



Annual Budget for 2009-10 Presented



The Union Finance Minister, Mr. Pranab Mukherjee arrives at Parliament House to present the General Budget 2009-10, in New Delhi on July 06, 2009. The Ministers of State of Finance, Mr. S.S. Palanimanickam and Mr. Namo Narain Meena are also seen.

The Finance Minister of India, Mr. Pranab Mukherjee presented the Annual Budget for 2009-10 on July 6, 2009.

Highlights of the Budget:

The total expenditure of the Central Government is estimated at Rs 10,20,838 crore (approx \$209.19 billion) with Plan Expenditure of Rs 3,25,149 crore (approx \$66.63 billion) and Non-Plan Expenditure of Rs 6,95,689 crore (approx \$142.56 billion).

Revenue deficit for 2009-10 has been projected at 4.8% of GDP and fiscal deficit has been projected at 6.8% of GDP.

Gross Budgetary support for Annual Plan 2009-10 is Rs 3,21,096 crore (approx \$65.79 billion).

Allocation to National Highways Authority of India for the National Highway Development Programme, Railways, Jawaharlal Nehru National Urban Renewal Mission and Accelerated Power Development and Reform Programme increased.

Allocation under Accelerated Irrigation Benefit Programme and Rashtriya Krishi Vikas Yojana increased.

Key Fiscal Proposals:

Structural changes in direct taxes to be pursued by releasing the new direct taxes code within the next 45 days and in indirect taxes by accelerating the process for the smooth introduction of the Goods and Services Tax (GST) with effect from 1st April, 2010.

Proposals on indirect taxes to seek to achieve stable framework by maintaining the overall rate structure for customs and central excise duties as well as service tax.

No Changes in corporate tax rates. Surcharge on various direct taxes to be phased out.

Commodity Transaction Tax abolished.

More services brought under the service tax net.

Government to set up an expert group to advise on a viable and sustainable system of pricing petroleum products

Major Sector Specific Proposals

Infrastructure Development

India Infrastructure Finance Company Limited (IIFCL) to evolve a Takeout financing scheme in consultation with banks to facilitate incremental lending to infrastructure sector.

IIFCL to refinance 60 per cent of commercial bank loans for public private partnership (PPP) projects in critical sectors over the next fifteen to eighteen months. IIFCL and Banks are now in a position to support projects involving total investment of Rs.1,00,000 crore(\$20.49 billion).

Agriculture

Target for agriculture credit flow set at Rs.3,25,000 crore (approx \$66.6 billion) for the year 2009-10, as against Rs.2,87,000 crore (approx \$ 58.81 billion) achieved in 2008-09.

Inclusive Development:

To increase productivity of assets and resources under National Rural Employment Guarantee Act,

convergence with other schemes relating to agriculture, forests, water resources, land resources, rural roads initiated. In the first stage 115 pilot districts selected for convergence.

🌀 National Food Security Act to be brought in to ensure entitlement of certain amount of rice and wheat to every family living below the poverty line in rural or urban areas. Food Security Bill to be put on the website of the Department of Food and Public Distribution for public debate

🌀 A new scheme named *Pradhan Mantri Adarsh Gram Yojana* (PMAGY) launched on pilot basis for integrated development of 1000 villages having population of scheduled castes above 50 per cent.

Railway Budget For 2009-10

The Indian Railway Budget was presented in the Parliament by the Railway Minister, Ms. Mamta Banerjee on July 3, 2009.

Highlights:

🌀 The traffic receipts increased by 11.4% to reach Rs 79,862 crore (approx \$16.37 billion) in 2008-09.

🌀 The Budget has proposals for 7 new lines, Gauge conversion of 17 lines and doubling of 13 railway lines. In addition, proposals for 53 new lines, 3 gauge conversion and doubling of 12 lines will be processed during the year.

🌀 The Railway Budget has proposed an outlay of Rs.40,745 crore (approx \$8.35 billion) for 2009-10. The thrust areas include construction of new lines, gauge conversion and passenger amenities.

🌀 The Railways will come out with White Paper on organizational, operational and financial status based on the last five years' performance and develop Vision-2020 with short and long term strategy and plan of action.

