Infrastructure

MONDAY, MAY 31, 2021

EXPERT VIEW

Railway EXIM container volumes rose at 4.7% CAGR in Apr'21 vs Apr'19. Domestic rail volumes rose at a robust 20% CAGR vs Apr'19, highlighting potential benefits from freight incentives offered by the railways

—Nomura

HIGHWAY SECTOR

InvIT option yet to be explored well

With InvITs garnering huge interest from investors and sponsors in the road sector, there is need to resolve the teething issues if the model is to be leveraged fully to bridge the capital deficit

ANURAG DWIVEDI

THE UNION GOVERNMENT, in its report on the National Infrastructure Pipeline, has projected a total capital expenditure of ₹20 lakh crore in the road sector during fiscal years 2020-2025. Since an investment of this scale cannot materialise through traditional methods of fund-raising alone, innovative structures like InvITs, Toll Operate Transfer (TOT), etc. have become vital to meeting capital needs. If we look at the current landscape, nine out of the 15 InvITs registered by SEBI to date are in the road sector, which highlights the model's adoptability for the sector. However, only one out of these 9 has gone for a public issue, indicating that largely private placement is being preferred by sponsors and investors so far – NHAI's upcoming InvIT too will be through private placement.

InvITs offer a solution to the problem of asset liability mismatch faced by banks and financial institutions by recycling invested capital in operational assets. In an InvIT, the developer is able to unlock capital to bid for new projects by monetising its invested capital in operational projects and prepaying the loans from the fresh issue. This also creates higher headroom for the lenders to lend to greenfield projects. Second, InvITs are mandated to invest at least 80% of their investment in the operational projects and also to ensure at least 90% of the free cash flows from such projects are distributed to the investors. This ensures minimum risk and steady returns for investors. Third, the clubbing of operational projects under an InvIT hedges the risk of low traffic for a single project. Fourth, amongst other tax concessions, dividend income from the underlying assets is exempted from tax at the hands of unitholders.

Although InvITs have been able to garner a lot of interest from institutional investors, they are still struggling with teething issues when it comes to funding of InvITs by banks and financial institutions. The lenders continue to grapple with issues such as consent of the authorities for security creations over cash flows of projects for InvIT lenders, insolvency remote nature of trust structure and change in ownership restrictions under InvIT regulations, etc. Resolving these issues requires deeper sensitisation of the regulators as well as the concessioning authorities, to help them address the issues at the policy and implementation level. Unless these issues are settled, InvITs will have limited access to outside sources to fully leverage funds.

In a TOT, which is also based on asset pooling, the identified operational projects are bundled and bidded out to a developer. The selected developer gets the right to collect toll, as well as operate and maintain the road assets for a long tenure against the payment of upfront fees to the authority. Having features similar to InvIT, TOT too attracts long-term investors. The NHAI has successfully awarded two TOT packages so far (Ashoka-Macquarie and Cube Highways), generating higher than expected returns and providing a good baseline for future TOT monetisation.

To sum up, while banks and financial institutions struggle with a liquidity crunch, a combination of structures like InvIT and TOT, etc. can be the key to recycling and unlocking capital and attracting large institutional investors, public sector institutions and enterprises to the road sector. Although the development of InvITs is still at a nascent stage in India as compared to global markets – which have over 400 listings of similar instruments accounting for ~$1.5 trillion of market capitalisation – with a strong thrust from the government and changes in the overall regulatory ecosystem, India can emerge as a mature market for InvIT-like structures in the near future.

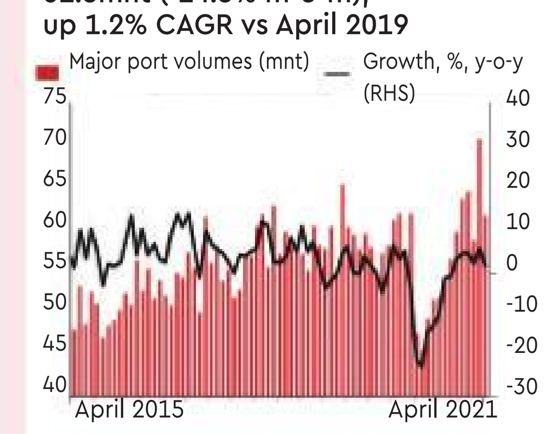
The writer is Partner, Shardul Amarchand Mangaldas & Co. The views are personal

