

Oct - Dec, 2015

Quarterly Infrastructure Finance Review



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Acronyms

<i>IPF</i>	<i>Infrastructure Project Financing</i>
<i>DFI</i>	<i>Development Finance Institution</i>
<i>QoQ</i>	<i>Quarter-on-Quarter</i>
<i>YoY</i>	<i>Year-on-Year</i>
<i>PG</i>	<i>Power Generation</i>
<i>O&G</i>	<i>Oil and Gas</i>
<i>RB&F</i>	<i>Road, Bridge & Flyover</i>
<i>PT</i>	<i>Power Transmission</i>
<i>WSS</i>	<i>Water Supply & Sanitation</i>
<i>NPLs</i>	<i>Non-Performing Loans</i>
<i>FY</i>	<i>Fiscal Year</i>
<i>LPG</i>	<i>Liquefied Petroleum Gas</i>

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1. Infrastructure Finance Overview

Banks and Development Finance Institutions (DFIs) have provided a major part of the credit for financing infrastructure projects in the private sector. The Quarterly Infrastructure Finance Review (Oct-Dec, 2015) is prepared based on quarterly data received from banks and DFIs. It includes infrastructure projects financed by banks & DFIs, as defined in the IPF Guidelines (Box 1). An analysis of the infrastructure financing portfolio of banks & DFIs for Q2 of FY-16 depicts the following trends.

At the end of Dec-15, amount outstanding against infrastructure sectors reached Rs 354 billion, witnessing growth of Rs 19.8 billion or 5.9% as compared to the preceding quarter (Jul-Sept, 2015). This increase was largely observed in the power generation, roads, telecom and oil & gas sectors whereas, a 2.4% decline in outstanding amount was observed in power transmission sector.

The amount of Non-performing loans (NPLs) decreased during the quarter by 2.5%, and by 3.9% on YoY basis

During the quarter (Oct-Dec, 2015) banks & DFIs disbursed Rs 25.2 billion to various infrastructure sectors, which is higher by Rs 13.7 billion compared to the previous quarter.

Although infrastructure financing is predominantly skewed towards the power generation sector, consuming nearly 63% of the Rs. 354 billion outstanding at the end of Dec-15, other sectors like petroleum, oil & gas and roads have recently seen a surge in financing, which is a positive sign for development of these sectors.

Box 1: Infrastructure Project Finance Guidelines

SBP's Infrastructure Project Finance Guidelines define Infrastructure projects as one of the following:

- a. *A road, including toll road, fly over, bridge project;*
- b. *A mass transit, urban bus, urban rail project;*
- c. *A rail-bed, stations system, rail freight, passenger services project;*
- d. *A telecommunication local services, long distance and value added project;*
- e. *A power generation project;*
- f. *A power transmission or distribution project by laying a network of new transmission or distribution lines;*
- g. *A natural gas exploration and distribution project,*
- h. *An LPG extraction, distribution and marketing project;*
- i. *An LPG import terminal, distribution and marketing project;*
- j. *An LNG (Liquefied Natural Gas) terminal, distribution and marketing project;*
- k. *A water supply, irrigation, water treatment system, sanitation and sewerage system or solid waste management system project;*
- l. *A dam, barrage, canal project;*
- m. *A primary and secondary irrigation, tertiary (on-farm) irrigation project;*
- n. *A port, channel dredging, shipping, inland waterway, container terminals project;*
- o. *An airport;*
- p. *A petroleum extraction, refinery, pipeline project;*
- q. *Any other infrastructure project of similar nature, notified by SBP.*

The following sections present outstanding portfolio, disbursements, number of projects, non-performing loans, amount sanctioned, and sectoral share of Banks & DFIs in Infrastructure Project Financing (IPF).

