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The outlook for PE in Infrastructure in India

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Abstract

After the introduction of New Industrial Policy 1991, India has emerged into a more deregulated and investment friendly environment from a regulated economy. The various reforms undertaken by Government of India (GOI) have made India emerge as an attractive and lucrative place for investment.

After Global crisis, the world is passing through unprecedented economic and financial challenges. The impact of the same has also affected Indian Economy. Rate of Growth of GDP of India has also declined over the last one year. Rupee has devalued. But amidst this scenario, the only catalyst which can bring back Indian Economy on the path of development along with Inclusive growth is creation of world class Infrastructure. Recognizing the need for balanced development of infrastructure, the GOI has laid down various plans for the up gradation, modernization and expansion of infrastructure including Power, Roads, Airports and Telecom sectors.

Financing of Infrastructure is characterized with huge investment, long gestation period, repayment from the revenue spread over a long period of time. Till 90's, Infrastructure investment in India was financed almost entirely by the public sector and participation of private sector was very restricted. However, in the past decade, the private sector has emerged as a significant source in financing infrastructure from Railways to Power to Telecom sector. The government has been inviting Private participation in increasing the financing capacity for infrastructure by way of PPP, Commercial banking lending, FDI and Private Equity.

Private Equity (PE) Industry has established itself as a potential source of capital for the last few decades. PE have played a significant role in the productive use of existing assets and resources by investing in companies which have untapped potential by recognizing their operations in such a way which increases their values. Besides financial support PE investors have provide considerable knowledge of specific sectors and niche markets by designing out business plans

and strategies for their portfolio companies leading them on the way to success path. Over the time, PE has become a well known source of finance in Indian corporate sector.

India has become an attractive market for Global PE investors. Even the Indian companies which were earlier hesitating to go for PE because of fear of diluting control and ownership, are showing more appetite for PE because of high debt rates and unwelcoming equity market.

The infrastructure accounts for 26.7% of India's Industrial output. The Planning Commission has projected that investment in infrastructure would almost double at US$ 1025 Billion in the 12th Five year Plan compared to US$ 514 Billion in the 11th plan. Of the US$ 1025 Billion, 50% is expected to come from private sector whose share had been 36% in the 11th plan. Such private participation would only help to lower and improve efficiencies in a competitive environment. Over the years PE has made themselves as Prominent Source of Finance in infrastructure in India. In the coming years, PE will play a significant role in the financial structure of Indian Economy.

This paper takes stock of the evolution of PE in the development of Infrastructure and also analyses PE's further Opportunities as a source of Finance in developing Infrastructure in India. Secondary data will be used for the analysis of the role of PE.

Introduction

Gone are the days when for starting one's own business, one had to contribute capital by oneself only. Today, many sources of Finance are available to a business. But generally, lenders are interested in contributing to the running businesses only. The Entrepreneurs hesitate in expanding their businesses sometimes due to lack of funds, sometimes due to lack of expertise.
Here the Private Equity comes forward to fill the gap between the innovative ideas and actual use of those ideas. Private Equity acts as a conduit pipe for providing the Entrepreneurs the wings to take their ideas up to the sky.

Private Equity

Private Equity (PE) provides capital to firms which have not gone public and therefore are not quoted on a Stock Market. PE investment is generally made by high Net Worth individuals or organizations like Pension Funds. It includes Venture Capital, Growth Capital, Leverage Buyouts and Angel Investors. Money raised by PE along with borrowed money is ploughed into firms which are under performing and are expected to be able to do much better. PE, besides bringing finance with it, it also brings skills, expertise and net work with them to the table which are lacking with other sources of finance.

PE investors are generally compensated when:

a) The firm goes public

b) It is sold/merged
c) When it is recapitalized.

Initially, PE came to India in the form of early stage/VC particularly in the IT and, telecom sector. Around 2004.PE in India was a niche and small. Few had heard about and even fewer understood it.

It was telecommunication that ignited interest in India, in March'2005 when the international PE firm Warburg Pincus sold his stake of $560 Million in Bharti Tele ventures, in one block sale. Warburg Pincus had made $ 1 Billion by selling off 2/3rd of its 18% share in Bharti Televentures, which was acquired at $300 Million, made in stages between 1999 and 2001. The shares were sold in BSE and the deal was completed in a breathtaking 28 minutes, which showed the depth and maturity of the Indian Equity market to the World.

