

**ROADS**

**Sector Impact - Positive**

**Background**

**Indian Road network and its constituents**

Category of road	Length in Km
Total Road Network	3.34 million
National Highways	70,548
State Highways	1,31,899
Major Distt. Road, Rural Road & Urban Road	3.14 million

- As on November 30, 2009, 12,500 km for National Highways Development Project (NHDP) was completed and around 6,000 km were under implementation.
- The pace of execution of projects continued to be tardy in FY10 for a number of reasons, like delays in land acquisition, availability of Right of Way (RoW), obtaining environmental and other clearances and limited contractor capacity.
- As against unsatisfactory progress in FY09 in the road sector, FY10 witnessed signs of recovery translating into return of investor interest and enhanced Government focus and introduction of fiscal stimulus packages.
- In the Interim Budget 2009-10 it was proposed that India Infrastructure Finance Company Limited (IIFCL), a 100% Government-owned company set up to finance infrastructure projects, would refinance upto 60% of commercial bank loans for Public-private Participation (PPP) infrastructure projects involving total investment of Rs.1,00,000 crore over the next 18 months ending August 2010. This was coupled with a proposal of increased investment allocation to The Pradhan Mantri Gram Sadak Yojana (PMGSY) under Bharat Nirman initiative, by 59% over 2008-09 (BE) to Rs.12,000 crore.
- Besides, lower bank lending rates are expected to provide necessary funding support to infrastructure projects and thereby accelerate the construction programme in the road sector in medium term.

## **Budget Proposals**

1. The allocation during the current year to roads transport sector has been proposed to be hiked by 13% over 2009-10 (BE) from Rs.17,520 crore to Rs.19,894 crore.
2. The take-out financing scheme by IIFCL to initially provide finance for about Rs.25,000 crore in the next three years.
3. Full exemption from import duty is available to specified machinery for road construction projects.
4. Increase in Minimum Alternative Tax (MAT) rates from 15 per cent to 18 per cent.

## **Budget Impact: Industry**

1. The sector is expected to draw continued support from the Centre. This would favourably impact the various entities associated with execution and implementation of roads and highways.
2. The impetus on infrastructure development should aid India's economic recovery.
3. Enhanced availability of road construction equipment is expected to augment the pace of execution of road projects.
4. The increase in the MAT rates may have a negative impact on the profitability of operating road sector projects.