

# *De Jure*

*May 23, 2020*

**Atmanirbhar Bharat!  
A vision to make India Self – Reliant**



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While addressing the nation on May 12, 2020, the Prime Minister of India, Shri Narendra Modi, underlined a vision to make India a self-reliant nation (*Aatmanirbhar Bharat*) amidst the Covid-19 pandemic, based on the foundation of five pillars comprising economy, infrastructure, system (*technology driven arrangements*), vibrant demography and demand. In order to materialise this vision and provide a liquidity boost to the Indian economy for recouping with the loss caused due to the ongoing Covid-19 pandemic, the Government of India, has announced a special economic package of Rs. 20 lakh crores in five tranches from May 13, 2020 to May 17, 2020 ("**Stimulus Package**") focussing on land, labour, liquidity and law.

The first tranche of the Stimulus Package is dedicated to support micro, small and medium enterprises "**MSMEs**". The reforms introduced in the second tranche are aimed at providing relief to the poor including the farmers and the migrant workers. The third tranche is focused on introducing additional reforms for the agricultural sector. As part of the fourth tranche, the Government announced

reforms to provide impetus to sectors including coal mining, minerals, defence civil aviation, atomic energy. The fifth and the final tranche focusses on healthcare and education and certain other reforms including decriminalisation of the Companies Act, 2013, ease of doing business, public sector undertakings.

In this De Jure, we have endeavoured to highlight certain critical reforms introduced by the Government of India as part of the Stimulus Package.

### **<sup>1</sup>Special Liquidity Measures taken by the Reserve Bank of India ("**RBI**")**

- Reduction of Cash Reserve Ratio which has resulted in liquidity enhancement of Rs.1,37,000 crores.
- Permission to all lending institutions to allow six months moratorium on payment of instalments towards all term loan outstanding as on March 01, 2020. Allowing deferment of interest by six months in

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<sup>1</sup> Updated in light of the Press Release dated May 22, 2020 issued by RBI (<https://pib.gov.in/PressReleasePage.aspx?PRID=1626058>)

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respect of all working capital facilities outstanding as on March 01, 2020;

- Reduction of the Reverse Repo Rate from 4% to 3.55% in order to encourage banks to deploy surplus funds towards productive sectors of the economy.
- Announcement of special refinance facilities upto Rs.25,000 crores to NABARD for providing refinancing facilities to regional rural banks, cooperative banks and micro finance institutions; Rs.15000 crores to SIDBI for onward lending and refinancing and Rs.10,000 crores to NHB for supporting Housing Finance Companies.
- Non-consideration of moratorium period from March 01, 2020 till August 31, 2020 while calculating 90-day Non-Performing Asset Classification norm for those accounts who are granted moratorium by lending institutions. However, banks are asked to maintain higher provisions of 10% on all accounts whose asset classification has been put on a standstill as above.
- No further dividend distribution being announced by scheduled commercial banks and cooperative banks

from profits pertaining to financial year 2019-2020 thereby increasing the liquidity power of banks.

- Reduction of Liquidity Coverage Ratio for Commercial Banks from 100% to 80% with immediate effect.

### Reforms for MSMEs



- Provision of Rs.3,00,000 crores collateral-free Emergency Credit Line for Businesses including MSMEs.
  - Provision of Rs.20,000 crores of subordinate debt for stressed MSMEs requiring equity support.
  - Equity infusion of Rs.50,000 crores for MSMEs with growth potential and viability through Fund of funds and encouraging such MSMEs to get listed on Stock Exchanges.
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- Disallowance of global tenders up to Rs.200 crores.
- Introduction of a revised definition of MSME, thereby eliminating distinction between the manufacturing and service sector as follows:

Revised MSME Classification with Composite Criteria of Investment as well as Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 cr. and Turnover < Rs.5 cr.	Investment < Rs. 10 cr. and Turnover < Rs.50 cr.	Investment < Rs. 20 cr and Turnover < Rs.100 cr.

### Reforms for Non-Banking Financial Companies ("NBFCs"), Housing Finance Companies ("HFCs") and Micro Finance Institutions ("MFIs")

- Provision of Rs.30,000 crores Special Liquidity Scheme support for NBFCs/ HFCs and MFIs by creation of a special purpose vehicle as part of which investment will be made in both primary and secondary market transactions in investment grade

debt paper of NBFCs/ HFCs/ MFIs.

- Provision of Rs.45,000 crores Partial Credit Guarantee Scheme 2.0 for NBFCs/ HFCs and MFIs with low credit rating and extension of the existing Partial Credit Guarantee Scheme to cover borrowings such as primary issuance of Bonds/ Commercial Papers of such entities.

### Reforms for Power Distribution Companies ("**DISCOMS**")

- Liquidity infusion of Rs.90,000 crores through Power Finance Corporation Limited and REC Limited against receivables to DISCOMs.

