

NAYA BHARAT NEEDS A DFI

**DFI A BRIDGE FOR SUSTAINABLE DEVELOPMENT FINANCING OF INFRASTRUCTURE
(A KEY ENABLER OF NIP FOR ATMANIRBHAR MAKE IN INDIA & ECONOMIC GROWTH)**



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HON'BLE PRIME MINISTER'S VISION – 5 PILLARS

DFI & FI'S ROLE

ECONOMY

- A DFI along with FI's to be a partner & catalyst for Inclusive (Rural & Urban) Economic Growth by enhancing 3 components of GDP - Industry, Services and Agri Sectors

INFRASTRUCTURE

- A strong DFI with capabilities to Design, Develop and Financing of Infrastructure & Core Industry Sectors from Physical to Digital 5G with sector specific conducive Infra Policies & Regulations

SYSTEMS

- Along with DFI and other FI's an Institutional Framework Mechanism & Management System to be laid down in line with the Regulations

VIBRANT DEMOGRAPHY

- DFI & FI's to facilitate for provision & provide the Infra services with inclusiveness across the country

DEMAND

- To ensure a Affordable, Accessible and Quality of Service to create Elasticity of Demand is created for the Infra services and shall be used by citizens of India

As a series of measures to revive the economic growth Union Finance Minister Smt Nirmala Sitharaman announced to establish a DFI for addressing the country's infrastructure financing needs.

She said,

*“In order to improve access to long-term finance, it is proposed to establish an organization to provide credit enhancement for infrastructure and housing project, particularly in the context of India now not having a **Development Bank** and also for the need for us to have a institutional mechanism. So this will enhance debt flow towards such projects “*

Subsequently in Dec 2019 GoI announced Five year estimation of Rs 102 Lakh Crores NIP and revised NIP estimated at Rs 111 Lakh Crores

NIP PROPELS - INDIA A BRIGHT SPOT IN THE EMERGING ECONOMIES

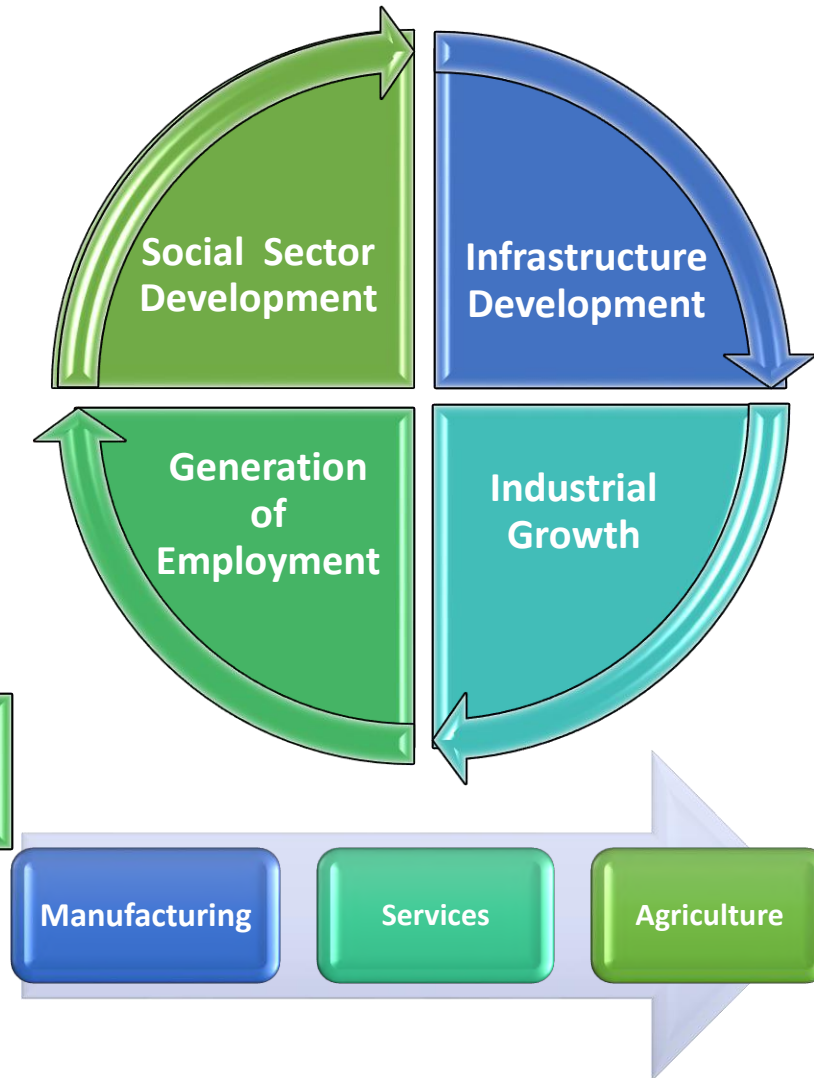
Post the Covid-19 catastrophe, the World Economic Order is expected to shift away from already sluggishly growing West.

India has a strong opportunity and a Bright Spot to shine amongst the Emerging Economies with China losing out on trust factor.

Infrastructure Development along with its integration with core industry sector will enable a multiplier effect to GDP rebound to sustainable higher growth trajectory.

