



BY S.N. SUBRAHMANYAN

Infra will Make India a Developed Country

But significant challenges still exist and need to be overcome



TO BECOME A developed country with a \$20-trillion economy is India's dream at 100, characterised by better economic growth, improved general standard of living, higher per capita income, and superior performance on the Human Development Index (HDI), which includes education, literacy and health. It is oft stated that for India to grow, India must build and, therefore, by direct inference,

infrastructure development is key to India realising her dream. Although the pace of infrastructure development has been impressive over the past couple of decades, there is no denying that both speed and scale must significantly increase. Fortunately, technology is emerging as the great enabler, paving the way for faster, safer, cleaner and more accurate construction with better control on quality and costs, with minimum damage to the environment.

Financing India's infrastructure dream: India needs a more mature financial architecture that allows for a phase-wise system of financing by

on-boarding different classes of investors with different risk appetites. If investors in bonds are usually not keen to bear the construction risk, banks should ideally finance projects at the construction phase with project special purpose vehicles (SPVs) empowered to issue bonds and funds during the post-construction phase to pay off the bank loans. The risk-bearing can, thus, get evenly distributed among multiple players. However, the Reserve Bank of India (RBI) and other regulators would need to fine-tune the existing regulations so that the credit ratings for such bonds do not become a hindrance.

We must also recast the way our infrastructure projects are financed. India's bond market needs to be deepened further so that its contribution to infrastructure financing can be enhanced. This will bring down the large dependence on commercial banks, especially public sector banks.

Over the years, the public-private partnership (PPP) model has undergone many changes. The need of the hour is to rejuvenate this model with a robust PPP framework that incorporates learnings from experience where both the government and private parties are clear about their roles. It is imperative for the state governments and local administrations to also partner with the centre in drawing up a pipeline of shovel-ready projects so that the private sector can focus on the execution part.

Foreign funds are always welcome: Substantial private funds also need to be mobilised from overseas investors to bridge the existing infrastructure deficit. The 100 per cent tax exemption allowed for investments by Sovereign Wealth Funds (SWFs) in infrastructure projects is a clear indication that the government is serious about attract-

ing international capital to finance India's infrastructure.

This needs to be supplemented with a positive work culture in which arbitration awards are honoured and not drawn into lengthy litigations, contractor payments are settled in time and all infra projects come with a 'deemed clearance' clause whereby any approval or permission, if not provided within a deadline, are 'deemed cleared' so that no project is held up unnecessarily. There is also an urgent need to put in place sector-

be a subject of investigation later. The push towards Asset Reconstruction Companies (ARCs) or the Insolvency and Bankruptcy Code (IBC) should not result in gross under-realisation of the loan value. Private and public sector bank boards, risk committees, or decision-making bodies, apart from having representatives from RBI, the Ministry of Finance, and professionals like chartered accountants, legal experts, etc., must also include industry professionals with domain expertise.

the onus rests on the government to lead in land acquisition and ensure that a fair and tenable deal is locked to avoid drastic delays. Clear land titling, uniform updation of records and simplification of rules regarding land use conversion will go a long way in curbing an artificial scarcity that pushes up land prices, thereby, creating a vibrant land market. Land being a subject on the State List, the states must proactively undertake reforms to allow land use conversion. A pan-India centre-state exercise should be initiated to digitise all land records and use of geospatial mapping to correctly map each parcel of land to its rightful owner. This will be useful in reducing the likelihood of property conflicts.

On the EPC front, the government did come up with guidelines to move beyond the current L-1 method of selecting a contractor. With adequate weightage given to technical competence and financial stability, bolstered by a lowest cost bid, there will be considerable improvement in the quality of work in our projects. While encouraging a greater number of contractors is the right thing to do, one needs to be cautious about disputes and litigation due to non-adherence to quality standards.

Though global capital moves with the interest rates regime, attracting global long-term funds that are on the lookout for better yields is also the need of the hour. Indian infrastructure projects can be an ideal investment opportunity for such investors. Coupled with the domestic private sector's appetite for infrastructure investments, as well as the government's constant push towards ease of building infrastructure, India is on course to realise her dream by 2047. **BT**

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specific dispute resolution tribunals to provide legal certainty.

Looking at NPAs through a fresh lens: For non-performing assets (NPA), though, the emphasis of banks or NBFCs must be on working out a restructuring plan for the loan in consultation with the borrower. This will not only bring in objectivity but will also remove the fear of decision-making. Legitimate business decisions, made on commercial lines, should not

Currently in India, NPAs are defined on the basis of the number of days the dues for a loan have remained unpaid. This could be tweaked to include certain qualitative and quantitative factors viz., the borrower's 'ability to pay', the value of collateral, underlying asset value, etc.

Removing hurdles: On the execution front, land acquisition has always been the single biggest factor that makes or mars a project. Perhaps