

# UPA's last-minute push to reforms

## FDI in pharma, BHEL stake sale get green signal

**NEW DELHI, DHNS:** The last "working" Cabinet meeting of the outgoing UPA government on Tuesday saw several big-ticket decisions—ranging from FDI in the pharma sector to appointment of the new Army chief and approval to sell 4.66 per cent stake in the state-owned Bharat Heavy Electricals Ltd through a block deal.

Overcoming initial hesitation over mega decisions at the fag end of his term, Prime Minister Manmohan Singh got the Cabinet to approve a \$400-million proposal by global equity major KKR to acquire stake in two Indian pharma companies in a deal touted as the largest private equity in India's health sector. This is among one of the deals that was fiercely opposed by the BJP on the grounds that the outgoing government should not take any crucial decision when its tenure was due to end in two days.

As cleared by the Cabinet Committee on Economic Affairs (CCEA), KKR will buy a 38 per cent stake in Hyderabad-based Gland Pharma, which develops and manufactures generic injectables, primarily in the cardiovascular and orthopaedic segment. In the second transaction, KKR will buy 29.4 per cent share in Gland Celsus Bio Chemicals from an existing investor.

Currently, the government allows 100 per cent FDI in both greenfield and brownfield drug manufacturing companies. Investments in greenfield are allowed through automatic route and those in brownfield or existing facilities require approval



**FAREWELL:** Prime Minister Manmohan Singh bidding farewell to the staff at the PMO in New Delhi on Tuesday. PTI

of the Foreign Investment Promotion Board (FIPB).

Originally cleared by the Competition Commission of India in January, the KKR deal was stuck because of differences between the Finance and Commerce ministries. The Department of Policy and Promotion under the Commerce Ministry raised objections to the proposal as it believed several clauses of the deal did not ad-

here to the FDI policy on brownfield projects.

That also saw the Health Ministry joining the Commerce Ministry in advocating a lower cap on investment in the existing drug making units along with various safeguards for acquisition of domestic critical care pharma companies by multinational firms.

But the Finance Ministry and the Planning Commission

wanted faster clearance to keep investors' sentiments intact in the Indian market. The Prime Minister, however, was against the deal being cleared by the outgoing government. In the last Cabinet meeting on May 8, it was not given a nod even though Finance Minister P Chidambaram pitched for it.

On Tuesday, the CCEA also gave post-facto approval to sell 4.66 per cent stake in state-owned Bharat Heavy Electricals Ltd through a block deal, Heavy Industries Minister Praful Patel said after the meeting. "It is post-facto, the Cabinet has cleared it," he told reporters when asked about the decision on the BHEL stake sale.

The government had divested 4.66 per cent in the heavy engineering major through a block deal on March 3. As the original approval by the Cabinet was for divestment through a follow-on public offer, the department of disinvestment had sought a post-facto approval for the block deal. The government currently holds 63.06 per cent stake in BHEL.

Meanwhile, official corridors were abuzz with talk of Chidambaram not approving a Prime Minister's Office proposal to appoint Indu Shekhar Chaturvedi, a 1987 Jharkhand-cadre IAS officer, as executive assistant in the World Bank in Washington. Apparently, Singh spoke to the finance minister to clear it. In turn, Chidambaram got his personal assistant M A Siddique, a Tamil Nadu-cadre IAS officer, cleared by the Appointments Committee of the Cabinet, for placement with the World Bank.

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