

EP|C World

Engineering Projects Construction

Extensive Coverage Obsessive Readership

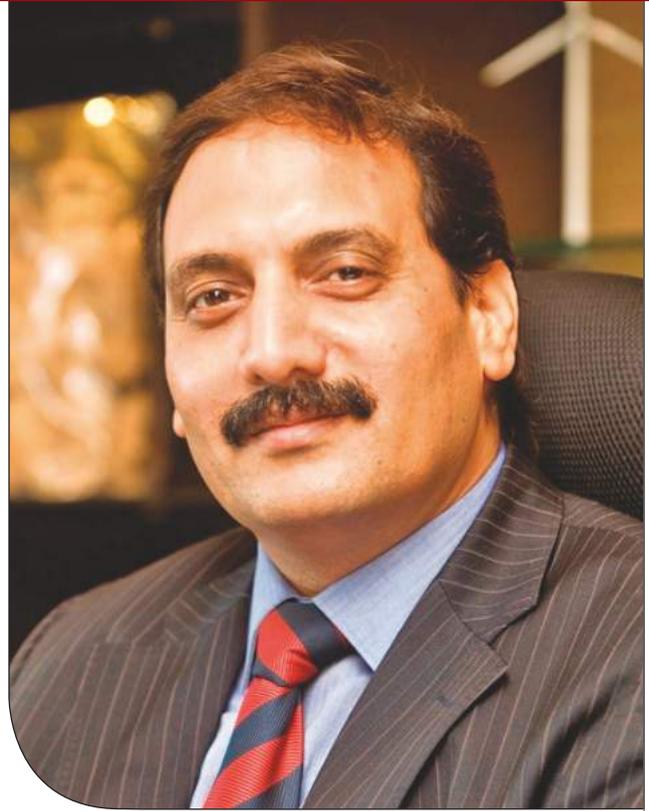


**FUTURE 2027:
INFRASTRUCTURE
DOWN THE DECADE**

Srei is focusing on developing the equipment leasing market

Telematics is aiding in improving the utility of construction equipment, says

DEVENDRA KUMAR VYAS, CEO,
Srei Equipment Finance



How do you see this renewed vigour, through policy reforms and increased budgetary allocation, affecting and aiding the infrastructure sector in the next decade?

A major change the policy reforms have brought is speedy execution (and when required, resolution) of projects. The policy logjam, witnessed in the recent years, had impeded the interest of the private players. Regulatory changes like the SARFAESI Amendment Act, 2016, The Mines and Minerals Act, 2015, the Bankruptcy Code, 2016 and many others have piqued the confidence of private investors once again. In FY 2017-18 budget government allocated ₹ 3.96 lakh crore to infrastructure, up from ₹ 3.4 lakh crore in FY 2016-17 budgets. The effort of the government through budgetary spending has been commendable.

However, the road ahead is long. By 2025 we are poised to become the third largest economy (by consumption). This translates into huge requirements in infrastructure, which needs to be fulfilled by government and private players alike. Over the next five years, Indian infrastructure needs investments of about USD 1 Trillion. With

“

A major change the policy reforms have brought is speedy execution

DEVENDRA KUMAR VYAS
CEO,
Srei Equipment Finance

such huge requirements in infrastructure it is imperative that we develop policies and regulations which ensure that investors' interests are protected. We need to ensure that the policies set in place are properly followed. Beyond policies we need to develop alternate sources of infrastructure financing. In the next 10 years we should see development of many alternative investment funds which are dedicated to funding infrastructure. Additional steps which can benefit the infra financing sector. The following steps, if implemented, can benefit the infra financing sector - Defined timelines for clearances of issues and awarding of projects; Infrastructure needs long term financing. It is therefore necessary to create a conducive environment for the same. A tax structure needs to be put in to encourage long term investments from pension and insurance funds, which hold the ability to provide funds for projects with longer gestation period. The raising of FDI ceiling for insurance can also help in procuring more funds; The government can work towards promoting green bonds by Asian Infrastructure Investment Bank and the New Development Bank for financing green



energy infrastructure; Promoting Masala Bonds; Strengthening of local bodies to maximize the potential of municipal bonds; Providing tax breaks for infra bonds; The government also has to incentivize investing in infrastructure. It has to create robust project revival and exit mechanisms; There needs to be more specialized infra companies like the Sagarmala Development Company; to bring in better project management of large infrastructure projects. SPVs for these special projects too can help source from the capital markets; Develop and promote more infrastructure funds like National Investment and Infrastructure Fund; One advantage India has had is it sees relatively less impacts of external shocks; and currently the government has liberalized FDI in many sectors. The government has to market these factors to bring in more investments. The policy reforms, the budgetary allocations, and the overall thrust for infrastructure have ensured that in the next decade the government's efforts in investments in infrastructure are met with equal vigour by the private sector.

