NEWS ITEMS ON CAG/ AUDIT REPORTS (05.05.2022)

1. With 'Snags' Reported, Defence Ministry Decides Against Repeating US Assault Rifle Order *(thewire.in)* May 5, 2022

The supplementary procurement of SIG716 7.62x51 mm rifles had been abandoned following several "operational glitches" which had surfaced soon after they were issued to Indian Army units deployed along the Line of Control in Kashmir.

India's Ministry of Defence (MoD) has decided against inking the Rs 700-crore repeat order it had approved in late 2020 for 72,400 'Patrol' Sig Sauer assault rifles from the US for its military, due to diverse 'snags' which had surfaced with earlier imports of an equal number of similar weapon systems a year before.

Official sources told The Wire that the supplementary procurement of SIG716 7.62×51 mm rifles had been abandoned following several "operational glitches" which had surfaced soon after they were issued to Indian Army units deployed along the Line of Control in Kashmir and on counter-insurgency operations in the region from December 2019 onwards.

Of the total imported SIG716's, the army had received 66,400 rifles, the Indian Air Force (IAF) 4,000 units and the Indian Navy's Garud Special Forces the remaining 2,000 weapon systems.

According to industry officials, the "operational shortcomings" in the SIG716 rifles included "jamming" while firing locally produced 7.62 mm rounds, which were not as efficient as imported ammunition, of which limited amounts had initially been acquired but had since been expended.

When fired, these local rounds reportedly, in many instances, tended to spawn "barrel bulges" that rendered many rifles inoperable. These bulges ensued after a round failed to exit the rifle upon firing and then the follow-on round built up tremendous pressure due to the constricted air inside the barrel, causing it, in turn, to either develop a bulge, cracks or even lead to it exploding altogether.

The local ammunition also generated a higher recoil or kickback in the rifles compared to that produced by Russian Kalashnikov AK-47 variants or the indigenously developed Indian Small Arms System (INSAS) 5.56×45 mm assault rifles that Indian Army troops had employed for decades.

In a semi-automatic firearm like the SIG716, 'burst-mode' firing enabled the shooter to fire a predetermined number of rounds – normally two or three – at a target with a single pull of the trigger.

Additionally, the SIG76 rifles had reportedly necessitated local modifications like altering the grip to enable a firmer grasp by adding a 'wooden handle' under the 457.2 m long barrel, somewhat similar to the innovation the army had earlier executed on AK-47s. Recent media reports also claimed that some army units had locally fitted the SIG716s with these 'grips' as well as with bipods to provide the rifle stability against canting. A 'cant error' can affect the bullet's trajectory.

But above all, the rifles lacked optical day, night, holographic and even basic LED-powered reflex 'red-dot' sights as the MoD, under IA advisement had, out of pecuniary considerations, decided against acquiring these critical auxiliary add-ons, essential to precisely aligning targets in conflict zones at ranges varying between 100m and 700m. The latter battery-operated sight, for instance, provided users a 'point of aim' in the form of an illuminated red dot, a phenomenon often seen in action movies; their absence renders the user wholly or at least partially blind in skirmish areas.

Also, not having any of these sights to secure a virtual image of the intended mark required the shooter to close one eye to make his objective, thus depriving him of peripheral vision that could well determine the stark choice between life and death on the battlefield. Conversely, the day and night sights, depending on their respective magnifications and sophistication, were more advanced, but expensive to import, costing upwards of Rs 50,000 each, for which reason the MoD had obviated their procurement. It had reasoned at the time that indigenous substitutes were cheaper. In recent months, several local manufacturers had demonstrated assorted sights at the Army War College at Mhow in Madhya Pradesh for eventual fitment onto the SIG716s, some of which were under evaluation and awaited shortlisting to render the rifles operationally more effective.

The IA and the MoD were unavailable for comment on the SIG716s, but many within the services were displeased with the US rifle import.

"Since these purchases were processed by an empowered MoD committee headed by a senior service officer, it is inexcusable that a new weapon system procured at great cost needed to be locally modified before being fully employed," said a senior IA officer. It not only revealed obvious flaws in the army's qualitative requirement (QR) formulations for the rifle, but also in the MoD's overall acquisition procedures, he declared, declining to be named for speaking on such a sensitive matter.

The disappointing part, another officer associated with procurements added, was that no one will ever be held accountable for this lapse. "Acquisitions via MoD empowered committees often tended to short circuit established procedures, resulting in procurement glitches which, in turn, adversely impacted operational efficiency," he said, also requesting anonymity.

Over years the IA's QR hiccups have been excoriated by successive parliamentary defence committees and watchdog bodies like the Comptroller and Auditor General, resulting in innumerable buys either being scrapped or consigned, like space craft, into timeless motion, seriously jeopardising force modernisation. In early 2012, for instance, Parliament's Standing Defence on Defence had declared that 41 of the army's tenders for diverse equipment in the previous 18 months had been withdrawn or terminated principally due to 'over ambitious' QRs. To further drive home this point, the late defence minister Manohar Parrikar had stated at a public function in New Delhi in 2015 that some of the Indian military's QRs were straight out of 'Marvel comic books' and hence unrealistic.

Former defence minister Nirmala Sitharaman had authorised the Sig Sauer rifle procurement in late January 2019 after the US company's bid emerged as L1, or the lowest from amongst three competing vendors for the tender. Sig Sauer had bid $ 990 per SIG716-each weighing 4.2 kg and having a range of around 600m and a magazine capacity of 20 rounds-whilst rival Abu Dhabi's Caracal International had priced its CAR817 rifle at $1,200 per piece while Israel Weapon Industries had submitted a bid of $1600 for each of its ACE1 models. In accordance with FTP procedures, under which the tender was concluded, the SIG716s were delivered thereafter within the mandated period of 12 months. The follow-on purchase of the additional 72,400 SIG 716s received MoD sanction in late September 2020.

The SIG716s were intended as 'stop gap' replacements for the INSAS 5.56x45mm rifles that entered IA service in the mid-1990s, but were declared ' operationally inadequate' by it in early 2010 for multiple reasons. In the intervening period, till the first SIG716 consignment purchase was agreed, the MoD and the IA spent nearly five fruitless years chasing a tender for 66,000 multi-calibre assault rifles that, yet again fell victim to the force's QR overreach.

The IA's Infantry Directorate had in their tender for the proposed multi-calibre assault rifles, incredulously required them to convert from 5.56x45mm to 7.62x51mm by merely switching their barrel and magazine. Explicably, all four competing vendors were unable to meet the IA's QRs and the tender was scrapped in 2015. Thereafter, the MoD attempted the 'Atmanirbhar' or indigenous route to meet its rifle needs, but the IA summarily rejected the Excalibur 5.56x45mm rifle that was little better than an upgrade of the INSAS model developed locally by the then state-owned Ordnance Factory Board, leaving the MoD no option but to resort to imports.

In late 2021, however, the MoD signed the Rs 5,124 crore deal with Russia to licence-build some 6,71,000 Kalashnikov AK-203 assault rifles at Korwa near Amethi in Uttar Pradesh, principally for the IA, but also for the IAF, the IN and the paramilitaries, after resolving multiple hurdles plaguing the tender since 2019.

The contract, concluded under a bilateral Inter-Governmental Agreement, also included the direct import of 20,000 AK-203 rifles with collapsible stocks from Russia for the IA for $1100 each. But the status of the Ak-203 contract, that was scheduled to begin production in March 2022 remains tenuous, impacted as it is by the US-led sanctions imposed on Russia for its invasion of Ukraine over two months ago. Official sources fear this deal could be interminably postponed, if not altogether scrapped.

Meanwhile, in a parallel move the MoD also included assault rifles in its 310-strong list of military items that India will no longer import, but source domestically. Accordingly, it had issued licenses to five local defence contractors like Adani Defence (Ahmedabad), SSS Defence (Bangalore), Jindal Defence (Delhi) and Optic Electronic India (Noida) to produce assault rifles by entering into collaborative ventures with overseas original equipment manufacturers, further precluding all further Sig Sauer imports. https://thewire.in/security/with-snags-reported-defence-ministry-decides-against-repeating-us-assault-rifle-order

2. PSU privatisation: lock, stock and barrel *(dailypioneer.com)* May 5, 2022

The Government should also unshackle the process of strategic disinvestment from bureaucratic red-tape

The ministry of finance has barred public sector undertakings from bidding for other Central Public Sector Undertakings which are on the block for privatisation.

