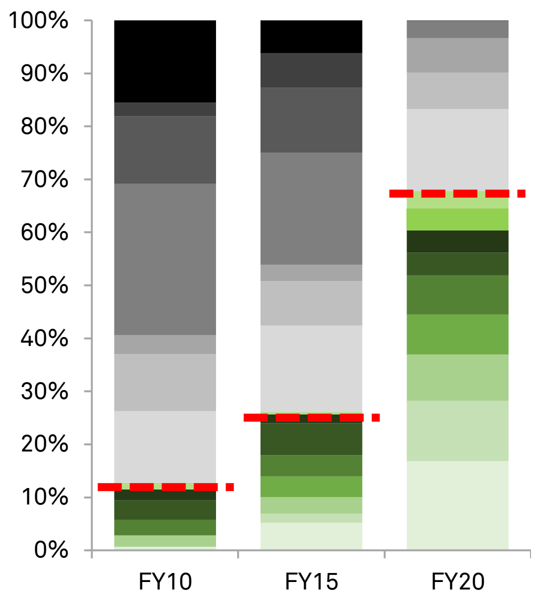
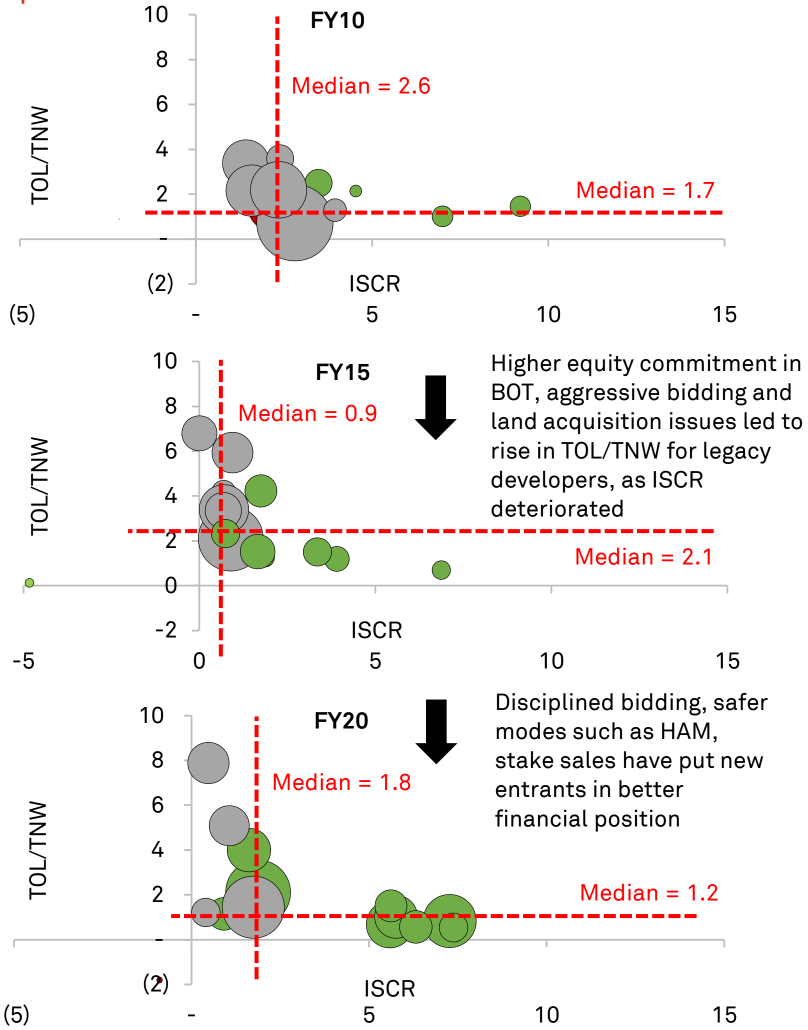
New entrants in roads racing legacy developers as award modes evolve

New entrants gained share post BOT phase-out



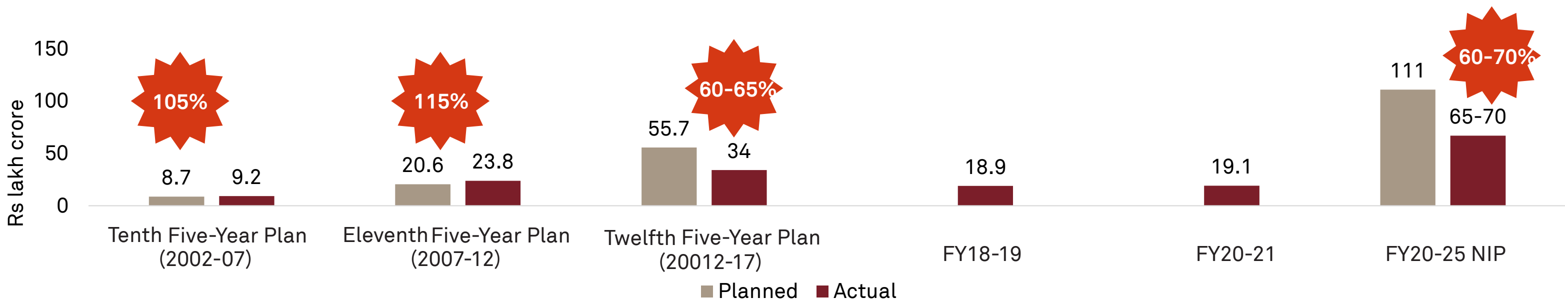
Notes:
1. BOT: Build-operate-transfer; HAM: Hybrid annuity model
2. Shades of grey are for legacy developers; shades of green for new entrants
3. Market share based on revenue of the company for that year
4. ISCR: Interest service coverage ratio
Source: Company reports, CRISIL Research

Financial health of legacy developers worsen, new entrants better off



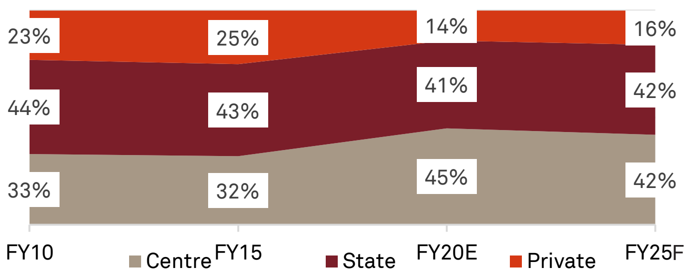
Ambitious NIP target relies a lot on government funding

National Infrastructure Pipeline (NIP) a tall order compared with earlier plans; CRISIL Research expects 60-70% target achievement



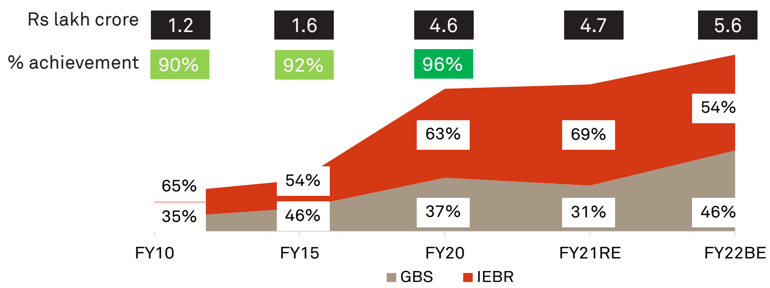
Note: Investments from fiscal 2015 in the Twelfth Five-Year Plan are CRISIL's estimates. The numbers in the red callout reflect achievement ratio
Source: CRISIL Research, Planning Commission, NITI Aayog, India Investment Grid

Private participation already on a declining trend; NIP funding pattern to retain the skew



