NHAI gets Cabinet approval to set up InvIT to monetise highway projects

Green signal for proposal to amend Insolvency and Bankruptcy Code

OUR BUREAU
New Delhi, December 11

The Cabinet on Wednesday took a slew of decisions including giving its nod to the Ministry of Road Transport and Highways' proposal to authorise the National Highways Authority of India (NHAI) to set up an infrastructure investment trust (InvIT) to monetise completed National Highways.

The decision will enable NHAI to monetise completed national highways that have a toll collection track record of at least one year and NHAI reserves the right to levy toll on the identified highway.

NHAI's InvIT will be a trust under the Indian Trust Act, 1882 and Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014. The InvIT will be formed with an objective of attracting investment in infrastructure projects. InvIT may hold assets either directly or through an special purpose vehicle or a holding, an official statement said.

InvIT would provide greater flexibility to investors, attract very long-term (20-30 years) capital into the road sector, and help create specialised O&M concessionaires. It can also help attract retail domestic savings and corpus of special institutions such as mutual funds to the infrastructure sector.

In October 2017, the Centre launched Bharatmala Pariyojana, a flagship highway development project for building 24,800 km of roads at a total investment of ₹5,35,000 crore. The latest decision would help NHAI raise funds to complete Bharatmala projects.


The infrastructure investment trusts will be formed with an aim to attract investments in road sector projects

IBC amendments

The Cabinet also approved a proposal to make suitable amendments in the Insolvency and Bankruptcy Code, 2016, through a second amendment Bill. The amendments aim to remove certain difficulties being faced during the insolvency resolution process to realise the objectives of the code and further ease doing of business.

Apart from removing the bottleneck, the proposed amendments will streamline the Corporate Insolvency Resolution Process (CIRP) and protect last mile funding to boost investment in financially distressed sectors.

The Cabinet also agreed to revise the funding pattern of three corridors of Delhi Metro Phase-IV projects, namely Aerocity to Tughlakabad, RK Ashram to Janakpuri (West) and Mukundpur - Maujpur. While the total cost of the project, ₹ 24,948.65 crore, will remain unchanged, the Centre's contribution increases from the existing ₹4,154.20 crore to ₹4,643.64 crore resulting in a net increase of ₹489.44 crore.

The Cabinet also gave green signal to constitute India-Japan Steel Dialogue to strengthen cooperation in steel sector and to sign an MoU between Central Electricity Authority and Japan Coal Energy Centre, for deepening cooperation for efficiency and environmental improvement for sustainable, stable and low-carbon supply of electricity.

Aircraft Act

Similarly, a nod was given to the proposal of amending the Aircraft Act of 1934, which apart from enlarging the scope of the existing Act to include regulation of all areas of air navigation, will enhance the maximum limit of fine from ₹10 lakh to ₹1 crore.

Support for IIFCL

The Union Cabinet also approved the proposal for increase in authorised capital and equity support to India Infrastructure Finance Company Ltd (IIFCL) from ₹ 6,000 crore to ₹25,000 crore, enabling it to finance big ticket infrastructure projects.

Differential EPF rates, change in gratuity rule on the cards

Social Security Code Bill in LS

OUR BUREAU
New Delhi, December 11

Workers in some sectors, who contribute to the Employees' Provident Fund (EPF), may see higher take-home salary, if the Social Security Code Bill becomes an Act.

The Bill was introduced in the Lok Sabha on Wednesday. The Bill will make provisions for gratuity payment for workers even with less than five years of work period, and social security scheme for gig workers, besides other provisions. With the new Bill, all the four labour codes — Code on Wages, the Occupational Safety, Health and Working Conditions Code, the Code on Social Security, and the Industrial Relation Code — have been approved by the Cabinet and introduced in Parliament. Once enacted, the four codes will subsume 44 old labour laws.

The Bill on Social Security Code says, "The Central Government, after making such inquiry as it deems fit, may, by notification, specify rates of employees' contributions and the period for which such rates shall apply for any class of employee." This means the government will notify sectors where lower rate of contribution will be applicable. Further, it will also inform about the differential rates.

As of now there are two rates of EPF contribution: 12 per cent and 10 per cent. 12 per cent is applicable for all the units where number of employees is more than 20 while in case of lower number of employees the rate will be 10 per cent. In both the cases, matching contribution is made by the employer.