The Department of Investment and Public Asset Management has stated: "As a general policy, PSUs (Central/ State/ Joint)/State Governments and Cooperative Societies controlled by the

Governments are not permitted to participate in the strategic disinvestment of other PSUs as bidders unless otherwise specifically approved by the Central Government in public interest".

PSUs are undertakings in which the Centre/State Governments or jointly with central and/or State Governments have majority ownership (with shareholding of 51 percent or more) and control. If, the Government decides to shed at least 51 percent, it is termed as strategic disinvestment or to put it plain words, privatisation.

The logic given by MoF is that transfer of management control of the undertaking from the Government to any other Government organization or state Government will result in continuation of the "inherent inefficiencies" of state-run firms; hence such transfer would defeat the very purpose of the policy.

This is a candid acknowledgment that generally PSUs are prone to 'inefficiencies' and 'mismanagement'. The overarching reason behind this is bureaucratic and political interference in the working of these undertakings - not merely in policy-making but also in their day-to-day functioning. Although things have improved under the Narendra Modi dispensation (courtesy its focus on a 'policy driven state', and increase in 'transparency'), the basic ingredients remain intact.

Under Prime Minister Modi who is committed to what he himself described as 'naa khaoonga, naa khaane doonga', while it is hard to fathom cases of the ministers asking the managements of PSUs for favors, one cannot rule outgross interference in their working which undermines their ability to achieve high efficiency, keep costs low and stay afloat in a competitive environment.

The majority ownership and control by the Government gives the bureaucrat a feeling of exercising command (albeit remote) over management of the PSU. The latter readily acquiescing adds to the sense of bureaucratic power. Indeed, it is this perverse relationship that lies at the root of problems afflicting most of the PSUs.

The way forward is for the Government to relinquish majority ownership and control. It must not exercise even 'indirect' control in a PSU which would happen if another CPSU is allowed to bid for it. Therefore, the decision of the MoF is very apt. But, is the Government serious? The facts don't instill confidence.

In 2017-18, Union Government sold 51.11 percent of its shareholding in Hindustan Petroleum Corporation Limited (HPCL) - an oil refinery and marketing PSU - to another PSU in the upstream oil and gas segment namely, Oil and Natural Gas Corporation (ONGC). During 2018-19, it sold 52.63 percent of its stake in the Rural Electrification Corporation (REC) to Power Finance Corporation (PFC) - both PSUs in the power sector. Going forward, during 2019-20, it sold 100 percent of its shareholding in NEEPCO and 75 percent in THDC India Limited to National Thermal Power Corporation (NTPC).

In all the aforementioned sales, the purchaser being another CPSU namely ONGC/PFC/NTPC, the Government continues to have effective ownership and control over the divested undertaking viz. HPCL/REC/ NEEPCO/THDC. This defeats the very purpose of the disinvestment policy.

Second, in her Budget speech for 2019-20, the Finance Minister, Nirmala Sitharaman had stated that the intent of the government was to change the existing policy from “directly” holding 51 percent or above in a CPSU, to one whereby its total holding, “direct” plus “indirect”, is maintained at 51 percent.This too militates against the objective of privatisation. To illustrate, let us take the case of Indian Oil Corporation Limited (IOCL). In addition to its direct stake of 51.5 percent, the Union Government holds more than 51 percent in other CPSUs, which in turn, hold shares in IOCL. Thus, Life Insurance Corporation (LIC), which is 100 per cent owned by the GOI, holds 6.5 percent in IOCL. ONGC which is 63 percent Government-owned, holds 14 percent in IOCL. Oil India Limited (OIL), which is 60 per cent owned by the Union Government, holds five percent shares in IOCL.

The “indirect” stake of the Union Government in IOCL via LIC/ONGC/OIL being 25.5 percent, it can reduce its direct stake in IOCL to 25.5 percent (thereby sending a message that it has been privatized) and yet, including the “indirect” control, it will still have majority stake of 51 percent.

The direct shareholding of the Government being less than 51 percent, the concerned PSU (read: IOCL) can avoid coming under the scanner of the statutory watchdogs viz. Central Bureau of Investigation (CBI), Central Vigilance Commission (CVC), and the Comptroller and Auditor General (CAG). It leads to a disturbing scenario in which the bureaucrat will be calling the shots sans accountability.

There is nothing to suggest that the Government has backtracked from the above proposition of retaining ‘indirect’ control.

In the order of MoF, prohibition on PSUs from bidding for other CPSUs is not absolute. A caveat in the order “…unless otherwise specifically approved by the Central Government in public interest” allows for the possibility of the former purchasing shares of the latter subject to the approval by the Union Government.

Put simply, the GOI can always ask a PSU to buy the shares of another CPSU it wants to divest (as it has been doing in the past) and justify the same in the public interest. For instance, all aforementioned share sales during 2017-18/2018-19/2019-20 were made primarily to achieve the target of disinvestment proceeds in turn, the fiscal deficit target - fixed for the respective years. The central government can argue that this was in public interest.

Likewise, while permitting PSUs to take charge of other CPSUs in future it could take recourse to this very argument and get away from the rigor of the MoF circular.

The MoF circular is also anomalous in as much as a State government keen to allow its PSU to buy shares of another PSU - albeit in public interest - will need the permission of the central Government.

To conclude, having taken a conscious decision for undertaking ‘strategic dis investment’ of a CPSU (in the budget for 2021-22, FM had announced privatization of’all’ CPSUs in non-strategic sectors and privatization of PSUs even in the strategic sector subject to retaining at least one firm in the public sector), the government should go lock, stock and barrel and ensure that the process results in vesting majority ownership and control with the private player.

This will require modification of the MoF circular to delete the wordings "……. unless otherwise specifically approved by the central government in public interest". If, public interest is so compelling, this could be served by not divesting the concerned PSU rather than throwing it in the lap of another PSU which raises many hackles. The Centre should also ensure that it doesn't hold any shares in the divested entity even indirectly.

The Government should also unshackle the process of strategic disinvestment from bureaucratic red-tape. It may set up a holding company (HC) where all its shares in PSUs are vested. The HC to be manned by eminent professionals should be fully empowered to take all decisions in regard to valuation, quantum of shares, timing of sale, etc., keeping in mind the market conditions. https://www.dailypioneer.com/2022/columnists/psu-privatisation--lock--stock-and-barrel.html

3. CAG constitutes team to audit AIFF *(mid-day.com)* 05 May 2022

The AIFF, though, insisted that it has not received any "special letter" from CAG and said submission of its audited financial statements is a "normal thing" done time to time

With an instruction from higher authorities to "go deep into the details", the Comptroller and Auditor General of India (CAG) on Wednesday constituted a team to conduct an audit of the All India Football Federation (AIFF) for the last four financial years for alleged financial irregularities.

