

Infrastructure: the bridge between India today and India tomorrow



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Can you put down the list of facilities that you use in your every day life? Electricity, roads, railways, bridges, etc. are some of them, right? Now imagine life without these facilities - seems like a nightmare doesn't it?

When your own life is so dependent on these infrastructure facilities, imagine how a country would run in the absence of these basic requirements. In fact, strong infrastructure is extremely critical for the growth of any country - especially an emerging country like India.

Read on to know why India's infrastructure is likely to undergo a sea-change and how you can benefit from this change.

Is this the right time to invest in infrastructure?

Going by the general sentiment and the number of recent updates about the infrastructure sector, this could be one of the best times to invest in the sector. The reasons are many and compelling:

Political stability: A stable government with focus on reforms could trigger recovery in the infrastructure sector leading to potential growth in the earnings of infrastructure companies. Going by the recent announcements, the new government seems to have made a good beginning. Here are some of the key announcements:

- Build 100 new cities as satellite towns of larger cities and modernise existing mid-sized cities

- Modernising existing ports and developing new, world-class ports - 16 new port projects are proposed to be awarded this year with a focus on port connectivity

- Launch of new airports in Tier I and Tier II cities

- Modernise railways and launch of a diamond quadrilateral project for high speed trains

Moreover, the recent agreements signed with Japan and China could facilitate investments of over USD 50 billion give a further boost to the government's efforts.

Economic recovery: India appears to be moving up the economic recovery path with higher GDP growth, improved business sentiment and better corporate performance all of which would spur investments. With macroeconomic indicators like the Current Account Deficit and inflation showing favourable trends in the recent months, Indian economy looks well set to regain its shine.

Valuations of infrastructure companies: Infrastructure stocks have been out of favour for some time now. During the economic downtrend of the past couple of years or so, the infrastructure sector did not receive much of investors' attention and hence languished. Though many companies in this sector had

a robust business model, regulatory clearances and high financing costs were holding back their performance. With the new government according high preference to provide quicker regulatory clearances and with cost of funding likely to diminish when the interest rates are reduced, these infrastructure companies have the potential to catch up fast with the changed business scenario and investors are likely to benefit from it.

Peaking interest rates : High interest rates have always been a problem for the capital intensive infrastructure sector. The high rates were in response to high inflation which remained sticky for a few years. But now that inflation has stabilised, it is expected that interest rates will not go higher but in fact, will start coming down slowly over the next few quarters. With this, funding could become cheaper for this sector and change the fortune of the players for the better.

So how can you benefit from the potential growth of India's infrastructure sector?

Presenting the L&T Infrastructure fund - positioned to capitalise on India's infrastructure growth

The [L&T Infrastructure Fund](#) is a theme based fund which predominantly invests in stocks and sectors that are likely to benefit from country's infrastructure growth. The fund is agnostic to style and market capitalisation and typically holds a diversified portfolio spread across various sectors within the infrastructure space. It provides long-term investors an opportunity to benefit from India's structural infrastructure growth.

Given the potential that the India's infrastructure sector offers and the Government's increased focus on providing necessary stimulus to the sector, we believe this fund has a strong potential to deliver significant alpha over the next few years, albeit at a relatively higher risk. We believe this fund could easily complement the core fund holdings in investor's portfolio and has strong potential to provide boost to investor's overall portfolio returns.

To invest in the L&T Infrastructure fund [click here](#).