Bharti deal made India a remarkable destination for private equity investors. This deal ignited the interests of PE firms not only within India, but also around the world.

In 2004,PE about which few had heard and was understood by fewer, had turned into first page news of the newspaper in 2007. India was booming and Global World renowned PE companies from KKK to Blackstone had made their presence felt in India. Prominent PE funds in India are Flipkart, Pipavav Shipping, Bharti Airtel, Punj Lyod,Pantaloons and Snapdeals among others.

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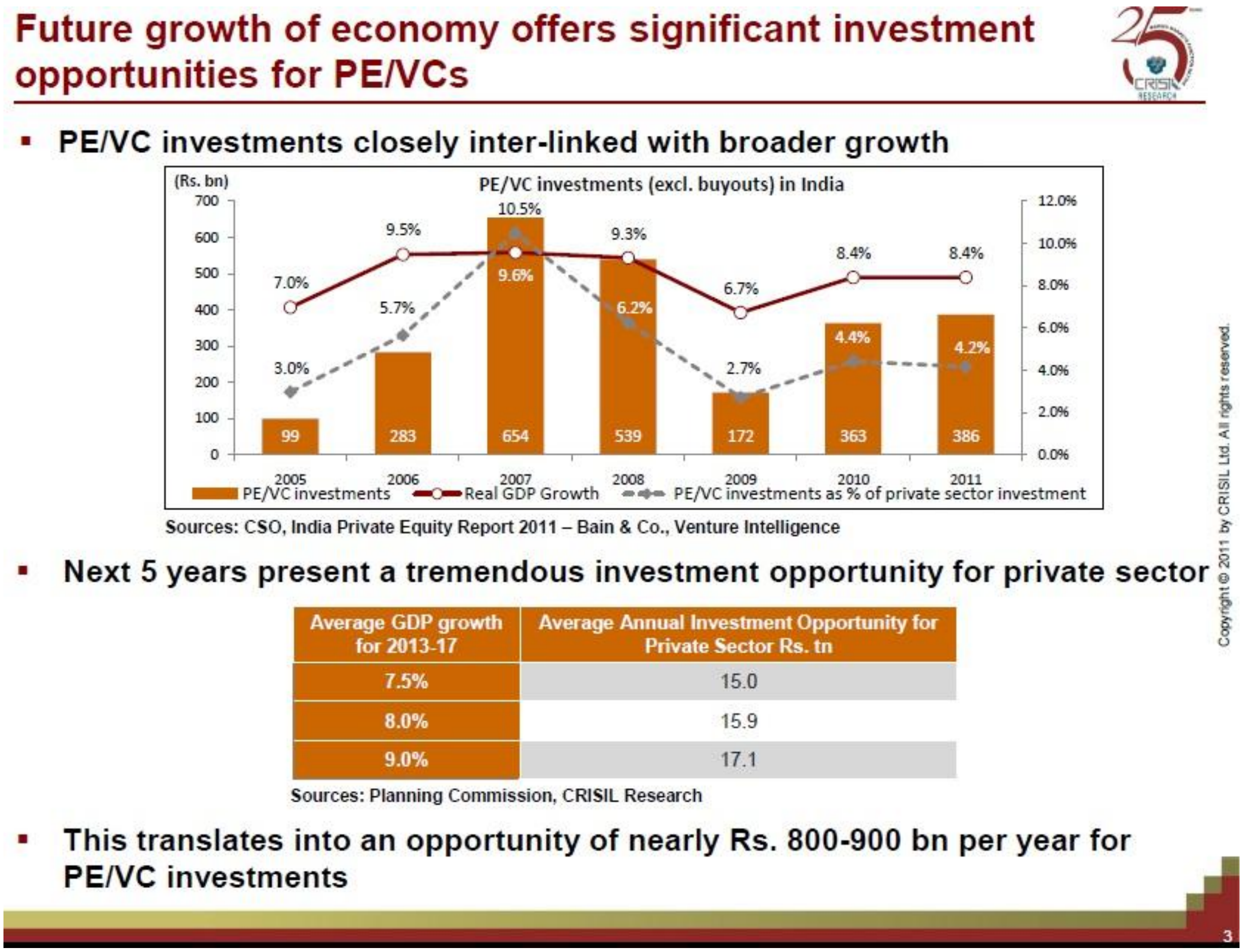

Source: CRISIL

However, the value of PE deals in India shrank in 2012 to $7.8 billion from 8.8 billion in the preceding year.(Grant Thornton Report). The Governance issues, expectations such as retrospective tax on foreign investors, the weakness of the rupee also kept scaring investors away from India.

