

**Industry comments on Budget 2022-23**



Finance Minister Nirmala Sitharaman presented the Union Budget 2022-23 in Parliament. She said that the Union Budget 2022-23 will lay the foundation for India's economic growth and expansion for the next 25 years.

Here are some Industry comments on Budget 2022-23:

Rajeshwar Burla, Vice President and Group Head, Corporate Ratings, ICRA Limited

**Infrastructure Sector:** The gross budgetary support towards capital expenditure has been increased significantly with the infrastructure sector being the key beneficiary. The capital expenditure is budgeted to increase to Rs. 7.5 trillion in FY2023, which is 35.4% higher than Rs. 5.5 trillion in FY2022 BE, and 24.4% higher than Rs. 6.0 trillion in FY2022 RE. This apart, the special assistance as loan to states for capital expenditure has been increased to Rs. 1.0 trillion in FY2023 BE from Rs. 15,000 trillion in FY2022 RE. Significant support to states is expected to revive the capex by state governments. This along with higher capex by centre is expected to support the order inflow for contractors.

The union budget has also proposed to allow use of surety bonds from Insurance companies as a substitute for bank guarantees in government procurements. This will reduce the margin money/collateral requirement and consequently indirect costs for construction contractors. Further, provision for release of 75% of running bills mandatorily within 10 days will support cash conversion cycle of contractors. Overall, these measures are positive for construction companies.

**Road Sector:** FY2023 is a crucial year for two reasons: a) the importance of Government spending on infrastructure to revive the economy and b) the significant catch up required in the ongoing Bharatmala and allied programmes. Given the rising debt levels at NHAI, the GoI decided to fund the capital outlay for national highway projects largely through budgetary support in FY2023. Therefore, NHAI is unlikely to borrow incrementally in FY2023. To plug this, the budgetary allocations for the Ministry of Road Transportation and Highways has increased sharply by 73% to Rs. 1.87 trillion in BEFY2023 from Rs. 1.08 trillion in BEFY2022 and 55% higher than REFY2022 of Rs. 1.21 trillion. However, including the IEBR (market borrowings) and asset monetisation proceeds for the NHAI, the total capital outlay increased marginally by 4.8% to Rs. 2.08 trillion in BEFY2023 as against Rs. 1.98 trillion in BEFY2022 but 1.7% lower than REFY2022 of Rs. 2.11 trillion. Further, the asset monetisation target of Rs. 200 billion in FY2023 can be comfortably met given the strong appetite for road assets as witnessed during FY2022.

**Airport Infrastructure sector:** The government's focus on the airport infrastructure sector continues with the budgetary allocation of Rs. 51.74 billion in FY2023, an increase of 24% YoY as compared to revised estimates (RE) FY2022. Of this Rs. 45.74 billion [against Rs. 31.82 billion for RE FY2022] is towards development of infrastructure for existing airports, construction of new airports under airports authority of India (AAI) and Rs. 6.00 billion [against Rs. 9.94 billion for RE FY2022] towards revival of 20 airports and for commencement of 90 routes under regional connectivity scheme (RCS).

**Cement:** The government's continued focus on agriculture sector along with rural development is reflected in an increase in the budgetary allocation by 2% to Rs. 2.7 trillion in FY2023 BE compared to FY2022 BE. This is expected to support income for farm households and thereby support demand for rural housing, which is a significant contributor (of around 30%) to the overall cement demand. In addition, the target construction of 80 lakh houses under PMAY, both rural and urban, supported by a budgetary allocation of Rs. 480 billion along with a 35% increase in capital outlay towards infrastructure to Rs. 7.5 trillion including additional allocation of Rs. 1.0 trillion towards state government projects is expected to bolster cement demand.

Vipula Sharma, Senior Director - Ratings and Head - Infrastructure, Brickwork Ratings

**Roads and Highways:** The GatiShakti Master Plan for Expressways can be expected to dovetail well with the parallel announcement of the 4 MultiModal Logistics Parks to be developed as PPPs in FY23.

Indeed, the budget seems to take a stronger focus on outcomes in terms of actual national productivity improvement by tying it directly to strategic infrastructure initiatives. The announcement of the Unified Logistics Interface Platform (ULIP) can be expected to complement parallel initiatives in the government's GatiShakti plans.

**Road Construction momentum** expected to be carried forward into FY23 given the announcement of an expansion target of 25,000 kilometres of National Highways for FY23. Rs. 20,000 crores of additional finance to be raised will enable this accelerated implementation.

**Urban Infrastructure:** The allocation of Rs.48,000 Crore under the PMAY scheme indicates that the government is focused on the need for housing for all. The budget seeks to build on the social infrastructure build-out stance it has taken in earlier budgets, as evidenced by the stated coverage of 5.5 crores of water connections under the Har Ghar, Nal Se Jal scheme over the past two years and aims to build additional homes for rural and urban beneficiaries.

Ramesh Nair, CEO, India and Managing Director, Market Development, Asia, Colliers

The Union Budget 2022-23 is forward looking and focuses on a long-term plan for the country with digitization, urban development, and sustainability at its core. For the real estate sector, the budget placed an outlay of INR48,000 crores under the Pradhan Mantri Awas Yojana, and the construction of 80 lakh homes will facilitate affordable housing. This, yet again, showcases the government's commitment on building affordable housing stock. However, we would have liked if there was more push on the demand side, such as the extension and expansion of the credit-linked subsidy scheme.

