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WILL SUPPLY CREATE ITS OWN GODOT /DEMAND?: OVER TO RBI NOW!

Issue No. 12, FY21
Date: 18 May 2020

The final tranche of Rs 20 lakh crore package was announced today, of which measures amounting to 4% of GDP have been undertaken by RBI. The direct fiscal impact of the reforms however comes to around Rs 2.0 lakh crore (1.0% of GDP). The measures announced have been a mix of short term and long term, with focus on building the capabilities for the small players in the economy as well as paving the way for structural changes in certain sectors. However, the package does not do much to boost consumption in short term and that could act as a drag on growth. Several sectors like Coal, Power, Aviation, Social Infrastructure, Space and Atomic Energy have been singled out for reforms that could have significant long term potential. The Agricultural reforms deserve special mention. For example, the Centre also proposes to enact a Central Law to let farmers transport their produce across state borders and sell to whoever they want, not just APMC licencees. If competitive supply chains emerge, this could shorten the farm-to-fork path, as its called, and assure farmers a larger share of the consumer spend on food.

We estimate that the revenue loss for the Centre after taking into account of gains from excise duty hike and DA freeze comes to around Rs 6.53 lakh crore. However, the Government has announced additional borrowing of Rs 4.20 lakh crore for FY21. As per our estimates, **a total of Rs 4.36 lakh crore is still the uncovered loss of the Centre even after the additional borrowing by the Centre. Interestingly, this is nearly equivalent to Budgeted Capital Expenditure (CE) of the Centre, implying almost negligible growth in CE in FY21.** For states also, the borrowing limit has been increased from 3% of GDP earlier to 5% of GDP. However, only 0.5% of GDP is unconditional and the rest 1.5% depends on performance on 4 criteria. Accounting for extra revenue for states and COVID expenditure, the states will lose around Rs 6.4 lakh crore, of which only Rs 3.2 lakh crore can be compensated by borrowing, as states will not be able to borrow Rs 4.28 lakh crore because of conditional ties attached. **Thus a total of Rs 3.2 lakh crore is still the uncovered loss of the States even after the additional borrowing. We expect States to at least strip its estimated Budgeted Capital Expenditure for FY21 from Rs 8.8 lakh crores by 50%, if not more. We expect the Centre and RBI can take a considered call of increasing the fiscal deficit of states by using the exceptional clause. We are thus less hopeful of recovery in current fiscal and our GDP numbers could now have a downward bias from current stress estimate of–4.7% in FY21.**

Providing further ease, the Government has enhanced the minimum threshold to initiate insolvency proceedings raised to Rs 1 crore (from Rs 1 lakh, which largely insulates MSMEs). **With the lockdown now extended upto May 31st, we expect RBI to extend the moratorium by 3 months more. This will imply companies need not pay till Aug 31st, and it will imply almost minimal possibility of companies being able to service their interest liabilities then in Sep, failing which the account might be classified NPA as per extant norms. Thus the RBI needs to give operational flexibility to banks for a comprehensive restructuring of the existing loans and also a reclassification of 90 day norm.** Right now, the June 7 circular is stringent and gives little flexibility to banks. RBI also needs to also clarify whether enhanced working capital loans classify as COVID debt.

The new Public Enterprise Policy measure is expected to free capital locked in failed PSE. It is unclear whether the measure extends only to Central PSE or includes State PSE also. As of Mar'19, India has 262 operating PSEs contributing Rs 1.43 lakh crore of profit. However, in services sector where there are 134 PSEs the amount of profit is only Rs 12,584 crore (i.e. Rs 545.6 crore profits per PSEs).

Meanwhile, the states should also be incentivised to support Healthcare, as well. In the health expenditure sector, the states do the majority spending in India.

The Government has given a major push to online digital education. The National Foundational Literacy and Numeracy Mission will ensure that every child attains Learning Levels and Outcomes in grade 5 by 2025 and that will be launched by December 2020.

DETAILS OF 20 LAKH CRORE PACKAGE

- Final tranche of Rs 20 lakh crore package was announced today, of which measures amounting to 4% of GDP have been undertaken by RBI. **The direct fiscal impact of the reforms however comes to around Rs 2.0 lakh crore (1.0% of GDP).** The measures announced have been a mix of both short term and long term.