However, certain steps Legislative improvement steps such as deferment of GAAR, introduction of Alternative Investment Fund (AIF) regulation and decision to bring PE in line with Foreign Institutional Investors (FII) with respect to capital Gain Tax on private companies transactions have made investors a bit more unbeat. For commercially viable projects, the government injects more cash known as Viability gap funding (VGF) as an incentive to the builders.

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Total PE Investments (Value) 2006-2012(US$ Billions)

Years	Amount(UD$)Billion
2006	7.9
2007	19.0
2008	10.3
2009	3.4
2010	6.2
2011	8.8
2012	7.4

Source :"The Fourth Wheel-Grant Thorton)

Infrastructure

Infrastructure may be defined as the basic physical and organizational structures and facilities and Capital Equipment needed for productivity in the Economy or the basic equipment and structures (such as roads and bridges) that are needed for a Country, region or organization to function properly.

One of the biggest economic challenges and PE's biggest opportunity is the development of infrastructure in India. "The reality is much of the India Infrastructure is still in its 1st innings and this is a baseball game, so there are 9 innings. It has ways to go" said Gautam Bhandari who heads the Morgan Stanley India. The Planning Commission has emphasized that Inclusive Growth of the Economy can be achieved only if the Infrastructure deficit, both in terms of capacities as well as efficiencies is overcome with the help of adequate investment in the Infrastructure sector . The Planning Commission has projected that investment in infrastructure would almost double at US$ 1025 billion in the 12th Plan compared to US$ 514 billion in the 12th Plan.

Till 90's infrastructure investment was financed almost entirely by the Public Sector and participation of the private sector was restricted. However, in the past decade, the private sector has emerged as a significant source in financing infrastructure from Railways to Power to Telecom sector.

Financing of Infrastructure is characterized with huge investment, Long gestation period, Lengthy Payback Periods. As such, these are not preferred by Commercial Banks as the Bank has to face the risk of high asset-liability mismatch. High rate of Interest makes Debt comparatively a expensive option for infrastructure firms. Consequently, PE investors and Infrastructure firms are trying to get the projects to some stage of completion or some stage of construction before they enter the capital market. The Government has also been inviting private participation in increasing the financing capacity for infrastructure by way of PPP.FDI and PE. Of the projected US$ 1025 billion by Planning Commission, 50% is expected to come from Private Sectors. Due to great potentials in India in Infrastructure, Private Equity and Venture Capital market can get high exposure in this sector. The entry of PE into India has made the entrepreneurship more strong and it's a new breed of companies which are giving a fillip and boosting Economic growth.

Investments In Infrastructure	Xth Plan (2002-2007)	XI th Plan (2007-12)	XII th Plan (2012-2017)
Infrastructure investment estimated by Planning Commission of India($ Billions)	200	500	1,000
% of GDP	5%	8%	10%
% of Private sector investment	22%	39%	50%

Source: India Private Equity Report 2011, Bain and Company

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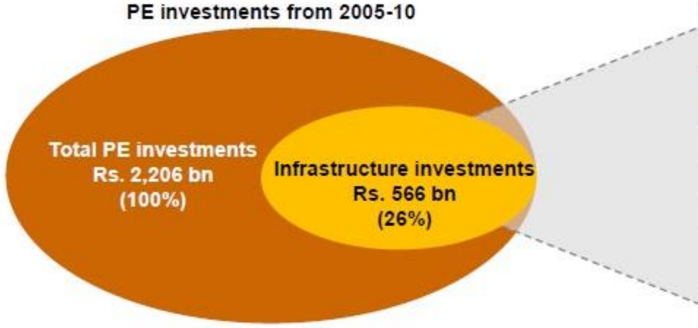
Indian infrastructure sector has attracted significant PE investments in the past

