be allowed through FIPB route in marketing of food products produced and manufactured in India	This move will result in entry of big global retail investors with huge funds, advanced technology and efficient processes. These benefits will finally

			result in enhancement of overall supply chain efficiency for the retail industry and reduction in wastages of produce. Furthermore, this move is a big boost to allied sectors viz. food packaging, warehousing, logistics etc.
3	**Capital Goods**	BCD on refrigerated containers reduced from 10% to 5% Excise duty on refrigerated containers reduced from 12.5% to 6%	This will encourage and enable the varied industrial sectors to set up cold chain which is much needed in the country to enhance supply chain operations
4	**Gems & Jewellery**	Excise duty of 1% without input tax credit or 12.5% with input tax credit' is levied on gold and diamond jewelry Excise and Countervailing duty (CVD) on gold dore bars increased to 9.5% and 8.75% from 9% and 8%	Imposition of these duties will severely impact jewellery production in the country, thus a huge loss to the overall gems and jewellery sector.
5	**Minerals& mineral oils**	'Clean Energy Cess' levied on coal, lignite and peat renamed to 'Clean Environment Cess' and rate increased from `200 per tonne to `400 pertonne.	This will lead to an increase in the cost of electricity and escalating cost pressure on the various industries including steel and cement.
		Export duty on iron ore reduced : I. Export duty on Iron ore fines with Fe content below 58% is reduced to Nil from 10%; II. Iron ore lumps with Fe content below 58% is reduced to Nil from 30% III. Chromium ores and concentrates, all IV. Sorts from 30% to NIL & on Bauxite from 20% to 15%	This is a welcome move for the domestic miners as they will become more competitive in international market and will be able to enhance their exports which have been decelerating continuously in recent times.
6	**Research & Innovation**	Benefit of deductions for research will be limited to 150% from1.4.2017 and 100% from 1.4.2020	This will discourage research and innovation activities at the industrial level
7	**Service Industry**	Krishi Kalyan Cess, @ 0.5% on all taxable services, w.e.f. 1 June 2016.Proceeds will be exclusively used for financing initiatives for improvement of agriculture and welfare of farmers.	This will increase compliance burden on the service providers which seems to be a regressive move for the whole service industry

8	**Textiles**	Excise on readymade garments with retail price of ` 1000 or more raised to 2% without input tax credit or 12.5% with input tax credit Basic Customs Duty on specified fibres and yarns being reduced from 5% to 2.5%	Neutral impact on the garment industry as the price hike will be passed on to the customers It will lead to decline in cost of production of varied textile products leading to enhanced competitiveness of domestic textile industry
9	**Tobacco**	Excise duties on various tobacco products other than beedi increased by about 10 to 15%.	Price hike burden of tobacco based products will be passed on to the consumers, thus it will have less impact on the manufacturers.
10	**Telecom**	BCD, CVD, SAD on charger/adapter, battery and wired headsets/speakers for manufacture of mobile phone being withdrawn	Import of these electronic components will become expensive, while it is a big boost for local manufacturing firms especially for MSMEs.

Source: PHD Research Bureau

Quenching



Performance with Purpose
The Promise of PepsiCo

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

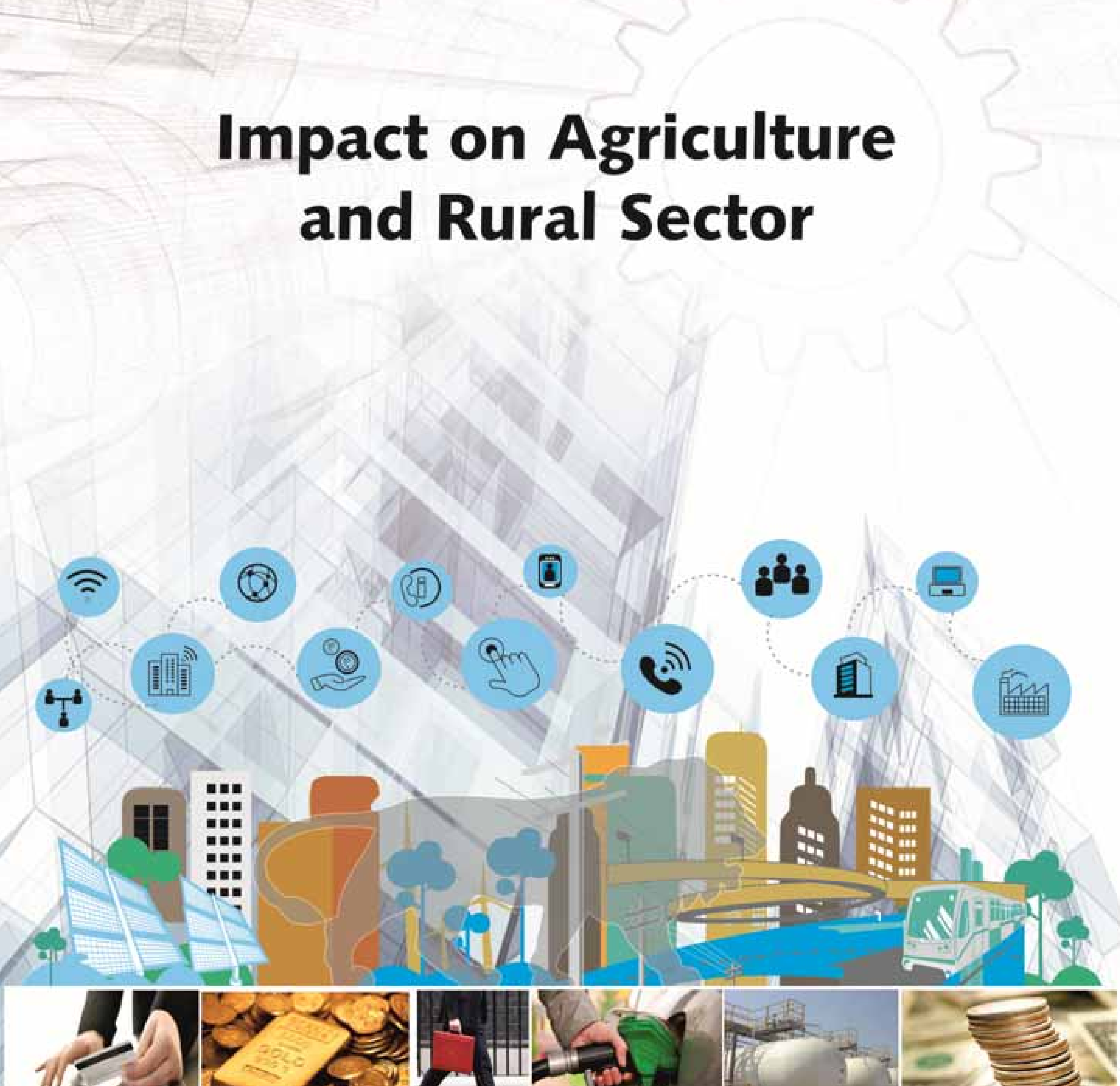
PepsiCo India continues to strengthen its partnerships with farmers across the country to boost their livelihoods by providing 360 degree support through assured buy back of their produce at pre-agreed prices, quality seeds, disease control packages, bank loans, insurance support and technological interventions.

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.

PEPSICO

Impact on Agriculture and Rural Sector



7. Impact on Agriculture and Rural Sector

The budget has unveiled a big focus on revival of agricultural sector, push to rural demand and increase farmers' income in the coming times which would go a long way to generate demand in the economy and give a push to overall growth and development of the country. Some of the key areas focused in the budget are creation of unified agricultural marketing e platform, strengthening irrigation facilities, promotion of soil health cards on a mission mode basis, promoting organic farming, enhancing credit for farmers, focus on animal husbandry and diary sector, crop insurance, improving weather road connectivity in rural areas, etc.