DATA MONITOR

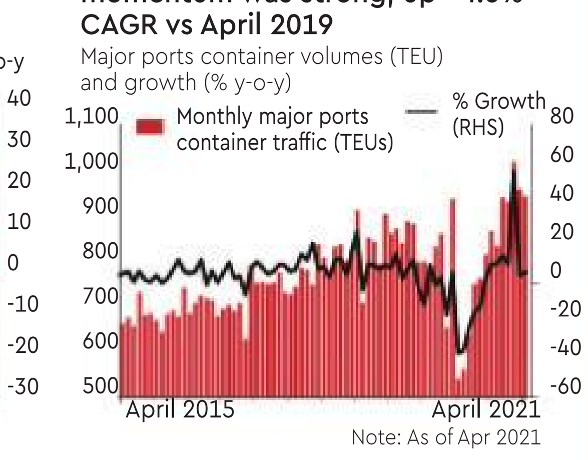
Sequential fall in major ports traffic in April

Major ports' volumes moderated to ~61.5mnt in Apr 2021 (-14.5% m-m), at a 1.2% CAGR vs Apr'19 (vs.+5.1% CAGR in Mar'21 vs Mar'19). Volumes for POL and coal were weak, with POL volumes declining by 4.3% CAGR vs Apr'19 and coal volumes declining by 10.2% CAGR vs Apr'19. Container volumes at 942k TEUs were strong, registering 4.6% CAGR vs Apr'19. In tonnage terms, container volumes rose at 5.2% CAGR vs Apr'19.

Major ports' volumes came in at 61.5mnt (-14.5% m-o-m), up 1.2% CAGR vs April 2019

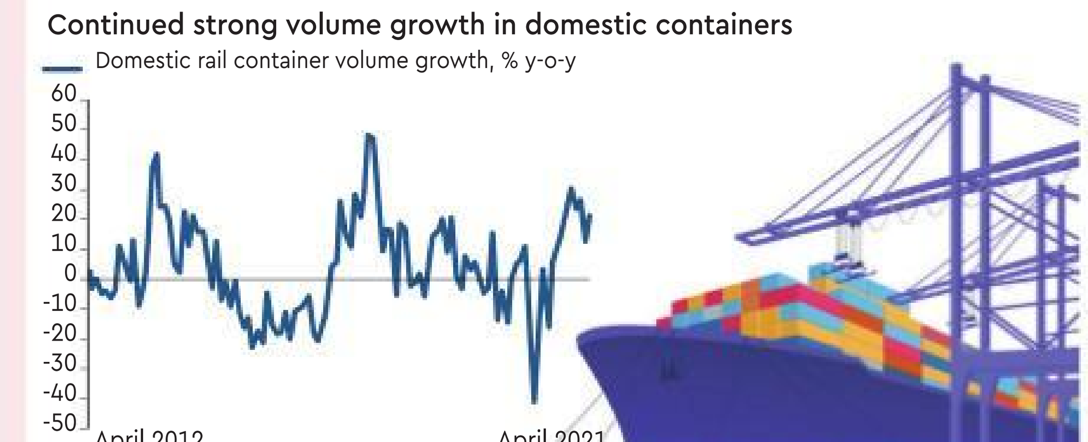


Container volumes growth momentum was strong, up +4.6% CAGR vs April 2019



Note: As of Apr 2021

Continued strong volume growth in domestic containers



Source: IPA, Nomura research, Ministry of Railways

Quick View

Discoms' outstanding dues to gencos fell by 3.4% y-o-y in March

THE TOTAL DUES owed by electricity distribution companies (discoms) to power producers (gencos) fell 3.4% y-o-y to ₹78,379 crore in March 2021. The outstanding dues of discoms to gencos had been increasing year-on-year as well as month-on-month for years, showing perennial stress in the power sector till February this year. Discoms owed a total of ₹81,116 crore to gencos in March 2020, according to portal PRAAPTI. The dues stood at ₹98,673 crore in February and ₹99,023 crore in January this year. In March 2021, the total overdue amount, which was not cleared even after 45 days of grace period offered by gencos, stood at ₹67,417 crore, as against ₹68,587 cr in the same month a year ago. The overdue amount stood at ₹84,478 crore in February and ₹85,490 crore in January this year.

