

## **PRESS RELEASE**

**24<sup>th</sup> March 2010**

### **Increasing infrastructure investment could lead to double digit growth for India**

The City of London and Execution Noble today (Wednesday) launched a paper outlining challenges and issues faced by foreign and domestic participants in Indian infrastructure development. The paper presents a series of recommendations to address the challenges of investing in and ultimately completing infrastructure projects in India.

The authors estimate that implementing these recommendations could increase India's annual spend on infrastructure by US\$30 billion; in turn this could generate GDP of US\$50 billion and push India's GDP growth rate well beyond double figures.

The issues raised centre around the supply of bankable projects, implementation, taxation and regulatory issues. Most surprisingly, not one interviewee stated a lack of capital to be a major obstacle to India's infrastructure programme.

These are challenges which face both foreign and domestic participants. However, a number of issues were raised which are specific to foreign participants, such as the current uncertainty around the India-Mauritius tax treaty and the restrictions on the exit options for foreign financial investors. More generally, international participants – who have a range of potential investment destinations available to them - are more likely to be deterred by an uncertain policy environment than domestic firms. Likewise, the small size of projects at state level, lack of transparency in the bidding process and issues around dispute resolution are all identified as challenges to increasing international participation.

Stuart Fraser, Policy Chairman at the City of London said: *“In spite of these “challenges” – and I use this word rather than “problems” deliberately – the appetite of both domestic and foreign firms to maintain and grow their participation in Indian infrastructure projects is strong.*

*“This paper gives real guidance about the reality of the opportunities and how best to proceed and we hope will bridge the gap between the status quo and the ideal state of affairs.”*

Saurabh Mukherjea, Head, Indian Equities, Execution Noble said: *“There is a paradox to think about. India desperately needs more infrastructure. The capital suppliers are waiting to get involved. But because enough projects aren’t being created, the returns on the few created projects are being competed down (with dozens of developers and Private Equity houses jostling for those few projects).*

*“Every year India is spending US\$60-70bn on infrastructure as opposed to the US\$100bn p.a. targeted under the latest five year plan. If the extra US\$30bn is spent, it would generate incremental GDP of approximately US\$45bn (using the well accepted fiscal spend multiplier of 1.5X). Since US\$45bn is around 4% of GDP, that’s the price India pays each year for not meeting the targets of the 11th five year plan. This suggests that if we can get our infrastructure build sorted out that alone will flip our GDP growth into double digits.”*

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## **Notes to editors:**

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Headquartered in London, with offices in Scotland, the United States, Hong Kong, India, France and Germany, Execution Noble has been servicing many of the world's major investing institutions, including mutual funds, pension funds, insurance companies and hedge funds since 2001, as well as over 500 listed and unlisted growth and mid-cap companies.

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