

KEY HIGHLIGHTS



National Convention 2013

Theme: Infrastructure Development: CANADA-INDIA

8th March 2013, 09:30 am, New Delhi

Session I:

Overall scenario of the Infrastructure environment in India

Session Highlights

- Emphasis on the historic and ever growing bilateral relations between Canada and India
- Significant improvement over the last six years with changes in the nuclear policy and co-operation
- India needs US\$ 1 trillion investment in the infrastructure space (including roads, highways, power, utilities, airports, ports, urban infrastructure)
- 50% of this investment is expected to come from the private sector
- Canada willing to act as the “right partner” for India in developing and nurturing India’s energy and infrastructure requirements
- Huge potential for growth as Canadian funds are keen to explore potential investments in India

Challenges

- How to create an environment to assure and protect foreign investors?
- Mitigate risks
- Provide de-risked projects to long term investors
- Stable and sustainable policy making
- Transparency and prompt implementation of regulations

Way forward

- Despite challenges, India can still be preferred investment destination - offering 4 to 5% higher returns as compared to the “WEST”
- India can look at Canada to meet its energy and infrastructure development needs
 - Canada has the 3rd largest oil reserves, rich uranium base and natural gas
 - Strong in atomic energy and nuclear fuel
- Can leverage Canada’s superior technological expertise and project development and implementation experience
- From India’s point of view, policy initiatives are been taken – Cabinet Committee on Investments and introduction of Infrastructure debt funds has been set up to expedite project development and encourage foreign investments

- Both countries can be creative and initiate new methods of engagement

Session II:

Project Development / Case Studies of Infrastructure Projects

Session Highlights

- **Infrastructure sector in India has evolved over the years**
- **Sector is expected to drive the next generation of growth**
- **Investment requirement by sub-sectors includes:**
 - **Power: US\$ 300bn**
 - **Roads: US\$185bn**
 - **Telecom: US\$150bn**
 - **Railways: US\$144bn**
 - **Urban Infrastructure: US\$110bn**
 - **Ports & Airports: US\$52bn**
- **Setting up of National Infrastructure Manufacturing Zones and Industrial Corridors**
- **Privatization has preceded regulations in some sectors**
- **Greater emphasis on setting up “Project Development Company”**
- **Consultants working with the private sector on design, project planning and implementation**
- **Discussion on selected case studies and success stories related to Indian infrastructure**

Challenges

- Lack of clarity, consistency and planning in case of project management
- Difficulty in project collaboration, operational and financial risks
- Different ways to interpret contract terms
- Escalating project costs due to delays, regulatory changes
- Paucity of “good” projects

Way forward

- Better approach in terms of clarity, value, ethics and integrity is required from clients
- GMR, GVK stories should act as templates for future projects
- Stable and long term policy making is required
- Gujarat can serve as a great example in terms of project execution

- Building inclusive cities will be critical

Session III:

Canadian Financing in Indian Infrastructure

Session Highlights

- Discussion around how to attract Canadian investors especially pension funds to invest in Indian infrastructure
- Brownfield assets preferred over greenfield projects given visible cash flows, track record and less risks
- Canadian pension funds may be interested to take equity stake and participate in the day to day governance
- Government of India can look to provide a hedging window to mitigate currency risk
- Identification of “good” projects with risk adjusted returns is necessary
- Asset class of such kind has come up in the last 5 years, however asset class pricing is important
- Indian pension funds and insurance companies are restricted by law to invest beyond a threshold limit
- India is the promising emerging market for investors; China is cash rich and does not require foreign capital for its infrastructure development

Challenges

- Delays due to regulatory issues and uncertainty
- Currency risk
- Non-availability of “good” projects with stable returns
- New acts like “Land Bill” may affect project execution

Way forward

- Private sector players have persuaded Government bodies like NHAI in case of road sector to stop awarding tenders where issues related to land acquisition, environmental clearances have not been met
- Clean the backlog of old contracts (INR 12,000 crores of capital is locked) through bilateral settlements
- Allow 100% exit in case of old concessions
- Clearly define contract terms and conditions to remove any ambiguity

- Increase the respect for private capital
- Government can look to deliver on promises made

Session IV:

Regulatory Issues and Challenges in the Infrastructure space

Session Highlights

- Foreign investors will be interested to understand the rules and regulations over the long term
- Discussion on smooth repatriation of income, tax incentives and investment structuring for Indian infrastructure
- Preferred routes for making investments in India – ECB and Qualified Foreign Investor routes are now opened
- More clarity and consistency in policy and decision making is required
- Introduce a “separate” regulator for infrastructure sub sectors like roads
- However, too much regulation can also be a bottleneck; advocate good regulation or no regulation instead of bad regulation
- IIFCL shared its experience in facilitating financing for infrastructure projects in India; around 20% of total projects have yielded positive returns

Challenges

- Transparency
- Applicability of regulatory framework
- Time frame for execution
- Corporate governance practices
- Confusion in case arbitration – whom to approach?

Way forward

- Propose “self regulation” for Indian infrastructure
- Avoid “cash strapped” structure for legal entities operating in India
- Less complication in terms of flow of foreign capital in and out of India
- Possibility to explore “inflation indexed return” for investors

Session V:

Challenges in Urban Development – Intelligent Communities: The Way Forward

Session Highlights

- India will witness huge urbanization by 2030 – around 350 million people moving from rural to urban areas
- Huge demographic transition is expected
- Technology, specially digital technology should facilitate such urbanization process providing basic necessities to build “smart and intelligent” cities
- Private sector will play an important role in the urbanization process
- Cities will need to go ‘vertical’
- Railways contribution to infrastructure development will be critical
- Key focus areas will be development of high speed trains, dedicated freight corridors, alleviated corridor in Mumbai and station development over the next 5 years
- Foreign capital will be necessary for such growth; World Bank and funding from Japan not sufficient
- Water management and recycling are necessary

Challenges

- Urbanization
- Optimum utilization of available resources

Way forward

- Implement the concept of micro irrigation
- Monetization of land values
- Emergence of satellite towns with proper connectivity
- Innovative and intelligent systems

Session VI:

Valedictory session

Session Highlights

- **Canada and India share great bilateral relations**
- **There is a huge opportunity to collaborate in areas of infrastructure development and energy**
- **In order to reduce the current account deficit over the next 2 years, India needs around US\$ 75 bn of capital inflows**
- **Canadian investors / pension funds should be looking to invest in Indian infrastructure**
- **Cabinet Committee on Investments have now been set up to facilitate and expedite projects related to infrastructure**
- **Planning Commission is also monitoring the progress vis-à-vis the plans every quarter**
- **India Canada relations has great value proposition in store**