PE investments from 2005-10



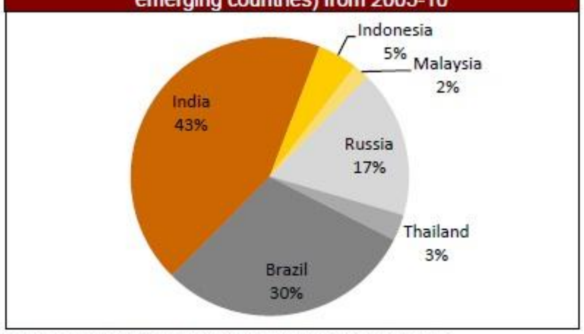
Sources: Grant Thornton, IVCA

Top 5 infrastructure sectors (by value) attracting PE investments from 2005-10

Overall rank	Sector	Value (Rs. bn)	No. of deals
2	Telecom	310	53
4	Power	170	78
12	Ports	32	13
19	Warehousing and cold chain storage	21	31
20	Oil & Gas	20	16

Sources: Grant Thornton, IVCA

Distribution of private investment in infrastructure (for 6 emerging countries) from 2005-10



Sources: World Bank and PPIAF, PPI Project Database. (http://ppi.worldbank.org)

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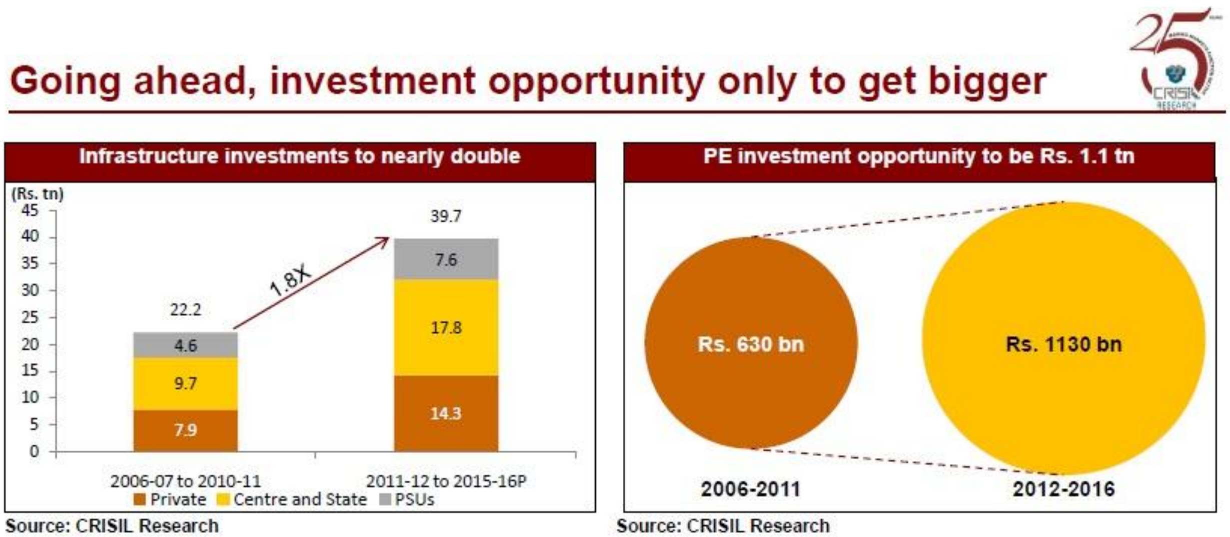

Source: CRISIL

The major infrastructural sectors that have been dealt here are:

1) Power
2) Telecom
3) Airports and Ports
4) Railways
5) Roads

Infrastructure projects in India are generally developed through individual project companies called 'Special Purpose Vehicles'. Group of SPVs are then held by a single company (Holding Company) separate from the main company of the developer.

Power – With Increasing Demand

Presently India is the 5th largest Electricity capacity in the world. Reforms were brought about by the Electricity Act 2003 led to far reaching policy changes, including mandating the separation of Generation, abolishing Licensing requirements in generation and opening up the sector to Pvt. Players thereby paving the way for creating a competitive market-based electricity sector.

Effective and Investment friendly policy road maps designed by the Government of India are increasing the liberalization of the Nation's economy, especially in the Energy sector. Initiatives include ambitious five year plans for increasing installed electricity infrastructure, the new exploration and licensing policy for increasing the production of oil and gas and the nuclear sector's recent embrace of international companies to provide equipment and related services.

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Economic Growth, higher incomes and a growing population has led to All India average energy shortfall. During the 11^{th} plan, nearly 55,000 MW of new generation capacity was created, yet there continued to be an overall deficit of 8.7% and peak shortage of 9%(Economic Survey 2012-13),-no slowdown in investment is anticipated.