The AIFF, though, insisted that it has not received any "special letter" from CAG and said submission of its audited financial statements is a "normal thing" done time to time. https://www.mid-day.com/sports/football/article/cag-constitutes-team-to-audit-aiff-23225802

4. एआईएफएफ का 'ऑडिट' करने के लिये कैग ने टीम गठित की *(navbharattimes.indiatimes.com, hindi.business-standard.com, hindi.latestly.com)* May 5, 2022

भारत के नियंत्रक एवं महालेखा परीक्षक (कैग) ने कथित वित्तीय अनियमितताओं के लिये अखिल भारतीय फुटबाल महासंघ (एआईएफएफ) के पिछले चार वित्तीय वर्षों का लेखा परीक्षण (ऑडिट) कराने के लिये एक टीम का गठन किया है।

एआईएफएफ ने हालांकि कहा कि उसे हाल के दिनों में कैग की तरफ से कोई 'विशेष पत्र' नहीं मिला है। उसने कहा कि 'ऑडिट' किये गये वित्तीय विवरण को प्रस्तुत करना 'सामान्य बात' है और ऐसा समय-समय पर किया जाता है।

इस घटनाक्रम से अवगत भारतीय फुटबॉल के सूत्र ने कहा,
''कैग ने एआईएफएफ के पिछले चार वित्तीय वर्षों के रिकॉर्ड का ऑडिट करने के लिये आज एक टीम का गठित की। उच्च अधिकारियों की ओर से विशेष टीम को तह तक जाकर संपूर्ण जांच करने का निर्देश दिया गया है।''

कैग के विशेष प्रकोष्ठ ने एआईएफएफ में कथित तौर पर वित्तीय अनियमितताएं पायी थी जिसके बाद खेल मंत्रालय ने देश की शीर्ष फुटबॉल संस्था के लेखा परीक्षण को मंजूरी दी। इस पर प्रतिक्रिया करते हुए महा

संघ के एक अधिकारी ने कहा कि वह लेखा परीक्षण किये गये अपने वित्तीय विवरणों की एक प्रति कैग को सौंप रहा है।

महासंघ के अधिकारी ने कहा, “पहली बात तो यह है कि महासंघ को पिछले चार वित्तीय वर्षों (2017-18 से 2020-21) के एआईएफएफ के वित्तीय विवरणों का लेखा परीक्षण करने को लेकर कैग से कोई विशेष पत्र नहीं मिला है। यह सामान्य बात है, कोई बड़ा मुद्दा नहीं।”

एआईएफएफ विशेषकर अपने चुनाव कराने में देरी के कारण परेशानियों का सामना कर रहा है। खेल मंत्रालय के कैग को लेखा परीक्षण की मंजूरी देने पर एआईएफएफ ने मंगलवार को स्थिति स्पष्ट करने की कोशिश की।

एआईएफएफ ने बयान में कहा,
“कुछ मीडिया रिपोर्टों के विपरीत, एआईएफएफ स्पष्ट करना चाहता है कि वह कैग को लेखा परीक्षण किये गये अपने वित्तीय विवरणों की एक प्रति दे रहा है। असल में 2017-18 से 2020-21 तक के लेखा परीक्षण किये गये सभी खातों को उनके पास (कैग) जमा कर दिया गया है।”

खेल मंत्रालय ने पिछले महीने उच्चतम न्यायालय को बताया था कि प्रफुल्ल पटेल को महासंघ के अध्यक्ष के रूप में बने रहने का कोई जनादेश नहीं है क्योंकि वह पहले ही तीन कार्यकाल पूरा कर चुके हैं और इस राष्ट्रीय खेल महासंघ को बिना किसी देरी के चुनाव कराने चाहिए। https://navbharattimes.indiatimes.com/india/cag-sets-up-team-to-audit-aiff/articleshow/91311191.cms

SELECTED NEWS ITEMS/ARTICLES FOR READING

5. A Tale of Trade-offs: The Anatomy of the Direct Benefit Transfers System *(thewire.in)* May 5, 2022

While the system was rightly designed to eliminate ghost beneficiaries, the impact of exclusion errors needs to be professionally and independently evaluated in detail.

The direct benefit transfer (DBT) system has come to dominate the discourse on public service delivery in India. The existing rhetoric around its efficacy being one of anti-corruption, cost efficiency, and elimination of middlemen. Payments under DBT are made to low-income households using an elaborate, digitised system that relies on Aadhaar to weed out “fake beneficiaries”.

However, our research shows that these leakage-reducing mechanisms have resulted in the exclusion of many deserving, financially distressed households who could not access their money in time due to back end failures in DBT. We find that about 51% of farmers who faced difficulties in getting their PM-KISAN money in East Godavari were excluded due to Aadhaar-related errors.

A joint research published by Dvara Research, Gram Vaani, and the University of Montreal in early 2021 showed that almost 84% of the total 249 DBT schemes-related complaints, reported on Gram Vaani's Interactive Voice Response (IVR) platform between March and November 2020, pertained to the back end failures of payments.

A more recent study, the Dvara-Haqdarshak Study on Exclusion in Government to Person Payments, offers a typological view of such back end issues. The study, conducted between March and December in 2021, covered approximately 1,400 respondents in rural and semi-urban blocks of Assam, Andhra Pradesh, and Chhattisgarh. All the households seem to have faced problems in either enrolling or receiving money under one or more of the following schemes using DBT: Pradhan Mantri Kisan Samman Nidhi Yojana (PM-KISAN), National Social Assistance Programme (NSAP), Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Janani Suraksha Yojana (JSY), and Pradhan Mantri Matru Vandana Yojana (PMMVY).

Of the 1,248 respondents who reported a back end issue, 51% were unable to state the reason for such a failure and could only speak about the problem they experienced. Therefore, the most prominent category of issues to have emerged from this survey, Disruptions to Payment Schedule, is a broad one and encompasses issues such as payments being suspended without notice and delayed crediting of bank account etc.

In the next major category, 'bank account and Aadhaar-related errors', 18% of the issues included spelling errors in Aadhaar details, pending know-your-customer (KYC) verification, frozen or blocked bank accounts, etc. There is a strong possibility that most of the respondents who faced disruption in payment may have been hit by bank account and Aadhaar-related errors. But they may have been unable to report the same due to the inadequacy of the information provided to them by the implementing agency of the government.

In the last category, 'documentation requirement-related efforts and costs', 10% of the cases primarily comprised of those wherein crediting of bank account is conditional upon the furnishing of certain documents that prove the beneficiary's fulfilment of certain requirements, as seen under schemes such as JSY and PMMVY.

While the in-depth survey of DBT beneficiaries allowed us to understand the broad challenges they were facing, the research methodology did not lend itself to an investigation of failures at the back end, underscoring the general inadequacy of the existing G2C (government to consumer) communication mechanisms under DBT.

We, therefore, turned our focus toward administrative sources in the public domain. These primarily included scheme dashboards, specifically that of PM-KISAN, and Ministry of Finance (MoF) notifications.

To illustrate the key categories of back end failures that emerged from our secondary research, we studied the case of farmers in the East Godavari district of Andhra Pradesh. We performed a data-scraping exercise on the PM-KISAN Village Dashboard and analysed records of 39,655 farmers who were registered in the PM-KISAN scheme but had not received any of the instalments due to them (as of December 2020).

For almost 51% of such farmers, the back end failures occurred due to Aadhaar-related errors while 5.32% of landholders faced a failure due to bank-related errors. Aadhaar-related reasons included lack of seeding on the National Payment Corporation of India (NPCI) mapper and duplication of an Aadhaar record. We found that the bank-related reasons included failed validation checks, due to incorrect or invalid bank account number, account under revalidation by the bank, account closed, etc.

These issues seem to be persisting despite the issuance of notifications by the Ministry of Finance in July 2019, directing banks to follow a set of actions to reduce the rate of DBT back end failures. For 19% of the total records accessed, the reason for back end failure was mentioned as a vague statement, ‘correction is pending at state’, possibly indicating that the correction in records (Aadhaar or bank account details) was yet to be approved by the state government (although district-level officials have the authority to approve such modifications).

Such technical errors at the back end need to be urgently rectified. It is generally thought that that DBT beneficiaries can simply walk into a bank branch or an Aadhaar Seva Kendra and get the due corrections made. However, this is an unrealistic expectation as it cannot be assumed that beneficiaries will be able to diagnose the technical problem independently. They cannot navigate the digitised architecture that has been put in place to initiate these corrections.

Even the identification of the exact problem would be beyond most of the beneficiaries of DBT. As a result, beneficiaries have reported running from pillar to post to ascertain the nature of the error and then in resolving it.

The DBT architecture has been rightly designed to eliminate ghost beneficiaries so as to eliminate ‘leakages’ in delivery of welfare. The priority afforded to this objective can be seen in the way the DBT Mission under the aegis of the Union Cabinet Secretariat, provides a quantified estimate of the financial gains made by the Government as a result of removing fake beneficiaries.