IREDA invites bids for solar power PLI scheme

THE INDIAN RENEWABLE Energy Development Agency (IREDA) on Tuesday invited applications from solar module manufacturers to avail the Centre's ₹4,500-crore production-linked incentive (PLI) scheme. The beneficiaries of the PLI scheme will be selected through competitive bidding and the evaluation of the bids will be done on the basis of the manufacturing capacity proposed to be set up by companies and the extent of elementary products they promise to make in the country. The applicants are required to set up either brownfield or greenfield manufacturing facilities, but will not be eligible for PLI if they have imported the required capital goods to set up the plants.

NHAI issues norms to cut waiting time at toll plazas

THE NHAI ON Wednesday said it has issued guidelines to ensure not more than 10 seconds service time per vehicle even during the peak hours at toll plazas. The National Highways Authority of India (NHAI), in a statement, said the new set of guidelines will ensure seamless flow of traffic at the toll plazas by not allowing vehicles to queue up for more than 100 metres. "If there is a queue of waiting vehicles of more than 100 metres due to some reason, the vehicles will be allowed to pass without paying toll till the queue comes within 100 metres from the toll booth," it said.

Startups

ANS COMMERCE

Connecting brands and their consumers

ANS Commerce is a full-stack e-commerce enabler with over 100 brands on its platform

SUDHIR CHOWDHARY

(Clockwise from top left) ANS Commerce co-founders Amit Monga, Nakul Singh, Vibhore Sahare and Sushant Puri

WHILE THE INDIA e-commerce story is going strong, quite often brands face a lot of challenges; notably they see their connect with the consumers diluting and their role getting upended by marketplaces. It's simply infeasible for the brands with limited resources to engage on the technology, product and operations fronts.

ANS Commerce is trying to fill in the gap here. Started in 2017, ANS Commerce is a full-stack e-commerce enabler. It offers multiple tech-enabled offerings to brands including performance marketing, warehousing and fulfillment, marketplace management, and brand store technology

The startup works with over 100 brands and is adding to this number on a fortnightly basis. By the end of the year, the platform is looking to exit with 200-plus brand partners. Among ANS Commerce's key partner brands are Vero Moda, Jack & Jones, Bath & Body Works, ITC, Marico, Nivea, Bikanervala, and CEAT, amongst others. The company became profitable in June 2020 and has been growing 20% on a month-on-month basis since then. During the pandemic year, the brand has onboarded over 60 brands to give them e-commerce support.

"We urge and enable our partner brands to leave 'everything e-commerce' to us so that they can focus on their core business—bringing products to the market, and strengthening their brands," says Vibhor Sahare, co-founder and CEO, ANS Commerce.

How did the idea of ANS Commerce germinate? All the four co-founders—Vibhor Sahare, Amit Monga, Nakul Singh, and Sushant Puri—have rich experience in e-commerce, digital marketing, brand building, and operations. "We saw how brands are struggling with performance marketing to get traffic to their webstores and hence decided to focus on this domain," says Sahare. However, after initial success in improving brands' marketing ROI, the co-founders soon realised that brand store technology was becoming the bottleneck for ANS Commerce to achieve true scale and performance.

"Post this, we decided to create our own India-focussed brand store platform—Kartify to address this issue and found instant uptake for the technology + marketing combo. We then found that brands were also looking for assistance in warehouse management since managing turnaround time, customer expectations, and SLAs of the marketplace weren't their core areas of expertise. Understanding that this would create a wide range of solutions and offer enormous scope to leverage cutting-edge technology, we decided to become an e-commerce enablement platform for brands," says Sahare.

At present, ANS Commerce is clocking $3.5 million as annualised revenue on a base of $60 million annualised gross merchandise value (GMV). As for funding, it has raised $300,000 from angel investors and friends, says Sahare. "By 2026, we aspire to drive more than 1% of all e-commerce sales in India and become the preferred partner for every brand in the country for 'all things e-commerce'. In the short term, over the next 18 months, we will be working towards this goal, sign up more partner brands, enhance our product offerings and come up with new ones, and drive value to our clients while working together as one team," he informs.