7.1 Impact on Agriculture

S.No	Parameter	Announcement	Impact
1	**Agriculture and farmers' welfare**	An amount of Rs. 35,984 crore allocated for agriculture and farmers' welfare.	The budget provisions for an allocation of Rs. 35,984 crore will focus on optimal utilisation of water resources, create new infrastructure for irrigation, conserve soil fertility with balanced use of fertilizer and provide value addition and connectivity from farm to markets.
2	**Pradhan Mantri Krishi Sinchai Yojana**	Implementation of Pradhan Mantri Krishi Sinchai Yojana in mission mode. About 28.5 lakh hectares will be brought under irrigation.	Irrigation system will be strengthened and will facilitate in increasing agricultural productivity.
3	**Long Term Irrigation Fund**	Long Term Irrigation Fund will be created in National Bank for Agriculture and Rural Development (NABARD) with an initial corpus of about Rs. 20,000 crore	This will build stronger irrigation facilities for agricultural and rural development
4	**Ground water resources**	Programme for sustainable management of ground water resources with an estimated cost of Rs. 6,000 crore will be implemented through 3 multilateral funding	It will ensure optimal utilisation and management of ground water resources will be promoted.
5	**Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)**	At least 5 lakh farm ponds and dug wells in rain fed areas and 10 lakh compost pits for production of organic manure will be taken up under MGNREGA	It will promote production of organic manure, facilitate agricultural productivity and generate employment opportunities.

6	**Soil Health Card Scheme**	Soil Health Card scheme will cover all 14 crore farm holdings by March 2017. An amount of Rs. 368 crore has been provided for National Project on Soil Health and Fertility	This will facilitate farmers get information about nutrient level of the soil and can make judicious use of fertilizers
7	**Fertilizer**	2,000 model retail outlets of Fertilizer companies will be provided with soil and seed testing facilities during the next three years	This will faciliate functioning of fertiliser companies
8	**Parmparagat Krishi Vikas Yojana and Organic Value Chain Development**	Parmparagat Krishi Vikas Yojana and Organic Value Chain Development in North East Region to promote organic farming with an allocation of Rs. 412 crore for both schemes.	This step will boost crop yields in rain fed areas and promote exploring domestic and export markets for organic produce.
9	**Pulses**	Under National Food Security Mission an amount of Rs. 500 crore allocated to pulses.	This Mission will incentivise pulses production in the country
10	**Unified Agricultural Marketing e-Platform**	Implementation of Unified Agricultural Marketing e Platform to provide a common e- market platform for wholesale markets on 14th April 2016.	It will promote accessibility of farmers with markets, provide better price discovery, improve supply chain, reduce wastages, encourage agricultural marketing and will result in boosting farmers' income.
11	**Pradhan Mantri Gram Sadak Yojana**	Allocation under Pradhan Mantri Gram Sadak Yojana increased to Rs. 19,000 crore in 2016-17 and will connect remaining 65,000 eligible habitations by 2019.	It will promote weather road connectivity in rural areas of the country and generate employment opportunities in the road construction sector. Improved connectivity will also spur faster delivery of raw materials and finished goods in the economy.
12	**Agricultural credit**	The target proposed for agricultural credit in 2016-17 will be an all-time high of Rs. 9 lakh crore.	This step will faciliate flow of credit to farmers. Availability of credit will help farmers make investments in creating assets to generate output and income through deploying science, technology and modern methods of business management.
13	**Interest subvention**	A provision of Rs. 15,000 crore has been made in the budget estimates 2016-17 towards interest subvention.	The burden of loan repayment on farmers will be minimized.

14	**Minimum support price (MSP)**	Three specific initiatives will be taken up in 2016-17 i.e. the remaining States will be encouraged to take up decentralized procurement, an online procurement system will be undertaken through the Food Corporation of India and effective arrangements have been made for pulses procurement	This will facilitate the benefit of MSP reaches to farmers. Online procurement system will usher in transparency and convenience to the farmers through prior registration and monitoring of actual procurement.
15	**Prime Minister Fasal Bima Yojana**	An amount of Rs. 5,500 crore allocated under Prime Minister Fasal Bima Yojana .	This will enhance protection of farmers against the adverse consequences of natural calamities
16	**Animal husbandry and Dairy sector**	An amount of Rs. 850 crores allocated for four new dairying projects such as Pashudhan Sanjivani- an animal wellness programme and Nakul Swasthya Patra- provision of Animal Health Cards, Advanced breeding technology, creation of E-Pashudhan Haat, an e market portal for connecting breeders and farmers and a National Genomic Centre for indigenous breeds.	This will provide boost to allied sectors such as animal husbandry and dairy sector. This will result in augmenting productivity and farmers' profitability.

Source: PHD Research Bureau

7.2 Impact on rural sector

S.No	Parameter	Announcement	Impact
1	**Rural sector**	An amount of Rs. 87,765 crore allocated for rural sector in 2016-2017	The focus on improving irrigation and productivity, rural infrastructure and providing a safety-net for farmers through the credit and insurance schemes is expected to revive rural demand and improve linkages in the agri-food value chain, and also allow consumer goods firms easier access to rural markets.
2	**Gram Panchayats and Municipalities**	An amount of Rs. 2.87 lakh crore will be given as Grant in Aid to Gram Panchayats and Municipalities as per the recommendations of the 14th Finance Commission.	The funds allocated will help in transforming villages and small towns.

3	**Deen Dayal Antyodaya Mission, formation of SHGs and CFT**	Every block under drought and rural distress will be taken up as an intensive Block under the Deen Dayal Antyodaya Mission, formation of Self Help Groups (SHGs) will be speeded up and Cluster Facilitation Teams (CFT) will be set up under MGNREGS	This will result in minimsing rurual distress, promote multiple livelihoods and promote water conservation and natural resource management.
4	**Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)**	A sum of Rs. 38,500 crore allocated for MGNREGS in 2016-17	This will facilitate employment generation in rural areas and expected to provide an additional safety net for the rural workforce during the non-harvest season.
5	**Village electrification**	100% village electrification to achieve by 1st May, 2018. An amount of Rs. 8,500 crore has been provided for Deendayal Upadhayaya Gram Jyoti Yojna and Integrated Power Development Schemes	This will improve rural infrastructural scenario particularly energy infrastructure.
6	**Swachh Bharat Abhiyan**	Amount of 9,000 crore has been provided for Swachh Bharat Abhiyan	This will promote sanitation and cleanliness in rural India
7	**Rurban Clusters**	300 Rurban Clusters will be developed under the Shyama Prasad Mukherjee Rurban Mission	This will promote infrastructure amenities and market access for the farmers in the rural areas.
8	**Digital literacy**	New Digital Literacy Mission Scheme and Digital Saksharta Abhiyan (DISHA)for rural India	This will promote digital literacy in rural India
9	**National Land Record Modernisation Programme**	National Land Record Modernisation Programme will be implemented with effect from 1st April, 2016.	This scheme will build an integrated land information management system. Promoting modernisation of land record is critical for dispute free titles.
10	**Foreign Direct Invetsment (FDI)**	100% FDI will be allowed through Foreign Investment Promotion Board (FIPB) route in marketing of food products produced and manufactured in India.	This will provide benefit to farmers, give impetus to food processing industry and create vast employment opportunities

Source: PHD Research Bureau

Impact on Consumers

8. Impact on consumers

Union Budget 2016-17 has announced various measures to stimulate demand of rural consumers and thereby estimated to result in boosting demand for commercial vehicles, tractors, two wheelers and passenger vehicles in rural economy. Further, branded readymade garments, non-silver jewellery, cigarette and tobacco products, luxury vehicles, mobile phones, e-readers, tablets, bottled water and soft drinks, air travel expenses are likely to cost more for consumers. On the other hand items such as footwear, routers, broadband modems, set-top boxes, digital video recorder (DVR)/network video recorder (NVR), CCTV camera, microwave ovens are likely to become cheaper on account of reduction in various duties structure.