The impact of exclusion errors caused by this promising ecosystem need to be professionally and independently evaluated in detail. There may possibly be a large humanitarian cost associated with such errors. https://thewire.in/political-economy/a-tale-of-trade-offs-the-anatomy-of-the-direct-benefit-transfers-system

6. Off-budget borrowings by states at decadal high: Crisil *(financialexpress.com)* May 5, 2022

Off-balance sheet borrowings by states may have reached a decadal high of about 4.5% of gross domestic product (GDP), or about Rs 7.9 trillion, in FY22, according to a study by Crisil Ratings. The off-balance sheet borrowings mark a rise of about 100 basis points from FY20, reveals a Crisil study of 11 states that account for about 75% of the aggregate GDP of the country.

These borrowings have been raised by entities owned by states, which also guarantee the loans. Around 4-5% of the revenue of states will go towards servicing such guarantee obligations this fiscal, partially reducing the ability of state governments to fund capital expenditure (capex). The reasons for the rise in off-balance sheet borrowings are two-fold, it said.

Firstly, constrained revenue growth due to the pandemic-induced slowdown and increasing revenue expenditure have led to these states’ fiscal deficits rising to close to 4% of their respective GSDP, well above the historical level of 2-3% seen for most part of the last decade. This has reduced the wherewithal of the states to directly fund the entities they own.

Secondly, even if states wanted to do so by borrowing more, they can't without the explicit approval of, and beyond the limits set by, the central government. But states don't need prior central consent to guarantee the loans and advances, and bonds issued by its entities.

Also, the ceiling on guarantees is self-determined and varies by state. All these have led to greater reliance on off-balance sheet borrowings.

"The power sector — primarily discoms — account for almost 40% of the outstanding state guarantees. These were taken to repay the dues of power generation and transmission companies with discoms continuing to make cash losses. With most of them expected to continue reporting losses this fiscal as well, due to higher input (mainly coal) costs, states will have to provide higher support for timely servicing of the guaranteed facilities," said Anuj Sethi, senior director, Crisil Ratings.

Other beneficiaries of these guarantees are state-level entities involved in the irrigation infrastructure development, drinking water supply, and food and civil supplies. Cumulatively, they are recipients of about 30% of such guarantees. However, as these entities are working to build social infrastructure and funding social welfare schemes of their governments, their own cash flows are limited.

Hence, the majority of their debt servicing obligations will be eventually funded by states through budgetary allocations. But not all state-owned entities will require support from their governments for servicing of guaranteed instruments. About 10-15% of the guarantees are also provided to entities involved in urban development and infrastructure set-up, which may have their own cash flows to service the guaranteed facilities.

With almost 3x increase in the absolute quantum of these guaranteed borrowings over the last five fiscals, and with state-level entities approaching the capital markets as well, fiscal prudence of the states to budget for these guaranteed obligations and allocating funds to the state-level entities in a time-bound manner will be critical.

That said, improvement in states' cash flows through higher collections of goods and services tax and reduction in losses at discoms through cost-reflective tariffs, and enhanced commercial orientation can provide some breathing space to states, it added. https://www.financialexpress.com/economy/off-budget-borrowings-by-states-at-decadal-high-crisil/2513254/

7. India's record GST collections are partly because of its soaring inflation *(scroll.in)* May 05, 2022

India's tax collections under the goods and services tax peaked at a record high of Rs 1.68 lakh crore this April. But price pressures are a reason for this, besides economic recovery.

Tax revenues from merchandise imports rose 30% year-on-year, according to a statement by the finance ministry on May 1. Those from domestic transactions, along with service imports, increased by 17%, it said.

"Even though the spike in April's GST collections partly benefits from year-end adjustments, the all-time high magnitude of inflows is very enthusing, and augurs well for a robust year-on-year growth in the months ahead as well," Aditi Nayar, chief economist of credit rating agency ICRA, told The Hindu newspaper.

Inflation's effect
In the aftermath of the Ukraine war, crude oil prices have risen exponentially – from $82 a barrel in October to $112.8 a barrel in March. This has impacted the prices of petrochemicals, which are the key raw materials for industries such as pharmaceutical packaging, automobiles, paint, polyester and synthetic rubber.

Besides, firm commodity prices in recent months have also lifted wholesale price-based inflation in the ongoing fiscal year to a 30-year high of 12.96%.

"This trend will continue as long as petroleum products remain under pressure as fuel prices translate into input costs in various sectors such as transport and feed into the retail level," DK Srivastava, chief policy advisor at EY India told the Mint newspaper in April.

Apart from significant input costs for producers, experts have attributed the record collections to tighter input tax credit regulations. https://scroll.in/article/1023190/indias-record-gst-collections-are-partly-because-of-its-soaring-inflation

8. LIC IPO: A Small First Step That Will Hopefully Lead to a Long Pending Reform *(businessworld.in)* May 05, 2022

As we wait with bated breath for the government finally having no business doing business, the LIC IPO – more tokenism than real reform – could be a small first step in the right direction

Even as the dust still settles on the handover of the cash guzzling Air India to the Tatas, the LIC IPO has got the market all abuzz. While it has been years in the making, now that it is finally here, the excitement is palpable. Reams have been written on the size, scope and value of one of India's PSU crown jewels sharing its riches with the public, so another article focusing on the same points would just end up being yet another face in the crowd. What bears discussion is the topic of why the government continues to remain in business. Reform in the direction of eliminating this gets drowned out in the cacophony of accusations in the vein of "selling the family jewels" by a miniscule yet vociferous left, ably supported by headline (read: clickbait) hungry sections of the media and an opposition opposing for the sake of opposition.

The government being in business is a legacy of our socialist past, spurred further into the abyss by our association with the Soviet Union. While there is no doubt that some PSUs have achieved substantive levels of excellence – including at the very top of the heap: LIC – but overall it has only resulted in a massive mediocrity pandemic that has been ravaging this country for decades now. There are a breath-taking (and not in the good way) 366 central PSUs, of which 110 were not even operational, in the country which collectively earned a revenue of Rs. 24.62 lakh crore in FY20 – impressive you would say. However, the combined profit of these 366 PSUs is a mere Rs. 93,000 odd crore – that is a less than 4% net profit margin.

It gets worse though, as you analyse this granularly:

-Top 10 profit making PSUs returned profits of approximately Rs. 80,000 crore, which means that the rest of the heap actually turned in a less than Rs. 13,000 crore combined.

-A total of 179 PSUs returned a total of INR 1.38 lakh crores of profit – which means 169 of these companies brought in a cumulative total of Rs. 60,000 crores of profit approximately

-69 PSUs that made losses, on the other hand burned Rs. 45,000 crores of taxpayer money as losses

-Top 10 loss making PSUs were responsible for over 90% of these losses, with BSNL causing losses of Rs. 15,500 crores by itself

-Air India was responsible for Rs. 8,500 crores, but that is a thing of the past now

While the government continues to put a positive spin on the whole mess by highlighting the over Rs. 9.5 lakh crore of Reserves & Surplus with these PSUs as well as Rs. 3.75 lakhs contribution to the exchequer (through taxes, dividends & interest on government loans), it beggars belief looking at those numbers itself that 366 companies with revenues of over Rs. 25 lakh crore are contributing a mere 12.5% of that revenue to the government. To put that in context, these companies also include Petroleum Marketing companies whose sales are nearly 50% taxes – of which roughly half accrues to the central government.

If one were to turn attention to listed PSUs, one finds that in FY20 nearly 80% of the revenue and over 90% of the profit of the entire set of PSUs comes from the 58 listed PSUs. About 14 of these PSUs are loss making but overall looked at as a group they perform well. Yet ironically, the combined market cap of these entities is approximately Rs. 8.2 lakh crores, an astonishing 40% lower year-on-year – albeit in a bad year for the bourses, but the index itself was down 25% which means this group performed 60% worse than the market overall. Further analysis reveals a price-to-earnings ratio of 9.5x as opposed to 26.5x for the index overall. To put this in greater context, PSUs are spread across 21 industry sectors across Agriculture, Mining & Exploration, Manufacturing & Services (including IT & Telecom) so the metrics should expectedly be reflective of the overall average.