Gratuity payment

The Bill makes a provision for payment of gratuity in case of Fixed Term Employment on pro-rata basis even if the period of fixed term contract is less than five years. As of now, gratuity is paid to workers completing at least five years of continuous job. Also, it does not differentiate between regular employees and those who are on contract.

The Bill prescribes a special welfare scheme for unorganised workers (including audio visual workers, beedi workers, non-coal workers) on matters relating to life and disability cover, health and maternity benefits, old age protection, education, housing, etc. The State Government will formulate and notify, from time to time, suitable welfare schemes for unorganised workers, including schemes relating to provident fund, employment injury benefit, housing, educational schemes for children, skill up gradation of workers, funeral assistance and old age homes.

Unorganised workers

A special purpose vehicle may also be constituted by the Centre for implementing such scheme. Any scheme notified by the State Government may be wholly funded by the State Government, partly funded by the State Government, partly funded through contributions collected from the beneficiaries of the scheme or the employers, funded from any source including corporate social responsibility fund. The Central Government may provide such financial assistance to the State Governments for the purpose of schemes

Uniform stamp duty for all transactions through exchanges

OUR BUREAU
Mumbai, December 11

In a move that will curb the menace of different States flexing their muscle on stamp duty collection in equity, currency and commodity markets, the Centre has issued a uniform stamp duty structure across States. The Gazatte notification for the uniform stamp duty will be effective from January 2020.

Currency traders in Mumbai, a city that generates largest trading volume in the segment, will have to pay a stamp duty of only ₹10 per crore against ₹200 now. The same is for Delhi.

Details of stamp duty charged is based on traded volume and is mentioned in a contract note. Brokers collected it and passed it on to the respective States where the trading volumes came from.

Many States levied stamp duty of ₹250 to 300 on per ₹1 crore worth of intra-day and derivative trades. This has now been fixed at ₹300 for intra-day, and ₹200 for derivative on every ₹1 crore worth of volumes. On delivery based trades, the stamp duty has been fixed at ₹1,500 per crore on the buy side. This is instead of ₹750 on each buy and sell side. The same for options trading is ₹300 and ₹10 for currency segment trading on every crore.

Poorer nations apprehensive as WTO Appellate Body goes into a limbo

WTO DG Azevedo says interim arrangements will play a key role in dispute settlement for now

AMITI SEN
New Delhi, December 11

Experts are of the view that the incapability of the World Trade Organization (WTO) to settle trade disputes after the number of judges at its Appellate Body was reduced to just one from the mandatory three on Wednesday could hurt developing countries such as India the most as they are now more vulnerable to bullying by rich countries over trade disputes.

"India has ongoing disputes at the WTO where the judgements were likely to go in its favour. The panel ruling on steel subsidies dispute filed by the US, for instance, seemed to be favourable for India on several important aspects. But it will hold no meaning now as a request for Appellate Body examination of the case would lead to its indefinite suspension," an official involved in WTO matters told *BusinessLine*.

US grouse

The reduction in the number of judges in the Appellate Body to one on December 11, following the end of tenure of two judges, has made the apex decision making body of the WTO dysfunctional. The US has been blocking the appointment of new judges over the last couple of years. In fact, the number of judges has been gradually reduced from seven to one.

The US has done so to protest the Appellate Body's alleged overreach of its authority and, in effect, creation of new trade laws. Washington also accused the WTO of often giving unfair judgements against the US and in favour of competing countries such as China.

Silver-lining for India

Some policy watchers believe that India, too, could benefit from the situation as certain difficult cases, such as the one against its export subsidies, will now get indefinitely delayed. Others, however, say that developed countries are so powerful that they could make developing countries change their rules based only on panel rulings even though it may not be formally enforceable if the case is forwarded to the Appellate Body.


Roberto Azevedo
WTO Director-General

The dispute settlement mechanism was a big handle that developing countries could use to put pressure on developed countries against unfair trade, said Biswajit Dhar, Professor, Jawaharlal Nehru University.

"With the Appellate Body now losing its functionality, developing countries don't have a mechanism to pull up the developed countries. Developed countries, on the other hand, can use their muscle power to get things done bilaterally," Dhar added.

DG's assurance

WTO Director General (DG) Roberto Azevedo, at a press conference on Tuesday evening in Geneva, said the members will continue to resolve WTO disputes through consultations and panels.

