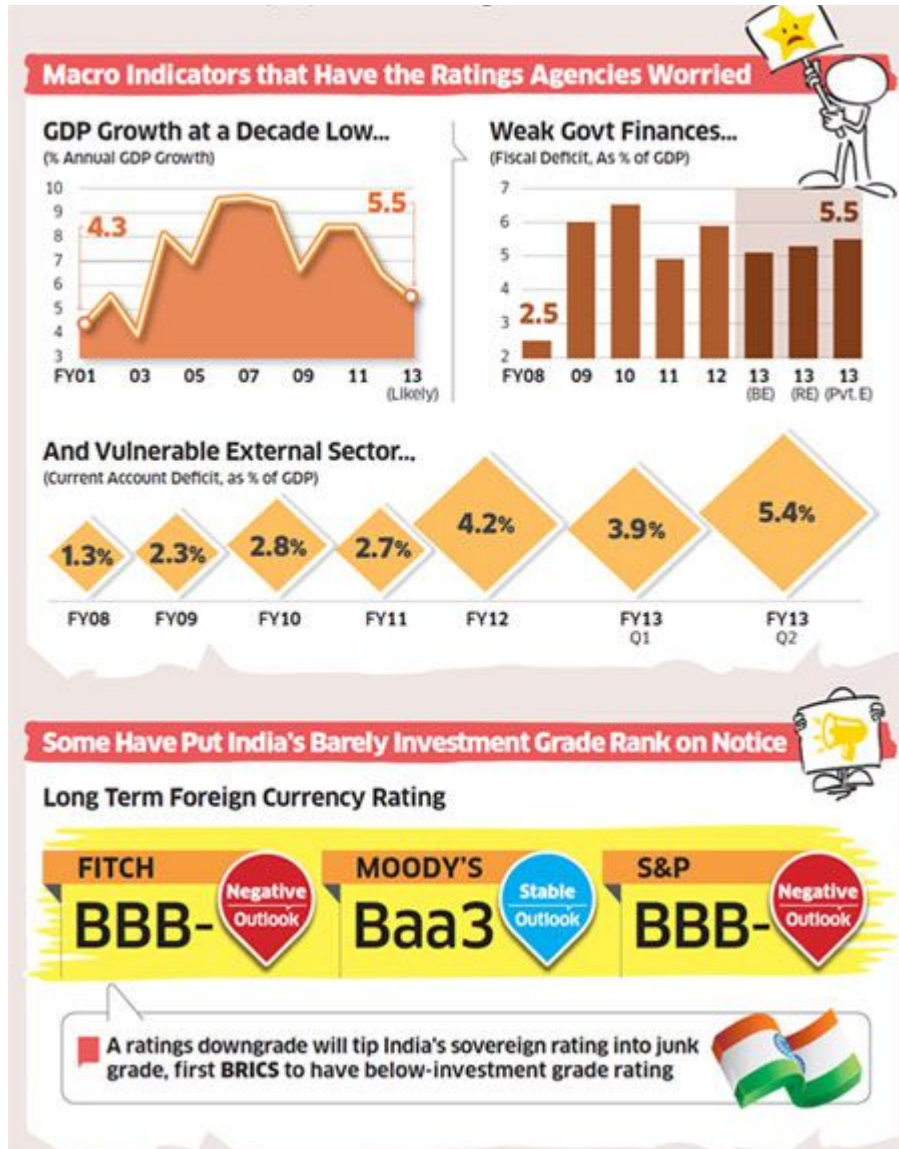


Budget 2013: Ratings agencies to keep government on toes

The threat of downgrade by ratings agencies will keep the government on its toes as it prepares the budget for 2013-14.



India cannot afford a downgrade now because:

In terms of the coming events we will be watching for, the most significant, at least in the near term, will be the upcoming budget announcement for the fiscal year 14 which should take place towards the end of February...

ART WOO

*Director in Fitch's
Asia-Pacific
Sovereign
Ratings group*



- > A below-investment grade rating will affect capital flows
- > Cost of raising foreign funds will rise for Indian company
- > The Indian currency could weaken
- > The Indian currency could weaken
- > India's forex reserves could deplete if capital flows fall

May Affect Overall Growth - What Does it Mean for the Budget

We reiterate our view that while the reform announcements in Sept/Oct 12 have "bought" India time to avert a ratings downgrade, the next 6-9 mths are crucial

ROHINI MALKANI
Citi



- > 4.8% fiscal deficit target announced for 2013-14 is likely to be the starting point for the budget
- > A tight leash on expenditure likely
- > The budget unlikely to be populist despite being the last full-fledged budget before elections
- > Emphasis likely to be on cash transfers to

better target subsidies

- > More fiscal consolidation measures & steps to revive growth & investments
- > Steps to improve supply side to check structural inflation
- > Measures to make investment attractive to improve capital flows
- > Introduce export sops to help check widening trade deficit

(Economic Times)