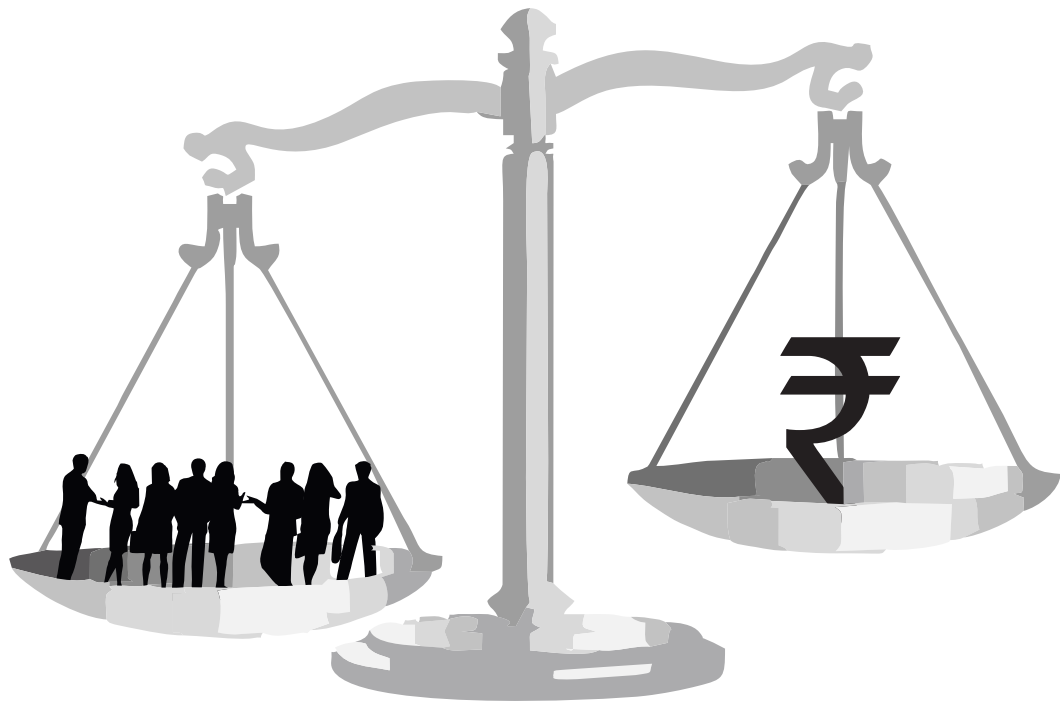


# BUDGET 2013



# In this Issue

**03 Union Budget**

**04 RBI Column**

**08 Market Round Up**

**09 Economic Rollers**

**10 Stock Analysis**

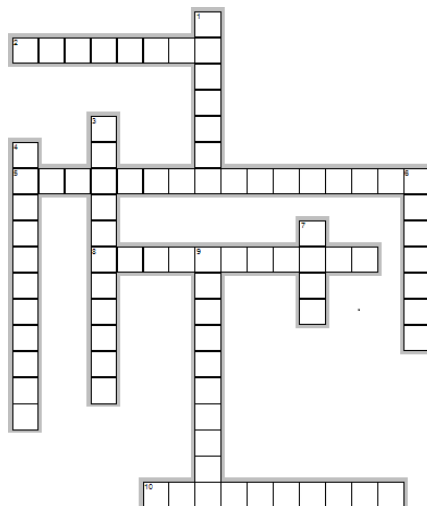
**11 Finance Buzz**

**12 Photo Find**

**13 Finance Quiz**

**14 Crossword**

**15 Answers**



**05 Budget 2013  
Disappoints, Confuses  
Foreign Investors**



**06 A toast to the Spirit  
of Start-Up**



**07  
Budget -Promise for  
Another year?**



## UNION BUDGET 2013

ANINDITA NATH 1MBA A

Union Budget'13 proposed by Finance Minister has in store a lot for the Rural India. GOI has in fact given its prime focus on the bleeding agricultural sector- backbone of Indian economy. The budget has not snubbed growing industries. The budget allocations for all these prime sectors have been decisively allocated.