"They will also use other mechanisms envisaged in the WTO agreements to resolve disputes and review rulings such as arbitration or good offices of the DG. Interim arrangements have a main role to play now and I know that many members are discussing these kind of arrangements," Azevedo said.

Durable solution

But the WTO members have been quite clear in their desire to have a two-step review process, he added. "So our duty is to find and deliver a durable solution," the DG said.

CAG REPORTS

LPG cylinder refills by PMUY beneficiaries decline to 3.21 refills per annum, says CAG

High refill cost is a barrier to LPG usage: report

OUR BUREAU
New Delhi, December 11

The beneficiaries of the Pradhan Mantri Ujjwala Yojana scheme are not opting for enough refills of cooking gas cylinders, according to the Comptroller and Auditor General (CAG) of India.

This puts a serious question mark on the viability of the scheme, and in fact, there has been a decline in the annual average LPG cylinder refills by the PMUY beneficiaries.

"Encouraging the sustained usage of LPG remains a big challenge as the annual average refill consumption of 1.93 crore PMUY consumers (who have completed more than one year as on March 31, 2018) was only 3.66 refills as worked out by audit. Similar analysis for 3.18 crore PMUY beneficiaries as on December 31, 2018, revealed that refill consumption declined to 3.21 refills per annum," the CAG's Performance Audit Report of the Pradhan Mantri Ujjwala Yojana said.

This is contrary to the aims of the government to boost the use of cooking gas and minimise the proliferation of biomass, like firewood, for cooking.


Lower consumption has financial implications for oil marketing companies

Impact on OMCs

The lower consumption also has financial implications for the oil marketing companies (OMCs). "Low consumption of refills (up to three) by 0.92 crore loanee consumers had hindered recovery of outstanding loan of ₹1,234.71 crore," the CAG said.

Under the PMUY programme, the public sector OMCs offered deposit-free LPG connections to below poverty line households. The upfront cost of the connection was recovered by the OMC from the subsidy accrued on subsequent refills by the consumers.

Quoting from assessment by the Expenditure Finance Committee (EFC) and Petroleum Planning and Analysis Cell (PPAC)-Credit Rating Information Services of India Ltd (CRISIL) , the CAG said that the high refill cost was a barrier to LPG usage. .

Risk of diversion

The CAG also said that a risk of diversion of domestic cylinders for commercial use was noticed as 1.98 lakh PMUY beneficiaries had an average annual consumption of more than 12 cylinders which seems improbable in view of their BPL status.

Similarly, 4.10 lakh connections were issued against AHLTINs where entire detail of family, except that of one member, was blank in SECC-2011 list.

The CAG also said that there was a delay of more than 10 days (ranging up to 664 days) in delivery of 36.62 lakh LPG refills against the stipulated delivery period of seven days. "The poor performance of LPG distributors in adherence to Targeted Delivery Time (TDT) norms of Marketing Disciplinary Guidelines (MDG) was not monitored by the OMCs," the CAG noted.

'Not sure if HPCL was accurately evaluated when divested to ONGC'

OUR BUREAU
New Delhi, December 11

The Comptroller and Auditor General (CAG) of India has cast aspersions over the valuation of Hindustan Petroleum Corporation Ltd (HPCL) when the Centre was selling its stake to Oil and Natural Gas Corporation (ONGC) Ltd.

The CAG made the observation in the General Purpose Financial Report of Central Public Sector Enterprises (CPSEs). "From the replies of the Department of Investment and Public Asset Management (DIPAM) and the Ministry of Petroleum and Natural Gas (MoPNG) and in absence of the supporting sheets (containing future estimations viz. free cash flow, debt inventory and estimation of refinery margins) provided by HPCL to the Technical Adviser for arriving at the price, audit could not derive an assurance that the price was correctly arrived at," the CAG said.

"Scrutiny of the Pricing Analysis Report revealed that the Transaction Advisor had rectified some linking errors in the data provided by HPCL. Audit therefore, requested MoPNG to provide the relevant calculation/working sheet with regard to the price arrived at (while factoring free cash flow, debt inventory and estimation of refinery margins) and recommended by EC (Evaluation Committee) for the deal," the CAG said.