S.No	Parameter	Announcement	Impact
1	**Branded readymade garments**	Excise duty on branded readymade garments and made up articles of textiles with a retail sale price of Rs. 1,000 and above changed to 2% without input tax credit or 12.5% with input tax credit.	This will cause the branded garments to become expensive as excise duty raised
2	**Jewellery**	Excise duty of 1% without input tax credit or 12.5% with input tax credit on articles of jewellery (excluding silver jewellery, other than studded with diamonds and some other precious stones) imposed, with a higher exemption and eligibility limits of Rs. 6 crores and Rs. 12 crores respectively.	Non-silver jewellery will become dearer
3	**Tobacco and tobacco products**	Excise duties increased on various tobacco products other than beedi by about 10 to 15%	Cost of cigarette and tobacco products to increase and it will discourage consumption of tobacco and tobacco products
4	**Footwear**	Excise duty on rubber sheets and resin rubber sheets for soles and heels being reduced from 12.5% to 6%.	Footwear is likely to get cheaper
5	**Luxury vehicles**	Tax collection at source at the rate of 1% on purchase of luxury cars exceeding value of Rs.10 lakh and purchase of goods and services in cash exceeding Rs.2 lakh.	Luxury vehicles to become costlier
6	**First-Home buyers**	Deduction for additional interest of Rs. 50,000 per annum for home loans up to Rs. 35 lakh sanctioned provided the value of the house does not exceed Rs. 50 lakh for 2016-17	Demand in housing sector will increase and may also result in picking up demand for consumer and household goods.

7	**Electronics**	Countervailing duty (CVD) at 12.5%, Special Additional Duty (SAD) at 4% and applicable basic customs duty on charger or adapter, battery and wired headsets or speakers for manufacture of mobile phone has been proposed. BCD on E-Readers being increased to 7.5% and SAD on populated PCBs of mobile phone/tablet computer proposed at 2%	Mobile phones, e-readers and tablet prices set to rise
8	**Routers, broadband modems, set-top boxes, , DVR/NVR, CCTV camera**	Parts and components, subparts for manufacture of Routers, broadband modems, set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR)/network video recorder (NVR), CCTV camera/IP camera, lithium ion battery [other than those for mobile handsets] being exempted from BCD, CVD and SAD	Routers, broadband modems, set top boxes, DVR, NVR, CCTV cameras are likely to get cheaper
9	**Petrol/LPG/CNG cars**	Infrastructure cess, of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs.	This will impact the sale of vehicles as they become costlier.
10	**Automobiles**	Budget allocated an amount of Rs. 87,765 crore for rural sector to boost their income and demand	Various measures announced to boost incomes of rural sector is expected to increase demand in rural segment for Commercial vehicles, tractors, two wheelers and passenger vehicles.
11	**Packaged water and soft drinks**	Excise duty on waters including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored being increased from 18% to 21%	Consumers will have to pay more for bottled water and soft drinks as excise duty on them have increased.
12	**Service Tax**	Service tax will increase to 15% including proposed Krishi Kalyan Cess, at 0.5% on all taxable services, w.e.f. 1st June 2016	Services of beauty parlour, courier, telecommunication service, restaurant bills, air tickets, cable and direct to home connections, etc to become costlier.
13	**Air travel**	Excise duty on Aviation Turbine Fuel increased from 8% to 14% other than for supply to Scheduled Commuter Airlines (SCA) from the Regional Connectivity Scheme Airports	Air travel expenses will become expensive.

14	**Microwave ovens**	Exempted from Basic Customs Duty	Microwave ovens are likely to become cheaper as a key component, magnetron, has been exempted from basic custom duty as compared to 10% earlier.
15	**Small and medium shops can remain open for full week**	Proposed to circulate Model Shops and Establishments Bill. The budget proposes that the small and medium shops should be given the choice to remain open on all seven days of the week on voluntary basis.	This will promote convenience for consumers and generate more business opportunities for retailers and boost employment.
16	**Housing**	Service Tax on services in respect of construction services under Pradhan Mantri Awas Yojana (PMAY), construction projects under "Affordable housing in partnership" component of PMAY, subject to carpet area of dwelling units of such projects not exceeding 60 square metres; and low cost houses up to a carpet area of 60 square metres per house in a housing project under any housing scheme of the State Government. being exempted, with effect from 01.03.2016	This will provide impetus to housing demand in the economy

Source: PHD Research Bureau

Impact on Socio-economic segments

9. Impact on Socio-economic segments

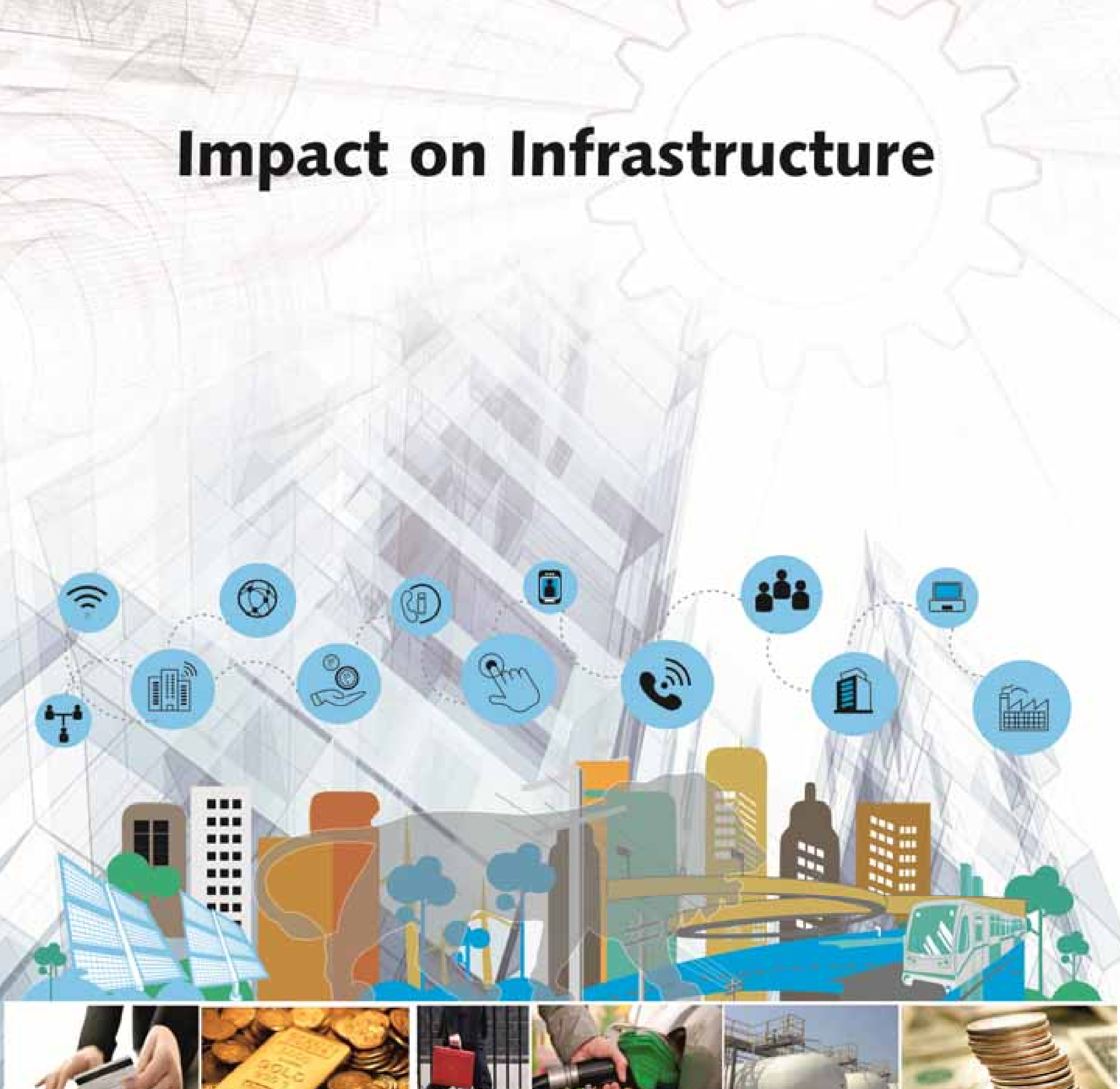
The Union Budget 2016-17 has touched the ground as it focuses on rural development and generation of employment. The Budget primarily focuses on upliftment of socio-economic segments. This would give a push to domestic demand and refuel economic growth along with all inclusive development.

