

Budget Expectations: Infrastructure sector

Order inflows for the construction sector have remained subdued since past two-three years due to issues related to policy decisions, delays in environmental clearance and land acquisition. Steep increase in interest rates coupled with lack of fund raising by the companies also deteriorated the balance sheet of companies. We expect Union Budget 2013-14 to be positive for the infrastructure sector with higher budgetary allocations in different segments such as roads, irrigation, urban infra, ports, airports, power etc. We also expect further progress on National Investment Board which provides a single window clearance to large sized projects and ease the bottlenecks being faced by several projects. In order to ease the funding requirement for the sector, industry expects an efficient and vibrant corporate debt market to meet the long term funding requirements for the sector. To improve the viability of the infrastructure projects, industry expects MAT to be abolished for the tax holiday period under Section 80IA benefits; though we don't expect the same to happen.

Industry also demands developing municipal bond market for financing urban infrastructure as conventional fiscal transfers to urban bodies from government are no longer sufficient. We believe that this may take a while before it gets implemented. Companies are also demanding tax offsets from loss making SPVs. Players having multiple SPVs should be allowed to set off the losses incurred in one SPV against profits earned in other SPVs. However, we don't expect progress on that since tax collection of the government may be impacted by this. Pass through of Dividend Distribution Tax for SPVs is a long pending demand from companies having multiple SPVs. We expect this to be allowed as it will be positive for players carrying out road BOT projects in separate SPV structures.

Overall we expect Union Budget 2013-14 to be positive for infrastructure sector.

(Business Standard)