

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.

Sameer Narang

+91 22 6698 5713

chief.economist@bankofbaroda.com

Dipanwita Mazumdar

dipanwita.mazumdar@bankofbaroda.com

Jahnavi

jahnavi@bankofbaroda.com

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).

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. Ordnance 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.



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.in



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com