It is easy to glean from the above, that the government is not running this ship well – a ship that has cost over Rs. 16 lakh crore of taxpayer money! Only the deliberately oblivious or motivated segments would be unaware of the fact that the reason the government continues to operate these companies is to fulfil political & corruption goals with the bureaucracy pliant in order to ensure plum roles for themselves – all in the quest to running taxpayer money to the ground.

The monetization of a small portion of LIC will make crystal clear the value that has been locked into these companies. It is time that these exercises go beyond tokenism and this value is unlocked – this will help the public which is the real owner of these companies have stake and oversight as well as help government raise money to alleviate poverty and improve infrastructure in the country. The time has come to create a sovereign fund to hold a strategic stake in these companies, and to take public which can be & privatise those that cannot.

Ultimately professionally run companies will be more profitable and have improved market caps. For example the average profit margin of listed companies is in the range of 10-12%. So even on the Rs. 25 lakh revenue base currently (FY20), that would mean close to Rs. 3 lakh crores in profit. And given the diversified portfolio – across sectors & size - targeting an average PE (which was 26.5 as mentioned above), one could assume a potential valuation of approximately Rs. 80 lakh crores for these PSUs in FY20. Extrapolate this to 5 years down the line (to eliminate any lingering Covid-19 economic effects), with just a 10% year-on-year revenue growth and a decent improvement in PE ratios of 20% or so, then this valuation number could top Rs. 150 lakh crore. A strategic disinvestment approach over the next 3 years bringing down ownership across the board from an average of 70-75% to 30-35% could net the government up to Rs. 50 lakh crores while still retaining stock worth another Rs.50 lakh crores. Allocating 20-25% funds from the disinvestment and matching it from the country's huge pile of forex reserves, a fund-driven structure could create a behemoth with nearly US$ 350 billion corpus. A mere 10-12% ROI on this would be close to 1% on a US$ 5 trillion GDP that we envisage. In a country with a tax-to-GDP ratio of 11.7% that is massive.

Ultimately the lesson is that while the LIC IPO is a good step in the right direction, are the powers that be along with their policy mavens ready to actually walk down the path? India has some of the best and most highly educated professionals – unfortunately a large number of them abroad and in most part serving foreign companies, including those in India – and it is time that the government woke up and leveraged our talent to unlock the massive potential locked within what has been long the fiefdom of the inward looking and self-serving polity & bureaucracy. https://www.businessworld.in/article/LIC-IPO-A-Small-First-Step-That-Will-Hopefully-Lead-To-A-Long-Pending-Reform/04-05-2022-427563/

9. How, after being on sale for 6 years, Pawan Hans is finally on its way to a new owner *(indianexpress.com)* Updated: May 5, 2022

After three unsuccessful attempts at disinvesting its stake in Pawan Hans Ltd, the government has approved the sale of the helicopter services provider along with management control to Star9 Mobility Pvt Ltd. There are 42 helicopters in Pawan Hans's fleet. Star9 Mobility's bid of Rs 211.14 crore for the government's 51% stake in the company was above the reserve price of Rs 199 crore.

What is Pawan Hans and why is it being sold?
Pawan Hans is a 51:49 joint venture between the government and state-owned Oil & Natural Gas Corp Ltd. The domestic helicopter operator, which mainly serves ONGC's offshore operations and operates a few UDAN flights to hilly and difficult terrains, has been making losses.

In 2016, the government decided to disinvest its stake in Pawan Hans. One of the options that were explored was to allow ONGC to acquire the government's stake in the company. However, this option did not find traction and, in 2018, ONGC too decided to offer its entire shareholding to the successful bidder identified in the government's strategic disinvestment transaction, on the same price and terms as the government.

This disinvestment is the second major sale from the government's aviation portfolio in the last 12 months — Air India went to the Tata Group in January this year.

What is Star9 Mobility?
The winning bidder for Pawan Hans — Star9 Mobility Pvt Ltd — is a three-way consortium between Big Charter Private Limited, Maharaja Aviation Private Limited, and Almas Global Opportunity Fund SPC. These three entities own 26%, 25%, and 49% stake in Star9 Mobility respectively.

The company was incorporated in October 2021 and, according to its Memorandum of Association, it intends to operate air support services to meet the requirements of the petroleum sector, including ONGC, in addition to operating tourist charters by helicopters, and "undertake any other operations that may be directed/requisitioned by the government".

What is the background of Star9 Mobility's owners?
Mumbai-based Big Charter Pvt Ltd runs the 'flybig' airline, which operates on UDAN routes, while Delhi-based Maharaja Aviation Pvt Ltd is a helicopter charter company. Almas Global Opportunity Fund is a Cayman Islands-based fund managed by Dubai-based Almas Capital.

Big Charter was founded by former pilot-turned-entrepreneur Sanjay Mandavia. Mandavia, along with a financial partner, had also bid for Jet Airways during the latter's bankruptcy proceedings but lost out to the Jalan-Kalrock consortium. He also owns a company that operates flight simulators for Indian and global airlines.

Maharaja Aviation is a licensed non-scheduled operator registered with the DGCA. According to information available on the DGCA website, the company has three Robinson helicopters in its fleet.

How did the disinvestment process unfold?
The Cabinet Committee on Economic Affairs (CCEA) had approved strategic disinvestment of the government stake in Pawan Hans in October 2016. Thereafter, the government made three unsuccessful attempts at disinvestment.

In the first round, the Preliminary Information Memorandum (PIM) was issued in October 2017, seeking Expressions of Interest (EOI). Out of four EOIs received, only one was found eligible, and the transaction was cancelled.

In the second round, PIM was issued seeking EOIs in April 2018. Two bidders were found eligible, and were issued the Request for Proposal (RFP). Finally, a single, incomplete bid, non-compliant with the RFP, was received.

In the third round, the PIM was issued seeking EOIs in July 2019. However, of the four EOIs received, only one was found eligible, and the process was cancelled again.

In the fourth iteration, the government invited EoIs on December 8, 2020. Seven EoIs were received and four interested bidders were shortlisted as qualified bidders. After detailed due diligence, the qualified bidders were invited to submit financial bids, following which three financial bids were received.

Star9 Mobility emerged as the highest bidder quoting Rs 211.14 crore, while the other two bids were for Rs 181.05 crore and Rs 153.15 crore.

What happens here onward?

Now that the winning bid has been granted clearance by the Alternative Mechanism for Pawan Hans disinvestment that comprises Road Minister Nitin Gadkari, Finance Minister Nirmala Sitharaman, and Civil Aviation Minister Jyotiraditya Scindia, the government will issue the Letter of Award, which will be followed by signing of the Share Purchase Agreement and closing the transaction. https://indianexpress.com/article/explained/pawan-hans-star9-mobility-sale-explained-7900953/

10. Why Modi govt's BPCL privatisation process ran out of gas and is back to the drawing board *(theprint.in)* May 05, 2022

The privatisation of Bharat Petroleum Corp Ltd (BPCL), along with that of Air India, was supposed to be the highlight of the Modi government's disinvestment programme last fiscal year.

While the government was successful in selling the chronically ailing flag carrier to the Tatas, BPCL got delayed and was pushed to the new financial year. The hope was it would be among the first big-ticket deals early in 2022-23.

However, a combination of factors, including a fear that oil marketing companies do not enjoy full freedom on fuel pricing and a global push towards green and renewable fuels, has led to a lack of investor interest in one of India's biggest oil refiners and marketing companies, top government sources told ThePrint.

This has meant a lack of enough bids at a time of high volatility in the stock markets, forcing the government to go back to the drawing board for privatising BPCL and further delaying the process, the sources said.

Although no formal statement has been made on withdrawing the stake sale of BPCL, Vedanta Resources Chairman Anil Agrawal told financial news platform Moneycontrol on 22 April that the government has withdrawn the offer to sell its stake in BPCL and will come up with a new strategy.

A senior government official said "there is a case to restart the process of BPCL privatisation so that all the issues that have come up are considered and investors are invited based on that". "There are a lot of issues that need to be resolved before the process is concluded."