FISCAL ARITHMETIC

- We estimate that the revenue loss for the Centre after taking into account of gains from excise duty hike and DA freeze comes to around Rs 6.53 lakh crore (3.27% of GDP). However, the Government had announced additional borrowing of Rs 4.20 lakh crore for FY21. **This would imply net uncovered revenue slippage of Rs 2.33 lakh crore (1.17% of GDP). Further, the amount of stimulus has fiscal impact of Rs 2.03 lakh crore (1.01% of GDP). Thus a total of Rs 4.36 lakh crore is still the uncovered loss of the Centre even after the additional borrowing by the Centre. Interestingly, this is nearly equivalent to Budgeted Capital Expenditure of the Centre .**
- For states also, the borrowing limit has been increased from 3% of GDP earlier to 5% of GDP. However, only 0.5% of GDP is unconditional and the rest 1.5% depends on performance on 4 criteria. Accounting for extra revenue for states and COVID expenditure, the states will lose around Rs 6.4 lakh crore, of which only Rs 3.2 lakh crore can be compensated by borrowing, as states will not be able to borrow Rs 4.28 lakh crore because of conditional ties attached. **Thus a total of Rs 3.2 lakh crore is still the uncovered loss of the States even after the additional borrowing. We expect States to at least strip its estimated Budgeted Capital Expenditure for FY21 from Rs 8.8 lakh crore to half.**

Summary of Reforms

	Amount	% of GDP	Direct Fiscal Impact	% of GDP
Measures announced in March	**192800**	**0.96**	**95800**	**0.48**
Tax concessions since Mar 22nd 2020	7800	0.04	7800	0.04
Fiscal stimulus 1 (PMGKP)	170000	0.85	73000	0.37
Health Sector	15000	0.08	15000	0.08
RBI Measures*	**801603**	**4.01**	0	-
Fiscal 2: 1st tranche	**594550**	**2.97**	**31800**	**0.16**
Emergency W/C Facility for Businesses, incl MSMEs	300000	1.50	0	-
Subordinate Debt for Stressed MSMEs	20000	0.10	4000	0.02
Fund of Funds for MSME	50000	0.25	10000	0.05
EPF Support for Business & Workers	2800	0.01	2800	0.01
Reduction in EPF rates	6750	0.03	0	-
Special liquidity Scheme for NBFC/HFC/MFIs	30000	0.15	0	-
Partial credit guarantee Scheme 2.0 for Liabilities of NBFCs/MFIs	45000	0.23	0	-
Liquidity Injection for DISCOMs	90000	0.45	0	-
Reduction in TDS/TCS rates	50000	0.3	15000	0.08
Fiscal 2: 2nd tranche	**310000**	**1.6**	**10000**	**0.05**
Food grain Supply to Stranded Migrant Workers for 2 months	3500	0.0	3500	0.02
Interest Subvention for MUDRA Shishu Loans	1500	0.0	1500	0.01
Special Credit Facility to Street Vendors	5000	0.0	0	-
Housing CLSS-MIG	70000	0.4	3000	0.02
Additional Emergency Working Capital through NABARD	30000	0.2	0	-
Additional credit through KCC	200000	1.0	2000	0.01
Fiscal 2: 3rd tranche	**150000**	**0.8**	**20200**	**0.10**
Food Micro enterprises	10000	0.1	6000	0.03
Pradhan Mantri Matsya Sampada Yojana	20000	0.1	12000	0.06
TOP to TOTAL: Operation Greens	500	0.0	500	0.00
Agri Infrastructure Fund	100000	0.5	0	0.00
Animal Husbandry Infrastructure Development Fund	15000	0.1	0	0.00
Promotion of Herbal Cultivation	4000	0.0	1200	0.01
Beekeeping Initiative	500	0.0	500	0.00
Fiscal 2: 4th tranche	**8,100**	**0.0**	**4860**	**0.02**
Viability Gap Funding	8,100	0.0	4860	0.02
Fiscal 2: 5th tranche	**40,000**	**0.2**	**40000**	**0.20**
Additional MGNREGS allocation	40,000	0.2	40000	0.20
Overall	**20,97,053**	**10.5**	**202660**	**1.01**