S.No	Parameter	Announcement	Impact
1	**Rural Development**	Rs. 87,765 crore allocated for rural development	Rural development shall generate greater job opportunities and give impetus to demand generation and growth.New markets will be created for businesses thus benefitting industry sector
		Rs. 19,000 crore allocated for Pradhan Mantri Gram Sadak Yojana	Increased rural connectivity that will develop villages and also develop new markets for businesses
		Rs. 8500 crore allocated for Rural Electrification	This will cover more than 13,500 villages yet to get electricity
		Allocation of Rs 2.87 lakh crore to Gram Panchayats	It will help in growth and development at the grassroots of villages
		New scheme Rashtriya Gram Swaraj Abhiyan proposed with allocation of Rs. 655 crore	This will enhance capabilities of Panchayats
		Awards for villages that have become free from open defecation	This will reduce diseases in villages and also improve standards of living of villagers
2	**Welfare of farmers**	Krishi Kalyan Cess of 0.5% to help fund farmers' welfare	Farmers will benefit in terms of getting finance for agriculture activities. However, the service tax will increase, leading to outgo for individuals on taxable services.
		Rs. 2,000 crore for LPG connections to women of poor households	Positively influence the economically weaker sections of the society as the scheme will benefit 15 million households below poverty line in 2016-17 and will cover 50 million households over the next 2 years.

3	**Education**	Higher Education Financing Agency (HEFA) with an initial capital base of Rs. 1,000 crores	This will facilitate improvement in infrastructure of top institutions
		Government to establish a Digital Depository for School Leaving Certificates, College Degrees, Academic Awards and Mark sheets	This will bring transparency in the education system
		10 Public and 10 Private institutions to emerge as world-class Teaching and Research institutions	It will strengthen education system in the country and facilitate Research and Development
		Rs. 22,500 crores allocated to Sarva Shiksha Abhiyan	It will strengthen school education
		Rs. 5755 crores allocated to technical education	High spends likely to improve quality of pass-outs
4	**Employment**	Significant amount of Rs. 38,500 crore allocated to MGNREGA for FY17	This is likely to double the income of farmers, increase demand and consumption in rural areas and will stimulate economic growth
		Government to pay Employee Pension Scheme contribution of 8.33% for all new employees enrolling in EPFO for the first three years of their employment	This will incentivize creation of new jobs in the formal sector. Further, unemployed persons will get employment opportunities and informal employees will also be brought into books
5	**Health**	New health protection scheme will provide health cover up to Rs. 1 lakh per family.	This step is advantageous for people as it will provide aid to public given the unavailability of comprehensive social security in the economy.
		For senior citizens an additional top-up package up to Rs. 30,000 will be provided.	This will help reduce the burden of health care expenditure for the aged.
6	**Skill development**	Setting up of 1500 multi skill training institute	This will help the economy to reap its demographic dividend
		62 new Navodaya Vidyalayas will be opened	This will facilitate skill development of youth and enhance employability
7	**All inclusive development**	Rs. 500 crore allocated to “Stand Up India Scheme”	It will promote entrepreneurship among SC/ST and women
		National Scheduled Caste and Scheduled Tribe Hub in the MSMEs Ministry to be set up in partnership with industry associations	This will give a boost to Stand Up India Scheme and facilitate upliftment of marginalized sections of the society and promote all inclusive growth and development

Source: PHD Research Bureau

Impact on Infrastructure



10. Impact on Infrastructure

Economic development depends heavily on availability of adequate and state of the art infrastructure. It is widely acknowledged that infrastructure deficit is by far one of the most binding constraints to accelerating growth. The total outlay for infrastructure stands at Rs. 2,21,246 crore for 2016-17. The budget rightly focuses on creation of state of the art infrastructure which is much needed for upscaling manufacturing growth and fuelling economic growth in the coming times.

S.No	Parameter	Announcement	Impact
1	**Roadways and Railways**	Sharp increase in outlays of roads. Total outlay of Rs. 2,18,000 crore in the Budget for Roads and Railways	Increased outlays for roads will further help in development of road and rail transportation in our country. This will facilitate better transportation of goods thus reducing costs for industry
		Road construction activity to be stepped up	This will improve road infrastructure and facilitate better movement of goods and services.
		Proposal for amendments in the Motor Vehicles Act	This will facilitate more efficient public transport facilities, greater public convenience, new investment in this moribund sector, creation of new jobs for our youth, growth of start-up entrepreneurs
2	**Public Private Partnership**	Introduction of public utility bill, guidelines for renegotiations of PPP concessions	These steps will revive and push public private partnerships
3	**Infrastructure financing**	Exemption of DDT for REITs and INVITs	This will offer commercial developers a liquidity option and retail investors an opportunity to participate in realty market's growth.
		LIC to set up dedicated fund to provide credit enhancement for infrastructure projects	This will provide for contingencies in time overrun for viable infrastructure projects
4	**Real Estate**	Additional exemption of Rs. 50,000 for housing loans up to Rs. 35 lakh, provided cost of house is not above Rs. 50 lakh	Real estate sector to get a boost which will create employment opportunities and generate demand in the economy. However, given the cap of Rs. 50 lakhs, the impact of this scheme on demand for houses in metros and Tier 1 cities is expected to be limited
		Income distribution by SPV to REIT exempted from dividend distribution tax (DDT)	Likely to support the funding needs of real estate players, especially those focused on commercial estate space

5	**Affordable Housing**	Affordable housing projects that meet various conditions including on unit size exempted from income tax and service tax	Expected to increase the supply of affordable houses in the market
		100% deduction for profits to an undertaking from a housing project for flats upto 30 sq. metres in four metro cities and 60 sq. metres in other cities, approved during June 2016 to March 2019, and is completed within three years of the approval.	This will encourage participation of developers in the affordable housing segment. Further, the timeliness of delivery of projects will get a boost.
6	**Ports**	Rs. 800 crore allocated. Plan to develop new Greenfield ports both in the eastern and western coasts of the country.	This will enhance port infrastructure and improve connectivity thus facilitating ease of doing business in the economy
7	**Civil Aviation**	Revival of unserved and underserved airports	This will facilitate growth of the sector and reduce excess burden on ports and roads
8	**Energy**	Budgetary allocation up to Rs.3,000 crore per annum, together with public sector investments, to be leveraged	This will increase investments in the sector and generate more power to meet the energy requirements of industry
		Clean energy cess increased from Rs. 200 to Rs. 400 per metric tonne of coal.	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.
		100% village electrification by 1st May 2018	Electrification of villages will help in development of rural areas of the country.

Source: PHD Research Bureau

Impact on Banking and Financial Sector

11. Impact on Banking and Financial sector

Union Budget 2016-17 has laid stress on developing a vibrant financial sector, which is of critical importance to the growth of every economy. Key measures announced to improve the functioning of financial and banking sectors are recapitalisation of public sector banks with an amount of Rs. 25,000 crore, proposed code on resolution of financial firms, creation of comprehensive central legislation to curb illicit deposit taking schemes, improvement in access to financial services, listing of general insurance companies in the stock exchanges, focus on deepening functioning of corporate bond market, etc.