BPCL is India's second-largest oil marketing company after Indian Oil, and with refineries in Mumbai, Kochi, and Madhya Pradesh, it has the third-largest refining capacity after Reliance and Indian Oil.

The central government's plan was to sell its entire stake of 52.98 per cent in BPCL, which was expected to fetch an estimated Rs 45,000 crore. The government invited Expression of Interest (EoI), or initial bids, for these in March 2020. The plan was to complete the process by March 2021.

However, by November 2020, the central government had received a total of three bids. https://theprint.in/economy/why-modi-govts-bpcl-privatisation-process-ran-out-of-gas-and-is-back-to-the-drawing-board/942568/

11. Turbulence ahead: RBI makes it clear inflation is now the big challenge, governments need to gear up to fight it *(timesofindia.indiatimes.com)* 4 May 2022

The Reserve Bank of India's monetary policy committee took the financial market by surprise yesterday. A little over three weeks after the six-member MPC voted unanimously to hold the policy repo rate at 4%, they changed course and increased it to 4.4% in an off-cycle meeting.

It’s the first increase in repo rate since August 2018. RBI will separately increase the cash reserve ratio maintained by banks by half a percentage point to 4.5%. This is expected to suck out Rs 87,000 crore of liquidity. Monetary tightening is well underway now.

MPC was expected to nudge up interest rates later this year. The question therefore is, what triggered an unscheduled meeting to advance this? The answer is a combination of elevated inflation and the uncertainty around inflation’s trajectory. A volatile geopolitical situation has fuelled a surge in prices of many commodities. The pain has already shown up in India – retail inflation in March was 6.95%, led mainly by a jump in food prices. This surge in inflation has come at a time when even if aggregate demand is back at pre-pandemic levels, it’s not yet robust. The abrupt turn in monetary policy, therefore, was catalysed by a further apprehension.

The surge in fuel and food prices has come at a time when the price level of other items of consumption (core inflation) has remained high at around 6% for a year. MPC appears to fear the potential second-round impact of high commodity and food prices which occurs when firms raise sales prices and employees seek higher salaries to adjust to changing circumstances. Therefore, the primary aim of an increase in repo rate at this juncture is to head off the second-round effects and preserve macro-financial stability. As yesterday’s changes work their way through the economy’s full spectrum of interest rates, borrowing costs on personal and home loans will rise. For savers in fixed income instruments, rates are set to increase.

The key takeaway from the announcement is the return of inflation as an important macroeconomic challenge. This will force RBI to prioritise fighting inflation over stimulating economic growth. It does shift the onus onto both GoI and states to adjust fiscal policy to adapt to the emerging situation. For a start, taxes on pump prices of petrol and diesel need to be lowered to ease price pressure. Separately, agricultural policies need adjustments to ensure that food prices do not rise too high. The right fiscal policy will insulate the economy from a demand shock at this critical juncture. https://timesofindia.indiatimes.com/blogs/toi-editorials/turbulence-ahead-rbi-makes-it-clear-inflation-is-now-the-big-challenge-governments-need-to-gear-up-to-fight-it/

12. A deep quagmire *(millenniumpost.in)* 4 May 2022

The Report on Currency and Finance — released by the Reserve Bank of India (RBI) last week — did finally present a wider outlook to India's economic situation and the impact of Covid-19 on its growth prospect. The report explores three key aspects — the economic slowdown before the pandemic; post-Covid economic scenario; and potential challenges along the path to recovery. The report states that "India's recovery from the pandemic, despite its innate strength of macroeconomic fundamentals, remains fragile and is yet to become broad-based". The RBI report very succinctly refutes all the arguments that base the genesis of continuing economic slump to the pandemic — by clearly enunciating that India's economy was on a steep downslide even before the pandemic hit the country. The pandemic, at best, has been an exacerbating factor. The report highlights that India's GDP growth moderated for eight consecutive quarters before the onset of the pandemic. The severity of the pre-pandemic slump can be gauged from RBI's conviction that "a cyclical downturn had set in the Indian economy from 2017-18, culminating in the lowest growth of 3.7 per cent in 2019-20 since the global financial crisis (GFC)." The primary reason behind India's pre-pandemic economic distress is traced to decline in consumption. Notably, the rising consumption had been the driving factor behind the country's GDP growth all the while — be it the post-GFC revival or the spontaneous growth during 2014-15. The RBI report makes a clear demarcation by marking 2017-18 as the period from where things started taking unfavourable turns. Coincidently, the period follows the year in which the Indian government experimented with demonetisation — something which the opposition leaders often criticise for disrupting the economy. In the period following 2017-18, consumption — the backbone of India's economic growth — has been declining. The fall in consumption led to a decline in demand. The RBI's view that India's degrowth had been demand-driven stands in sharp contradiction with the government's efforts towards buttressing largely the supply side for achieving higher growth. Inferences from the report also show that slowdown coincided with the sluggishness in the labour market. This automatically brings to mind the horrifying pictures of migrant labourers returning to their homes afoot, many perishing on their way, during the second wave of the pandemic. Even in the absence of any quantitative measure of the exacerbating impact of the pandemic on India's job market and the overall economy, one can qualitatively feel the disastrous aftermaths to the skin. The depth of the current economic turmoil is such that the RBI has projected the time period for recovery of India's pre-pandemic growth trajectory to be 13 years from now! And then, economic experts point out that the projection is very much optimistic, given the fact that it assumes that the economy will grow at 7.2 per cent in 2022-23 and 7.5 per cent thereafter. Given the current situation — under the shadow of Russia-Ukraine conflict and rising Covid cases — and potential uncertainties ahead, such projections appear to be rosy. We may take longer than expected to get back to the pre-pandemic levels. In totality, three key challenges lie ahead of the nation in recovering from the economic slump — boosting consumption and investment in the economy; managing liquidity in the market to desirable limits so that inflation can be checked; and maintaining India's debt-GDP ratio under control. Additionally, RBI's forthcoming monetary policy will have to take a long-term approach to supplement fiscal policies aimed at economic recovery. The RBI report also acknowledged the role of finance in revitalising growth. It stated that the PSBs need to be kept away from government recapitalisation "as a precondition to achieving greater privatisation of the sector". This forces one to be sceptical whether the privatisation of public sector banks will serve as a panacea to the ailments of the financial sector? Certainly not. It is high time that effective sectoral reforms be brought into existence to provide a strong financial ecosystem for the economy to recover at the required pace. The RBI report has been silent on this issue but a framework must be formulated in pursuance with the daunting task that lies ahead of the Indian economy. Be it fiscal and monetary measures or the question of structural reforms — India cannot afford to fail at any one aspect if it truly aims at pulling itself out of the quagmire by the earliest. http://www.millenniumpost.in/editorial/a-deep-quagmire-476685?infinitescroll=1

13. Caveat on RBI digital currency *(telegraphindia.com)* May 05, 2022

India’s own experience with demonetisation is a reminder of the importance of preparing infrastructure and implementation capacity in advance of a comprehensive rollout

India should take a cautious and gradual approach towards launching a central bank digital currency (CBDC) as developing it could have some hazards, including those to institutions, end-users of retail CBDCs, and the reputation of the central bank, says a National Council of Applied Economic Research (NCAER) working paper.

India’s own experience with demonetisation is a reminder of the importance of preparing infrastructure and implementation capacity in advance of a comprehensive rollout, Poonam Gupta, director general of NCAER and part-time member of the Economic Advisory Council to the Prime Minister, said in the paper co-authored by her.

Finance Minister Nirmala Sitharaman in her Budget speech had stated that "introduction of Central Bank Digital Currency" (CBDC) will give a big boost to the digital economy. Digital currency will also lead to a more efficient and cheaper currency management system. It is, therefore, proposed to introduce Digital Rupee, using blockchain and other technologies, to be issued by the Reserve Bank of India starting in 2022-23."

"We argue that many of these arguments for CBDCs have been advanced uncritically. Their proponents fail to acknowledge that some of these goals can be advanced at lower cost and at less risk through alternative means," the report stated.

