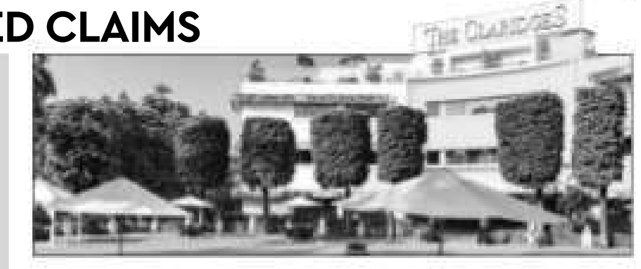
IMPERIAL, CLARIDGES MOVE DELHI HC

Govt revises ground rent for 5-star hotels

DAMINI NATH
New Delhi, July 14

CONTESTED CLAIMS



- The 7.938 acre-plot on Janpath Lane on which The Imperial stands was given on perpetual lease by the British with effect from April 8, 1932
- The 2.94 acre-plot of land on Aurangzeb Road, now known as Dr A P J Abdul Kalam Road, on which The Claridges is situated,was given lease from November 12, 1936
- The hotels have termed the ground rate revision arbitrary

THE UNION GOVERNMENT has revised the annual ground rent for land leased to several prominent five-star hotels in New Delhi — from thousands or lakhs of rupees a year to crores each — leading to at least two such hotels, The Imperial and The Claridges, to challenge the move in the Delhi High Court, it has been learnt.

The land and development office (L&DO) under the ministry of housing and urban affairs in March this year issued demand notices for ₹177.29 crore for The Imperial and ₹69.37 crore for The Claridges as revised ground rent from 2002 and 2006, respectively, until now. This, the L&DO said, was calculated with the rate of ₹8.13 crore for Imperial and ₹3.85 crore per year for Claridges, an increase from the current rate of ₹10,716 and ₹8.53 lakh, respectively. The rates were 5% of the property value of the plots in 2002 and 2006, respectively, the L&DO notices said.

The lessees of the two plots have moved the HC, terming the revision arbitrary and challenging the L&DO's claim of ground rent on the revised rate retrospectively. Both cases were heard in May and the next hearing is scheduled on July 22. The plots were leased by the British for construction of hotels when the development of New Delhi as capital was underway.

The 7.938 acre-plot on Janpath Lane on which The Imperial is situated was given on perpetual lease by the British to S B S Ranjit Singh with effect from April 8, 1932, with the lease dated July 9, 1937. The annual ground rent was to be revised after 30 years. The descendants of the original lessee, current joint-lessees Hardev Singh Akoi, Gobind Singh Akoi and Raidev Singh Akoi, argued in their petition that the March 28 demand letter had been "issued arbitrarily in haste", without any show-cause notice issued to them. They said the last revision was carried out in 2006 for the period of 2002 to 2032, so the next revision was due in 2032.

In the case of Claridges, the 2.94 acre-plot of land on Aurangzeb Road, now known as Dr A P J Abdul Kalam Road, was given to Lala Jugal Kishore on November 12, 1936 on perpetual lease. The property was then purchased by the current lessees and petitioner, Claridges Hotel Pvt Ltd in 1972. The petitioner argued that the March 27 demand notice was against the clauses of the lease, which said the ground rent would be revised every 30 years and that the rate would not be more than 1/3 the letting value of the site, without the building, on the date of the revision. They said the last revision for the Claridges land was done by L&DO with effect from January 15, 2016, when the ground rent was increased to ₹8.53 lakh from ₹2.13 lakh, so the next revision had to be after January 14, 2046.

In its notices, the L&DO said since there had been "challenges" and "delays in ascertaining the letting value", it had issued an ad-hoc policy on December 24, 1983 for calculating the letting value, which included the 1/3 of the letting value formula. "The same was limited to the first revision of ground rent," it said.

The L&DO said since ground rent was last revised with effect 1972 for Imperial and 1976 for Claridges and the 30-year period was up in 2002 and 2006, respectively, it was decided to revise the ground rent "at the rate of 5% of the land value" prevailing. In its notices, the L&DO gave the hotels 30 days to pay the amount, failing which a 10% per annum interest would be charged. According to ministry sources, the revision of ground rent in 2006 and 2016 for Imperial and Claridges, respectively, had been an ad-hoc measure. Hearing the petitions in May, the high court ordered the L&DO to give the two a hearing before fixing the ground rent.