Source: CRISIL Research, India Investment Grid

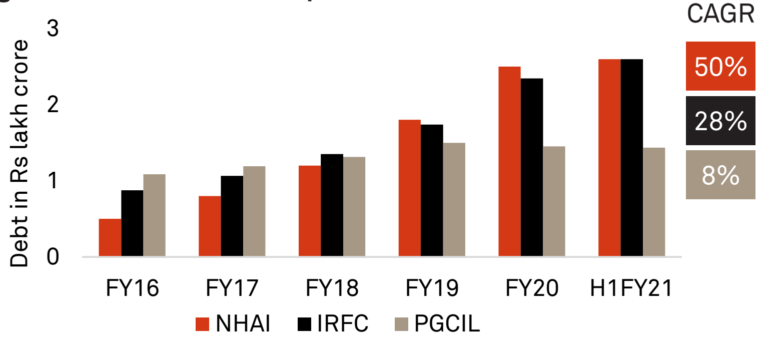
Centre's reliance shifts from extra-budgetary to budgetary support



Source: CRISIL Research, budget documents

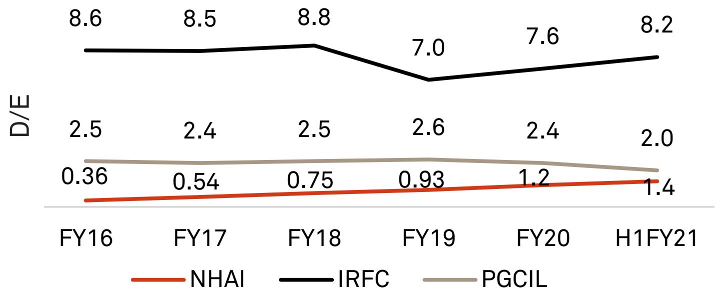
As PSE debt burden rises, innovative funding methods explored

Debt of public sector enterprises (PSEs)/ government bodies multiplies



Source: CRISIL Research, company reports

Debt-to-equity worsens, leading to government increasing budgetary support in FY22



Notes: IRFC: Indian Railway Finance Corporation; PGCIL: Power Grid Corporation of India Ltd
Source: CRISIL Research, company reports

Structural initiatives in innovative funding channels

REIT / InvIT

	US	Singapore	Japan	Hong Kong	India
Year	1960	2001	2001	2003	2014
Market cap/GDP	5-6%	20-21%	2-3%	7-8%	0.70%

Nascent stage; can potentially unleash Rs 8 lakh crore in the next five fiscals

DFI

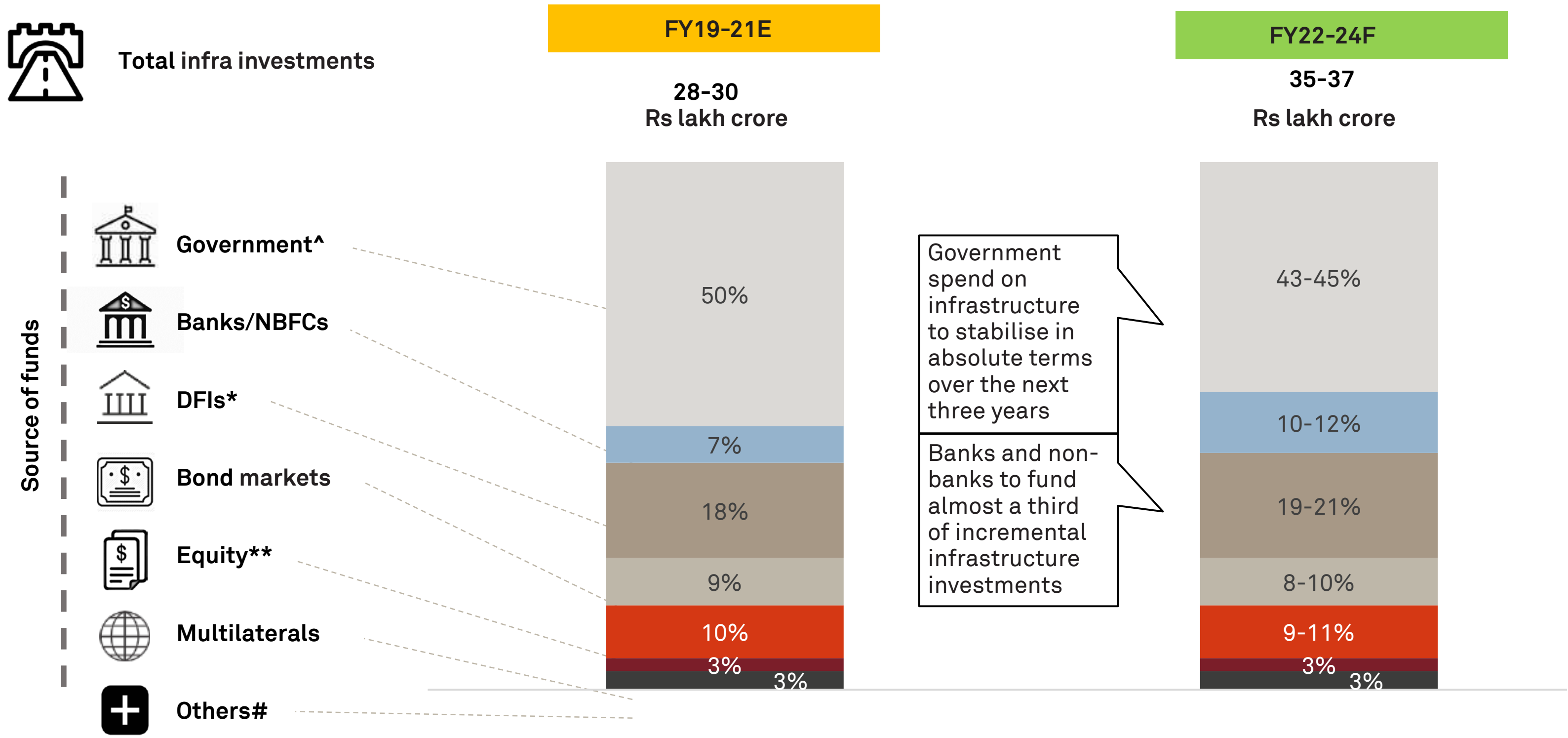
Rs 20,000 crore development financial institution (DFI) aims to have a lending portfolio of Rs 5 lakh crore in three fiscals

Asset moneti-sation

Establishment of national monetisation pipeline on the lines of NIP for ease of monetisation of operational projects

Note: Market cap is as of September 2020
Source: CRISIL Research

Banks, DFIs to support incremental requirement for infra financing



Note: Total infrastructure spend is incremental investment for block of three years. ^Includes central and state governments. * DFI includes contribution from new DFI over the next three years. ** includes internal accruals/FDI. #Others include asset monetisation plans by private players.
Source: Government reports, industry, CRISIL

Liquidity at banks

to support PLI and infra funding; intent a monitorable

Pandemic-driven risk aversion led to increase in banking system liquidity

	Last 10 years	FY21E	Next 3 years
Investment % of total assets	~26%	~29%	~27%
Deposit CAGR	~9%	~11%	~6-7%
Credit CAGR	~11%	~5-6%	~9-10%
Credit to deposit ratio	~77%	~70%	~73%

Excess liquidity in the banking system

~ Rs 6 lakh crore

Additional 3% investments this fiscal are parked with the RBI at the reverse repo rate

Tier I ratio as on Sep 2020 (%)	
PSU banks	10.8
Private banks	16.5

Against mandatory requirement of 8.875% as on Sep 2020

Retail and services to drive bank lending book

	% share in gross bank credit as of FY20	CAGR for the past 10 fiscals	FY21E	CAGR for the next 3 fiscals
Retail	28%	~16%	~8-9%	~13%
Services	28%	~14%	~6-7%	~9%
Corporate	19%	~7%	~(0-1)%	~6%
Agriculture	13%	~11%	~9-10%	~7%
Infrastructure	11%	~11%	~(2-3)%	~4%