Source: SBI Research, *Also includes measure announced in Feb, Fiscal impact for those marked red is taken as 60% as some of the expenditure will be shifted to next year

- **Increase in Borrowing Limit of States:** In view of the unprecedented situation due to COVID-19, Centre has decided to accede to the request of the States and increase borrowing limits of States from 3% to 5%, for 2020-21 only. This will give States extra resources of Rs 4.28 lakh crore. As of now, states net borrowing ceiling for 2020-21 is Rs 6.41 lakh crores, based on 3% of Gross State Domestic Product (GSDP). States have so far borrowed only 14% of the limit authorised. 86% of the authorised borrowing remains unutilized.
- **However, looking at historical data it can be said that even though Centre's borrowing is front loaded, the States' borrowing is mostly towards the end of the year.**
- **However this increase in borrowing limit will not require amendment in individual state FRBM act for adjustment in fiscal deficit.** This because the Act also permits *"exceeding annual fiscal deficit target due to ground or grounds of national security, act of war, national calamity, collapse of agriculture severely affecting farm output and incomes, structural reforms in the economy with unanticipated fiscal implications, decline in real output growth of a quarter by at least three per cent points below its average of the previous four quarters"*. **We expect the Centre and RBI can take a considered call of increasing the fiscal deficit of states by using this exceptional clause.**
- **Our research suggests that out of 20 states only 8 states are in position to fulfill all the conditions of Government and can avail 2% of GSDP as extra borrowing. Hence out of Rs 4.28 lakh crore we believe that only Rs 3.13 lakh crore (73% of total available) might be actually borrowed by the State Governments in FY21. We find some of the states like West Bengal, Telangana, Bihar, Odisha, Assam, Jharkhand , Chhattisgarh need to fulfill the conditional ties to avail of the borrowings.**
- **IBC Reforms and NPA classification:** The Government has enhanced the minimum threshold to initiate insolvency proceedings raised to Rs 1 crore (from Rs 1 lakh, which largely insulates MSMEs). Earlier this threshold was less than the threshold under DRT at Rs 20 lakhs. A special insolvency resolution framework for MSMEs under Section 240A of the Code will be notified soon.
- With the lockdown now extended upto May 31th, we expect RBI to extend the moratorium by 3 months more. This will imply companies need not pay till Aug 31th, and it will imply almost minimal possibility of companies being able to service their interest liabilities then in Sep, failing which the account might be classified NPA as per extant norms. Thus the RBI needs to give operational flexibility to banks for a comprehensive restructuring of the existing loans and also a reclassification of 90 day norm. Right now, the June 7 circular is stringent and gives little flexibility to banks. RBI also needs to also clarify whether working capital expansions classify as COVID debt.
- The revised restructuring norms should give banks to restructure like say converting interest liabilities up to March 2021 into term loans, repayable in 3-5 years for Working Capital and at the end of the tenor in case of Term Loans.
- **Social security measure for migrant labour:** The dislocation of the migrant labour following the COVID lockdown has created a social crisis. Loss of income has impacted the consumption of migrant worker who are forced to travel back to their home states. Government of India has permitted State Governments to utilise State Disaster Response Fund (SDRF) for setting up shelter for migrants and providing them food and water etc. Technology Systems will be now used enabling Migrants to access Public Distribution System (Ration) from any Fair Price Shop in India by March 2021 - One Nation One Ration Card.

Uncovered Loss of Centre and States not compensated by additional borrowing			
Centre		(Rs lakh crore)	% of GDP
A	Revenue loss for Centre	8.60	4.3
B	Surplus from Excise Duty hike & DA freeze	2.07	1.0
C	Net Revenue slippage (A-B)	6.53	3.3
D	Additional Borrowing announced by the Centre	4.20	2.1
E	Uncovered revenue loss after additional borrowing (C-D)	2.33	1.2
F	Impact on Fiscal due to stimulus packages	2.03	1.0
G	**Total Uncovered Loss (E+F)**	**4.36**	**2.2**
States			
H	Revenue Loss for States from Centre	1.50	0.8
I	Revenue Loss of States' own revenue*	3.20	1.6
J	Total Revenue slippage (H+I)	4.70	2.4
K	Extra Spending by States owing to Corona	1.69	0.2
L	Additional Borrowing for States	4.28	2.1
M	Additional Borrowing for States (Assuming only 0.75% can be used)	3.21	1.6
N	**Total Uncovered Loss (J+K-M)**	**3.18**	**1.6**
Memo			
Revised Centre's Fiscal Deficit (% of GDP)		**8.3**	
Revised State's Fiscal Deficit (% of GDP)		**5.0**	

