

# India Inc gets a push for new investments

15% allowance likely to help companies save Rs 25,000 cr in 2 years

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India Inc has a good reason to step-up capital expenditure (capex). With the Budget proposing an additional investment allowance of 15 per cent for assets acquired and installed in the next two years for over Rs100 crore in capital spending, companies are expected to get a total benefit of Rs25,000 crore.

According to an estimate by the Centre for Monitoring of Indian Economy (CMIE), India Inc plans fresh capital expenditure of around ₹ 5,00,000 crore in 400 projects in the next two financial years. "There will be a saving of up to five per cent from our capital cost and this will help new units break-even faster," says Ashok Bhandari, chief financial officer, Shree Cement. Reliance, the Birlas and the Tatas, which have a number of projects lined up, will benefit from this move. So will public sector companies.

The estimated saving of around Rs25,000 crore on project cost is equivalent to 7.3 per cent of the aggregate profits of BSE-500 companies in FY12. The savings will flow directly into their bottom line and improve the financial viability of projects. "Even Reliance Industries is expected to be a beneficiary of the proposal to the extent of investment allowance claim expected to be made by the company in FY14 and FY15," said managing director of CARE Ratings D R Dogra. Aditya Birla Group flagship Grasim Industries would be another gainer. The company, with subsidiary UltraTech Cement, is investing Rs16,000 crore in augmenting fibre and cement capacities. Nearly a third of this amount is likely to be spent in the next financial year and the company can claim investment allowance on it. K K Maheshwari, managing director of Grasim Industries, said the move would definitely boost

## SOME BIG BENEFICIARIES

Companies with strong balance sheets and ready pipeline of projects to benefit. This deduction is in addition to regular depreciation benefits and include investments in equipment and machinery but excludes those in land and buildings

Company	Expected capex*	Savings**
IOC	30,000	1,500
ONGC	21,900	1,095
Hindalco	20,000	1,000
SAIL	27,300	1,365
RIL, Jamnagar	16,000	800
MRPL	12,200	610
NMDC	15,500	775
Grasim	5,500	275
Maruti Suzuki	4,000	200
Shree Cement	1,500	75

\* During FY14 and FY15; \*\* At the rate of 5 per cent of capex amount  
Source: CMIE, company reports

their investment plans. However, he did not quantify the exact benefit.

"This would imply an almost doubling of the commissioning of manufacturing projects compared to what has been seen in the previous two years," said CMIE's managing director Mahesh Vyas.

This investment allowance would encourage companies to expand capacity and help kick-start stalled projects. One of the top beneficiaries of this scheme will be Reliance Industries, which intends to invest around ₹1,00,000 crore in the next five years. RIL is investing \$8 billion (₹43,784 crore) in expanding its capacity in petrochem and refining and to roll out its telecom business by the year-end.

Though the demons of land acquisition and lack of environmental clearances will still haunt companies, business leaders are enthused and say an interest rate cut to follow will be a big help.