

THE ECONOMY

India is the world's largest democracy and amongst the fastest growing economies showing remarkable resilience amidst stagnating global economy. However, it has been unable to completely insulate itself from the global factors, and has recently witnessed a relative decline in growth over the last few quarters.

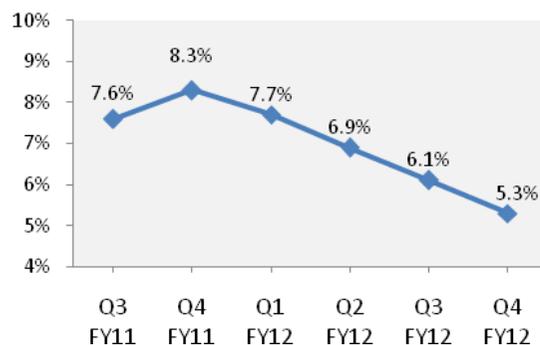


Figure 1: Quarterly GDP Growth of India

Even though the economy hasn't been able to sustain the momentum of 2010-11, and has grown at a relatively subdued rate of 6.5% in 2011-12, it is still growing 4 times as fast the Europe and USA.

PRIME MINISTER'S FOCUS ON INFRASTRUCTURE

In an effort to boost investment and drive growth in these "turbulent" times, the Prime Minister, Mr. Manmohan Singh has earmarked development of infrastructure as an integral part of strategy for fast economic development.

In the short term, development of infrastructure will boost investment rates across the economy. In the long run, it will remove the supply constraints that affect industry and trade. The PM recognises that the needs of the infrastructure sector are vast - over \$1 TN in the next five years. The government alone cannot invest such huge amounts and therefore it plans to involve the private sector through **Public Private Partnerships (PPP)**.

To inject urgency and renew focus on infrastructure, the government has set stiff and impressive targets for this fiscal year.

SHIPPING

The capacity of Indian ports went up to more than 1,200 MN tonnes by March 31, 2012, from about 1,100 MN Metric Tonnes per Annum (MTPA) at the end of previous financial year.

Announcements of New Major Ports

Two Major Ports will be built in Andhra Pradesh & West Bengal with total capacity of 116 MTPA & investment of USD 3.72 BN

The target for FY 12-13 will consist of a total of 42 projects. These projects are valued at INR 145 BN and will add capacity of 244 MTPA. The total capacity which will be awarded this year will be 360 MTPA with an investment of USD 6.36 BN.

RAILWAYS

The annual planned outlay of the railways for FY 13 was USD 10.92 BN, an increase of about 4.7% over the outlay for FY 12. The freight carriage target for

2012-13 is 1,038 MN tonnes and increase of 7% and is expected to generate USD 16.24 BN in revenues. The railways require USD 250 BN over the next 10 years to fund its modernisation plan. A gross budgetary support of USD 45.45 TN is expected during the 12th Plan (2012-17). However, it would be difficult to support the modernisation plan with only budgetary support & internal accruals so there is an emphasis on PPP projects.

The following PPP opportunities have been identified for 2012-13:

S No	PPP Opportunity
1.	Development of Dedicated Freight Corridor between the Bihar and West Bengal
2.	Elevated Rail Corridor, Mumbai with a total investment of USD 3.63 BN
3.	Two PPP locomotive manufacturing units
4.	Station redevelopment of 5 stations
5.	Proposal for a High Speed Corridor (Bullet Train) from Mumbai to Ahmedabad

CIVIL AVIATION

India is the 9th largest aviation market in the world and the passenger traffic is growing at about 17-18% for the last 7 years.

New Projects	Area
Total investment of USD 381.81 MN on Airport	Itanagar
Greenfield projects	Navi Mumbai, Goa & Kunnur
New International Airports	Varanasi, Trichy, Coimbatore, Gaya.
Development of Airline Hubs	Chennai, Delhi

The rapidly expanding aviation sector handles about 2.5 BN passengers and moves 45 MN tonnes of cargo every year. While there are several instances of private sector engagement in the airport development, a PPP policy for airport operations will also be explored.

Award of PPP Projects	Number of Projects
Existing airports	10-12
Greenfield airports	10-12

POWER

India has a total installed capacity of 2,01,637 MW

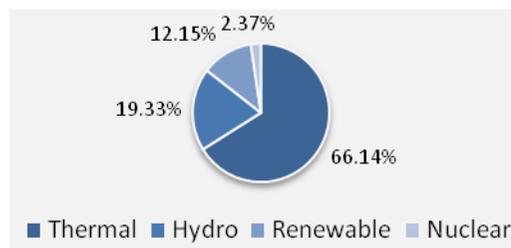


Figure 2: Installed Power Capacity (by Source of Power)

Over the last couple of years, the power sector has shown very impressive performance in term of capacity addition. The capacity addition of 20,501 MW last fiscal was almost 14% higher than actual

target. The targets for the power sector for the year 2012-13 are as follows:

Area	Target
Capacity Addition	17957 MW
Power Generation Target (increase of 6.2%)	930 BN Units
Coal Production by CIL (increase of 8.8%)	470 MT

ROADS

India has a total road length of 3.3 MN kms. The road network carries 65% of the country's freight and 80% of its passenger traffic.

Category	Length (km)
Expressways	200
National Highways	71,772
State Highways	1,31,899
Major District Roads	4,67,763
Rural & Other Roads	26,50,000

National Highways constitute about 1.7% of the road network but carry about 40% of the total road traffic. The total road length to be awarded in FY 12-13 will be 9,500 kms, an increase of 18.7% over last year. The total investment will rise by 73.6%.

The Road sector has been a showpiece for successful PPP projects. The National Highway Development Project's (NHDP) have been executed through increasing private partnership. This year 4,360 kms of roads will be awarded for maintenance under the OMT (Operate, Maintain and Transfer) system.

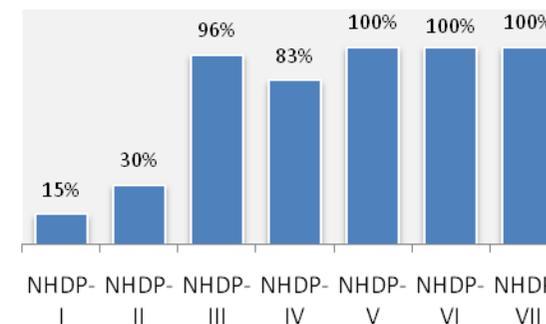


Figure 3: Share of PPP projects in various NHDP (National Highway Development Projects)

CONCLUDING REMARKS

There is a clear policy focus on infrastructure development to boost economic growth. Active participation of private sector is required to fund & facilitate infrastructure projects which present a huge opportunity for core infrastructure development industries as well as associated feeder industries.

ABOUT INI CONSULTING

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