Rs 11.4 lakh-cr worth projects stalled till March: ICRA

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Owing to unfavourable market conditions, increased funding constraints and inadequate raw material linkages, nearly Rs 11.4 trillion worth of infrastructure projects were stalled as of March 31, says ICRA.

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"The Project Monitoring Group (PMG) of the government helped in resolving 353 projects worth Rs 11.7 trillion stalled over the last 3 years, which were particularly in power sector, but addition to projects accepted by PMG outpaced projects resolved," ICRA said.

The Group, which was set up in January 2013 in the Cabinet Secretariat to revive projects both in the public and private sector, had accepted 743 projects with an estimated cumulative investment of Rs 31 trillion till February this year.

According to ICRA, another 390 projects with a cumulative investment of over Rs 19 trillion are still facing hurdles.

"The growing number of stalled projects in the last two quarters, which are already high at 8 per cent of GDP is a matter of concern. While many projects were stuck for want of land or clearances, with the changing macro-economic scenario and weak commodity prices, viability and promoters' interest to continue with the projects, have also declined," ICRA Senior Vice-President Rohit Inamdar told reporters during a webinar.

This apart, funding issues have also remained pertinent for infrastructure sector, which comprises the largest share of stressed advances for public sector banks the primary lenders for infrastructure projects, he said.

"Apart from reviving stalled projects, the implementation of the proposed plug-and-play model, which aims at awarding major projects after acquiring land and the requisite approvals, is expected to significantly reduce execution delays and attract higher private participation in the sector," Inamdar said.

He further noted that the recovery in the sector will be gradual as most players are still burdened with leveraged balance sheets even as the volume of stalled or slow moving projects remains sizeable.

"Further, structural constraints like uncertainty in land acquisition, delays in approvals and inadequacy of long-term funding avenues, if not tackled expeditiously, will slow down recovery in the infrastructure sector," Inamdar added.