S.No	Parameter	Announcement	Impact
1	**Recapitalisation of Public Sector Banks**	Amount of Rs 25,000 crore allocated towards recapitalisation of Public Sector Banks	This will provide marginal relief to the public sector banks suffering with non-performing assets or bad debts.
2	**Bankruptcy situations**	Code on Resolution of Financial Firms will be introduced as a Bill in the Parliament during 2016-17	This will provide a specialised resolution mechanism to deal with bankruptcy situations in banks, insurance companies and financial sector entities.
3	**Monetary Policy framework**	The RBI Act 1934, is being amended to provide statutory basis for a Monetary Policy framework and a Monetary Policy Committee through the Finance Bill 2016.	The committee based approach will add more value to monetary policy decisions.
4	**Bank Board Bureau**	Bank Board Bureau will be operationalized during 2016-17 and a roadmap for consolidation of Public Sector Banks will be spelt out.	This will improve overall functioning of public sector banks.
5	**Financial Data Management Centre**	Financial Data Management Centre to be set up	This will facilitate integrated data aggregation and analysis in the financial sector
6	**Retail participation in Government securities**	RBI to facilitate retail participation in Government securities	This will encourage retail investors participation in government securities
7	**Derivative products**	New derivative products will be developed by Securities and Exchange Board of India (SEBI) in the Commodity Derivatives market.	This will act as a catalyst for growth of commodities market

8	**Corporate Bond Market**	A dedicated fund to provide credit enhancement to infrastructure projects, Electronic auction platform will be introduced, guidelines to be issued by RBI on encouraging large borrowers to access a certain portion of their financing needs through market mechanism instead of the banks , unlisted debt securities and pass through securities issued by securitisation Special Purpose Vehicles (SPVs) to be added in Investment basket of foreign portfolio investors, establishment of information repository for corporate bonds and framework for an electronic platform for repo market to be developed.	These measures will facilitate deepening of corporate bond market and provide a major boost to the development of the corporate bond market in India
9	**SARFAESI Act 2002**	Amendments in the SARFAESI Act 2002 to enable the sponsor of an Assest Reconstruction Company (ARC) to hold up to 100% stake in the ARC and permit non institutional investors to invest in Securitization Receipts.	This will help in tackling problem of stressed assets in the banking sector
10	**Comprehensive Central legislation**	Comprehensive Central Legislation to be bought to deal with the menace of illicit deposit taking schemes.	This will protect people in various parts of the country being defrauded by illicit deposit taking schemes.
11	**Pradhan Mantri Mudra Yojana (PMMY)**	Amount sanctioned under Pradhan Mantri Mudra Yojana stands at Rs. 1,80,000 crore	This will promote growth of micro enterprises.
12	**Access to financial services**	Proposed to rollout of ATMs and Micro ATMs in Post Offices over the next three year in rural areas	This will enhance better access to financial services in rural areas
13	**General insurance companies**	General insurance companies owned by the Government will be listed in the stock exchanges.	This will diversify the basket of available investment opportunities in the capital markets.
14	**Non-banking financial companies (NBFCs)**	Deduction to the extent of 5% of its income in respect of provision for bad and doubtful debts.	This will facilitate non-banking financial companies

15	**Regulatory services**	Service tax on the regulatory services provided by Securities and Exchange Board of India and Insurance Regulatory Development Authority being exempted, with effect from 01.04.2016.	This will support the services provided by financial regulators
16	**Services provided by IRDA**	Service tax on services provided by Insurance Regulatory and Development Authority of India (IRDA), being exempted, with effect from 01.04.2016.	This will support the services provided by insurance regulators.
17	**Sovereign Gold Bond**	Capital gains tax shall not be charged on redemption by an individual of Sovereign Gold Bond	This will give boost to sovereign gold bold scheme in the economy
18	**Mutual fund scheme**	It is proposed to provide that any transfer of units in merger or consolidation of plans of a mutual fund scheme shall be exempted from capital gains tax	This will benefit the investors of mutual funds.
19	**Interest earned on Deposit Certificates issued**	It is proposed to provide that interest earned on Deposit Certificates issued under Gold Monetisation Scheme, 2015 and capital gains arising from them shall be exempt from tax.	This will promote gold monetisation scheme.
20	**International financial centre**	Minimum Alternate Tax shall be charged at the rate of 9% from units located in international financial services centre. They shall not be liable to dividend distribution tax	There is a need for more liberalised tax regime. Abolition of dividend distribution tax will give fillip to financial centre.

Source: PHD Research Bureau

Other Major Announcements

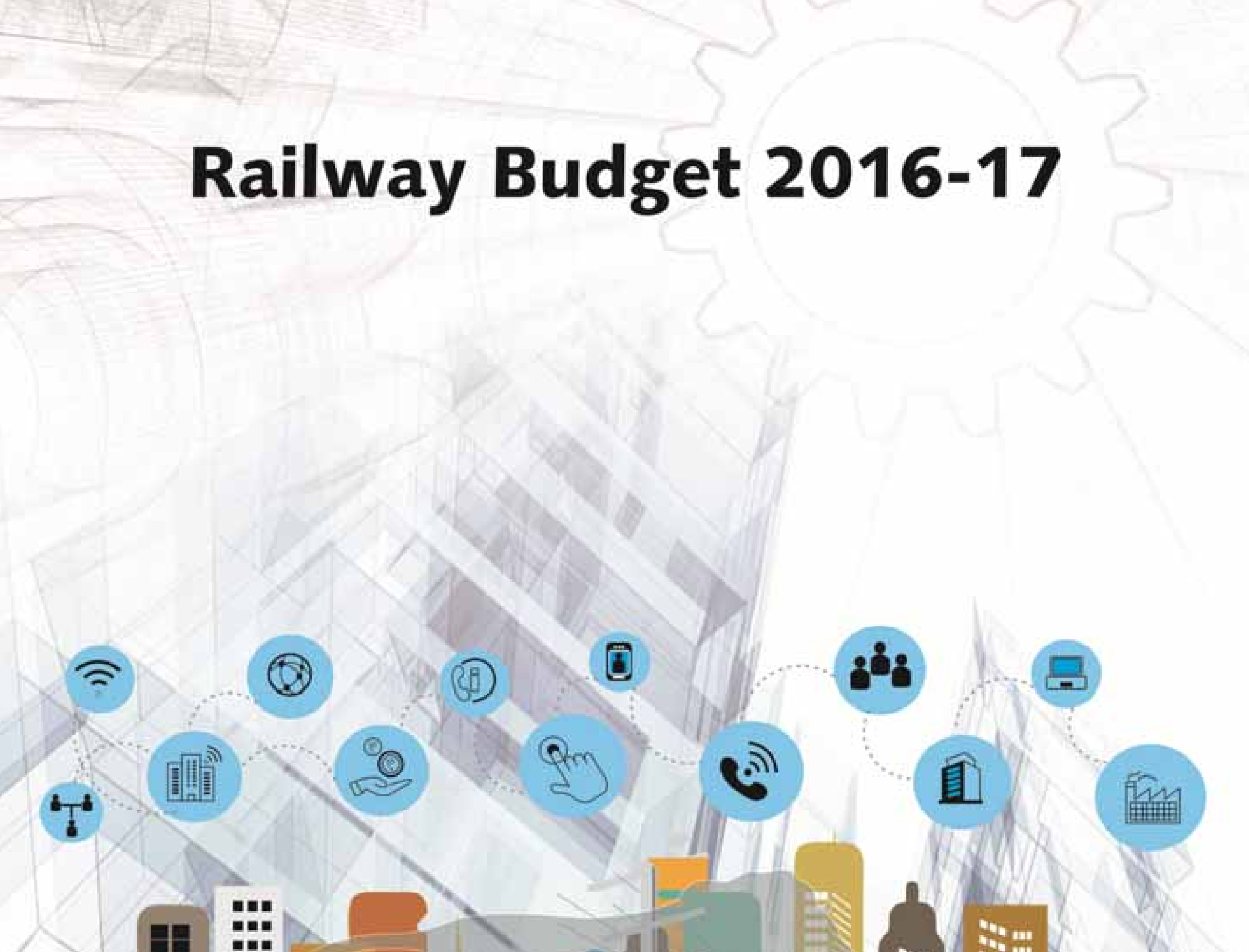
12. Other major announcements

S.No	Parameters	Announcements	Impact
1	**Fiscal Discipline**	Plan / Non-Plan classification to be done away with from 2017-18	This will result in proper allocations of funds in the budget primarily focusing upon revenue and capital classification of Government expenditure.
		Every new scheme sanctioned will have a sunset date and outcome Review	This will enhance effective implementation and outcomes of government schemes and thus result in overall improvement of government expenditure
		Rationalised and restructured more than 1500 Central Plan Schemes into about 300 Central Sector and 30 Centrally Sponsored Schemes	It will simplify the Fiscal structure and help avoiding the overlapping of expenditures
2	**Ease of doing business**	Bill for Targeted Delivery of Financial and Other Subsidies, Benefits and Services by using the Aadhar framework to be introduced	The bill will provide for "good governance", efficient, transparent, and targeted delivery of subsidies, benefits and services, the expenditure for which is incurred from the Consolidated Fund of India, to individuals residing in India through assigning of unique identity numbers to such individuals..
		Introduce DBT on pilot basis for fertilizer	This will benefit fertilizer companies by way of cutting out the role of the government and improving their working capital cycle
		Amendments in Companies Act to improve enabling environment for start-ups	It will provide further impetus to ease of doing business including simpler laws for incorporating a company and for raising funds etc.
		Ek Bharat Shreshtha Bharat" programme will be launched to link States and Districts in an annual programme that connects people through exchanges in areas of language, trade, culture, travel and tourism.	This will bring unity, peace and harmony in nation which is utmost required for India to achieve new heights of development.

