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CAPITAL IDEAS.

RICHA MISHRA

Chabahar, a reset of India-Iran ties?

Chabahar Port opens up trade opportunities with Afghanistan, Central Asia. But India needs to sidestep possible US pressure

In the last couple of years, New Delhi has maintained its own stand on the geopolitical developments when it came to India's fossil fuel sourcing and making its presence felt in infrastructure projects. So, has India's foreign policy undergone a change?

If we look at the recent turn of events — importing oil from Russia and more recently India and Iran signing a Long Term Bilateral Contract on Chabahar Port Operations and New Delhi's handling of US warning — what does all this convey?

Let us refresh our memory. Not so long ago Iran was the third-largest supplier of crude oil for India (till 2018-19). In June 2019, the then US President Donald Trump placed fresh sanctions on Iran due to its nuclear programme and India was under pressure to bring down its imports to zero with Tehran.

WHAT HAS CHANGED NOW?

"Chabahar is different. Chabahar is a bilateral project between India and Iran. It serves India strategic interest. We have been clamouring for so long for connectivity with Afghanistan and Central Asia. We have been agitating this point that Pakistan has prevented the natural," said Talmiz Ahmad — former Indian Ambassador to Saudi Arabia, Oman (2003–04), and the UAE (2007–10).

He was Additional Secretary for International Cooperation in the Ministry of Petroleum and Natural Gas in 2004-06.

The Long Term Bilateral Contract on Chabahar Port Operation was signed between Indian Ports Global Limited (IPGL) of India and the Port & Maritime Organisation (PMO) of Iran, enabling operation of Shahid-Behesti in Chabahar Port Development Project for a period of 10 years.

Earlier, a Memorandum of Understanding (MoU) for development of Chabahar Port by India was signed in May 2015. Thereafter, the contract was executed on May 23, 2016 at Tehran (Iran) during Prime Minister Narendra Modi's visit to Iran. This agreement aims to enhance regional connectivity and facilitate trade, particularly between India, Iran and Afghanistan. The India Ports Global Chabahar Free Zone (IPGCFZ), a subsidiary of IPGL, facilitated the first consignment of exports from Afghanistan to India in 2019.

According to Kabir Taneja, Fellow in the Strategic Studies Programme at the Observer Research Foundation, "Chabahar is probably, the only thing working in the India-Iran relationship, right now."

India will "work at" explaining that the Chabahar port is in the region's interest, External Affairs Minister S Jaishankar was reported to have said, when responding to a query on the US government's remarks about the "potential risk" of sanctions to companies working on the India-Iran joint venture.

India has not only lost a key oil supplier in Iran, the fate of the ONGC Videsh Iran project – Farsi Block's is still unknown. Farsi is an offshore block in Persian Gulf Iran. The ONGC Videsh-led Indian Consortium (IC) carried out exploration activities in Farsi Block under an Exploration Service Contract (ESC) signed on December 25, 2002.

OVL has written to the National Iranian Oil Company regarding the project and is awaiting response from the operator.

ENERGY SECURITY

How should one read this development? And what does it mean for India's energy security?

India may seem like a late mover in the current scheme of things in the geopolitical space but it has made its voice heard.

"You know India's approach towards Iran now is actually more important, or at least to maintain it at a certain level because of Afghanistan first and foremost, and Central Asia. Central Asia less so, because we really don't have the capacities to put in a lot of money into Central Asia, where as far as infrastructure goes. Keeping the foot in the door is extremely critical for future endeavours," said Taneja.

"Our need for energy expanded and simultaneously we were not able to expand the resources. So we are import dependent. We were import dependent to the extent of about 80 per cent 25 years ago and we are import dependent to the same extent 25 years later. Now our needs have increased exponentially," said Ahmad.

"We are going to be hydrocarbon and fossil fuel dependent, at least for the next 20 years, if not 30 years. Let's be very clear about that," he said adding that but green transition has to happen simultaneously. "We should not lose out on both sides that you neither get the hydrocarbons that you need, nor do you do the grain transition."

India has been expanding its fossil fuel sourcing basket, but it also sees its energy demand soaring with domestic production falling short of the requirement, therefore maintaining good ties with fossil fuel producing countries is crucial. Good relations will not only help in supply availability but also at times in getting a good price.

As in case with Iran, there have been instances where China has taken advantage of the situation by not only locking the fuel supply but getting infrastructure projects as well. India had tried pitching for integrated projects, Sudan is one such example, but couldn't succeed much with other countries.

Should India opt for integrated project approach?

"There is a very deep gap between their dreams and visions of officials and journalists, and what actually happened on the ground," Ahmad said adding that it is very difficult to get all stakeholders — different ministries and sometimes different departments of the same Ministry — on the same page.

According to Taneja, "As far as what India should do when it comes to integrated approaches, there are limitations and limitations stem from various factors including sanctions."

India may seem like a late mover in the current scheme of things in the geopolitical space but it has made its voice heard.

But what it now also has to keep in mind is the relevance of its energy security. New Delhi will need to be consistent with its strategy and not succumb to external pressure.

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Finance Minister is now final authority for grading CPSEs

Shishir Sinha
New Delhi

Central Public Sector Enterprises (CPSEs) will be graded with the approval of the Finance Minister here on. This is part of a reworked mechanism.