Opportunities in transmission net work venture – additional 60,000 circuit Km of transmission network expected by 2012. The policy and regulatory framework is pro-investment—shifting away from negotiated and guaranteed to open and market competition.

To attract foreign investors in the power sector, FDI up to100% is permitted under automatic route for projects of electricity Generation,(except atomic energy) Transmission and Distribution and power trading.

Potentials / Opportunities

The Investment climate is very positive in the Power Sector. Due to the surge in the Private sector, the power sector has witnessed around 25 % higher investment flows than expected.
Hydel Power potential of 1.5 Lacks MW is untapped as assessed by the Government of India. Total investment opportunity of about US$ 200 Bn over a 7 years horizon.

The government is keen to draw Private investment into the sector. In the 3^{rd} quarter of 2010, power sector attracted the maximum PE funding with 11 deals collectively worth $ 626 million. Notable among them was Moser Baer Projects, a company engaged in power generation, which attracted 300 million. India's Power Sector will generate revenue of us$ 294 Billion during the 12^{th} Five year plan (2012-17) according to Ministry of Power. The resources currently allocated to energy supply are not sufficient for narrowing the gap between energy needs and energy availability. The 12^{th} Plan has projected a total domestic energy production of 669-6 million tons of oil in 2016-17 and 844 in 2021-22. This will meet around 71% and 69% of expected energy consumption.

Power sector is one of the sectors which depend upon the Domestic market demand and where Global crisis don't affect the demand.

Airports – Flying High

India is blessed with 125 Airports of these 11 are designated as International airports. Indian private airlines account for around 60% of domestic passenger traffic.

By 2015, tonnage traffic is likely to increase by around 10% per year on average. Container traffic is expected to grow at a rate of 14% per annum, leading India's transactions more than the

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Global average by approximately by 9% per annum and passenger traffic by about 15% per annum. 64% of the proposed investment in major ports is envisaged from Private players. Containerized Cargo is expected to grow at 15.5% CAGR over the next 7 years.

The new Foreign Trade Policy doubling of India's share in Global export in next 5 years to $150 bn.

Estimated investment of Rs. 40,000 crores (US$ 9Bn.) will be required for Airport development over the next 5 years.

100% FDI under automatic route is permitted for port development project. The Government of India has cajoled for Private Sector by offering 100% tax-exemption for Air-Port Projects for a period of 10 years.

PE players have identified this growth potential and have begun to invest in the sector. Since 2005-06, the sector has witnessed investment totaling US$ 377.94 billion up to 2010-11.

Opportunities

On the basis of strong market fundamentals, it is anticipated that the civil Aviation market will register more than 16% CAGR during 2010-14.

Passenger traffic is projected to grow at a CAGR of over 15% in the next five years.

Cargo traffic to grow over 20% P.A over the next five years.

Estimated investment of about US$30 billion for Airport development over the next 10 years. 25 city airports are being considered for private investment.

US based aircraft manufacturer Boeing predicts that India will require 1,320 new Aircrafts valued at US$150 billion over the next 20 years.

The Ministry Of Civil Aviation expects creating infrastructure to handle 280 million passengers by 2020.

-Traffic at Major Airports is expected to grow at a CAGR of about 8% from 561 Million Tones (MT) in 2009-10 to 1,215 MT by 2019-20 and at Non-Major ports from 289 MT to 1,270 MT. (Increase of 11% on both the ports).

PEVC can play a pivotal part by making available finance for green field projects and for modernization of existing air-port projects in India.

Ports-gateway to India

India is blessed with 12 major ports and 187 minor ports along 7517 Km long Indian Coast Line. In merchandise trade, India's ports can accommodate some 10 Million TEU of Containerized Traffic, less than 10% of the Capacity of China's Port (Brain and Co. report 2011) overall ports handle 95% of India's trade in goods by volume and 70% by value.

Cargo handling at the main ports is projected to grow at 7.7% P.A (CAGR). Growth in Merchandise exports projects at over 13% P.A requires the need for large investment in ports infrastructure. Investment need of $13.5 Billion in major ports to boost infrastructure in the next 7 years. For improving –ports also, an investment of $14.5 Billion is required.

A comprehensive National Maritime Policy is being formulated to lay down strategy for development of the sector till 2025.

Potentials

Growth in merchandise exports projected at over 13% per annum underlines the need for large investment in port infrastructure. Investment need of $13.5 billion in the major ports in the next 7 years will be there.