Notes: Colour code for CAGR> Green depicts increasing share and orange depicts no major change in bank credit share and red depicts declining share
Source: RBI, Company reports, CRISIL Research

NIP projects worth approximately Rs 40 lakh crore under construction

Transport, energy and water projects account for ~80% of NIP spending of Rs 111 lakh crore

Road	Rail (including MRTS)	Power	WSS	Others
18%	18%	24%	14%	26%

~Rs 40 lakh crore of projects currently under implementation

Planning	Pre-construction	Under construction	Completed
21%	36%	43%	<1%

High pressure on public funds as EPC dominates mode of implementation

EPC	HAM	PPC	Undecided
62%	9%	9%	20%

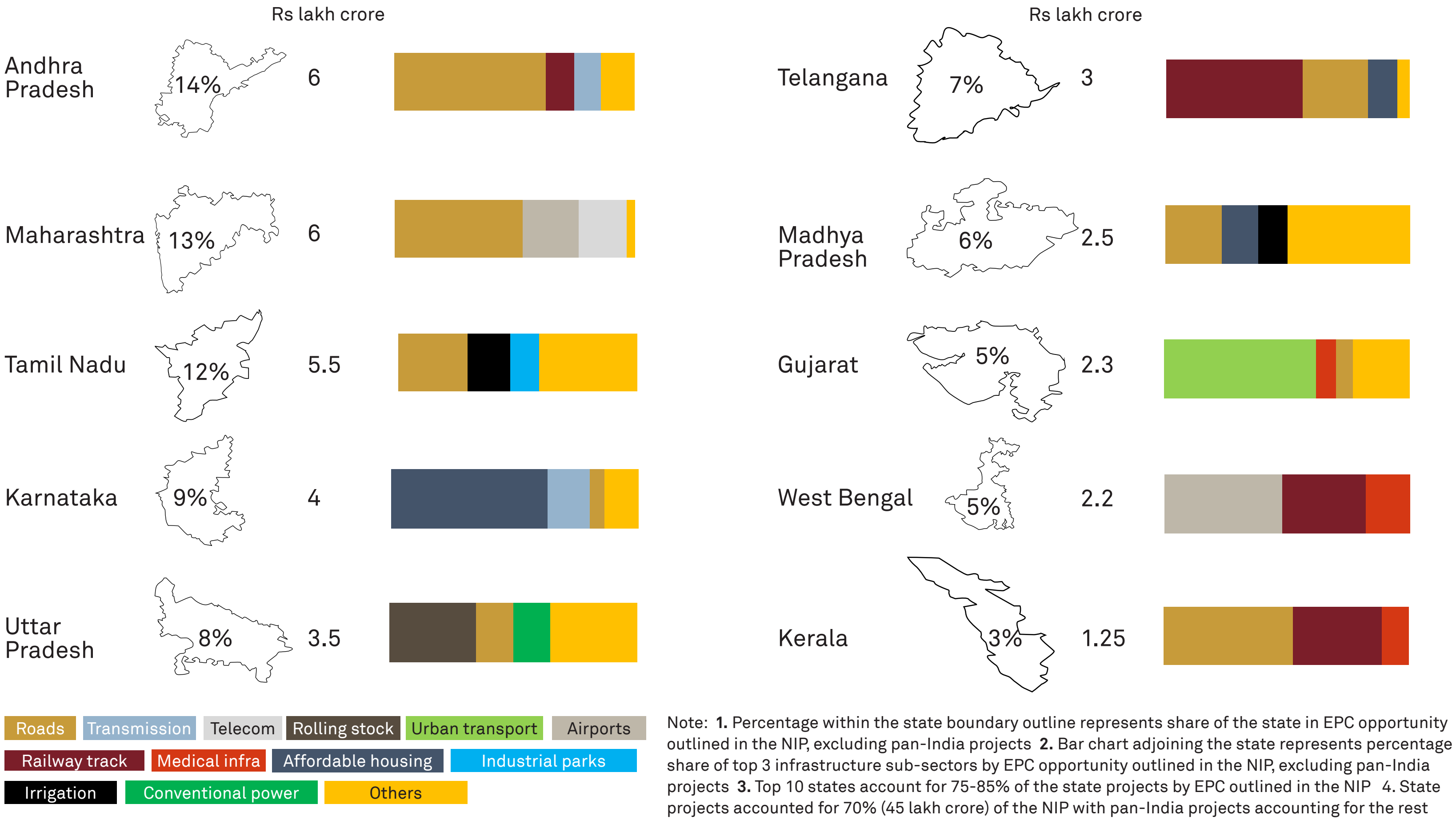
EPC opportunity at Rs 65 lakh crore is the highest in the transport sector

Road	Rail (including MRTS)	Power	WSS	Others
31%	15%	6%	15%	33%

Note: All charts are for FY20-25
Source: CRISIL Research, Indi a Investment Grid

Note: Others include: irrigation, rural infra, ports, airports, health, petroleum, natural gas, and education

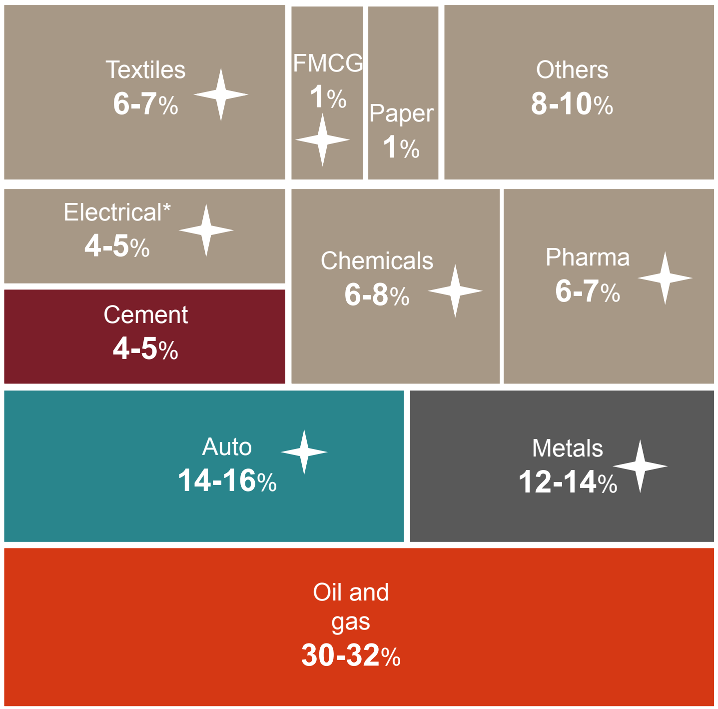
Highest EPC opportunity in NIP in Maharashtra and Andhra Pradesh



Note: **1.** Percentage within the state boundary outline represents share of the state in EPC opportunity outlined in the NIP, excluding pan-India projects **2.** Bar chart adjoining the state represents percentage share of top 3 infrastructure sub-sectors by EPC opportunity outlined in the NIP, excluding pan-India projects **3.** Top 10 states account for 75-85% of the state projects by EPC outlined in the NIP **4.** State projects accounted for 70% (45 lakh crore) of the NIP with pan-India projects accounting for the rest
Source: CRISIL Research, India Investment Grid