### Reforms for Real Estate Projects under Real Estate (Regulation and Development) Act, 2016 ("**RERA**")

- Treatment of Covid-19 as an event of '*Force Majeure*' under RERA.
- Extension of the registration and completion date *suo-moto* by six months for all registered projects expiring on or after March 25, 2020, with a further extension by the regulatory authorities, of three months, if required.

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- Issuance of fresh '*Project Registration Certificates*' automatically with revised timelines.
  - Extension of timelines for various statutory compliances under RERA.

### **Taxation Reforms**

- Reduction of (i) Tax Deduction at Source for non-salaried specified payments made to residents, and (ii) Tax Collection at Source for the specified receipts, by 25% for the financial year 2020-21.
- Immediate issuance of all pending tax refunds to charitable trusts and non-corporate businesses and professions including proprietorship, partnership, LLPs and Co-operatives.
- Extension of due dates of (i) all income-tax returns for financial year 2019-20 to November 30, 2020, and (ii) tax audit to October 31, 2020.
- Extension of the period of '*Vivad se Vishwas Scheme*' for making payments without additional amount to December 31, 2020.

### **Reforms for Farmers, Agriculture Infrastructure, Logistics and Capacity Building**

- Sanctioning of 25 lakh new Kisan Credit Cards with a loan limit of Rs. 25,000 crores.
  - Provision of financing facility of Rs.1,00,000 crores for Agri-Infrastructure Funds for farm-gate infrastructure and aggregation points, affordable and financially viable Post Harvest Management infrastructure.
  - Rs.10,000 crores scheme for formalisation of micro food enterprises, farmer producer organisations, self-help groups and cooperatives.
  - Amendments to Essential Commodities Act, 1955, to enable better price realisation for farmers and imposition of stock limits under very exceptional circumstances like national calamities, famines with surge in prices.
  - Proposal to formulate a Central Law to enable farmers with adequate choices of selling produce at attractive prices, undertake barrier free inter-state trade and engage in e-trading of agriculture produce.
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- Creation of a facilitative legal framework to enable farmers engage with processors, aggregators, large retailers, exporters etc. in a fair and transparent manner.

### **Reforms for Coal and Mineral Sector**

- Increase in competition and transparency by introduction of private sector participation in coal sector on revenue sharing mechanism instead of regime of fixed rupee/ tonne.
- Liberalisation of entry norms with only upfront payment with a ceiling and no further eligibility conditions.
- Enhancement of private investments in the Mineral sector and introduction of structural reforms by means of seamless composite exploration-cum-mining-cum-production regime and joint auctions of bauxite and coal blocks resulting in enhanced competitiveness and reduce costs.
- Rationalisation of stamp duty payable at the time of award of mining leases.

### **Reforms for Defence Sector**

- Government to notify a list of weapons/ platforms banned for imports with yearly timelines with an aim to promote local defence production.
- Raising of FDI limits under automatic route from 49% to 74% in order to attract investments in the Defence manufacturing sector.

### **Reforms for Aviation Sector**

- Identification of 12 additional airports for bidding to encourage operation and maintenance on public-private-partnership basis in the second and third round of privatisation bids.
- Aim to make India a global hub for aircraft maintenance, repair and overhaul ("**MRO**") by rationalized tax regime for MRO ecosystem, creation of economies of scale by convergence between defence sector and civil MROs and other measures.

### **Reforms for Social Infrastructure and Space Sector**

- Boost to private sector investment in social infrastructure through revamped Viability Gap Funding
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Scheme.

- Allowing private participation in space activities like using ISRO facilities, outer space travel projects, satellite launches and space-based services.

### **Reforms related to Insolvency & Bankruptcy Code, 2016 ("*IBC*")**

- Enhancement of minimum threshold limit from Rs.1 lakh to Rs.1 crores for initiation of insolvency proceedings.
- Proposal to notify a special insolvency resolution framework for MSMEs under Section 240A of the IBC.
- Suspending initiation of any fresh insolvency proceedings for a period of one year and excluding Covid-19 related debts from the definition of '*default*' to trigger insolvency proceedings under IBC.

### **Legal Reforms**

- Introduction of ease of doing business reforms including simplification of property registration mechanism and tax regime and faster disposal of commercial disputes.



- Decriminalizing of the Companies Act, 2013 by shifting to an internal adjudicating mechanism and enhancing the powers of the Regional Directors in relation to compounding of offences.
- Key Corporate reforms include:
  - ✓ Direct listing of securities by Indian public companies in permissible foreign jurisdictions;
  - ✓ Private companies with listed non-convertible debentures on stock exchanges not to be considered as listed companies;
  - ✓ Provisions in relation to the producer companies to be included in the Companies Act, 2013;

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- ✓ Creation of additional/ specialised benches of National Company Law Appellate Tribunal;
  - ✓ Lower Penalties under the Companies Act, 2013 for small companies, one-person companies, producer companies and start-ups.
  - ✓ Proposal to introduce a new Coherent Policy, enabling all the sectors to be open for private participation and notification of the list of strategic sectors where the presence of atleast one public sector enterprise must be inevitable along with the presence of private players. Public sector enterprise to be privatized in the non-strategic sectors.

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