64% of the proposed investment in major ports will be envisaged from private players.
Global exports in next 5 years to go up to $150 billion. A large portion of the foreign trade to be through the maritime route 95% by volume and 70% by value.

100 % FDI under the automatic route is permitted for port development projects.

An investment of $4.5 billion for improving minor ports is required.

In major Ports, Investment by Public and Private sectors are expected to grow at CAGR of 12%and 48% respectively. In non-major Ports and Inland waterways, Private investment is expected to grow at CAGR of 29.4% and 114.6%, all at constant prices.

Telecommunication-bringing people together

Telecommunication in India has grown to a big Industry over the last decade. The gross Revenue from the sector have gone to 130,000 Crore which amount to 3% of National GDP.Teleindensity an important indicator rose from 7.02% in March 2004 to 64.34% in November 2010 (Economic Survey 2011) and plans to increase rural teledensity to 70% by 2017 and 100% by 2020.

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According to Boston Consulting Group, the sector will witness up to US$ 56.3 Billion investment and market will cross the US$ 101 Billion in the next 5 years. India has the 2nd largest telephone network in the world with 938 million wireless subscribers in 2012.

Opening up of the Telecom sector to Private Investors has led to intense competition which in turn has resulted in a growth rate that is among the best in the world and competes with China.

With increasing private sector participation, the share of the Private Sector in total telephone connections has increased to 84.5% in November 2010 from a meager 5% in 1999 (Economic Survey 2011). The broadband subscribers have also reached to about 10.71 million up to November 2010 and aims to increase the number of subscribers to 154 million by 2014.

With the penetration of Mobile services and flourishing of Private services providers, rural telephone connections have gone up from 12.3 Million in March 2004 to 250.94 million in November 2010. With this India has the 2nd largest wireless network in the world after USA. Of the 15 odd players in the sector, only 2 are public sector entities.

The key factors which will lead to explosive growth in this sector are BWA (Broad Band Wireless Access) and 3G (Third Generation) telecom services. According to a wireless intelligence study (India 3G Rollout forecast market share 2011-15) connection in India is predicted to reach 400 Million within 4 years (30% of the Country's total mobile connections) 3G Connections are set to grow 3 fold between 2011-15 according to the study.

FDI in telecom sector during April-July 2011 stood at US$ 1744 million as per the DIPP data (Report by Department of Industrial Policy and Promotion). FDI up to 49% is on the automatic route and beyond that on the government route and besides this, 100% FDI in equipment manufacturing. FDI shall be subject to Laws of India and not as per the laws of Foreign Country.

Opportunities

Telecom services are expected to grow at 15% over the next 5 years requiring large investment in net work infrastructure.

The Government has recently announced that it had a vision to connect the rural masses and for this it is set to construct 10,000 towers connecting the remote parts of the country.

Moreover, considering the growth of wireless, there are excellent opportunities for domestic and foreign investors in manufacturing sector. Presently, most of the Wireless core Equipment is being imported and there is great potential to manufacture these items in the country (Economic Survey2011).

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With mobile subscribers growing at a pace of over 15 Million every month, the telecom sector is likely to witness huge investment of around US$ 112.6 Billion in the next 5 years Plan (2012-17) Commissioning of National optical Fibre Network (NOFN) making India a hub for telecom equipment manufacturing by incentivizing domestic manufacturer. To increase domestic manufactured products in telecom network to the extent of 60% by 2017. There has been provision of 1200 Million connections by 2017 and Broadband connections of 175 Million by 2017.

Private sector players are expected to investment US$ 90 Billion during the same period in expanding the infrastructure, according to the Department of Telecom.

Further National long distance (NLD) services have been opened for the Indian Private sector with a minimum paid up equity capital of US$ 56.3 Million.

Telecom had been one of the active industries for VCPE as there were 8 Deals valuing US$ 900 Million almost more than double in 2010 from 2009.

Expecting a large number of opportunities, PE has a big role to play in the coming future.

Railways - On a Speedy Track

The Indian Railways have been integrating India for the more than last 150 years, helping the economic life of the country accelerating the development of Industry and Agriculture. Indian Railways is known to be the largest Railways network in Asia and the 2nd largest Rail network in the world under a single management.

Rail traffic is expected to grow by 6% in passenger traffic and by 8% in freight traffic.