Source: SBI research, * taking 2 months of own tax revenue and non tax revenue loss and limited activity in June

Central & State Market Borrowing (Rs Crore)				
Quarter	Government of India		State Governments	
	Gross Amount Raised	Net Amount Raised	Gross Amount Raised	Net Amount Raised
Q1FY21 (Till May 08)	83000	-2571	70255	59855
Q4FY20	92000	-43000	254451	216075
Q3FY20	193000	193000	152550	112448
Q2FY20	221000	172160	143922	97502
Q1FY20	204000	151812	81523	58945

Source: RBI, SBI Research

Arithmetic of State Borrowing			
States	GSDP (FY21)	Available for Borrowing (2% of GSDP)	Actual Borrowing in FY21
	in Lakh crore	in Crore	in Crore
Maharashtra	32.2	64480	56420
Tamil Nadu	20.9	41839	36609
Gujarat	18.8	37698	32986
Karnataka	18.1	36115	36115
Uttar Pradesh	17.9	35825	31347
West Bengal	14.4	28883	7221
Rajasthan	11.3	22666	11333
Telangana	11.1	22103	11051
Andhra Pradesh	10.0	19980	17483
Kerala	9.8	19561	9781
Madhya Pradesh	9.4	18740	18740
Haryana	9.4	18794	16445
Bihar	6.9	13716	3429
Punjab	6.4	12887	6443
Odisha	6.0	11919	2980
Assam	4.1	8173	4086
Jharkhand	3.8	7670	3835
Chhattisgarh	3.6	7244	3622
Uttarakhand	2.9	5870	1467
Himachal Pradesh	1.8	3640	1820
Total	-	428000	313214

- **As of 2011 there were 45.36 crore migrants in India out of which only 4.64 crore migrants came for work or employment. Among females, 70% of migration is due to marriage.** The migrant population in the country is mostly employed in manufacturing and construction. In terms to share on migrants labour in total labour force employed in the sector, migrants have very high proportion in all the sectors, mostly female workers.
- Government will now allocate an additional Rs 40,000 crore under MGNREGS. This will help generate nearly 300 crore person days employment in total. The MGNREGS will to directed to create larger number of durable and livelihood assets including water conservation assets in the rural areas.
- **New Public Sector Enterprise (PSE) Policy:** The reforms PSEs have been pending since reforms started in 1993. As a part of the Atamanirbhar Bharat Package, the Government has highlighted the need for a new coherent PSE policy—where all sectors are open to the private sector while public sector enterprises (PSEs) will play an important role in defined areas.
- Accordingly Government has decided other than in strategic sectors (to be notified separately), all sectors will be open to the private sector. In strategic sectors, at least one enterprise will remain in the public sector but private sector will also be allowed while in remaining sectors, PSEs will be privatized.
- Further, to minimize wasteful administrative costs, number of enterprises in strategic sectors will ordinarily be only one to four; others will be privatized/ merged/ brought under holding companies. The measure is expected to free capital locked in failed PSE. It is unclear whether the measure extends only to Central PSE or includes State PSE also. As of Mar'19, India has 262 operating PSEs contributing Rs 1.43 lakh crore of profit. However, in services sector where there is 134 PSEs the amount of profit is only Rs 12,584 crore (i.e. Rs 545.6 crore profits per PSEs).
- If banks are included in strategic sector than further consolidation can happen in public sector banking space in line with China pressing for mergers and acquisitions among smaller lenders put at risk by the economic fallout from the coronavirus pandemic. However this decision may not be put in motion soon given the uncertainty is business environment due to COVID.
- **Online Digital education**: The Government has given a major push to online digital education. To further push this channel of education, under PM e-vidya programme for multi-mode access to digital/online education to be launched immediately; consisting of:

* DIKSHA for school education in states/UTs, one earmarked TV channel per class from 1 to 12 (one class, one channel), extensive use of Radio, Community radio and Podcasts and special e-content for visually and hearing impaired.
* Top 100 universities in India will be permitted to automatically start online courses by 30th May, 2020.
* Manodarpan - An initiative for psychosocial support of students, teach ers and families for mental health and emotional wellbeing to be launched immediately.
* New National Curriculum and Pedagogical framework for school, early childhood and teachers will be launched: integrated with global and 21st century skill requirements. National Foundational Literacy and Numera cy Mission for ensuring that every child attains Learning levels and out comes in grade 5 by 2025 will be launched by December 2020.