Industrial capital investment to get major push from PLI

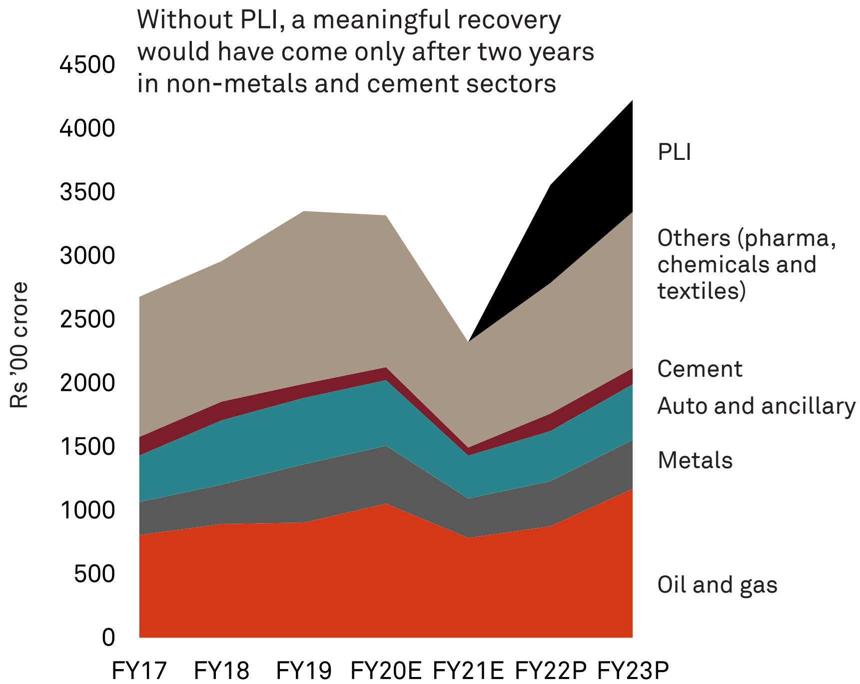
~16,000 manufacturing companies spent Rs 3-3.5 lakh crore on capex annually over the past three years



Notes: 1) Electrical includes all electrical, consumer durables, appliances, electronics and heavy equipment 2) auto includes auto-components and tyres 3) metals includes ferrous and non-ferrous
4) Star marks are for sectors where PLI has been introduced

Source: CRISIL Research,

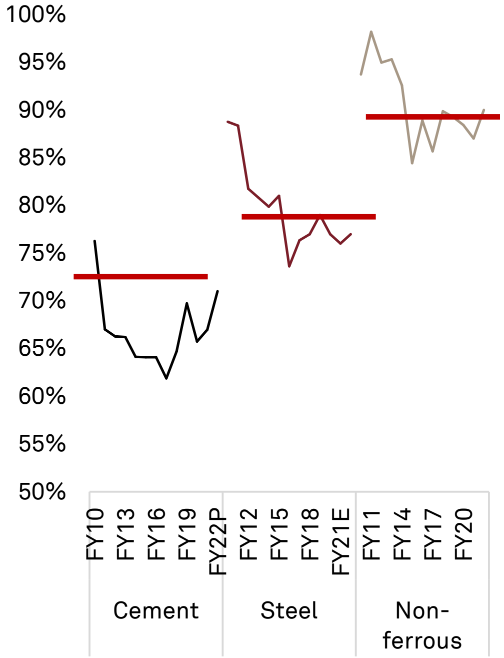
Industrial capex to rise 45-55% next fiscal after 35% contraction this fiscal, driven by core sectors and PLI



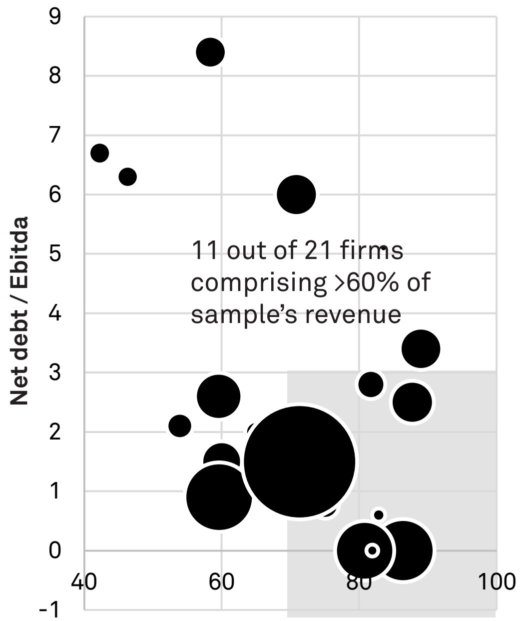
Source: CRISIL Research, CRISIL Quantix, industry

Core industry utilisation sub-par; large companies better placed

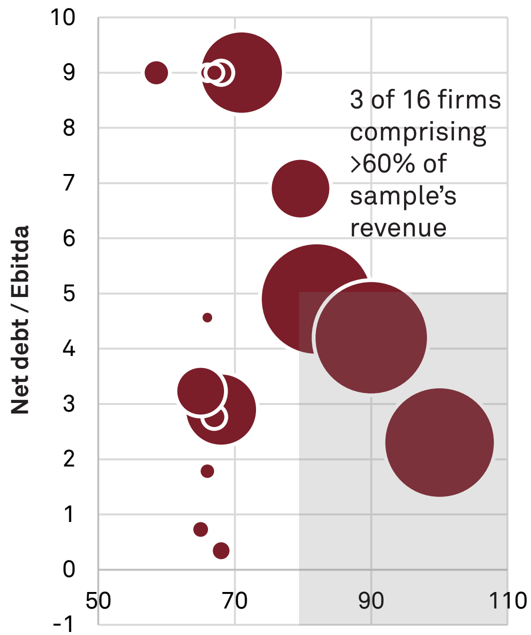
Industry utilisation below threshold



Cement: Dispersion analysis of 21 companies (70-80% sales) for FY20



Steel: Dispersion analysis of 16 companies (65-75% sales) for FY20

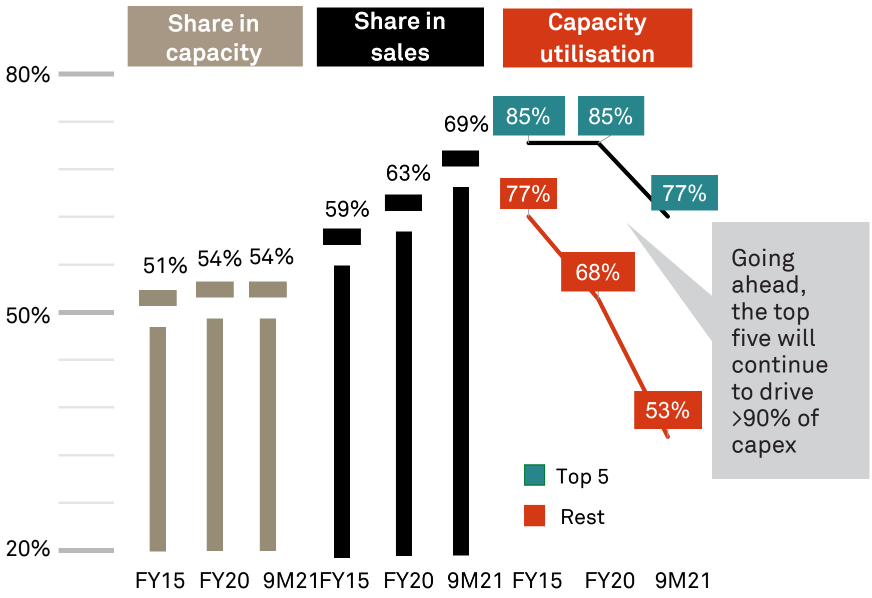


Utilisation across most industrial sectors will remain below optimum, except for non-ferrous, even in fiscal 2022

Note: Scale adjusted for net debt/Ebitda as <0 and >9 to show all companies
Source: CRISIL Research, CRISIL Quantix, Industry