The paper said while a CBDC would have more penetration compared to credit or debit cards, the reach of Unified Payments Interface is already widespread. "In its history to date, UPI has hosted some 70 billion transactions, some as small as one rupee, making it the world's largest real-time payment system by transactions," it said.

The paper said that while greater financial inclusion is also one of the reasons behind pushing CBDC, it can also be achieved through simply opening more bank branches in rural areas and providing services through non-bank partners and agents.

"Rationale sometimes heard for CBDC issuance is to enable the central bank and the government to retain control of the payments system in the face of stable-coins and other private payment rails.

"If the concern is the concentration of payments in a single or small set of private hands, then the obvious solution is to strengthen regulation of those private providers," it said. https://www.telegraphindia.com/business/caveat-on-rbi-digital-currency/cid/1863587

14. Defence Ministry engages with private players to manufacture military items *(thehindubusinessline.com)* May 05, 2022

Seek response on building simulators for Apache, Chinook helicopters, communication systems, among others

The Indian Air Force Wednesday reached out to the domestic defence industry seeking their response on manufacturing eight military items, including simulators for Apache and Chinook helicopters, and communication systems.

Besides that, three projects of the army, an Indian light tank, an autonomous combat vehicle, and integrated surveillance and targeting system for mechanised forces, too, have been offered to the Indian industry for design and development under the categories of Defence Acquisition Procedure (DAP)-2020.

The move aims at rolling out the government's initiative to indeginise large parts of the defence procurement of three services of the army, air force, and navy, which are heavily dependent on imports. The industry will be provided financial support for the prototype development of these projects, said the Defence Ministry.

"This is for the first time since the launch of Industry friendly DAP-2020 that Indian Industry has been involved in the development of big-ticket platforms such as Light tank and

Communication Equipment with Indian Security protocols," the Ministry pointed out indicating the seriousness of the exercise.

The IAF, which organised a webinar, gave different presentations to the industry representatives to create awareness about the eight projects, three of them under Make-I and another five under Make-II categories, said the IAF.

Details of the meeting

The idea was to introduce and let the private industry know the IAF expectations and also hear their problems, said the air force sources present at the meeting. “Now, they have to come back with proposals on each of the projects briefed to them virtually,” the sources added

The list of projects was accorded ‘Approval In-Principle (AIP)’ by the collegiate committee of the Defence Ministry. Other projects of the IAF Airborne Electro-Optical pod with Ground-Based System, Wearable Robotic Equipment for Aircraft Maintenance, Airborne Stand-off Jammer and Design & Development of Automatic Take-Off/Landing Recording System (ATORS).

The IAF interaction with private players through the webinar was organised by the Society of Indian Defence Manufacturers (SIDM) — the apex body of the Indian defence industry. https://www.thehindubusinessline.com/news/national/defence-ministry-engages-with-private-players-to-manufacture-military-items/article65382447.ece

15. Centre gives nod for diversion of forest land for rapid development in Naxal-affected states *(theprint.in)* 4 May, 2022

For rapid development in the Left Wing Extremism (LWE) or Naxal-affected states, the Central government gave approval for the diversion of forest land for infrastructure-related projects in 14 categories in 2020-2021.

The approval was granted by the Ministry of Environment, Forest and Climate Change mentioning the Ministry of Home Affairs’ recently published annual report 2020-2021.

“Ministry of Environment, Forest and Climate Change has given general approval for diversion of forest land for infrastructure-related projects in 14 categories relating to schools, dispensaries, hospitals, electrical and telecommunication lines, drinking water projects, water and rain harvesting structures, minor irrigation canals, non-conventional sources of energy, skill upgradation and vocational training centre as well as rural roads,” the report said.

The general approval was earlier for diversion of up to five hectares of forest land, which has been increased to 40 hectares for LWE areas, with validity up to December 31, 2020, in terms of section 2 of the Forest (Conservation) Act, 1980.

The report also said that the Government of India has also been implementing Road Requirement Plan (RRP-I) since February 26, 2009, for improving road connectivity in 34 LWE affected districts of eight states namely, Andhra Pradesh (now Andhra Pradesh and Telangana), Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Maharashtra, Odisha and Uttar Pradesh.

It said the scheme envisages the construction of 5,362 km of roads and eight critical bridges at the estimated cost of Rs 78,673 crore.

Up to March 31, 2021, the report also said a total of 4,981 km of roads and six critical bridges have been completed.

The Government approved a Centrally Sponsored Scheme namely "Road Connectivity Project for LWE affected areas" on December 28, 2016, to improve the rural road connectivity in the most LWE affected districts, said the report, adding "the Ministry of Rural Development (MoRD) is the sponsoring and implementing Ministry of the project".

"The scheme envisaged construction or upgradation of 5,412 km road and 126 bridges and Cross Drainage works at an estimated cost of Rs 11,725 crore in 44 LWE affected districts," stated the report.

Sanction of 9,268 km has already been conveyed to the states, said the report. "Of these, 3,505 km of road has been completed," it said.

In order to address telecom connectivity issues in LWE areas, it says a scheme for the installation of Mobile Towers is being implemented by the Department of Telecommunications, Ministry of Communications.

The report further said, "A total of 2,335 mobile towers have been operationalized in Phase-I of the scheme and installation of 4,072 mobile towers has been approved in Phase-II of the Project. Of these, 2,542 towers are under tender process."

To protect the rights of Scheduled Tribes (STs) and Other Traditional Forest Dwellers, title deeds are given to the people under the Forest Rights Act, mentions the report.

Till now, 16,22,128 title deeds have been distributed to individuals and communities in 10 LWE affected states, namely, Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Telangana, Uttar Pradesh and West Bengal.

"This will ensure their livelihood, will provide food security and protect their rights on the forest land," it added. https://theprint.in/india/centre-gives-nod-for-diversion-of-forest-land-for-rapid-development-in-naxal-affected-states/942293/

16. Power Woes: Making Sense of the Debate on Electricity Supply Crisis *(swarajyamag.com)* Dr Subhash Chandra Pandey | May 5, 2022

A barrage of news about rising electricity consumption, rising international price of coal and shortage of coal with power plants have raised fears of an impending power crisis. Hundreds of regular passenger trains have been cancelled to fast track movement of coal. Post-Covid-pandemic surge in electricity demand, soaring temperature and import disruption — all have contributed to a near-panic situation.

The first thing to note that there is neither shortage of domestic coal production nor electricity generation. The scenario is a result of temporary spike in electricity demand supply gap. Low coal stocks with thermal power plants do not mean shortage of coal in the country.

Here is the big picture; facts that speak for themselves. There is absolutely no shortage of power if people are willing to pay its price, both in terms of cash and health.

At the end February 2022, India had 181 coal based power plants with total capacity of 204 GW. Coal and lignite-based electricity generation capacity was 210 GW out of the total capacity of 395 GW (about 53 per cent) at the end of March 2022. We plan to reduce the share of coal and lignite based thermal projects to 32 per cent of total capacity by 2030 to reduce carbon emissions.

Energy demand has shot up worldwide as economic activity picks up post-pandemic. As vaccination gathers pace and pandemic restrictions are whittled down, people and nations are playing catch-up.

During April-September 2019, India's electricity consumption was 68,100 crore units (kwh). It fell to 62,500 crore in April-September 2020, mainly during the lockdown months of April-May 2020.

However, electricity consumption during April-September 2021 jumped to 71,500 crore units, more than the pre-Covid level even though there was a distressing second wave in April-May 2021 and the tour/travel/hospitality industry is not yet back to pre-Covid level. Air/rail travel was not by then fully restored.

Since then, there has been steady revival and acceleration of travel and other economic activities leading to a surge in electricity demand.

Increase in electricity demand is a positive sign indicating economic recovery. Increased coverage of households with access to electricity connection has brought new electricity consumers in the market. Growing digital economy also contributes to rising demand.

A welcome surge in electricity demand has raised supply concerns especially as all indications are a further increase in electricity demand in coming months.

Since 2013, total primary energy consumption in India has been the third highest in the world after China and the United States.