Discussing about the key sectors which got crucial concentration are: FMCG, Agribusiness-agri-inputs, agri-implements and food processing. The rapidly booming Textile and Apparel sectors witnessed reduction in custom duties and roll-out of technology upgrade schemes. These initiatives have gathered a great momentum among various economic analysts.

However, revision of indirect taxes left a minor repercussion on food services, cigarettes, automobiles, phones, private consumption. A straight increase of 46% in budget allocation in rural developments like Mahatma Gandhi National Rural Employee Guarantee Scheme (MGNREGS), Pradhan Mantri Gram Sadak Yojna (PMGSY) and Indira Awas Yojna (IAY) have received accolades across the board. Allocation of Rs. 5000 in National Bank for Agricultural and Rural Development to support erecting of warehouses and cold storage facilities will definitely prevent food wastage, curb inflation to a certain extent and would boost private consumption, which is again a smart move by GOI.

The primary sector of Indian economy has been profoundly benefitted by the Budget'13 with Rs 33,000 Crore allocation which puts a 22% YOY increase has really been a soothing for our farmers. 7lakh Agriculture Credit Schemes and extension of interest subvention on short-term crop loans really come as a blessing to the agriculturists. Improving agri-inputs, agri-logistics, seed management, food processing, warehousing and logistics have been the grave concern for P. Chidambaram to bring our economy back on track by boosting the confidence of our farmers. Moreover, agricultural states like Assam, Bihar, Chhattisgarh, WB has been allocated Rs 1,000 crore to strengthen the green revolution of eastern India.

GOI is also aspiring to impart vocational education to 5 crore people. It is also heading to set up National Skills Development Corporation to furnish skills to 1 lakh candidates in Food and Retail, world's fastest growing sector.

To back up Micro, Small and Medium Enterprises Rs 1000 crore has been brushed aside for Small Industries Development Bank of India, which has seen a 50% increase on YOY basis and also intends to give a tax benefit in near future.

The Budget'13 is truly commendable on its serious dealings with the deprived rural section of India, which is the true bedrock of India's population.

## RBI COLUMN



A key change being made is the provision that credit and debit cards should be issued only for domestic use by default, and if a customer needs a credit/debit card for international use they will have to specifically apply for the card for international transactions.

Banks should move towards a system that facilitates implementation of additional factor of authentication for cards issued in India and used internationally (transactions acquired by banks located abroad). No deadline has been set for this, and this is probably because it is not clear how banks will force international payment gateways to implement a second factor of authentication.

RBI has also announced measures to make funds transfer via NEFT, RTGS and IMPS methods to prevent online frauds. It has asked banks to:

- a. Include customer induced caps on usage, in terms of the value / mode of transactions/beneficiaries. If a user wants to add an additional beneficiary or transaction, they will have to go through an additional authorization.
- b. Limit the number of beneficiaries that may be added in a day per account. A system of alert will be introduced when a beneficiary

R VISHNU VARTHANA 1 MBA D

is added.

- c. Monitoring and alerts: A way to monitor the number of transactions effected per day per beneficiary to be implemented. In case of any suspicious operations, the bank and the account holder need to be alerted.
- d. Consider a dynamic factor of authentication for NEFT, RTGS & IMPS: To introduce additional factor of dynamic authentication for these transactions. It appears that the RBI is recommended the dreaded OTP method of authentication for NEFT, RTGS and IMPS.
- e. Banks that have sub-members should ensure that the security measures put in place by the sub members are on par with the standards followed by them so as to ensure the safety and mitigate the reputation risk.
- f. It has suggested that banks could also implement technologies like adaptive authentication, etc. for fraud detection.