AUTOVRSE

Solving real-world problems with modern tech

Bengaluru-based AutoVRse is a young team that is building niche VR/AR applications

SRINATH SRINIVASAN

BENGALURU-BASED AUTOVRSE has been developing virtual reality (VR), augmented reality (AR) solutions for industrial training, enhancing customer experience and, more recently, for VR games. "Three of us started exploring VR after leaving our jobs with a small investment and went without any salary for the first 7-8 months. We then got our first project and our journey started from there," says Ashwin Jaishanker, CEO and co-founder, AutoVRse.

The startup has since remained bootstrapped, going onto working with brands such as Shell, Volvo, IFB, Bosch, Gojek and TVS Motors. Its proprietary technology is used by enterprises for training purposes in assembly plants, training firefighters in liquified natural gas plants, for marketing purposes in showrooms and workshops where customers can get the feel of the products and see their working, for field service and inspection and for product explainers via games among other applications.

"There is a huge proposition for VR/AR solutions in terms of enabling tasks that will be costly to replicate in real life for multiple people. It is expensive and time consuming to let trainees practise over and over and make mistakes. In marketing, the technology helps capture customers from their first instance of contact with the brand, engage with them by giving an immersive experience and improves conversion rates," says Jaishanker.

Today, the company is part of the Facebook Oculus ecosystem but things were not easy in the early days. "Five years ago, I used to carry two heavy laptops, multiple cables and VR goggles to set up a demo at a client's. Today, I just carry two Oculus lenses. The system has evolved," says Jaishanker. At the same time, he points out that only HTC and Facebook are investing in this technology primarily, with Facebook enjoying a huge market share. "We do not have many alternatives. We import the lenses. It comes from Facebook invariably. South East Asia will be a huge market soon," he says. Currently, it is not focused on hardware as much due to the complexity and supply chain constraints. "We are planning to enter into consumer VR games," says Jaishanker.

> There is a huge proposition for VR/AR solutions in terms of enabling tasks that will be costly to replicate in real life for multiple people.
>
> — ASHWIN JAISHANKER, CEO & CO-FOUNDER, AUTOVRSE

For an upcoming technology like this, the startup is recruiting talent. "It is not enough to hire developers and content creators only. VR is not 360-degree videos that are shot and loaded onto a phone or a pair of goggles," says Jaishanker. "To create the best virtual world, one needs to understand both technology and spatial arrangement of the surroundings."

For this purpose, AutoVRse hires architects and trains them with necessary digital skills. "They have the necessary design creativity by virtue of their profession and pick up digital skills easily," shares Jaishanker. It is optimistic of the evolving digital trends in India and expects the use of the technology to grow faster here.

Quick View

States' capex down annually despite spike in last month of FY21

STATE GOVERNMENTS HAVE seen a curb in capital expenditure in the last couple of years. This bucked the trend of immediate past years, when states had maintained a public capex ratio of 5:3.6:3.4 (states, CPSEs and Centre in FY20). According to an *FE* analysis for eight major states in FY21, their combined capex of ₹1.44 lakh crore was down 0.4% on-year, compared with negative growth of 7% in FY20. Though the sample may not be representative enough, this seemed to indicate a sharp focus on capex by the states during March. An earlier study by *FE* of 16 states had shown that their combined capital expenditure stood at ₹2.16 lakh crore in April-February of FY21, down 18.5%. The decline in capex by all states could turn out to be sharper going by the trends in April-February of FY21.

Highway construction at decent 28 km/day in April

DESPITE COVID-INDUCED lockdowns, highway construction quadrupled in April this year to 853 km compared with the same month last year, which had seen a nation-wide lockdown. The pace of construction has been a decent 28km/day in April 2021, even as it declined by 61% month-on-month. According to data compiled by the ministry of road transport and highways (MoRTH), all the implementing agencies had constructed 210 km of national highways in April last year. In March 2021, a total 2,189 km of highways were built. Highway construction touched an all-time high of 13,298 km in 2020-21, at a record pace of 36.4 km/day.

₹1,605 cr released to 8 N-E states for water supply

THE CENTRE HAS released a grant of ₹1,605 crore to the north-eastern states under the Jal Jeevan Mission (JJM), to provide 11 lakh tap water connections in 2021-22, the jal shakti ministry said on Tuesday. This is the first tranche of the four to be released in the fiscal. During financial year 2021-22, ₹9,262 crore has been allocated as central grant for N-E states under the Jal Jeevan Mission. Out of the central fund, 93% is to be utilised on supply infrastructure, 5% on support activities and 2% on water quality monitoring and surveillance activities.