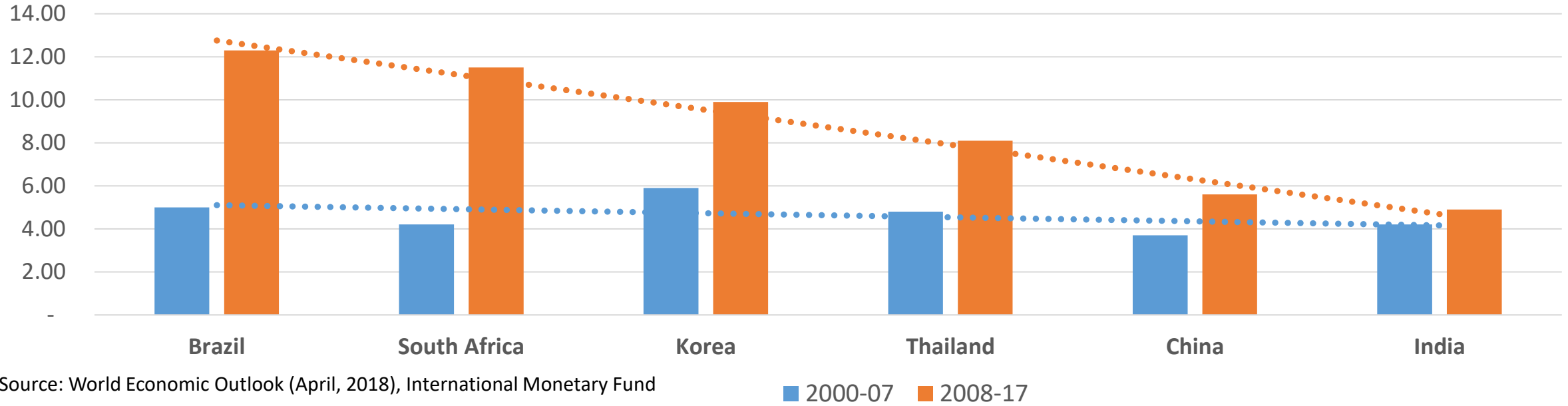
The total estimated capital for NIP during 2020-2025 is projected at Rs. 111 lakh crore.

The Reforms, Recent New Schemes, Policy Changes, Support to Banks & NBFC's will help to rebound as