

Portal: cxotoday.com

Date: February 25, 2011

Edition: Online

Budget Expectations - Suresh Rao, Mindteck



Suresh Rao, CFO, Mindteck, shares his expectations from the Union Budget 2011 with CXOtoday.com

The other day I went to my friendly neighborhood store and asked for some Milk and Bread, pretty basic necessities of daily life. I was surprised that it cost me quite a bit and asked for a breakup. Sensing my frustration at the increasing prices, the store keeper remarked "If you had purchased the same things last month, it would have cost

you 10% less"!

Galloping food inflation would be the number one priority that Union Finance Minister would need to address on February 28, and it is not going to be easy. So, countrymen, brace yourselves for a budget that, the nation hopes, would be a path-breaking one. Particularly so, since the challenges we face today are set in a backdrop of highly uncertain economic environment, swinging widely as political storms rock it further sporadically.

Now let's get down to the specifics and list the challenges:

- Tax Proposals that will give a fillip to investment and GDP growth - The IT sector expectations on extension of tax holiday, Realty Industry expectations with regard to indirect tax structure, incentives to shore up the flagging Airline industry are just some of the expectations that Industry is demanding
- Inflation - the nation waits with bated breath to know what is in store for them.
- Rising Interest rates - Financial markets have reacted with a thumbs down and the sensex is at a 15 month low. For capital formation and investment it is imperative that financial markets do well
- Increasing oil prices - At \$ 119 a barrel and the Arab world in the midst of a contagious political storm, the Government is under pressure to raise fuel prices again. The Auto Industry which has seen unprecedented growth and increase in domestic demand over the last 12 to 18 months seems the most likely candidate for revenue mobilization through increase in duties. The cost of owning motor vehicles and commuting appears all set to take a lion's share of household budgets.
- Need to rein in the ballooning fiscal deficit - the Government has already committed to complying with the norms governing fiscal discipline and tipping the balance adversely could result in severe inflationary pressures.
- Corruption at levels that could probably compete with GDP of certain countries - The CWGs and

2Gs along with mining deals etc are threatening to fund and fuel the parallel economy further. There is a desperate political as well as economic need to set things straight at the very top.

- Need to fund Infrastructure development to keep pace with the GDP increases year on year - In order to catch up with other emerging markets and support the growth of our economy, infrastructure is an absolute “must have”. Industry expectations around this deliverable have been heating up for some time and the government needs to act immediately.
- Govt support to Primary schooling and education - Student additions to Govt schools have registered a decrease that needs to be addressed immediately in the form of improving infrastructure and measures to ensure education across all sections of the society.

As one can see there is a desperate need to balance expectations out in a manner that ensures the optimal dose of Budgetary policy support to strengthen the economy further and at the same time ensure people welfare. It would not be an understatement were we to call this one the most challenging of all Budgets.

All the Very Best, Mr Finance Minister!