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PROPOSED BY DS GROUP

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India – Extension of lockdown and additional tranches of ABA Package : reform of FDI in defence and enhancement of ease of doing business

Extension of lockdown

On 17 May, the Ministry of Home Affairs announced that **lockdown measures** to contain the spread of COVID-19 will continue to be implemented in all parts of India for a further period up to **31 May 2020** and released [guidelines on the measures to be taken](#).

ABA Package

Further to the first [tranche of the ABA Package announced on 13 May](#) Finance Minister Nirmala Sitharaman unveiled the other tranches of ABA Package.

➤ **Tranche 2**

On 14 May, Nirmala Sitharaman announced the [second tranche of the ABA Package](#), addressed the challenges of food, shelter and livelihood faced by migrant workers, street vendors and small farmers, including measures such as free food grain supply to migrant workers, special credit facility to street vendors, etc.

➤ **Tranche 3**

On 15 May, Nirmala Sitharaman unveiled the [third tranche of the ABA Package](#) which focused on strengthening India's agriculture and allied activities sector and governance reforms.

➤ **Tranche 4**

On 16 May, Nirmala Sitharaman unveiled the [fourth tranche of the ABA Package](#) focusing on reforms for the coal, minerals, **defence production**, civil aviation, power distribution, space and atomic energy sectors.

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❖ Defence

- **FDI limit in the defence manufacturing under automatic route will be raised from 49% to 74%**
- 'Make in India' for Self-Reliance in Defence Production:
 - ✓ Notify a list of weapons/platforms for ban on import with year wise timelines
 - ✓ Indigenisation of imported spares
 - ✓ Separate budget provisioning for domestic capital procurement
- Improve autonomy, accountability and efficiency in Ordnance Supplies by Corporatisation of Ordnance Factory Board
- Time-bound defence procurement process and faster decision making will be ushered in by :
 - ✓ Setting up of a Project Management Unit (PMU) to support contract management
 - ✓ Realistic setting of General Staff Qualitative Requirements (GSQRs) of weapons/platforms;
 - ✓ Overhauling Trial and Testing procedures

➤ Tranche 5

On 17 May, Nirmala Sitharaman unveiled the [fifth and last tranche of the ABA Package](#), which focuses on health reforms, technology driven education and **ease of doing business**.

❖ Further enhancements of ease of doing business

- Minimum threshold to **initiate insolvency proceedings** raised to Rs. 10,000,000 (from Rs. 100,000, which largely insulates MSMEs)
- **Special insolvency resolution framework for MSMEs** under Section 240A of the Insolvency and Bankruptcy Code (IBC) to be notified soon
- **Suspension of fresh initiation of insolvency proceedings up to one year** depending upon the pandemic situation
- Empowering Central Government to **exclude COVID 19 related debt from the definition of "default"** under the IBC for the purpose of triggering insolvency proceedings

Further key reforms to include:

- Direct listing of securities by Indian public companies in permissible foreign jurisdictions
- Private companies which list NCDs on stock exchanges not to be regarded as listed companies

- Power to create additional/ specialized benches for NCLAT
- Lower penalties for all defaults for Small Companies, One person Companies, Producer Companies & Start Ups.

❖ Decriminalisation of Companies Act defaults

- Decriminalisation of Companies Act violations involving minor technical and procedural defaults (shortcomings in CSR reporting, inadequacies in board report, filing defaults, delay in holding AGM)
- Majority of the compoundable offences sections to be shifted to internal adjudication mechanism (IAM) and powers of RD for compounding enhanced (58 sections to be dealt with under IAM as compared to 18 earlier)
- 7 compoundable offences altogether dropped and 5 to be dealt with under alternative framework

For any additional information, please contact



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