

# Cabinet authorises NHAI to set up Infrastructure Investment Trust and monetize National Highway projects

The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has given its approval to the proposal of Ministry of Road Transport and Highways, authorizing National Highways Authority of India (NHAI) to set up Infrastructure Investment Trust(s) (InvIT) as per InvIT Guidelines issued by SEBI. This will enable NHAI to monetize completed National Highways that have a toll collection track record of at least one year and NHAI reserves the right to levy toll on the identified highway.

## **Impact:**

InvIT as an instrument provides greater flexibility to investors and is expected to create the following opportunities:

- Generation of specialized O&M Concessionaires.
- Attract patient capital (for say 20-30 years) to the Indian highway market, as these investors are averse to construction risk and are interested in investment in assets which provide long-term stable returns.
- Retail domestic savings and corpus of special institutions (such as mutual funds, PFRDA, etc.) to be invested in infrastructure sector through InvIT.

## **Background:**

Roads and highways are the lifeline of the economy, connecting remote and far-flung areas and ensuring efficient transportation on regional as well as pan-India basis. Development of National Highways has a multiplier effect in terms of facilitating trade and enhancing the overall economic development of a region.

In October 2017, Government of India launched Bharatmala Pariyojana, which is the flagship highway development programme of Government of India for development of 24,800 km of roads for a total investment of Rs. 5,35,000 crore.

Given the magnitude of the Bharatmala program, NHAI would need adequate funds to complete the Projects within the prescribed timelines. As a part of this exercise, a workable option is to monetize the completed and operational NH assets to unlock their value and offer attractive schemes to private players to invest in construction of National Highways.

### **Implementation:**

Using new and innovative financing vehicles has become inevitable for organisations like NHAI that have limited existing sources of funds. The then Finance Minister, in his Budget Speech of year 2018-19, had stated that NHAI may consider organizing its road assets into Special Purpose Vehicles and use innovative monetizing structures such as Toll, Operate and Transfer model and Infrastructure Investment Trusts (InvITs).

Based on the learning and experience, NHAI has been actively working on setting up an InvIT to monetize its completed and operational national highways projects with the objective of mobilizing additional resources through capital markets.

NHAI's InvIT will be a Trust established by NHAI under the Indian Trust Act, 1882 and Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014. The InvIT Trust will be formed with an objective of investment primarily in infrastructure projects (as defined by Ministry of Finance). InvIT may hold assets either directly or through an SPV or a holding.

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