



Private Investment in Railways

Risks and Enablers



Agenda

ICICI Venture Overview

Avenues for PPP/Private Investment

Risks & Enablers

Investors', Environmentalists' & Lawmakers' Wishlist

ICICI Venture is India's leading private equity player

1

Industry leader - leading alternate asset manager in India since 1988

Managed funds over Rs 8000 crore spanning multiple economic cycles

Strong institutional parentage of ICICI - among the top Indian financial brands

Successfully deployed multiple investment strategies - Private Equity, Infrastructure, Real Estate, Mezzanine

Strong investment & exit track record

Deep and experienced management team

Unique and inimitable portfolio of assets

Strong access to proprietary deals

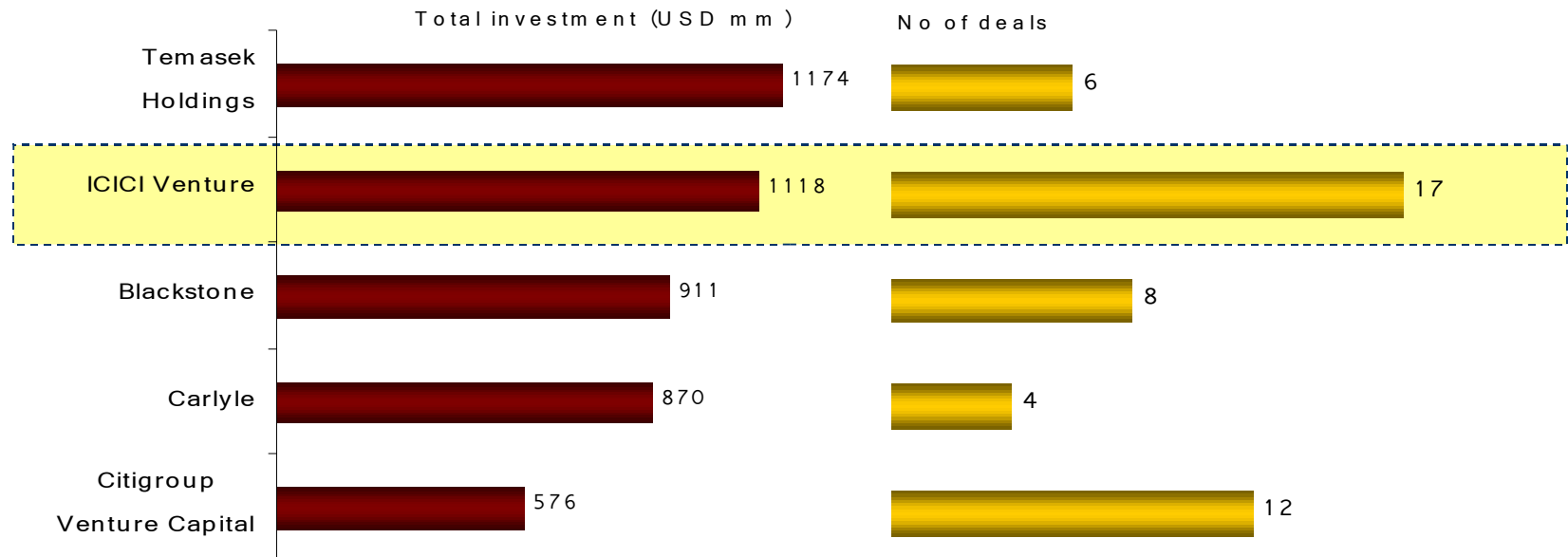
Through its established presence of two decades, ICICI Venture has pioneered the private equity industry in India

