

# Road sector gets a leg up, but challenges remain

Out of last budget's targets of 8800 km of highway, only 2000 km were awarded

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MUMBAI: The Union Budget 2013-14 has tried to address problems bogging down the road infrastructure sector in the last few years by setting targets for awarding new projects in a timely manner, but augmenting funds remain a concern.

"From where we were in the Financial Year '12, the announcement of 3,000 km of road projects is welcome, and interested companies will lap it up. But the challenge is how to convert these targets into implementable plans. In terms of programmes and intent, the Budget proposals have got some of them on priority, but I don't know where the money is going to come from," said R Shankar Raman, CFO, L&T Group,



The proposal to establish a regulatory authority for the sector and several other steps including measures to mobilise cheap funding to boost infrastructure spending have been appreciated by analysts. "Setting up a road regulator is

a welcome move. So is the announcement of awarding contract for 3000 km in the first 6 months and more roads in North East states. Financing for infrastructure projects would be eased through enhanced liquidity from in-

frastructure debt fund (IDF) and India Infrastructure Finance Corporation Ltd (IIFCL)," said Hemal Zobia - Partner (Tax), KPMG in India.

The proposed issuance of tax-free bonds to the extent of Rs. 50,000 crore in 2013-14, which is Rs 10,000 crore less than the previous year's allowance, would also help the sector.

"Infrastructure projects, which have been marred by lack of adequate funding, can progress in timely manner provided the funding issues are taken care of," said Rajesh Mokashi, Deputy Managing Director, Care Ratings told *The Hindu*.

According to Mr Mokashi, the actual tax-free bonds raised by institutions in 2012-13 was Rs. 25,000 crore com-

pared to the allowance of Rs. 60,000 crore. In 2011-12, institutions had raised tax-free bonds of Rs. 30,000 crore, which was the full allowance. Finance Minister P Chidambaram may have ambitious targets, but the unfulfilled promises made in the last budget concerning the road sector, reveal a different picture. In the last year's budget, allocation to the highway sector was enhanced by 14 per cent to Rs. 25,360 crore and the Government had set a target of covering a length of 8,800 km roads under NHDP, but only around 2,000 kms were awarded by December 2012. Recently some infrastructure companies had announced plans to pull out of road projects due to financial constraints.