the Covid -19 pandemic factor starts easing .



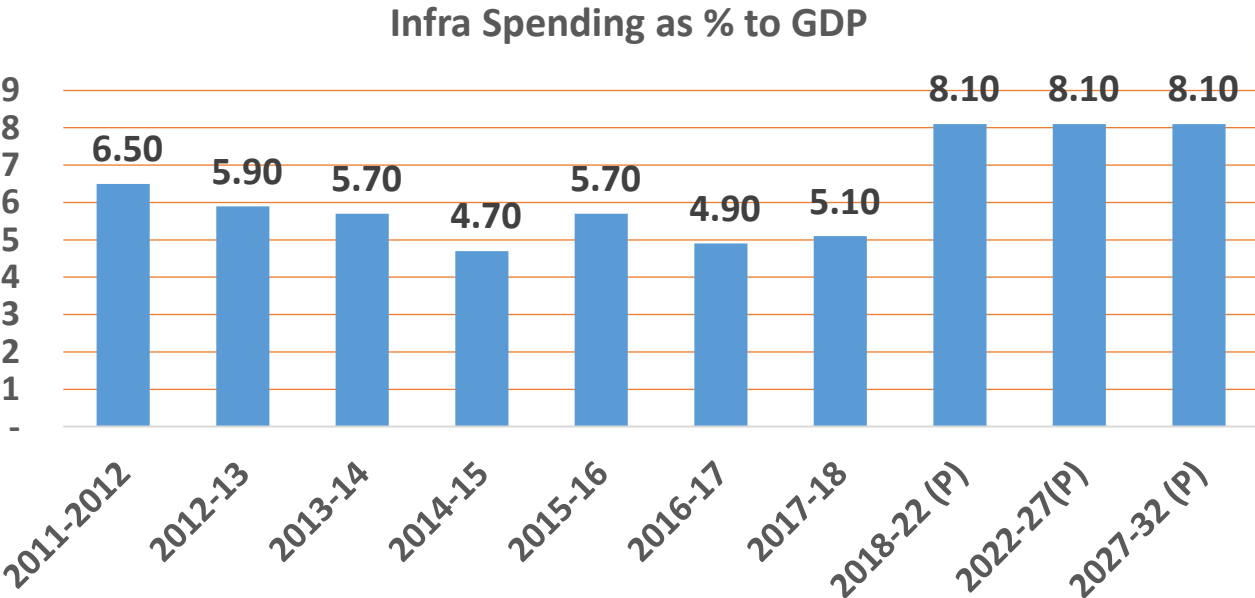
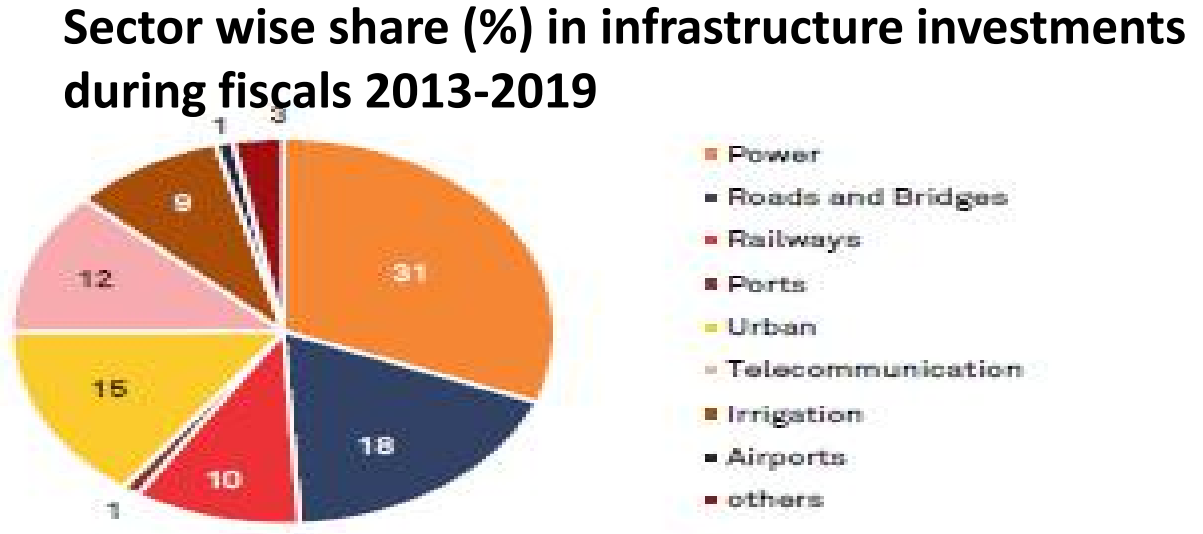
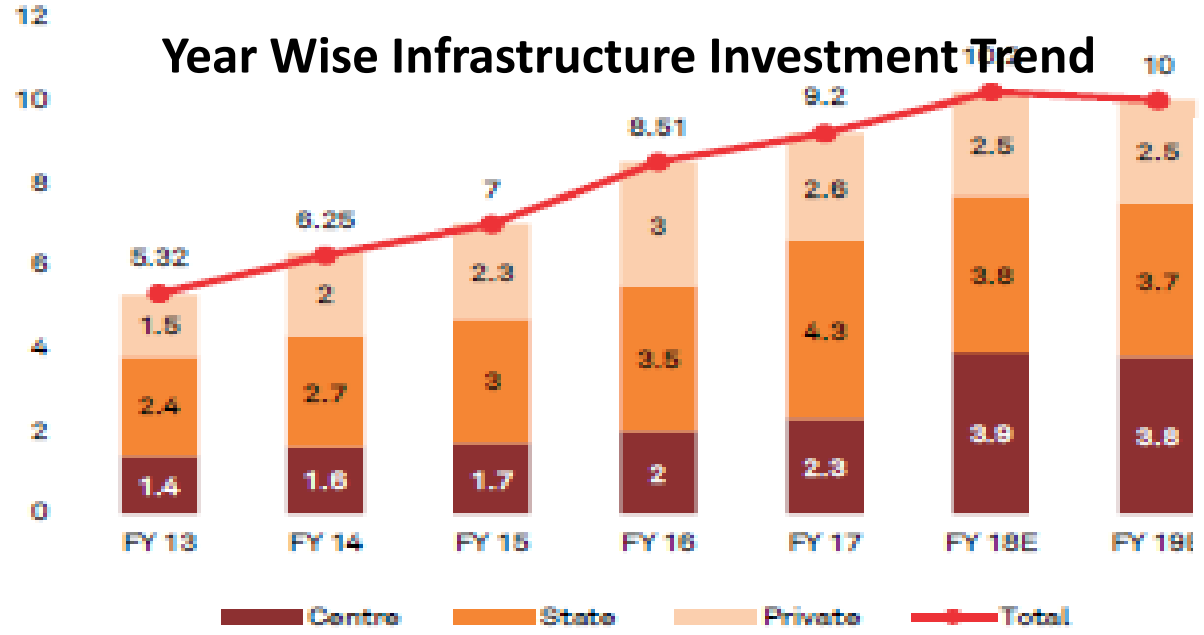
INDIA v/s OTHER EMERGING ECONOMIES - CAPTIAL to GROWTH

