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Quarterly Infrastructure Finance Review

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Table of Contents

1. Infrastructure Finance Overview	1
2. Outstanding Portfolio	1
3. Non Performing Loans	2
4. Disbursements	2
5. Amount Sanctioned	2
6. Banking-sector wise share	3
Annexure.....	4

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

Infrastructure projects have recently seen increase in financing from Banks and Development Finance Institutions (DFIs). The Quarterly Infrastructure Finance Review (Apr-Jun, 2016) is prepared based on quarterly data received from banks and DFIs. It includes infrastructure projects financed (both fund & non-fund based) by banks & DFIs, as defined in the IPF Guidelines (box 1). An analysis of the infrastructure financing portfolio of banks & DFIs for Q4 of FY-16 depicts the following trends:

At the end of Jun-16, amount outstanding against infrastructure sectors reached Rs 417.8 billion, witnessing growth of Rs 37.6 billion or 9.9% as compared to the preceding quarter (Jan-Mar, 2016).

Non-performing loans (NPLs) as a percentage of Gross Outstanding increased from 3.23% to 3.32%, QoQ basis and decreased from 5.06% to 3.32% on YoY basis.

During the quarter (Apr-Jun, 2016) banks & DFIs disbursed Rs 53.2 billion to mainly power generation, telecom, oil & gas, power transmission, petroleum and road infrastructure sectors.

Although infrastructure financing is predominantly skewed towards the power generation sector, consuming nearly 61% of the Rs 417 billion outstanding at the end of Jun-16, 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, non-performing loans, disbursements, 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	
	Jun-15	Mar-16	Jun-16	QoQ	YoY
Amount Outstanding	328.7	380.2	417.8	9.9%	27.1%
NPLs	16.63	12.28	13.9	12.9%	-16.7%
NPLs as % of Amount Outstanding	5.06%	3.23%	3.32%		
Disbursements during the Quarter	20.45	20.17	53.2	164.0%	160.4%
Cumulative Disbursements	393.9	468.4	518.8	10.8%	31.7%
Total Amount Sanctioned	623.0	814.2	1024.4	25.8%	64.4%

YoY - Year on Year
 Note: Corrections made in figures for Mar-16

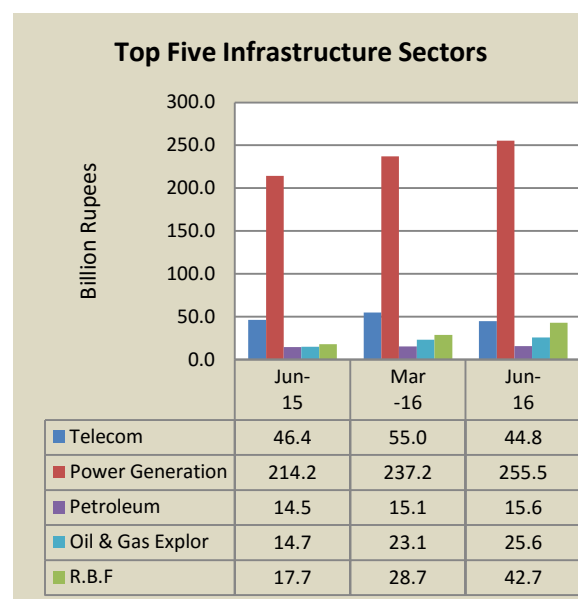
2. Outstanding Portfolio

The total amount outstanding, against infrastructure finance, at the end of Jun-16 reached Rs 417.8 billion, recording an increase of 9.9%, when compared with Rs 380.2 billion at the end of Mar-16. Infrastructure Project Financing (IPF) portfolio of banks & DFIs has witnessed substantial growth since December 2013.

Power generation, power transmission, roads, oil & gas and petroleum 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:-

- a) Power Generation (PG)
- b) Telecom
- c) Road, Bridge, Flyover (RBF)
- d) Oil & Gas (O&G) Exploration/Distribution
- e) Petroleum
- f) Power Transmission (PT)
- g) Other sectors

On YoY basis, outstanding amount increased by Rs 89 billion or 27%. Most of the sectors witnessed growth in outstanding financing.