Indian Railways handles a number of activities such as freight and passenger operations, infrastructure development, manufacturing and other ancillary businesses such as cateri9ng and Tourism. The freight segment accounts for about 70% of the overall revenues. Indian Railways carries approximately 40% of the freight traffic and 20% of the passenger traffic of the country.

The Public sector investment is expected to grow at CAGR of 15% while Private investment is expected to grow at CAGR of 67%, all at constant prices. The substantial increase in private sector is driven by the expected private participation in high speed corridors, redevelopment of stations, private freight terminals, Ports and other connectivity projects and dedicated freight corridor projects.

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Future Outlook

-A sum of US$ 300 billion is planned to be spent on upgrading rail infrastructure (including new rail-lines, double/multiple lines, and high speed rail by 2020.

Some of the other major goals set for 2020 include:

(a) laying of 25,000 route KM of new lines
(b) electrification of 14,000 KM
(c) construction of 2,000 KM of high speed rail lines
(d) Up gradation of speed to 160-200 KMPH for Passenger trains.
(e) To set up special task force to clear investment proposal within 100 days
The 12th Five Year Plan maintains a focus on capacity building, modernization and safety in Railways and estimates a budget of Rs.7197 Billion of which Rs.800 billion is expected to be invested by private sector.
With increased business activity and demand and subpar quality of railways has led to plan tomodernise 19,000 Kilometer of railways lines over the next 5 years.

Besides above Metro Rails are underway in Delhi, Hyderabad and Bangalore-
The Planning Commission estimates investment in this sector during the Eleventh Five Year Plan to be around US$65.5 billion of which about 19% will be contributed by the private sector.

This opens avenues for the PEVC also. So far investment of Rs.6.26 billion from 2005-06 to 2010-11 has been taped by the PE sector. There seems to be ample growth chances for the PEVC in Railways.

Roads - On the Impressive track

Being the 7th country in the World Size wise, an efficient road network is necessary both for National integration as well as for socio-economic development. India has an extensive road network of 3.3 Million KMs- the 2nd largest in the World. Roads carry about 61% of the freight and 85% of the passenger traffic. Highways /Expressways constitute about 2% of all roads and carry 40% of the road traffic.

100% FDI under the automatic route is permitted for all road development projects.

100% Income-Tax exemption for a period of 10 years is available. Besides this, IIFCL will provide funding up to 20% of Project cost.

Since 2005-06, this segment has attracted PE investment worth Rs. 25.19 Billion. As per Planning Commission, estimates investment in the road sector during the Eleventh 5 year Plan will be around US$ 78.5 billion of which 34% will be contributed by the private sector.

Companies with Diversified Infrastructure Projects are comparatively less risky in nature as compared to individual projects; this may be one of the reasons for the attraction of the investors in this sector.

Opportunities

-The number of vehicles is growing year by year which calls for supplemental roads.
-According to ASSOCHAM Paper, road infrastructure by 2015, volume of passengers and goods traffic is likely to rise by roughly 15% per-annum on an average. The road sector will require investment in the range of US$75-90 billion over the next five years.
-the Road Ministry has unveiled ambitious programs to construct 35,000 KM of roads by March 2014 and has called for foreign investment.
Highway sector will attract investment worth US$123 billion in next 5 years.
-Laying six/four on different highways. The private investment is expected to grow at CAGR of 20.8% in Central roads and 16.6% in State roads, all at constant prices.

Outlook for sectors within infrastructure

Sector-wise infrastructure investments

	2006-07 to 2010-11			2011-12 to 2015-16 P	
Sectors	**(Rs. bn)**	**Sectoral share (%)**		**(Rs. bn)**	**Sectoral share (%)**
Power	5,315	24%		10,333	26%
Oil and Gas	3,852	17%		7,187	18%
Roads	3,180	14%		6,882	17%
Railways	1,961	9%		4,713	12%
Irrigation	2,027	9%		3,334	8%
Telecom	3,960	18%		3,167	8%
Water Supply & sanitation	1,168	5%		2,520	6%
Ports	345	2%		1,028	3%
Airports	367	2%		348	1%
Warehousing	72	0%		182	0%
Total	**22,247**	**100%**		**39,696**	**100%**

P:Projected
Source: CRISIL Research

Source: CRISIL

Conclusion

The entry of PE into India has made the entrepreneurship more strong and it's a new breed of companies which are giving a fillip and boosting to economic growth. PE investment in infrastructure in India has grown from about $1 Billion in 2006 to $4 billion last year, according to Bain and co., predicting activity could cross 25-50% a year over the next 3-4 years. According to Earnst and Young Report, the general consensus emerging among economists is that India will grow at 6.5% to 7% in 2013-14 and we should see some sort of business recovery and increased demand with a cooling down of inflation.

