



Economic Stimulus for Self Reliant India

Part-IV



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CHARTERED ACCOUNTANTS



TABLE OF CONTENTS

As announced by Hon. Finance Minister, Govt will come up with details of economic stimulus worth Rs.20 lakhs crore in different tranches, Part-4 of which was announced on May 16, 2020.

Part-4 has covered the following sectors:

1. Coal Sector
2. Mineral Sector
3. Defence Production
4. Civil Aviation
5. Power Sector
6. Private Sector Investment
7. Space
8. Atomic
9. Other Policy Reforms

Coal Sector Policy Reforms

1) Policy Reforms – Commercial Mining

- Focus to **reduce import** of substitutable coal and **increase Self-reliance** in coal production.
- Government will introduce competition, transparency and private sector participation in the Coal Sector through :
 - **Revenue sharing mechanism** instead of regime of fixed Rupee/tonne
 - **Any party can including captive consumers with end use bid** for a coal block and sell in the open market.
- Entry norms will be liberalized:
 - Nearly **50 blocks to be offered** immediately.
 - No eligibility conditions, **only upfront payment** with a ceiling.

2) Policy Reforms – Commercial Mining

- Exploration-cum-production regime for partially explored blocks
 - **Partially explored blocks to be auctioned.**
 - Will allow **private sector participation** in exploration.
 - **Production will be incentivized** through rebate in revenue-share.

3) Policy Reforms – Diversified Opportunities - Investment of Rs 50,000 crores.

- For evacuation of enhanced Coal India's target of 1 billion tons coal production by 2023-24 plus coal production from private blocks.
- Includes Rs.18,000 crore worth of investment in mechanized transfer of coal (conveyor belts) from mines to railway sidings.
- This measure will also help reduce environmental impact.
- Coal Gasification / Liquefaction will be incentivised through rebate in revenue share.

4) Policy Reforms – Liberalised Regime

Coal Bed Methane (CBM) extraction rights to be auctioned from Coal India Limited's (CIL) coal mines.

- Ease of doing business measures, such as Mining Plan simplification, will be taken.
 - **Mining Plan has been shortened**, made amenable for loading online.
 - To allow **for automatic 40% increase** in annual production.
- Concessions in commercial terms given to CIL's consumers (relief worth Rs 5000 crore offered)
 - Reserve price in auctions for non-power consumers reduced, credit terms eased, and lifting period enhanced.

Mineral Sector

1) Enhancing Private Investments

- Structural reforms to boost growth, employment and bring state-of-the-art technology especially in exploration through:
 - Introduction of a seamless composite exploration-cum-mining-cum-production regime.
 - 500 mining blocks would be offered through an open and transparent auction process
 - Introduce Joint Auction of Bauxite and Coal mineral blocks to enhance Aluminium Industry's competitiveness. Will help aluminium industry reduce electricity costs.

2) Policy Reforms – Mineral Sector

- Remove distinction between captive and non-captive mines to allow transfer of mining leases and sale of surplus unused minerals, leading to better efficiency in mining and production.

- Ministry of Mines is in the process of developing a Mineral Index for different minerals.
- Rationalisation of stamp duty payable at the time of award of mining leases.

Defence Production

1) Enhancing Self Reliance

- 'Make in India' for Self-Reliance in Defence Production:
 - Notify a list of weapons/platforms for ban on import with year wise timelines.
 - **Indigenisation of imported spares**
 - Separate budget provisioning for domestic capital procurement.
 - Will help reduce huge Defence import bill.
- Improve autonomy, accountability and efficiency in Ordnance Supplies by **Corporatisation of Ordnance Factory Board.**

2) Policy Reforms – Defence Production

- **FDI limit** in the **defence manufacturing** under automatic route will be **raised from 49% to 74%**.
- Time-bound defence procurement process and faster decision making will be ushered in by :
 - Setting up of a Project Management Unit (PMU) to support contract management.
 - Realistic setting of General Staff Qualitative Requirements (GSQRs) of weapons/platforms.
 - Overhauling Trial and Testing procedures.

Civil Aviation

1) Efficient Airspace Management - Reduction in Flying Cost Rs.1,000 crores

- Only 60% of the Indian airspace freely available.
- Restrictions on utilisation of the Indian Air Space will be eased so that civilian flying becomes more efficient.
- Will bring a total benefit of about Rs 1000 crores per year for the aviation sector.
- Optimal utilization of airspace; reduction in fuel use, time.
- Positive environmental impact.