3	**Reducing litigation and providing certainty in taxation**	Formation of Dispute Resolution Mechanism is proposed to reduce the number of cases pending with first appellate authority	It will provide a stable and predictable taxation regime and reduce black money.
4	**Simplification & Rationalization of taxes**	13 cesses, levied by various Ministries in which revenue collection isless than ` 50 crore in a year to be abolished Customs Single Window Project to be implemented at major ports and airports	This will reduce multiplicity of taxes, associated cascading and cut the cost of collection Expedite the customs clearance procedures and will enhance the overall efficiency for India's trade.

Source: PHD Research Bureau

Railway Budget 2016-17



13. Railway Budget 2016-17 expedient; new sources of revenue, new norms and new structures: Inspiring

The Railway budget 2016-17 is laid on the strategy of three pillars which reflect the new thought process. These three pillars are:

A) Nav Arjan – New revenues: Indian Railways tail now has focused on increasing revenues through tariff hikes. But this year's Railway Budget seeks to exploit new sources of revenue so that every asset, tangible or non-tangible, gets optimally monetized.

B) Nav Manak – New norms: Each rupee that gets expensed will be re-examined to ensure optimal productivity. 'Zerobased budgeting' approach to the financials of the ensuing year will be taken up. The Budget also seeks to improve efficiency yardsticks and procurement practices to bring them in line with international best practices through innovation and optimization of resources.

C) Nav Sanrachna – New Structures: According to the Railway Budget 2016-17**,** Co-operation, Collaboration, Creativity and Communication will be the foundation of decision-making and actions. All processes, rules, and structures will be re-examined. Inherent strengths, diverse talents and rich experience will be explored.

Vision2020- By 2020, Indian Railways looks forward to meeting the demands of the common man such as reserved accommodation on trains being available on demand, time tabled freight trains with credible service commitments, high end technology to significantly improve safety record, elimination of all unmanned level crossings, punctuality increased to almost 95%, increased average speed of freight trains to 50 kmph and Mail/Express trains to 80 kmph, semi high speed trains running along the golden quadrilateral and zero direct discharge of human waste.

Important measures announced in the Railway Budget 2016-17

Railway Budget announced a number of new initiatives which would certainly cater to the needs of the public through a targeted approach. With the new measures on the ground, the Indian Railways is all set to scale new heights of prosperity thereby marking a new beginning of sustainable higher growth trajectory. Some of the major initiates are listed below:

S.No.	Parameter	Measures
1	**Quality of life in journey**	Wi-Fi Service at 100 Stations is to be commissioned this year and at 400 more stations in the next 2 Years. Track Management System (TMS) will be implemented on entire Indian Railways. 17000 Bio-Toilets in Trains under Swachh Rail Swachh Bharat Mission will be set up across stations. Introduction of SMART Coaches and on-board services such as entertainment, local cuisines among others
2	**Station Redevelopment**	Indian Railway will ensure that all stations under redevelopment are made disabled friendly. This will help to monetize land and buildings through commercial exploitation
3	**Network Expansion**	Four freight corridors viz. North-South connecting Delhi to Chennai, East-West connecting Kharagpur to Mumbai & East Coast connecting Kharagpur to Vijayawada are proposed to be taken up.
4	**Safety**	All India 24/7 helpline number 182 has been introduced CCTV surveillance will be provided at 311 stations. Quota of lower berths for senior citizens and women will be increased with middle bays reserved in coaches for women
5	**Effeciency Upgradation**	Indian Railway intend to set up a Railway Planning & Investment Organisation for drafting medium (5 years) and long (10 years) term corporate plans Avataran - Seven Missions for the transformation of India Railways announced The 'Vikalp' (Alternative Train Accommodation System) scheme will be expanded. Railway proposes to set up 'SRESTHA'- A R&D Organization Bringing Most of IR Companies Under an Umbrella of a Holding Company.

		'National Rail Plan' (NRP-2030) announced In-principle approval for MUTP III received
6	**Partnerships for development**	A new investment framework for developing suburban systems in partnership with State Government Partnerships with Ministry of Coal, SAIL and NTPC to expedite the pace of project execution through innovative financing.
7	**Social Initiatives**	Partnering with Ministry of Skill Development 2-6 months internships each year for engineering and MBA students Tie up with the Ministry of Health for ensuring an exchange between Railways hospitals and Government hospitals Introduction of 'AYUSH' systems in 5 Railway hospitals Indian Railways to provide gang men with devices called 'Rakshak' for intimating them about approaching trains
8	**Tourism**	Partnering with State Governments for operating tourist circuit trains National Rail Museum has been recently upgraded Promotion of tourism through Railway museums and UNESCO world heritage Railways Indian Railways to spread awareness about National Animal, the Tiger, complete packages including train journey will also be privided, safaris and accommodation to cover the wildlife circuit comprising Kanha, Pench and Bandhavgarh will be offered.
9	**Environment Sustainability**	Indian Railways have undertaken energy audits for reducing energy consumption in non-traction area by 10% to 15% All Railway stations to be covered with LED luminaire in next 2 to 3 years. Action plan drawn up for environmental accreditation, water management and waste to energy conversion More than 2,000 locations provided with Rain Water Harvesting facility 32 stations and 10 coaching depots have been identified for installation of water recycling plants in the coming years.

10	**New trains facilities**	Humsafar, Tejas and Uday Train Services are proposed to be introduced for the reserved passenger. Antyodaya Express is proposed to be introduced over long-distance, fully unreserved, superfast train service, for the common man Two to four Deen Dayalu coaches will be added in some long distance trains for unreserved travel to enhance the carrying capacity

Source: PHD Research Bureau, compiled from Railway Budget 2016-17

Financial Performance of Railways in 2015-16

A net reduction in Gross Traffic Receipts by Rs. 15,744 crore in RE 2015-16 compared to the BE target of Rs 1,83,578 crore has been observed. The actual growth target of passenger earnings for 2015-16 was 18.9%. Freight earnings have been scaled down to Rs 1, 11,853 crore in R.E. 2015-16 against the budget target of Rs 1,21,423 crore. The growth has been impacted mainly on account of low demand from the core sector. The budgeted Ordinary Working Expenses of Rs 1, 19,410 crore have decreased in the Revised Estimates 2015-16 to Rs. 1, 10,690 crore i.e. by Rs 8,720 crore. OWE in RE 2015-16 provides for a growth of only 4.4%. Budget Estimates provided for an appropriation of Rs. 34,900 crore to the Pension Fund which have been revised down to Rs 34500 crore. Appropriation to DRF has also been moderated to Rs. 5,500 crore in RE from the BE 2015-16 provisioning of Rs. 7,900 crore. Excess of receipts over expenditure in RE 2015-16 stands at Rs. 11,402.40 crore. The targeted Operating Ratio in R.E. is 90.0% against 91.3% in 2014-15 and 93.6% in 2013-14. Plan size for 2015-16 is currently estimated at Rs. 1, 00,000 crore i.e. the BE level.

Budget Estimates for 2016-17

2016-17 Capital Expenditure has been pegged at Rs. 1.21 lakh crore. Gross Traffic Receipts have been kept at Rs 1,84,820 crore . Passenger earnings growth has been pegged at 12.4 % and earnings target has accordingly been budgeted at Rs. 51,012 crore. The freight traffic is pegged at 50 million tonnes, anticipating a healthier growth in the core sector of economy. Goods earnings is accordingly proposed at Rs. 1, 17,933 crore. Other coaching and sundries are projected at Rs. 6,185 crore and Rs. 9,590 crore respectively. Targeted Operating Ratio (OR) is 92%. Revenue generation has been targeted at Rs. 1,84,820 crore this year. Rs 1,23,560 crore is proposed for Operating Working Expense in BE 2016-17 from the current revenues.