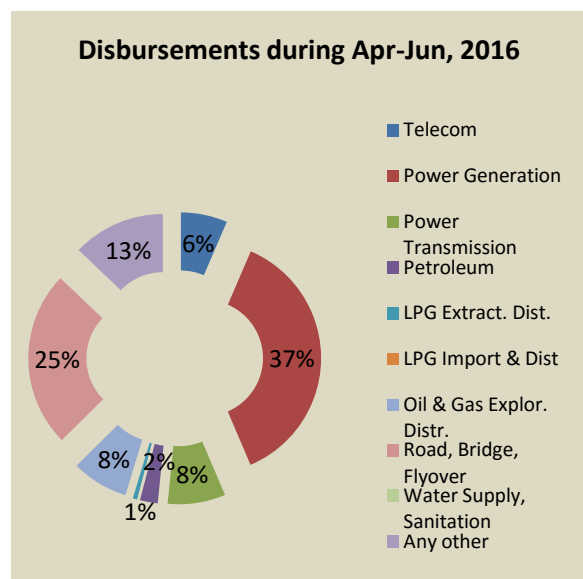


3. Non Performing Loans

Non-performing loans (NPLs) as a percentage of Gross Outstanding increased from 3.23% to 3.32%, QoQ basis and decreased from 5.06% to 3.32% on YoY basis.

4. Disbursements

Disbursements during the quarter reached Rs 53.2 billion, which is two and half times more compared to the previous quarter and for the same period last year. The sectors where disbursements were made during the quarter include power generation, telecom, oil & gas, power transmission, petroleum and road infrastructure sectors. The figure below shows share of these sectors in quarterly disbursements during Apr-Jun, 2016.

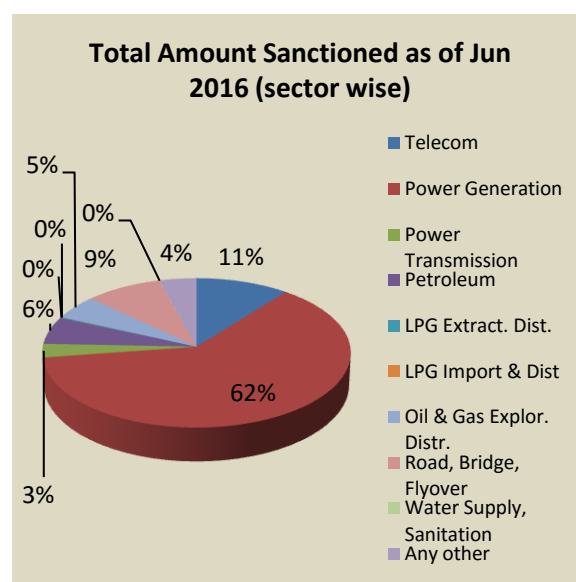


The cumulative amount disbursed as of Jun-16 increased by 10.8% on quarterly basis and by 31.7% on yearly basis.

5. Amount Sanctioned

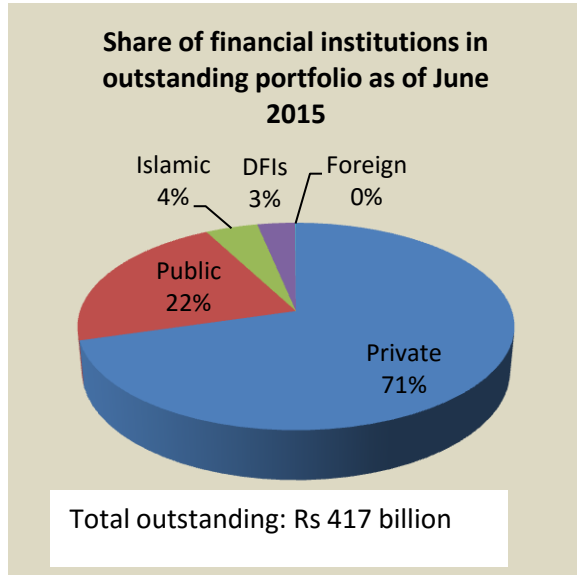
At the end of the period under review, the total amount sanctioned by Banks & DFIs for infrastructure projects reached an all time high of Rs 1,050 billion, recording a growth of 26% compared to the previous quarter. A similar trend was observed when compared on yearly basis, where a 64% increase was observed.

The sectors witnessing growth in sanctioned amount during the quarter are power generation, power transmission, O&G and R.B.F.



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).



Infrastructure financing portfolio of banks & DFIs has shown encouraging growth since December 2013 when it was at Rs 255 billion.

Annexure

Table B: Infrastructure Project Financing Trend Over the Years

(Amount in Rs. Billions)	Periods						
	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Jun-16
Amount Outstanding (as on)	298.5	265.5	289.3	255.2	297.8	368.4	417.8
NPLs (as on)	10.4	17.1	17.5	19.4	16.1	14.11	13.9
Yearly Disbursements (Jan – Dec)	-	-	-	51.2	76.6	76.4	74.0*
Disbursements (Cumulative-As on)	349.0	356.2	356.3	351.9	367.7	453.2	518.8
Total Sanctioned Amount (as on)	520.3	482.6	493.5	502.9	591.2	706.9	1024.4
<i>*disbursements for the period Jan-Jun, 2016</i>							