Incremental Capital to Output Ratio (ICOR)



- ❑ The Indian economy has witnessed low capital infusion in comparison to other emerging economies. The Incremental Capital to Output Ratio is on the lower side and also rate of growth of ICOR is lowest amongst the emerging economies under comparison.
- ❑ A DFI can successfully channelize the investments and household savings to propel the **‘investment driven growth’** conceptualised in the **Economic Survey, 2019**.

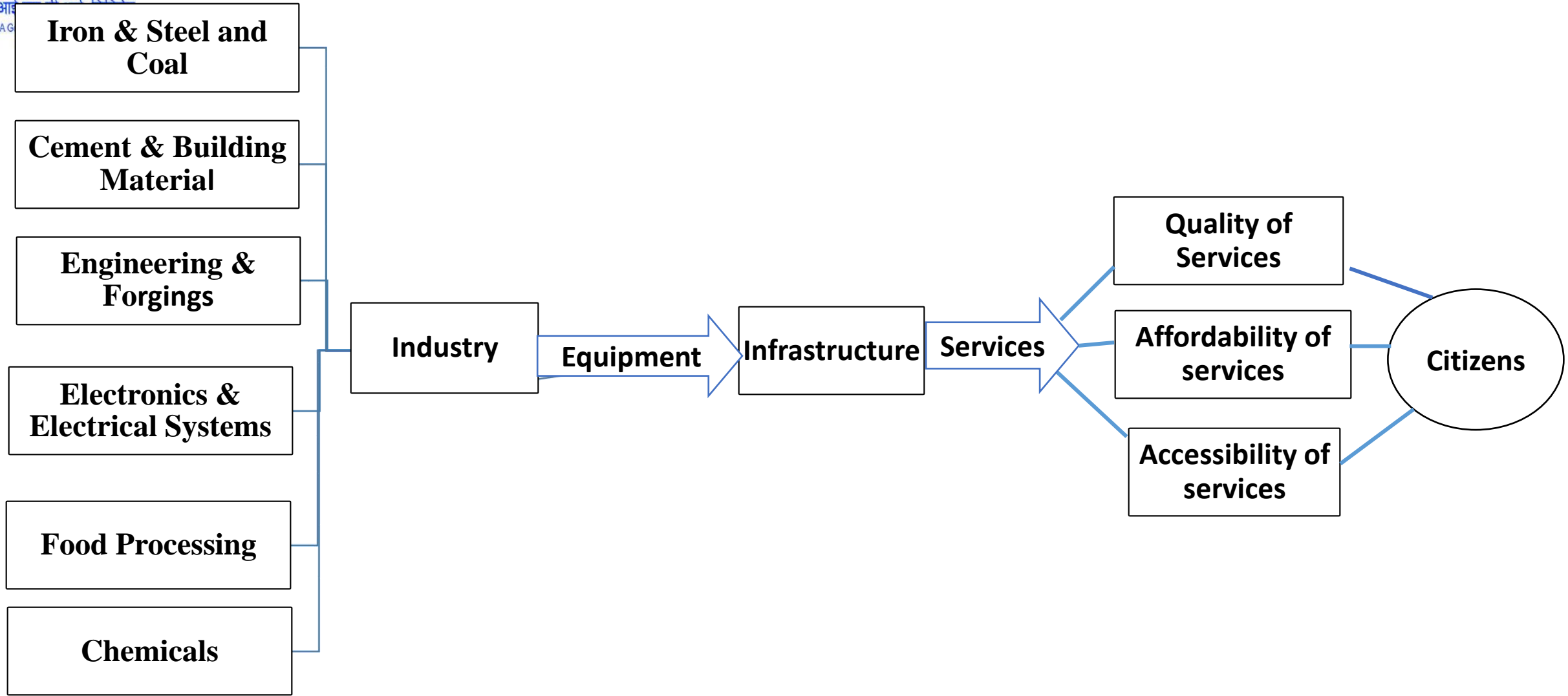
FCI INFRASTRUCTURE INVESTMENT PATTERN & SEGMENTS IN INDIA



Source: Appraisal documents for five-year plans, CRIS estimates (Investments mentioned are at current prices)

- Power, roads and bridges, telecommunications, railways, irrigation and urban accounted for ~85% of the infrastructure investment in India during FY 2013-2019.
- The Centre and states are the major funding sources for sectors such as power and roads and bridges, with moderate participation from the private sector.

Source: National Accounts Statistics, 2018; National Transport Development Policy Committee (2014)



**KEY FOR ACHIEVING
US\$ 5 TRILLION ECONOMY AND MAKE IN INDIA**



**DEVELOPMENT & FINANCING OF INTEGRATED
INFRA & CORE INDUSTRY SECTORS**



**A NEED FOR REVIVAL OF
DEVELOPMENT FINANCIAL INSTITUTIONS**

PROMINENT GLOBAL DFI'S

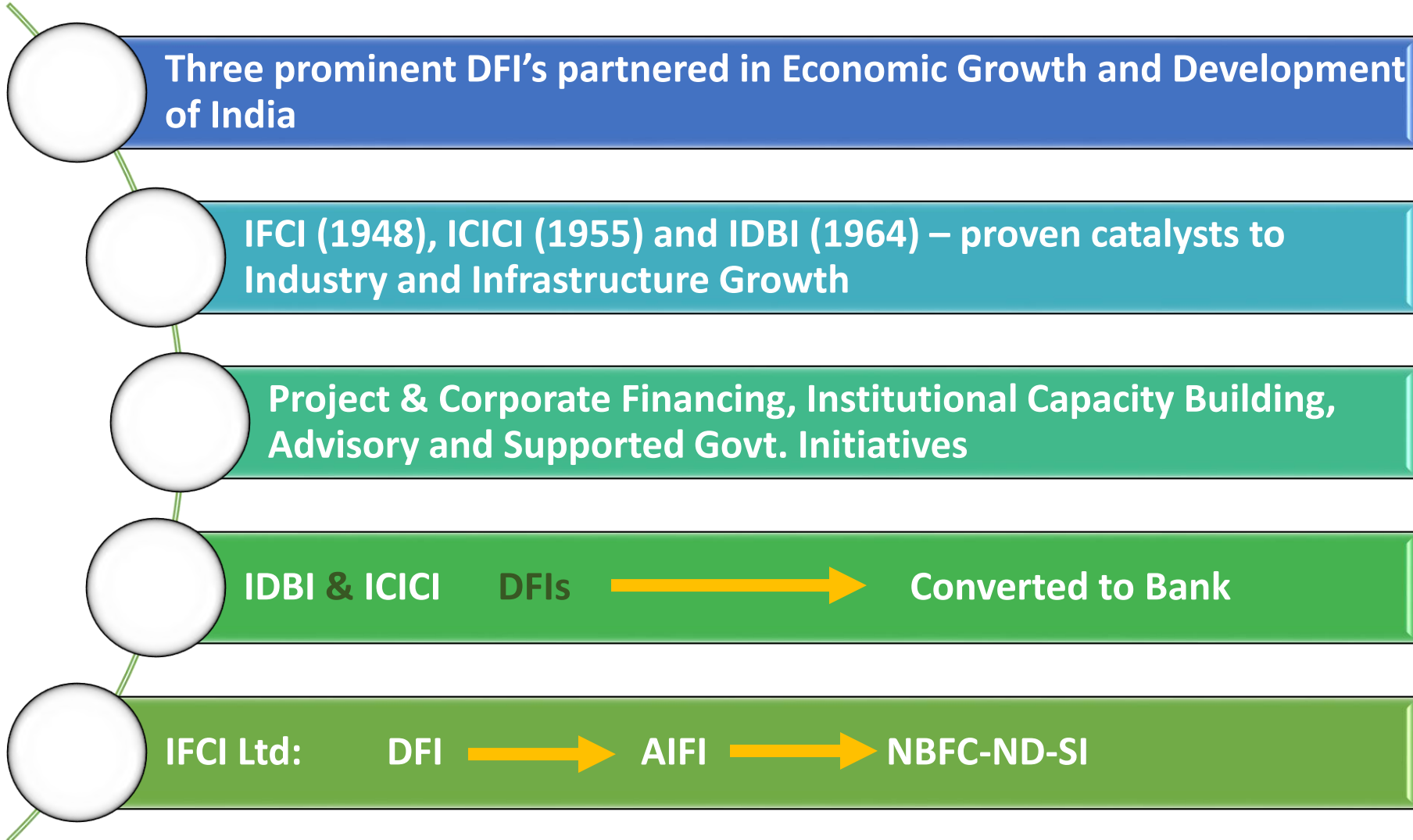
DFIs continue to play a vital role in world economic growth and have been a reliable and sustained tool used by most countries to pursue their economic goals.



