

Young minds speak up

by Syed Ameen Kader on May 10, 2012



New-age entrepreneurs face their challenges head on

Infra head-to-head

We ask two of infrastructure's bright lights to share their views on their industry's burning topics

Rishabh Sethi, executive director, SPML Infra

Rishabh spearheads business development and project management in the company's water and environment verticals. He is credited with establishing a robust IT infrastructure for the organisation, including the implementation of an enterprise resource planning system through SAP. New technologies have helped SPML optimise costs, enhance design and maintain consistent quality conformance. He is also leading the company towards a strong water and environment business in the areas of O&M of municipal water systems, sewage and effluent treatment plants and municipal solid waste management. Rishabh is a graduate in industrial engineering and economics from Northwestern University, USA.

Abhijit K Avarsekar, VC, MD and CEO, Unity Infraprojects

A second-generation entrepreneur, Abhijit joined the business in 1995 at the age of 21 immediately after completing his civil engineering qualification from the Father Agnel College, Navi Mumbai.

He played a key role in the expansion of the EPC business into newer geographies and gradually gave the business a pan-India presence. Abhijit spearheaded the company's initiative to diversify into infrastructure construction from its traditional core competence of building. He has also ensured that the company keeps abreast with the latest developments in technology.

Rishabh Sethi, executive director, SPML Infra

Infra growth: The Indian economy continues to be very strong, although some policy reforms at government level are needed to remove bottlenecks and to maintain its healthy growth rate. JNNURM has helped 65 big cities to develop infrastructure facilities, but the momentum needs to be accelerated and more cities must be added. All major infrastructure projects are lagging behind schedule due to poor planning and implementation. Clearly, there has to be a strong push from the government's side to award and implement large infrastructure projects. Flexible concession agreements, swift land and environmental clearances will help in facilitating improved infrastructure that is critical to the economic development of the country.

Land acquisition: The Land Acquisition, Rehabilitation and Resettlement Bill, 2011 has been devised to adjust the anomalies of a 117-year-old act. The present bill aims to address rehabilitation and resettlement, providing safeguards for both land owners and livelihood losers while defining the "public purpose" for which land can be acquired by the government. I believe in order to address land acquisition issues we need clear legislation to lay down the basic obligations of the government towards the rehabilitation of displaced persons. The use of a method for fixing monetary compensation, which accounts for price-rises, is also very important. There should be compulsory social impact assessment to ensure that the subsequent problems of loss of employment, social surroundings and emotional trauma are accounted for. Also, the use of Panchayati Raj system as a platform for the opinions and grievances of those affected is needed. We need a decentralised and less autocratic approach towards development.

Funding: The government has planned to spend Rs1 lakh crore in infrastructure development over the Twelfth Plan. A substantial amount is expected to come from the private sector. The worsening financial environment in developed Western economies has forced Indian infrastructure companies to look for investment options. The infrastructure sector is estimated to account for 25 per cent of India's industrial output and to continue on the growth path, it requires the funding from the government to increase. Measures for boosting demand, especially on the investment front through progressive policy action, are vital. For sustainable growth, it is imperative to have favourable investment scenarios that encourage asset creation and risk taking by financial sectors.

Union Budget: Government strategy to increase investment in infrastructure through a combination of public investment and public private partnerships indicates an increased thrust on the sector. A 14-per cent rise in budgetary allocation to the Ministry of Road Transport and Highways is expected to encourage the transportation and logistics sector in India. Additionally, a 27-per cent increase in allocation for rural drinking water and sanitation, as well as a 20-per cent increase in PMGSY, is expected to improve overall rural infrastructure and connectivity across the states. A proposal to add certain eligible sectors for viability gap funding is expected to provide support to PPP in the infrastructure sector. Additionally, allowing for tax-free bonds to the tune of Rs600 billion would further support infrastructure financing. Overall, the government strategy of increasing investment in infrastructure through a combination of public investment and public private partnerships indicates an increased thrust on the sector.

Abhijit K Avarsekar, VC, MD and CEO, Unity Infraprojects

Infra growth: The government should be committed to keeping banks adequately capitalized as this would allay fears of capital shortage for growth. The spending on infrastructure development is to

cross Rs50 trillion during the Twelfth Plan, which is just on the anvil. The government's move to increase fund allocation from 10 to 20 per cent for schemes such as NHDP, AIBP and PMGSY will accelerate order flows for infrastructure companies. Reforms and initiatives by the government in form of announcements would help but executing or rolling these out will be the key.

Land acquisition: This is a very sensitive and politically driven subject. It would be best if government bodies and institutions were allowed to raise additional capital through options like in the case of that NHAI — through the latest Budget, NHAI is allowed to raise an additional Rs100 billion through bonds, which will surely help in funding land acquisition.

Funding: Infra projects need huge funding, both in the form of debt and equity — normally, the ratio is 70:30 for these. Foreign funds are cheap, but their availability is a big concern due to global financial crisis. I think a good project with good IRR will not face funding problems because ECB is available despite the global crisis. Western countries where returns are much less prefer India because good opportunities are available here. So I don't think there will be dearth of funding because India needs good infra projects and targeted GDP growth is not possible without these.

Union Budget: I think this Budget has some good things for the infrastructure sector. The infra bond limit has been doubled from to Rs60,000 crore. The reduction in tax on interest payable from 20 to 5 per cent for a period of three years is also a good move. And the power, roads and low-cost housing sectors will get tax breaks; hence they will have more access to foreign funds. The award of highway project is expected to rise 20 per cent to 8,800 km, as well as the ministry's allocation increasing up by 14 per cent to Rs25,360 crore.