

Q & A

CMA Sudip Dutta

Chief Operating Officer
IIDC Limited (IL&FS Infrastructure Development Corporation Limited), Kolkata



***Q** What is your outlook regarding the performance of Infrastructure sector in India? What are the opportunities and challenges in this business today?*

The Indian Infrastructure is getting bigger and bigger as is the country's economy. Over the last decade or so there has been substantial liberalization and reforms carried out by successive Governments. The present Government has a strong focus on Infrastructure development which today offers substantial investment and development opportunities in almost all sectors such as road, highways, ports and airports railways, township and urban project, tourism etc. It is expected that the sector is going to rebound in the next 12 to 18 months. Already there are positive signs.

The Indian Power Sector for example has a huge investment potential of over US 250 billion in the next 4-5 years covering diverse sectors including power generation, distribution, transmission and equipment.

The Government of India has also earmarked Rs. 50,000 crores to develop 100 smart cities across the country. Similarly highway projects worth USD 93 billion have been announced under the National Highway Building Project. In order to boost

the infrastructure sector the RBI has notified 100% FDI under the determined route in the construction sector. Also FDI rules in this sector have significantly liberalised.

In West Bengal, Kolkata Port Trust has signed an agreement with the West Bengal Government to setting up a new Port at Sagar Island costing around Rs. 11900/- crores. The State Government is in the process of developing six theme cities across the state.

While substantial progress has been achieved in the infrastructure sector some more work needs to be done. Rigorous project development process, adequate budgetary allocation, project sustainability, proper structuring of PPP transactions, fiscal incentives, governance and regulatory structure etc are some of the measures that needs to be further focused on. Land is definitely a key requisite for large infrastructure projects and delay in land acquisition has been one of reasons for delay in project. Speedy dispute resolution and arbitration process as well as continuity in policies insulated from politics are also critical for bringing large investments particularly in the global markets.

Q *How is IL&FS incorporating the concept of cost effectiveness and energy efficiency in their projects?*

The IL&FS Project Teams have their own in-house design teams that help conceptualize and design cost effective and innovative project design while meeting the best of standards and specifications. Robust Financial Models and strong project monitoring and quality audit ensures optimum costs. The group also continuously sources technology for quality and cost optimization. All IL&FS projects seek to integrate environmental and social consideration into the project design. IL&FS Energy Group which is housed in IL&FS Environmental Infrastructure Services Limited specializes in Energy Efficiency and provides turnkey advisory services in this sector. The division possesses in house expertise and facilities for planning, reviewing and implementing energy efficiency projects.

IL&FS has devised innovative mechanisms and products to facilitate project financing. Since inception, IL&FS has been rated AAA by three independent agencies; ICRA, CARE and FITCH, across all tenors of debt confirming the group's ability to structure difficult

projects successfully and enables IL&FS to raise funds competitively.

Unlike traditional models, the IL&FS project development cycle also uniquely encompasses wide-ranging consultations with the local community. It also ensures a comprehensive assessment of environmental and social issues. Such assessment creates the basis for a mitigation plan, which is integrated into the project life cycle

Q *Project funding and its risk management is a complex & challenging task in the present economy, how do you manage it?*

Risk Management needs to be an integral part of every company's business. The Risk Management Framework which needs to be developed carefully and well documented should not only ensures timely identification of risks, carry out analysis of the reasons for such risk, assessment of its materiality, assessment of its impact but also provide adequate risk mitigation processes. An efficient Risk Management Framework ensures that all risks however remote which could potentially threaten the existence of the Company are identified and risk mitigation steps identified for them

Q *In infrastructure sector the need of public-private partnerships is imperative, what is your view in regard to the progress of PPP model in India?*

PPP in the infrastructure sector started to develop meaningfully on around 2000-2001. IL&FS has been one of the few companies who had been taking up PPP projects even before this time. The Delhi Noida Direct flyway a world class infrastructure project developed by IL&FS on a PPP framework was one of the benchmark project set up way back in 2001.

The real boost to the PPP Projects came with the Golden Quadrilateral Program in the highway sector. India today is the world's largest market for PPP Project and there has been a host of successful PPP Projects in almost all sectors of the infrastructure

Having said that, PPP remains only a small percentage of the overall investment in the infrastructure sector and there remains substantial untapped potential to increase the investment. Power, Telecom, Railways, Health, Smart Urban Infrastructure are just some of

INTERVIEW

the sectors which can be tapped significantly.

One of the key impediments to attracting private participation in infrastructure projects has been the absence of a focused and rigorous project development framework. This leads to issues and disputes during the implementation process which delays projects significantly and also has significant cost implications. To attract quality investors, a strong dispute resolution process and continuity in policy irrespective of political changes are important. The selection process also needs to be reviewed to ensure that only strong agencies having requisite qualification, expertise and resources are selected. Also the sector is suffering from non availability of long terms fund which calls for innovative approach.

Q As a member of this Institute, what do you feel the Institute should do to initiate associations and tie-ups for Industry-Institute interface?

Istrongly believe that interface with the industry is critical for the Institute. This could be achieved in several ways. Our Institute needs also to contribute to nation building and we should collaborate both with the industry as well as with the Governments in developing policy suggestions in various areas of development. These interactions should be on a wide range of areas and not only confined to Cost or Management Accountants.

The power of involving the alumni in developing any institution cannot be understated. A process of identifying alumni and involving them in the development of the Institute should be put in place.

Intensive programs under resourceful persons from the industry should be carried out for both students and faculties.

Q Cost and Management Accountants can play an important role in forecasting and management of risk in infrastructure projects. Please suggest in what ways CMAs may offer their expertise more effectively in this quest?

Iam glad you mentioned this. There are many areas where CMAs can contribute effectively. This is only one of many. However this will require a bit of focused skill development.

Management of Risks in Infrastructure sector which

suffers from a high level of uncertainty and is also subject to a large number of extraneous factors is complex and critical. The Risk Management Process involves identification of risks, assessment of the same, developing risk response and monitoring and control. There are several well established tools for risk management. One needs to have the capability to analyse and quantify risks at all stages of the project and develop prompt and effective response strategies. One would need to develop sound critical and analytical skills, strong communication skills, problem solving ability, ability to develop contingent plans etc in addition to the subject knowledge. The ability to spot a potential risk is critical. The Institute would be well advised to offer short terms courses based on case studies and real life simulation.

Q As a token of advice to our young CMA achievers, kindly mention at least 3 qualities that they must possess to excel in their career.

Today we are in a knowledge based economy where the value of an organization is based on the intellectual resources that it has rather than on its physical or financial assets. So every single person in an organization is important. To therefore succeed one needs to continuously develop and sharpen ones knowledge base and skill sets. Do not stagnate. Once you stop learning, its all over. Also you need to push yourself continuously and raise the bar of performance.

To excel critical soft skills such as communication, leadership, strategic management, risk management and a never say die attitude are as important as the traditional skills of accounting and management. So do focus on developing these skill sets as well.

To excel, one needs to be passionate in what you are doing. This alone can sustain a person to achieve year after year. The infrastructure sector in which we work are full of challenges and my team members all work under some very difficult conditions. Yet the kick of a project actually materializing is what we work for and what keeps us going.

Lastly take ownership in whatever you are doing. Believe in yourself and the Institute. Have pride in the institute and contribute to its development.