

Good Beginning, Budget Carries an Imprint of Modi's Priorities



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The Budget has been presented in about 6 weeks after the NDA government under Narendra Modi took office. Given the constraints of time and severe economic challenges, both on the internal and external fronts, Finance Minister Arun Jaitley must be commended for his pragmatic proposals which are aimed at reigniting growth and reviving the economy. Clearly, the Budget carries an imprint of the priorities spelt out by the Prime Minister in the past 6-8 months.

From a macroeconomic perspective, the Budget emphasises the need for fiscal prudence which clearly is the need of the hour. What's particularly noteworthy is the emphasis on the manufacturing and infrastructure sectors as the key levers to reviving economic growth. This is perhaps one of the few occasions that the manufacturing sector

has received special attention. The government's commitment to early introduction of GST and a new DTC are positive signals. The proposed overhaul of the subsidy regime to make food and fuel subsidies better targeted is also encouraging.

From a policy perspective, the decision to raise FDI in the defence sector from 26% to 49% through the FIPB route, with management control in Indian hands, will provide a boost to the domestic manufacturing industry. The FM's statement on reducing reliance on imports coupled with his intent to streamline defence procurement systems is very positive. We are confident that the Indian manufacturing industry would now be able to play a more effective role in indigenisation in this critical sector of the national economy.

The emphasis on infrastructure through increased allocation for roads, national highways and expressways, ports, airports, power, new & renewable energy, industrial corridors, smart cities, etc., are measures that will spur the economy.

We also welcome the government's commitment to take effec-

tive steps to operationalize SEZs as a means to revive investor interest and use unutilized lands for productive purposes. Industry is keen to understand what these measures are. Expectations were that Minimum Alternate Tax and Dividend Distribution Tax introduced in 2011 on SEZ developers and units would be entirely withdrawn. We hope suitable instructions in this regard will follow.

Regarding the automotive industry, the government had announced its decision last month to extend the excise duty concessions provided in the Interim Budget till December 31, 2014. We hope that this together with initiatives contained in this Budget for the infrastructure and manufacturing sectors will help revive demand for all categories of vehicles in the country. This would in turn benefit the domestic automotive component manufacturing industry. Another notable announcement made by the FM was with regard to proposed measures for faster clearance of imported cargo at our ports.

This would greatly contribute to reducing transaction costs and making Indian exports more competitive.