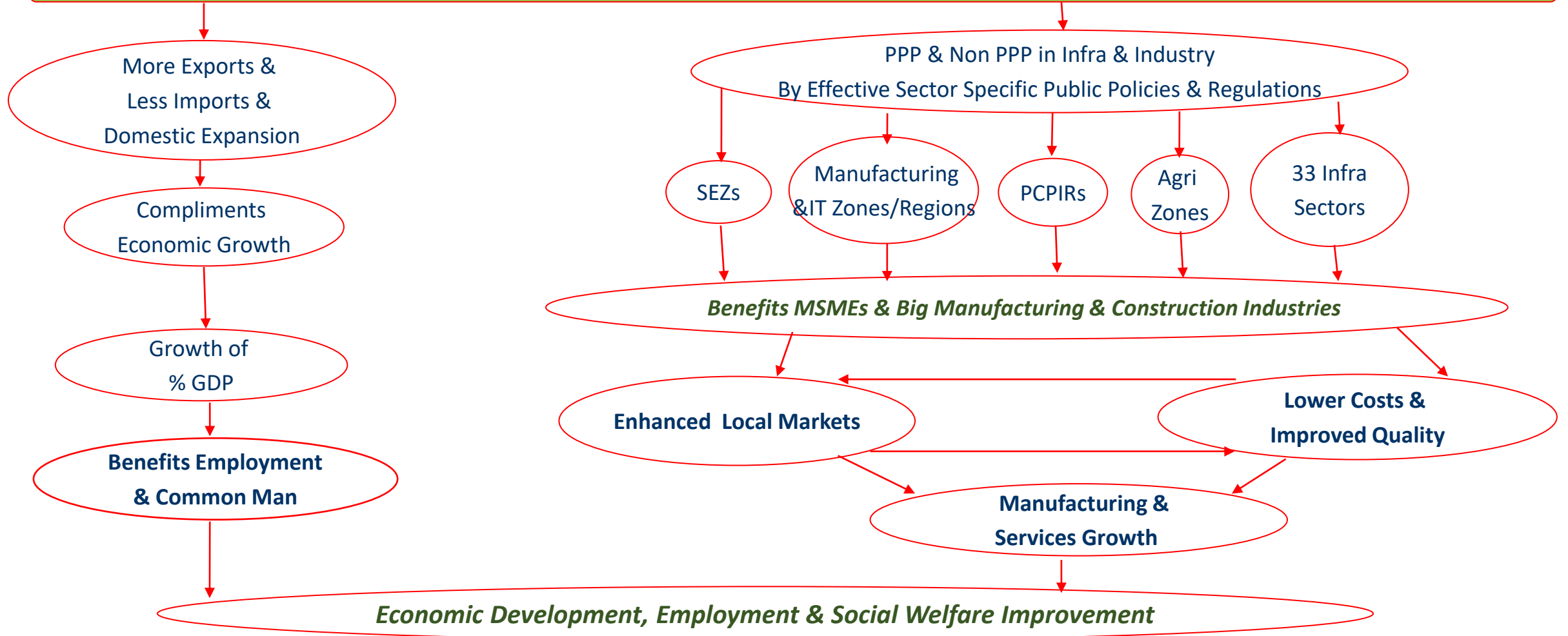
Assets under Management of major DFI (last reported):

- Asian Development Bank – \$202 bn.
- BNDES - \$195 bn.
- International Finance Corp. - \$94 bn.
- African Development Bank - \$ 47 bn.
- Asian Infra Investment Bank - \$ 22 bn.
- New Development Bank - \$ 10 bn.

