

Private InvITs can now bid for highway projects

Only private sector InvITs can bid in auction for completed road projects

Subhash Narayan

subhash.narayan@livemint.com

NEW DELHI: The Centre will auction completed road projects directly to private sector InvITs to encourage higher participation from global investors in India's infrastructure development programme, two people aware of the matter said.

In a policy shift, completed and revenue-generating highways under the toll-operate-transfer (ToT) mechanism will be directly and exclusively auctioned to private InvITs, the people said. Private-sector highway developers and funds such as sovereign wealth funds will not be allowed to participate in the auctions.

Earlier, such road projects were offered only to state-owned National Highways Authority of India's InvIT, the National Highways Infra Trust (NHIT). In the proposed system, once a road project or highway bundle is won by a private InvIT in a bidding process, it would mobilize global investments by offering subscriptions of its units, one of the two persons



The projects up for monetization next fiscal year are yet to be identified.

HT

quoted above said on condition of anonymity.

An InvIT or infrastructure investment trust is a pooled investment vehicle—similar to a mutual fund—that is used for development of infrastructure projects such as highways.

"InvITs play a critical role in channelizing financial capital into the further development of Indian roads sector. And its basket needs to expand now given that increasing number of projects are coming up for monetisation," the first person cited earlier said.

The projects up for monetization next fiscal year are yet to be identified.

"With highways already attracting private-sector developers—some with global fund

participation—for operation and maintenance contracts of ToT projects, provision of such highways to InvITs would be a logical extension and would provide options for better valuation under a competitive process," said an official of the ministry of road transport and highways (MoRTH), also requesting anonymity.

The official added that NHAI has been asked to carve out road bundles that could be auctioned to private InvITs in the next financial year (2024-25) once a new government takes office at the Centre after the general elections.

Queries sent to the road ministry remained unanswered till press time.

According to ICICI Direct, as

of December 2023, there are only 22 InvITs in India even though Sebi launched InvITs in 2014. Some of these are Cube Highways Trust, India Infrastructure Trust, IRB Infrastructure Trust, and IndInfra Trust. Most of these InvITs either directly participate in the auction of ToT projects that are open for all (developers, InvITs, fund houses, etc.) or get projects that are transferred by their parent highway development companies. There is no separate window for InvITs to acquire completed road projects.

"Some existing listed private InvITs are directly participating in the ToT bids by NHAI; having a bid where ToTs are exclusively offered to InvITs will probably reduce competition as developers and funds (such as sovereign wealth funds) would not be able to participate in such bids," said Maadhav Poddar, Partner—Infrastructure Practice, EY India.

"Having said that, given that the cost of capital for InvITs is likely to be lower compared to developers and funds, the money generated on such bids may be comparable to the existing ToT bids. Secondly, such a structure will obviate the need for developers/ funds to first acquire the ToT bundles and then flip into InvITs," Poddar added.