Table A: Infrastructure Project Financing Portfolio of Banks & DFIs

(Amount in Billion Rupees)				% Change	
	Dec-14	Sept-15	Dec-15	QoQ	YoY
Amount Outstanding	297.8	334.0	353.9	5.9%	18.8%
NPLs	16.1	15.9	15.5	-2.5%	-3.9%
Quarterly Disbursements	27.8	11.5	25.2	119.4%	-9.3%
Cumulative Disbursements	367.7	395.3	435.7	10.2%	18.5%
Total Sanctioned Amount	591.2	640.0	676.1	5.7%	14.4%

YoY - Year on Year

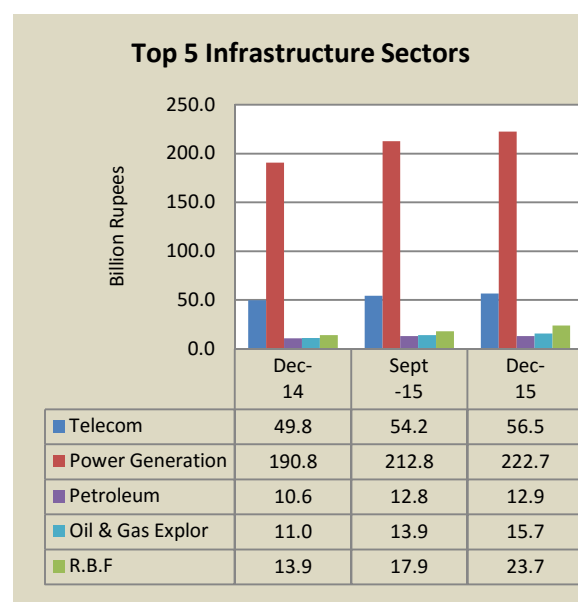
2. Outstanding Portfolio

The total amount outstanding, against infrastructure finance, at the end of Dec-15 has reached Rs 354 billion, recording an increase of 5.9%, when compared with Rs 334 billion at the end of Sept-15. Infrastructure Project Financing (IPF) portfolio of banks & DFIs has witnessed growth for the past two years and a turnaround has been seen since December 2013.

Telecom, power generation, roads and oil & gas sectors have noticed a growth in outstanding portfolio on QoQ basis. Following is the list of top infrastructure sectors where lending has been made by banks/DFIs:-

- Power Generation (PG)
- Telecom
- Road, Bridge, Flyover (RBF)
- Oil & Gas (O&G) Exploration/Distribution
- Petroleum
- Power Transmission (PT)
- Other sectors

On YoY basis, outstanding amount increased by Rs 56 billion or 18.8%. Most of the sectors witnessed growth in outstanding financing.

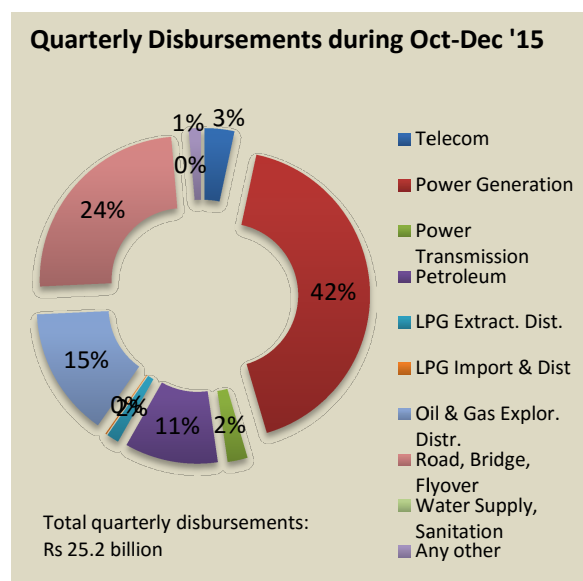


3. Non Performing Loans

Total amount of non-performing loans (NPLs) decreased by 2.5% during the quarter to reach Rs 15.5 billion whereas on yearly basis NPLs decreased by 3.9%.