Budget at a Glance

Source: PHD Research Bureau, compiled from Railway Budget 2016-17

Impact analysis of Railway Budget 2016-17

This year's Railway Budget is an expedient budget which has a well-defined strategy and stresses on modernization, employment generation, freight movement, socio-economic welfare and private participation.

Impact analysis of announcements in the Railway Budget on various sectors

S.No.	Announcement	Impact
1	Lease out open space available adjacent to rail network to promote horticulture and tree plantation.	This will encourage employment to underprivileged sections, SC, ST, OBC etc., augment food security and also prevent encroachment of Railway land.
2	Setting up of three more Dedicated Freight Corridors.	The decision will help in dealing with the increasing traffic with consequent benefits for the economy and environment.
3	This year we have indicated 44 new partnership works covering about 5,300 kms and valuing about Rs. 92,714 crore in the Budget documents.	It will attract more investments in the sector and refuel growth of the sector thereby pushing it into higher trajectory, going ahead.

4	Partnerships with Ministry of Coal, SAIL and NTPC	This will expedite the pace of project execution through innovative financing.
5	Antyodaya Express proposed for unreserved passengers	The train boasts of having superfast service thereby providing hassle free journey to the unreserved passengers.
6	The announcement of three new train services- Humsafar, Tejas and UDAY	These trains for the reserved passengers will add to the glory of the Indian Railways in the coming times
7	The expansion of Vikalp Scheme	This expansion will provide choice of accommodation in specific trains to wait-listed passengers
8	Expansion of freight basket, tariff rationalization for the freight and building terminal capacity	This will ensure timely supply of goods and services in the economy thus aiding ease of doing business
9	Better connectivity to North Eastern states	This will help in improving their connectivity in the country, thus leading to growth of services sectors such as tourism in these states
10	Middle bays in coaches along with all India helpline numbers and CCTV surveillance at 311 stations	This step will ensure better women safety and will make it more lucrative for passengers to travel by trains.
11	Expanding Sarathi Seva	This is directed at helping old and disabled people by making their experience at railway stations comfortable
12	The redevelopment of 400 stations through PPP	This initiative will spur private investments in the economy which is the need of the hour. This policy of the government of station redevelopment is encouraging as it will provide state of art infrastructure to the passengers.
13	Creation of Joint Ventures with State Governments for undertaking rail based projects	This step will open up new avenues for sharing the ownership of Railways, enhance management bandwidth for project execution, strengthen the spirit of cooperative federalism and enable States to jointly decide their priorities for development of backward regions
14	Setting up of 2 locomotive factories under the Make in India	These factories will create an ecosystem of many flourishing small and medium ancillary units which will get connected to the global supply chain. It will also boost employment potential of the entire Eastern region.
15	‘National Rail Plan’ (NRP-2030)	This will provide long-term perspective to planning for augmenting the railway network

Source: PHD Research Bureau

Conclusions

14. Conclusions

The Union Budget 2016-17 touched the ground and its focus on rural India would go a long way to generate demand in the economy and give a push to overall growth and development of the country. While digital technology would help to drive speed, efficiency and transparency; strong fiscal policy regime is expected to strengthen economic fundamentals and attractiveness for domestic and foreign investments.

The effective implementation of the announced measures would increase resilience and mitigate the impact of global headwinds. As depicted by the Economic Survey 2015-16, the growing resilience and strength would pave the way to achieve a potential growth rate of 8 to 10% in the next couple of years.

Despite the volatile global economic environment, Finance Minister has maintained fiscal deficit at 3.9% of GDP with a growth rate of 7.6% in 2015-16 and despite the burden due from 7th Pay Commission, has targeted 3.5% fiscal deficit in 2016-17.

Allocation of over Rs. 87,000crore for rural development, Rs35,984crore for agriculture and farmers' welfare, Rs38,500crore for MGNREGA and Rs2.87laccrore to gram panchayats are very integrated and would generate complementarities to foster all-inclusive growth in the country.

This budget has given a momentum to make in India, to create jobs through domestic manufacturing, with proposals that make it easier to do business in India. While moving towards a non-adversarial tax regime, the significant step of offering a flat 25% (+ surcharge and cess) tax regime to new manufacturing units. Startups generate employment, bring innovation and are expected to be key partners in make in India.

Investment cycle is expected to revive with the steps towards dispute resolution and renegotiation of old PPP projects, combined with the recapitalisation of the banking sector of Rs25, 000crore. The government has proposed to open up new avenues to overseas investors as well as promised a more conducive business environment with enhanced ease of doing business.

A major push to make in India is likely to come from FDI relaxation in food products marketing, opening the doors for increased investment in food processing infrastructure and creation of large scale jobs in the sector.

For the small taxpayers, the relief comes under Section 87A, those earning up to Rs 5 lakh a year will get a basic exemption of Rs 3 lakh. On the other hand, super-rich taxpayers earning over Rs 1 crore a year will have to shell out more as surcharge. To revive the housing demand, the Budget reintroduced Rs50,000 additional deductions for home loan interest under Section 80EE for first-time buyers.

Going ahead, the dynamic fiscal policy regime should also be supported by the calibrated monetary policy stance with a significant cut in repo rate to ease out the cost of borrowings. As inflationary expectations are under control, time is most opportune to support the economic and business sentiment and to kick-start the demand.

India: Statistical snapshot

Indicators	FY10	FY11	FY12	FY13	FY14	FY15	FY16
GDP at FC - Constant prices Rs Bn	45161	49185	52475	54821	91698	9827089*'	2579701*''
GDP at FC - Constant prices growth YOY (%)	8.6	8.9	6.7	4.5	6.6	7.2*'	7.3*''
GDP at MP-current prices Rs. Bn	64778	77841	90097	101133	113550	11550240*'	2640568**''
Agriculture growth	0.8	8.6	5	1.4	3.7	0.2*	(-)1.1*''
Industry growth	10.2	8.3	6.7	0.8	1.2	6.6*	11.1*''
Services growth	8	7.5	4.9	7	4.6	10.2*	9.3*''
Consumption (% YOY)	8.4	8.2	8.9	5.2	4.7	-	-
Private consumption (% YOY)	7.4	8.7	9.3	5.5	6.2	6.3	-
Gross domestic savings as % of GDP	33.7	34	31.4	30.1	30.5	30.6"'	-
Gross Fixed Capital Formation as % of GDP	31.7	30.9	31.8	30.4	28.3	30.0**	30.4*''
Gross fiscal deficit of the Centre as a % GDP	6.5	4.8	5.7	4.9	4.5	4.1''	3.9
Gross fiscal deficit of the states as a % GDP	2.9	2.1	1.9	1.9	2.5	2.3''	-
Gross fiscal deficit of Centre & states as a % GDP	9.3	6.9	8.1	7.2	6.7	6.6''	-
Merchandise exports (US$Bn)	178.3	250.8	305.7	300.2	312.35	310.5	21.1^^^
Growth in exports	-2.6	40.6	21.9	-1.8	3.98	(-)1.2	(-)13.6^^^
Imports (US$Bn)	287.6	369.4	489.1	490.3	450.94	447.5	28.7^^^
Growth in imports (YOY)	-3.9	28.5	32.4	0.2	-8.1	-0.59	(-)11^^^
Trade deficit (US$Bn)	109.3	118.6	183.4	190.1	138.6	137	7.6^^^
Net invisibles US$Bn	80	79.3	111.6	107.5	115	-	-
Current account deficit US$Bn	38.4	48.1	78.2	88.2	32.4	10.1	6.2
Current account deficit as % of GDP	3.2	2.6	4.2	4.8	1.7	1.3~~	1.6^^
Net capital account US$Bn	53.4	60	67.8	94.2	33.3^^	11.8	-
Overall balance of payments US$Bn	-13.4	-13.1	12.8	3.8	15.5^^	6.9	-
Foreign exchange reserves US$Bn	279.1	304.8	294.9	292.04	304.22	316.2 ~	350.37 ~~~
External debt - Short term US$Bn	52.3	65	78.2	96.7	89.2``	86.4```	84.7[&&&]
External debt - Long term US$Bn	208.7	240.9	267.5	293.4	351.4``	376.4```	
External debt - US$Bn	260.9	305.9	345.8	392.1	441``	462```	-
Money supply growth	16.9	16.1	13.5	13.6	13.2	11.1[&&]	12[&]
Bank credit growth	17.1	21.2	16.8	13.5	14	8.6	-
WPI inflation	3.8	9.6	8.9	7.4	5.7[#]	2.1	(-)0.9^^^
CPI inflation	12.4	10.4	6	10.2	9.8	6.4	5.69^^^
Exchange rate Rs/US$ annual average	47.4	45.6	47.9	54.4	60.68	61.14	68.16[@@]

