

Construction sector seeks greater policy focus on project execution

PRATIM RANJAN BOSE Updated on January 30, 2018



KOLKATA, JANUARY 30

Construction equipment maker Hitachi wants the Budget to focus on the execution of road projects.

The construction gear sector has been on the rebound since 2016-end after nearly three years of inactivity, and is expected to reach 2011 levels this fiscal.

According to Sandeep Singh, MD of Tata Hitachi Construction Machinery Company Pvt Ltd, while the Centre has shown exemplary urgency in allotting new projects (including the recently announced Bharatmaka project), the execution is still suffering due to bank NPAs and inadequate flow of finances.

The road construction sector had run into trouble as most contractors were over-leveraged, leading to stressed assets with banks.

While the Narendra Modi government paved the way for the exit of leveraged contractors, the problem is not fully resolved as yet.

The Bankruptcy Law, once it comes into effect on April 1, will help resolve part of the problem. Singh called for linking the ongoing recapitalisation drive with flow of fresh finances to the road sector.

Hitachi's sales are expected to grow 13-15 per cent this fiscal, with capacity utilisation reaching 70 per cent.

Smart city projects

Singh also said the execution of smart city projects will boost GDP growth. Except some like Maharashtra and Telangana, the projects are currently suffering in most States due to red tape.

His bigger concern, however, is the firming up of crude prices, the resulting inflation and firming up of interest rates in some European economies. Any firming up of interest rates in India, he said, will impact infrastructure growth adversely.