3



ICICI Venture - 2007

ICICI Venture has been a significant player in the market



Transactions in 2007

* Includes RE & PE deals

4



Agenda

ICICI Venture Overview

Avenues for PPP / Private Investment

Risks & Enablers

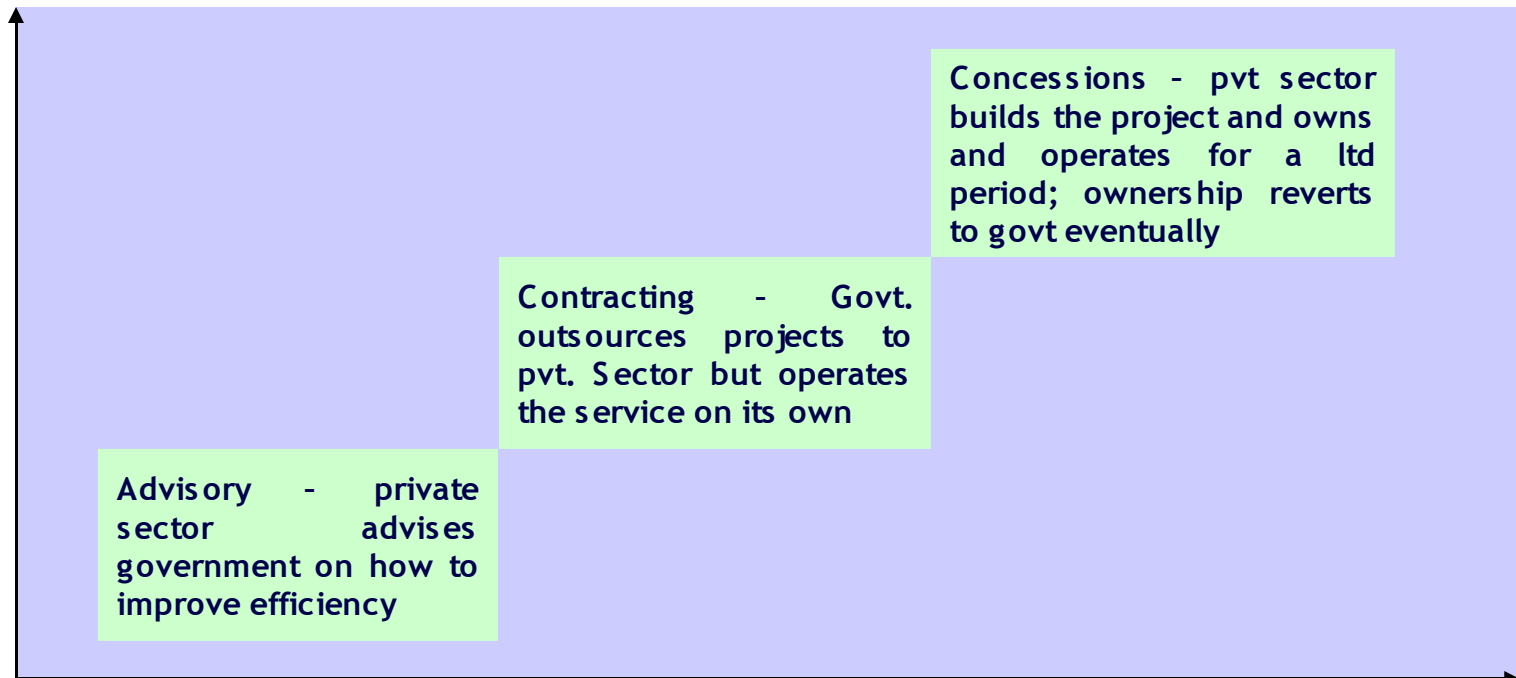
Investors', Environmentalists' & Lawmakers' Wishlist

PPP/ Private Investment

GOI Definition of PPPs

Public Private Partnership (PPP) means a project based on a contract or concession agreement, between a Government or statutory entity on the one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges

PPP - from Advisory Contracts to Concessions

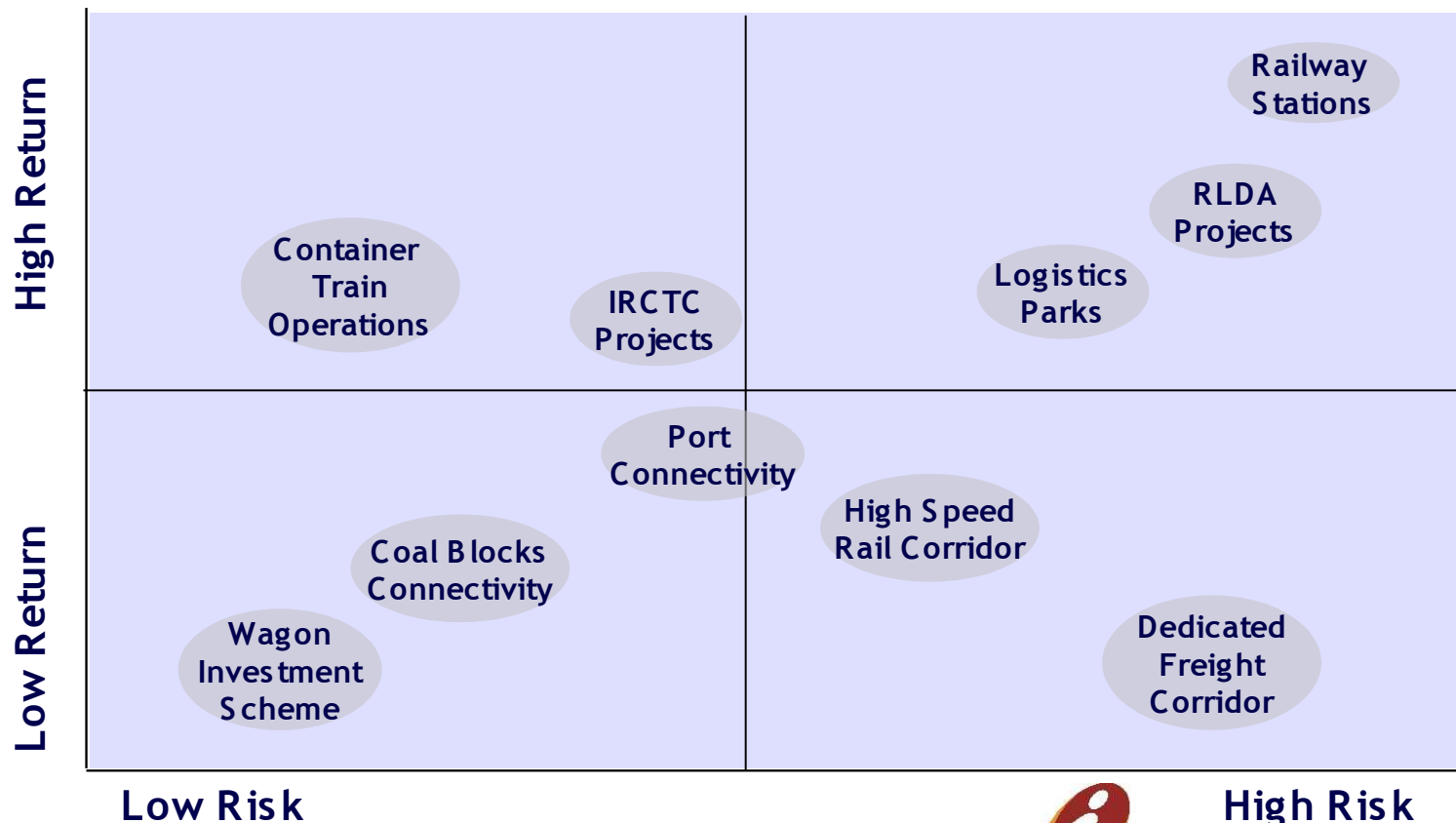


PPPs - the story so far

- Highways
- Airports
- Ports
- Power
- Urban Infra
- Railways

Private Investment Avenues in Railways

Lord Dalhousie's famous Railway Minute of April 20, 1853 laid down the policy that private enterprise would be allowed to build railways in India, but that their operation would be closely supervised by the Government



Note – This is not an exhaustive list

Agenda

ICICI Venture Overview

Avenues for PPP / Private Investment

Risks & Enablers

Investors', Environmentalists' & Lawmakers' Wishlist

Risks

- Railways has brilliant engineers & finance personnel
 - Policy Risk - why PPP e.g. DFCIL
- Incumbency factor - turf battles
- Time lines for bid process management
- Inconsistency in evaluation process, framework for implementation & regulation
- Risks from other Modes of Transport
- Generic Infrastructure sector risks
 - Right of Way
 - Environmental Approval
 - Change in Law
 - Tax Benefits - Doubts over 80 IA Exemptions
 - Change in Scope of Work
 - Technology Risk

Enablers

Regulator for PPP players in Railways / Competition

Project Agreements to be streamlined – Model RFQ, RFP and Concession Agreements

Enabling framework for participation of international technical partners

Flexibility to the developer for project design & development in consultation with concessioning authority

Think Global, act Local

Agenda

ICICI Venture Overview

Avenues for PPP/Private Investment

Risks & Enablers

Investors', Environmentalists' & Lawmakers' Wishlist

Investors wish for

Large pipeline of PPP projects

Strong Political will to implement this pipeline

Large as well as medium project bid calendar to be adhered to

Invite more competition in railway equipment manufacture

Outsourcing of non-core activities like medical facilities , educational institutions , complete coach maintenance, O & M of railway stations

Development of infrastructure for inter-modal connectivity which includes creation of warehouses , ICDs , logistics parks and special economic zones (SEZs)

Environmental wish list

- Sustainable development
 - Viability, Affordability, Sustainability
- Minimum carbon footprint
- Rail clearly superior - greenhouse gases, economies, fuel, accidents/fatalities
- Compliance with relevant Environmental Law -
 - EPA 1986 / Water Act 1973 / Air Act 1981
 - EIA (and, in future, SIA)
 - Environmental Clearance procedures
 - National Policy for R&R for PAFs
CRZ and Eco-sensitive Regions

Lawmakers

- Railways Act 1989 modifications?
- Enabling provisions for private sector participation in the existing legal framework
- How to make land acquisition simpler - e.g. NHAI
- Measures to attract Foreign Direct Investment (FDI) in rail infrastructure by providing additional incentives; sector specific FDI norms
- Common National Policy on Logistics
 - Eg European Transport Policy

Way forward

- Railways
 - in 1986 - no light at the end of the tunnel
 - In 2001 - Rakesh Mohan Committee report
 - In 2008 - cash flows not an issue, PPP for efficiency
- Passenger interface points eg IRCTC / Container Train operators / Redevelopment of railway stations
- Dedicated Freight Corridors
- Generational shift in technology, in thinking?

Thank You