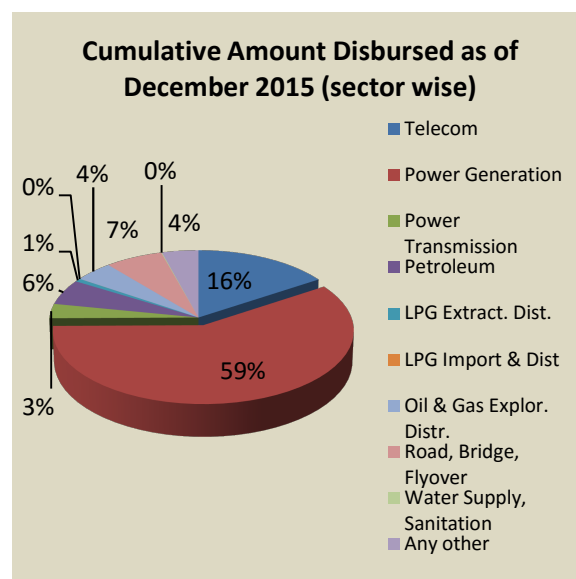
4. Disbursements

Disbursements during the quarter reached Rs 25.2 billion, which is higher compared to previous quarter. The disbursements during previous quarter were Rs 11.5 billion. The sectors where disbursements were mainly made during the quarter include power generation, RB&F, O&G, petroleum sectors. The figure below shows share of different sectors in quarterly disbursements during Oct-Dec, 2015.



The cumulative amount disbursed as of Dec-15 increased by 10.2% on quarterly basis and by 18.5% on yearly basis.

At the end of Dec-15, the cumulative amount disbursed to all infrastructure sectors reached Rs 435 billion, of which 59% was in PG sector followed by telecom sector with 16% share (see figure).



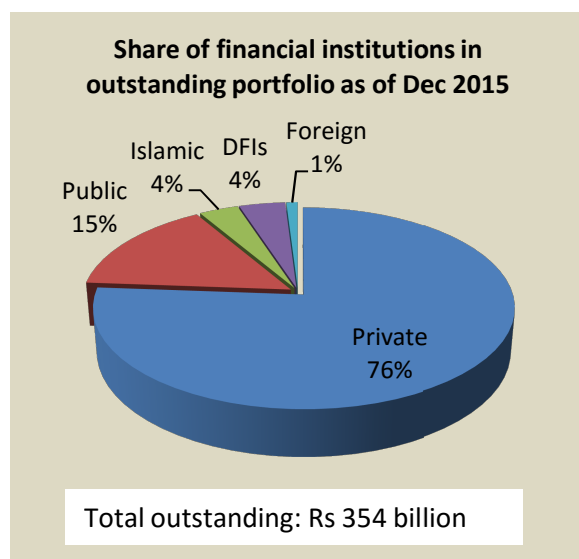
5. Amount Sanctioned

At the end of the period under review, the total amount sanctioned by Banks & DFIs for infrastructure projects increased from Rs 623 billion to Rs 640 billion, recording a growth of 2.7% compared to the previous quarter. A similar trend was observed when compared on yearly basis, where a 16% increase was observed.

The sectors witnessing growth in sanctioned amount during the quarter are telecom (1.5%), power generation (4.5%), petroleum (31%) and R.B.F. (35%).

6. Banking-sector wise share

The institutional share in outstanding portfolio has largely remained the same with a large share resting with private sector banks followed by public sector banks (Figure below). Islamic banks' share in total outstanding amount has increased to reach 4%.



Infrastructure financing portfolio of banks & DFIs has shown encouraging growth since December 2013 when it was at Rs 255 billion. Although major share of infrastructure financing is in the power generation sector (63% of Rs. 354 billion outstanding at the end of Dec-15), other sectors like petroleum, oil & gas and roads have recently seen an increase in financing as well. Furthermore, sectors like aviation, water supply, irrigation and railroad also present investment potential with long term benefits for the economy.

Annexure

Table B: Infrastructure Project Financing Profile over the years							
(Amount in Rs. Billions)	Periods						
	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15
Amount Outstanding	275.9	298.5	265.5	289.3	255.2	297.8	353.9
NPLs	8.2	10.4	17.1	17.5	19.4	16.1	15.5
Disbursements (Cumulative-As on)	251.1	349.0	356.2	356.3	351.9	367.7	435.7
Total Sanctioned Amount	496.5	520.3	482.6	493.5	502.9	591.2	676.1