2) More World-class Airports through PPP

- AAI has awarded 3 airports out of 6 bid for Operation and Maintenance on Public-Private Partnership (PPP) basis.
- Annual Revenue of 6 airports in 1st round - Rs 1000 crores (against current profit of Rs 540 crores per year). AAI will also get a down payment of Rs 2300 crores.

- 6 more airports identified for 2nd round. Bid process to commence immediately.
- Additional Investment by private players in 12 airports in 1st and 2nd rounds expected around Rs. 13,000 crores.
- Another 6 airports will be put out for the third round of bidding.

3) India to Become a Global Hub for Aircraft Maintenance, Repair and Overhaul (MRO)

- Tax regime for MRO ecosystem has been rationalized.
- Aircraft component repairs and airframe maintenance to increase from Rs 800 crores to Rs 2000 crores in three years.
- Major engine manufacturers in the world would set up engine repair facilities in India in the coming year.
- Convergence between defence sector and the civil MROs will be established to create economies of scale.
- Maintenance cost for airlines will come down.

Power Sector Reforms

1) Tariff Policy Reform

- **Consumer Rights**
 - DISCOM inefficiencies not to burden consumers.
 - Standards of Service and associated penalties for DISCOMs.
 - DISCOMs to ensure adequate power; load-shedding to be penalized.
- **Promote Industry**
 - Progressive reduction in cross subsidies.
 - Time bound grant of open access.
 - Generation and transmission project developers to be selected competitively.
- **Sustainability of Sector**
 - No Regulatory Assets.
 - Timely payment of Gencos.
 - DBT for subsidy; Smart prepaid meters.

2) Privatization of Distribution in UTs

- Sub-optimal performance of power distribution & supply
- Power Departments /Utilities in Union Territories will be privatized.
- Will lead to better service to consumers and improvement in operational and financial efficiency in Distribution
- Provide a model for emulation by other Utilities across the country.

Private Sector Investment – in Social Infrastructure through VGF - **Worth Rs.8,100 crores**

- Enhancing the **quantum of Viability Gap Funding** upto 30% each of Total Project Cost as VGF by Centre and State/Statutory Bodies.
- For other sectors, VGF existing support of 20 % each from GoI and States/Statutory Bodies shall continue
- Projects to be proposed by Central Ministries/ State Government/ Statutory entities.

Space

Boosting private participation in Space activities

- Indian private sector will be a co-traveller in India's space sector journey.
- Will provide level playing field for private companies in satellites, launches and space-based services.
- Will provide predictable policy and regulatory environment to private players.
- Private sector will be allowed to use ISRO facilities and other relevant assets to improve their capacities.
- Future projects for planetary exploration, outer space travel etc to be open for private sector.
- Liberal geo-spatial data policy for providing remote-sensing data to tech-entrepreneurs.

Atomic Energy

Atomic Energy related Reforms

- Establish research reactor in PPP mode for production of medical isotopes – promote welfare of humanity through affordable treatment for cancer and other diseases.
- Establish **facilities in PPP mode** to use irradiation technology for food preservation – to compliment agricultural reforms and assist farmers.
- Link India's robust start-up ecosystem to nuclear sector – **Technology Development cum Incubation Centers** will be set up for fostering synergy between research facilities and tech-entrepreneurs.

Other Policy Reforms

1) Policy Reforms to Fast-Track Investment - Effort towards Atmanirbhar Bharat:

- Fast track Investment Clearance through Empowered Group of Secretaries (EGoS).
- Project Development Cell in each Ministry to prepare investible projects, coordinate with investors and Central/ State Governments
- Ranking of States on Investment Attractiveness to compete for new investments
- Incentive schemes for **Promotion of New Champion Sectors will be** launched in sectors such as Solar PV manufacturing; Advanced cell battery storage; etc.

2) Upgradation of Industrial Infrastructure

- Scheme will be implemented in States through Challenge mode for Industrial Cluster Upgradation of common infrastructure facilities and connectivity.
- Availability of Industrial Land/ Land Bank for promoting new investments and making information available on Industrial Information System (IIS) with GIS mapping.
- 3376 industrial parks/estates/SEZs in 5 lakh hectares mapped on Industrial Information System (IIS).
- All industrial parks will be ranked in 2020-21.

Thank You

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