Total power generation installed capacity in India has increased from 243 GW in March 2014 to 320 GW in March 2017 to 395 GW by March 2022. Out of this, 210 GW is coal/lignite fired thermal power (52 per cent), 25 MW gas-based thermal, 46 GW is from large hydroelectric projects, 45 GW from solar, 40 GW from wind power and 6.8 GW nuclear.

Renewable energy capacity is about 37 per cent of the total and India will reach 40 per cent renewable energy capacity well before 2030 as per target accepted under the 2015 Paris Climate Change agreement.

Although coal-based power plants contribute only about 53 per cent of installed electricity generation capacity, these plants meet almost 75 per cent of total electricity demand. (Renewable energy generation cannot be sustained on 24x7 basis unless big investments are made in electricity storage technologies. It also has limitations on ability to supply steady-voltage continuous supply required by specialised manufacturing industries.)

So even though we have made impressive gains in expanding solar power, we are still largely dependent on coal for electricity.

Our domestic production of coal is about 730 MMT and we annually import over 300 MMT. Electricity sector accounts for about two-third of total coal consumption. About 550 MMT domestic and 50 MMT imported coal is used by thermal power plants every year. In 2021-22, coal imports have drastically come down (about 23MMT during 21 April-22 January).

India is the second largest coal consumer after China. International prices of coal have risen recently for two reasons. Sharper increase in gas prices means that countries are increasing dependence on cheaper coal-based thermal plants.

China is facing increased electricity demand in post-pandemic economic recovery and in a trade war with Australia, China stopped coal imports from Australia, one of the major exporters of coal.

Coal makes up nearly 60 per cent of China's energy consumption. Increased coal/power demand from China has set coal prices soaring high and many coastal power plants depending on (previously cheaper) coal imports are now switching to domestic coal in India.

For import dependent Indian power producers, it is costlier to import longer haul Australian coal than shorter haul Indonesian coal that is increasingly getting diverted to China.

The net result of all this is higher demand for coal, higher price for coal and resultant financial stress on power generating companies.

The coal supply position is steadily improving but there are basic issues to be addressed to ensure long term health of the power sector which is victim to populism. That basic issue is of financial distress on power generating companies.

In October 2021, power generating companies owed about Rs 20,000 crore to Coal India Limited alone.

Thermal plants are expected to have stock of 20 days requirement but many power producers don’t have money to stock coal because they have themselves not been paid by distribution companies (Discoms) for power supplied. Discoms are cash starved because tariffs don’t cover all costs, many consumers don’t pay their bills or delay payment. Power theft and leakage through unmetered supply continues to be rather high.

This is all reflected in discoms’ inability to pay to power producers.

Power producers give 45 days’ credit to electricity Discoms. If the dues are not cleared in 45 days, outstanding dues are called ‘overdues' liable to charge of penal interest.

As per a recent report by the Power Ministry, the power distribution companies owed as much as Rs 102,006 crore at the beginning of April 2022 which increased to Rs 108,751 crore on 30 April. The outstanding was Rs 95,717 crore at the end of December 2021.

So if coal companies have to recover an amount in the range of Rs 20,000 crore from power generating companies, will it make sense for it to produce more coal and supply on credit? If power generating companies have to recover five times more amount from power distribution companies, can they continue production? Does it make sense for them to improve plant load factor and produce more electricity to supply on credit?

That is the real problem.

The Discom reform scheme UDAY ended in 2019-20 with most of the states failing to meet their stipulated targets.

On 1 July 2021, Centre launched a new scheme of 'Reforms-based and Results-linked, Revamped Distribution Sector Scheme' to provide conditional financial assistance to Discoms for strengthening of supply infrastructure. The scheme with total outlay of Rs 303,758 crore will involve central government budget support of Rs 97,631 crore by 2024-25.

All existing power sector reform schemes namely DDUGJY, IPDS, PM-KUSUM scheme would be subsumed into this new umbrella programme.

Among the many contemplated reforms is a measure to create separate feeder for agricultural electricity supply, expansion of network of solar-run irrigation systems. Other pending electricity reforms are removal of cross subsidies and open access, introducing competition by allowing consumers choice of electricity supplier.

States are presently administering two types of cross subsidy arrangements. One is between high-end and low-end household consumers and the other is between household consumers on one hand and industrial/commercial consumers on the other.

There are just too many consumer categories and tariff lines — slabs and fixed charges, making electricity pricing quite complex and non-transparent. On top of tariffs fixed by ‘independent regulators’, states levy electricity duty (as it is not subsumed in GST) which ranges from 0 per cent to 70 per cent for certain categories of consumers.

Cross-subsidy burden on industry is particularly problematic because it adversely affects cost competitiveness — manufacturing and exports and resultant job creation.

The installed power generation capacity in the country is more than the total demand but power producers are forced to cut production because they are not getting paid in time for power supplied. The action for clearing the consumer dues for electricity supply rests with the state governments.

It is frustrating that these reforms are getting delayed and deferred. Any myopic politics will sap the nation of energy in the long run. https://swarajyamag.com/economy/power-woes-making-sense-of-the-debate-on-electricity-supply-crisis

17. Indian Railways Earns Nearly Rs 6,000 Crore More In 33 Days of The Current Fiscal *(swarajyamag.com)* May 5, 2022

Keeping up the momentum, Indian Railways has made a significant incremental growth in earnings in both loadings and passenger segments in the last 33 days of the current fiscal.

We have earned nearly Rs 6,000 crore more in this period of 1 April to 3 May this year as compared to the corresponding period last year, said a senior Railway Ministry official.

With the revival of economic activity, constant efforts are being made to augment more coaches and wagons to carry more passengers and goods by the railways.

There are about 300 more coaches being added in various trains to carry passengers besides running many summer specials to clear rush in April, said the official.

The railways carried 810 lakh passengers in the reserved class and 4,075 lakh in the unreserved class between 1 April and 3 May this year as compared to 343 lakh passengers in the reserved class and 1,814 lakh in the unreserved class during the corresponding period last year.

The passenger earnings have also increased in this period as the railways earned Rs 5,313.13 crore during the 33 days of the current financial year as compared to 1,783.52 crore in the same period last fiscal.

The loadings in coal, cement, fertiliser, petroleum products and foodgrains have shown growth in this period resulting in more revenue for the public transporter.

In the goods sector, the railways has carried 134.3 million tonnes (MT) in 33 days in 2022-23 as against 122 MT in the same period in 2021-22.

The national transporter earned Rs 14,313.65 crore in goods loadings in this period as against Rs 12,205.94 crore for the same period last year.

Besides, the revenue from parcel, advertisements and other sundry earnings also witnessed an increase. The railways earned Rs 362 crore as sundry earnings in this period. https://swarajyamag.com/news-brief/indian-railways-earns-nearly-rs-6000-crore-more-in-33-days-of-the-current-fiscal

18. Goa govt spent Rs 5.5 cr on brief swearing-in ceremony, reveals RTI query *(business-standard.com)* May 5, 2022

The swearing-in ceremony of Goa Chief Minister Pramod Sawant and his cabinet on March 28, which was attended by Prime Minister Narendra Modi and top BJP bigwigs, and lasted for less than 20 minutes cost the state exchequer nearly Rs 5.5 crore, according to a government response to a Right to Information query.

According to a response to a list of questions filed under the RTI Act by local activist Aires Rodrigues, the Goa government's General Administration Department has said that a Goa-based event management agency Vinsan Graphics was engaged to organise the gala event in March.

According to the response of the General Administration Department, nearly Rs 11 lakh were spent on seating arrangements and other paraphernalia for VIP seating arrangements, Rs 1.64 crore expenditure was incurred on creative decor, Rs 57.50 lakh on a six course menu for 10,000 guests, Rs 5.66 lakh on buffet and high tea for special VVIPs, among others.

Besides, Rs 8.25 lakh was spent on laying the red carpet, Rs 16 lakh on decorating the entrance gate and arch, while Rs 25.65 lakh was spent on pole branding on the road leading to an indoor stadium where the swearing-in ceremony event was held, the RTI response has revealed. https://www.business-standard.com/article/current-affairs/goa-govt-spent-rs-5-5-cr-on-brief-swearing-in-ceremony-reveals-rti-query-122050500558_1.html