INVESTMENT IN AGRICULTURE INFRASTRUCTURE FUND

- The announcement of **Rs 1 lakh crore to the Indian agriculture infrastructure** has come at a time when the farmers are gasping for survival. And one of the structurally important aspects of the announcement is the emphasis on risk mitigation, assured returns and quality standardisation. It is true that farmers lack an enforceable standard mechanism for predictable prices at the time of sowing and this paradigm changing framework will indeed be a game-changer.

Type of Migration in India (2011)

Type	Male		Female		Total	
	in lakh	% Share	in lakh	% Share	in lakh	% Share
Work/Employment	390	28%	74	2%	464	10%
Business	32	2%	11	0%	44	1%
Education	48	3%	32	1%	80	2%
Marriage	61	4%	2179	70%	2239	49%
Moved after birth	285	20%	194	6%	480	11%
Moved with household	315	22%	383	12%	698	15%
Others	279	20%	253	8%	533	12%
Total Migrants	**1410**	**100%**	**3127**	**100%**	**4536**	**100%**

Source: SBI Research

Status of PSEs in India (Rs Crore) 2018-19

Sector	Number of PSEs	Total Profit/Loss	Profit/Loss per PSE
Agriculture	3	-26	-8.7
Mining & Exploration	24	65166	2715.2
Manufacturing, Processing & Generation	101	65228	645.8
Services	134	12584	93.9
Total CPSEs	262	142951	545.6

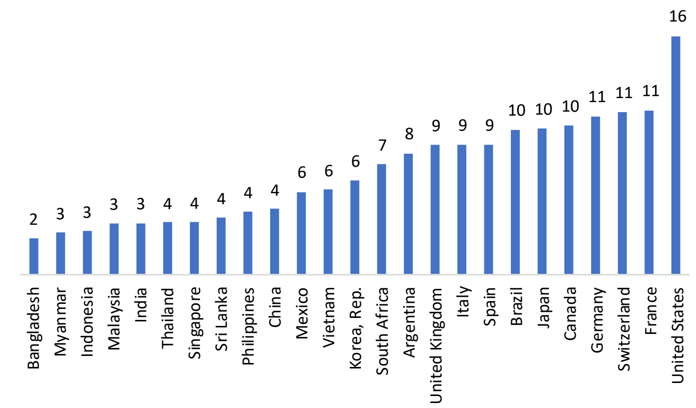
Source: SBI Research

- Due to the lack of adequate cold chain and post-harvest management in the vicinity of farm-gate is causing gaps in value chains. The Government's focus has been on short-term crop loans while investment in long-term agriculture infrastructure has often not been enough. Despite India is being the largest producer of fruits and second largest producer of vegetables in the world, the per capita availability of fruits and vegetables is quite low because of post-harvest losses which account for about 25% to 30% of production.
- India currently has a total cold storage capacity of 226.7 lakh tonnes (lt) as against the required capacity of 350 lt. Among the States, Uttar Pradesh, with a total of 1,817 cold storage facilities of 98.82 lt tops the list, followed by Gujarat with 827 facilities with 30.32 lt capacity and Punjab with 430 structures with 14.13 lt.
- Further, FM has announced to amend **Essential Commodities Act** to enable better price realisation for farmers. Agriculture foodstuffs, including cereals, edible oils, oilseeds, pulses, onions and potato, will be deregulated.
- **The Centre also proposes to enact a Central Law to let farmers transport their produce across state borders and sell to whoever they want, not just APMC licencees**. A legal framework has also been mentioned to link farmers with large retailers and big agro-based business. If competitive supply chains emerge, this could shorten the farm-to-fork path, as it's called, and assure farmers a larger share of the consumer spend on food. These are big, bold steps in the right direction which will benefit both farmers and consumers. This is long overdue and should have been done much before, but certainly the Government deserves compliments for converting a crisis into an opportunity .