Policy Developments

🌀 The Government of India has decided to allow commercial banks to issue zero coupon bonds to raise long-term funds. At present, zero coupon bonds, which

are issued at a discount to the face value with in-built interest, are allowed to be issued only by infrastructure companies or public sector organizations. [More](#)

🌀 Reserve Bank of India (RBI) has unveiled a timeframe to adopt advanced approaches to manage credit, market and operational risks. This would enable the banks to plan and prepare for their migration to the advanced approaches for credit risk and operational risk, as also for the Internal Models Approach (IMA) for market risk. By March 2009, all Indian commercial banks as well as foreign banks operating in India have already implemented the Standardised Approach for credit risk, Basic Indicator Approach for operational risk and the Standardised Duration Approach for market risk. [More](#)

Economic News

🌀 Indian companies raised about \$ 35.71 billion through privately placed corporate bonds in the fiscal year ended March 2009, according to a report from Prime Database, a primary market tracker. The amount is a 51% rise over 2007-08. [More](#)

🌀 As per data released by Telecom Regulatory Authority of India (TRAI), the gross revenue of the telecom sector for the last quarter of 2008-09 stood at Rs.40,445 crore (\$8.29 billion), as against Rs.39,408 crore (\$8.09 billion) in the previous quarter, registering a growth of 2.6%. [More](#)

🌀 According to the 4th Advance Estimates of production of major crops grown in India, total foodgrains production in 2008-09 reached a record 233.88 million tonne mark. This is about 3 million tonne higher than 230.78 MT reached in 2007-08. A target of 233 million tonne foodgrain production had been fixed for the year. [More](#)

🌀 India's industrial output expanded 2.7 per cent in May, 2009, the highest since September 2008, on the back of strong consumer demand in the domestic market. This is significantly higher than the downwardly revised 1.2% for April, 2009. [More](#)

🌀 The spending by India's corporate sector on capital expansion and investments rising increased by 21.6 per

cent in the financial year 2008-09, compared with 38.5 per cent in 2007-08 according to a study by Nomura Financial Advisory and Securities India which looks at 323 listed companies whose capital spending data for 2008-09 is available. [More](#)

☞ The private equity (PE) investment into India reached US\$ 1.03 billion during April-June 2009, registering an increase of 17 per cent, according to data compiled by SMC Capitals. The first six months of 2009 saw 96 private equity deals worth US\$ 1.92 billion. [More](#)

☞ The remittances of overseas Indians stood at \$52 billion in 2008, as compared to \$ 35.3 billion in 2007, an increase of 47%, according to the most recent World Bank data on migration and remittances. [More](#)

Corporate News

☞ Sterlite Industries, India's leading private sector power producer, is planning to invest Rs 20,000 crore (approx \$4.09 billion) over the next one year to create additional capacity of 4,500 mw. [More](#)

☞ The Indian private equity fund, India Value Fund Advisors (IVFA) has raised \$725 million (Rs3,516 crore) for its fourth fund. IVFA, which manages \$610 million across its three previous funds, usually buys controlling stakes in the companies it invests in. [More](#)

☞ Toshiba-JSW, a 75:25 joint venture between Japan based Toshiba Corporation and the JSW group has firmed up its plan to invest US \$ 160 million (Rs 800 crore) in setting up a manufacturing unit for super critical power equipment in Tamil Nadu, over a five year period. [More](#)

☞ PerkinElmer, Inc, a global company focused on improving the health and safety of people and the environment, has announced plans to establish a Bio-Pharma Center of Excellence in Hyderabad, India. The Hyderabad facility complements the recently-opened PerkinElmer Technology and Innovations Facility in Mumbai, established in May 2008 and dedicated to environmental health sciences. [More](#)

☞ The Tamil Nadu government will take steps to set up a financial city on the outskirts of Chennai and create infrastructure facilities. The financial city, to be set up with private participation, would look to attract

banks, insurance and mutual fund companies and stock market intermediaries. [More](#)

☞ Bavina Cars India Ltd, an electric car manufacturer will set up a manufacturing unit for electric cars near Chennai in Tamil Nadu. The company will produce 25000 cars annually and commercial production of the five-seater vehicle was scheduled to commence from 2011. [More](#)