

GOVERNMENT STIMULUS MEASURES

16 May 2020

Ushering in private investments

The FM today announced measures to 1) Fast Track investments, 2) Open up coal and mining sector to private sector, 3) Privatisation of DISCOMs in UTs, and 4) Boost defence manufacturing and aviation sector. Additional investments of Rs 631bn announced out of which Rs 500bn is for building evacuation infra of coal sector. Overall, we believe today's announcements will boost private investments in capital intensive sectors such as mining and power distribution. These are much needed reforms to boost investments.

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Reforms to boost investments: Mechanism introduced to Fast Track Investment Clearance through Empowered Group of Secretaries. Each Ministry will have Project Development Cell and each State to be ranked on attractiveness. Industrial parks to be upgraded and 3,376 parks to be ranked.

Mining and Coal sector opened up: Government has introduced commercial mining in coal sector. Even partially explored blocks to be auctioned. Earlier only captive consumers with end-use ownership could bid. As many as 50 blocks to be made available immediately. In addition to this, Liberalised Regime in Coal sector introduced and investments worth Rs 500bn planned in infra development to boost coal production to 1bn tons in FY24. In order to increase investments in minerals sector, 500 mining blocks to be offered with a seamless composite exploration-cum-mining-cum-production regime. Distinction between captive and non-captive mines removed.

Power distribution privatisation: Power DISCOMs in UTs to be privatised. This will set-up an example for other states to follow. This is a long pending reform and will lead to massive increase in efficiency in power sector.

Defence and aviation sector get a thrust: To enhance domestic production in defence, government has proposed 1) a list of items not to be imported each year, 2) budget for domestic procurement and 3) indigenisation of import wares. Ordinance factory boards will be corporatized and FDI limit for defence under automatic route has been raised to 74%. In the aviation sector, flight time to be reduced by optimal utilisation of air space (60% now) and proposed an auction of another 6 airports under PPP mode. To build social infrastructure, an outlay of Rs 81bn has been proposed for viability gap funding (30% from 20%). We believe the current announcements will boost domestic investments.

KEY HIGHLIGHTS

- Focus on commercial mining in the coal sector.
- Power DISCOMs to be privatised in UTs.
- Overall stimulus announced till date stands at above Rs 18.5tn (9.3% of GDP).



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