Source: PHD Research Bureau compiled from various sources, *Data pertains to Provisional Estimates of National Income 2014-15 from MOSPI, '' Handbook of Statistics of Indian Economy 2014-15 from RBI, ''' Data pertains to Annual Report of RBI 2013-14, *' Data pertains to GVA at Basic prices in 2014-15 from Provisional Estimates of National Income of MOSPI, based on the new methodology of the Government, *'' Data pertains to GVA at Basic Prices at constant prices for Q3 2015-16, **'' Data pertains to GVA at Basic Prices at constant prices for Q3 2015-16, "'Data pertains to the new Series Estimates from economic survey 2014-15, ** Data pertains to Provisional estimates of National income, 2014-15, MOSPI, ***Data pertains to Q2 2014-15. ^^Data pertains to India's Balance of payment Q2 2015-16 from RBI, ^^^Data pertains to January 2016, ``India's external debt end Dec 2013 from RBI, ``` Data pertains to end Dec 2014 from RBI, , [#] Data pertains to Mar 2013, ~ Data as on week ending 27th March, 2015 from RBI, ~~ Data pertains to 2014-15 from the Economic Survey, ~~~Data as on week ending 19th February 2016 from RBI, [&]Projections from RBI for FY2016 from October 2015 RBI Bulletin, [&&] Data pertains to March 2015, [&&&] External debt at end March 2015, [@@] Data pertains to 1st March 2016 from RBI, [@@@]Data pertains to February 2015, [#]Data pertains to November 2014.

Disclaimer

‘Union Budget 2016-17: Bharat ka Budget; Ground touching breakthrough is prepared by PHD Chamber of Commerce and Industry. This report may not be reproduced, wholly or partly in any material form, or modified, without prior approval from PHD Chamber of Commerce and Industry.

It may please be noted that this report is for guidance and information purposes only. Though due care has been taken to ensure accuracy of the information to the best of the PHD Chamber’s knowledge and belief, it is strongly recommended that readers should seek specific professional advice before making any decisions.

Please note that the PHD Chamber of Commerce and Industry does not take any responsibility for outcome of decisions taken as a result of relying on the content of this report. PHD Chamber of Commerce and Industry shall in no way, be liable for any direct or indirect damages that may arise due to any act or omission on the part of the reader or user due to any reliance placed or guidance taken from any portion of this publication.

ISBN No. 978 93 84145 27 9

PHD Research Bureau

PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers.

Team, PHD Research Bureau

Dr. S P Sharma
Chief Economist & Director of Research
Email id: spsharma@phdcci.in

Economic Affairs	Infrastructure	Trade & Investments	Forex Affairs
Ms. Megha Kaul Associate Economist	Ms. Rashmi Singh Associate Economist	Ms. Rashmi Taneja Sr. Research Officer	Ms. Surbhi Sharma Sr. Research Officer

State Affairs	Global Economy
Ms. Huma Saif Qazi, Research Associate	Ms. Apurva Munjal Research Associate

Ms. Sunita Gosain
Secretarial Assistant

We are thankful to Mr. Hariom Kuthwaria for providing printing and designing support to publish this report.

Studies Undertaken by PHD Research Bureau

A: Thematic research reports

1. Comparative study on power situation in Northern and Central states of India (September 2011)
2. Economic Analysis of State (October 2011)
3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility (Apr 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11 (May 2012)
7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry-2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)
16. Women Safety in Delhi: Issues and Challenges to Employment (March 2014)
17. Emerging Contours in the MSME sector of Uttarakhand (April 2014)
18. Roadmap for New Government (May 2014)
19. Youth Economics (May 2014)
20. Economy on the Eve of Union Budget 2014-15 (July 2014)
21. Budget 2014-15: Promise of Progress (July 2014)
22. Agronomics 2014: Impact on economic growth and inflation (August 2014)
23. 100 Days of new Government (September 2014)
24. Make in India: Bolstering Manufacturing Sector (October 2014)
25. The Indian Direct Selling Industry Annual Survey 2013-14 (November 2014)
26. Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)
27. Role of MSMEs in Make in India with reference to Ease of Doing Business in Ghaziabad (Nov 2014)
28. Exploring Prospects for Make in India and Made in India: A Study (January 2015)
29. SEZs in India: Criss-Cross Concerns (February 2015)
30. Socio-Economic Impact of Check Dams in Sikar District of Rajasthan (February 2015)
31. India - USA Economic Relations (February 2015)
32. Economy on the Eve of Union Budget 2015-16 - India Poised to Enter Double Digit Growth Trajectory (February 2015)
33. Budget Analysis (2015-16)
34. Druzhba-Dosti: India's Trade Opportunities with Russia (April 2015)
35. Impact of Labour Reforms on Industry in Rajasthan: A survey study (July 2015)
36. Progress of Make in India (September 2015)
37. Grown Diamonds, A Sunrise Industry in India: Prospects for Economic Growth (November 2015)
38. The Indian Direct Selling Industry Annual Survey 2014-15 (December 2015)
39. India's Foreign Trade Policy Environment Past, Present and Future (December 2015)
40. Revisiting the emerging economic powers as drivers in promoting global economic growth
    India as a bright spot in the global ecosystem (February 2016)

B: State profiles

40. Rajasthan: The State Profile (April 2011)
41. Uttarakhand: The State Profile (June 2011)
42. Punjab : The State Profile (November 2011)
43. J&K: The State Profile (December 2011)
44. Uttar Pradesh: The State Profile (December 2011)
45. Bihar: The State Profile (June 2012)
46. Himachal Pradesh: The State Profile (June 2012)
47. Madhya Pradesh: The State Profile (August 2012)
48. Resurgent Bihar (April 2013)
49. Life ahead for Uttarakhand (August 2013)
50. Punjab: The State Profile (February 2014)
51. Haryana: Bolstering Industrialization (May 2015)
52. Progressive Uttar Pradesh: Building Uttar Pradesh of Tomorrow (August 2015)
53. Suggestions for Progressive Uttar Pradesh (August 2015)

About the PHD Chamber

PHD Chamber of Commerce & Industry, a leading Industry Chamber of India, ever since its inception in 1905, has been an active participant in the India Growth Story through its Advocacy Role for the Policy Makers and Regulators of the Country. Regular interactions, Seminars, Conference and Conclaves allow healthy and constructive discussions between the Government, Industry and International Agencies bringing out the Vitals for Growth. As a true representative of the Industry with a large membership base of 48000 direct and indirect members, PHD Chamber has forged ahead leveraging its legacy with the Industry knowledge across sectors (58 Industry verticals being covered through Expert Committees), a deep understanding of the Economy at large and the populace at the micro level.

At a Global level we have been working with the Embassies and High Commissions in India to bring in the International Best Practices and Business Opportunities.

PHD signifies
PROGRESS • HARMONY • DEVELOPMENT

Seven Thrust Areas

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

PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg New Delhi 110016
Phone: 91-11-49545454, Fax: 91-11-26855450, 26863135
Email: research@phdcci.in Website: www.phdcci.in

Notes

Notes

Notes