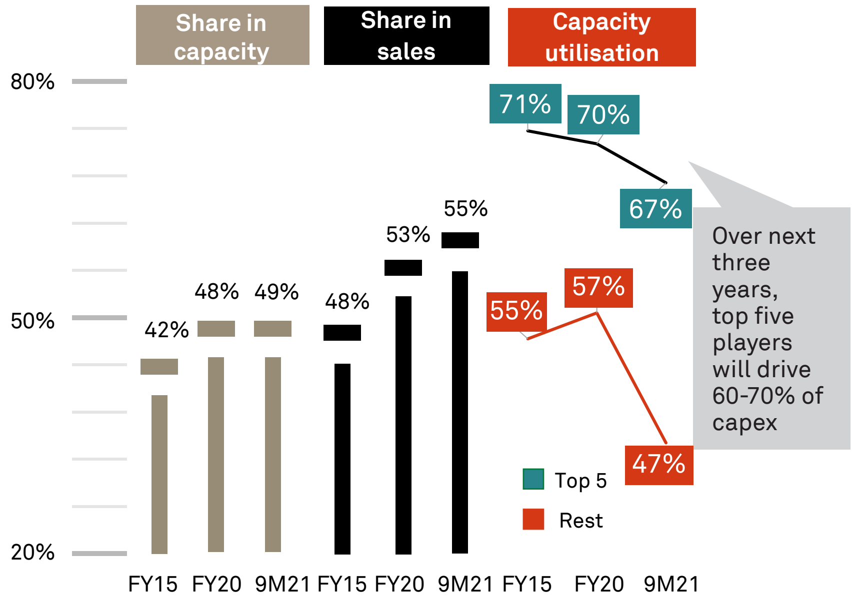
Steel, cement biggies adding capacity as share in sales rises

Steel: Share of top five players



Steel sector added 26 million tonne (MT) of capacity over past five years, with the top five players accounting for >90% addition, driving capex. In comparison, 37 MT capacity was added over fiscals 2010 to 2015, with top five players contributing only 50-55%

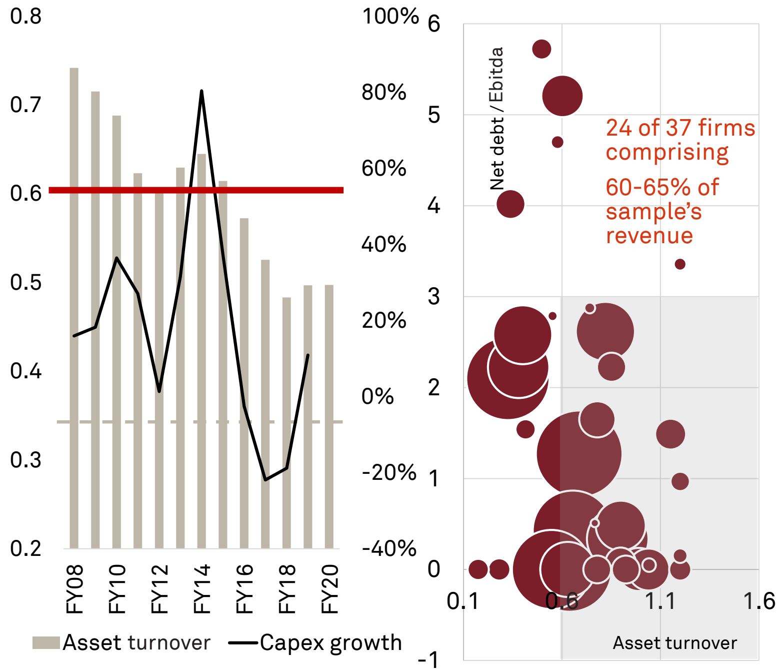
Cement: Share of top five players



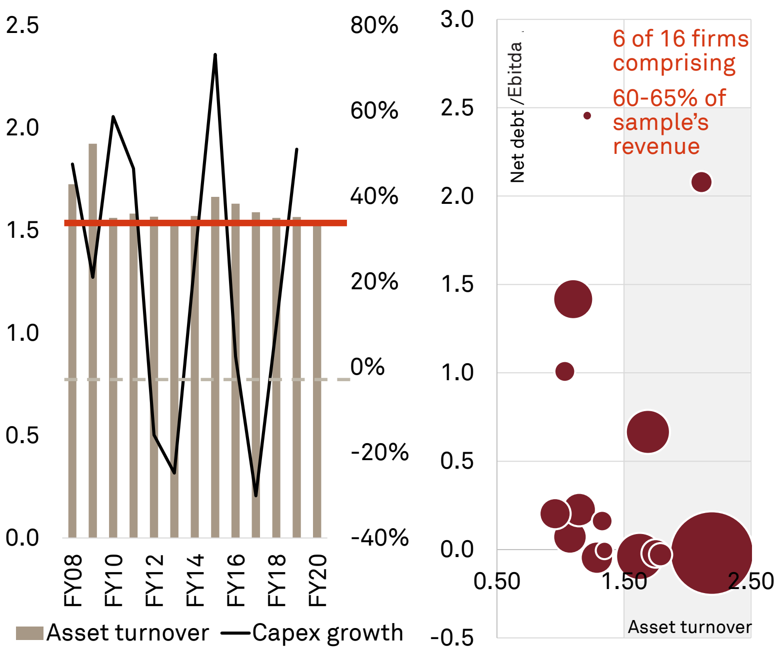
Capacity and market share of top five players have risen over past six years, driving almost half of sector's capex. Also, acquisitions led to the capex rise

In pharma and FMCG, big players driving capex in pockets

Pharma: Asset turnover and capex growth last fiscal



FMCG: Asset turnover and capex growth last fiscal

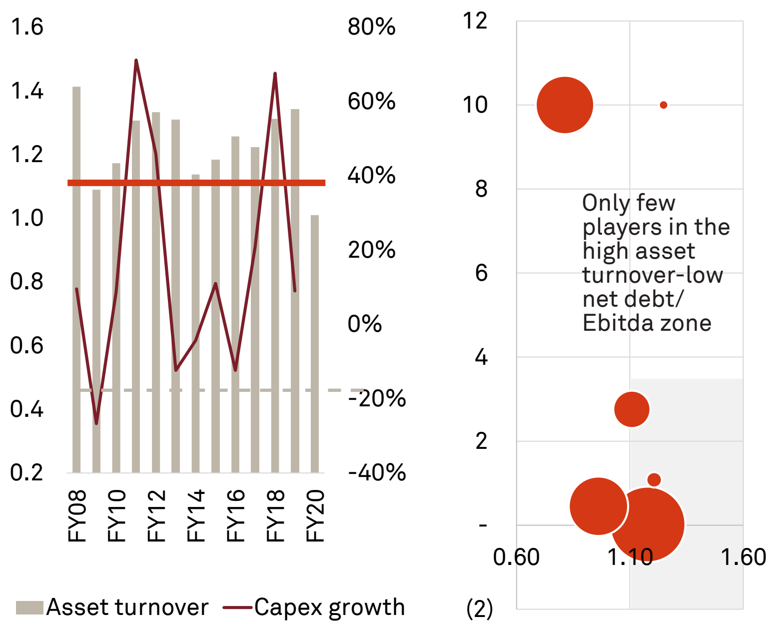


Note: Sample of 37 companies constituting 65-70% of sector revenue
Source: CRISIL Research