The year 2012 had not been good for PE in India due to various domestic and global macro-economic factors. Due to announcement of certain Legislations in PE funds, PE funds managers became very selective in identifying opportunities for investment. Moreover, devaluation of rupee, policy inertia as the Government struggled hard to deal with various corruption scandals during the year also led to fall in PE investment. However, there was fall in the Capital Market also. Excluding the offer for sale by the Govt. in Govt. owned companies, there were just 24 new issues in 2012, while the same was 39 in 2011 and moreover most of these were small companies.

Despite these setbacks, it is doubtless that PE has become a viable source of patient capital in India, in 2011; PE investment reached the 0.8% of GDP, according to Euro Monitor. In 2012, this figure dropped to 0.5%. This percentage is higher than those in China 0.26% and Brazil 0.26% though lower than those of more developed markets. (Bain Report 2012).

India is an advanced, global economy but with plenty of room for rapid modernization too. International Finance Corporation, the investment arm of World Bank, might invest $400 Million in equity deals in FY 2014 in India (Business Standard, Oct'2013).

According to Mr. Vikram Utamigh, M.D, Alvarez and Marshall, India, a PE Consultancy," The Indian opportunity cannot be replaced by any other country. While new markets like Vietnam, Srilankha, Indonesia may seem more attractive today, as they are new markets, they cannot replace India's long term opportunity" (Mint Oct'2013)

The continuing interest of PE investors in India can be attributed to two factors:

--- The country's long term prospectus

--- The changes in the investment landscape.

The attractive changes in the investment landscape, allow PE firms to make their deals in India differently and innovatively. India's 1.2 Billion strong population, educational upper middle class and expectation of 6-6.5% rate of economic and per capita income growth continue to attract investors.

Besides this there are PE Consultancy firms which help PE firms through various strategies. These consulting firms have discovered a lucrative line of business in working with PE firms (and in turn, the companies in which these firms have invested) to maximize their returns in 8-18 months. The team works closely with companies in which PE firms have invested, implementing strategies that not only increases profitability but also introduces new technology, reduces cost, emphasizes corporate governance and market extensions and finds ground for strategic alliances.

Almost half of the PE investment in India has been in business such as Power, other infrastructure areas, I.T, and real estate. Despite their importance to the country's economy, these businesses have been plagued by delays in govt.'s approvals, in-conducive regulations that have resulted in indeterminable delays and as a result overburden of cost. If these problems are solved, the PE investment can be increased further in infrastructure sector.

Another important factor which is taking place in Indian PE, is Secondary sales, Where one investor sells its stake to another. With a tepid market for IPOs, PE firms have increasingly keen to trade stakes among themselves.

Besides above, Insuring PE Transactions is also a trend which is rapidly catching on in India. Such Insurances are extremely helpful to PE firms as these ensure a clean exit for the fund. Insurance covers are bought by the buyers or the sellers in a transaction. In the presently commercial context, they are largely being considered by buyers. This provides a safe exit for the PE investors.

Recently, in a conference in November'2013, Mr. Raghuram Rajan said there is greater role for PE. PE can take the strain off overstretched domestic banks. The period of turmoil is over, with India's currency stabilized and its economy gradually gathering strength, boosted in part by recent stupendous increase in exports. There are simply too many people, the Indian economy is too large and is a big market for investors.

The large PE firms will remain active in India as they have deep pockets and some including KKR, TPG, BAIN, and Warburg Pincus have again invested large funds. India will never see a shortage of PE capital. Although the deal between Warburg Pincus and Bharti Airtel between 2004-05 has become news of last page of the newspaper, but it has not gone out of fashion among PE firms. PE has increased by 11% in terms of deal value from 2012 to 2013, according to latest news by VCC Edge Intelligence, 2013 report.

Despite some remaining issues, we see cause for optimism in the years to come. It is therefore up to the Indian Policy makers/Govt. to send fruitful message to investors for enhancing funds flow into the economy. For India to achieve its growth rate back to 9%, PE investment is important.

The investment opportunities in India continue to be large and I am extremely positive PE funds to continuously playing an active role in supporting entrepreneurs in India's growth story.