Project Monitoring Group clears 208 infra projects worth Rs 7.46 lakh cr

Change of government will not impact pace of clearance but the impact on industrial growth is being seen with a lag.

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March 20, 2019 Last Updated at 00:45 IST

The number of infrastructure projects cleared by a monitoring group set up in the Cabinet Secretariat had increased consistently in the past year, but the impact on industrial growth would be visible with a lag, experts said.

The group is reviewing 548 projects that need investments of over Rs 23 lakh crore. It has facilitated 208 projects entailing investments of Rs 7.46 lakh crore by removing hurdles like lack of fuel, green clearances and land acquisition.

In October 2014, the number of projects cleared stood at 180, with Rs 6.5 lakh crore funding requirement. By March 2014, the group had cleared 147 projects entailing investments of Rs 5 lakh crore.

Among the major projects cleared are the Rs 6,200-crore power plant by Athena Chhattisgarh, the first phase of the dedicated freight corridor worth Rs 6,699 crore, the Rs 12,000-crore Delhi Aérocity, the Rs 4,000-crore Wadakron power plant, the Rs 4,000-crore Nellore port project, and the Rs 7,609-crore Tawang hydroelectric power plant.

The group was set up in July 2013 as a secretariat for the Cabinet Committee on Investments to fast track investment in the infrastructure sector. Investment of over Rs 22 lakh crore was estimated to be stranded and stressed assets had risen from 3.4 per cent of all infrastructure loans in 2010-11 to over 17 per cent by 2012-13.

The group was expected to spearhead the investment cycle but industrial output data does not support claims of a revival. The cumulative growth in the index of Industrial Production (IIP) in April-January 2014-15 over the corresponding period a year ago is a meagre 2.5 per cent. The electricity sector, which has a 10.3 per cent weight in the IIP, has grown by 9.3 per cent during the period but the manufacturing sector grew a mere 1.7 per cent.

"The IIP data can be misleading when analysing the effect of project clearances. When the previous government left office, the group had cleared projects worth Rs 5 lakh crore. Despite this, the investment cycle does not look robust," said Dhananjay Sinha, head of research, Emkay Global Financial Services.

The investment cycle is dependent on other factors like whether banks have the money to lend or companies are under too much debt, and not just project clearances. "The impact of these clearances will be better seen after three years when these projects fructify," Sinha added.

"Despite clearances, many of these projects are still on paper and developers may face bottlenecks in financing and implementation. The environment is still not conducive for private developers," said Kishor Ostwal, chairman of equity research firm CNI Research.

The group is still to look at 340 odd projects entailing investments of Rs 15 lakh crore and the new government has promised a business-friendly environment. However, with financing and regulatory issues still plaguing the projects, there is still a long way to go for the government to realize its massive infrastructure investment plan.