

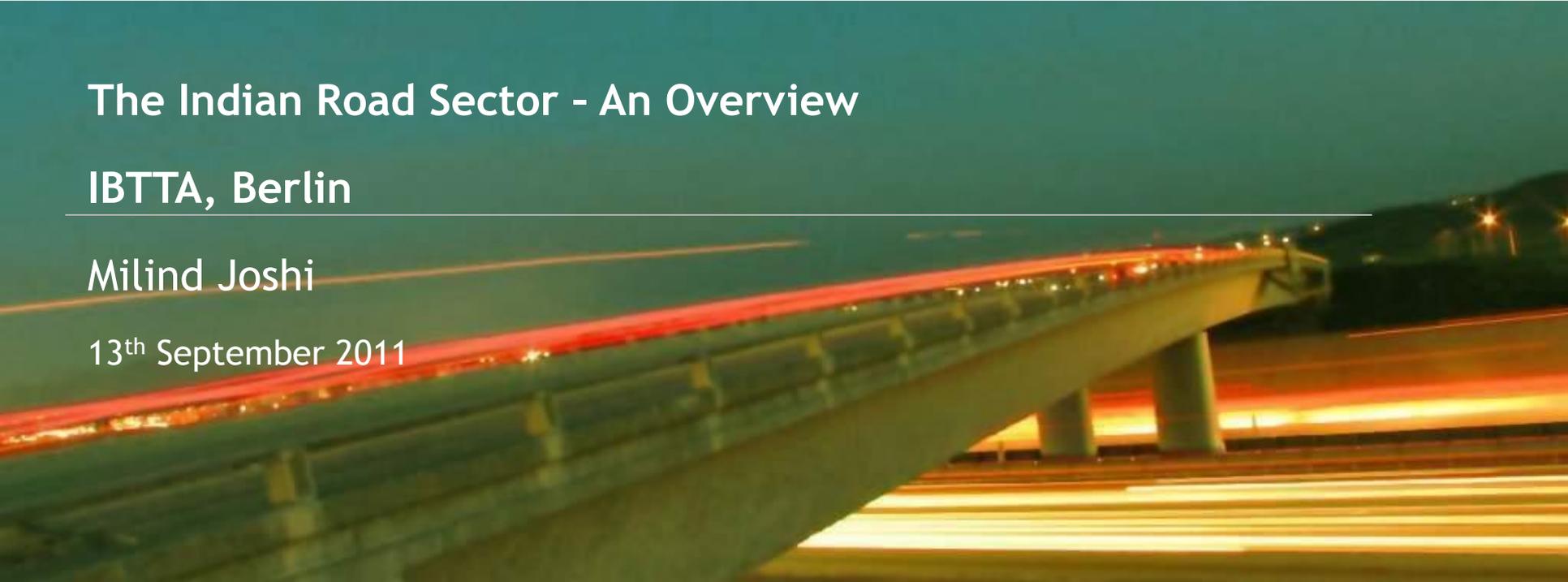


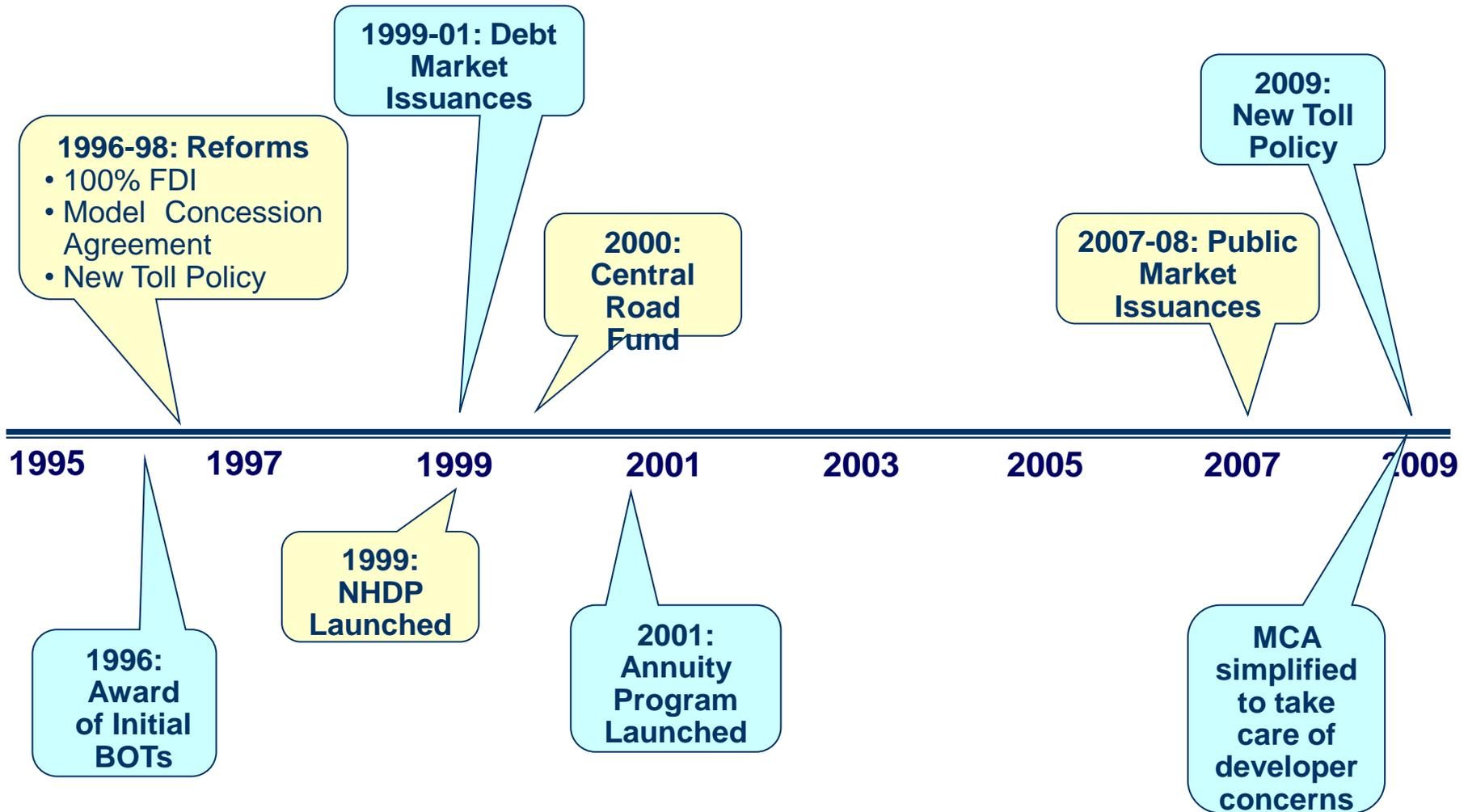
The Indian Road Sector - An Overview

IBTTA, Berlin

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13th September 2011





Initiatives over the last 15 years have led to a robust framework

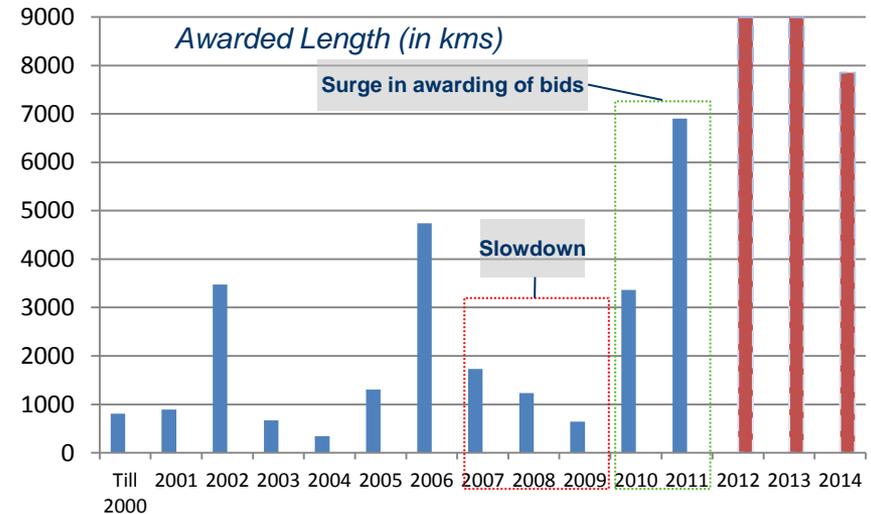
Planned Investment of USD 140 bn over the next five years

Opportunity

- ❑ Target construction of 20 kms/day
- ❑ XII 5-year plan (FY 2012-17) envisages an investment of USD 140 bn with USD 90 bn coming from private sector.



With the recent activity to continue..



- ❑ Upsurge in project award activity post simplification of model concession agreement.
- ❑ 4,369 km has already been awarded this year as against 3361 km during 2009-10 and 643 km in 2008-09.