Banks should ensure that all acquiring infrastructure that is currently operational on IP (Internet Protocol) based solutions are mandatorily made to go through PCI-DSS and PA-DSS certification. This should include acquirers, processors / aggregators and large merchants.

Banks should ensure that the terminals installed at the merchants for capturing card payments (including the double swipe terminals used) should be certified for PCI-DSS (Payment Card Industry- Data Security Standards) and PA-DSS.

## BUDGET 2013 DISAPPOINTS, CONFUSES FOREIGN INVESTORS

JAYAKALA A K- I MBA D



The Indian budget disappointed foreign investors by failing to deliver a much expected cut in withholding taxes for debt investments and creating mystification with a proposal that appeared to target tax treaties. Numerous measures for foreign investors were unveiled for the 2013/14 fiscal year starting in April, including simplifying a cumbersome registration process and allowing investments in corporate bonds and government securities to be used as collateral to meet margin requirements.

The measures adopted failed to bring any notable increase in foreign inflows at a time when India needs capital flows to plug a current account deficit that hit a record high in the quarter ended in September. Indian shares were hit in part by concerns about the impact of the budget on foreign investors, with the benchmark BSE index ending down 1.5 percent.

Simplification of the complicated "Know Your Customer" rules was the main announcement for foreign investors in budget this year. Finance minister P. Chidambaram had announced earlier that India would consolidate the current system of mandating different registration rules for different types of investors. However, the government did not announce a cut in the withholding tax imposed on income from government and corporate debt investments and deducted at source that can now reach up to 20 percent.

The government also created puzzlement in the Finance Bill with a proposal stating a tax residency certificate "shall be necessary but not a sufficient condition" to take advantage of double taxation avoidance agreements. Earlier Tax authorities had considered tax residency as sufficient proof to allow registered foreign investors to avoid paying taxes in India. The amendment which is proposed to come into effect in 2006 sparked fears tax authorities would have wider discretion to go after foreign investors. Chidambaram opinionated that the amendment ensures that the tax authorities would not only look at the tax residency requirement, but also enforce rules mandating the foreign investors are the beneficiaries of any investments under double tax agreements.

**Sources:**

<http://articles.timesofindia.indiatimes.com/2013-03-01/union-budget>  
[www.reuters.com](http://www.reuters.com)

## A TOAST TO THE SPIRIT OF START-UP

ASHA JOSE 1MBA B

Going by what the union finance minister P Chidambaram has proposed in his budget, funds provided to technology incubators located within academic institutions and approved by the ministry of science and technology or ministry of MSME will now qualify as CSR expenditure. This is expected to fuel entrepreneurship and promote the number of start-ups as this would help them in mobilising funds and more so with the new Companies Bill obliging companies to spend two per cent of average net profits under corporate social responsibility.

According to a study done by SMC Global Securities Research, there are about 1,227 Indian listed companies who have posted profits for the last financial year. The total aggregate profits posted by these companies for the last financial year works out to Rs 4,37,167 crore. Going by this study, Indian companies may have to collectively spend close to \$2 billion a year on CSR activities.

Finance minister said, "Incubators play an important role in teaching new businesses which start as a small or medium business. The new Companies Bill obliges companies to spend two per cent of average net profits under corporate social responsibility (CSR). I am glad to announce that the ministry of corporate affairs will notify that funds provided to technology incubators located within academic institutions and approved by the ministry of science and technology or ministry of MSME will qualify as CSR expenditure."

If only listed companies spend two per cent of their aggregate profits on CSR, the amount will be huge — anything between Rs 10,000 and Rs 15,000 crore, let alone the large unlisted companies. Now the most pertinent question would be where should one spend this amount. If its charity, what kind of charity would that be? Any company would like to spend it where or by which it would get visibility, create goodwill, help building brand and there are certain business aspects to it also.

With this new option, many companies would look at incubating budding entrepreneurs. So one can certainly expect more entrepreneurs and more start-ups to come into being.

