Push for privatisation, relief for telecom

Cabinet approves strategic sale of BPCL, 4 other PSUs

ARUP ROYCHOUDHURY
New Delhi, 20 November

The Cabinet Committee on Economic Affairs on Wednesday approved the strategic disinvestment of the Centre's entire stake in Bharat Petroleum (BPCL), Shipping Corp, THDC India, and NEEPCO, and most of its stake in Container Corp, while giving up management control in these companies.

It also gave an in-principle approval for the government to reduce stake in certain state-owned companies to below 51 per cent in some while retaining majority stake management control.

These major divestment decisions were taken even as the government races against time to meet its highest ever divestment target of ₹1.05 trillion for 2019-20. The Centre hopes that disinvestment proceeds will make up for some of the revenue shortfall that is expected this year.

While announcing the decisions in a post-Cabinet meeting media briefing, Finance Minister Nirmala Sitharaman said privatisation of BPCL will be without the company's equity shareholding of 61.65 per cent in Numaligarh Refinery in Assam.

"The Numaligarh Refinery will be carved out of BCPL and will be taken over by another state-owned company," said Sitharaman.

Numaligarh Refinery is the largest producer of paraffin wax in the country. The GRM of NRL during FY19 was seen at $11.8 a barrel. The remaining 38.35 per cent stake is held by the Assam government (12.35 per cent) and Oil India (26 per cent).

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OTHER DECISIONS

- Amendments to the toll-operate-transfer model of the NHAI
- Green light to 0.12 million tonnes onion import
- Bill to replace corporation tax cut ordinance
- Common regulator for services in GIFT City
- Nod to Bill to regularise Delhi's unauthorised colonies

"THE GOVT IS CONSIDERING, IN CASE WHERE THE UNDERTAKING IS STILL TO BE RETAINED IN GOVT CONTROL, TO GO BELOW 51% TO AN APPROPRIATE LEVEL ON A CASE-TO-CASE BASIS"

NIRMALA SITHARAMAN,
Union finance minister

Telcos get 2-yr breather to pay for spectrum

SUBHAYAN CHAKRABORTY
New Delhi, 20 November

The debt-ridden telecom industry, looking for financial relief from the government, has got a two-year moratorium in making payments for past spectrum auctions.

The Union Cabinet on Wednesday decided to defer spectrum payments dues of the telcos for 2020-21 and 2021-22, a move that will offer an estimated ₹42,000-crore overall relief to Bharti Airtel, Vodafone Idea and Reliance Jio over the next two years. While Vodafone Idea has got the maximum relief of more than ₹24,500 crore, Airtel and Jio's moratorium is pegged at around ₹11,000 crore and ₹6,800 crore, respectively. The Cabinet decision is based on a recommendation by a committee of secretaries headed by Cabinet Secretary Rajiv Gauba.

₹42,000 CR BOOST

This comes soon after all three private telecom operators announced they were raising mobile phone tariff. Sources said the government had asked telecom firms to set their house in order by raising tariffs before seeking relief. Setting a tariff floor was the other option. The recent Supreme Court order, asking telcos to pay AGR dues of around ₹1.33 trillion, only pushed Bharti Airtel and Vodafone Idea to say the liabilities would make it tough for them to continue as going concerns. After the Cabinet meeting, Finance Minister Nirmala Sitharaman told the media in a late-night briefing that the deferred amount will be spread out equally over the remaining installments.

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Govt approval to Code on Industrial Relations Bill

SOMESH JHA
New Delhi, 20 November

The Centre on Wednesday approved the Code on Industrial Relations (IR) Bill, 2019 — considered to be the most contentious labour law amendments.

The central government has withdrawn its proposal to give flexibility to big companies, in terms of manpower, to retrench or lay off workers and shut shop without seeking official consent, a government official said, requesting anonymity.

As a result, another proposal to increase the compensation for retrenched or laid off workers is also not a part of the Bill. However, instead of going for a change in the central law, there are provisions in the Bill which safeguards the amendments brought in by various state governments, giving flexibility to companies to "hire and fire" workers — a move that may be cheered by the industry.

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Stake sale in BPCL...

Of the total 249.4 million tonne per annum (MTPA) refining capacity in India, BPCL has around 15 per cent or 38.3 MTPA. BPCL also has 15,177 retail outlets in India.

The major reason why Numaligarh was kept out of the strategic disinvestment was because of its importance being part of the Assam Accord of 1985 signed between All Assam Students' Union and the Centre following the anti-immigrant agitation.

Assam Chief Minister Sarbananda Sonowal had also written to Prime Minister Narendra Modi that the state is attached to the "Accord refinery" and hence it should be kept out of the strategic sale.

The government will offload its entire 53.29 per cent stake in BPCL, 63.75 per cent stake in Shipping Corp, and 30.8 per cent stake in Container Corp, she said. The centre owns 54.8 per cent stake in Concor.

At Wednesday's closing price, the value of BPCL stake sale was about ₹63,000 crore, more than half the divestment target for the year. The combined proceeds from the Concor and Shipping Corp privatisation could be about ₹12,900 crore.

Sitharaman also said NTPC will buy the Centre's entire stake in two unlisted companies, THDC India and NEEPCO. The Centre owns 74.23 per cent in THDC, with the rest owned by Uttar Pradesh. It owns 100 per cent stake in NEEPCO.

While the Department of Investment and Public Asset Management is appointing transaction advisors and asset valuations for these deals, the centre's internal calculations show that NTPC's acquisition of the companies could fetch the exchequer around ₹8,000 crore, as reported in Business Standard earlier.

"The CCEA has given the clearance or in-principle approval for enabling the reduction of government of India paid up share capital in certain CPSEs while retaining management control," Sitharaman said.

This move is different from an outright privatisation as the centre will continue holding a majority stake and management control in these firms and they will still be classified as public sector enterprises.

These firms are those in which the centre already has a stake below 60 per cent, and could include Indian Oil (current government stake 51.5 per cent), NTPC (54.50 per cent), Bharat Electronics (58.83 per cent), BEML (54.03 per cent), Engineers India (52 per cent), GAIL India (52.66 per cent) and National Aluminum Co (52 per cent). The stake in these companies is likely to be pared through offers for sale (OFS) on the exchanges. This gives shape to a budget promise.