

INDIAN INFRASTRUCTURE FINANCING

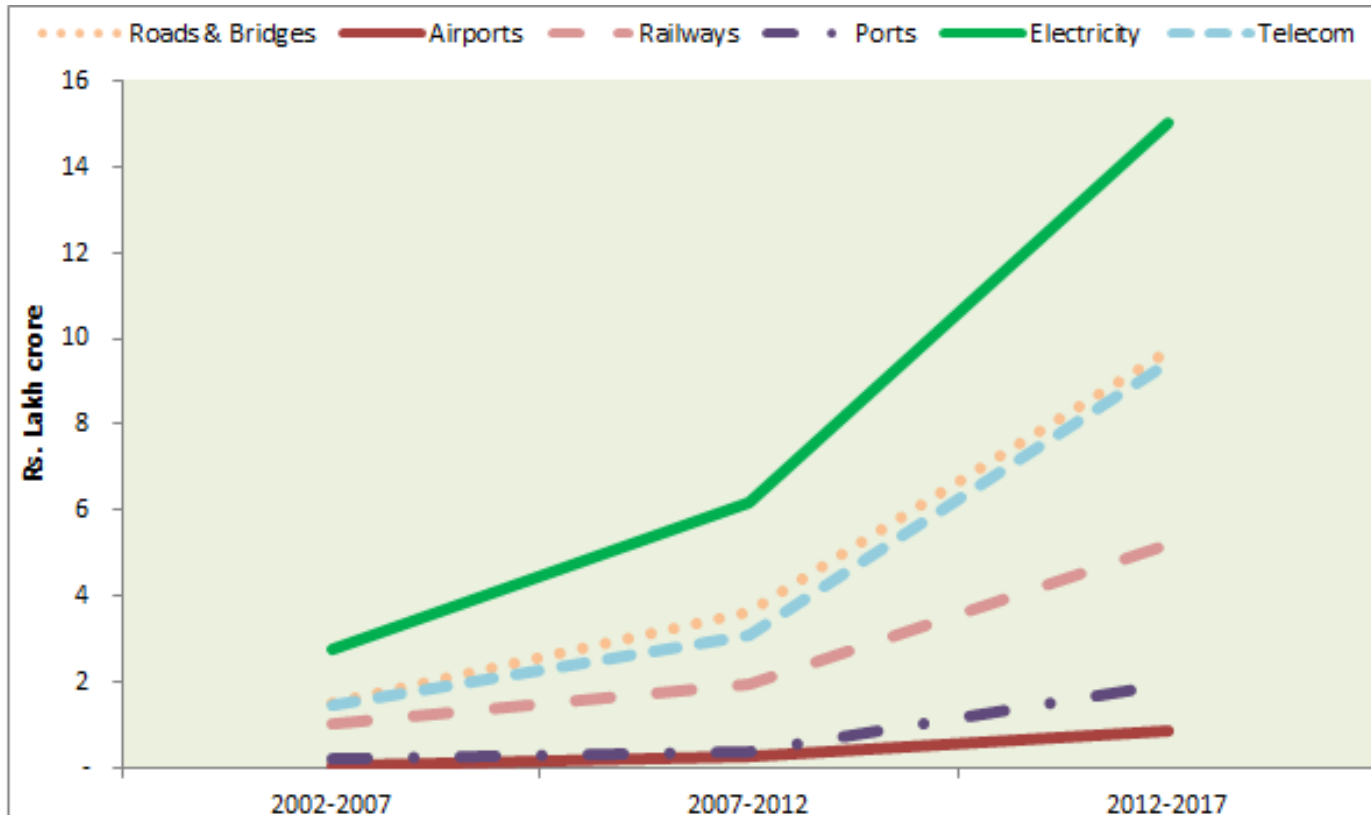
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Huge investment in infrastructure in last decade

- Infrastructure means:
 - Road
 - Railways
 - Power
 - Airports
 - Seaports
 - Telecom
- Huge investment in the last decade (2005-2015)
 - ~30,000 km of highways
 - Seaport capacity from 400MT to 750MT
 - Tele density from 5% to 85%
 - Passenger trains from 8900 to 12500
 - 5 new world class airports, 15% growth in passengers
 - 94% of all villages electrified

Power sector is the most financed



- 40% of all infrastructure investments in Power sector
- 25% in roads and bridges
- 20% in telecom
- 12% in railways

Who has funded all this infrastructure development?

- Total infrastructure investment
 - 2002-2007 - \$225 billion
 - 2007-2012 – \$450 billion
 - 2012-2017_(P) – \$950 billion
- Increasing share of private financing
 - 2002-2007 - 20% private, 80% public
 - 2007-2012 – 40% private, 60% public
 - 2012-2017_(E) – 50% private, 50% public
- How has this been financed?
 - 85% through banks/NBFCs
 - 15% through equity

Ills of infrastructure financing

■ Non-performing loans

- Bank financing of infrastructure leads to asset-liability mismatch
- Long gestation projects financed by short term deposits
- ~25% of infrastructure loans by banks is classified as non-performing assets. More to come
- Overall economy in deep stress due to banking sector woes

■ Long term savings not channelled

- \$150 billion of pension corpus ideally suited for long term infrastructure financing
- \$250 billion of household savings every year not channelled
- \$350 billion of insurance corpus not utilised

Stop buying gold; Help build roads

Move away from gold

- \$850bn in gold deposits; \$10-15bn of gold every year

Large household savings

- \$30bn of household savings every year can be used for infra financing

Municipal bonds

- Municipal bonds etc to finance infrastructure projects

Pension financing

- Longer term pension funds can be used to finance long term infra



THANK YOU