Whether these profitable companies will be allowed to chip in equities or convert their CSR spends into equity in such start-ups at a later stage still remains a grey area and is open to interpretation.

Incubation centres to be seen as corporate social responsibility (CSR) shall promote innovative ideas being validated for potential. Angel investing and Category 1 Alternative Investment Funds (AIF) becoming eligible for pass through shall also encourage funding of start-ups. Expanding support to MSMEs through SIDBI and privileges for scaling up beyond three years shall enable MSMEs to prosper. Listing of MSMEs without IPO for informed investors shall create a market for the risk-capital starved sector. Moves are also afoot to promote technology development centres dedicated to start-up businesses in MSME segment. FM has proposed to provide with World Bank assistance, Rs 2,200 crore during the 12th Plan period to set up another 15 tool rooms and technology development centres.



**Sources:**

<http://www.mydigitalfc.com/news/toast-spirit-startup-674>

<http://www.reuters.com/article/2013/03/03/us-india-economy-idUSBRE9220FM20130303>

## BUDGET- PROMISES FOR ANOTHER YEAR?

SOUMYA BALAKRISHNAN- 1MBA B



The budget 2013-14 is making headlines for the very fact that the Indian Finance Minister P.Chidambaram had to put his credibility at stake and instead of delivering a budget aimed at cutting down spending; it is targeted at increasing the revenue. It is trying to boost the revenue so as to meet a 16% increase in expenditure as well as to cut down the fiscal deficit to 4.8% of GDP. This also means that India will have to gear up for growing the current fiscal growth rate to roughly 6.5-7%.

This year's budget also assumes that India will manage to sell about \$10 billion worth of government stakes in companies and generate \$7.5 billion in revenue from the telecoms sector. This equity sales target is equivalent to two-thirds of the total \$15 billion raised by the Indian firms in 2012. This sale comes at a time when the investors are being asked to digest \$2-\$3 billion in shares in numerous firms. It also plans to limit subsidies at 2 % of GDP as compared to 2.6% last year.

Last year Chidambaram raised non-plan expenditure by 317 billion rupees over the budget estimates to 10 trillion rupees and he had cut down the plan expenditure by nearly 18% to 4.3 trillion

rupees.

He had managed to limit the expenditure in the final months of the previous year thereby putting the fiscal deficit to 5.2%, which was better than the revised 5.3% target. However, this curb on spending resulted in a very weak growth rate of 4.5% than the anticipated 7.6% in the December quarter.

According to Barclays economist Siddhartha Sanyal; "Chidambaram has kept some room to cut spending by having a bigger allocation to plan expenditure. So, if he falls short in revenues, he can cut some of the plan expenditure, but that will again hurt growth."

However Chidambaram can achieve his target deficit even if his revenue falls short, by cutting down the expenditure in the first half of the fiscal year. This could leave room for increasing the expenditure in the run-up to federal elections due by May 2014.

Narrowing down the deficit will prevent India from becoming the first of the BRIC economies to have its credit rating downgraded to 'junk'. According to Dipak Dasgupta, principal economic advisor in the finance ministry; this year's budget has the flexibility to deal with both upside and downside risks.

### Sources

<http://www.reuters.com/article/2013/03/03/us-india-economy-idUSBRE9220FM20130303>