DFI'S HISTORY – THE TRUE INDIAN HERITAGE EXPERIENCE

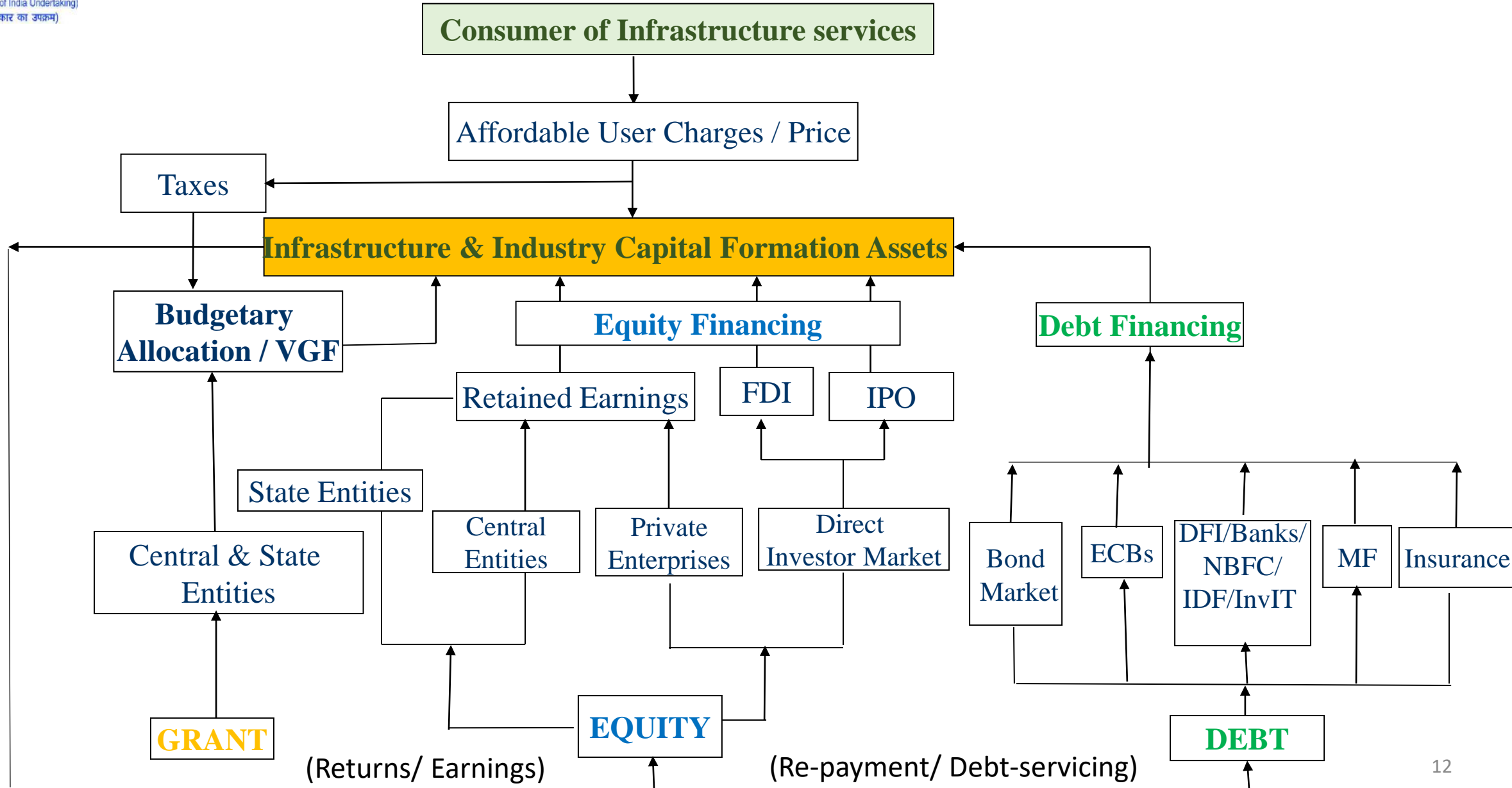


INTEGRATED INDIAN INFRA & INDUSTRY ECO-SYSTEM FOR DEVELOPMENT & GROWTH



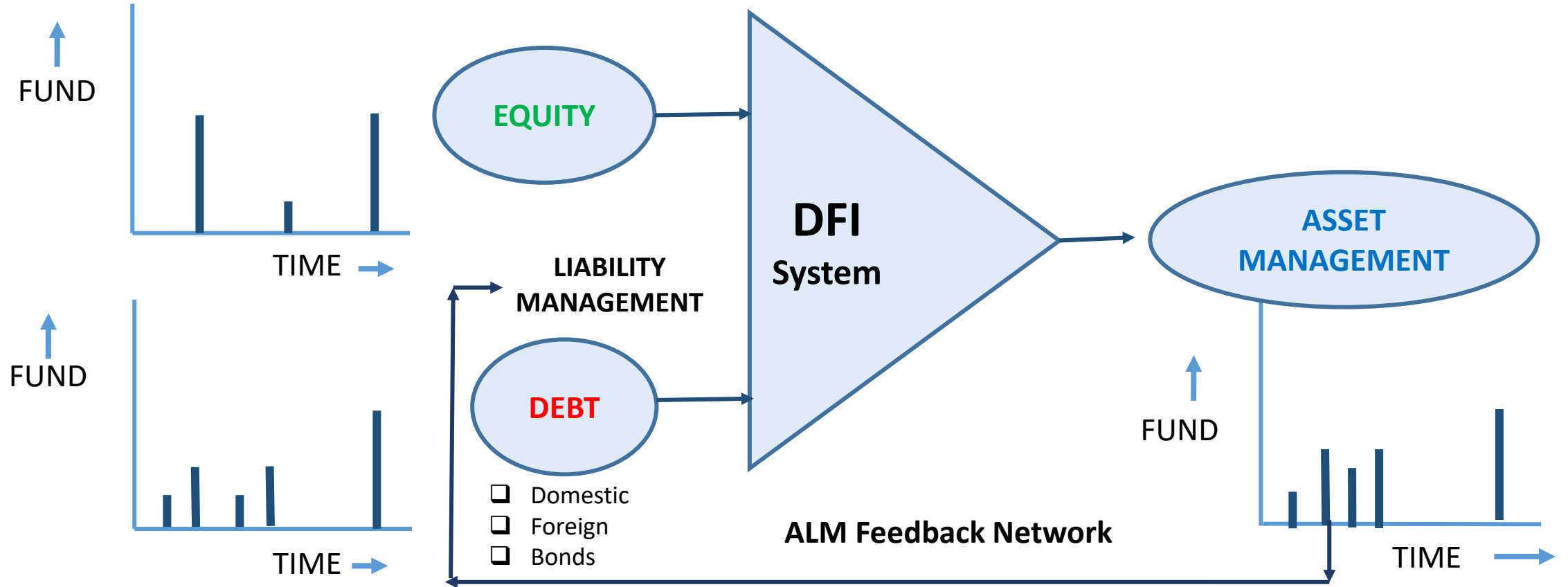
IMPACT : Capital Formation, Employment Creation, Cheaper & Quality Products & Services , Boosting Consumption, Lowers CAD

INFRASTRUCTURE & INDUSTRY FINANCING NETWORK = CAPITAL FORMATION



DFI'S ASSETS & LIABILITIES MANAGEMENT NETWORK

A KEY FOR LONG TERM INFRA ASSETS SUSTANABILITY



■ **Equity:**

Govt, FI's, Multilateral Institutions (ADB, World Bank, AIIB & others) may be offered Equity for better ratings

■ **Debt:**

Loans, Bonds, Foreign Repos, Reg-S, 144A, Pension funds, Insurance Funds and others

DFI : TYPICAL PRODUCT MIX & ASSET MANAGEMENT

Project Finance

Corporate Finance

Structured Finance

Debt

- Loans
- NCDs
- Bonds
- Structured Loans viz
OCDs, FCDs, CCDs
- Forex Loans

Equity

- Equity Capital
- Quasi Equity
- Sub-Debt
- Mez Finance

Innovative Instruments

- Credit Enhancement
/ Guarantee
- Guarantee cum
Takeover Finance
- Green Bonds
- REITs , InvITs
- Securitisation

Infrastructure Assets (Harmonised List)

- Energy
- Transport
- Telecom
- Social
- Urban & Housing
- And Other Sub-sectors of the above five
infrastructure sectors