Note: Sample of 16 companies constituting 75-80% of sector revenue

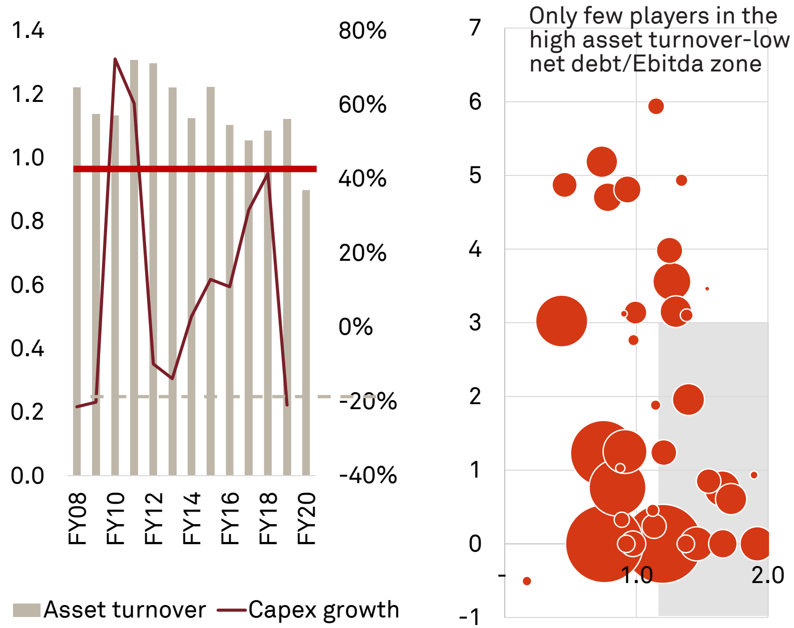
Auto and auto-components hobbled by low asset turnover

Auto: Asset turnover and capex growth for six companies



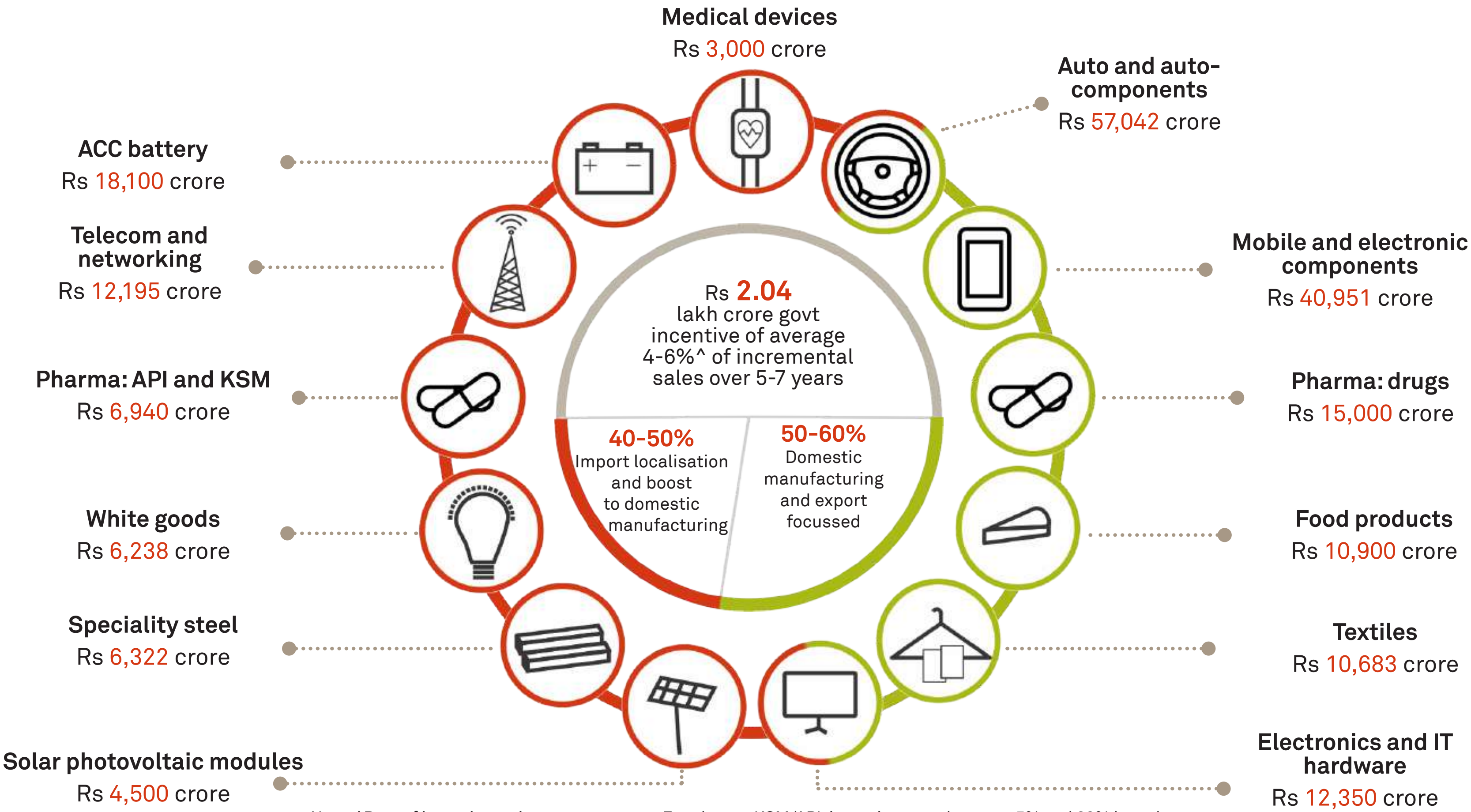
Note: Sample of six players constituting 50-55% of sector revenue
Source: CRISIL Research

Auto-components: Asset turnover and capex growth for 42 companies



Note: Sample of 42 firms constituting 20-25% of sector revenue
Source: CRISIL Research

PLI to boost capex in many sectors



Note: ^Rate of incentive varies across sectors. For pharma KSM/API, incentives vary between 5% and 20% based on products. For IT hardware, rate of incentives is 1-4%. For most others, incentives range between 4% and 6%.

Source: CRISIL Research

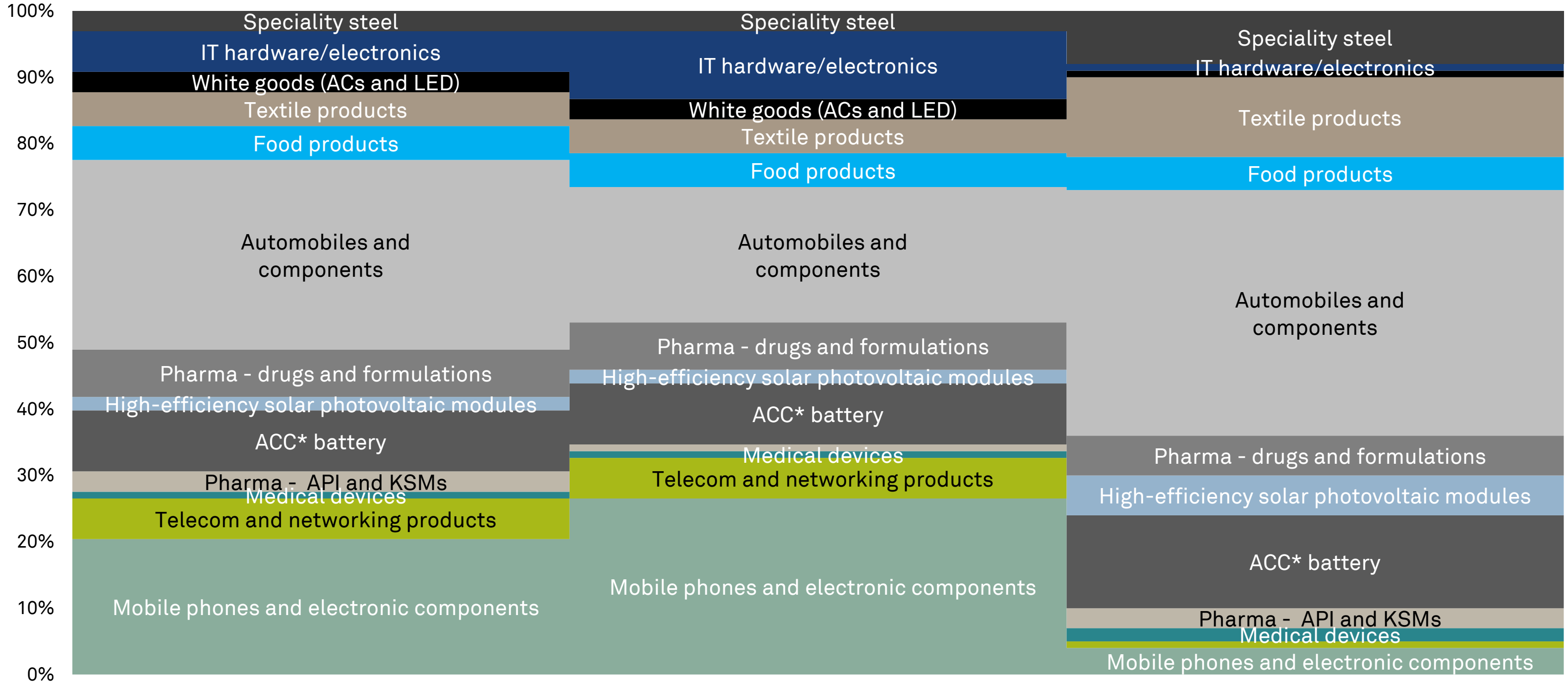
PLI can lead to Rs 35-40 lakh crore revenue in five years