## MARKET ROUND UP

ANKIT MEHROTRA- 1 MBA D

1. SEBI moves Supreme Court, seeks detention of Sahara's Roy.
2. Money-laundering probe: ICICI Bank suspends 18 employees.
3. Advance tax payments by 41 Mumbai-based firms up 5.67%. Payments for the March quarter stand at Rs.13,818 crore against Rs.13,076 crore last year.
4. Cohen's SAC pays \$600 million in SEC insider trade case. Settlement among largest ever by a hedge fund and involves allegations of improper trading by SAC subsidiaries
5. Mukesh Ambani to quit Bank of America board and is set to join global advisory council of the Bank of America.
6. GMR to sell 70% interest in Singapore energy unit for \$600 million. Buyer FPM Power will invest another \$60 million to complete a 800MW power plant being built on Jurong Island.
7. Toyota recalls 310,000 FJ Cruiser SUVs on seatbelt issue. Company says no accidents or injuries have been reported due to the problem.
8. Pantaloons to sell 22.5% stake in life insurance firm to IITL. After the completion of the transaction, Future Group will hold a 52% stake in Future Generali.
9. Gold import duty: Titan's shares fall 3% on profit concerns. Govt seeks to reduce gold demand to control the widening fiscal deficit.
10. Infosys signs five-year deal with BMW and will provide application development and maintenance services for BMW's IT operations.
11. Budget 2013: Chidambaram allocates Rs.65,869 crore for education. Flagship scheme Sarva Shiksha Abhiyan gets Rs.27,258 crore of the outlay.
12. Sugar output may dip to 24 million tonnes next year. Pawar says sugarcane planting has not yet begun in Maharashtra due to the second consecutive year of poor rains.

## ECONOMIC ROLLERS

ANUBHA- 1 MBA B

Repo Rate: 7.75%

Reverse Repo Rate: 6.75%

CRR: 4%

SLR: 23%

CBLO (as on 14th March 2013): 7.75 bps

Inflation as on Mar 2013:

WPI: 6.84 %

Food inflation: 11.38%

Forex Reserve (as on 14th Mar 2012): \$292.494billion

IIP growth rate (for Jan 2013): 2.4 %

91 Days T bills (as on 13th Feb 2013): 7.98%

10 year G- Sec Yield (as on 13th Feb 2013): 7.84 %

Exports during Feb 2013: \$26.25936billion

Imports during Feb 2013: \$41.18165billion

**Sources:**

Finance Ministry, Office of Economic Advisory, HDFC Securities Reports, Ministry of Commerce



## STOCK ANALYSIS

AJO JOSEPH- 1 MBA A

Benchmark indices snapped three-day losing trend after the latest data showed on the non-food manufacturing inflation (or core inflation) eased to 3 year low of 3.8% in Feb 2013 from the figure of 4.1% in January 2013. The S&P BSE Sensex, jumped 207.89 points (or 1.07%), up about 391 points from the day's low and off close to 34 points from the day's high.

Gains in world stocks showed positive sentiment on the domestic trade. Reliance Industries (RIL) extended intraday gains in late trade session. ITC showed small gains. Indian stocks as on 14 March 2013, snapped three-day losing phase.

The Sensex had lost 320.68 points (or 1.63%) in 3 trading sessions to settle at 19,362.55 on 13 March 2013, from a recent high of 19,683.23 on 8 March 2013. The Sensex has advanced 708.90 points or 3.76% in current month so far (till 14 March 2013). The Sensex has risen 143.73 points (or 0.74%) in calendar 2013 so far (till 14 March 2013). From a 52-week high of 20,203.66 on 29 January 2013, the Sensex has declined 633.22 points or 3.13%. From a 52-week low of 15,748.98 on 4 June 2012, the Sensex has surged 3,821.46 points or 24.26%.

Zeroing on today's trade, bank stocks moved higher as data released by the government today, 14 March 2013, showed that non-food manufacturing inflation or core inflation eased to three-year low of 3.8% in February 2013 from 4.1% in January 2013. Realty shares rose on renewed buying sentiments.

The market sentiment was boosted by data showing that foreign funds remained buyers of Indian stocks on Wednesday, 13 March 2013. Foreign institutional investors (FIIs) bought shares worth a net Rs 304.70 crore from the secondary equity market on Wednesday, 13 March 2013, as

per data from Securities & Exchange Board of India (Sebi).

The S&P BSE Sensex rose 207.89 points or 1.07% to settle at 19,570.44, its highest closing level since 11 March 2013. The index jumped 242.15 points at the day's high of 19,604.70 in late trade. The index slumped 183.22 points at the day's low of 19,179.33 in morning trade, its lowest level since 5 March 2013.

