



Government announces structural reforms in various sectors amid Covid-19 crisis

As part of the series of announcements being made by the Hon'ble Finance Minister ('FM') over the past few days, the Hon'ble FM today announced several structural reforms spanning across several sectors in order to build a self-reliant India.

The measures announced today focussed on sectors such as coal, minerals, defence production, civil aviation, power distribution, space and atomic energy.

The key announcements are summarised as under:

a. Coal sector

In order to reduce the import of substitutable coal and to promote commercial mining of coal by the private sector, the following measures are announced by the Government:

- Commercial mining of coal would be allowed on revenue sharing basis instead of the regime of fixed rupee/ tonne basis.
- The eligibility criteria for bidders is sought to be relaxed to allow any party to bid for a coal block and sell in the open market. Currently, only captive consumers with end-use ownership are allowed to bid.
- The entry norms are sought to be liberalized and nearly 50 blocks are envisaged to be offered immediately.
- Partially explored coal blocks are now permitted to be auctioned.
- Businesses which are able to meet the production targets earlier than scheduled would be incentivised through a rebate in revenue share. Similarly, in order to reduce the



environmental impact, coal gasification / liquefaction is also sought to be incentivised through a rebate in revenue share.

b. Defence sector

The key structural and policy reforms announced by the Government for the defence sector are listed below:

- The Foreign Direct Investment ('FDI') limit in defence manufacturing under the automatic route is sought to be raised from 49% to 74%.
- In order to promote indigenous manufacture of defence weapons without compromising on quality standards, a list of weapons and platforms which shall not be allowed to be imported is likely to be notified.
- The Ordnance Factory Board is sought to be corporatized (not privatized) in order to improve its autonomy, accountability and efficiency. The Government may also consider potential listing of the corporatized Ordnance Factory Board on recognised stock exchanges.

c. Power sector

The power distribution companies in the Union Territories are sought to be privatised in order to increase their operational and financial efficiencies and to provide better service to the consumers. It is expected that they would also provide a model for emulation for other distribution companies across India. Further, a tariff policy with reforms focused on consumer rights, promotion of industry and sustainability of sector will be introduced.

d. Space and atomic energy

In order to boost private participation in space related activities, the following measures are announced by the Government:

- Private sector will be allowed to use India Space Research Organisation ('ISRO') facilities and other relevant assets to improve their capacities.
- Future projects for planetary exploration, outer space travel, etc. would be open for the private sector.
- The geo-spatial data policy is sought to be liberalised for providing remote sensing data to tech-entrepreneurs.
- A research reactor would be established in public-private partnership ('PPP') mode for production of medical isotopes. This is expected to promote welfare of humanity through affordable treatment for cancer and other diseases.



e. Airports and airspace

The key measures announced for the civil aviation sector are as under:

- 6 more airports are expected to be put up for bidding by the Airports Authority of India for operation and maintenance on PPP mode.
- Restrictions on utilisation of the Indian Air Space is sought to be eased so that civilian flying becomes more efficient.
- Various measures to make India a global hub for Aircraft Maintenance, Repair and Overhaul ('MRO') are expected to be announced. This is likely to bring about a significant decrease in the maintenance cost and also create synergies upon convergence of defence sector and the civil MROs. The tax regime for MRO ecosystem had also been rationalised earlier this year through reduction in GST rate from 18% to 5%.

f. Others

Apart from the above, the Government also intends to boost private sector investment in social infrastructure projects through a revamped viability gap funding scheme of Rs 8,100 crores. Further, incentive schemes for promotion of new Champion Sectors will be launched in sectors such as Solar PV manufacturing, advanced cell battery storage, etc. It is expected that the States would also be ranked on investment attractiveness to compete for new investments. Further, the Industrial Information System ('IIS') with GIS mapping would be upgraded to provide data with respect to availability of land for promoting new investments – around 3376 industrial parks/ estates/ SEZs spread across 5 lakh hectares would be mapped on the IIS along with their rankings.

Dhruva Comments

The measures announced by the Government today contain several structural reforms and are indeed far reaching. While some of the announcements in the mineral sector (particularly relating to Coal) are policies which have already been initiated by the Government in the last few years, there are others which should go a long way in not only promoting indigenous production but also ensuring equitable participation from foreign investors and the domestic private sector. For instance, increase in FDI limit in defence manufacturing to 74%, permitting commercial mining in the coal sector, privatisation of power distribution companies in Union Territories, boosting private participation in space activities, etc. should provide a significant impetus to the Self-reliant India movement. Whilst these measures are indeed noteworthy, it will be interesting to keep an eye on the fine print and the various facets of implementation which would be announced in the coming days.



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