Core Industry Assets

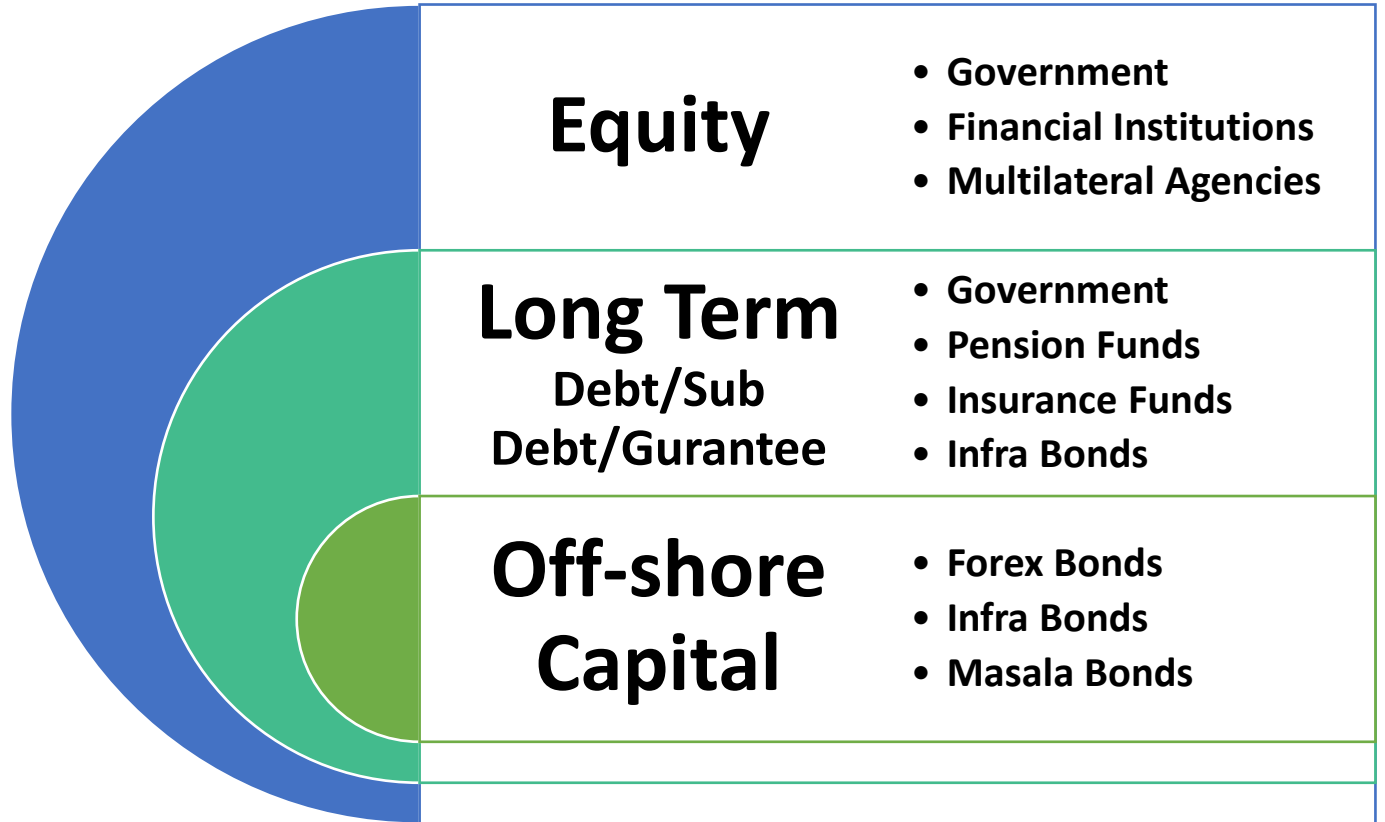
- Steel
- Cement
- Coal, Iron and Bauxite Mines
- Chemicals

DFI : TYPICAL CAPITAL STRUCTURE & LIABILITY MANAGEMENT

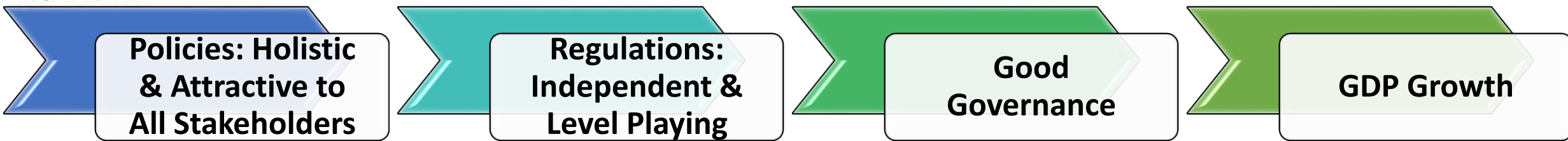
Pure 100% Government owned DFI

Public-Private Ownership of the DFI (like IDFC)

Initial 100% Government Ownership – To gradually off-load to Private Institutional Players