The CNX Nifty rose 57.75 points or 0.99% to settle at 5,908.95, its highest closing level since 12 March 2013. The index hit a high of 5,920.15 in intraday trade. The index hit a low of 5,791.75 in intraday trade, its lowest level since 5 March 2013. The BSE Mid-Cap index rose 0.48%. The BSE Small-Cap index fell 0.09%. Both these indices underperformed the Sensex. The market breadth, indicating the overall health of the market, was negative.

On BSE, 1,446 shares fell and 1,420 shares rose. A total of 118 shares were unchanged. The total turnover on BSE amounted to Rs 2250 crore, higher than Rs 1682 crore on Wednesday, 13 March 2013. Among the 30-share Sensex pack, 24 stocks rose while rest of them fell.

*Source:*  
<http://www.hsbcinvestdirect.co.in/equity/>



# PHOTO FIND

T KIRUTHIKKA DEVI 1 MBA A



## FINANCE QUIZ

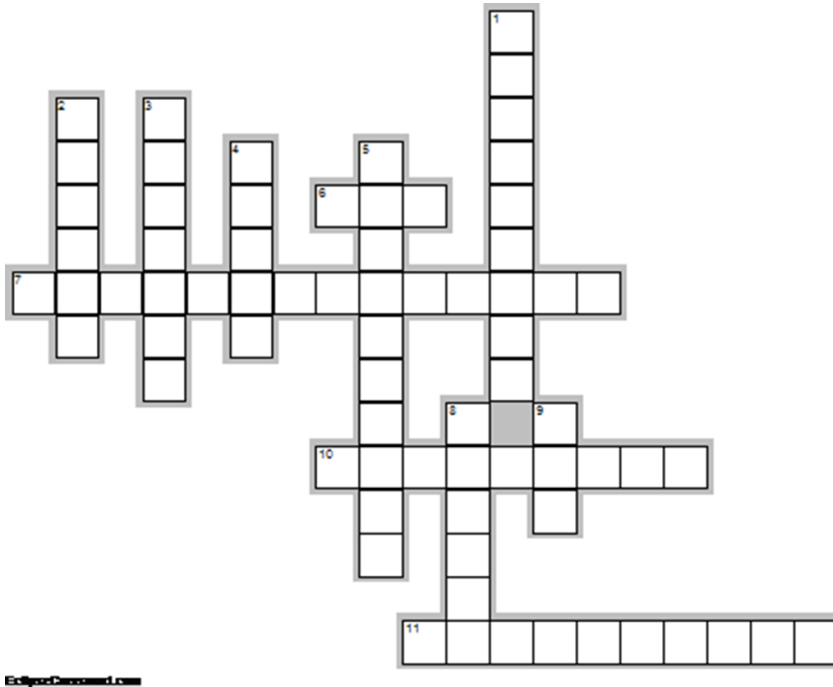
AMOGHAVARSHA P 1 MBA C

1. According to the budget 2013, what is the expected additional revenue through indirect tax?
2. Name the fund that got an allocation of Rs 1000crore for the safety of women?
3. What is the initial capital outlay for India's first women's bank according to the budget?
4. What is the additional amount of tax deduction on interest paid that is given to first time home loaners up to a loan amount of Rs 25 lakh?
5. Which sector has been announced to be getting a debt fund of Rs 5000crore in the form of tax-free bonds?
6. What is the duty-free limit of gold for men and women respectively?
7. What is the percentage of excise duty raised on cigarettes & cigars?
8. What is the amount of tax credit for people earning below Rs 500000 a year?
9. Name the sector & amount that got the highest allocation in the budget 2013.
10. What is the percentage increase/decrease of expected fiscal deficit for the year 2013-2014 with respect to the year 2011-12?



