Investment fund gets nod to buy public cos' shares

The Cabinet Committee of Economic Affairs (CCEA) on Thursday authorised the National Investment Fund (NIF) to buy shares of public sector enterprises, including banks and insurance companies. The move will enable the government to utilise the disinvestment proceeds for recapitalisation of banks and public sector insurance companies.

The CCEA, headed by Prime Minister Manmohan Singh, also imposed 2.5 per cent import duty on crude edible oil to protect domestic farmers. However, duties on refined cooking oil remain unchanged at 7.5 per cent. At present, crude edible oil attracts no import duty.

It has also lifted the freeze in tariff value of edible oils, for the first time in more than six years, and aligned them with international prices.

“An alignment of notified tariff values with international prices will have a positive impact on the duty collected from import of edible oils and will provide an even-field to the domestic refining industry, while enhancing the import duty will be negligible at less than Rs 1 per kg,” the government said in a statement released after the Cabinet meeting.

India imports more than half of its total domestic requirement of cooking oil, estimated to be around 12 million tonnes.

The government said with effect from FY14, the disinvestment proceeds will be credited to the public account under the head NIF, and they would remain there until withdrawn or invested for the approved purposes.

According to the official statement, the fund will be used to subscribe to shares issued by the Central Public Sector Enterprise (CPSEs), including public sector banks and public sector insurance companies, on rights basis so as to ensure the overall government holding does not fall below 51 per cent.

Besides, the fund will be used for preferential allotment of shares of CPSE to promoters so that government holding does not go below 51 per cent, in all cases where CPSE is going to raise fresh equity to meet its capital expenditure programme.

The funds managers presently managing the NIF will stand discharged of their responsibility from the date the funds and the interest income are transferred to the fund. NIF, set up in 2005, is being managed by three fund managers — UTI Asset Management Company, SBI Funds Management Company and LIC Mutual Fund Asset Management Company.

As much as 75 per cent of the income from NIF is used to finance selected social sector schemes, while the rest is utilised to meet the capital investment requirements of profitable and revivable central PSU.

However, in 2009, the government had decided to put a moratorium on putting disinvestment money in NIF. Since then, all the proceeds have been used for funding six social sector schemes.

The government also gave its nod to the proposal of the Department of Commerce, allowing export of processed and value-added agricultural products, even in the event of ban on export of basic farm produce.

The CCEA also approved the recommendations of the inter-ministerial task force headed by Planning Commission member B K Chaturvedi on budgetary ceilings for annuity commitments under public private partnership (PPP) projects across sectors. This would ensure that future budgetary options are not restricted due to annuity payments for PPP projects, the government said.

“The guidelines would be communicated to ministries for adoption within two weeks. These guidelines will streamline the process of structuring and sanction of projects under annuity mode of PPP,” it said.

Apart from this, the CCEA also approved the extension of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) to sanction new projects and capacity building activities till March 2014.

The proposal would enable provisioning of creation of urban infrastructure, particularly in small and medium towns. These projects would be subsumed in the next phase of the JNNURM for the 12th Plan.

Other Decisions

NTPC land transfer: The Cabinet on Thursday approved transfer of land from state-run NTPC’s Badarpur power plant to the Delhi government, a move that would help in widening a link road on NH-12 and ease traffic congestion in south Delhi. A strip of land measuring 245.35 square metres would be transferred to the Public Works Department, government of National Capital Territory (NCT) of Delhi, according to an official release.

DESU package: The Cabinet approved a financial assistance package including loans worth Rs 3,326.39 crore for the Delhi government to clear dues of erstwhile statutory body Delhi Electric Supply Undertaking (DESU).

UP road: A 290-km national highway stretch between Tanda and Banda in Uttar Pradesh is to be widened to two-lane at an estimated cost of Rs 1,119 crore, a official statement said after the Cabinet meeting.

(Business Standard)