Also, Rs 2-2.7 lakh crore investments with stark variation in sector mix

Rs **2.04** lakh crore government incentives over scheme period

Rs **35-40** lakh crore potential incremental revenue over scheme period

Rs **2-2.7** lakh crore potential capital expenditure over the next 2-3 years



Key monitorables

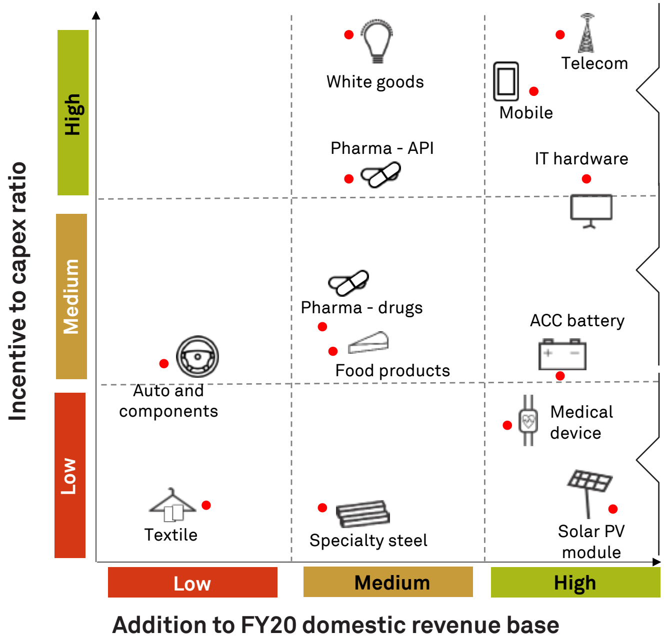
- Timely release of incentives and implementation
- Dual intervention, especially for import localisation sectors
- Global supply-chain dynamics

*ACC: Advance chemistry cell
Source: Union Cabinet, CRISIL Research

PLI spells faster growth for select sectors

Wage bill addition of 15-20%* on the cards

Scheme most attractive for mobile, telecom and IT hardware



High-growth sectors with high dependence on imports in their value chain and relatively lower domestic base

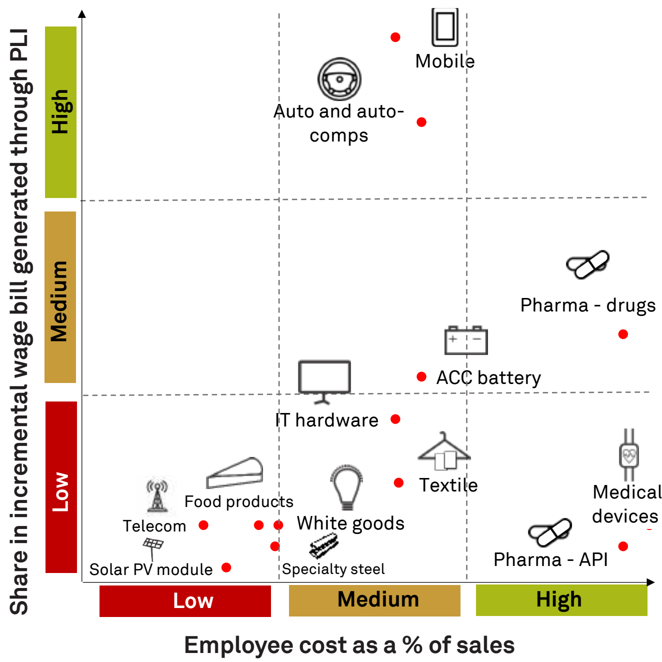
Most sectors (except ACC battery) have fairly established base

Relatively capex-intensive segments with focus on domestic manufacturing and import localisation (except textile); players can cautiously evaluate opportunities

Note: Incentive to capex ratio: High: >1x, Medium: 0.5-1x, Low: <0.5x
Revenue addition from PLI to FY20 domestic revenue base: High: >50% , Medium: 25-50%, Low: <25%

Source: CRISIL Research

Rs 3.5-4 lakh crore of potential incremental wage bill over scheme tenure, ie. 15-20% over annual wage bill of 16,000 manufacturing companies



Note: Employment cost as a % of sales: High: >15%, Medium: 10-15%, Low: <10%; Share in incremental wage bill generated through PLI: High: >15%, Medium: 10-15%, Low: <10%
*based on annual wage bill of 16,000 manufacturing companies

Source: CRISIL Research

PLI directed at

sectors that account for 30-35% of non-oil import bill

Sectors	Import dependence across value chains: Raw material	Semi-finished	Final product	Import bill FY20	Import as a % of consumption	Geographical dependence
IT hardware (laptops, PCs, tablets and servers)	Low	High	High ☆	**Rs 25,000-30,000 crore**	**80-85%** of India's domestic laptop, tablet and server demand	China, Hong Kong
Solar photovoltaic modules	High	High	High ☆	**Rs 11,000-12,000 crore**	**80-85%** of India's domestic photovoltaic module demand	China, Singapore, Vietnam
Telecom and networking products	High	High	High ☆	**Rs 50,000-60,000 crore**	**65-75%** of India's requirement	China, Korea
Pharmaceuticals (API and KSM)	High ☆	Medium	Low	**Rs 20,000-25,000 crore**	**30-40%** of India's consumption of API/KSM	China
Speciality steel	Medium	Low	Medium ☆	**Rs 20,000-25,000 crore**	**30-35%** of India's alloy steel consumption	China, Korea, Japan
Automobiles and components	Low	Medium ☆	Low ☆	**Rs 80,000-90,000 crore**	**20-25%** of India's auto-component requirement	China, Korea
White goods (AC and LED lights)	Low	High	Medium ☆	**Rs 35,000-45,000 crore**	**20-30%** of India's RAC and LED light demand	China

☆ Indicates focus of PLI

- High dependence on imports
- Low dependence on imports
- Medium dependence on imports

Notes:
1) Raw materials for auto, white goods, IT hardware and medical devices are considered to be metals and plastic. Semi-finished refers to components and sub-components. Raw material for pharma is KSM, semi-finished is API and final product is drug/formulation
2) Import bill for white goods largely on account of LED lights
3) Import bill for all auto and components, TW, 3W, CVs and PVs. For pharma imports, only API/KSMs are considered. For white goods, imports of only RAC and LED lights is considered. For IT hardware, imports of only laptops, PCs, tablets and servers is considered