Sources said a round of hearings have taken place, with more hearings planned for this week. The L&DO has issued demand notices with revised ground rent to other five-star hotels in Delhi as well, they said.

NHAI to monetise 12 projects via InvIT in FY25

MUKESH JAGOTA
New Delhi, July 14

THE NATIONAL HIGHWAYS Authority of India (NHAI) has identified 12 operational highway stretches with a combined length of 850 km for transfer to the National Highways Infrastructure Trust (NHIT) in the current financial year, as part of its asset monetisation drive. The leasing out may fetch the NHAI up to ₹20,000 crore, official sources said. In 2023-24, NHAI mobilised ₹16,000 crore via the NHIT (InvIT) route, by leasing out 889-km stretches.

In all, for monetisation through the modes of toll-operate-transfer (ToT) and InvIT, the NHAI has identified 33 highway stretches with a total length of 2,741 km for 2024-25. The target for the year has been set at ₹54,000 crore via InvIT and ToT, and project-based financing.

NHAI is likely raise up to ₹20,000 crore through monetisation of 12 highway stretches with a length of 850 km this financial year

The NHAI has sharply cut down on fresh borrowings in recent years, in a bid to pare its heavy debt. It is relying primarily on Budget outlays to sustain the highway construction pace, with monetisation proceeds being other major mode of fundraise. Half of the stretches that will be offered to NHIT this fiscal are in Andhra Pradesh, while two are in Chhattisgarh and one each in Uttar Pradesh, Rajasthan, Uttarakhand and Gujarat, the sources said.

The yield from monetisation varies for every stretch depending on traffic volumes and toll collections. Last year, the entire process was completed at one go through 'InvIT Round 3'. This year, this process may be completed in two phases. Funds for the acquisition will be raised by NHIT through a mix of debt and unit capital from existing stakeholders. NHIT is also planning to also raise debt through issuance of bonds in the current financial year. The size of the bond issue is still being finalised, but it could be in the range of ₹2,000 crore to ₹3,000 crore, the sources said. This amount will be double of ₹1,500 crore raised through bonds by NHIT in October 2022, which was its maiden attempt to raise debt from the public for asset monetisation programme.

While NHAI is the sponsor of NHIT with a holding of 15.48% of units, other unitholders are Ontario Teachers' Pension Plan and Canada Pension Plan Investment Board with 25% each, and SBI Mutual Fund (9.67%) and SBI Pension Fund Scheme (2.06%). According to rating agency Icra, identified stretches for monetisation by NHAI have a monetisation potential of ₹53,000-60,000 crore. Officials are, however, sticking to a conservative target because monetisation of all stretches may not be possible during the year.

Under the National Monetisation Pipeline, road sector monetisation was expected to account for ₹1.6 trillion or 27% of the total monetisation during FY2022-FY25. By FY2024, NHAI and the ministry of road transport and highways had realised around ₹53,541 crore through TOT and InvIT. Since 2018-19 when the highway monetisation programme began, NHAI has raised ₹1.08 trillon through recycling of assets.

THE FLOATING BUS

A partially submerged bus in a flooded area in Thane, Maharashtra, following heavy rainfall on Sunday. The India Meteorological Department has issued a 'red' alert for several districts in Maharashtra, predicting very heavy rainfall PTI

Components scheme: Finmin opposes capex-linked subsidy

JATIN GROVER
New Delhi, July 14

THE FINANCE MINISTRY is believed to have opposed a proposal for a capex-linked subsidy in the new electronics components manufacturing scheme, people aware of the matter said.

This is because officials at the finance ministry believe that there is a risk in supporting the proposals with upfront capital expenditure and without linking it with specific targets. Firstly, the concern is that beneficiaries might not start or delay the production, after claiming capital subsidy, which in a way could affect the exchequer. Secondly, there are chances that companies inflate their capex requirements and project cost, and that would make it difficult for the government to ascertain the correct cost, sources said.