Which are the segments in the infrastructure sectors that have the potential to transform the future of the sector?

All the infrastructure sectors are equally important from India's development point of view. Success of

different parts of our economy is dependent on each of these infrastructure sectors. There are a lot of exciting new projects and technologies which are coming up in each of the sectors. With the use of data analytics, it has become easier to identify key road projects and strategically map India's road network. Analysis of key economic nodes in the country can help to prioritize awarding of road projects which connect the nodes to the rest of the country. Drone technology will also be extremely helpful in project monitoring, especially in mega projects like the Chardham project, the Coastal line projects, and the large number of highway projects under implementation.

We have many new high speed projects coming up which will change the landscape of long distance rail travel in India. The Mumbai-Ahmedabad bullet train project is already in works and should be completed around by 2025. Technologies like Hyperloop, which is currently under implementation in Dubai, will be very beneficial to us when it comes to India. Facilitating such high speed connectivity will result in unprecedented boost to the dependant economic activities. Another sector of infrastructure which will provide impetus to Indian economy is the waterways.

Development of inland waterways and ports at the sea-fronts will dramatically improve the logistics for the manufacturers. This will also result in development of many roads and railway tracks connecting the ports to different parts of the country.

Power generation is another sector where perpetual technology innovations are causing fast disruptions. Despite exit by leading nations from the Paris agreement, India still stands firm on its vision of renewable energy. The mission to install capacity of 175 GW of renewable energy aided by the increasing adoption of installation and power consumption technology will dramatically change the power generation industry. Cheap solar energy is already causing disruption in the power generation technology. With the scaling down of costs, this could change the conventional way of power production while being environment friendly. Advancements in battery storage for power will change the pattern of power consumption in both industrial grids and also at independent businesses and houses. This will revolutionize the way energy is produced and hence the equipment used for power generation.

India's logistics cost is 13%-15% of the product cost. Inefficient logistics cost us 4.3% of our GDP in terms of wastage. The improvement in

infrastructure in the coming decade will be crucial in improving the logistics of the country. The advent of technology has dramatically changed the shape of world infrastructure. The booming economy has transformed us into early adopters of technology, and hence we are now entering exciting times for Indian Infrastructure.

How do you foresee the equipment sector in the next decade?

The equipment sector is highly correlated to the infrastructure sector. Depending on the sector and project, the cost of equipment can vary from 20% to 40% of the project cost. With the growth of the infrastructure sector, the equipment sector is also poised to grow. The advancement in the field of data analytics is disrupting the construction equipment sector. The focus of developers is now on using quality equipment. Telematics is aiding the developers and equipment manufacturers alike in improving the utility of construction equipment. In the coming decade, the focus will be on developing a holistic equipment eco-system; to improve on the usage of equipment, and better realization value for the equipment post project completion.

In the next decade, the equipment sector will be aided by technological developments to improve the quality. The advent of innovations in infrastructure means introduction of new, technically advanced equipment. As financiers, we are geared up to implement predictive analytics in analyzing the behaviour of these equipment. This will help us to come up with different asset adaptive solutions. The equipment sector is about to enter the next phase of growth. This growth will be aided not only by the increasing demand but also by the changing technology. We as financiers are poised to capitalize on both the fronts.

What will be SREI's contribution to the equipment sector down the decade?

Historically, Srei has been the market leader in innovating the equipment financing sector. From inventing innovative financing schemes and products to launching innovative platforms for equipment financing, Srei has always been at the fore-front. Srei has been an early establisher of used equipment market for used/refurbished equipment. With iQuippo, Srei once again brought in the much needed digital

infrastructure equipment market.

Srei is also the pioneer of developing the used and refurbished equipment market in India. There are a lot of hassles in maintenance, selling and transportation of refurbished equipment. Srei has many online and offline platforms, products and services to help developers and OEMs conduct the sale of used and/or refurbished equipment. The dynamics of project's financing in India creates a huge potential for used equipment, but there is a need to establish an efficient marketplace for the same.



platform in the equipment selling space. iQuippo allows owners to list their assets and services, negotiate with buyers, close terms of the deal, generate digital contracts/invoices, and get real-time payments. The platform offers total solutions for all types of construction and mining equipment and also provides value added services like asset certification, valuation, parking, maintenance, logistics, spare parts and manpower. Sellers can upload asset details and images, and transact with buyers instantly. iQuippo offers total solutions, solving the problems of market access and information asymmetry in the large but fragmented

Another area Srei is focusing on is developing the equipment leasing market in India. Compared to the developed economies the equipment leasing market in India is pretty nascent. There is little penetration in terms of literacy of leasing products. Srei has a highly trained team of relationship managers, Srei channel and Entrepreneurial partners which aid our customers on the benefits of different financial products and help them choose a financing option tailored specifically to their needs. In the coming decade, they will be instrumental in increasing the penetration of construction equipment finance in the country.

EPCWorld