

# CABINET APPROVES ASSET MONETIZATION OF SUBSIDIARIES OF POWER GRID CORPORATION OF INDIA LIMITED THROUGH INFRASTRUCTURE INVESTMENT TRUST

Relevant for: Indian Economy | Topic: Infrastructure: Energy incl. Renewable & Non-renewable

The Cabinet Committee on Economic Affairs, chaired by Prime Minister Shri Narendra Modi, in a path breaking reform, has approved monetisation of assets of POWERGRID, a Public Sector Undertaking (PSU) under Ministry of Power, through Infrastructure Investment Trust (InvIT) model. This is the first time any PSU in Power Sector will undertake asset recycling by monetising its assets through the InvIT model and using the proceeds to fund the new and under-construction capital projects.

This approval would help POWERGRID to monetise in the first lot, assets with gross block value of more than 7000 crore. These assets, which are mainly High Voltage Transmission lines and substations, are held by POWERGRID in form of Special Purpose Vehicles (SPVs). The proceeds from the asset monetization would be deployed by POWERGRID in their new and under-construction projects.

## Background

POWERGRID, a public limited company under the administrative control of the Ministry of Power, Government of India, started its commercial operation in the year 1992-93 and is today, a Maharatna company, engaged in the business of power transmission. The Company, along with its wholly owned subsidiaries acquired through the Tariff Based Competitive Bidding (TBCB) process, owns and operates a pan India transmission network. The Company meets its fund requirement for its Capital Expenditure (CAPEX) through its internal accruals and debt.

The Budget 2019-20 emphasized investment led growth and indicated that new and innovative financial instruments including Infrastructure Investment Trusts (InvITs), have been launched as part of the brown field asset monetization strategy for augmenting infrastructure investment.

The Cabinet Committee on Economic Affairs has accorded approval to the POWERGRID to monetise transmission assets held in SPVs through InvIT model. The asset monetisation through InvIT by POWERGRID is a first for the Power Sector PSU. The proceeds from the asset monetization would be utilized by POWERGRID for its CAPEX and the premium generated would augment the net worth of POWERGRID.

In the first block, POWERGRID would monetize assets with gross block of more than Rs 7000 crore. Based on the experience gained, further monetization shall be carried out in future.

Asset recycling is a key strategy of the Government of India to release the capital invested in operational assets and the proposed InvIT of POWERGRID would attract both domestic as well as global investors including Sovereign Wealth Funds. Sale of assets to InvITs is a way of accessing long term, relatively cheap finance required to fund infrastructure projects in Transmission Sector. The CAPEX plan of POWERGRID for next two years (2020-21 and 2021-22) is Rs. 20,500 cr. The Government of India has enacted an enabling regulatory and taxation framework for InvITs and the proposed InvIT by POWERGRID would deepen this market.

The InvIT would provide an opportunity to the general public and institutional investors such as Pension Funds, Mutual Funds, to benefit from this investment opportunity and participate in the growth of Indian Infrastructure Sector.

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VRRK/AKP

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