HEALTHCARE

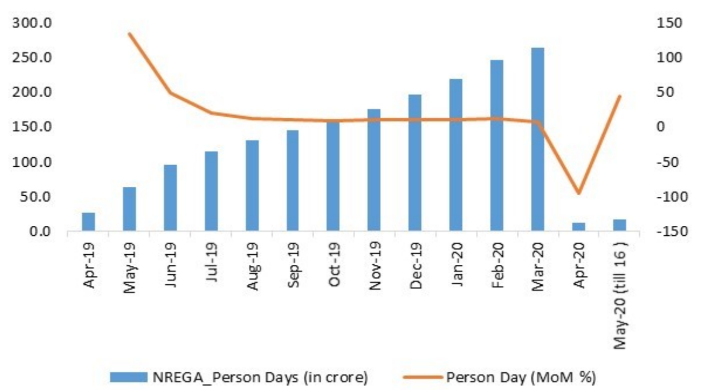
- The COVID Pandemic has out the spotlight on heatlhcare infrastructure. World Bank data shows that Central Government health expenditure as % of GDP for India has been around 3% for the 2007-2016 period. There is also the issue of concentration of healthcare services in some centres, especially, urban. Indian healthcare delivery system is categorised into two major components- public and private. The public healthcare system comprises limited secondary and tertiary care institutions in key cities and focuses on providing basic healthcare facilities in the form of primary healthcare centres (PHCs) in rural areas. The private sector provides majority of secondary tertiary and quaternary care institutions with a major concentrations in metros. Keeping all this in mind, Centre has decided to spend Rs 15000 crore for ramping up heath infrastructure, with Integrated Public Health Labs in all districts & block level Labs & Public Health Unit to manage pandemics and Health and Wellness Centres in rural and urban areas.
- In the health expenditure sector, the states do the majority spending in India. This year, as per the various published state budgets, the investment in Health and Family Welfare was budgeted at around Rs 1.72 lakh crore. This came at around 0.9% of their combined budgeted GSDP. With the crisis, there is a triple whammy of reduced tax collections, higher health expenditure and lower GDP.
- This will push the states' finances. The Central Government will have to figure out how to support health expenditure in states. The fiscal leeway announced today uses the four options of one rank one ration card, ease of doing business, DISCOM reforms and Urban Local body reforms.
- However, the states should also be incentivised to support healthcare, as well. The 0.25% support that has been provided to states for the above mentioned targets can be extended for setting up healthcare facilities also to states.
- **MGNREGA :** Government has increased Rs 40,000 crore additional allocation for MGNREGS to provide employment boost. This is mainly to address the need for more work including returning migrant workers in Monsoon season as well, which aimed to create larger number of durable and livelihood assets including water conservation assets etc.
- However, the MGNREGA dashboard indicate that employment figure of 28.6 crore person days for both April-May 2020, compared to last year April-May 2019 (full may), 91.7 crore person days were generated. The NREGA employment crashed in April 2020 due to lockdown and lot more needs to be done to make up for it.

Average Healthcare expenditure as % of GDP (2007-2016)