Significant pickup in activity after the lull between 2007-09

Revenue Model	
Toll Based	<input type="checkbox"/> Tariff Formula; Pre-Determined <input type="checkbox"/> Increase in toll linked to inflation
Annuity Based	<input type="checkbox"/> Fixed annual payments by NHAI
Key Concessionaire Obligations	
Construction and O&M	<input type="checkbox"/> Construction to happen within given timeframe <input type="checkbox"/> Maintenance in accordance with concession agreement
Financial	<input type="checkbox"/> Concessionaire to meet expenses and risks in financing arrangement
Key NHAI Obligations	
Land Acquisition	<input type="checkbox"/> NHAI is responsible for acquiring the requisite land
Approvals	<input type="checkbox"/> NHAI will provide all reasonable support and assistance to the concessionaire in procuring permits required from Government Instrumentalities
Fiscal Benefits	
Viability	<input type="checkbox"/> Grant up to 40% of project cost to make project viable
Tax Holiday	<input type="checkbox"/> 100% tax exemption in any 10 consecutive years within a period of 20 years after project completion
Liberalized Framework	
FDI	<input type="checkbox"/> 100% foreign participation in construction and maintenance of roads, highways, tunnels etc

Well evolved framework although risk remains around NHAI obligations

TRENDS

- ❑ Contractors are rapidly evolving into developers
- ❑ International Interest in PPPs has increased
 - Atlantia, Isolux, Leighton, IJM, PLUS etc have already established significant presence in India
- ❑ High Competition bringing down returns for developers

CHALLENGES

- ❑ Uncertainty associated with Traffic Projections
- ❑ Development of 35,000 km: Are the developers ready to execute?
- ❑ Land Acquisition and Environment Clearance: Impacting Execution
- ❑ Lack of robust dispute resolution mechanism
- ❑ Bandwidth Issues at NHAI

Lending Overview

Domestic Infra Financing

- High domestic savings rate of approx. 34%
- 90% of total infra debt financing met from domestic sources
- Proposed USD 11 bn Infrastructure debt fund
- Takeout Financing by IIFCL



- Currently High Interest Rates ~ 12%
- Loan Tenor around 15 years v/s concession life of 25-30 years
- Fixed rate of interest not available
- Exposure limit for banks

External Commercial Borrowings

- Eased norms for ECBs
- Pricing cap of 500 bps over LIBOR
- Relaxed ECB limit of USD 500m per project



- Improved access to external capital
- Lower Tenor & Exchange rate risk

Debt Capital Markets

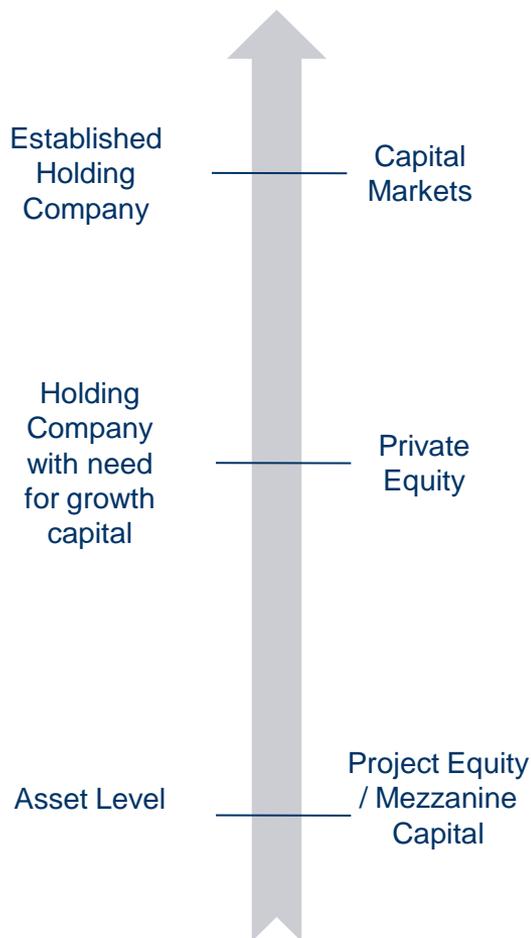
- Underdeveloped Debt Capital Markets
- Lack of Insurance & Pension Funds in LT infra debt



- Rating key to raising debt from Capital Markets

Financing dependent on local credit – Need to evolve alternatives

Equity Financing Avenues



- ❑ Successful examples of BOT companies going public
- ❑ Typically, no cash flow to equity is visible during the first 7-8 years of the project life as a result of bidding at high premiums
- ❑ Relatively short duration of bank loans make returns to Equity back ended

PRIVATE EQUITY DEALS IN THE SECTOR

- ❑ Tata Realty & Infrastructure Ltd and **Actis** entered into a USD 2 bn JV to invest in the sector last year
- ❑ **Morgan Stanley Infra Fund** committed USD 200 mn to Isolux
- ❑ **Apollo** committed USD 160 mn to Welspun Infra
- ❑ **Norwest** and **Xander** invested USD 90 mn in Sadbhav
- ❑ **3i** invested USD 90 mn in KMC BOT HoldCo & USD 100 mn in Soma Enterprises
- ❑ **Xander** invested USD 56 mn in HCC Concessions

Key Challenges - Portfolio of quality assets and Ability to provide exit

Thank You

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