



India: Enabling Monetization of Infrastructure Assets in India

Project Name	Enabling Monetization of Infrastructure Assets in India	
Project Number	48353-001	
Country	India	
Project Status	Active	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA 8876-IND: Enabling Monetization of Infrastructure Assets in India Technical Assistance Special Fund US\$ 225,000.00	
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development Knowledge solutions Private sector development	
Sector / Subsector	Finance - Banking systems and nonbank financial institutions	
Gender Equity and Mainstreaming	No gender elements	
Description	<p>The importance given by the Government of India to infrastructure has increased substantially by doubling the target investment requirements to Rs51 trillion (more than \$1.0 trillion) in the sector under the current 12th Five Year Plan (2012_2017). Supply of long term financing for infrastructure has historically been the stronghold of commercial banks. With the rapid growth in bank credit to infrastructure, banks are increasingly becoming constrained lending to the sector as they gradually are approaching their internal and prudential exposure limits. With the implementation of Basel III in March 2019 in India, banks and in particular, public sector undertaking (PSU) banks are not well placed to meet capital projections to manage the transition. PSU banks will have to rely heavily on government contributions and/or raise external capital. In this context, if banks are to continue to lend to the infrastructure sector, it will need to secure long-term viable sources of funds or sell-down existing loans to create liquidity and additional capital.</p> <p>The capacity and development technical assistance on Enabling Monetization of Infrastructure Assets (the Project) in India aims to (i) identify the rationale, the issues and challenges, and the enabling framework for securitization; (ii) engage with regulators and market participants; and (iii) develop a structure and roadmap that will lead to piloting a project of monetizing or securitizing infrastructure loans of select PSU banks in India.</p>	
Project Rationale and Linkage to Country/Regional Strategy	The Project will explore the potential of securitization as a commercially-viable structure for infrastructure financing, especially in light of Basel III norms. The objective of securitization is to help PSU banks to (i) reduce capital requirements as a result of its significant lending exposure to the infrastructure sector, in line with meeting Basel III norms; and (ii) recycle capital by creating liquidity and headroom for further lending to infrastructure projects, including new or greenfield projects.	
Impact	Improved enabling framework on securitization in India	

Project Outcome

Description of Outcome	Ready pilot securitization structure for candidate PSU bank/s for implementation
Progress Toward Outcome	In progress.
Implementation Progress	
Description of Project Outputs	<ol style="list-style-type: none"> 1. Completed thorough assessments of infrastructure financing and securitization market in India 2. Developed sound business case for securitization of infrastructure assets in India 3. Developed commercially-viable structuring options on securitization of infrastructure assets 4. Candidate PSU bank/s identified for the pilot securitization 5. Stakeholder workshop conducted and project roadmap completed for the pilot securitization

Status of Implementation Progress (Outputs, Activities, and Issues)	DEA, DFS and key stakeholders have acknowledged the benefits of the securitization of infrastructure assets, presented in project outputs 1-4 (i.e., "As-Is Analysis," "Market and Policy Assessment Report," "Structuring Commercially-Viable Securitization of Infrastructure Loans," and "Screening, Selection and Preliminary Due on Candidate Bank," and expressed support for the TA. A stakeholder workshop is scheduled in April to present the work under the TA and the findings of the study, and engage various stakeholders for discussions - leading to a roadmap for the pilot securitization transaction.
---	---

Geographical Location

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design The S-CDTA includes, among other things: (i) analysis of infrastructure financing and the securitization market in India; (ii) an assessment of select PSU banks' infrastructure loan portfolio; (iii) a market study and dialogue with stakeholders to gain inputs on structuring of the pilot project; (iv) an assessment of the regulatory, legal, taxation, and accounting frameworks identifying challenges and issues which will need to be reformed; (v) the development of potential securitization structures for the pilot project and recommendation of a viable framework allowing the sale of infrastructure loans from the PSU bank/s to the special purpose vehicle; (vi) screening and selection of candidate PSU bank/s for the pilot project; (vii) preliminary due diligence on the infrastructure loan portfolio of select PSU bank/s; (viii) identify and recommend potential reforms to strengthen candidate PSU bank/s' credit and risk management practices, including governance; (ix) development of a project roadmap; and (x) organization of a stakeholder workshop for the dissemination of findings and recommendation.

During Project Implementation The Department of Financial Services (DFS) is the executing agency for the S-CDTA. The South Asia Public Management, Financial Sector and Trade Division (SAPF) of ADB is implementing the S-CDTA. CRISIL Infrastructure Advisory was engaged as consultant in June 2015. The S-CDTA was structured into five project outputs or modules. To date, three of the five project outputs were completed with extensive consultations made by ADB and CRISIL with DEA, DFS, regulators, public sector banks, and market stakeholders. Status of completion of the S-CDTA outputs are as follows:
Output 1: As-is Analysis Report (September 2015)
Output 2: Market and Policy Assessment Report (December 2015)
Output 3: Structuring a Commercially-Viable Securitization of Infrastructure Loans (March 2016)
Output 4: Developing a Pilot Transaction remains ongoing. Liaison with select candidate public sector bank to validate benefits of securitization to banks, using actual infrastructure portfolio data (November 2016)
Output 5: Final Stakeholder Workshop (anticipated in April 2017)

Business Opportunities

Consulting Services To achieve the planned outcome, the S-CDTA will engage a consulting firm on a lump-sum remuneration contract based on the delivery of the outputs specified in the terms of reference. The method of selection will be based on ADB Consultants' Qualifications Selection applicable for small assignments given that the proposed TA contemplates recruitment of highly specialized experts in the field of project financing, securitization, banking regulations, credit, legal, taxation and accounting, and working familiarity of Indian banks. With the introduction of Basel III regulations in India by 2018, it is preferred that the consulting firm would have relevant technical and project expertise to advise ADB and Government of India on the implications of this new regulation to the proposed securitization of infrastructure loans by PSU banks being envisaged. Consultants will be engaged by ADB in accordance with its Guidelines on the Use of Consultants (2010, as amended from time to time). The proceeds of the S-CDTA will be disbursed in accordance with ADB's Technical Assistance Disbursement Handbook (2010, as amended from time to time). For the dissemination of the findings of the study through stakeholder workshop, the advance payment facility could be used.

Procurement not applicable

Responsible Staff

Responsible ADB Officer	Romero-Torres, Jennifer
Responsible ADB Department	South Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, SARD
Executing Agencies	<i>Department of Financial Services, Ministry of Finance 3rd floor, Jeevan Deep Building, 10 Sansad Marg</i>

Timetable

Concept Clearance	-
Fact Finding	-
MRM	-
Approval	13 Feb 2015
Last Review Mission	-
Last PDS Update	02 Mar 2017

TA 8876-IND

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
13 Feb 2015	-	13 Feb 2015	30 Mar 2016	15 Nov 2017	-

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
225,000.00	0.00	0.00	0.00	0.00	0.00	225,000.00	13 Feb 2015	107,388.56

Project Page	https://www.adb.org/projects/48353-001/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=48353-001
Date Generated	06 July 2017

ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided "as is" without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.