

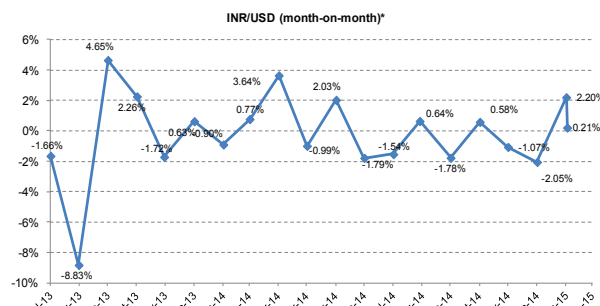
### 1-year BRICs performance comparison\*

India's SENSEX emerged 2nd amongst the BRICs (1-year)



In descending order (from 28th Feb 2014 to 27th Feb 2015): **SHCOMP** (Shanghai Stock Exchange Index), **BSE SENSEX** (Bombay Stock Exchange), **IBOVESPA** (Brazil Sao Paulo Stock Exchange Index) and **MICEX** (Moscow Stock Exchange Index)

### INR/USD chart (from July 2013 to February 2015)\*\*



\* Source: Bloomberg

\*\* S&P

### FIIs were at US\$4 billion in February 2015

Foreign institutional investments were around US\$4 billion in February, bringing the total to US\$9.5 billion year-to-date.

### Sensex and Nifty touched record highs & Nifty in February

Sensex touched record high of 30,024.74 points as India's central bank, Reserve Bank of India, cut its key lending rates by 25 basis points and Nifty was also trading at a record high of 88.70 points or 0.99 percent up at 9,084.95 points as of 4th Mar 2015

### India 2015 Budget Highlights

- The Govt. has pegged FY16 GDP growth at 8%-8.5% vs. 7.4% estimated for FY15 (based on revised series). The Govt. plans to close FY15 with a Fiscal Deficit number of 4.1%, the estimate for FY16 is 3.9% vs. 3.6% projected earlier.
- The Govt. has provided a road map to reduce Fiscal Deficit to 3.5% in FY17 and 3% by FY18 thereby deferring the consolidation process by a year and estimate to be borrowing a net amount of INR 4.5 Tn (~ 73 Bn USD) in the market.
- The National Investment and Infrastructure Fund proposed to be created will use Rs200bn of annual equity contribution from the government, leverage it by borrowing from financial institutions and invest the leveraged sum as 'equity' into infrastructure finance companies like IRFC and NHB. The companies will then leverage this 'equity' contribution to onward lending for infrastructure purposes.
- There is a proposal to reduce corporate tax rate from 30% to 25% over a period of 4 years; and also to eliminate the exemptions granted so far.
- The Govt. accepted recommendation of the 14th Finance commission to devolve a larger (32 to 42%) share of taxes to the state. However this has necessitated increase in tax rates in certain areas. The service tax rate (plus education cess) has been increased from 12.36% at present to 14.00% and the union excise duty has increased to 12.5% from 12.36%.
- In order to ensure predictability in taxation of Foreign Investments, Finance Minister Arun Jaitley said the General Anti-Avoidance Rules (GAAR) will be deferred for two more years and investments made till March 2017 will be exempted when they are implemented.

### Government welcomed the rate cut proposed by RBI

The Govt. welcomed a surprise interest rate cut today as good news for the economy that would not pose any inflationary risks. Both the rate cut and last weekend's annual budget were "consistent with non-inflationary growth", the finance ministry's chief economic adviser Arvind Subramanian said in an interview on 3rd March 2015

### Chinese companies keen to open up in India

China's Ambassador Le Yucheng has said that Chinese companies are keen to participate in the 'Make in India' campaign and establish manufacturing facilities in India. The Ambassador further said that Chinese investments here will help address India's concern of mounting trade deficit.

### Languishing highway projects get funds infusion

After increasing budgetary allocation by 33% for the road sector, the Govt is likely to take multiple measures to revive languishing projects and also to revive bankers' interest to release funds for stuck projects. These include one time infusion of about US\$980 million (Rs 6,000 crore) to finish half-completed works and to give extra concession period for lenders to recover their investment where project completion has got delayed by 1-3 years due to fault on the part of National Highways Authority of India.

### CPI & Inflation

CPI inflation in January increased to 5.1% yoy versus ~5% in December. Despite the rise in inflation in January, inflation remains in the comfortable zone. Food inflation stood at 6.1% while core inflation was below 5% in the month. WPI inflation has been muted in Jan 2015 at -0.4%. The disinflationary momentum is driven by a decline in international fuel and commodity prices. The fuel & power index reported a 10.7% decline (down 290bp mom).

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