

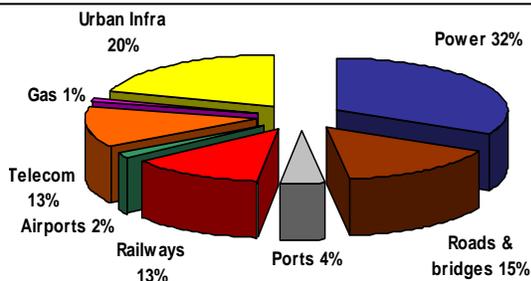
Creation of world class infrastructure, a prerequisite & foundation for growth, has finally caught the imagination of India and the country is on the move. This is apparent in the rapid growth of wide spread construction activities, covering entire gamut of infrastructure and robust economic growth rate, which has been, on an average, around 8.5% during last 5 years.

New Infrastructure Landmarks - T3 at New Delhi Airport (*8th largest passenger terminal in the world*), Delhi Metro sprawling across 200kms, ever expanding telecom network with consumer base of 752 million, emerging new highways, power plants and sea ports, are all the pointers towards new, emerging and vibrant India and the world class infrastructure that is rapidly taking shape.

Investment Opportunities in Infrastructure – Exciting Times to be in India

While infrastructure development has gained significant momentum in last few years, the

**Investment requirements (2007-12)
across sectors**



deficit is so large and the requirements are growing at such a rapid pace that it continues to pose a challenge. As per Planning Commission estimates, India needs a massive investment of US\$ 500 billion in 2007-12 and more than a trillion \$ in 2012-17.

Among infrastructure, power sector is estimated to require the maximum investment, (*US\$ 150 b*), followed by roads & highways (*US\$ 76 b*) and telecommunication and railways (*US\$ 65 and US\$ 62 billion respectively*). The urban infrastructure has been identified as one of the most important sectors in the recent times.

To meet the growing challenges of rapid urbanization, the Government of India under Jawaharlal Nehru National Urban Renewal Mission (**JNNURM**), has allocated US\$ 20 billion for urban sector. Another infrastructure development project which probably is the

largest in the world is Delhi-Mumbai Industrial Corridor (**DMIC**). It is being developed by the Government of India as a global investment and manufacturing destination supported by world class infrastructure and enabling policy framework. The DMIC spans across six states of India (Gujarat, Maharashtra, Madhya Pradesh, Haryana, Rajasthan, Uttar Pradesh), which contribute 43% in India's total GDP and more than half towards India's industrial production and exports. DMIC is expected to offer projects worth US\$ 85-90 billion, covering integrated industrial townships, SEZs, Knowledge Cities, Expressways and Highways, Inter modal Logistics Parks, Water Supply and Sanitation Projects, Power Projects (*conventional and renewable energy options*), High Speed railways, Ports, Mass Transport Facilities, Smart Cities, Airports, etc.

Infrastructure Sector Specific Investment Opportunities
<p>Electricity sector, where India is envisaging addition of 70,000 MWs power generation capacity in 2007-12. Projected investment in the electricity sector, including conventional and non-conventional energy, is estimated to USD 150 billion.</p>
<p>Further opening of Telecom sector has led to massive investments and expansion in supply coupled with improvement in quality. An investment of USD 65 billion is projected for the telecom sector in the next five years, over 60% of which is expected to come from the private sector.</p>
<p>Highways: India is currently engaged in a massive programme to modernize and upgrade its highways. India seeks to roll out 20 kms of roads a day - build 7000 km annually with an investment of US\$ 76 billion over next 3-4 years. Several policy initiatives and proactive approach of the Government has made it much easier for private sector players to participate in the world's largest highway program.</p>
<p>Airport is another area where private sector has been successfully engaged in investment and operation of airports. Modernization of Delhi and Mumbai airports has been undertaken by private sector companies, while the work on modernization of Kolkata and Chennai airports is being done with the financial support of the Government. Two new international airports at Bangalore and Hyderabad have already been developed through the public-private partnership (PPP). An investment of USD 8 billion is projected for airports, of which 74 per cent is expected from private sector.</p>
<p>Ports: Under the National Maritime Development Programme (NMDP), 276 projects have been identified for implementation in 2005-2012 with an estimated investment of USD 20.8 billion. Out of this, US\$ 11.6 billion is for the Major Ports and the balance is for Shipping and Inland Water Transport Sectors. During the same period, other ports would require an investment of US\$ 7.4 billion.</p>