The Budget made several announcements to spur growth of the logistics sector in the country. The government repealed about 1,490 union laws in recent years, paving the way for improving ease of doing business. The government also plans to launch 'Ease of Doing Business 2.0.' This should include more dynamic aspects and make India a more investment friendly destination.

The budget announced a few laudable incentives for startups. The time extension provided to claim tax benefits will provide a breather for start-ups and encourage more start-ups in India. We look forward to the announcement on the replacement of the Special Economic Zone Act with new legislation. This has the potential to make export-led parks attractive for investments. The new benefits will also trickle down to technology companies who export services and have a positive bearing on commercial office real estate.

Dimitrov Krishnan, President, ICEMA, Managing Director, Volvo CE India

The finance minister has delivered an investment-oriented budget that will drive infrastructure development with over 35% increase in capex outlay for infrastructure development covering road construction, river linking projects, last mile delivery of drinking water, investment in railways, investments in digital healthcare, affordable housing and many other initiatives. The PM Gati Shakti Master Plan for expressways, aimed at faster movement of goods and people, should spur road construction activity, especially with the announcement that the highway network will grow by 25000 kms in 2022-23, allocation of INR 1 lac crores to states for rural roads and infrastructure development. These measures should help create sustained demand for Construction Equipment industry. We look forward to speedy implementation of the announced measures, that will then regenerate strong demand for Construction Equipment which has seen a slackening pace in the current fiscal year.

Dr. Niranjan Hiranandani, National Vice Chairman -NAREDCO and MD Hiranandani Group

As budget decodes Kaam, Kisan and Kamai as the focus, the outlays have come out with a 'budget for the economy', with sustainability & infrastructure investment as its underlying theme. Rating it at 7/10, the Budget is clearly about complementing macro-growth with micro-all-inclusive welfare, digital economy and fintech, tech-enabled development, energy transition, bolstering investment and climate action - which augurs well for the nation.

Industry welcomes much awaited focus to resolve long standing issues of reduction in approval timelines for land & construction. Emphasis laid towards modernisation and reforms in building byelaws, TDR reforms, urban town planning schemes, transit oriented multi modal corridors and transferable development rights. Impetus to urban development policy with enhanced capacity building will lead holistic development of urban cities. With rise in population & career mobility, focus on nurturing new smart tier 2-3 cities will result in a big boost for Real Estate infrastructure with cascading impact on additional job creation. Extension of PMAY scheme till March 2023 along with an allocation of Rs 48,000 crores outlay will further enhance affordable housing benefits 80 lacs new beneficiaries under middle class and economic weaker sections in urban areas.

Single window portal for green clearances is a step to promote ease of doing business in augmenting sustainable development along with special mobility zones for electric vehicles. Granting of infrastructure status to data centres in lieu of impetus to data localization and protect data sovereignty is shot in the arm. This will enable the data centres industry to avail long & cheap credit financing in order to foster competitiveness to become a global data centre hub. Additional impetus on Gati Shakti, inclusive development for last mile connectivity, public investment, capital spending and financing of investments will augment steady economic growth.

Rahul Kale, Founder, and CEO, Sunpower Renewables

We are encouraged with this climate-friendly budget and happy to work with the Government in achieving the goal to be net-zero by 2070. The aggressive allocation of 19,500cr for Production Linked Incentive (PLI) is a huge boost for players who are in the segment of product development for harnessing solar energy. We are glad to see the focus and support from the government for the domestic manufacturing of solar products. This can help build India as an exporting nation. This move will further enable the private sectors to come up with sustainable and innovative products that can bring the last mile connectivity and improve the efficiency in the EV ecosystem. The budget also announced that Sovereign green bonds will be issued for mobilizing resources for green infrastructure. These bonds are an important source for funding carbon-neutral projects. Availability of funds would be a key driver to help India accomplish its net-zero ambition.

Malini Saba, Founder & Chairman, Saba Group

The Union budget focuses on clean technology, sustainable urban life, better governance, and especially the government's commitment to systematic urban growth, with a strong focus on finding the right balance between metropolises and Tier 2 and Tier 3 cities.

Extending the highway network by 25,000 km as part of PM Gati Shakti's master plan will transform the infrastructure sector to enable integrated, seamless and timely delivery of projects within budget. It will also motivate private companies to participate in government projects and boost the Indian economy. Reducing corporate surcharge from 12% to 7% is a welcome move for the developer community. The introduction of digital rupees by RBI using blockchain technology will increase the transparency of real estate transactions. We welcome the government's announcement to work with the state to accelerate affordable housing, land and building permit acquisition times for the middle class and economically weaker sections in urban areas.

Manish Khandelwal, Commercial Director- India, Wavin

With the growing demand for housing and development, we are happy with the increased attention and budget allocated towards overall infrastructure of the country by the Honorable finance minister in her budget speech today. Additional public investment for modern infrastructure, be it roadways or housing development, is a big step in the right direction to creating a better and sustainable India. The increased investment also indicates that the government is actively looking for ways to improve the overall living conditions of people in the country and generate more employment opportunities in the process. Focused investment to create proper water supply channels and housing solutions will overall help in the sustainable development.