# CROSSWORD

ABHISEK SAHU 1 MBA C



## Across

6. Is a financial charge or other levy imposed upon a taxpayer

7. Is a branch of economics dealing with the performance, structure, behaviour, and decision-making of an economy

10. Which trap is this? It is a situation described in Keynesian economics in which injections of cash into the private banking system by a central bank fail to lower interest rates and hence fail to stimulate economic growth.

11. A prolonged period of slow economic growth

## Down

1. A business cycle contraction, a general slow-down in economic activity

2. A period used for calculating annual ("yearly") financial statements in businesses and other organizations

3. Transactions in goods and services (sales, barter, gifts or grants) from residents to non-residents

4. Is a state, country or territory where certain taxes are levied at a low rate or not at all

5. The process of concealing the source of money obtained by illicit means

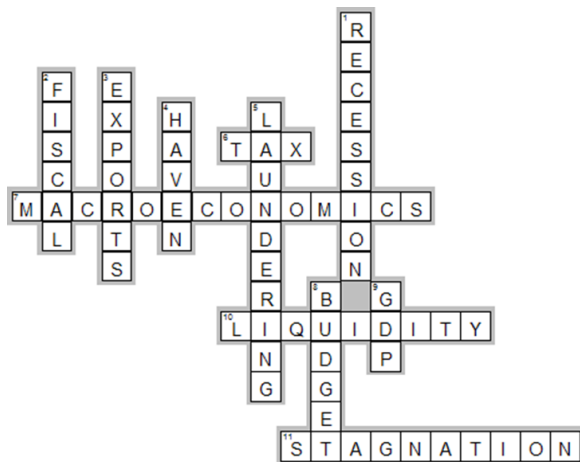
8. Establish the cost constraint for a project

9. A macroeconomic measure of the value of economic output adjusted for price changes

## Answers

### PHOTO FIND

1. Mr.Namo Narain Meena , Minister of State for Finance (EB & I)
2. Mr.Parthasarathy Shome ,Advisor of Finance Minister P.Chidambaram
3. Shri.Montek Singh Ahluwalia , Deputy Chairman Of Planning Commission
4. Logo of Indian Railways
5. Mr.Sushil Kumar Modi,Chairman of the Empowered Committee of State Finance Ministers
6. Smt.Krishna Tirath , Minister of Women and Child development



### ACROSS

6. **TAX**—is a financial charge or other levy imposed upon a taxpayer
7. **MACROECONOMICS**—is a branch of economics dealing with the performance, structure, behavior, and decision-making of an economy
10. **LIQUIDITY**—Which trap is this? It is a situation described in Keynesian economics in which injections of cash into the private banking system by a central bank fail to lower interest rates and hence fail to stimulate economic growth.
11. **STAGNATION**—a prolonged period of slow economic growth

### FINANCE QUIZ

1. Rs 4700crore
2. Nirbhaya fund
3. Rs 1000cr
- 4.1 lakh
5. Infrastructure
6. Rs 50000 & Rs 100000
- 7.18%
8. Rs 2000
9. Defence Ministry, Rs2, 03,672cr
10. Decreased by 7.7%



### DOWN

1. **RECESSION**—a business cycle contraction, a general slowdown in economic activity
2. **FISCAL**—a period used for calculating annual ("yearly") financial statements in businesses and other organizations
3. **EXPORTS**—transactions in goods and services (sales, barter, gifts or grants) from residents to non-residents
4. **HAVEN**—is a state, country or territory where certain taxes are levied at a low rate or not at all
5. **LAUNDERING**—the process of concealing the source of money obtained by illicit means
8. **BUDGET**—Establish the cost constraint for a project
9. **GDP**—a macroeconomic measure of the value of economic output adjusted for price changes

# NISHKA TEAM

**NISHKA is a monthly finance magazine brought by the students of the finance club of CHRIST UNIVERSITY Institute of Management Kengeri Campus. The Idea behind coining the issue of this magazine is to establish a learning among the students, which helps them to gain an insight about the world of finance.**

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