

Urgent need to bolster investor sentiment in roads sector: CII

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Roads sector, one of the leading torch bearers for infrastructure development in the country has been marred by significant downturn. The exit of major developers such as GMR and GVK from crucial road projects lays credence to the waning private sector interest in the sector. In wake of this, it becomes imperative to bolster the investors' sentiment in the sector through well laid out policy measures, particularly facilitating easier equity transfer for investors. CII supports the recent initiatives taken by the Government but a far greater understanding and cooperation is required amongst all ministries remarked **Chandrajit Banerjee**, director general, CII.

Till the last year, the Road sector has been at the core of infrastructure development in the country bringing in significant investment from the private sector.

However, in recent times, investor interest in the sector has suffered a precipitous decline. A significant downturn in the economy that has affected future traffic growth prospects, rising commodity prices, high interest rates, delays in land acquisition, delays in environment and forest clearances, mid-stream changes to scope and delays in settlement of claims have severely limited the investors' capability and their participation in the upcoming projects. The departure of major developers such as GMR and GVK from high profile road projects reflects declining private sector interest in the sector.

The situation has been aggravated by stringent equity transfer guidelines which lock development capital in the project SPVs and lenders' reluctance to lend in face of wide ranging cost and time overruns.

It has become critical to reinvigorate the growth momentum in the prestigious, flagship infrastructure development programme through well directed policy measures. CII has consistently argued the need to derisk the sector by speeding up land acquisition and environmental consents. It appreciates recent efforts by NHAI to substantially complete land acquisition before launching the tenders. This should give comfort to lenders and investors. It also supports NHAI's efforts to speed up the environment clearance and the forest clearance process. The proposal to delink Forest clearance from Environment clearance process is a step in the right direction. So is the waiver from Gram Sabha approval as required in the Forest Rights Act. These efforts need to result in concrete steps on the ground. It requires a greater understanding between NHAI and MoEF and co-operation at all levels to facilitate timely grant of approvals.

Given the lack of developmental capital in the country, it is imperative that the government should consider allowing complete exit to investors in older concessions as has been permitted in the new MCA. This has also been recommended by the B.K. Chaturvedi Committee. This will allow early stage investors to plough back the released equity into the sector and will facilitate entry of long-term investors.