Source: SBI Research

Monthly Employment Generation under NREGA



Source: SBI Research

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Sectoral Impact

Sector	Announcement	Remarks/Impact
Coal	♦ Introduction of Commercial Mining through entry of private participation in exploration. ♦ Revenue Sharing Mechanism ♦ Liberalized Entry Norms - 50 blocks to be offered immediately ♦ Exploration – cum-production cum-mining regime for partially explored blocks against fully explored block would be allowed. ♦ Coal Bed Methane extraction rights to be auctioned from CIL mines. ♦ Rebate in revenue share for (i) production earlier than scheduled (ii) Coal gasification / Liquefication through rebate in revenue sharing. ♦ Evacuation Infrastructure development through Rs 50000 crore investment (provide railway siding, conveyor belts, evacuation facilities of coal etc.) including Rs.18000 cr worth of investment in mechanised transfer of coal from through conveyor belts to railway siding. ♦ Concession on commercial terms given to CIL's consumer – worth Rs 5000 crore to non-power consumers through lower reserve price in auctions.	♦ Ease of Doing Business through Mining Simplification Plan (allow 40% automatic increase in production, loading plan etc) ♦ Government monopoly viz., Coal India Ltd [CIL] may be diluted due to private sector entry but CIL would be an immediate beneficiary of evacuation and mechanised transfer through conveyor of enhanced target of 1 billion tons of coal by CIL by 2023-24. ♦ Efficient evacuation will enhance production and introduce price competitiveness ♦ Coal gasification / Liquefication will assist in switching to gas based economy and significant lower carbon footprint. ♦ Will enhance sustainable coal supply to the sectors such as power, steel etc. at an competitive & economical rate, thus bringing down overall cost ♦ Reduce import dependency ♦ Overall, the commercialisation of Coal sector to improve efficiency, delivery and most important employment for migrant workers. Increased dependence on coal during times of economic hardship to reduce import bill and provide employment.
Minerals	♦ 500 mining block would be offered through open transparent auction ♦ Enhance private investments to bring state of the art technology to boost growth and employment ♦ Introduction of seamless composite exploration – mining – production regime. state of the art technology in exploration ♦ Joint auction and exploration of coal and bauxite blocks to reduce cost of aluminium. ♦ Mineral Index for different minerals ♦ Rationalisation of stamp duty payable at the time of award of mining lease	♦ Allow transfer of mining leases, sale of surplus unused minerals would lead to better price discovery in mining and production ♦ Help aluminium industry to reduce electricity cost ♦ Conducive commercial terms to attract private investments
Defence	♦ FDI limit increased from 49% to 74% through automatic route in defence manufacturing ♦ Enlist weapons, platforms, artillery and spares etc that are to be indigenised on war footing ♦ Separate budget of provisioning for domestic capital procurement ♦ Corporatisation of Ordnance Factory Board ♦ Faster decision making through setting up Project Management Unit to support contract management ♦ Realistic setting of GSQR of weapons and platforms and overhauling trial and testing procedures. ♦ More areas of indigenization being worked out through help of foreign collaboration.	♦ Reduce large defence import bill ♦ Listing of Ordnance Boards through corporatisation to lend autonomy, accountability, efficiency and transparency in Ordnance supplies ♦ Boost to self-reliance where defence is one major foreign currency outgo. ♦ Nature of future opportunity will depend upon the requirement for indigenisation in Army, Navy and Air Force. Every arm of the defence force has different requirement.
Civil Aviation	♦ Indian Airspace freely available [Earlier only 60% airspace was freely available (due to security reasons) leading to elongated routes.] ♦ AAI awarded 3 airports out of 6 bid for operation and maintenance on PPP ♦ 6 More Airport through PPP in 2nd round ♦ Expected investment by private players around Rs 13000 crore for 12 airports ♦ Indian to become global hub for Aircraft Maintenance, Repair and Overhaul (MRO) ♦ Rationalisation of Tax regime for MRO i.e. GST reduced from 18% to 5% (Foreign players who earlier demanded reduction would now be emboldened by this step)	♦ Convergence between defence sector and the civil MROs to create economies of scale ♦ AAI to benefit and needs to be listed on exchange ♦ New Greenfield airport projects to broad-based regional aviation sector and would lower cost on regional airports. ♦ Indirect benefit to civil aviation Sector through lower MRO cost and efficient route to increase in savings of fuel (likely to translate to lower price fares by private sector aviation players) to stoke demand ♦ Estimated Savings in fuel placed at Rs.1000 cr ♦ Aircraft component repairs and airframe maintenance to increase from Rs 800 cr to Rs 2000 cr in 3 years. ♦ Major engine manufacturers in the world would set up engine repair facilities in India in the coming year.
Power - Discoms	♦ Privatisation of Discoms initially in UTs and then in other states. ♦ Earlier government announced release of Rs.90000 cr to DISCOMS to release payment to generating companies to kick start the cycle.	♦ Will led to efficient collection, prevention of theft of losses during transmission, reduce losses through installation of smart prepaid meters. ♦ Improvement in operational and financial efficiency in distribution