But the Petroleum Ministry said the information/records sought by the CAG were not available in the Ministry. The CAG indicated that this is in contravention to DIPAM's Guidance Note-III on Strategic Disinvestment. According to the note, records of deliberations by Advisors along with working sheets, supporting documents (in paper & electronic form records) should be kept for future reference by the Administrative Ministry.

According to the CAG, the Petroleum Ministry had subsequently replied that the Asset Valuer had informed that all workings, methodology/approach and assumptions had been incorporated in the Inception Report and Valuation Report which had already been provided to Audit.

'No proper deployment of manpower to monitor environmental impact of CIL'

OUR BUREAU
New Delhi, December 11

The Comptroller and Auditor General (CAG) has highlighted inconsistencies in deployment of manpower for monitoring the environmental impact of Coal India's activities.

The observation has been made in the CAG report on assessment of environmental impact due to mining activities and its mitigation in Coal India Ltd (CIL) and its subsidiaries.

"While the deployment of executives exceeded the sanctioned strength at CIL Headquarters (HQ) in all the years, it fell short at mines, during the period 2013-2018. The extent of excess deployment in CIL HQ ranged between 20 and 120 per cent of the sanctioned strength during 2013-2018," the CAG said.

On the other hand, "North Eastern Coalfield (NEC) mines experienced shortage of executives ranging between 33 and 100 per cent. There were inconsistencies in deployment of manpower for environmental activities in the subsidiaries too," the CAG noted.

The CAG also said even after a lapse of nine years, since Jharia Master Plan was approved, CIL subsidiary Bharat Coking Coal Ltd (BCCL) did not formulate fire fighting activities as envisaged.

"Fire fighting activities commenced only in 25 projects (as against 45 projects identified). The fires thus continued to endanger the lives of the people residing in and around the fire area, besides adversely impacting the environment," the CAG said.

Suggesting steps that could be taken, the CAG said, "The CIL subsidiaries may adopt two-pronged strategy for pollution control. The capital works relating to pollution control measures may be completed expeditiously. The plantation works may also be taken up simultaneously and aggressively to increase green cover and restore ecological balance in and around the mines."

Withdrawal of additional export sop to hit farm, marine, leather product shipments

OUR BUREAU
New Delhi, December 11

The government's decision to withdraw by the year-end the additional 2 per cent incentive given to exporters under the popular Merchandise Export from India Scheme (MEIS), is likely to hit shipments of agricultural goods, marine products, carpets, leather, handicrafts, electronics and engineering goods.

"The withdrawal of additional benefit under MEIS doesn't augur well for a situation where exports are already down because of low global demand and intense competition from countries such as Bangladesh and Vietnam. As this will hit labour-intensive sectors such as farm and marine products, carpets and handicrafts, leather goods, as well as electronics and engineering items, it may also result in more job losses in the country," a Delhi-based industry official told *BusinessLine*.

Last week, a notification issued by the Directorate-General of Foreign Trade (DGFT) said the additional 2 per cent MEIS announced for various products last May and August, will be available only till December 31, 2019, except for garments and made-ups.

"The main problem with the sudden withdrawal of the additional incentive is that exporters have orders in the pipeline, the prices for which have been finalised factoring in the benefit. It may not be possible for exporters to ship all the orders by December 31. If there is a delay beyond the stipulated date, they will lose the additional benefit and may have to suffer losses," the official said.

Job losses

Exporters of electronics have already reached out to the finance, IT and Commerce Ministries, pointing out the problem they would face because of the government's sudden move. They also warned of possible job losses as companies may have to lower their manpower.

"Electronics exporters have an additional problem with the MEIS withdrawal as the replacement scheme that is being planned by the government will not fetch them an incentive higher than 2 per cent, as there is hardly any electricity consumption or other such expenditure of the sector, which could be compensated through the new scheme," the official said.

The DGFT's notification, however, did not mention discontinuation of the regular MEIS scheme under which incentives of 2 per cent, 3 per cent and 5 per cent of the export value is provided to various sectors. The Finance Ministry had earlier said the MEIS scheme, which is not compatible with WTO norms, will be replaced by Remission of Duties or Taxes on Export Products (RoDTEP) from January 1, 2020.

In April-October 2019-20, exports fell 2.39 per cent to \$185.95 billion, while imports declined 8.37 per cent to \$280.67 billion.