PLI also focuses on enhancing local manufacturing and exports base

Sectors	Focus of PLI across value chains			Export value FY20	Share in global exports (value)	Competing economies
	Raw material	Semi-finished	Final product			
Automobiles and components	High	Medium ☆	High ☆	**Rs 1.3-1.4 lakh crore**	1-2%	Germany and Japan for auto; Germany and the US for auto components
Pharmaceuticals (formulations)	Low	Medium	High ☆	**Rs 1-1.2 lakh crore**	**3-4%**	India is leading generics supplier
Food products	High	High	High ☆	**Rs 30,000-35,000 crore**	**<2%**	Brazil, China, Spain and the US
Mobile and electronic components	High	Low ☆	High ☆	**Rs 25,000-30,000 crore**	**1-2%**	China with >**45%** share
Textiles (man-made fibre, technical)	High ☆	High	High	**Rs 9,000-10,000 crore**	**5-6%**	China, Indonesia and Korea

☆ Indicates focus of PLI

- Low domestic base
- Medium domestic base
- High domestic base

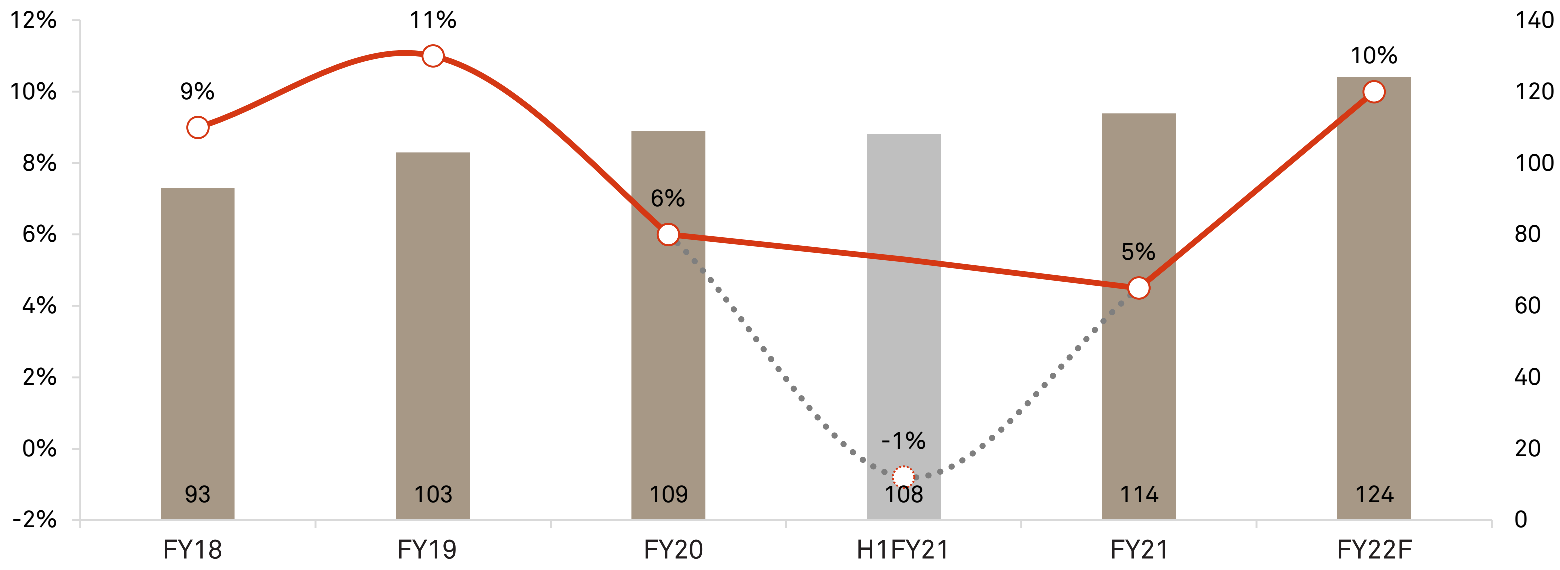
Notes:
1) Raw materials for mobile phones are considered to be metals and plastic. Semi-finished are components and sub-components
2) Raw material for pharma is KSM, semi-finished is API and final product is drug/formulation
3) Export value for mobiles; drugs and formulations for pharma; consumer foods for food products and MMF and technical textiles for textiles are considered
4) There is limited domestic capability for ACC battery in India currently
5) Details of electronic/tech products are awaited from the ministry

Source: Ministry of Commerce, CRISIL Research

Financial sector

Bank credit has shown a V-shaped recovery

Trend in gross bank credit

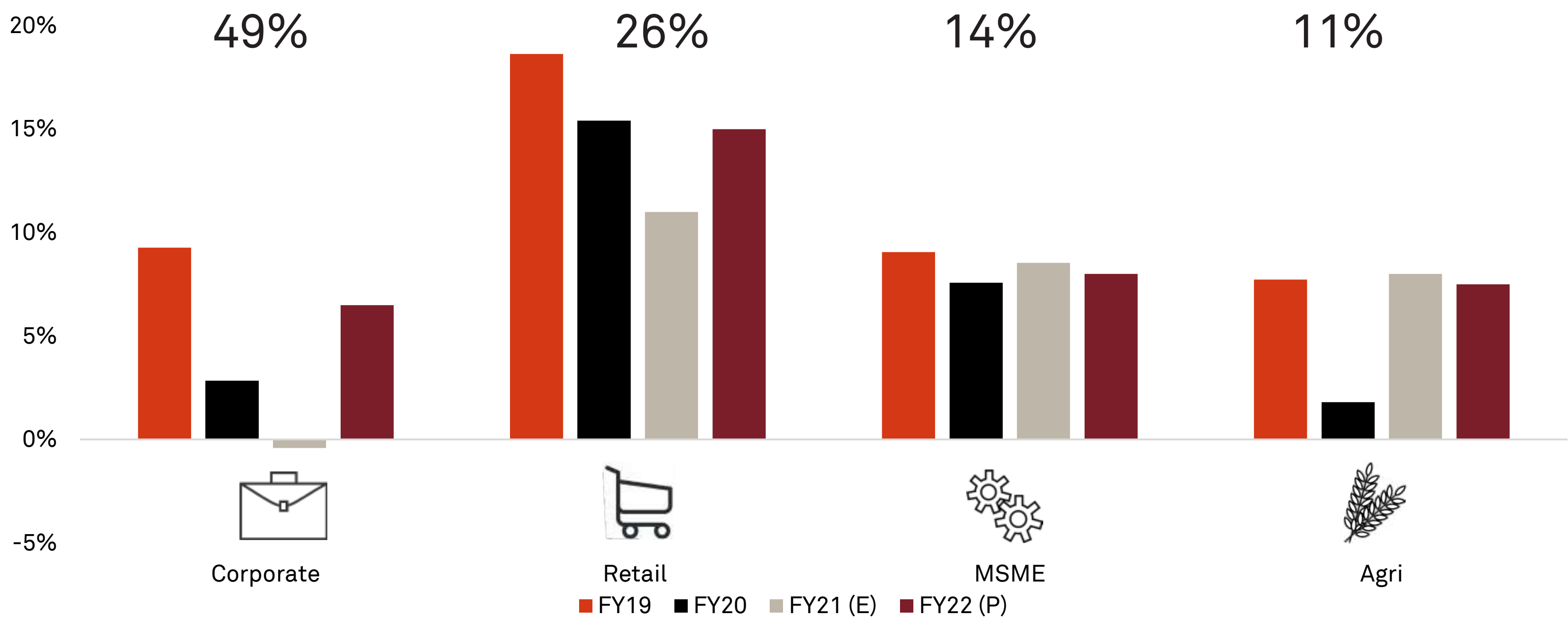


Source: RBI, CRISIL estimates

- Degrowth of 0.8% in the first half of this fiscal; sharp sequential recovery of 3% in the third quarter
- ECLGS disbursements at Rs 1.6 lakh crore in the first nine months of this fiscal have lent support

Retail credit to lead the way; corporate loans to also bounce back

Break-up of gross bank credit



Note: Figures in boxes represent expected proportion in overall bank credit as on March 31, 2021
Source: RBI, CRISIL estimates