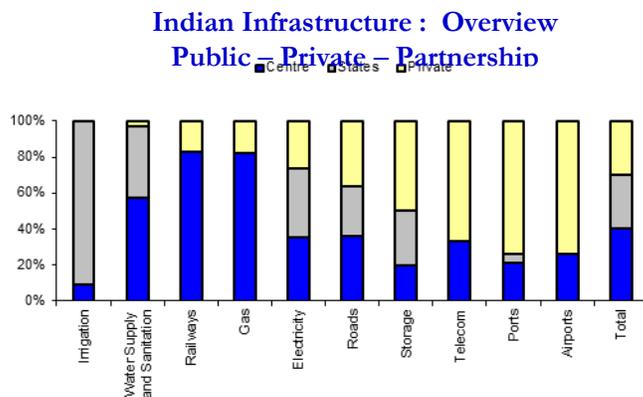
Conducive & Investors Friendly Policies and PPP Framework – The Driving Force

Realizing the massive investment requirements and need for better and competitive infrastructure services, Government of India has adopted a new approach with PPP as the cornerstone of its policy framework.

The policy framework allows 100% FDI in most of the infrastructure sectors with no restriction on repatriation of profit. Furthermore, the Government of India has launched a Viability Gap Funding (VGF) Scheme to enhance the financial viability of competitively bid infrastructure projects which are justified by economic returns, but do not pass the standard threshold of financial returns. Under the scheme, government provides grant assistance up to 20% of the capital cost of the project, with an additional grant of up to 20% of the project costs can also be provided by the sponsoring authority. The contractual documents, delineating the risks, liability and performance standards have been devised and 10 year tax holiday is available to private companies investing in Indian infrastructure. The government of India has also set up independent regulatory authorities to balance the interest of all stakeholders.

Private Sector Investment – A Success Story

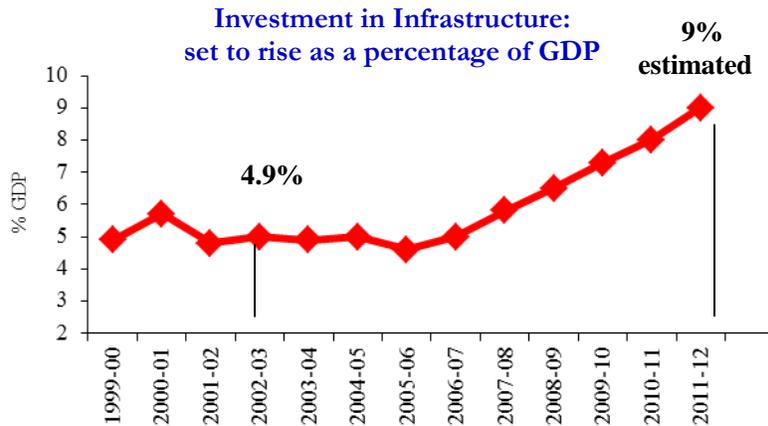
Contrary to belief, what makes infrastructure ticking in India is huge private investment coming from both, within India and abroad. The Public Private Partnership (PPP) approach has taken off with a big bang.



Large investments are being made by private sector in infrastructure verticals which would not have been possible earlier. In fact, many Indian infrastructure companies are not averse to exploring opportunities outside India; GMR & GVK, for example, after

having footprint in airport development and operation in India have undertaken airport projects in Turkey, Maldives and Indonesia. Share of private investment in the overall investment in infrastructure has grown tremendously. During 2002 - 2007, out of approximately US\$ 200

billion invested in infrastructure, US\$ 42 billion came from Private Sector. This trend continues and in next 5 years (2007-12), private investment in Indian infrastructure is expected to be more than 30% of



its total infrastructure financing needs of US\$ 500 billion. Even more satisfying is the fact that investment in infrastructure as a percentage of GDP has risen from 4.9% in 2002-03 to over 7.5% in 2010 and is all set to reach the target of 9% by 2011-12. Encouraged by the response of private sector, India is expecting US\$ 500 billion (50% of the total needs) out of total investment requirements of 1 trillion to come from private sector in the next Five Year Plan, beginning 2012.

Clearly it is an exciting time for infrastructure investment in India – opportunity of US\$ 500 billion from 2007 to 2012 and over US\$ 1 trillion exists between 2012 and 2017. With a conducive and transparent policy framework, it is the appropriate place for Infrastructure investors and developers from Germany to come over, grab the opportunity and be a partner in building modern India. Infrastructure is high on the agenda of policy framers across Indian political horizon. Private sector is eagerly getting involved in the challenging task of building state-of-the-art infrastructure for India. German Investors who may have held back in the initial phase will certainly find it a rewarding experience to participate in India’s infrastructure growth story.

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