According to a new Office Memorandum (OM), the process for upgrading and downgrading of categorised CPSEs to higher/lower schedule has been simplified. All categorised CPSEs would continue to come to Department of Public Enterprises (DPE) for upgradation of their schedule with the approval of their Administrative Ministry or Department based on existing guidelines. The DPE will examine and take the decision on the upgradation with the approval of the Finance Minister. Such proposal would not be referred to the Cabinet Secretariat and PESB (Public Enterprises Service Board).

"Similar procedure would be followed for any proposal for downgrading of initially categorised CPSEs to a lower schedule," the OM added.

CATEGORIES

CPSEs are slotted in four categories — A, B, C and D. This has a bearing on organisational structure and salaries of Board level incumbents. According to the Department of Public Enterprises under the Finance Ministry, as on June 26, 2023, 71 CPSEs (NTPC, Indian Oil, ONGC, SAIL, BHEL among others) were in A category, while 68 (Air India Assets Holding, Cement Corporation, Garden Reach, besides others) fell in B category; 38 were placed in C and five in D category. CPSEs are also classified into four Ratnas — Maharatna (11 CPSEs), Navaratna (12 CPSEs), Mini Ratnas-1 (58 CPSEs) and Mini Ratnas-2 (10 CPSEs) to defines financial and organisational powers.

The proposals for categorisation are to be furnished to the DPE with the concurrence of the financial advisor and the approval of the Minister-in-charge of the administrative Ministry/Department concerned. The

Nirmala Sitharaman, Finance Minister

proposal should contain performance of the CPSE for the last five years on quantitative parameters: investment, capital employed, net sales, profit before tax, number of employees and units, capacity addition, revenue per employee amongst others.

Qualitative factors include national importance, complexities of problems faced, technology, expansion prospects and diversification and competition alongside share price, Maharatna/Navaratna/Mini Ratna status and ISO certification.

Earlier, the proposals were being referred to DPE which used to process them in consultation with the PSEB. Post processing, approval from competent authority was obtained before notifying the schedule. Now, approval from Finance Ministry has been explicitly mentioned in the OM.

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Govt considers easier regulations for CPSEs' entry into 'Ratna' club

Ratna status allows CPSEs to conduct biz without hassle

HARSH KUMAR
New Delhi, 24 May

The Union Finance Ministry is considering a revision to the entry regulations governing the Maharatna, Navratna, and Miniratna statuses for central public sector enterprises (CPSEs), according to two senior government officials familiar with the matter. The aim is to ease the entry of more state-owned companies into these categories.

"We're working on it," said one official. "This is likely to be part of the first 100 days' agenda of the next government. The relaxation of the norms may make more CPSEs eligible to join the Ratna categories."

A query sent to the finance ministry in this connection remained unanswered at the time of going to press.

The second official noted that the Ratna status allows CPSEs to conduct business without hassle. "They don't have to seek the government's permission for every business decision," the official added.

R S Sharma, former chairman of the Oil and Natural Gas Corporation (ONGC), pointed out the benefits of the Ratna status. "It elevates a CPSE's stature. Also, when it gets listed, its valuation increases. The relaxation in rules will benefit both government and CPSEs," he said.

As on April 30, 2024, there were 13 Maharatnas, 20 Navratnas, 54 Category I Miniratnas, and 11 Category II Miniratnas. Currently, there are 253 active CPSEs in the country, said the second official quoted earlier.

A Maharatna must be listed on an Indian stock exchange with a minimum prescribed public shareholding of 25 per cent based on Sebi regulations. The state-owned company should also have an average annual turnover of more than ₹25,000 crore, an average annual net worth of more than ₹15,000 crore, and an average annual net profit after tax of over ₹5,000 crore in the past three years. Moreover, it should have a significant global presence or international operations.

ILLUSTRATION: BINAY SINHA

INDIA'S *RATNAS**
13 Maharatnas
20 Navratnas
54 Category-I Miniratnas
11 Category-II Miniratnas
*Data as on April 30, 2024
Source: Government source

The Maharatna scheme, introduced in 2010, aims to empower mega CPSEs to expand their operations and emerge as global giants.

The government grants Navratna status to CPSEs that have obtained an "excellent" or "very good" memorandum of understanding (MoU) rating in three of the past five years. They should also have a composite score of 60 or above in six selected performance indicators, such as net profit-to-net worth; manpower cost-to-total cost of production/services; profit before depreciation, interest and taxes-to capital employed; profit before interest and taxes-to-turnover; earnings per share; and inter-sectoral performance.

The Navratna scheme was introduced in 1997 to identify CPSEs with comparative advantages and support them in their drive to become global giants. Under this scheme, the boards of Navratna CPSEs have been delegated autonomy and enhanced powers in areas, such as capital expenditure, investment in joint ventures/subsidiaries, mergers & acquisitions, and human resources management.

Miniratnas are divided into two categories. Category I Miniratna status is considered for those CPSEs that have made a profit in the past three years continuously, with a pre-tax profit of ₹30 crore or more in at least one of the three years, and have a positive net worth.

Category II Miniratnas are those CPSEs that have made a profit for the past three years continuously and have a positive net worth.

Notably, Miniratna CPSEs should not have defaulted in the repayment of loans or interest payment on any loan due to the government, and they should not depend upon budgetary support or government guarantees.