SECTOR SPECIFIC POLICIES & REGULATIONS FOR SUSTAINABLE GROWTH

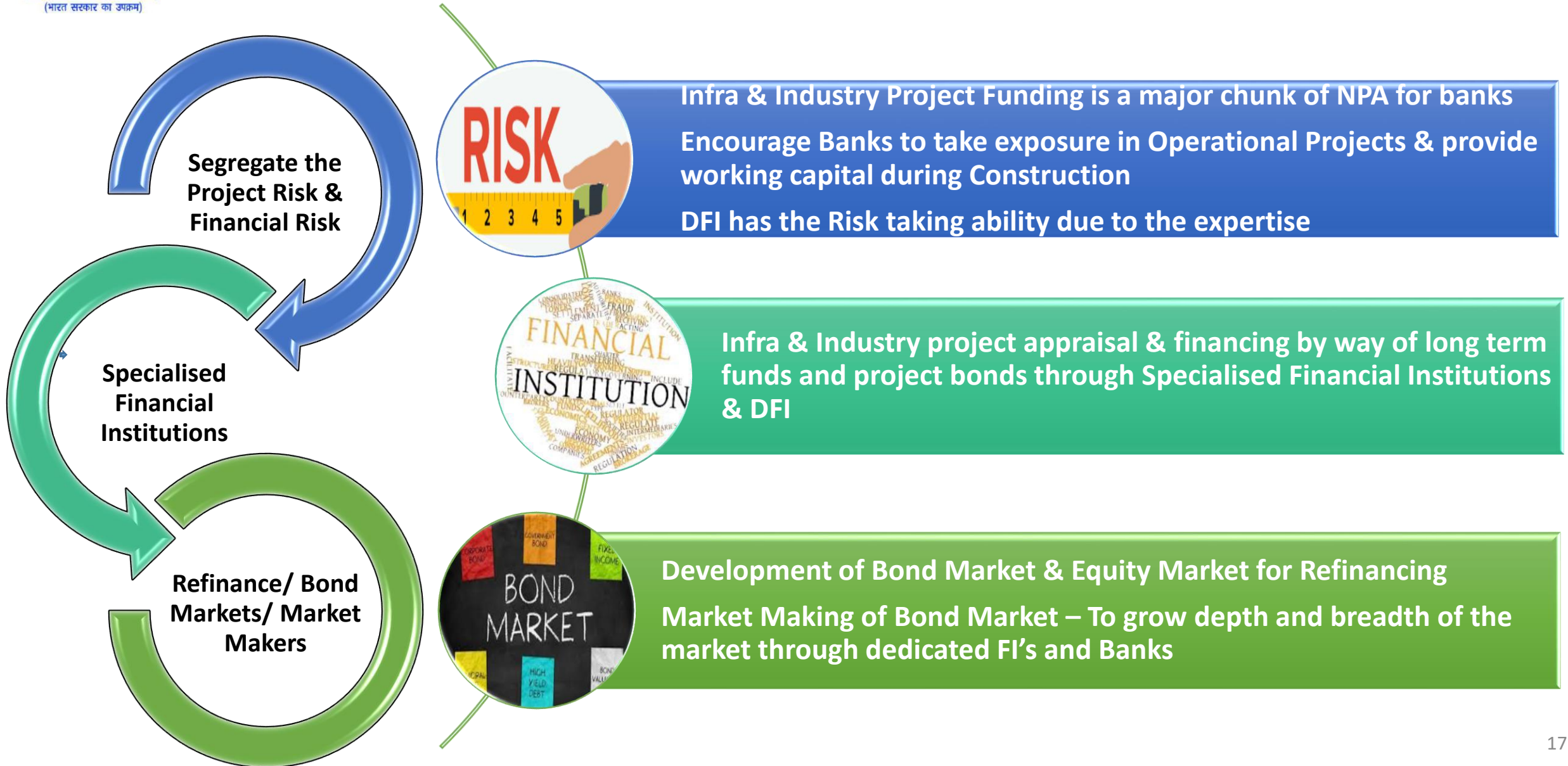


Effective Infrastructure Policies & Regulations = Leading To Sustainable DFI

	E-Commerce & Logistics	Telecom	Ports	Roads	Airlines	Airports	Power	Urban Infra	Social Infra
Competition	●	●	●	●	●	●	●	●	◐
Private Participation	●	●	●	●	●	◐	●	◐	◐
Effective Regulation	◐	◐	◐	●	◐	◐	◐	◐	◐
Policy	◐	●	◐	●	●	◐	◐	●	◐
Taxation	◐	◐	◐	◐	◐	◐	◐	◐	◐
Legal	◐	◐	◐	◐	◐	◐	◐	◐	◐

● HIGH
○ LOW

NEED FOR DFI TO ACT AS A CATALYST FOR ECONOMIC GROWTH



DFI NEEDS SKILLED HUMAN RESOURCES & TECHNOLOGY

TECHNOLOGY & TOOLS

- Use Effectively the Digital Technologies to provide the Citizens with all Infra Services and Industry Products at affordable prices and accessibility of health care and other urban & rural infra services.
- Make use of **2/3/4 G** digital communication with **IOT** devices eco-system to connect services & products to enhance productivity and Quality of Services
- Effective IT platforms & applications using **AI & Deep Machine Learning , Mathematical & Statistical Software's** for in-depth **Project Appraisal and Risk Management analysis and simulations** for making the good projects, policies & regulations
- Digital Technology & AI to be used to enhance the Services & Products productivity but **not to REPLACE** Human Resources

SKILLS & TALENT

- Re-imaging & Re-engineering of **Skills to** professionals in DFI and in Infra Sector to meet the new mixed public & private participated economy.
- Advanced Skill Development programmes re-designed to enhance analytical ability to skilled and semi-skilled in the Infra & Industry sectors
- Have more Skill Development Centres in Rural and Sub-Urban areas to have more inclusive participation by all

INSTITUTIONAL SUPPORT NEEDED FOR DFI ECO-SYSTEM



To Develop Institutional Framework for sustainable DFI Eco system:

- ❑ Sustained Policy Support for developing the DFI and Infra Eco System by Govt and other stakeholders.
- ❑ Appropriate Regulation & Risk Mitigation between DFI, Project Authority and the project with quick resolution e.g. priority of claims, easy substitution for non-performing promoters
- ❑ Infra & Industry projects being capital intensive and long gestation assets in nature needs better & effective regulatory framework for **(A)** Exposure Norms **(B)** Asset Classification **(C)** Provision Norms **(D)** Flexible framework for ALM and LCR may be prescribed.
- ❑ DFI should be given a lead role for project appraisal & funding. The Banks should be encouraged to participate along with DFI, on the pricing based on the credit risk perception of projects.



WE ARE COMMITTED

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(IN DEVELOPMENT OF THE NATION, SINCE 1948)

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