The development assumes significance as the ministry of electronics and information technology (MeitY) based on the industry's recommendations was looking at both a capital subsidy for setting up components manufacturing facilities as well as a production-linked incentive (PLI) scheme for certain electronic components.

Now, based on the inputs from the finance ministry, MeitY will rework on the proposal in discussions with the industry and come up with a convincing framework, people in the know said.

The finance ministry believes that capex-linked subsidy should be discouraged. It wants an incentive scheme, which can be mapped to employment generation, an official said on condition of anonymity.

The government is working on a new component-linked incentive scheme to make India both a producing nation as well as a component-producing destination, and to increase the domestic value addition. This comes after the ₹3,285-crore scheme for promotion of manufacturing of electronic components and semiconductors (SPECS) ended on March 31. The industry has sought a ₹40,000-45,000 crore electronics components incentive scheme for at least eight years.

Talent crunch hits Big Five audit firms

MANU KAUSHIK
New Delhi, July 14

THE BIG FIVE audit firms in India are facing a talent crunch. A regulatory clampdown and a higher number of "relatively safer" career opportunities elsewhere are pulling chartered accountants (CAs) away from the audit profession.

A senior partner at a Big Five firm told *FE* that the auditing verticals in top firms are operating with 20% lower staff than the required strength. At present, the top five firms have around 12,500 people in their audit function. "The amount of work is increasing every year but the staff strength is not growing as fast. Although we need to increase the capacity to handle the additional work and deal with the regulatory oversight, getting the right workforce has certainly become a challenge," said the audit vertical head at a Big Five firm.

Another partner in the same firm said that the talent crunch is largely due to heightened regulatory scrutiny and expanding opportunities beyond the traditional audit. "When I completed my CA in 1980s, there were fewer avenues. But young CAs today have a vast number of opportunities, and unless somebody is passionate about auditing, most of them usually land up somewhere else," he said.

What makes the matters worse for large audit firms is that the country is now producing more CAs than ever. For instance, the number of CAs who cleared the final exam in 2023 stood at 12,326, which denotes a pass percentage of 13.8% — much higher than the 2% pass percentage a few years ago. "The pass percentage for CAs has improved considerably but we are not just looking for simple CAs. We want CAs who have the right aptitude and highest ethical standards," said a partner at another Big Five firm.

In terms of all companies whose equity shares were listed on NSE (main board) as on March 2024, the Big Five Indian audit firms handled 580 assignments of 1,961 companies (for which auditor details were available for 2023-24). The number of assignments were 3.2% higher than the previous financial year.

India, S Korea to meet this week for FTA review

MUKESH JAGOTA
New Delhi, July 14

INDIA AND SOUTH Korea will hold talks this week to review and upgrade the bilateral Comprehensive Economic Partnership Agreement (CEPA), a senior official said. The talks — the 11th meeting for the review — are scheduled in Seoul from July 17 to 19.

The review of CEPA, which was signed in 2009 and came into force in 2010, was agreed to in 2016. Since then 10 rounds of talks have been held but the pace picked up in recent months. Some Korean officials have been on record saying that talks may finally conclude in 2024. Both sides have exchanged the lists of requested sectors where they are seeking further opening up of trade.

From the South Korean side the demand has come for sectors such as automobile, textiles, chemicals and petrochemicals, while India is seeking greater access to the steel, rice, shrimp and clothing markets. According to experts, South Korea's attempt is to increase the level of openness of the Indian market or at least get it on par with the India-Japan FTA. From South Korea's perspective, the effectiveness of bilateral trade liberalisation has been questioned as key export sectors such as automobile have been excluded from concessions.

Indian exporters have complained of the unwillingness of the Korean industry to buy items like steel from India despite competitive pricing. Apparel makers have complained of safety standards being kept so high as to make exports difficult. The agreement covers trade in goods, investments, services, and bilateral cooperation in areas of common interest. Under the CEPA, South Korea was to phase out or reduce tariffs on 90% of Indian exports, while India would phase out or eliminate tariffs on 85% of Korean exports.

The total merchandise trade between India and South Korea grew from $16.91 billion in 2011 to $27.5 billion last year. While India's exports have stayed in the $5-7 billion range, imports have increased from $12.4 billion in 2011 to $21.1 billion in 2023-24.