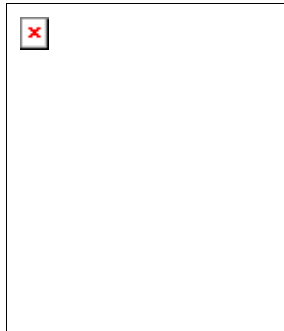


Budget will focus on growth: Anil Rego

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Anil Rego, founder and chief executive officer (CEO) of Right Horizons, an investment advisory and wealth management company has outlined his expectations for the upcoming Budget which is scheduled for July 6.

He said that with a clear mandate for the government, we hope that the budget will focus on growth and bring in reforms to take India fast forward into a new era; heralding balanced growth and bringing development into every nook and corner of the country.

Fiscal Deficit

There were raising concerns on the sky rocketing fiscal deficit which was pegged at 12.6% of GDP in FY2009 - this year, with few of the broad economic indicators such as index of industrial production (IIP) showing signs of recovery, the situations seems to be stabilizing. Bringing the fiscal deficit under control will be key to bringing down interest rates. Lower interest rates would help bring in sustainable growth into the economy and aid a quicker revival. We believe that phasing out of petroleum subsidies is the need of the hour. Removal of subsidies would lead to higher prices; however subsidies are also inflationary and lead to higher interest rates which could have a larger impact in the long term. Higher prices would also encourage energy conservation and use of alternate energy sources like solar, bio gas, etc.

Divestment of stake in Govt. cos.,

This has been a favorite talk point for the UPA led Govt., this year. Keeping in mind the current high level of the fiscal deficit, the Govt., is likely to push the envelope. We hope that the divestment is used as a means of opening up a reformative movement- to strengthen the companies, bring about efficiencies and lead the government to focus on areas that it should be focusing on more - infrastructure, education and social welfare. We hope that a significant portion of the funds are infused into infrastructure development which will provide a multiplier impact on economic growth.

Infrastructure

Focus on infrastructure will aid quicker recovery, provide greater employment opportunities especially to the lower echelons of society and is likely to boost numerous ancillary sectors. Infrastructure spending also brings in efficiencies into the economy. By increasing investments herein, the Govt. will provide demand support in the near term and improve productivity by reducing supply constraints. It has already authorized the India Infrastructure Finance Company to collect Rs 300 billion by issuing tax-free bonds for financing infrastructure projects. We would like a clear cut vision to boost this sector over a 12 month period fairly aggressively. Initiatives like low cost housing could be supported.

Education

One of the biggest challenges that the industry faces today is dearth of qualified and skilled personnel. The Indian education system is not able to provide the necessary skills and competencies to students that are relevant to industry. This has necessitated significant investments in training and a huge loss of productivity on recruitment. We have wonderful institutions like the IIMs/ IISs/IITs. Thought needs to be put as to how do we raise the standard of the rest of the institutions to that level. Our view is that this can be one area that can have significant long term benefits for the

economy and the country. Primary education is particularly an area that can have a transformational impact on the country.

Social Welfare

Health, Agriculture and Rural India need significant focus. With monsoons being a concern across India, Agriculture should remain in significant focus. Measures need to be comprehensive and integrated with Infrastructure. We need a solution beyond just fertilizer subsidy and loan waivers. The approach needs to be to empower people and not just dole out freebies.

Tax Reforms

Implementation of goods and services tax (GST), a uniform tax across India can be an important reform. We need to bring about efficiency in the system - I dream of an integrated tax system for all taxes. This would simplify things for individuals/corporate. This would also increase compliance and significantly reduce the cost of administration of the system. Automation and integration of systems should be continued so as to ensure compliance. Reduced taxes will significantly increase compliance as well. This benefit should be passed on to the consumer through lower service tax, Sales Tax and Income Taxes. Tax laws should continue to be simplified and FBT done away with.

The Indian Electorate has given a clear vote to the UPA. Some of the initial moves appear to be in the right direction. Dear Prime Minister / Finance Minister, we wish you all the best and hope the government rises to the occasion and focuses on long term measures that help transform the country into a new and vibrant India. We believe that is the mandate that India has given you.