

Stalled projects showsigns of a pick-up

Revivals nearly double q-o-q to 36 in September, highest in 3 years

Dev Chatterjee | Mumbai October 08, 2014 Last Updated at 00:59 IST



Indian companies and banks have some reasons to cheer. Stalled projects are finally showing signs of traction, with the Modi government taking steps to revive those projects which were stuck due to policy paralysis and land acquisition problems. According to CMIE statistics, 36 projects were revived in the September quarter as compared to 20 in the June quarter. The number is the highest in the last 11 quarters and almost equals those revived in the December 2011 quarter.

The value of stalled industrial projects in the September quarter has declined to Rs 2.5 lakh crore from its peak of Rs 3 lakh crore in the March quarter this year. The value of stalled infrastructure projects is now contained at slightly below Rs 5 lakh crore, according to CMIE data. The revival of projects is in line with CEOs' expectation that as the new government gives faster clearances and removes bottlenecks, stuck projects would move to the execution stage. The revival is mainly seen in the chemicals, petroleum products, and metal sector projects.

In the last four years, a large number of industrial projects were stalled across the country mainly due to land acquisition problems and lack of financing. This led to many CEOs complaining of a policy paralysis. The stalled projects led to bank money getting stuck as companies failed to implement projects.

“The decline in stalled projects is good news for the economy and in conformity with other parameters on GDP growth and industrial projects where there are signs of traction,” says D R Dogra, CEO and MD of CARE Ratings. “That said, I will still be cautious in interpreting these numbers as a rebound as we need to see if this trend is sustained and finally translates into capital formation. At present, the debt market is muted and credit growth is tardy. We need to wait and watch as to how progress takes place on this end. Otherwise, we do get a sense of recovery,” he said. Goldman Sachs analysts Pulkit Patni and Mohit Soni said, “We expect this decline (in stalled projects) to continue over the next few quarters as more projects move out of the slow and non-moving category.”

The CMIE capex September 14 quarterly data show that average four-quarter new announcements from the government were up 16 per cent quarter-on-quarter and for the private sector were up 30 per cent.

