New disinvestment policy gets nod

Cabinet also okays new policy for Metro rail projects, irrigation funding by Nabard via bonds, extension of tax waiver for industries in hill states

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New Delhi, 16 August

The central government has cleared a new mechanism to hasten privatisation of state-owned companies. This system is meant for strategic disinvestment, as opposed to minority stake sales in public sector units (PSUs), public offers of equity and the like.

Among other major decisions by the Cabinet and the Cabinet Committee on Economic Affairs (CCEA) on Wednesday, a nationwide policy for Metro rail transportation was approved. Future projects are to be tendered while keeping in mind their social and economic impact, not only the estimated financial return.

A decision was also taken to extend tax benefits for industrial units in the northeast states and hilly areas. And, clearing the way for the National Bank for Agriculture and Rural Development (Nabard) to issue bonds worth ₹9,020 crore of extra budgetary resources to fund irrigation projects.

Privatisation

A committee of ministers is to speed up the process of privatisation. Dubbed an 'alternative mechanism', it would comprise Finance Minister Arun Jaitley, Transport Minister Nitin Gadkari, and the minister of the administrative department under which a company has been earmarked for strategic sale, to decide.

Similar alternative mechanisms exist for minority stake sales in public sector units, in state-owned banks and financial companies through offer-for-sale, initial public offers of equity and exchange-traded fund routes.

However, there is a key difference between these and the one for strategic sales, a senior government official explained to *Business Standard*. While the mechanisms for minority stakes approve even the final stake sale, avoiding the need to go to cabinet after a blanket 'in-principle' approval, the new mechanism will only approve the intermediate processes like expression of interest, method of sale and the request-for-proposal. The final decision on privatisation and the buyer rests with the CCEA, said the official. Further, an existing core group of secretaries will be empowered to take decisions on procedural issues and to consider deviations as necessary from time to time, for effective implementation of the CCEA decisions, it was stated.

The government has budgeted ₹72,500 crore this financial year through stake sale in PSUs. This comprises ₹46,500 crore from minority stake sale, ₹15,000 crore from strategic disinvestment and ₹11,000 crore from listing of PSU insurance companies.

Metro rail

The new policy on Metro rail projects requires a higher than before commitment from states and public-private partnership (PPP), in terms of land clearances and funding obligations, expansion of viability gap funding, monitoring by the Centre and provisions to help on delays.

The policy stipulates a shift from the present 'Financial Internal Rate of Return of eight per cent' to 'Economic Internal Rate of Return of 14 per cent' for approving of projects, in line with global practices, went an official statement.

It allows private investments across a range of Metro operations through a mandatory PPP route for availing of central assistance for new projects. Private investment and other innovative forms of financing have been made compulsory to meet the huge resource demand for these capital-intensive schemes.

Jaitley said after the meeting that the policy provides for rigorous assessment of new proposals and third-party assessment by agencies to be identified by the government. Metro rail projects with a total length of about 350 km are operational in eight cities — Delhi, Bengaluru, Kolkata, Chennai, Kochi, Mumbai, Jaipur and Gurugram. Others are underway in Hyderabad, Nagpur, Ahmedabad, Pune and Lucknow. In the next four years, said Jaitley, the aim is for 900 km of a Metro rail network.

Tax waiver in N-E, hill states

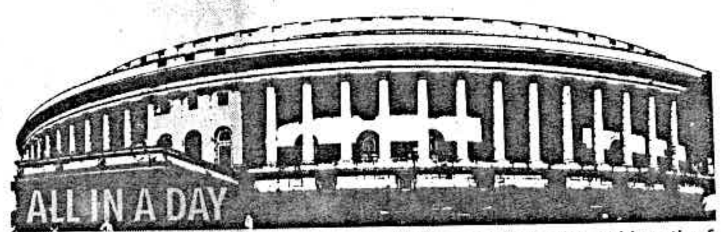
The CCEA also approved a proposal for industries in the northeast (including Sikkim) and the Himalayan states to continue to get tax exemptions till March 2027. However, these exemptions will be given as refund under the new goods and service tax (GST) regime. "The department of industrial policy and promotion will come out with the guidelines soon," Jaitley said. "Within the framework of the GST Act, each industry will be entitled to its own refund mechanism during this particular period (till March 2027)."

Industries in the northeast and of Jammu & Kashmir, Himachal Pradesh and Uttarakhand would, under the previous excise regime, get 10-year exemption. Now, instead of an exemption, they will get refunds, Jaitley said.

Under the GST regime, there is no provision for exemption but one section under the Act which permits refunds. An estimated 4,284 eligible industrial units will benefit from the scheme, the budgetary outlay for which was ₹27,413 crore in FY18.

Nabard

A day after the prime minister talked of completing 99 irrigation projects by 2019, the Cabinet cleared way for Nabard to issue bonds for raising ₹9,020 crore of extra budgetary resources (EBRs) to fund these. These bonds would be serviced by the government and ensure Nabard lends at six per cent yearly.



Privatisation

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- New mechanism will only approve intermediate processes like expression of interest, method of sale and the request-for-proposal. Final decision on privatisation and the buyer rests with the CCEA
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Metro rail transportation

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- Metro projects with total length of 350 km are operational in — Delhi, Bengaluru, Kolkata, Chennai, Kochi, Mumbai, Jaipur and Gurugram. Others are underway in Hyderabad, Nagpur, Ahmedabad, Pune and Lucknow

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Nabard

- Cabinet cleared way for Nabard to issue bonds for raising ₹9,020 crore of extra budgetary resources to fund the 99 irrigation projects to be completed by 2019
- During 2017-18, it is estimated that ₹29,000 crore would be required for this purpose